

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

TRANSCRIPT OF PROCEEDINGS

EVIDENTIARY HEARING

In the Matter of)
Missouri-American Water)
Company's Request for) File No. WR-2024-0320
Authority to Implement a)
General Rate Increase for)
Water and Sewer Service)
Provided in Missouri Service)
Areas)

THURSDAY, MARCH 6, 2025

9:00 a.m. - 5:40 p.m.

Governor Office Building
200 Madison Street
Jefferson City, Missouri 65101

VOLUME 10

KEN SEYER, Presiding
REGULATORY LAW JUDGE

KAYLA HAHN, Chair
MAIDA J. COLEMAN,
GLEN KOLKMEYER,
JOHN MITCHELL,
COMMISSIONERS

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1 Proceedings began at 9:00 a.m.

2 JUDGE SEYER: All right. Let's go on the
3 record. Good morning. Today is March 6th, 2025.
4 The time is nine o'clock a.m. This is a continuation
5 of the evidentiary hearing regarding Missouri-
6 American Water Company's Request for a General Rate
7 Increase for its Water and Sewer Services. It's
8 Commission File No. WR-2024-0320.

9 Before we get into evidence today, I do
10 want to state on the record that the original hearing
11 schedule had us taking up Universal Affordability
12 Tariff as the first issue today. We will not do
13 that. We will take up Revenue Stabilization
14 Mechanism first. There's a possibility that
15 Universal Affordability Tariff may be part of a
16 partial stipulation agreement. And there are also
17 the possibility that two other issues may be also be
18 part of that stipulation agreement. Am I stating
19 that correctly?

20 MR. COOPER: I think probably one other
21 issue.

22 JUDGE SEYER: Okay.

23 MR. COOPER: At this point.

24 JUDGE SEYER: Okay. All right. And
25 let's see. Staff of the Commission has new counsel

1 at the table, so if you would enter your appearance
2 for the record.

3 MS. ASLIN: Casi Aslin for Commission
4 Staff.

5 JUDGE SEYER: Thank you. All right. So
6 I would assume that the parties would like to make
7 opening statements on Revenue Stabilization
8 Mechanism. So if the Company would like to do that,
9 you may proceed.

10 MR. KILE: Thank you, your Honor, and may
11 it please the Commission. My name is Nicholas Kile.
12 I'm with the law firm of Barnes & Thornburg. It's a
13 pleasure to be here in Jefferson City with you here
14 today this morning.

15 My opening on the RSM will be brief
16 because it really is a fairly straightforward issue.
17 We have a statute. I'm going to quote from it.

18 **A water corporation may make an**
19 **application to approve rates authorizing periodic**
20 **rate adjustments to ensure revenues billed equal to**
21 **revenue requirement due to any revenue variation**
22 **resulting from increases or decreases in usage.**

23 **Now, admittedly, and I think everyone**
24 **here would agree, you have the discretion whether to**
25 **approve such an application, but we can't lose site**

1 sight of the fact that the legislature has given you
2 that power to approve that application. They didn't
3 pass this statute intending it not to be used.

4 The arguments that we hear against the
5 proposed RSM are largely arguments against the
6 statute. The standard for approval of an RSM is not
7 whether the concept of an RSM is good or needed or
8 appropriate. That question has already been answered
9 by the legislature. The question is whether -- the
10 question is when and how you choose to use the power.
11 The question is not whether the lack of an RSM
12 resulted in insufficient funds to provide safe and
13 adequate service or to earn a sufficient return on
14 equity. That language is not in the statute. It is
15 not a test that the legislature has passed.

16 As I said, you have the discretion to
17 approve or reject an application for an RSM when it
18 is properly presented to the Commission, but we must
19 keep in mind that you have been given the power to
20 approve that application.

21 The other question that surrounds the RSM
22 is should we offset for incremental production costs.
23 We all know that -- that for every gallon of water
24 that is sold, there is a cost that is incurred to
25 treat that gallon and to get it pumped to the

1 customer. Usually consists for the most part of
2 chemical costs and purchase power. The objective,
3 and let's remember from the statute, the objective
4 from such a mechanism is to assure the utility is
5 recovering its revenue requirement, which may vary
6 based upon these variations in usage. If we don't
7 recognize that there is an incremental cost of
8 production of that variation in usage, then we are
9 not going to be assuring recovery of that revenue
10 requirement.

11 And the parties have all focused on the
12 scenario of what do we do if we actually sell more
13 water than is assumed in the revenue requirement in
14 this case. You know, how do we have a prudence
15 review of that incremental production cost. Well,
16 let's flip that around on the other side and let's
17 assume we sell less water than is assumed in the
18 revenue requirement. The other parties would have us
19 believe that we should only adjust the revenues and
20 not factor into that the reality that we didn't incur
21 the cost to produce those lost sales. And that
22 wouldn't make any sense. The legislature wouldn't
23 have enacted that sort of mechanism that would have
24 us recover revenues without recognizing that we
25 didn't incur costs. Well, that door has to swing

1 both ways. And so for that reason, it is natural, it
2 is critical to the workings of the statute or to the
3 workings of the mechanism that we reflect the
4 incremental change in production costs that relates
5 to those changes in sales.

6 I'm happy to answer questions, but we
7 also have Mr. Rea here who is far more versed on the
8 mechanism.

9 JUDGE SEYER: Chair Hahn, do you have a
10 question?

11 CHAIR HAHN: First, if you'll indulge me,
12 happy birthday, Judge Seyer. We didn't know we'd be
13 making him sit through a rate case on his birthday,
14 but we sure do appreciate him here at the Commission.

15 QUESTIONS

16 BY CHAIR HAHN:

17 Q. But then secondly, since you focused on
18 the statute this morning, the second example you just
19 gave was under and overselling of your commodity,
20 water. But the statute also has a true-up. Right?

21 A. Yes.

22 Q. Over and undercollections. And then also
23 yesterday in, it was on the ROE discussion, there was
24 some discussion I would say, minimal, on risk and the
25 statute does also say in subsection eight, The

1 Commission may take into account any change in
2 business risk.

3 Who -- would your witness be able to talk
4 about the change in business risk experienced by
5 Missouri-American as resulting from implementing an
6 RSM?

7 A. Well, I believe what we heard yesterday
8 from Witness Bulkley was that the change in business
9 risk from the RSM has already been factored into the
10 analysis because her proxy group includes companies,
11 all of which have a similar mechanism. And so when
12 she is setting -- you know, when she's proposing the
13 range of ROE, that's already factored that in. I
14 don't know that we have a witness who could give you
15 Missouri-American's specific what does it do for them
16 because it's already -- the analysis has already been
17 done baking the RSM into the calculation.

18 Q. Would your witness be able to know how
19 many water companies and water companies alone, not
20 electric or gas so not talking about the proxy group,
21 that have an RSM?

22 A. I suspect so. Or at least a reasonable
23 estimate. I -- I don't want to speak for them, but I
24 do think -- he is quite knowledgeable about these
25 types of things, so.

1 CHAIR HAHN: Okay. Thank you.

2 JUDGE SEYER: All right. Thank you. All
3 right, Staff counsel like to present an opening
4 statement?

5 MS. ASLIN: Good morning and may it
6 please the Commission. My name Casi Aslin and I am
7 appearing on behalf of Commission Staff.

8 Missouri-American has now explained to
9 you what they view as the benefits of a revenue
10 stabilization mechanism or RSM. Now I would like to
11 speak about the disadvantages of an RSM. Missouri-
12 American states that the implementation of an RSM
13 will allow the Company to align its actual revenues
14 with the Commission-authorized revenues that result
15 from this rate case. At first glance this seems
16 reasonable. Why wouldn't we want a utility company
17 supplying a necessary service to Missouri's citizens
18 to have a stabilized level of revenue. Well, they
19 already do. Missouri-American's yearly revenues have
20 been trending up for the last decade. Missouri-
21 American's yearly revenue in 2014 was over 270
22 million. In 2023 it was over 450 million. And
23 Missouri-American has not presented any evidence to
24 show that this trend will change any time soon.

25 Simply put, Missouri-American is

1 attempting to turn authorized revenues into
2 guaranteed revenues. No matter the quality of
3 service provided or the amount of water delivered to
4 its customers, Missouri-American wants their
5 customers to supply an equal level of revenue.

6 Without an RSM Missouri-American is
7 incentivized to provide the best quality of service
8 to its customers and customers are incentivized to
9 conserve water and see that conservation reflected on
10 their bill without later seeing an RSM surcharge.

11 Missouri-American states that RSM results
12 in risk sharing between -- between customers and
13 ratepayers and they promote this risk sharing as a
14 benefit. In reality there is no shared risk, only
15 a guarantee of revenue to the Company. Without an
16 RS -- RSM Missouri-American is incentivized to find
17 efficiencies between rate cases. With an RSM that
18 incentive almost disappears because revenues are
19 guaranteed.

20 Staff would prefer the Commission not
21 approve an RSM. Once approved, an RSM will not go
22 away but the concept of making an adjustment for the
23 lowering of the risk to the utility will fade over
24 time so the ultimate result will be an RSM and a
25 higher ROE. For instance, the Commission has the

1 ability to look at the impact of an ROE due to the
2 fuel adjustment clause. Since the FAC is now baked
3 in, there is no review of the impact on the lowered
4 risk to the utility and the inclusion of an FAC
5 mechanism.

6 Further, although Missouri-American
7 Witness Bulkley did not admit to the lowering of risk
8 to the utility in her RSM testimony, Witness Rea does
9 acknowledge that there's a transfer of risk from the
10 utility to the customer. Thus, if the Commission
11 chooses to approve an RSM, it only makes sense for
12 there to be some acknowledgment of the shifting of
13 risk away from the utility. While a lower ROE is one
14 way, the Commission could also order capital
15 structure that is more consumer friendly, similar to
16 that proposed by Staff or OPC.

17 The Utility is granted an ROE because of
18 business risk. As risk is limited or reduced as
19 through an RSM, it should be recognized. The
20 consumers on the other hand do not have any mechanism
21 to compensate them for any risk. So it is an
22 asymmetrical mechanism that allows for risk to be
23 added to one party without any compensatory benefit.

24 Later this morning Staff witness Michael
25 Abbott will take the stand. I encourage you to ask

1 him any questions you have regarding Staff's position
2 on this issue and how it will negatively affect
3 ratepayers. Thank you and I am happy to answer any
4 questions you may have.

5 JUDGE SEYER: All right. Do the
6 commissioners have any questions? All right.

7 COMMISSIONER MITCHELL: Judge, I have
8 one.

9 JUDGE SEYER: Commissioner Mitchell.

10 COMMISSIONER MITCHELL: Commissioner
11 Mitchell.

12 QUESTIONS

13 BY COMMISSIONER MITCHELL:

14 Q. Are we aware in a past years if the
15 Company has been unable to collect their authorized
16 revenue? Has that been a problem in the past? Do we
17 know that?

18 A. I unfortunately do not have an answer to
19 that question.

20 Q. Is there a witness you're bringing forward
21 that might know that?

22 A. Possibly a Company witness. I am -- I am
23 not sure.

24 MR. COOPER: Commissioner, this is Dean
25 Cooper from -- on behalf of Missouri-American.

1 Mr. LaGrand, Missouri-American's witness, does have
2 testimony on that subject and would be able to ask --
3 answer those questions.

4 COMMISSIONER MITCHELL: I appreciate
5 that. Thanks.

6 JUDGE SEYER: Thank you, Ms. Aslin.
7 Mr. Coffman, would you like to present an opening
8 statement?

9 MR. COFFMAN: Yes, I do. Is it okay to
10 stay here or I'll -- I'm sorry, I'll -- no problem.

11 May it please the Commission, I can be
12 brief because I think Attorney Casi Aslin stated it
13 as well as I could have. The RSM is a concern
14 because it transfers risk to consumers. The result
15 is that rates go up faster. And even though an
16 individual customer might be able to make -- you
17 know, conserve on their water usage, the overall body
18 of customers are, in a sense, punished for
19 conserving. So if they use less, then the rate --
20 then everyone's rates go up later and that seems like
21 a perverse incentive. It reduces at least the reward
22 that customers expects when they conserve.

23 We also -- the RSM is complicated and has
24 some other unintended consequences. We have
25 testimony from an expert, Roger Colton, who's

1 available today remotely, and he goes into an
2 additional concern that we have about how the RSM
3 would impact low-income customers. So you could ask
4 him those questions. That's all I have.

5 JUDGE SEYER: All right. Mr. Coffman,
6 just to remind us, you are counsel for Consumers
7 Council of Missouri and AARP?

8 MR. COFFMAN: Yes. And Consumers Council
9 is sponsoring Roger Colton.

10 JUDGE SEYER: Do the commissioners have
11 any questions for Mr. Coffman? All right. Hearing
12 none. Thank you. Would any of the other Intervenors
13 like to present an opening statement? Mr. Opitz.

14 MR. OPITZ: Good morning. Happy
15 birthday, your Honor, and may it please the
16 Commission. The Company's asking for an over 40
17 percent increase and embedded within that is a 10.75
18 ROE. I understand from this morning that the Company
19 believes it is entitled to this RSM mechanism which
20 is a way that will allow the utility to charge more
21 from customers outside the full review of a rate
22 case. And it's my belief that this Company is not
23 going to stop asking for these mechanisms, for these
24 incredible requests for increases until the
25 Commission tells them no.

1 And here's five reasons why you should
2 say no to the RSM request. First, the Company has
3 shown that it has not been unable or had an
4 opportunity to earn its authorized ROE under
5 traditional ratemaking mechanisms. Second, the RSM
6 will unjustifiably expose customers to bill increases
7 without consideration of changes in cost of service.
8 Third, it fails to account for potential growth and
9 revenue and could eliminate the need for -- for
10 changes to customer bills. That could eliminate the
11 need for changes to customer bills. Fourth, changing
12 rates and customer bills should only be done through
13 a thorough analysis and review of the Company's
14 revenue collections and changes in cost of service to
15 ensure that their rates and related bills to
16 customers are just and reasonable. And fifth, to the
17 extent the Company seeks revenue stability, there are
18 less dramatic approaches that could be taken that
19 would fit within the traditional ratemaking process.

20 For these five reasons I urge you to
21 reject the RSM proposed in this case. I would note
22 that MCEG is sponsoring the testimony of Jessica York
23 on this issue. Just for clarity, I'm sure it'll come
24 up, she's also sponsoring testimony for another party
25 in this case. I believe on the RSM issue they're

1 total -- in total alignment. So I'm happy to answer
2 any questions to the extent I can, but as you can
3 expect, I'm more happy to defer those questions to
4 the expert, Ms. York, so.

5 JUDGE SEYER: Chair Hahn.

6 CHAIR HAHN: Yeah.

7 QUESTIONS

8 BY CHAIR HAHN:

9 Q. Sorry, Mr. Opitz. I was trying to write
10 the five reasons.

11 A. Sure.

12 Q. Can you help me with number one and half
13 of number two?

14 A. Sure. So these are all within the
15 testimony of Ms. York and within the position
16 statements I filed for MCEG. But the first one is
17 the Company has not shown that it has been unable to
18 earn or had the opportunity to earn its authorized
19 ROE under traditional ratemaking mechanisms.

20 And are you ready for number two? Number
21 two is the RSM will unjustifiably expose customers to
22 bill increases without consideration of changes in
23 cost of service.

24 CHAIR HAHN: Thank you.

25 JUDGE SEYER: Are there any other

1 questions from the commissioners? All right. Thank
2 you.

3 MR. OPITZ: Thank you.

4 JUDGE SEYER: Ms. Plescia, I apologize.
5 You are kind of out of my line of sight.

6 MS. PLESCIA: On purpose. No.

7 JUDGE SEYER: Would you like to make an
8 opening statement on behalf of your clients? If you
9 would, since you're here in person -- I believe you
10 were online yesterday.

11 MS. PLESCIA: Correct.

12 JUDGE SEYER: Okay. So if you would, in
13 case I forgot to have you enter your appearance, if
14 you -- could you do that?

15 MS. PLESCIA: Certainly. I'm Diana
16 Plescia representing the Missouri Industrial Energy
17 Consumers. I'm with the law firm Curtis Heinz
18 Garrett & O'Keefe and I'm appearing today on behalf
19 of the MIEC on class cost of service and rate design.

20 JUDGE SEYER: All right.

21 MS. PLESCIA: I just wanted to briefly
22 add to what Mr. Opitz said. I thought his -- his
23 arguments were very comprehensive. I just wanted to
24 focus on one thing. The legislature has enacted a
25 panoply of various mechanisms that the utilities can

1 use if they need to, and the RSM is one of those
2 things. However, I disagree with the Company's
3 counsel in his implication I believe that this has
4 been passed by the legislature, it's something the
5 legislature wants the Commission to do. I think it's
6 a tool in the toolbox for a utility that is unable to
7 make its authorized return or is struggling in some
8 way. I think the Commission can view it that way.

9 And I think that especially in the case
10 of Missouri-American where they're earning their
11 authorized return, there really is no need for this
12 mechanism at this time. And the Commission
13 ultimately has the discretion over this to look at
14 all relevant factors and looking at the total
15 circumstances in the case, I think certainly this is
16 not a case where the Commission would need to use its
17 discretion to apply that statute. And that's all I
18 have.

19 JUDGE SEYER: Any questions from the
20 commissioners? All right. Thank you. Mr. Clizer,
21 would you like to make an opening for the Public
22 Counsel.

23 MR. CLIZER: Sorry. I'm going to burden
24 you all with more handouts.

25 We good, Brian?

1 All right. Good morning once again. As
2 before, John Clizer on behalf of the Office of Public
3 Counsel. Going to give the opening argument
4 regarding rate stabilization -- or revenue
5 stabilization mechanism. So the very first thing I
6 want to touch on, and I'm glad to hear that the
7 counsel for the Company acknowledged this, the RSM is
8 not a guarantee. The statute itself clearly
9 indicates that the Commission is free to approve,
10 reject, or even modify what's been put forward by the
11 Company. Obviously I underline reject because the
12 OPC's position is to reject, but I would also
13 highlight modify. If there is something more to this
14 that you think you need to do, that's a component of
15 this as well.

16 I also want to just point out to you guys
17 that, again, no other water utility gotten this.
18 This has not been authorized by anybody else. And
19 the reason I'm focusing on that is just to remind you
20 all, this is a first. This is the first time that
21 you guys are going to be able, if you were to approve
22 it, it's the first time it will be approved for
23 anybody. So it becomes really important to think
24 about how the RSM would theoretically function, what
25 your goal is with it, because it's going to set the

1 stage for any future kind of RSM. Granted, it
2 currently has very few companies who could take under
3 it, but still the point remains. This is the first
4 so let's think about how the RSM is supposed to work.

5 And to start with that let's ask
6 ourselves a simple question. When should you approve
7 an RSM. Now, you heard a lot of testimony regarding,
8 you know, are they doing their authorized ROEs. I
9 think that's an important consideration here. But to
10 me when I look at the RSM, I think on a much simpler
11 term. I say that the -- the issue really is in the
12 name itself. The question before you is simply are
13 the Company's revenues stable or not, right. If
14 we're going to have a revenue stabilization
15 mechanism, that really only makes sense if we think
16 that their revenues are unstable.

17 And then here, I'm not going to read all
18 this out to you, this is the sort of paraphrased
19 version of the language. And you can see that the
20 whole schema of this statute is all about addressing
21 revenue variations.

22 So we start to look at ourselves and we
23 say, so how have Missouri-American Water's revenues,
24 you know, changed. Are they stable. And this graph
25 which is taken from the testimony of Staff witness

1 Mr. Abbott shows you Missouri-American Water has had
2 a very consistent revenue growth over the past
3 decade. And it's been driven by a pretty clockwork
4 series of rate cases and WSIRA filings. So in my
5 opinion I would argue that it's not an issue where we
6 have revenue instability.

7 And specifically I want to address,
8 because Commissioner Mitchell asked, Ms. Lena Mantle
9 directly addresses the issue of revenue variation
10 beginning on page 13 of her direct/rebuttal
11 testimony. And on page 14 even there's a very nice
12 table that lays out from 2017 to 2021 what was the
13 authorized rate case revenue, the build revenue, and
14 the variances. And you'll see that the percent
15 difference on that table -- I apologize; I didn't put
16 it in my slide -- is about .56 over that five-year
17 period. It's also worth noting that over that
18 five-year period that the Company actually overbilled
19 about \$8 million in total. So if this RSM was in
20 place, you would have actually had a return of money.

21 That being said, again, a .56 difference
22 over five years does not indicate a significant
23 variation in revenue that would kind of merit needing
24 to have an RSM. I also want to point out just very
25 briefly that it cuts off at 2021. The only reason

1 for that is because the Company hasn't been able to
2 provide us the additional data on it. We asked, and
3 they weren't able to. You can ask Ms. Lena for
4 follow-up questions on that.

5 The other thing to consider really, not
6 just in terms of the revenues but at a broader level
7 how the Company's been functioning. This kind of
8 gets a little bit into that ROE part you heard other
9 people talking about. In addition to having very
10 stable revenues, this company's had exceptionally
11 stable dividend growth. I mean, this is a company
12 who's had a consistent and high overall growth of its
13 dividends and it has been successful year after year
14 in meeting or exceeding its 7.9 percent compound
15 annual growth rate for earnings per share.

16 So again, this just comes back to the
17 idea this company is not hurting. This company is
18 not suffering at a moment and needs a revenue
19 stabilization mechanism in order to make itself
20 whole. It's doing just fine.

21 The other component to sort of add to
22 this, and you're going to see this graph come up in a
23 great more detail later, is the actual customer usage
24 that we're seeing. And this again ties into that
25 idea, are we seeing fluctuations in the revenue. And

1 we're not because we're not seeing fluctuations in
2 the usage. Over the past five years, the Company
3 usage has been fairly consistent and steady. Again,
4 I'm going to cover this way more detail with regard
5 to a later issue, so I'm going to kind of leave it
6 alone here. But the general gist of it's pretty
7 obvious.

8 Okay. So let's hypothetically accept for
9 a moment the Company isn't having revenue
10 instability. If the -- if that's the case, what does
11 the RSM give us. Well, basically all that it becomes
12 at this point is a guarantee of profit that's being
13 backed by the ratepayers, much like if you have a
14 guarantor for your loan. And what do ratepayers get
15 out of this. Well, first of all, they get risk
16 exposure. You know, if a large customer leaves the
17 system, all the other customers are going to have to
18 pick up the revenue that large customer was
19 providing. And this is important because Missouri-
20 American has a couple of very large water supply
21 customers who could potentially shift suppliers.

22 You also get an additional surcharge on
23 bills which, again, you know, there's already quite a
24 few surcharges. You heard the counsel for both MIEC
25 and MECG mention that.

1 And finally you get a punishment for
2 trying to reduce their own costs. This gets to that
3 conservation component. And I want to run through
4 that visually because I think it's really important
5 for people to kind of visually consider how that
6 works. So you're going to see the next couple of
7 slides here, they're just graphs. But let's just
8 assume we have five customers, right. And one of
9 those five customers decides that they're going to
10 reduce their usage. They're going to try and lower
11 their bill by reducing their usage. Well, what this
12 RSM would do is it would take the amount of money
13 that that customer was going to have to pay and would
14 effectively redistribute it amongst all the other
15 customers, including the one who had the
16 conservation.

17 So right now under this scenario it is
18 true that customer three, the one who reduced their
19 usage, is paying less than they would have, but they
20 still have to increase what they would have paid
21 because the RSM. At the same time the other four
22 customers are now having to subsidize the reduction
23 in usage that happened for customer three. And if
24 more customers start to reduce usage, the problem
25 becomes exponential because the amount of reduction

1 has to be spread out.

2 So what happens if everybody reduces
3 their usage. Well, then everybody is basically
4 paying the same amount because the RSM guarantees
5 that that reduction gets covered. What this
6 effectively means is the more people who try to save,
7 the more people who reduce, the more people who try
8 to conserve, the less effective that conservation is
9 on their own bills. It becomes counterproductive.

10 The last thing I'm going on to touch on
11 very briefly is something that was brought by up
12 counsel for the Company and it concerns the inclusion
13 of production cost tracker elements. Okay. The
14 simple version here is that you can't do this under
15 the statute. The statute only allows for variation
16 in usage. Production costs or, you know, expenses in
17 general aren't usage. This is not something you can
18 put into the statute based on its language. I don't
19 really have much more to say to it beyond that, and
20 I'll address this more deeply in the brief. But as
21 far as the issue today goes, the Commission should
22 really only focus on whether the RSM should be
23 granted. The question of whether production costs
24 should be included is, in my opinion, just a complete
25 nonstarter given the language of the statute.

1 All right. So really quick conclusion.
2 Like I said, MAWC cannot show a need for an RSM
3 because it doesn't have the revenue instability that
4 would justify it. Putting that burden on customers
5 is just going to be another step towards risk-free
6 utility regulation. And I really want to remind this
7 Commission, a large part what this Commission is
8 intended to do is to be a proxy for the competitive
9 markets. You all are the -- the solution to the fact
10 that these guys are regulated monopolies and,
11 therefore, don't have natural competition. And think
12 to yourself what other business out there gets to
13 operate with a guarantee of its revenue. Does Google
14 operate with a guarantee of its revenue. Does Ford,
15 does Walmart, does Coca-Cola. None of these other
16 companies operate with that kind of guarantee, so why
17 on earth should Missouri-American Water be different.
18 This is a step in the wrong direction. It's taking
19 you away from a competitive market. It is taking you
20 closer to a monopoly. It is bad for customers on
21 that face alone.

22 All right. That is my conclusion. I'm
23 happy to take any questions.

24 JUDGE SEYER: Do the commissioners have
25 any questions? Hearing none. Thank you, Mr. Clizer.

1 All right. The Company may call their first witness.

2 MR. KILE: Petitioner calls Charles Rea.

3 JUDGE SEYER: Mr. Rea, would you raise
4 your right hand please.

5 (Witness sworn).

6 CHARLES REA,
7 the witness, having been first duly sworn,
8 testified as follows:

9 DIRECT EXAMINATION

10 BY MR. KILE:

11 Q. Good morning, Mr. Rea.

12 A. **Good morning.**

13 Q. Can you please state your name and spell
14 your last name for the court reporter.

15 A. **My name is Charles Rea. My last name is**
16 **R-e-a.**

17 Q. Mr. Rea, by whom are you employed and in
18 what capacity?

19 A. **I'm employed by the American Water Works**
20 **Service Company. My current title is vice president**
21 **enterprise-wide regulatory pricing and affordability.**

22 Q. Mr. Rea, for purposes of this proceeding
23 have you caused to be prepared in written
24 question-and-answer format your direct testimony?

25 A. **Yes, I have.**

1 Q. And is that what has been marked for
2 identification purposes as Exhibit No. 22?

3 A. Yes.

4 Q. Have you also caused to be prepared in
5 written question-and-answer format your
6 rebuttal/surrebuttal/sur-surrebuttal testimony?

7 A. Yes.

8 Q. And is that document marked and identified
9 as Exhibit 23?

10 A. Yes.

11 Q. Do you have any corrections to either
12 Exhibits 22 or 23?

13 A. I do not other than anyplace where it
14 states that I'm a senior director and now I'm -- now
15 I am a vice president.

16 Q. Thank you. Mr. Rea, other than that
17 change that you just noted, if I were to ask you the
18 questions that are set forth in Exhibits 22 and 23,
19 would your answers be the same?

20 A. Yes.

21 Q. And are the answers to those questions
22 true and correct to the best of your knowledge,
23 information, and belief?

24 A. Yes.

25 MR. KILE: Petitioners offers Petitioner's

1 Exhibits 22 and 23.

2 JUDGE SEYER: Is there any objection to
3 the admission of those documents? Hearing none,
4 Exhibit 22 and 23 are admitted into evidence.

5 (Company Exhibits 22 and 23 were admitted
6 and made a part of this record.)

7 MR. KILE: The witness is available for
8 cross-examination, your Honor.

9 JUDGE SEYER: Staff?

10 CROSS-EXAMINATION

11 BY MS. ASLIN:

12 Q. Good morning, Mr. Rea.

13 A. **Good morning.**

14 Q. Have Missouri-American revenues been
15 increasing over the past ten years?

16 A. **Yes.**

17 Q. And do you have any reason to believe that
18 this trend is likely to change?

19 A. **It depends on whether the underlying**
20 **factors that cause those revenues to increase change.**
21 **It's not -- I think it's a mistake to think that**
22 **revenues are increasing for no particular reason. It**
23 **depends on whether the underlying factors that cause**
24 **those revenues to change will continue to -- to be**
25 **what they were.**

1 Q. But at this time do you have any reason
2 specific reason to believe that this trend will
3 change?

4 A. **Not in particular, no.**

5 MS. ASLIN: Thank you. No further
6 questions.

7 JUDGE SEYER: Thank you. Mr. Clizer?

8 MR. CLIZER: I have no questions. Thank
9 you.

10 JUDGE SEYER: All right. Mr. Coffman.

11 MR. COFFMAN: Good morning, Mr. Rea. I
12 have no questions. Thank you.

13 JUDGE SEYER: All right. Any questions
14 for the counsel for Riverside or City of St. Joseph?

15 MR. BEDNAR: No questions, your Honor.

16 JUDGE SEYER: Liberty? All right. MECG?
17 Yes, Mr. Opitz.

18 CROSS-EXAMINATION

19 BY MR. OPITZ:

20 Q. Good morning, Mr. Rea.

21 A. **Morning.**

22 Q. Are you based out of Missouri?

23 A. **No. I live in Moline, Illinois.**

24 MR. OPITZ: Okay. Thank you.

25 JUDGE SEYER: All right. Any questions

1 on behalf of MIEC?

2 MS. PLESCIA: No questions, thank you.

3 JUDGE SEYER: All right. Any questions
4 from the commissioners? Yes, Chair Hahn.

5 QUESTIONS

6 BY CHAIR HAHN:

7 Q. Good morning.

8 A. Good morning.

9 Q. Can you tell me how many of Missouri-
10 American's operating company or American Water Works
11 operate -- operating companies like similar to
12 Missouri-American have an RSM in place?

13 A. There are 12 operating companies, water
14 operating companies the American Water footprint
15 in 12 different states. I can tell you that in
16 Illinois, Illinois-American Water Company has an RSM
17 mechanism similar to what we have proposed here in
18 Missouri. In California, California-American Water
19 Company has recently had a revenue stabilization -- a
20 revenue stabilization mechanism. They currently do
21 not, although that is an issue of some dispute. So I
22 would not consider California to be settled one way
23 or the other. Other than California, as I said,
24 Illinois-American Water Company has a mechanism
25 similar to what Missouri-American Water's proposing.

1 None of the other operating companies have that sort
2 of mechanism.

3 Q. Okay. So in Illinois-American water
4 Company's RSM, did that company have varying revenues
5 for water service or varying usage?

6 A. Yes. And I would say that revenue
7 volatility in the Illinois service territory is less
8 than what it is for Missouri. Illinois-American
9 service territory -- Illinois-American is probably
10 maybe two-thirds the size of Missouri-American in
11 terms of the number of customers it serves. It
12 stretches all the way from the Chicago suburbs down
13 to Cairo, Illinois, which is far, far southern
14 Illinois. So the service territory is similar, not
15 quite as big. Revenue volatility is considerably
16 less than what Missouri-American Water Company has.

17 Q. Okay. And thank you so much. And in
18 Missouri we have it authorized by statute, but it's
19 not -- it has not been used in practice. So of
20 the 12 operating companies in Illinois and
21 California, it is statutory in both places or how has
22 it been established?

23 A. I don't know the answer to that question.
24 I can tell you that there is a statute in Indiana
25 that allows for revenue decoupling and we have not --

1 we do not have a revenue stabilization mechanism in
2 Indiana. I don't know if Illinois or California has
3 enabling legislation that specifically, you know,
4 talks about this the way it does in Missouri.

5 CHAIR HAHN: Okay. Thank you. Appreciate
6 it.

7 JUDGE SEYER: Any other commissioner
8 questions? All right.

9 COMMISSIONER MITCHELL: If I may, your
10 Honor.

11 JUDGE SEYER: Yes. Commissioner
12 Mitchell.

13 QUESTIONS

14 BY COMMISSIONER MITCHELL:

15 Q. You mentioned Missouri's revenues were
16 more volatile than Illinois'. Could you expand on
17 that and what -- what is the historical volatility of
18 revenue and volumetric sales in Missouri that you're
19 referring to?

20 A. So that's a good question. So there
21 are -- so the way I think about revenue volatility,
22 it comes from two different sources. One is how much
23 of your water sales are seasonal sales. That is
24 primarily for irrigation in the summertime although
25 it doesn't have to be irrigation, but it is seasonal

1 in the sense that it is affected by weather. That's
2 one component.

3 The second component is the relative level
4 of fixed charges and volumetric charges that you have
5 in rate design. The more heavily weighted your rates
6 are toward volumetric components, the more revenue
7 volatility you're going to have because the seasonal
8 usage that can go up or down due to weather is --
9 is -- has more value to it.

10 I can tell you that we have three states,
11 Missouri, New Jersey-American, and
12 California-American that have relatively high level
13 of seasonal usage, more so than any other state that
14 we operate in. And I can tell you that the rate
15 design that we have in Missouri is much more weighted
16 toward the volumetric component of rates than either
17 New Jersey or California. So in that sense I would
18 say that we have more revenue volatility due to
19 seasonal usage in Missouri than we have in any other
20 operating company that American Water has.

21 Q. And that volatility is -- (audio cut out).

22 A. I'm sorry, I didn't catch that.

23 Q. That seasonal volatility is generally
24 linked to weather patterns. Is that fair to say?

25 A. Yes. And it's related to how hot the

1 summer is or not and how dry the summer is or not.

2 So it has to do with hot weather or the lack thereof
3 and it has to do with precipitation in the summertime
4 or the lack thereof.

5 Q. And over the long term, are those
6 variations fairly predictable?

7 A. You can certainly predict them. You can
8 certainly do a statistical analysis that shows how
9 sensitive your sales are to both heat in the
10 summertime and precipitation, and I believe that --
11 that our witness, Mr. McClellan has done that sort of
12 analysis and that is one of the foundational pieces
13 of his statistical usage analysis. You can certainly
14 quantify that both in terms of gallons and in terms
15 of revenue.

16 Q. I want to shift for a second to customer
17 perspective. And in my mind a customer's ability to
18 control their cost for the water commodity is pretty
19 limited. The only lever I can think of is to control
20 or manage usage. And with an RSM in place, do you
21 think that diminishes the customer's ability to
22 control their cost by controlling their usage?

23 A. No, I don't think it does. And I -- and I
24 would -- and I would say that changes in usage over
25 time are going to be reflected in changes in rates

1 whether you have an RSM or not. It's not a question
2 of does an RSM increase rates because usage is going
3 down. That's going to happen anyway, and that's one
4 of the reasons why rates have changed over time the
5 way that they have. The question is when do you make
6 that adjustment, not if you make that adjustment.
7 Because the adjustment's going to happen anyway.

8 Q. But the adjustment happens as a result of
9 a litigated rate case and not an automated mechanism.
10 Is that fair to say?

11 A. Currently that's fair to say, yes.

12 COMMISSIONER MITCHELL: Thanks. I don't
13 have any more questions. Thank you for your
14 testimony and thank you for being here.

15 THE WITNESS: You're welcome.

16 JUDGE SEYER: Thank you, Commissioner
17 Mitchell. Excuse me. Mr. Rea, I've got some
18 questions myself.

19 QUESTIONS

20 BY JUDGE SEYER:

21 Q. And one of them touches on what
22 Commissioner Mitchell asked you about as far as the
23 effect of weather and temperature. And you mentioned
24 Mr. McClellan's prefiled testimony. OPC's, the
25 Public Counsel's witness Lena Mantle raised a point

1 in her testimony that Mr. McClellan --
2 Mr. McClellan's testimony shows that different
3 customers have different levels of weather
4 sensitivity. Specifically St. Louis County
5 residential customers have no sensitivity to changes
6 in temperature or weather whereas other customer
7 classes such as St. Louis County, OPA, other public
8 authorities do. How does the Company respond to
9 consolidating those different classes?

10 A. Well, I think it's fair to say a couple of
11 things. One, there is sensitivity to -- to summer
12 weather for residential customers both in St. Louis
13 County and outside of St. Louis County. I think that
14 Mr. McClellan's statistical analysis shows that to be
15 true.

16 It is true that residential customers and
17 commercial customers and public authority customers
18 will all have different sort of overall levels of
19 volatility. I don't think that there are significant
20 enough differences between St. Louis County and
21 non-St. Louis County to prevent consolidation of
22 rates on that basis.

23 And I will give you, if I may, I will give
24 you an example of a state where that has been an
25 issue. In California there are --

1 California-American Water has three different pricing
2 zones: A northern district, a central district, and
3 a southern district. Northern district is
4 Sacramento. Central district is Monterey which is
5 just a little bit south of San Francisco. And then
6 the southern is southern California. Three very
7 different climate patterns, very different climate
8 patterns that result in very different usage
9 characteristics for residential customers in those
10 three areas. And that is a legitimate reason to not
11 have consolidated rates because the usage patterns
12 are very, very different in California.

13 In Missouri that is not the case. Usage
14 patterns between St. Louis County, St. Charles
15 County, Jefferson City, Joplin, St. Joseph don't come
16 anywhere close to, in my opinion, close to a
17 rationale for not consolidating those rates.

18 Q. Okay. In your direct testimony on page 39
19 and I don't know that you need to go to that
20 testimony, but I'll -- I'll just tell you what was in
21 the testimony. There was a question posed to you:
22 Which customer classes will be excluded from the RSM.

23 And your answer was: Industrial water
24 customers and water customers taking service under
25 contract rates.

1 **A. Yes.**

2 Q. But the determination of the RSM
3 adjustment as stated in the tariff excludes actual
4 production costs, so industrial and contract rate
5 water customers would not be charged for any
6 increased production costs. Is that correct?

7 **A. Right, that's correct.**

8 Q. All right. When it comes to the number of
9 gallons of water sold, do you know what percentage of
10 the gallons of water sold are to industrial
11 customers?

12 **A. I don't. Mr. McClellan might. If he**
13 **doesn't, that is something we could certainly get.**

14 Q. Okay. Could you do that for both 2024
15 and 2023?

16 **A. Yes.**

17 Q. Okay.

18 **A. And I hope somebody's taking notes. Yes,**
19 **we certainty could do that.**

20 Q. If the proposed RSM was applied to the
21 Company's revenue production costs since the last
22 rate case, what would have been the average impact on
23 the different customer groups that the RSM would have
24 applied to?

25 **A. I don't know the answer to that.**

1 Q. How does the RSM tariff as proposed in the
2 calculation of production cost adjustment consider
3 lost or unaccounted for water?

4 A. I don't think it specifically addresses
5 that issue. There are certainly production costs
6 associated with nonrevenue water. I don't know that
7 the tariff specifically addresses that issue.

8 Q. Okay. And I'm going to refer back again
9 to Public Counsel witness Lena Mantle's testimony.
10 In her testimony she discusses the inconsistencies
11 between how the RSM is described in her testimony to
12 function versus how it is written up in the draft
13 tariff. Is the proposal for the RSM to have monthly
14 or annual true-ups?

15 A. It would be an annual true-up. It's based
16 on monthly information, okay, but we would not have
17 monthly filings that true-up the amounts. It would
18 be an annual true-up.

19 Q. Okay.

20 A. A true-up that's done once a year.

21 Q. Gotcha. All right. Ms. Mantle in her
22 testimony also raises the concern about the
23 consolidation of different customer classes into one
24 mechanism and the risk to residential customers
25 especially if usage for commercial customer and/or

1 sale-for-resale customer usage drops, which would be
2 similar to what happened during the pandemic. How
3 would this impact the residential customers under the
4 proposed RSM?

5 A. Well, it certainly is the case that
6 changes in one class usage under the RSM would impact
7 the RSM that other customers pay. There's no doubt
8 about that. I would note that all of these
9 customers, residential, commercial, and public
10 authority customers, all pay the same rate. So from
11 a revenue perspective I think the difference is less
12 than what it would be if there were different rates
13 that different customers paid. I don't know that you
14 can say beyond the hypothetical that any particular
15 change is going to impact any particular group of
16 customers one way or the other. Certainly it will,
17 but to the extent that it would I think is
18 speculation.

19 Q. Okay. I want to ask you about fixed
20 costs. Why are fixed costs not included in the RSM?

21 A. Well, we're asking for revenues associated
22 with fixed costs or at least the recovery of fixed
23 costs, but the RSM is not a cost tracker other than
24 the exclusion of the production costs. So I don't
25 know if that answers your question --

1 Q. Well --

2 A. -- or not.

3 Q. I guess the reason I ask that is because
4 fixed costs are not dependent upon usage.

5 A. That's correct.

6 Q. But the Company has the ability to control
7 those fixed costs to a certain extent. Correct?

8 A. To a limited extent I would say.

9 Q. Okay.

10 A. I don't think that it would be prudent for
11 the utility to, you know, reduce head count
12 necessarily just because it thinks that the weather
13 is going to -- in the summertime is going to be
14 unfavorable. So there is some limited ability to do
15 that, but I think it's -- it's pretty limited.

16 Q. But would you agree though if the premise
17 of the RSM is to share the risk with your customers,
18 shouldn't any savings or increases in the fixed cost
19 also be shared with the customers?

20 A. I think that's generally done through
21 litigated rate case process. I think that the period
22 of time that we -- that the RSM is going to be in
23 place, at least in terms, you know, of -- of periods
24 of time between rate proceedings is such that I don't
25 think you would see huge swings in the Company's

1 **fixed costs such that they would need to be**
2 **reconciled.**

3 Q. Under the RSM, assuming there were labor
4 positions that were included in the rate case to be
5 filed at a later date but were not filed between rate
6 cases, would those savings be passed along to the
7 customers under the RSM?

8 A. Well, the RSM is going to reconcile the
9 revenues that were approved by the Commission in this
10 case to revenues that are actually going to be
11 collected going forward. What you're describing to
12 me sounds more like formula ratemaking where you're
13 basically recalculating rates every year based on
14 different levels of fixed cost, different levels of
15 usage, different levels of investments and so on and
16 so on. I think that is a different animal altogether
17 and so I don't think that that's something that you
18 would want an RSM to necessarily reconcile.

19 Q. One last question. When it comes to
20 nonrevenue water, would the production costs include
21 that in your -- would production costs included in
22 the RSM include nonrevenue water?

23 A. I think the answer is yes, but Mr. LaGrand
24 might be able to chime in on that too.

25 Q. Okay. And just to circle back for just a

1 second, when I was asking about the rate positions,
2 really what I -- what I meant was the vacant labor
3 positions in between rate cases.

4 **A. Okay.**

5 Q. Okay. Just to clarify that. Does that
6 change your answer?

7 **A. No.**

8 JUDGE SEYER: All right. Does Staff have
9 recross?

10 MS. ASLIN: No questions.

11 JUDGE SEYER: Public Counsel?

12 MR. CLIZER: No questions, thank you.

13 JUDGE SEYER: CCM?

14 MR. COFFMAN: No questions, your Honor.

15 JUDGE SEYER: MECG?

16 MR. OPITZ: I have one question.

17 RECROSS-EXAMINATION

18 BY MR. OPITZ:

19 Q. Mr. Rea, in response to a question from
20 Commissioner Mitchell, you mentioned that Missouri
21 has a higher portion recovered from the volumetric
22 component of bills than other states. Do you recall
23 that?

24 **A. Yes.**

25 Q. Would you agree that allocating more of

1 the costs to the fixed components would be a way
2 under traditional ratemaking to increase revenue
3 stability?

4 **A. Yes.**

5 MR. OPITZ: That's all I have. Thank you.

6 JUDGE SEYER: All right. Any recross on
7 behalf of MIEC?

8 MS. PLESCIA: No questions, thanks, your
9 Honor.

10 JUDGE SEYER: Thank you. All right.
11 Mr. Kile, any redirect?

12 MR. KILE: Yeah. Just one area of
13 redirect, your Honor.

14 REDIRECT EXAMINATION

15 BY MR. KILE:

16 Q. Mr. Rea, do you recall -- we're going to
17 go way back to the beginning of cross-examination.
18 Commission Staff Counsel was asking you about whether
19 Missouri-American's revenues have been increasing
20 over the past ten years and I think you answered yes,
21 they were. I think she then followed up with, Do you
22 foresee that changing in the foreseeable future. Do
23 you recall that line --

24 **A. I recall that, yes.**

25 Q. You answered that latter question by

1 saying, Well, it depends upon the factors. What
2 factors have caused Missouri-American's revenues to
3 increase over the course of the last ten years?

4 **A. Increased levels of investment, increased**
5 **levels of operating costs. And if you're also**
6 **talking about what factors have caused rates to**
7 **change, I would also include changes in usage**
8 **associated with that.**

9 Q. Do those increased levels of investment
10 and operating cost, are those also causing increases
11 to fixed costs?

12 **A. Yes.**

13 MR. KILE: No further questions, your
14 Honor.

15 JUDGE SEYER: All right. Thank you,
16 Mr. Rea. You may step down.

17 **THE WITNESS: Thank you.**

18 JUDGE SEYER: Mr. Kile, are there
19 additional witnesses on this issue?

20 MR. KILE: Not on this issue, your Honor.

21 JUDGE SEYER: Then Staff may call your
22 first witness.

23 MS. ASLIN: Staff calls Michael Abbott.

24 JUDGE SEYER: Mr. Abbott, you're raising
25 your right hand. I appreciate that.

1 (Witness sworn).

2 MICHAEL ABBOTT,

3 the witness, having been first duly sworn,

4 testified as follows:

5 JUDGE SEYER: Thank you.

6 DIRECT EXAMINATION

7 BY MS. ASLIN:

8 Q. Mr. Abbott, could you please state and
9 spell your name for the court reporter?

10 A. My name Michael Abbott, M-i-c-h-a-e-l
11 A-b-b-o-t-t.

12 Q. And did you prepare direct, slash,
13 rebuttal testimony in this case marked as
14 Exhibit 200?

15 A. Yes.

16 Q. I'm going to go back a question, I skipped
17 one. How are you employed and in what capacity?

18 A. I am employed with the Missouri Public
19 Service Commission as a project -- or senior project
20 manager in the water, sewer, gas, and steam
21 department.

22 Q. All right. And back to that
23 direct/rebuttal testimony, do you have any changes or
24 corrections to that testimony?

25 A. I do not.

1 Q. If I were to ask you the same questions in
2 that testimony today, would your answers be the same
3 or similar?

4 A. Yes.

5 Q. And is the information contained in that
6 testimony true and correct to the best of your
7 knowledge and belief?

8 A. Yes.

9 MS. ASLIN: I would offer Exhibit 200 and
10 tender the witness for cross.

11 JUDGE SEYER: Any objection?
12 Exhibit 200 --

13 MR. KILE: I was saying no objection.
14 Sorry.

15 JUDGE SEYER: Exhibit 200 is admitted.

16 (Staff Exhibit 200 was admitted and made
17 a part of this record.)

18 JUDGE SEYER: All right. Mr. Kile?

19 MR. KILE: No questions, your Honor.

20 JUDGE SEYER: Mr. Clizer for Public
21 Counsel?

22 MR. CLIZER: Yes, your Honor.

23 CROSS-EXAMINATION

24 BY MR. CLIZER:

25 Q. Good morning, Mr. Abbott.

1 **A. Morning.**

2 Q. I saw you sitting over there during the --
3 while Mr. Rea was on the stand. Is that correct?

4 **A. Correct.**

5 Q. So you heard Mr. Rea asked a series of
6 question from Commissioner Mitchell regarding
7 volatility. Do you remember those?

8 **A. Yes.**

9 Q. Now, is it correct to say that to your
10 knowledge Mr. Rea hasn't presented information in his
11 testimony that shows what the difference on the
12 revenues included from a rate case against revenues
13 actually billed have been for the past several years?

14 **A. I'm -- can you say that one more time?**
15 **Ask the question one more time.**

16 Q. That's perfectly good because I butchered
17 that question. To your knowledge has the Company put
18 forward information that shows what the volatility
19 between what has been authorized in rates and what
20 has been billed in rates was over the past several
21 years?

22 **A. I don't believe so.**

23 Q. Now, in your testimony, did you put
24 forward an examination of the difference between the
25 authorized revenues and the revenues actually billed

1 over the past several years?

2 **A. I did not.**

3 Q. Are you familiar with the familiar
4 testimony of Ms. Lena Mantle?

5 **A. Yes. A little bit, yes.**

6 Q. Do you have a copy of it in front of you?

7 **A. I do.**

8 Q. Can you turn to page 13 of her
9 direct/rebuttal testimony for me.

10 **A. What page was that again, I'm sorry?**

11 Q. Page 13.

12 **A. It looks like I made a copying error**
13 **because I only go to page 9.**

14 MR. CLIZER: Can you provide him with
15 yours? Just leave it in there.

16 **THE WITNESS: I'm on page 13.**

17 BY MR. CLIZER:

18 Q. Would you agree with me -- and I'm going
19 to paraphrase; I don't have to read everything into
20 the record -- that Ms. Mantle is laying out her
21 examination of the volatility of the difference
22 between what is authorized in revenues and what is
23 actually billed based on information provided by
24 Missouri-American Water in the section beginning on
25 page 13, continuing on to page 14?

1 MR. KILE: Your Honor, at this time I'm
2 going to interpose an objection. The witness started
3 off this line of inquiry with limited familiarity
4 with Ms. Mantle's testimony. He doesn't even have in
5 his own copy the pages that are being referenced.
6 And Ms. Mantle's testimony speaks for itself.

7 MR. CLIZER: May I respond?

8 JUDGE SEYER: Yes.

9 MR. CLIZER: Sorry. I can actually jump
10 forward to the question. I was really just laying
11 foundation. My question is going to be to ask him
12 his professional opinion on the conclusions drawn on
13 page 14 of the table based on his experience. I was
14 admittedly laying a lot of foundation, but I figured
15 that was an attempt to avoid jumping the gun.

16 MR. KILE: And, your Honor, if that's the
17 end point of his questioning, my objection would be
18 exactly the same. This witness has already said he
19 has limited knowledge of Ms. Mantle's testimony.
20 Ms. Mantle's testimony speaks for itself.

21 MR. CLIZER: Again, I'm asking his
22 opinion on the information provided. He doesn't have
23 to have familiarity with it. He just needs to know
24 what his opinion is. And I'll -- I'll just ask the
25 question, make sure it's very clear.

1 BY MR. CLIZER:

2 Q. On the last column of the table on page 14
3 it gives the percent difference. My question is, and
4 we'll wait for the objection, do you believe that
5 that volatility or what the difference shown there
6 demonstrates a level of volatility that would
7 necessitate a rate stabilization mechanism? Or
8 revenue stabilization mechanism. That is the
9 question I was going to pose leading up to --

10 MR. KILE: Restate my objection.

11 JUDGE SEYER: I'll overrule the
12 objection. You can answer that question.

13 **THE WITNESS: There was a lot being said.**
14 **I can't quite remember the question.**

15 BY MR. CLIZER:

16 Q. I'm going to try and say it again
17 correctly. Somebody tell me if I get this wrong. On
18 the table on page 14 which shows the revenue
19 differences, the last column on the far right is the
20 percent difference. Do you believe in your
21 professional opinion that the percent difference in
22 that column shows a level of variation that would
23 necessitate a revenue stabilization mechanism?

24 **A. I do not.**

25 Q. Thank you. I'm going to switch gears then

1 entirely. If you would hand that back to Ms. Mantle.

2 One of the issues in this case has been
3 the ability of customers to control their spending
4 and I know that in your testimony you directly
5 addressed this issue. Do you recall that?

6 **A. Yes.**

7 Q. Would you agree with me that the more
8 customers who conserve or reduce their usage, the
9 greater the impact the RSM will have on customers in
10 total?

11 **A. Yes.**

12 Q. And, in fact, if all customers were to
13 conserve or reduce their usage, effectively the RSM
14 would return those costs back to all customers?

15 **A. Yes.**

16 Q. All right. One last line of questioning,
17 and I apologize, it's going to be a little bit weird.
18 Comes from the position statements. Because there
19 are a couple of items in here that doesn't get
20 fleshed out oh so well. For the purposes of an
21 RSM -- so I'm going to ask these questions and I want
22 you to assume if the Commission were to grant an RSM.
23 Are you following me?

24 **A. Yes.**

25 Q. So we're assuming the Commission grants an

1 RSM for the rest of these questions. You would agree
2 with me that the Commission should set the authorized
3 revenues at the amount of revenue for each class
4 calculated at the -- at -- as the normalized billing
5 units multiplied by the final rates?

6 **A. I don't know that answer.**

7 Q. Fair enough. Would you agree with me that
8 the Commission should order the RSM rate to be
9 different for each class and that the revenue target
10 for each class be authorized revenue for that class?

11 **A. I did not examine the difference in RSM**
12 **for classes.**

13 Q. Fair enough. Would you agree with me that
14 the Commission should order charges, credits be
15 calculated at the difference between each class
16 authorized and billed revenues and divide that
17 difference by the expected usage of the class in the
18 recovery period for establishing the surcharge?

19 **A. I did not.**

20 Q. I have a feeling I know where the rest of
21 these are going. Would you agree with me that the
22 Commission should order credits be calculated at the
23 difference between the -- each class as authorized
24 and billed revenues -- I think I literally just
25 repeated myself.

1 I have no further questions. Thank you.

2 JUDGE SEYER: All right. Mr. Coffman, do
3 you have any questions on behalf of Consumers
4 Council?

5 MR. COFFMAN: No questions, thank you.

6 JUDGE SEYER: Mr. Opitz, any questions on
7 behalf of MECG?

8 MR. OPITZ: No thank you, your Honor.

9 JUDGE SEYER: Ms. Plescia, any on behalf
10 of MIEC?

11 MS. PLESCIA: No questions. Thank you,
12 your Honor.

13 JUDGE SEYER: Do the commissioners have
14 questions? Mr. Abbott, I've got a question.

15 QUESTIONS

16 BY JUDGE SEYER:

17 Q. If you'll refer to page 12 of your direct,
18 slash, rebuttal testimony, there are two tables there
19 and they basically lay out Missouri-American's
20 revenues from 2014 through 2023. Would -- would you
21 agree that the revenues include recovery of both
22 fixed and variable costs?

23 A. Yes. That revenue includes both.

24 Q. Okay. And then -- and then the only other
25 question I wanted to ask you I touched on with

1 Mr. Rea. Assuming there were vacant labor positions
2 that were included in the rate case to be filed at a
3 later date but were not -- were not filed between
4 rate cases, would those savings be passed along to
5 the customers under the RSM?

6 **A. I am unsure of that answer, your Honor.**

7 JUDGE SEYER: Fair enough. Thank you.

8 All right. Mr. Kile, is there any recross?

9 MR. KILE: No recross, your Honor.

10 JUDGE SEYER: All right. Any recross
11 from any of the other parties? Okay. Any redirect?

12 MS. ASLIN: No questions.

13 JUDGE SEYER: All right. Mr. Abbott, I
14 believe you're done. Thank you.

15 **THE WITNESS: Thank you.**

16 JUDGE SEYER: Let's take about a
17 ten-minute break and go back on the record at
18 roughly 10:25. Going off the record.

19 (Off the record.)

20 JUDGE SEYER: Let's go back on the
21 record. All right. We are back on the record. And
22 the next on the hearing schedule is witness Roger
23 Colton for the Consumers Council of Missouri and
24 Mr. Colton is appearing today via Webex. So
25 Mr. Colton, I'd like to swear you in if that's all

1 right.

2 MR. COLTON: Yes, sir.

3 JUDGE SEYER: All right.

4 (Witness sworn).

5 ROGER COLTON,

6 the witness, having been first duly sworn,
7 testified as follows:

8 JUDGE SEYER: Thank you. All right.
9 Mr. Coffman.

10 MR. COFFMAN: Mr. Colton, can you turn on
11 your video?

12 **THE WITNESS: My video is on.**

13 MR. COFFMAN: We don't see you. I'm just
14 going to proceed if that's okay, your Honor.

15 DIRECT EXAMINATION

16 BY MR. COFFMAN:

17 Q. So would you state your name and who
18 you -- who you work for, Mr. Colton?

19 A. Yes. My name is Roger D. as in dog
20 Colton, C-o-l-t-o-n. I own the firm Fisher, Sheehan,
21 S-h-e-e-h-a-n, and Colton.

22 Q. And are you the same Roger Colton that
23 caused to be filed direct testimony in this Missouri-
24 American rate case on December 20th, 2024?
25 Mr. Colton?

1 **A. I am.**

2 Q. Oh, you answered. Okay. And in that
3 testimony you address issues including the UAT,
4 Universal Affordability Tariff, but also the Revenue
5 Stabilization Mechanism. And you're on the stand now
6 to address the Revenue Stabilization Mechanism. If I
7 ask you the questions in your testimony today, would
8 your answers be the same as they were when they were
9 filed on December 20th?

10 **A. Yes, they would be.**

11 MR. COFFMAN: Okay. This testimony
12 has been labeled as Exhibit 450, that's 450, and so
13 I would offer this exhibit into the record,
14 Exhibit 450, and offer Mr. Colton for
15 cross-examination.

16 JUDGE SEYER: All right. Are there any
17 objections to the admission of Exhibit 450? Hearing
18 none, 450 is admitted.

19 (Consumers Council of Missouri Exhibit
20 450 was admitted and made a part of this record.)

21 MR. COFFMAN: I offer Mr. Colton for
22 cross-examination. I don't know what the order is.
23 Here it is.

24 JUDGE SEYER: It's City of Riverside and
25 then the City of St. Joseph.

1 MR. BEDNAR: No questions, your Honor.

2 JUDGE SEYER: Liberty? MECG?

3 MR. OPITZ: No questions, your Honor.

4 JUDGE SEYER: MIEC?

5 MS. PLESCIA: No questions, thank you.

6 JUDGE SEYER: Public Water Supply

7 Districts?

8 MR. FISCHER: No, thank you.

9 JUDGE SEYER: All right. Then OPC?

10 MR. CLIZER: No questions, thank you.

11 JUDGE SEYER: Staff?

12 MS. ASLIN: No questions.

13 JUDGE SEYER: And the Company?

14 MR. KILE: No questions, your Honor.

15 JUDGE SEYER: Okay. Are there any
16 questions from the commissioners? Okay.

17 MR. COFFMAN: Mr. Colton I suppose will
18 be up later on the Universal Affordability Tariff.
19 That's the only other issue he has.

20 JUDGE SEYER: Okay. Then at this time,
21 Mr. Colton, you're excused.

22 **THE WITNESS: Thank you, your Honor.**

23 JUDGE SEYER: And then hearing schedule I
24 see Jessica York is next up for both MECG and MIEC.
25 Am I phrasing that correctly, witness for both?

1 MR. OPITZ: That's right, your Honor. I
2 guess an administrative question. Do you have a
3 preference on how we offer this witness between MECG
4 and MIEC? She does have separate pieces of testimony
5 for each of us, understanding that the testimony on
6 this particular issue is the same.

7 JUDGE SEYER: If the testimony's the same
8 on this issue, let's just -- I'll give Ms. Plescia an
9 opportunity to ask direct test -- or ask questions on
10 direct and then we'll open it up to cross for all the
11 parties, so.

12 MS. PLESCIA: Excuse me, your Honor. The
13 testimony of Jessica York is not yet in the record.
14 Is that correct? Not yet admitted? So is it okay
15 then with your Honor if I go ahead and ask her the
16 questions to get her written and direct testimony and
17 her cross-rebuttal admitted?

18 JUDGE SEYER: Yes, that's fine. I don't
19 know that you're on the microphone though.

20 MR. OPITZ: Diana, you want to come to
21 this table here?

22 MS. PLESCIA: That's fine.

23 JUDGE SEYER: All right. In the
24 meantime, Ms. York, would you raise your right hand
25 please.

1 (Witness sworn).

2 JESSICA YORK,

3 the witness, having been first duly sworn,

4 testified as follows:

5 JUDGE SEYER: All right. Thank you. You
6 can have a seat.

7 DIRECT EXAMINATION

8 BY MS. PLESCIA:

9 Q. Good morning, Ms. York.

10 **A. Good morning.**

11 Q. Good morning, Ms. York. Please state your
12 name and business address please.

13 **A. My name is Jessica A. York. I work at**
14 **Brubaker & Associates. The address is 16690 Swingley**
15 **Ridge Road in Chesterfield, Missouri 63017.**

16 Q. And are you the same Jessica York that
17 caused to be filed in this case direct/rebuttal and
18 cross-rebuttal/surrebuttal testimony?

19 **A. Yes.**

20 Q. If I were to ask you the questions
21 contained in that testimony, would your answers today
22 be the same?

23 **A. They would be the same. I do have one**
24 **correction to make though.**

25 Q. Please explain.

1 **A. On the cross-rebuttal/surrebuttal my only**
2 **correction is to correct the date, the filing date on**
3 **the cover sheet. It refers to January 10th, 2024.**
4 **Obviously that should be 2025.**

5 Q. With that correction then would your
6 answers otherwise be the same?

7 **A. Yes.**

8 MS. PLESCIA: And then I would like to at
9 this time ask that the testimony of Ms. York as
10 Exhibits MIEC 400 and 401 be entered into the record.

11 JUDGE SEYER: All right. 400 being which
12 testimony?

13 MS. PLESCIA: That would be MIEC's direct
14 testimony 400. And then the
15 cross-rebuttal/surrebuttal would be 401.

16 JUDGE SEYER: All right. Thank you. Are
17 there any objections to the admission of those
18 documents? Hearing none, 400 and 401 are admitted.

19 (MIEC Exhibits 400 and 401 were admitted
20 and made a part of this record.)

21 DIRECT EXAMINATION

22 BY MR. OPITZ:

23 Q. Ms. York, you also sponsored testimony on
24 behalf of MECG. Is that correct?

25 **A. That's correct.**

1 Q. And do you have any corrections to either
2 of those pieces of testimony this morning?

3 A. Yes. The date on the cover sheet of the
4 cross-rebuttal/surrebuttal needs to be updated to
5 reflect 2025 instead of 2024. That's the only
6 correction.

7 Q. If I were to ask you the questions posed
8 in your testimony for MECG, would your answers be the
9 same?

10 A. They would.

11 MR. OPITZ: Your Honor, I guess at this
12 time I would offer MECG Exhibit 501 which is the
13 cross-rebuttal/surrebuttal testimony of Jessica York
14 for MECG. And I would also offer MECG Exhibit 500
15 which is the direct/rebuttal testimony of Jessica
16 York on behalf of MECG, and that has a confidential
17 and a public version.

18 JUDGE SEYER: All right. Are there any
19 objections to those two exhibits coming into
20 evidence? Hearing none, then Exhibit 500 and both
21 public and confidential and 501 are admitted into
22 evidence.

23 (MECG Exhibits 500 and 501 were admitted
24 and made a part of this record.)

25 MR. OPITZ: And at this time I tender the

1 witness for cross-examination.

2 JUDGE SEYER: All right. Is there any
3 cross on behalf of Consumers Council?

4 MR. COFFMAN: No questions of Ms. York,
5 thank you.

6 JUDGE SEYER: All right. Any of the
7 other Intervenors?

8 MR. BEDNAR: None from Riverside, your
9 Honor.

10 JUDGE SEYER: All right. Public Counsel?

11 MR. CLIZER: No questions at this time,
12 thank you.

13 JUDGE SEYER: Staff of the Commission?

14 MS. ASLIN: No questions.

15 JUDGE SEYER: And the Company?

16 MR. KILE: No questions, your Honor.

17 JUDGE SEYER: Are there any questions
18 from the commissioners? Are there any questions from
19 the commissioners for Ms. Jessica York? All right.
20 Hearing none, I do have a question I'd like to ask.

21 QUESTIONS

22 BY JUDGE SEYER:

23 Q. Just conceptually given that the RSM is
24 intended to be a rate stabilization mechanism, how do
25 you respond to the fact that fixed costs have been

1 excluded from that calculation?

2 A. My understanding of the RSM was that it
3 was going to be, you know, allowing the Company to
4 recover its authorized revenue requirement in this
5 case which would include both fixed and variable
6 costs. And I guess my suggestion would be that
7 there's other ways to deal with that issue besides
8 the RSM. And if you increase recovery of fixed costs
9 through fixed charges for example, that might negate
10 the need for this RSM that the Company claims that it
11 needs.

12 Q. All right. So what would be -- what would
13 be the impact of excluding the fixed costs?

14 A. I guess I'm not sure I'm following the
15 question. I mean, if the total revenues are being
16 compared to what -- like billed revenues being
17 compared to what's authorized in this rate case, then
18 that would -- I mean, that includes the entire
19 revenue requirement. If you -- are you saying that
20 you would not reconcile the fixed costs portion of
21 the revenue requirement?

22 Q. Well, I guess the reason I'm asking is
23 because I know fixed costs, even though they're fixed
24 costs, can fluctuate throughout a year or any given
25 time period. So if that's not included in the RSM, I

1 just was wanting your opinion on how that would
2 impact the RSM.

3 **A. I guess I'm not sure at this point. I**
4 **would have to take a look at that.**

5 JUDGE SEYER: That's fine. All right. Is
6 there any recross on the Intervenors? Or by the
7 Intervenors.

8 MR. BEDNAR: No, none, your Honor.

9 JUDGE SEYER: Okay. And then Mr. Clizer
10 for Public Counsel?

11 MR. CLIZER: Yes.

12 RECROSS-EXAMINATION

13 BY MR. CLIZER:

14 Q. I'm going to make an attempt here to try
15 and clean up a little bit of that confusion that I
16 think was occurring between you and the judge.

17 **A. Okay.**

18 Q. So the -- the RSM is going to be
19 reconciling the authorized revenue requirement with
20 the actual billed revenue of the Company. Correct?

21 **A. That's my understanding.**

22 Q. And the authorized revenue requirement
23 includes all cost components for the Company.
24 Correct?

25 **A. Yes.**

1 Q. Now, I think that the confusion is arising
2 because the Company is also requesting to include
3 components of the production cost tracker in the RSM.
4 Do you recall that?

5 **A. Yes.**

6 Q. So now let's -- I know that we're going to
7 touch on that issue a little bit later, but we have
8 to talk about the interplay between these two things.
9 So make sure we're on the same page. The production
10 cost tracker is attempting to track changes in
11 certain what we might call fixed costs between rate
12 cases. Is that accurate?

13 **A. The production cost tracker I believe was**
14 **going to be tracking variable costs like chemicals,**
15 **fuel and power, purchase water, and that type of**
16 **thing.**

17 Q. Okay. So if that's the case then -- so
18 like an example of a fixed cost to make sure we're on
19 the same page, that would be like administrative in
20 general. Is that what we're talking about?

21 **A. I mean, that would be largely fixed I**
22 **suppose, but, I mean, the RSM would also be including**
23 **the return I guess on investment. Like the**
24 **investment is a fixed -- fixed thing. And, I mean,**
25 **the return -- like, RSM guarantees a profit, you**

1 **know, like you were saying earlier.**

2 Q. Okay. So the simple version here is fixed
3 costs are included in the RSM because you are
4 tracking the entire --

5 **A. Yes.**

6 Q. -- revenue amounts?

7 And again, I apologize. For the sake of
8 the court reporter I'm going to ask that question
9 again and wait for you to give the answer afterwards
10 so there's no confusion.

11 The fixed costs are included in the RSM
12 because it includes the entire revenue amount?

13 **A. Correct.**

14 MR. CLIZER: All right. Thank you. I
15 have no further questions.

16 JUDGE SEYER: Any recross by Staff?

17 MS. ASLIN: No questions.

18 JUDGE SEYER: And by the Company?

19 MR. KILE: No questions, your Honor.

20 JUDGE SEYER: All right. Any redirect?

21 MR. OPITZ: No redirect from MECG.

22 MS. PLESCIA: Redirect from MIEC.

23 JUDGE SEYER: All right. Again, I'll
24 just ask you again to find a microphone, that would
25 help.

REDIRECT EXAMINATION

BY MS. PLESCIA:

Q. Ms. York, based on the questions that you received from the judge and from Mr. Clizer, could you explain in general the problems that you see with this mechanism?

A. In general the RSM, it would be allowing the utility to look at one component, like look at its total revenue requirement without considering -- or to collect its total revenue requirement if approved in this case without considering whether there are changes in other components of the cost of service that might still allow it to earn its authorized return. And so it's -- I mean, I think I've explained in my testimony that it engages in single-issue ratemaking, you know. And it will be expose customers to bill increases without considerations of changes of other elements of its cost of service. And that's the main issue.

Q. And following up on that, do you believe that the existence of the Commission's legal authority to enact such a mechanism or adopt one in this case means that it should do so or that it needs to do so or do you believe that the commissioners should take a different approach?

1 MR. KILE: Your Honor, I'll object. That
2 question exceeds the scope of any cross or Bench
3 questions of her.

4 MS. PLESCIA: I'm sorry, your Honor. I
5 believe it's a question of how the mechanism works
6 and necessity for it being a single-issue ratemaking
7 mechanism, that even though it's in the statute,
8 there are reasons why the Commission might want to
9 adopt it, some of which Ms. York has explained. But
10 I think the questions pertain to that.

11 JUDGE SEYER: I'll sustain the objection.
12 All right. Anything further? All right. Thank you.
13 And I believe the next witness is Lena Mantle.
14 Ms. Mantle, would you raise right hand please. Thank
15 you.

16 (Witness sworn).

17 LENA MANTLE,
18 the witness, having been first duly sworn,
19 testified as follows:

20 JUDGE SEYER: Thank you. Mr. Clizer.

21 DIRECT EXAMINATION

22 BY MR. CLIZER:

23 Q. Good morning, Ms. Mantle. Can you please
24 state and spell your name for the record.

25 A. My name is Lena, L-e-n-a, Mantle,

1 **M-a-n-t-l-e.**

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

4 A. I'm employed by the office of the Public
5 Counsel as senior analyst.

6 Q. And did you prepare or cause to be
7 prepared testimony which has been premarked
8 No. 304, 305, 306 and 307 which is respectively the
9 direct/rebuttal, class cost of service
10 direct/rebuttal, cross-rebuttal, and supplemental
11 testimony of Lena Mantle?

12 A. Yes.

13 Q. Do you have any corrections to make at
14 this time?

15 A. No, I do not.

16 Q. If I were to ask you the same questions
17 posed in your testimony, would your answers today be
18 the same or substantially similar?

19 A. Yes.

20 Q. And are the answers true and correct to
21 the best of your knowledge and belief?

22 A. Yes.

23 MR. CLIZER: All right. I would move for
24 the admission of Exhibits 304, the direct/rebuttal
25 testimony of Lena Mantle; 305, the class cost of

1 service direct/rebuttal testimony of Lena M.
2 Mantle; 306, the cross-rebuttal testimony of Lena M.
3 Mantle; and 307, the supplemental testimony of
4 witness Lena M. Mantle.

5 JUDGE SEYER: Are there any objections to
6 the admission of Exhibits 304, 305, 306, and 307?
7 All right. Hearing none, 304, 305, 306, and 307 are
8 admitted.

9 (OPC Exhibits 304, 305, 306, and 307 were
10 admitted and made a part of this record.)

11 MR. CLIZER: I tender the witness for
12 cross-examination.

13 JUDGE SEYER: All right. Mr. Coffman,
14 any cross?

15 MR. COFFMAN: Yes, a couple of clarifying
16 questions.

17 CROSS-EXAMINATION

18 BY MR. COFFMAN:

19 Q. Good morning, Ms. Mantle.

20 A. **Good morning.**

21 Q. I wanted to ask you some questions about
22 what if the RSM is adopted by the Commission. And I
23 know like OPC and Staff, we've been, you know,
24 pointing out the downsides to the RSM, but there are
25 a variety of sub issues in this issue about if it is

1 adopted, how to do it. Is that right?

2 **A. Yes.**

3 Q. And OPC has taken some positions in their
4 position statements about how to do that. And I
5 think -- and those are in like small Roman numeral
6 one, two, three, four the -- on the second subpart,
7 the idea -- the question is if it is -- if an RSM
8 mechanism is adopted, how would you treat the
9 customer classes basically. And would you explain
10 what your recommendation would be as to how the
11 customer classes would be treated differently or not?

12 **A. Each class should have its own RSM rate.**
13 **This would prevent residential bills from going up**
14 **quite a bit if a large customer left the system. As**
15 **proposed they're all rolled together so the loss of**
16 **these big customers impacts every other customer on**
17 **the rate which would be residential, commercial, and**
18 **OPA, other public authorities.**

19 Q. And what is your understanding of the
20 Company's RSM proposal? Is it -- is it clear that
21 customer classes would be treated separately under
22 their proposal?

23 **A. It's clear that they would not. They**
24 **would all be rolled together and an OPA customer**
25 **would be treated the same way as a retired widow**

1 **living in a 1200-square foot house.**

2 Q. And wouldn't that work to the disadvantage
3 of the residential class primarily, doing as the
4 Company's proposed?

5 A. It would if a large customer left. It
6 would actually be detrimental to the OPA customers if
7 credits were given back to the customers by the -- in
8 the manner that the Company has proposed. In that
9 case that would be a detriment to --

10 Q. And that's the -- that's the third
11 sub issue, isn't it, the calculation of surcharge
12 credits and surcharges?

13 A. Yes.

14 Q. Or credits. And am I understanding your
15 recommendation that essentially, as with the other
16 sub issue, it should go back based on a class-based
17 calculation?

18 A. That's not my complete recommendation for
19 that one.

20 Q. Well, could you explain your complete
21 recommendation?

22 A. The MAWC as proposed wants to take -- if
23 revenues come in greater than the authorized
24 revenues, the proposal is to take that amount and to
25 divide it by customer number and give every customer,

1 whether it's the widow living in a 1200-square foot
2 house or the other public authority customer, the
3 very same amount. Regardless of who overpaid the
4 most, they would all get the same amount and it would
5 be done in a lump sum.

6 Our -- I would propose if this is
7 approved, that the credits be calculated the same way
8 that a charge would be. Which would be the sum of
9 the amount to be returned divided by the forecasted
10 usage so that customers could get credits based on
11 their size and their usage, not the fact -- not
12 treating each customer the same. Treating them the
13 same as their usage, it's based on their usage and
14 not the fact that they are a customer.

15 Q. Okay. And is your recommendation if an
16 RSM were approved over your objection, is that
17 accurately described on page 20 of OPC's position
18 statements?

19 A. I don't have it in front of me.

20 Q. Could I show it to you?

21 A. Yes.

22 MR. COFFMAN: Permission to approach?

23 JUDGE SEYER: Yes, granted.

24 BY MR. COFFMAN:

25 Q. I wasn't sure that was in your actual

1 testimony, so I just want to make sure that that is
2 your testimony as to how it would be done if it were
3 to be done.

4 **A. What is on page 20 is -- would be our**
5 **position. And no, it is not in our testimony,**
6 **written testimony.**

7 Q. Okay. Just one more question about how
8 you would understand that an RSM mechanism would
9 work. It would not only fluctuate with weather
10 changes, but pretty much any change in revenues.
11 Correct?

12 **A. That's correct.**

13 Q. And so that means that rates for customers
14 might change, as you mentioned, if a large customer
15 left the system. Right?

16 **A. Rates for all customers in those classes**
17 **then would change because an other public authority**
18 **customer left.**

19 Q. And if you did it the way the Company said
20 it, then all customers would face an increase. If
21 you did it the way you were recommending, it -- the
22 impact would stay within the customer class. Is that
23 right?

24 **A. That is correct.**

25 Q. But the RSM as the Company's proposed it

1 would also raise everyone's rates if say there was a
2 downturn in the economy. Right?

3 **A. As long as usage or revenues went down,**
4 **yes.**

5 Q. Sure. Assume that -- and that would be
6 assuming -- I'm assuming there that usage went down
7 as a result of the economic downturn.

8 **A. Then yes, all customers' rates would go**
9 **up.**

10 Q. And doesn't that seem like a real double
11 whammy on consumers who would also be probably
12 suffering other economic impacts at that time?

13 **A. Yes. That's the risk that is being pushed**
14 **on to customers if the Commission were to approve an**
15 **RSM.**

16 MR. COFFMAN: That's all I have. Thank
17 you.

18 JUDGE SEYER: All right. Is there any
19 cross on behalf of MECG?

20 MR. OPITZ: No, thank you, your Honor.

21 JUDGE SEYER: And any on behalf of MIEC?

22 MS. PLESCIA: No questions, your Honor,
23 thank you.

24 JUDGE SEYER: Any on behalf of any of the
25 other Intervenors? All right. Staff?

1 MS. ASLIN: No questions, thank you.

2 JUDGE SEYER: And on behalf of Missouri-
3 American?

4 MR. KILE: Can I have just a second, your
5 Honor? Your Honor, I do have one.

6 JUDGE SEYER: Go ahead, Mr. Kile.

7 CROSS-EXAMINATION

8 BY MR. KILE:

9 Q. Ms. Mantle, have you had an opportunity to
10 review Mr. Rea's rebuttal/surrebuttal/sur-surrebuttal
11 testimony?

12 A. Yes.

13 Q. And on this issue about the different
14 treatment of shortfalls and excesses, were you aware
15 that he agreed that that was a valid point and that
16 the Company was willing to consider your proposal in
17 that regard?

18 A. Yes. That is the way I read his
19 testimony.

20 MR. KILE: No further questions, your
21 Honor.

22 JUDGE SEYER: All right. Are there
23 questions from the commissioners?

24 CHAIR HAHN: Yes, Judge.

25 QUESTIONS

1 BY CHAIR HAHN:

2 Q. Ms. Mantle, we've spent a good amount of
3 time on your direct/rebuttal table on page 14 with --
4 on revenue variances, but that goes from 2017
5 to 2021. Going through a little bit further, let's
6 just say 2020 -- was the data just not -- or was the
7 information not available, or do you -- would you
8 anticipate that it would change at all if the data
9 were more current?

10 A. In the last rate case Missouri-American
11 Water Company's witness provided the data that's in
12 my testimony attached to one of their testimonies and
13 that's what I used here. I too was concerned what
14 happened since 2021, so I sent a data request asking
15 for that information. That would have been data
16 request -- I'm looking for my -- 8015. And the
17 Company was able to give me actual revenue by RSM
18 customer class, but they said that authorized
19 revenues by customer class are not available as final
20 rate revenues was not prepared by customer class in
21 previous rate cases.

22 So I read that to say that they don't have
23 that data.

24 CHAIR HAHN: Okay. Thank you.

25 JUDGE SEYER: Any other commissioner

1 questions?

2 COMMISSIONER MITCHELL: Yes, if I may,
3 your Honor.

4 JUDGE SEYER: Go ahead, Commissioner
5 Mitchell.

6 QUESTIONS

7 BY COMMISSIONER MITCHELL:

8 Q. So your analysis of the Company's history
9 and being able to recognize their authorized revenues
10 over the time period that you have data for and I
11 guess also their total return, could you recount what
12 you -- what you found or concluded in that -- in that
13 analysis?

14 A. As --

15 Q. As to their ability to recover and what
16 the variance between the actual and authorized?

17 A. As shown in table 1 there, the -- in 2018,
18 there was 4.47 percent they were below their --
19 actually the billed revenue was above the rate case
20 revenue by 4.47 percent. And then in the other
21 direction, the -- was then in 2019, the next year,
22 where rev -- billed revenues came in below rate case
23 revenues by almost 2 percent.

24 And I know that's a lot of money, but it's
25 not a big percentage swing especially when you look

1 over at the total of these five -- five years. Over
2 the five years Missouri-American Water Company's
3 actually recovered almost \$8 million more than their
4 rate case revenues. So it's -- it can swing, but
5 it's not what I would consider wild swings. Much
6 bigger than my salary, but as for a company the size
7 of Missouri-American Water Company. And then it does
8 seem to be over a longer term. Five years is longer
9 than a year, but not real long term. It seems to be
10 pretty well even.

11 Q. Would you characterize those variations as
12 being instable? Is there some evidence in the data
13 that the revenues for the Company are not stable at
14 this point and haven't been stable over time?

15 A. I saw no evidence of that, although I do
16 know further back in 2014, 2015, those time periods,
17 there was -- when I looked at billing data, the
18 actual monthly billing data, there seems to be some
19 billing errors and some billing problems. And that's
20 one of the reasons too to look just at the most
21 recent few years to try to make this determination.
22 I would have liked to have had 2022, 2023, and 2024
23 numbers, but this is what I had to work with.

24 So no, I would not see wild swings. I
25 will -- you know, COVID was 2020, 2021 of this data

1 that I have, and you don't see even big swings in
2 those years. So it was pretty well right on the
3 money with the rate case revenues. So circumstances
4 that a person might think would swing the revenues
5 wildly did not, or at least for these customer
6 classes. Did I answer your question?

7 Q. You did. And I have one other question as
8 well. And this is -- I'm just trying to make sure I
9 understand what is I guess baked into the authorized
10 revenue requirement. Does that include the Company's
11 returns as well as costs?

12 A. Yeah. Yes. There's some confusion on
13 revenue requirement can mean two different things.
14 The auditing staff often uses it as the difference
15 between what current rates recover and what the --
16 their analysis shows the Company should get, so more
17 or less the change. But in this case, if you were
18 calling revenue requirement the amount of revenue
19 necessary to recover all costs and provide a return,
20 then it -- these numbers show that they not only
21 covered that, but in most years earned more than that
22 amount, collected more revenue than that amount.

23 Q. And just again trying to make sure I
24 understand what we're talking about is if we approved
25 an RSM as contemplated here, would -- would the

1 Commission be effectively guaranteeing recovery of
2 both cost and guaranteeing the recovery of the return
3 as well?

4 **A. You'd be guaranteeing that as it was set**
5 **in this rate case.**

6 COMMISSIONER MITCHELL: Okay. Thank you
7 very much. That helps me understand.

8 JUDGE SEYER: Ms. Mantle, I have a few
9 questions of my own.

10 QUESTIONS

11 BY JUDGE SEYER:

12 Q. I don't recall seeing this in your
13 prefiled testimony, but -- but do you -- is it
14 your -- is it your opinion that fixed costs should be
15 included in this RSM?

16 **A. RSM as in the statute, so RSM without**
17 **production costs only looks at revenues. And in --**
18 **as the revenue requirements set in the rate case**
19 **covers fixed cost, then yes, this would -- this would**
20 **guarantee the customer -- or the Company the recovery**
21 **of the fixed costs as set in the rate case.**

22 Q. So it doesn't need to be in the RSM?

23 **A. Fixed costs?**

24 Q. Right.

25 **A. Again, it's revenue, and you're talking**

1 cost.

2 Q. Okay.

3 A. If you took the fixed costs out, then
4 you've got a different authorized revenue.

5 Q. Okay. Should water losses be a factor in
6 this RSM?

7 A. They are included in the cost to serve the
8 revenue requirement. So, therefore, they are
9 included because this is the revenue requirement that
10 covers cost of losses. Whatever is included in
11 determining revenue requirement would be recovered.

12 Q. If there are savings due to vacant labor
13 positions, should those be passed along to customers
14 under the RSM?

15 A. They would be, and OPC is okay with it.
16 That's positive regulatory lag for the Company.

17 JUDGE SEYER: Okay. Those are my only
18 questions. Any recross by Consumers Council?

19 MR. COFFMAN: Yes.

20 RECROSS-EXAMINATION

21 BY MR. COFFMAN:

22 Q. I -- I'm trying to understand the answer
23 that you just gave about losses. As the Company has
24 proposed the RSM and if there was a drop in revenue,
25 the RSM would increase the utility's rates so that

1 they were made, you know, just up to their
2 expectation. And if in that scenario there were also
3 vacant positions that you -- that the Company wasn't
4 paying expenses, would that be calculated -- would
5 that be offset at all in the -- under this proposal
6 that the Company has made?

7 **A. No. That would not be offset at all.**

8 Q. And so you -- that is a problem with the
9 mechanism, correct, that it actually would sort of
10 piece -- it would change the revenues but it would
11 actually give the Company this total revenue
12 requirement that they aren't currently up to in their
13 actual operations. Right?

14 **A. Yes. As Ms. York opined, that it is a**
15 **single-issue ratemaking, and in this case a single**
16 **issue's a really big one, revenue.**

17 MR. COFFMAN: I just wanted to ask that
18 because I wasn't clear you were -- I thought maybe
19 you were talking past the judge on whether or not
20 that was, you know, with the current state or with
21 the proposal. Thank you for clarifying it. That's
22 all I have.

23 JUDGE SEYER: Any recross on behalf of
24 MECG?

25 MR. OPITZ: No, thank you, your Honor.

1 JUDGE SEYER: MIEC?

2 MS. PLESCIA: No questions, thank you.

3 JUDGE SEYER: Any other Intervenors?

4 MR. BEDNAR: No, your Honor.

5 JUDGE SEYER: All right. Staff?

6 MS. ASLIN: No questions, thank you.

7 JUDGE SEYER: All right. Mr. Kile?

8 MR. KILE: No questions, your Honor.

9 JUDGE SEYER: Okay. Any redirect?

10 MR. CLIZER: Hopefully briefly.

11 REDIRECT EXAMINATION

12 BY MR. CLIZER:

13 Q. I want to make absolutely sure that the
14 conversation you had with the judge is very clear
15 here. So to the extent that fixed costs are already
16 included in the revenue requirement, they would also
17 be included in the RSM?

18 A. That is correct.

19 Q. Okay. So fixed costs are not excluded
20 from the RSM if they are included in the revenue
21 requirement set by the Commission in this case?

22 A. If there is no production tax credit -- or
23 tracker included, but yes, absent that, you are
24 correct.

25 Q. And it is normally the case that the

1 Commission would include fixed costs in setting the
2 revenue requirement for a utility as part of a
3 general rate case?

4 **A. The normalized amount, yes.**

5 Q. Okay. And then again just to make sure
6 that it was clear on the other point that Mr. Coffman
7 asked you about. When you were describing the pause
8 of regulatory lag, that would be occurring in
9 situations without the RSM?

10 **A. Even with the RSM, the RSM covered --**
11 **would -- they would collect -- the RSM rate would not**
12 **change if there was empty positions.**

13 MR. CLIZER: Okay. The RSM rate would not
14 change if there was empty position. All right. I
15 believe that's the last of my redirect questions,
16 Judge. However, I have two things. Ms. Mantle
17 mentioned a DR response that she kind of read into
18 the record. I would prefer for that kind of thing to
19 actually be in the record physically, but I don't
20 have copies of it. What I would ask is to mark an
21 OPC Exhibit 318 which would be the DR response she
22 referred to and offer it, but have you stay the
23 pending on the ruling until I'm able to distribute
24 copies to everybody so they've had a chance to see
25 it.

1 JUDGE SEYER: All right. And that DR
2 number again?

3 **THE WITNESS: 8015.**

4 JUDGE SEYER: All right. So you're
5 offering it?

6 MR. CLIZER: I will offer it; however, I
7 acknowledge I do not have the requisite copy as I did
8 not know it was going to come up so I will myself ask
9 you to stay pending on -- stay the ruling on that
10 until I've had a chance to distribute to all parties.

11 JUDGE SEYER: All right. I will do that.

12 MR. CLIZER: So the second one is very
13 similar. Ms. Mantle was asked a question from
14 Consumers Council regarding page 20 of the OPC
15 position statements and whether those were consistent
16 with her recommendations. Again, page 20 is not part
17 of the record, so solely for the sake of having a
18 complete record with regard to what was referenced in
19 the testimony, I would offer just that page as it
20 pertains to the question. And again, I would mark it
21 as Exhibit 319 and offer it but ask you to stay the
22 ruling until I've had an opportunity to supply. And
23 they can make objections after I've handed it out.

24 JUDGE SEYER: Agreed. I'll do that. All
25 right. Ms. Mantle, you may step down. And then is

1 our next issue CCOS and Rate Design? Is that still
2 our schedule?

3 MR. KILE: Yes.

4 JUDGE SEYER: Okay. And the Company may
5 call their first witness on that issue.

6 MR. FISCHER: Your Honor, we have opening
7 statements.

8 JUDGE SEYER: Oh, thank you. Yes. Are
9 there opening statements, first of all on behalf of
10 the Company?

11 MR. KILE: I'll be brief. May it
12 please -- may it please the Commission. Nick Kile
13 again on behalf of the Company.

14 On the cost of service side there are
15 some issues of debate, largely between the Company
16 and the larger industrial customers. And I would
17 invite you, if you really want to get into the nuts
18 and bolts of cost of service, McClellan can answer
19 those questions. But in reality, the rate design in
20 this case is not particularly drawn from those cost
21 of service differences.

22 The issue in this case in terms of rate
23 design is whether we are going to have continued
24 movement towards single-tariff pricing. The Company
25 wishes to continue that movement by consolidating the

1 volumetric rate for Group A into one rate and by
2 moving the rates for J closer together. Staff wants
3 to increase all rates in an across-the-board fashion
4 which actually moves us further away from single-
5 tariff pricing.

6 Now, all of the arguments that we hear
7 against the Company's proposal are largely arguments
8 against single-tariff pricing as -- as a concept.
9 There are -- they're all arguments that you would
10 make if you were opposed in general to single-tariff
11 pricing. But the reality of it is this company has
12 been progressing to single-tariff pricing for some
13 time now. Over the last four rate cases, the Company
14 has been moving to single-tariff pricing. In large
15 part the Company has already reached single-tariff
16 pricing.

17 For instance, all of the non-St. Louis
18 County customers are on the same rate. All of the
19 arguments that we hear against single -- against the
20 Company's proposal here could easily be made against
21 the existing rate design. In addition, we have all
22 of the customers in St. Louis County on the same
23 rate, even though all of St. Louis County is not
24 interconnected. So again, all of the arguments that
25 we are hearing against the Company's proposal could

1 just as easily be made against the Company's existing
2 rate design.

3 I would offer that the decision to move
4 towards single-tariff pricing has already been made.
5 That egg cannot be unscrambled. The question is how
6 far do you continue to move in this case. We are at
7 a point where Rate A, the difference between the two
8 rate groups, is 8 percent apart. And it's the
9 Company's proposal that today is the time to bridge
10 that gap and bring those two rates together. The
11 same is not true with Rate J. They are -- they are
12 further apart in the two rate groups, but they should
13 move closer together.

14 And that, in essence, is -- is the
15 decision before you. How much more do we move
16 towards single-tariff pricing. And we would urge
17 that the proposals to move away from it are simply
18 not well-taken. I'm happy to answer questions.

19 JUDGE SEYER: Are there any questions
20 from the commissioners? All right. Thank you,
21 Mr. Kile. All right. Staff may give their opening.

22 MS. ASLIN: Good morning. May it please
23 the Commission. You've likely noticed that Staff
24 took a different approach in this case by not
25 developing a new class cost of service study. This

1 is not indicative of how Staff will approach upcoming
2 rate cases. It is the result of the specific set of
3 circumstances present in this case.

4 There were a variety of factors that
5 Staff considered when making this decision. Some of
6 these factors are internal to this rate case. For
7 instance, the Company renewed request for a future
8 test year, for an RSM, for various tracker similar to
9 PISA in the electric industry, discrete adjustments,
10 the universal affordability tariff, and the overall
11 level of the requested rate increase. Some of these
12 factors are external to the rate case. For example,
13 the state of the economy, inflationary pressures, and
14 the impact of rate increases in other utility
15 sectors.

16 Based on these factors, Staff reviewed
17 the results of previous studies and outcomes and
18 determined that conducting a class cost of service
19 study in this case was not necessary. Weighing all
20 of these factors Staff determined that the most
21 reasonable way to allocate any increase in revenue
22 requirement would be to take the simple approach of
23 giving an equal percentage increase to all tariff
24 rate classes and structures. In other words, Staff
25 does not believe that this case should be the case

1 for any potential shifts between revenue classes.

2 All customers should be treated equally.

3 Consumers are feeling stressed by
4 increasing costs and with the various add-ons they
5 see on their utility bill. Any study or result today
6 that would propose to give any particular rate class
7 a perceived benefit by being allocated a
8 lower-than-system-average increase while another
9 class was receiving a higher-than-system average does
10 not seem to be in the public interest at this time.

11 For these reasons Staff felt that
12 applying an across-the-board percentage increase
13 would result in the most just and reasonable rates in
14 this case. Staff witness Melanie Marek will be
15 testifying today about Staff's approach to rate
16 design in this case.

17 Another issue that Staff will address
18 today is normalized residential customer usage.
19 Staff's method of using a five-year average is the
20 appropriate method as it utilizes actual data to
21 support normalized level of usage going forward.
22 Averaging data over five years produces reliable data
23 and evidence of recent trend and usage. Many factors
24 such as more efficient appliances, conservation,
25 irrigation can impact customer water usage and using

1 the most recent data provides the most reasonable
2 determination of customer's usage habits. Staff
3 witness Jared Robertson will be testifying today
4 about Staff's method of determine -- determining
5 normalized residential customer usage.

6 Thank you and I'm happy to answer any
7 questions or direct you to the appropriate Staff
8 witness.

9 JUDGE SEYER: Chair Hahn.

10 QUESTIONS

11 BY CHAIR HAHN:

12 Q. How many times in the past has the Staff
13 not conducted a class cost of service study?

14 A. I do not have a concrete answer on that.
15 I believe I am aware of one, but I could get that
16 answer for you.

17 Q. Sounds good. Do you know if the one that
18 you're thinking of, was it water or was it a
19 different utility type?

20 A. I believe it was a different utility.

21 Q. Okay. Do you know the rationale behind
22 not doing one then?

23 A. I do not.

24 CHAIR HAHN: Okay. Thank you.

25 JUDGE SEYER: Any other questions from

1 the commissioners? All right. Thank you, Ms. Aslin.
2 Mr. Coffman, would you like to make an opening
3 statement?

4 MR. COFFMAN: Yes, and I'll be brief.
5 May it please the Commission. The Consumers Council
6 of Missouri and AARP have a witness, Caroline Palmer,
7 on class cost of service and rate design. And
8 Ms. Palmer has some criticisms of the -- of the
9 utility's class cost of service study, but at the end
10 of the day we are relatively comfortable with the
11 Staff's recommendation of equal percentages.

12 And as to the residential fixed charge,
13 we are, you know, very concerned. We feel that the
14 Company again has gone way too far. It's been a
15 little aggressive in what they would suggest for the
16 residential fixed charge. We -- we think there is
17 some cost justification. We're recommending a one
18 dollar increase to \$11, certainly not doubling it
19 to \$21. I think that would clearly disrupt a lot of
20 the relationships we now have between low and
21 high-usage customers. I believe that the Staff is
22 recommending a \$1.43 or .34, I may have got that
23 wrong, but more than a dollar. We would also be
24 comfortable with that as an increase, but certainly
25 not 113 percent increase in that fixed charge.

1 That's all I have. Thank you.

2 JUDGE SEYER: All right. Are there any
3 questions from the commissioners? Hearing none.
4 Thank you, Mr. Coffman.

5 JUDGE SEYER: All right. Any opening
6 from counsel for MECG?

7 MR. BEDNAR: Actually --

8 JUDGE SEYER: Oh, I'm sorry. Mr. Bednar.

9 MR. BEDNAR: I'm going to talk for a
10 minute.

11 JUDGE SEYER: City of Riverside.
12 Correct?

13 MR. BEDNAR: Yes. City of Riverside.
14 Thank you, your Honor. May it please the Commission.
15 Yes. I'm Joe Bednar. I represent the City of
16 Riverside which is a city within the Parkville Water
17 District. I have -- I probably represent kind of a
18 hybrid of everybody in -- in that I have a mixed
19 position, but I've -- the City of Riverside since
20 I've represented them since 2006, 2008, has always
21 been in support of single-tariff pricing and that is
22 from a perspective of the residential property owner.

23 We -- the mayor of Riverside is very
24 committed to protecting her residents and the city.
25 It's a small city, 4,000 people now, it's growing.

1 But the fact of the matter is as you can look out and
2 see all the attorneys representing all the varied
3 interests, the true residential ratepayer sometimes
4 falls through the crack when we get to just and
5 reasonable pricing for their rates. And the reason
6 for that, it can be seen and heard today, our
7 position is that in single-tariff pricing we not only
8 believe there should be the same tariff across the
9 state, we believe it should be for every class. They
10 should -- that Rate J should be the same across the
11 state. Rate A should be the same across the state.

12 Because we're dealing again with a
13 commodity that's regulated and restricted. There
14 really isn't competition for the Company, which is a
15 benefit to the Company and we all support that
16 policy. But there's also no place else for the
17 consumer to go. And that's the true -- again, the
18 true residential consumer, whether it is a retired
19 couple, retired single individual, a young person
20 starting out from college with their first house,
21 their first apartment dealing with fixed costs and
22 costs to which they have no control because you have
23 to have water. You have to drink water. We hope
24 people bathe. But those are the type of things that,
25 again, a lack of choice.

1 And it becomes almost in the context of
2 the way our forefathers have seen for the best
3 interest of the state and for the residents I believe
4 and the businesses, that we set up this Public
5 Service Commission. By its very name reinforces that
6 idea that we're all here -- you all are here to make
7 that sure residents are guarded, businesses are
8 guarded. So this is not -- and Riverside has always
9 supported business. We're not attempting to pit
10 anybody against anybody.

11 But starting out with again, what is the
12 price per gallon of water that a user pays. If the
13 cost of that production of that unit, that gallon of
14 water is the same, why do people have to pay
15 differently. And if there is a basis, and there may
16 be, then it should it not start with the individual
17 or the family who doesn't get to recapture their
18 cost. The residents are the single customer of MAWC
19 that does not get to recover their costs and may be
20 suffering from a fixed revenue of their own of which
21 they don't have anybody to appeal to, whether they're
22 fixed on Social Security or -- or their wages at
23 their job. Many other reasons why the residential
24 user has the most limited avenues for relief than any
25 other ratepayer out there.

1 So I would submit, City of Riverside
2 would submit that that should be taken into
3 consideration when we're setting rate design. That
4 the issue of volumetric charges, it's amazing when
5 you look at we have Rate A, Rate J -- Rate B is taken
6 care of I believe, Mr. Fisher? And then the others.
7 And what's interesting about that is within Rate A,
8 you can kind of see the complexity of the problem in
9 that we refer to users within Rate J as both
10 residential and nonresidential without further
11 definition. And then in other parts of folks'
12 testimony, they refer to the commercial user. And I
13 think that gets into, again, part of the issue here
14 is those -- there are ratepayers within Rate A that
15 do get to capture -- recapture their cost.

16 Now, that will vary, the size of the
17 business. Could be a truly small business with just
18 a few employees or a large one. Could be a golf
19 course, I'm not sure.

20 But those are the issues that I think
21 bear further evaluation when we finally settle upon a
22 rate design and then the rate increase that's
23 assigned so that that is equitable. Again, not
24 pitting anybody against each other. We're the state
25 of Missouri. We shouldn't pit the east versus west.

1 If there's an economic development issue, let's
2 pursue that with the Department of Economic
3 Development and see what incentives we can create for
4 a new business to help them with their new utility
5 bills. But to transfer that cost, that incentive to
6 the residential ratepayer, I don't know that that's
7 the most just and reasonable approach to take.

8 And so, you know, there are some that
9 would even perceive this as -- as really setting up
10 almost a tax on folks because it is something that
11 you have to do. Again, it's a rare commodity that we
12 have no choices. So we would pursue a more equal --
13 just like gasoline. You get to -- you know,
14 everybody pays the same amount for gas no matter how
15 much you make, no matter where you live in -- well, I
16 shouldn't say that; Jeff City is always 10 cents more
17 per gallon than anyplace else for whatever reason. I
18 don't know. We could bring that before you all. But
19 the point there is that I think that we can get
20 closer to the same volumetric rate and I'm happy to
21 have more discussion about that. But bottom line is
22 I think we can do better for residential ratepayers.
23 The Mayor of Riverside, Kathleen Rose, firmly
24 believes in that. And the City of Riverside's been
25 fighting this now for almost 20 years.

1 But thank you very much for your time.

2 I'm hear to answer any questions that you might have.

3 JUDGE SEYER: All right.

4 MR. BEDNAR: I have no witnesses.

5 JUDGE SEYER: Are there any questions
6 from the commissioners for Mr. Bednar? All right.

7 Hearing none. Thank you. All right. Mr. Opitz on
8 behalf of MECG?

9 MR. OPITZ: May it please the Commission,
10 again, Tim Opitz on behalf of MECG. I don't know
11 that I can disagree more with the prior opening
12 statements. When we have a monopoly here where
13 people have no choice, the most equitable way to set
14 rates is based on cost of service. If you are
15 causing a cost to be incurred, you should be charged
16 for that cost. And the fact is different classes of
17 customers incur different costs and cause different
18 costs.

19 There's a few sub issues related to the
20 cost of service and revenue allocation issue. I want
21 to address the allocations first. This relates to
22 the class cost of service study. Now, Staff didn't
23 do one in this case. The parties who did it in this
24 case are the Company and then MECG and MIEC had a
25 witness, Ms. York, look at the Company's study and

1 propose adjustments.

2 What the Company did was to base extra
3 capacity method for cost allocation. From a
4 technical standpoint, this is an industry standard
5 and widely accepted as reasonable. However, MEEG's
6 Ms. York, her testimony for MEEG relates to the
7 all-other district, so the nondistrict, the one in
8 St. Louis. I'll call it district two or Other MO.
9 And she recommends I believe four changes.

10 First, public fire protection class
11 should receive an allocation for the source of supply
12 and water treatment costs. Now, the reason is
13 because the Company confirmed that potable water is
14 used to serve public fire. And because the Company
15 is, in fact, incurring this cost to provide that
16 service to that class, that cost should be allocated
17 to that class. Cost of service.

18 The second adjustment she makes is to
19 purchase power expense. And her testimony is that
20 should be allocated on a base and extra capacity
21 demand rather than on base usage. The technical way
22 to do that is using factor three. She can answer
23 more about that, but this has to do with the way that
24 the utility incurs its electric cost and its purchase
25 power. Cost of service.

1 The third adjustment she makes is related
2 to the Rate J distribution multiplier. For Other MO,
3 the Company, as I understand, has made a correction.
4 It's a little different from what Jessica has
5 corrected, and I think this gets down to another
6 issue that's a sub issue here is the Commission
7 should order the Company to do a distribution main
8 study so that we can see which distribution lines are
9 serving the Rate J class or the appropriate classes.
10 We may not be able to get that in this case but we
11 can order the Company to do that study which they've
12 done in the past, and it will get us closer to
13 advocating for real cost of service to serve
14 customers in the next case.

15 The fourth adjustment Ms. York makes is
16 related to system load factors. This is used to
17 assign costs between the base and extra capacity
18 functions. She has in her testimony that this should
19 be allocated consistent with the customer class load
20 characteristics indicated by customer class peaking
21 factors that reflect the methodology in AWWA manual
22 M-1. My understanding is that that's reasonably been
23 a methodology approved for other states that
24 Missouri-American offers service to.

25 Those are the adjustments she makes to

1 the class cost of service study. Each of those gets
2 the Company closer to cost of service or the
3 potential to do it in the future for providing
4 service to customers in the Other MO district.

5 Now, the next sub issue is what is the
6 appropriate allocation of the revenue requirement
7 increase that comes from this case. You know, first
8 of all, I believe that the revenue allocation should
9 be consistent with the class cost of service study.
10 So our starting point is to start with the Company's
11 cost of service study as adjusted by the
12 recommendations of Ms. York.

13 Moving from that, we do also take into
14 account some impact of gradualism to say that we
15 should have this allocation bringing us closer to
16 what her cost of service study shows, but with the
17 limitation that no class should receive a greater
18 than 1.25, the district average.

19 You know, those are the two main points
20 that I wanted to highlight to you all. I'm happy to
21 answer any questions. For the details on how those
22 adjustments should be made or the impact on the cost
23 of service, I would direct you to ask Ms. York about
24 that. And again, for MCEG she's offering the
25 testimony on the Other MO district, her adjustments

1 there. So with that, happy to answer any questions.

2 JUDGE SEYER: Are there any questions
3 from the commissioners? All right.

4 MR. OPITZ: Thank you.

5 JUDGE SEYER: Hearing none. Thank you.
6 All right. Would Counsel for MIEC like to make an
7 opening statement?

8 MS. PLESCIA: Yes, your Honor, thank you.
9 First I'd like to start by pointing out that the
10 Company in this case, not only on the issue of class
11 cost in service -- of service in rate design and
12 consolidated tariff pricing but on other issues has
13 created a sense of inevitability that what's
14 happening across the county with its overall
15 policies, its parent corporation, and the trends that
16 it would like to see should apply to Missouri. But
17 Missouri has its own unique laws, its own unique
18 concerns, and one size doesn't fit all. And there is
19 no inevitability into the ratemaking policy. There
20 is no sweep that requires the Commission to ever
21 engage in a bad policy or with making a change if
22 they think it's a good policy.

23 I think the burden is on the Company to
24 explain why it thinks that single-tariff pricing has
25 been happening anyway and the Commission should just

1 allow it to continue. We strongly disagree on behalf
2 of the MIEC. There are two cost of service studies
3 in this case, the one presented by the MIEC and MECG
4 which are actually a little different, we have
5 different sets of clients, but the principles are the
6 same, and the Company's.

7 And I hate to go into technical detail,
8 it's a technical issue, but the MIEC recommends that
9 the Commission first of all reject the Company's
10 proposed revenue spread because it is based on
11 continued movement to consolidated tariff pricing.
12 And I'd like to explain why we think that that's bad
13 economic policy, it's bad for businesses, and all
14 other customers in the state. It is based on an
15 incorrect and flawed cost of service model. The
16 proposal violates all principles of cost causation
17 which is the cornerstone of just and reasonable
18 rates. The difference between a tax and a rate is
19 that a rate is supposed to represent the cost to the
20 consumer as well as the cost to the company in
21 providing a service to that particular consumer.
22 Consumers are different. A private business would
23 treat companies with different costs to serve
24 differently as well. This is not meant to be one
25 size fits all. And the economic distortions that

1 result from that are obvious when you look at the
2 impacts on businesses or low income. There have to
3 be countenance of those differences.

4 Consolidated tariff pricing also erodes
5 the efficiency of the Company's entire system. It
6 reduces the Company's incentive to perform due
7 diligence before acquiring additional water systems.
8 It also ignores the economics of scale that are
9 required to service a large, far-flung, and
10 noninterconnected system into an
11 artificially-condensed district. Many of the systems
12 are not inter -- interconnected with all of the
13 smaller utilities that Missouri-American has acquired
14 over -- over decades. There is not a fairness when
15 the Utility was able, with its own capital, to
16 purchase these symptom and then to impose these costs
17 on customers that have already paid for the systems
18 over the course of many decades. It's convenient for
19 the Company, but not for the ratepayers. And this
20 pricing would undermine any relationship between
21 rates and cost.

22 Turning to the Company's cost of service
23 study, as mentioned before the Company uses the base
24 extra capacity method which is a broadly-accepted
25 method of cost allocation. So, but just by using

1 this method the Company's recognizing cost of
2 service. But the Company study is grossly inaccurate
3 in key respects, and these inaccuracies make the
4 Company's cost of service study unreliable.

5 And specifically as pointed out in the
6 testimony of MIEC and MIEG Witness York, the Company,
7 number one, fails to allocate the source of supply or
8 water treatment costs to the public fire service
9 class. It inaccurately allocates purchase power
10 expenses. It uses an unsupported, quote, unquote,
11 Rate J distribution multiplier which is novel and has
12 no basis in evidence. It uses system load factors to
13 assign cost to demand factors that do not reflect the
14 load factor -- factors actually shown by the customer
15 class peaking factors.

16 And in her testimony MIEC Witness York
17 makes the following specific recommendations to
18 correct these serious flaws in the Company's study.
19 She recommends that 86.39 of depreciation -- percent
20 of depreciation expense and plant investment be -- be
21 changed to size 10 to 16 inches and be assigned to
22 the distribution cost rather than transmission. This
23 is consistent with the classification of mains in the
24 Company's annual reports.

25 In her testimony MIEC Witness York also

1 makes the following other specific recommendations:
2 She rejects the Company's consolidated tariff pricing
3 proposal and proposes that no class in this case
4 should receive an increase greater than 1.25 times
5 the district average. And even if the Commission
6 were not to adopt Ms. York's corrections, the
7 Commission should still ensure that no class receive
8 an increase of more than 1.25 times district average.
9 That avoids rate shock. It allows gradualism.

10 Based on her corrections to Missouri-
11 American's study and her rejection of the Company's
12 consolidated pricing proposal, we -- we believe that
13 the Commission should adopt Ms. York's cost of
14 service study and reject the Company's and allow her
15 corrections to the Company's flawed study.

16 I would also note that the Company
17 proposes to shift approximately \$8.7 million to
18 St. Louis County water customers and away from
19 customers outside of St. Louis. This would result in
20 St. Louis County nonresidential and Rate B customers
21 paying rates that are more than the Company's cost to
22 serve them. The Company instead should base rates in
23 each district on the respective class cost of
24 service.

25 Moving to the Comp -- the Commission's

1 Staff's position. The Staff did not prepare a water
2 class cost of service model in this case. Staff
3 Witness Marek stated that Staff made this decision
4 because, quote, It appears that the Company's
5 submitted case and the Staff's prepared class cost of
6 service from the last rate case, there was not much
7 difference in the cost allocation.

8 I would note that the Company's last cost
9 of service study was performed in 2022. It would not
10 be reasonable for the Staff or the Commission to
11 rely on the Staff's class cost of service models from
12 the 2022 case for either cost allocation or rate
13 design because in that case the Staff's model for
14 both districts contained major errors, major errors,
15 and unsupported data that was used to develop flawed
16 allocation factors. As a result, the 2022 study did
17 not provide an accurate measure of the cost of
18 service to the classes. Accordingly, it would be
19 unreasonable to conclude that Staff had somehow --
20 somehow updated its water model, that it could be
21 consistent with the Company's. As Ms. York points
22 out, there are -- there are errors such that it would
23 be impossible to incorporate the principles or
24 compare that with the Staff's -- excuse me -- with
25 the Company's cost of service study.

1 For these reasons we believe that the
2 Commission should adopt the approach taken in
3 Ms. York's testimony and it should evaluate for
4 fairness of the allocation based on class cost of
5 service with an understanding that gradualism is part
6 of that. And I'm happy to answer any questions.

7 JUDGE SEYER: Do the commissioners have
8 any questions for Ms. Plescia? No questions. Oh,
9 sorry.

10 CHAIR HAHN: Sorry, Ms. Plescia.

11 JUDGE SEYER: There is a question.

12 QUESTIONS

13 BY CHAIR HAHN:

14 Q. I want to understand some of your comments
15 around the 2022 class cost of service study for this
16 particular company that Staff did. You said it had
17 major errors. Just because I wasn't here then, can
18 you describe that?

19 A. I would have to rely on my witness for the
20 technical errors involved. I know that we spent many
21 days, I was personally involved in the case, and we
22 spent many days working directly with the staff to
23 try to get some of those errors corrected. And I
24 would actually, if possible, defer those questions,
25 since they're technical, to our witness Jessica York

1 **if that's okay with you.**

2 CHAIR HAHN: Sounds great.

3 MS. PLESCIA: Okay. Thank you.

4 CHAIR HAHN: Thank you.

5 JUDGE SEYER: All right. Mr. Fischer,
6 would you like to make an opening statement on behalf
7 of the Public Water Supply Districts No. 1 and 2 of
8 Andrew County?

9 MR. FISCHER: Yes, very much, your Honor.
10 Let me hand out our PowerPoint that I'll get into in
11 a minute. Thanks very much. For the record my name
12 is Jim Fischer and I am representing the Public Water
13 Supply Districts No. 1 and 2 of Andrew County. I'm
14 going to shorthand those just to water district if
15 that's all right.

16 I've been representing various water
17 districts that take sales-to-resale service from this
18 particular company for -- for many years and I just
19 want to -- we would like to discuss the -- some of
20 the rate design issues in this case as well as give
21 you a little bit of history about the issue.

22 Missouri-American, as Counsel for the
23 Company indicated, has currently two districts.
24 District 1 is the St. Louis area while District 2 is
25 the rest of the state. My clients, the water

1 districts, are in the rest of the state and as their
2 name suggests, they are in Andrew County which is
3 just outside of the St. Joseph area. Rate B is a
4 single-tariff rate that applies to all water
5 districts in both the Missouri-American districts, so
6 it's -- that -- for that particular one we do have
7 single-tariff pricing.

8 As not-for-profit wholesale customers the
9 water districts are really representatives of their
10 own customers since any increase in the cost of water
11 must eventually be passed on to their customers. The
12 water districts in this case are principally
13 concerned with the class cost of service studies
14 issues as well as the rate design issues. We're not
15 taking a position on the other issues in the case,
16 principally revenue requirement issues.

17 In this case as Staff counsel indicated,
18 Staff commission did not -- or Staff of the
19 Commission did not conduct a new class cost of
20 service study since the Staff was comfortable with
21 the results of the cost of service study that they
22 completed in the last rate case, which was
23 WR-2022-0303. And I'd like to address one question
24 from the Bench about what the problems were in that
25 last cost of service study. There were some problems

1 in the Staff's cost of service study when they filed
2 in their direct case. They corrected those in the
3 rebuttal case. The principal problem was that they
4 forgot to include in their cost of service study
5 something called the mains adjustment. In their
6 rebuttal testimony they corrected that and they
7 produced a cost -- a class cost of service study
8 which is -- the results which I have included and I'm
9 going to talk about here in a minute in my opening
10 statement.

11 The Water Districts believe it is
12 appropriate to broadly utilize the results of that
13 Staff class cost of service study in this case, to
14 allocate any increase that comes out of this case.

15 And, Brian, let's go ahead and -- you've
16 got that up there. Let's go to the second -- second
17 slide if you don't mind. Or can I do that? I can do
18 that. Okay. Well, those numbers don't show up very
19 well. I'm glad you have it in front of you.

20 MR. OPITZ: Your Honor, I'd like to
21 interpose an objection here. This is Tim Opitz on
22 MCEG's behalf. This -- I understand this is opening
23 statements, but these slides here -- my first
24 objection is hearsay. These are out-of-court
25 statements offered I suppose for the truth of the

1 matter that they're reasonable. They don't appear
2 anywhere in the testimony in this case. They're --
3 they're not supported by a witness who will take the
4 stand of these figures.

5 And then the second is relevance. There
6 are two -- there are two cost of service studies or
7 analyses done in this case, neither of which show
8 these factors or these allocations.

9 MR. FISCHER: Judge, this is an opening
10 statement and this is just for a demonstrative
11 exhibit at this point. I do though intend to ask the
12 Staff in cross-examination about the results of their
13 class cost of service study since that's what they
14 said they relied on in making their recommendations
15 in this case. So during cross-examination I will
16 present to the witness this summary table which shows
17 what they had relied on in the last rate case to make
18 their current recommendation in this case. So it
19 will be in evidence.

20 JUDGE SEYER: And correct me if I'm
21 wrong, Mr. Fischer, but these schedules were actually
22 admitted in the previous rate case?

23 MR. FISCHER: That's -- oh, yes.
24 Definitely. That was Exhibit 127, it was in the
25 Staff's testimony and Carry Roth's testimony.

1 JUDGE SEYER: All right. I'm going to
2 overrule that objection. You can continue.

3 MR. FISCHER: Okay. Thank you.

4 Let's do look at the results of that
5 class cost of service study. For District 2 which is
6 the first table that I have up there, and that's
7 where my -- my clients are located, the Staff study
8 shows that assuming an overall increase in that case
9 of 17.8 percent in District 2, which is what the EMS
10 run for the Staff was showing at that time, that
11 even though the rates were going up for that district
12 by 17.8 percent, the cost of service study results
13 showed that my clients, the Rate B, should have had a
14 rate reduction of 21.6 percent. So even though
15 overall rates were going up 17.8, their overall --
16 the rate reduction should have been if you follow
17 the class cost of service study a 17 -- or excuse me,
18 a 21.6 percent reduction.

19 And if we go to the second slide, which
20 is the District 1 St. Louis area, that one shows that
21 if there was a 19.3 percent increase for the district
22 as a whole, which is -- was based on the Staff's EMS
23 run at the time, the sales-for-resale class should
24 have received a 17.7 percent rate reduction based
25 upon the results of the class cost of service study.

1 So under Staff's assumptions, Rate B and
2 the aggregate for both districts should have received
3 a \$2.2 million rate reduction if the Staff's cost of
4 service study results were used to allocate the
5 overall increase.

6 Now, if you look at the last columns over
7 there on both pages, the only negative, only negative
8 percentage is the sales-for-resale class. So that
9 shows that with the rate increases that were going
10 on, the only class that should have received a rate
11 reduction according to the Staff's class cost of
12 service study was my clients, the sales-to-resale
13 class.

14 In the 2022 rate case there was a
15 settlement which was approved by the Commission which
16 took a modest step toward closing the gap between the
17 Rate B revenues and the classes cost of service
18 study. While some progress was made in that last
19 case, the Water Districts believe that the Commission
20 should take another step in this case to further
21 close that gap. In that case the revenues from
22 Rate B rates were decreased by approximately \$755,000
23 which was about a 4.5 percent decrease in volumetric
24 rates, and I think they also increased the meter
25 charges by about 11 percent.

1 Now, as background I'd like to mention a
2 little bit of regulatory history related to this
3 company. In the Missouri-American rate case in the
4 year 2000, the Commission adopted a major policy
5 shift to adopt district-specific pricing rather than
6 continuing with its previously-announced decision to
7 go to single-tariff pricing. The single-tariff
8 pricing approach applies the same rates to a given
9 class across the state. But very importantly it has
10 the effect of recovering new plant investment costs
11 for customers throughout the Company's service area.
12 And if you have a question about that, please ask me.

13 In the 2000 rate case, a new St. Joseph
14 water treatment plant was being placed in rate base
15 resulting in a very large increase in the revenue
16 requirement for that case. In its Report and Order,
17 the Commission majority rejected the water district's
18 recommendation to use single-tariff pricing and
19 instead, using district-specific pricing, put the
20 entire cost of the St. Joseph treatment plant in
21 rates into the St. Joseph area rates resulting in a
22 very substantial rate increase for customers in the
23 St. Joseph area. By a three to two vote the
24 Commission raised the sales-for-resale class rates,
25 my client's rates in the St. Joseph area by

1 approximately 267 percent. 267 percent is what it
2 resulted in our rates going up in that case.

3 The dissenting opinions of Commissioners
4 Murray and Drainer discussed the ensuing rate shock
5 associated with these 267 percent rate increases.
6 Commissioner Diane Drainer I think was rather
7 prophetic 25 years ago when she noted that the
8 sales-for-resale customers and other classes in the
9 St. Joseph area, and I'll just quote what she said,
10 will receive such a rate shock from this case that
11 their future rates could only be viewed as unjust and
12 unreasonable.

13 Now, this is the ninth rate case that
14 we've had since that case. Some were litigated, some
15 were settled, but the sales-for-resale class still is
16 above its class cost of service according to the
17 Staff's last cost of service study.

18 So in conclusion, the Commission should
19 broadly use the staff's class cost of service study
20 for the last rate case to determine the appropriate
21 allocation and revenue requirement in this case and
22 make a meaningful downward adjustment in the
23 proportion of the overall revenue requirement being
24 borne by Rate B which is the rate that applies to my
25 clients.

1 I'd be happy to answer your questions.

2 Thank you for your attention.

3 JUDGE SEYER: All right. Are there any
4 commissioner questions? Hearing none. Thank you,
5 Mr. Fischer.

6 JUDGE SEYER: All right. Mr. Clizer for
7 Public Counsel.

8 MR. CLIZER: I got two this time. So
9 before I get started, let me just say somewhere in
10 the haze of preparing for hearing, I got the
11 impression that one of the issues today was coming up
12 under a different heading, so I prepared two
13 different openings thinking they were going to be two
14 different mini openings. I realized my mistake.
15 They're actually under this one umbrella term, so I'm
16 just going to run through both of them back to back
17 real quick.

18 Here's the good news. I know you were
19 just thrown a lot of stuff on class cost of service
20 rate design. I'm going to be fairly simple, at least
21 on that one issue. I'm going to get a little bit in
22 depth on a very, very particular part after that.

23 So let's just start with rate design and
24 class cost of service. The OPC has three primary
25 points that we're pushing for. First, we're asking

1 to maintain two separate districts for water.

2 Second, we're asking for a no revenue-neutral shift
3 across classes. And third, we're asking for no
4 change to the residential customer charge. I'm going
5 to walk through each one of those with a single
6 slide.

7 Maintaining the two water districts.

8 Again, you've already heard a lot of stuff already
9 from everybody about why they want to do this. Our
10 position, water is local. It's not like electricity
11 where it's built way over there and transported
12 across. Usually it's all made and brought in at the
13 same place. That means that your individual costs,
14 right, the cost of the individuals living in that
15 community are going to be directly tied to the
16 projects in that community. We call that, you know,
17 cost-causative principle. We want the -- the people
18 that cause the cost be the one theoretically paying
19 for them. So keeping water local maintains that
20 cost-causative principle.

21 It also allows for a better understanding
22 of the ratepayer, of how their usage is affecting
23 them. If you consolidate rates, right, you mute that
24 price signal. So if you consolidate rates, a person
25 in St. Louis is going to get charged for something

1 being built in St. Joe and they're not going to be
2 really any way to kind of mitigate that. So again,
3 consolidating rates meets price signals. It also
4 potentially allows for overinvestment because of it.
5 And I'm not going to go into detail because I believe
6 one of the prior speakers already discussed the
7 St. Joe resource that was kind of put into place that
8 caused such a big concern about that. If you have a
9 further question on that, I do though recommend you
10 talk to Dr. Marke about it.

11 So the second one, no revenue-neutral
12 shifts. All right. Our position here is really,
13 really simple. This is going to be a big one, right.
14 Like almost no matter what happens, you're going to
15 talk about double-digit rate increases possibly into
16 the 20, 30 percent range, hopefully not that high,
17 but, you know, that's a distinct possibility. You
18 are going to have rate shock. That's just going to
19 happen because of this rate increase at this stage.
20 And while a lot of different -- you know, reasonable
21 minds can differ under normal circumstances. As of
22 right now this is just not the case to start making
23 revenue-neutral shifts. You are going to cause a
24 whole lot worse rate shock than you're otherwise
25 going to get already. And that's my point there.

1 And then finally, residential customer
2 charge. Seven years ago MAWC lowered its monthly
3 customer charge from \$15 to \$10. Since then, the
4 Company made a bunch of investments in AMI meters.
5 And part of the promise of those investments in the
6 AMI meters was we're going to reduce the fixed costs
7 that we normally include or bake into the customer
8 charge.

9 And let me actually back up and just
10 clarify that point really quick. When we set rates,
11 normally the costs that we're trying to recover for
12 the customer charge are the costs that are going to
13 be borne or caused by every customer no matter how
14 much they use. So, for example, a meter reader
15 has to come to the house whether you use 50 gallons
16 or 5,000. So the cost of sending the meter reader is
17 going to be part of the fixed charge because you have
18 to -- every customer's going to incur that cost. But
19 if you get rid of the meter readers, right, because
20 we have the AMI meters, theoretically we should be
21 able to lower those fixed costs built into the
22 customer charge. However, instead of that, we're
23 instead seeing the Company asking for nearly 113 --
24 or no, exactly 113 percent increase in the customer
25 charge. This is just unnecessary given the facts in

1 front of us. And it also reduces the overall risk to
2 the Company and moves us further away from
3 market-based competition which I've kind of touched
4 on earlier today.

5 So like I said, our three positions very
6 simply: Maintain two separate water districts, no
7 revenue-neutral shift across classes, and no change
8 to residential customer charge. I know I ran through
9 those pretty quick, but again, I think you guys have
10 heard quite a lot; I didn't want to take up too much
11 of your time on it.

12 I do, however, strongly encourage you to
13 ask any questions on any of these topics or anything
14 else you've also heard of our witness on this
15 particular part of it, Dr. Geoff Marke. The man
16 knows his way around class cost of service very well
17 and can ans -- help to answer any of your questions.

18 All right. I will pause there if there's
19 questions on that component of it because I want to
20 move into a slightly more complex issue that takes a
21 little bit more details here in a second.

22 MR. KILE: Your Honor, before we begins
23 the second part of his opening statements, I shared
24 the same confusion I guess that he did which was we
25 presented our opening on Cost of Service and Rate

1 Design, and we were assuming the Residential
2 Normalization was under Revenues. I have an opening
3 on that. I -- and thought that that was where that
4 topic was going to be covered until we heard the
5 Staff cover it in their opening.

6 MR. CLIZER: I'm also -- like if we want
7 to just do Class of -- it may be a better idea
8 honestly to just do Class Cost of Service right now
9 and then come back and do this. Because this is a
10 very specific issue. I don't know if that would work
11 for other parties. I'm more than happy to do it that
12 way. I don't know, for example -- that's a no?

13 MR. OPITZ: I have no objection.

14 MR. CLIZER: Oh, you have no objection.
15 Did anybody else have an issue with potentially just
16 run through Class Cost of Service and then taking up
17 the Normalization Residential Usage afterwards?

18 MR. BEDNAR: I'm fine with it, City of
19 Riverside.

20 MR. CLIZER: If that's the case, I'll
21 just withdraw that opening and I'll come back
22 afterwards. It's -- that'll make things --

23 JUDGE SEYER: Yeah. That seems to be the
24 consensus.

25 MR. CLIZER: Okay. In that case, again,

1 were there any questions on the class cost of service
2 component?

3 JUDGE SEYER: The commissioners are
4 indicating negative. I apologize. Mr. Holden
5 [sic], you are online and I skipped over you. Do
6 you have an opening that you'd like to present on
7 behalf of Triumph Foods? Or are you still on? All
8 right. Mr. Holden, last -- last opportunity if you'd
9 like to make an opening statement. Oh, Harden, I'm
10 sorry. Yes, Mr. Harden. All right. Then I'll
11 assume by his silence that he does not wish to
12 present an opening statement. At this time we will
13 break for lunch. All right. We could reconvene
14 1:15. We'll go off the record.

15 MR. HARDEN: Your Honor, I apologize. I
16 was trying to get to the right button on my computer.
17 No, I do not have an opening statements.

18 JUDGE SEYER: And there Mr. Harden is.

19 MR. HARDEN: Yes, this is Joshua Harden.

20 JUDGE SEYER: All right. With that then,
21 we will go off the record.

22 (Off the record.)

23 JUDGE SEYER: All right. Let's go back
24 on the record. And we are on record. Ms. Aslin, you
25 mentioned off the record there's an issue you'd like

1 to take up.

2 MS. ASLIN: Yeah. I have a short list of
3 questions. First, I believe that Mr. Pringle dealt
4 with this yesterday but I just wanted to clarify that
5 Malachi Bowman will not be appearing tomorrow for
6 Staff under the issue of Depreciation because his
7 issue has settled in the partial stipulation and
8 agreement.

9 JUDGE SEYER: Okay. I was -- all right.
10 Maybe I didn't match the issue numbers and sub --

11 MS. ASLIN: Okay.

12 JUDGE SEYER: -- issue letters.

13 So there will be no testimony on
14 depreciation?

15 MS. ASLIN: Well, there is.

16 JUDGE SEYER: Okay.

17 MS. ASLIN: But this is just a specific
18 witness. And the depreciation rates were part of the
19 first partial stip and agreement that was filed. And
20 the only issues that Mr. Bowman was testifying on
21 were part of that. So he was inadvertently left on
22 the witness list.

23 JUDGE SEYER: Okay. I understand now.

24 MS. ASLIN: And then next just for
25 clarification since we are now dealing with -- I

1 cannot think of the name of the issue now --
2 Normalized Residential Customer Usage as part of
3 Revenues, Jared Robertson will know not be testifying
4 under CCOS/Rate Design. We'll just move him to later
5 this afternoon.

6 JUDGE SEYER: Okay.

7 MS. ASLIN: Next is Alexis Branson whose
8 testimony was admitted yesterday has -- needs to make
9 a correction to that testimony. And since it has
10 already been offered and admitted, we were -- Staff
11 was wondering if you have any direction as to how you
12 would like that addressed.

13 JUDGE SEYER: Can a correct copy be
14 filed?

15 MS. ASLIN: Yes.

16 JUDGE SEYER: After -- after the parties
17 get to review.

18 MS. ASLIN: Yes.

19 JUDGE SEYER: Okay. Let's do it that
20 way.

21 MS. ASLIN: And then the last thing is I
22 have a list of issues here that I have distributed to
23 all parties, and I don't believe that I've heard back
24 from everyone, but I've heard back from most. There
25 are a few issues where parties have agreed to waive

1 cross on Staff witnesses because these specific
2 issues that I can list off for you, the only
3 difference between Staff and the Company is actually
4 related to discrete adjustments, and discrete
5 adjustments will be addressed by Staff witness Kim
6 Bolin tomorrow morning. These Staff witnesses can
7 still be available to testify, but we would just
8 request that any questions for them be kept general
9 and any questions about discrete adjustments be
10 directed to Ms. Bolin. And if it would be easier, I
11 could email the list of issues that this affects.

12 JUDGE SEYER: Yeah. Let's do it that
13 way.

14 MS. ASLIN: Okay. All right. And that
15 is all I have.

16 JUDGE SEYER: Okay.

17 MS. NIEMEIER: Judge, one question for
18 the corrections. Casi, will they be red lined or are
19 they in like an errata sheet? How extensive are
20 they?

21 MS. ASLIN: That I cannot answer right
22 now.

23 JUDGE SEYER: All right. Mr. Clizer.

24 MR. CLIZER: Yes. The Office of Public
25 Counsel had previously offered OPC's Exhibits 318

1 which was the data request 8015 and response provided
2 by Missouri-American Water, OPC's Exhibit 319 which
3 was page 20 of the OPC's position statement as
4 referenced in testimony given today by Ms. Mantle.
5 I'd originally offered both of those exhibits. I
6 would now like that they will -- you take up the
7 offer.

8 JUDGE SEYER: Okay. And the parties have
9 had an opportunity to see those documents?

10 MR. CLIZER: I attempted to distribute
11 them, but if any party does not, please let me know
12 right now; I have copies.

13 MR. KILE: Yes, your Honor. We -- the
14 Company has received them. We will not object to the
15 data request, although I would note for the record
16 that the responsible witness for this data request
17 response was Charles Rea. The proper protocol, if it
18 was to come in, would have been through
19 cross-examination of Mr. Rea.

20 We do object to the page from the
21 statement of position. We were told on
22 cross-examination that this position was nowhere
23 stated in prefiled testimony. That the practice of,
24 you know, now introducing a written document that
25 really if they wanted it to be in their case in

1 chief, they should have put it in on case in chief
2 and so on that basis, we object.

3 JUDGE SEYER: All right. But this is --
4 I understand your procedural objection, but I'm going
5 to overrule that objection. Are there any other
6 objections? All right. Exhibits 318 and 319 are
7 admitted.

8 (OPC Exhibits 318 and 319 were admitted
9 and made a part of this record.)

10 JUDGE SEYER: All right.

11 MR. OPITZ: Your Honor, I have -- this is
12 Tim Opitz, MECG. I have one additional I guess
13 preliminary matter.

14 JUDGE SEYER: Yes.

15 MR. OPITZ: Maybe an hour or so ago there
16 was a stipulation filed. MECG intends to file an
17 objection to that. I know it was -- one of those
18 issues was related to one that was supposed to be
19 heard today. I guess maybe I should inquire of the
20 parties. Is there a way that they all had thought to
21 approach that or if the judge prefers, I'm still
22 happy to take up that issue today as well.

23 MR. CLIZER: Can we go off the record for
24 about five minutes to confer internally?

25 JUDGE SEYER: Yes. Let's go off the

1 record.

2 (Off the record.)

3 JUDGE SEYER: Let's go back on the
4 record. All right. And we are back on the record.
5 And while off the record one of the things that was
6 discussed was the second partial stipulation and
7 agreement that includes -- I'm sorry -- yes, the
8 second partial stipulation and agreement that has to
9 do with the issue of Universal Affordability Tariff.
10 The Company's witness on that topic, that issue,
11 Mr. Rea, is unavailable after today, so the current
12 plan is to take Class Cost of Service first and then
13 there will be opening statements on Universal
14 Affordability Tariff. Correct? Okay. And witnesses
15 on that issue.

16 So with that, Missouri-American call your
17 first witness.

18 MR. KILE: Thank you, your Honor. Our
19 first witness is hopefully a short one because he's
20 got one topic that has not yet been covered, and that
21 is Jody Carlson. Mr. Carlson testifies on the
22 consolidation of the five-eighths and three-quarter
23 inch meter charge and his testimony's already been
24 admitted so he is available for cross-examination.

25 (Witness previously sworn).

1 JODY CARLSON,
2 the witness, having been first duly sworn,
3 testified as follows:

4 JUDGE SEYER: All right. Staff, do you
5 have questions on cross?

6 MS. ASLIN: No questions.

7 JUDGE SEYER: All right. Public Counsel?

8 MR. CLIZER: No questions.

9 JUDGE SEYER: Consumers Council?

10 MR. COFFMAN: No questions, your Honor.

11 JUDGE SEYER: Any of the other
12 Intervenors?

13 MR. BEDNAR: City of Riverside does.

14 JUDGE SEYER: Yes, Mr. Bednar.

15 CROSS-EXAMINATION

16 BY MR. BEDNAR:

17 Q. Nice to meet you.

18 A. You as well.

19 Q. Just a couple quick questions. On page 44
20 of your, I think it's your direct testimony, you
21 state at the bottom of the page, lines 20 through 21
22 that there are approximately 425,500 customers who
23 currently have a five-eighths inch water meter.

24 A. Correct.

25 Q. Now, is -- can you tell which one of those

1 is true residential customers versus commercial
2 users?

3 **A. Versus what, I'm sorry?**

4 Q. I think commercial users. Aren't they
5 also in Rate A to some extent?

6 **A. I don't know that we would have any --**
7 **yes. We can determine those under the Rate A**
8 **commercial, yes.**

9 Q. Okay. And how do you go about doing that?
10 What are the -- you just -- how do you determine the
11 nonresidential? I guess you refer to it in, I think
12 in other test -- in this testimony, maybe others have
13 referred to Rate A as having both residential and
14 nonresidential users. So I would be focusing on how
15 do you determine the difference between those or can
16 you? Or is that for Mr. McClellan?

17 **A. I think that would probably be better**
18 **served to Mr. McClellan or possibly Brian LaGrand.**

19 Q. And then in regards to the new meters, the
20 AMI meters?

21 **A. That -- that would be the direction we**
22 **would go, yes.**

23 Q. Okay. And can you describe what those
24 meters do and the process of installing those?

25 **A. On the switch out it would -- it would**

1 simply be changing out the existing meters, putting a
2 new meter in. There's an antenna that goes with that
3 that's then a cellular read. And then that -- that
4 gets communicated back to our database.

5 Q. And within that meter, can you program
6 that to determine whether it's a residential or a
7 nonresidential customer?

8 A. I don't believe that meter is programmed
9 that way.

10 Q. Could it be programmed that way?

11 A. I don't know the answer to that.

12 MR. BEDNAR: Okay. Thanks. No further
13 questions.

14 JUDGE SEYER: Any other cross from the
15 Intervenors? All right. Do the commissioners have
16 any questions for Mr. Carlson? All right. Hearing
17 none. Mr. Carlson, thank you.

18 THE WITNESS: Thank you.

19 JUDGE SEYER: And the Company may call
20 their next witness.

21 MR. KILE: We call Mr. McClellan please.

22 JUDGE SEYER: Sir, would you raise right
23 hand please witness sworn.

24 (Witness sworn).

25 MAX MCCLELLAN,

1 the witness, having been first duly sworn,
2 testified as follows:

3 JUDGE SEYER: Go ahead, Mr. Kile.

4 DIRECT EXAMINATION

5 BY MR. KILE:

6 Q. Good afternoon. Can you please state your
7 name and spell it for the court reporter please.

8 A. Max W. McClellan. Last name is spelled
9 M-c-C-l-e-l-l-a-n.

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

12 A. I'm employed by the American Water Works
13 Service Company. I am employed as a principal
14 regulatory analyst.

15 Q. Mr. McClellan, for purposes of this
16 proceeding you caused to be prepared in written
17 question-and-answer format your direct testimony?

18 A. I have.

19 Q. And is that document marked for
20 identification purposes as Petitioner's Exhibit
21 No. 18?

22 A. I believe it is.

23 Q. Have you also caused to be prepared in
24 written question-and-answer format your
25 rebuttal/surrebuttal/sur-surrebuttal testimony?

1 **A. I have.**

2 Q. Is that document identified for ident --
3 is that document marked for identification purposes
4 as Petitioner's Exhibit 19?

5 **A. I believe it is.**

6 Q. Do you have any corrections to either
7 Exhibits 18 or 19?

8 **A. I do not.**

9 Q. If I were to ask you the questions in
10 Exhibits 18 and 19, would your answers be
11 substantially the same?

12 **A. Yes.**

13 Q. Are the answers that are set forth in
14 Exhibits 18 and 19 true to the best of your
15 knowledge, information, and belief?

16 **A. They are.**

17 MR. KILE: Petitioner would offer
18 Exhibits 18 and 19.

19 JUDGE SEYER: Is there any objection to
20 their admission?

21 MR. BEDNAR: No, Judge.

22 JUDGE SEYER: Exhibits 18 and 19 are
23 admitted.

24 (Company Exhibits 18 and 19 were admitted
25 and made a part of this record.)

1 MR. KILE: Witness is available for
2 cross-examination.

3 JUDGE SEYER: Okay. Does Staff have any
4 cross-examination?

5 MS. ASLIN: No questions, thank you.

6 JUDGE SEYER: Public Counsel?

7 MR. CLIZER: No questions, thank you.

8 JUDGE SEYER: Consumers Council?

9 MR. COFFMAN: No questions, your Honor.

10 JUDGE SEYER: City of Riverside?

11 MR. BEDNAR: Yes, your Honor.

12 JUDGE SEYER: Okay, Mr. Bednar.

13 CROSS-EXAMINATION

14 BY MR. BEDNAR:

15 Q. Mr. McClellan, nice to meet you.

16 A. **Nice to meet you.**

17 Q. Appreciate the work you've done on this
18 case. Just going to ask you a few questions about
19 some of the background and terminology and the class
20 structures.

21 A. **Okay.**

22 Q. Your -- one of your responsibilities in
23 this testimony was to present the case for single-
24 tariff pricing. Correct?

25 A. **That is correct.**

1 Q. As well as the differentiation between
2 classes, Class A, J, et cetera?

3 A. Yes.

4 Q. Correct?

5 A. That's correct.

6 Q. Can you tell me whether or not there's a
7 definition for residential user versus the
8 nonresidential user?

9 A. I don't believe there's a definition. I
10 do believe whether or not a premise is a residence
11 can come into play I believe for Rate J, if a
12 customer's residence, that would automatically
13 disqualify customer account from being part of
14 Rate J.

15 Q. So you could have a commercial -- when I
16 say -- I think you referred to in your testimony,
17 residential and nonresidential and then Rate J.
18 So -- is that correct? Did you have those three
19 different distinguishing characteristics?

20 A. Yes, that's correct.

21 Q. Okay. And so how do you distinguish just
22 within rate a residential versus nonresidential?

23 A. Sure. The underlying data does have
24 customers by residential, commercial, OPA,
25 industrial, sales for resale, et cetera.

1 Q. But within Rate A itself, you're saying
2 all those -- you just went through four different
3 categories.

4 A. **Sure, sure, sure.**

5 Q. Those are outside -- some of those are
6 outside of Rate A though if I understand the
7 testimony correctly.

8 A. **Sure. I'm not sure where this is going,**
9 **but within Rate A we don't distinguish between those**
10 **classes.**

11 Q. But in your testimony reviewed you had
12 labeled users -- differentiated users in Rate A as
13 residential and nonresidential. Correct?

14 A. **That's correct. And mostly those are**
15 **differentiated in the context of cost of service**
16 **study.**

17 Q. And can you explain that to me please?

18 A. **Sure. In the cost of service study those**
19 **are separated customer classifications utilizing data**
20 **from the billing system.**

21 Q. What type of data do you -- do you utilize
22 from the billing system?

23 A. **Meter charges, what ultimately this is**
24 **used to create billing determinants for revenue**
25 **purposes as well as to categorize customer costs for**

1 **those cost of service studies.**

2 Q. And the volumetric information, would that
3 be within those determinants, how much water that --

4 A. **Yes.**

5 Q. -- user is using?

6 A. **Certainly.**

7 Q. You mentioned the way you distinguish Rate
8 J from others that if a user who has a residence in
9 their location would automatically be disqualified
10 from Rate J.

11 A. **Yes.**

12 Q. Correct? What are some of the other
13 requirements to be included in Rate J as opposed to
14 Rate A?

15 A. **A user must use 450,000 gallons regularly**
16 **the vast majority of the time. They must essentially**
17 **have a flat level of usage.**

18 Q. Can you explain that, flat level of usage,
19 what that means?

20 A. **There's a ratchet within Rate J in which**
21 **if a customer is to not use a certain amount, and I**
22 **would have to look into this really quick, but just**
23 **off the fly, if a customer's --**

24 Q. Yeah.

25 A. **-- not using a relatively flat amount of**

1 usage, there is a ratchet that would basically
2 increase their bill such that their usage, their
3 billed usage is flat throughout the year.

4 MS. NIEMEIER: Sorry to interrupt. Can
5 you speak into your microphone.

6 THE WITNESS: Oh, absolutely.

7 MS. NIEMEIER: Some people are having a
8 hard time hearing you.

9 BY MR. BEDNAR:

10 Q. And then going back to, if I understand
11 you correctly, within Rate A, you will have
12 users using anywhere from a thousand gallons a month
13 to 450,000 gallons a month. Right? Or 400,000.

14 A. Rate A serves all general service
15 customers. A customer that uses more than 450,000
16 gallons is certainly still eligible for Rate A.

17 Q. Okay. Has there been any discussion
18 analysis for creating a new rate class potentially
19 from the non -- referring to Rate A as residential
20 and nonresidential members, has there been any
21 discussion about converting to residential and
22 commercial classes?

23 A. Within the rate design?

24 Q. Yeah. So you could create basically a new
25 rate, Rate C for instance, as opposed to Rate A

1 residential/nonresidential?

2 **A. I'm not aware of any conversation.**

3 Q. Okay. Would that be outlandish in your
4 mind?

5 **A. I -- I'm not sure.**

6 Q. Okay. So it's within the realm of
7 possibility if everybody agrees?

8 **A. I've never considered it.**

9 Q. Right. Right. That's important. I
10 appreciate that -- that testimony. In your, I think
11 it's on page -- let's see -- 30 -- it's your work
12 paper. I'm sorry, your work paper schedule MWM-4 in
13 your testimony I think your Exhibit 18 it would be.
14 It doesn't have -- it's page 1 of 1, but it's pretty
15 much buried in your schedules. It's just referring
16 to the volumetric charges amongst all the rate
17 classes.

18 **A. I have that open.**

19 Q. Okay. Thank you very much. Now, we've
20 heard testimony argument about St. Louis County
21 district and then non-St. Louis County district.
22 Correct?

23 **A. Yes.**

24 Q. And that was part of your case is you were
25 advocating for single tariff to bring those districts

1 together on Rate A and closer on Rate J. Is that
2 correct?

3 **A. That's correct.**

4 Q. So when -- when we talk about -- let's
5 talk about, just briefly, about St. Louis County.
6 Maybe we should just call that the eastern district
7 versus the western direct because if I'm recollecting
8 right, you have St. Louis County, St. Louis -- or
9 St. Charles County. Correct?

10 **A. Are you asking if that's included within?**

11 Q. Yes. Who -- what are all the geographic
12 political subdivi -- I mean the big -- how many
13 counties are within the St. Louis County Water
14 District?

15 **A. I believe just the one.**

16 Q. Warren County isn't in St. Louis County?

17 **A. I believe that Warren County is not within
18 St. Louis County.**

19 Q. Right. Right. That's what I'm saying.
20 There are multiple counties within that district
21 though, correct, that we call the St. Louis County
22 district?

23 **A. I believe that the St. Louis County
24 pricing district is St. Louis County.**

25 Q. Solely St. Louis County?

1 **A. I believe that's -- that to be the case.**

2 Q. Okay.

3 JUDGE SEYER: Mr. Bednar, excuse me.

4 Mr. McClellan, can you speak, again, speak closer
5 into the microphone.

6 **THE WITNESS: Sure. Absolutely.**

7 BY MR. BEDNAR:

8 Q. And you -- within your testimony you're
9 still advocating for a difference in Rate J between
10 the St. Louis County and non-St. Louis County.
11 Right?

12 A. In my proposed rate design for Rate J, the
13 proposed rates for Rate J, it's two blocks. The
14 first block is actually consolidated within my
15 proposed rates, and in that second block it's still
16 differentiated, that's correct.

17 Q. Okay. And what is your basis for that?

18 A. My basis for what piece of that?

19 Q. Uh-huh. For the second piece, of the
20 differentiation between the east and western side?

21 A. Currently I believe that the two rates
22 are 48 percent apart, so for the purpose of
23 gradualism.

24 Q. Okay. Thank you. Can you explain
25 gradualism?

1 **A. Gradualism, it's in my testimony, but**
2 **it -- essentially to mitigate potential rate shock**
3 **that could occur.**

4 Q. Did you hear the opening of the
5 Mr. Fischer?

6 **A. I've heard openings today.**

7 Q. About St. Joe. Yeah. Just about the rate
8 shock of St. Joseph, Missouri?

9 **A. I did hear that, yes.**

10 MR. BEDNAR: Yeah. Okay. No further
11 questions.

12 **THE WITNESS: Thank you.**

13 JUDGE SEYER: Thank you. Is there any
14 cross on behalf of MECG?

15 MR. OPITZ: Not at this time, your Honor.

16 JUDGE SEYER: All right. And on behalf
17 of MIEC?

18 MS. PLESCIA: No questions, thank you,
19 your Honor.

20 JUDGE SEYER: Mr. Fischer, any on behalf
21 of Public Water Supply?

22 MR. FISCHER: No questions, your Honor.

23 JUDGE SEYER: And Mr. Harden, any cross?

24 MR. HARDEN: No, thank you.

25 JUDGE SEYER: Are there any questions

1 from the commissioners? All right. Hearing none. I
2 have a question or two myself.

3 QUESTIONS

4 BY JUDGE SEYER:

5 Q. Mr. McClellan, I'm going to refer you to
6 your schedule MWM-5.

7 A. Okay.

8 Q. So first of all can you tell us what that
9 is?

10 A. **MWM-5 is the proposed wastewater rate**
11 **design.**

12 Q. Okay. And is there -- I didn't see
13 anything indicating this, but is there anything on
14 that being document that's confidential?

15 A. **On MWM-5?**

16 Q. Correct.

17 A. **No, I believe nothing here is**
18 **confidential.**

19 Q. Okay. That schedule lists minimum charges
20 for Holiday Inn, Yellowstone, Six Flags, a usage
21 charge for Route 66, and a bulk rate charge for Pilot
22 Knob. Are these all special contracts for
23 wastewater?

24 A. **I believe that these are minimum charges**
25 **that were essentially, for lack of a better term,**

1 **grandfathered in.**

2 Q. I see. So in your opinion they should not
3 be listed on tariff sheet 3.1?

4 A. Your question is that they -- should they
5 or should they not be listed on the tariff sheet?

6 Q. And I don't -- I don't have the tariff
7 sheet in front of me.

8 A. Sure.

9 Q. But my understanding is that they're not
10 listed on the tariff sheet.

11 A. I believe that you would be correct in
12 that. I have no opinion on whether or not they
13 should be included on the tariff sheet.

14 Q. Okay. Should they have their own tariff
15 sheets?

16 A. I do not know if they have their own
17 tariff sheets. I don't think that would be
18 unreasonable.

19 JUDGE SEYER: All right. That was my only
20 question. Staff, do you have any recross?

21 MS. ASLIN: No questions.

22 JUDGE SEYER: All right. Public Counsel?

23 MR. CLIZER: No questions, thank you.

24 JUDGE SEYER: Any other parties? All
25 right. Mr. Kile, do you have redirect?

1 MR. KILE: No redirect, your Honor.

2 JUDGE SEYER: All right. Mr. McClellan,
3 thank you for your testimony.

4 **THE WITNESS: Thank you.**

5 JUDGE SEYER: And, Mr. Kile, is that --

6 MR. KILE: That concludes our witnesses
7 on cost of service and rate design, your Honor.

8 JUDGE SEYER: Okay. All right. And
9 Staff has witnesses on this issue.

10 MS. ASLIN: Yes.

11 JUDGE SEYER: At least one witness. You
12 may call that witness.

13 MS. ASLIN: Staff calls Melanie Marek.

14 JUDGE SEYER: All right. Would you raise
15 your right hand please.

16 (Witness sworn).

17 MELANIE MAREK,
18 the witness, having been first duly sworn,
19 testified as follows:

20 JUDGE SEYER: All right. Thank you. Go
21 ahead.

22 DIRECT EXAMINATION

23 BY MS. ASLIN:

24 Q. Could you please state and spell your name
25 for the record.

1 **A. Melanie Marek, M-e-l-a-n-i-e, M-a-r-e-k.**

2 Q. And how are you employed and in what
3 capacity?

4 **A. I'm employed with the Missouri Public**
5 **Service Commission as a lead senior utility**
6 **regulatory auditor.**

7 Q. And for this case did you prepare
8 direct/rebuttal testimony marked as Exhibit 217 and
9 cross-rebuttal/surrebuttal testimony marked as
10 Exhibit 221?

11 **A. Yes.**

12 Q. Do you have any changes or corrections to
13 make to your testimony?

14 **A. No.**

15 Q. If I were to ask you the same questions
16 contained in your testimony today, would your answers
17 be the same or substantially similar?

18 **A. Yes.**

19 Q. And are the answers contained in your
20 testimony true and correct to the best of your
21 knowledge and belief?

22 **A. Yes.**

23 MS. ASLIN: I offer Exhibits 217 and 221
24 and tender this witness for cross.

25 JUDGE SEYER: Are there any objections?

1 All right. Hearing none, Exhibit 217 and
2 Exhibit 2 -- I lost track here, sorry. 221?

3 MS. ASLIN: Correct.

4 JUDGE SEYER: Are admitted into evidence.

5 (Staff Exhibits 217 and 221 were admitted
6 and made a part of this record.)

7 JUDGE SEYER: Does the Company have any
8 cross-examination?

9 MR. KILE: No, your Honor.

10 JUDGE SEYER: Public Counsel?

11 MR. CLIZER: No, thank you, sir.

12 JUDGE SEYER: Consumers Council of
13 Missouri?

14 MR. COFFMAN: No questions.

15 JUDGE SEYER: City of Riverside?

16 MR. BEDNAR: No questions, your Honor.

17 JUDGE SEYER: MECG?

18 MR. OPITZ: A few questions, your Honor.

19 CROSS-EXAMINATION

20 BY MR. OPITZ:

21 Q. Good afternoon, Ms. Marek.

22 A. Good afternoon.

23 Q. You did not perform a class cost of
24 service study for this case, did you?

25 A. I did not.

1 Q. Instead you rely on the Staff's analysis
2 from the prior case. Is that correct?

3 A. The results and outcomes of the prior
4 cases, yes.

5 Q. And you did not perform that analysis in
6 that prior case personally?

7 A. I did not.

8 Q. And you did not develop the underlying
9 work papers that supported that testimony in the
10 prior case?

11 A. That is correct.

12 Q. And you did not include as attachments to
13 either of the rounds of testimony in this case the
14 results of that study?

15 A. Correct.

16 Q. Are you aware that in the prior case there
17 was testimony calling into question the accuracy of
18 the Staff's analysis on class cost of service?

19 A. Am I aware of that from the testimony in
20 the prior case? Is that the question? I'm sorry.

21 Q. Are you -- in general are you aware that
22 there was testimony in that case calling into
23 question the accuracy of those Staff cost of service
24 study results?

25 A. Based on the opening statements and --

1 **yes, yes.**

2 Q. Would you agree that in her testimony in
3 this case Ms. York pointed out some of those errors
4 that were identified in the Staff's prior cost of
5 service study?

6 A. **I do recall that from her testimony, yes.**

7 Q. Staff's position is that the same
8 allocation factors used in the last case are
9 sufficient for this one. Is that correct?

10 A. **Yes.**

11 Q. Can you tell me, what are those allocation
12 factors?

13 A. **I cannot, no.**

14 MR. OPITZ: I have no further cross, your
15 Honor.

16 JUDGE SEYER: All right. Is there any
17 cross-examination by MIEC?

18 MS. PLESCIA: No questions, thank you.

19 JUDGE SEYER: Thank you. And,
20 Mr. Fischer, any on behalf Public Water Supply
21 Districts?

22 MR. FISCHER: Yeah, Judge. I'll come up
23 here where I've got a microphone.

24 JUDGE SEYER: Perfect.

25 CROSS-EXAMINATION

1 BY MR. FISCHER:

2 Q. Good afternoon, Ms. Marek. I'm Jim
3 Fischer and I represent a couple water districts in
4 Andrew County. I've got a few questions for you
5 about your class cost of service/rate design
6 testimony. Do you have your direct/rebuttal
7 testimony with you?

8 A. I do.

9 Q. Okay. On page 2 of your testimony at
10 line 16, you state that Rate B is for wholesale
11 customers that are reselling water to other
12 customers. Is that right?

13 A. That is what it says, yes.

14 Q. Is it your understanding the Rate B would
15 be applicable to -- would be the applicable rate for
16 water districts like the ones that I represent,
17 Public Water Supply Districts?

18 A. I don't know.

19 Q. You --

20 A. I don't know the public water supply
21 districts' operation.

22 Q. Okay. That rate applies to districts that
23 would resale water from Missouri-American. Is that
24 your understanding?

25 A. Yes.

1 Q. On page 3 of your testimony beginning at
2 line 6, I believe you just answered this question.
3 You indicate that the Staff did not prepare a class
4 cost of service study for water operations in the
5 case. Correct?

6 A. That is correct.

7 Q. And on page 3 you also indicate that Staff
8 has relied upon the class cost of service study
9 prepared in Missouri-American's last rate case for
10 developing your recommendations in this case. Is
11 that true?

12 A. Can you repeat that question specific,
13 sorry?

14 Q. Yeah. And I'm referring there to line --
15 line 8 on page 3 where you say, The Staff did not
16 prepare a class cost of service study for Missouri-
17 American water and sewer operations, but it --
18 because it appears with -- appears with Missouri-
19 American's submitted cost of service study and the
20 Staff's prepared cost of service study for the last
21 case, there was not much difference in the cost
22 allocations.

23 And that's where you basically used, in
24 part at least, your results from the last case for
25 making your recommendations in this case. Correct?

1 **A. Correct. Yeah, I can see that.**

2 Q. And just for the record, was the last rate
3 case that Missouri-American had WR-2022-0303? Is
4 that your understanding?

5 **A. Yes. And I think that's supposed to be**
6 **footnoted there.**

7 Q. Oh, that's right.

8 **A. But I don't see it on there.**

9 Q. Do you happen to have your -- the position
10 statement of Staff in this case?

11 **A. I do not.**

12 Q. Okay. Let me give you a copy that relates
13 to the rate design.

14 **A. Thank you.**

15 Q. If you'd turn to page 4 of that position
16 statement, it indicates that it's -- and I
17 highlighted I think on your copy. It's Staff's
18 position that the same allocations used in the last
19 rate case are sufficient for this one. Is that
20 right?

21 **A. Yes, it says that.**

22 Q. And then there's another section just
23 below that 3A double -- the little I's. Do you see
24 there you say that Staff answers the question: What
25 is the appropriate allocation of revenue requirement

1 among the rate classes.

2 Do you see that? There's a question
3 there.

4 **A. Yes.**

5 Q. The Staff position statement goes on to
6 state, It's Staff's position that the same
7 allocations used in the last rate case are sufficient
8 for this one. Is that right?

9 **A. It does say that, yes.**

10 MR. FISCHER: Okay. Judge, I'd like to
11 have an exhibit marked. And I don't know what my
12 numbers are. I don't have any testimony, so.

13 JUDGE SEYER: Mr. Fischer, under the
14 numbering system laid out in the order setting
15 procedural schedule, excuse me, your exhibits are in
16 the range 700 to 749, so.

17 MR. FISCHER: Could I have 700 then?

18 JUDGE SEYER: 700. It is available.

19 BY MR. FISCHER:

20 Q. Ms. Marek, I'd like to show you this
21 exhibit which I've taken from the rebuttal testimony
22 of Staff witness Carry Roth in that last rate case.
23 It was Exhibit 127. Have you previously seen this
24 schedule?

25 **A. When you presented it to me, yes.**

1 Q. You've seen this before?

2 A. Yes. When you presented it to me.

3 Q. Okay. Does this schedule appear to
4 contain the summary of the Staff class cost of
5 service study results from Missouri-American's last
6 rate case?

7 A. It does say, Staff costs -- class cost of
8 service study, and it does have the prior case number
9 on it.

10 Q. You don't have any reason to doubt that
11 that's the results from the last rate case? Maybe I
12 should show you the Staff's testimony in that case.
13 I'm showing you Exhibit 127 from that case. Does
14 that appear to be the rebuttal testimony on class
15 cost of service from Carry Roth, the Staff witness?

16 A. It does appear to be, yes.

17 Q. And would you look on the last two pages
18 of that? Does that have the schedule that I just
19 asked you, Exhibit No. 700?

20 A. It does appear to be the same, yes.

21 MR. FISCHER: Okay. Great. Judge, I'd
22 move for the admission of Exhibit 700.

23 MR. OPITZ: Your Honor, I object to the
24 admission of Exhibit 700 as hearsay. The witness
25 testified on cross-examination from MECG she did not

1 prepare that document, she did not prepare the
2 underlying work papers related to it. She did not
3 include that document or the underlying work papers
4 in her testimony, either round in this case.

5 MR. FISCHER: Judge, in response I'd just
6 say this is the test -- this is the cost of study
7 that she relied upon to make her recommendations in
8 this case. It's the Staff's class cost of service
9 study from the last case that was admitted and it's
10 appropriate the Commission in cross-examination allow
11 me to cross her on what she relied on in this case
12 and have it introduced.

13 JUDGE SEYER: I would agree with that, so
14 I will overrule the objection and admit Exhibit 700.

15 (Public Water Supply Districts 1 and 2
16 Andrew County Exhibit 700 was admitted and made a
17 part of this record.)

18 BY MR. FISCHER:

19 Q. Ms. Marek, I'd ask you to turn to the
20 second page of this Exhibit 700 which deals with the
21 Staff's cost -- class cost of service study results
22 for District 2. Do you see that?

23 A. I do. And it's Marek.

24 Q. I'm sorry. What did I say, Mark?

25 A. Marek.

1 Q. I'm sorry, I apologize.

2 A. That's okay.

3 Q. I heard it two different ways today.

4 Marek?

5 A. Marek.

6 Q. Marek. Marek. I'm sorry.

7 A. Thank you.

8 Q. I apologize.

9 A. That's okay.

10 Q. Is it your understanding that that -- that
11 that second page relates to District 2 results?

12 A. Yes.

13 Q. Would it be correct that Public Water
14 Supply District in Andrew County would fall into that
15 District 2? Is that -- do you know? If you don't
16 know, that's okay.

17 A. I don't know definitively, no.

18 Q. Okay. Well, let's look at the row that
19 applies to the sale-for-resale customers.

20 A. Okay.

21 Q. Staff's class cost of service study in the
22 last case was showing that cost of service for this
23 class after the reallocation of the public fire cost
24 was approximately \$2.842 million. Do you see that?

25 A. Yes, I see that.

1 Q. And the present revenues for the sales-
2 to-resale customer class was \$3.626 million. Is that
3 right?

4 A. That's what it says, yes.

5 Q. And so the Staff's schedule indicates that
6 the sales-for-resale class, the revenues exceeded the
7 Staff's cost of service study by \$783,756. Is that
8 right?

9 A. That is what it appears to be saying, yes.

10 Q. And that's just for Class 2. Correct?

11 A. District 2?

12 Q. I'm sorry. District 2.

13 A. Yes.

14 Q. The last column shows that the present
15 revenues exceeded the cost of service for the
16 sale-to-resale class by 21.6 percent. Is that right?

17 A. As cost of service amount?

18 Q. Yes.

19 A. And percent increase?

20 Q. That's the percent reduction. Correct?

21 A. Yes. It would be -- it's negative, but
22 it's cost of service.

23 Q. Right. Cost of service?

24 A. Yes.

25 Q. And none of the other classes in

1 District 2 were exceeding their respective class cost
2 of service. Correct?

3 **A. From this study, no.**

4 Q. And that's the Staff study?

5 **A. Apparently.**

6 Q. All of the other numbers in that, for the
7 other classes in that last column are positive
8 percentages. Correct?

9 **A. Correct.**

10 Q. If we look at the row down below
11 there where the Staff lists the total revenues,
12 it indicates the total proposed revenues
13 were 6 -- 6 -- \$16.2 million higher than the present
14 revenues for that district? Yes?

15 **A. I -- I think so, yes.**

16 Q. Yeah. That -- that was based upon the
17 Staff's EMS run at that time. Is that what that note
18 down on the far -- down below there on the bottom
19 part shows?

20 **A. Yes. That is what it says.**

21 Q. And so that was a 17.8 percent increase in
22 rates overall. Correct?

23 **A. Yes.**

24 Q. So is it your understanding from this
25 summary schedule that if the total revenues of the

1 Company were assumed to be increasing by 17.8
2 percent, the revenues for the sales-to-resale class
3 should be reduced 21.6 percent if the rates were
4 changed to reflect the cost of service study results
5 of the Staff study? Is that right?

6 **A. So it says that cost of service increased**
7 **by 17.8 percent. It doesn't say the rates did. The**
8 **rates are separate.**

9 Q. Right. That's how much the revenue
10 requirement was going up, 17.8 percent, but to get to
11 cost of service for the sales-for-resale class, you'd
12 need to have a rate reduction of 21.6 percent. Isn't
13 that what that shows?

14 **A. I believe so, yes.**

15 Q. Let's turn to the first page of the
16 exhibit which relates to District No. 1. Is it
17 correct that the sales-for-resale class in this
18 district was exceeding its cost of service by 17.7
19 percent according to Staff's cost of service study?

20 **A. I believe so, yes.**

21 Q. And none of the other revenues for the
22 other classes in District 1 were exceeding their
23 respective costs of service according to the Staff's
24 cost of service study. Correct?

25 **A. Correct.**

1 Q. Let's go back to your -- the position
2 statement, the Staff position statement. On page 4
3 there it goes on to state that, Yes -- the question
4 is I guess in our list of issues, Should the
5 Commission utilize the class cost of service studies
6 filed in this case to determine the appropriate
7 allocation of the revenue requirement to each class.

8 Do you see that?

9 **A. I see that, yes.**

10 Q. And then if you drop down to where you
11 answer the question, the Staff position statement
12 answer says, No. The class cost of service study
13 filed by Missouri-American Water was based on a
14 future test year which includes estimated future
15 expenses and revenues and, therefore, invalid.

16 Correct?

17 **A. That is what it says.**

18 Q. That's your position?

19 **A. That's Staff's position.**

20 Q. Staff's position. Okay. And then it goes
21 on to say, The adjustments proposed by MCEG include
22 assumptions as made by Missouri-American Water
23 Company and, therefore, also not reasonable.

24 Is that what it says?

25 **A. That's what it says, yes.**

1 Q. And that's Staff's position?

2 A. Yes.

3 Q. On page 4 at line 5 of your testimony
4 you're asked the question, What rates are Staff
5 proposing.

6 Do you see that?

7 A. Of the direct/rebuttal --

8 Q. Yes.

9 A. -- testimony? Yes.

10 Q. Yes. And your answer on line 6 is,
11 Staff's rate design can be found in the attached
12 schedule MM-D2. Is that right?

13 A. Yes.

14 Q. I might not have had a correct copy in
15 EFIS, but was that attached in the EFIS filing?

16 A. It's filed in EFIS, yes.

17 Q. Is it filed in EFIS?

18 A. Yes. There are two separate documents
19 under the same entry.

20 Q. Okay. So you're okay, we've got that
21 study. Or we've got that schedule in the record?

22 A. Yes.

23 MR. FISCHER: Okay. That's all I have,
24 Judge. Thank you very much.

25 JUDGE SEYER: Mr. Harden, do you have any

1 cross-examination?

2 MR. HARDEN: I do not, thank you.

3 JUDGE SEYER: All right. Are there any
4 questions from the commissioners? Okay. Hearing
5 none. I do have a couple of questions myself.

6 QUESTIONS

7 BY JUDGE SEYER:

8 Q. And I assume you still have your direct
9 and rebuttal testimony handy. This would be on
10 page 4. On line 14 there's the question: Does Staff
11 agree with aligning the commodity rates closer
12 together.

13 And part of your answer on line 17 says,
14 Basically Missouri-American Water Company is
15 attempting to slowly consolidate all its rates into a
16 statewide tariff.

17 Is it true that in the Company's last
18 three or four rate cases, the Commission has
19 consolidated numerous Rate A districts closer to a
20 singular Rate A cost of service?

21 A. Honestly, your Honor, I -- I don't know.

22 Q. Okay. Do you have an opinion though as to
23 whether eventually we should get to that point, full
24 consolidation of Rate A customers?

25 A. Staff's -- Staff is against that.

1 Q. Okay. Despite the Staff's position, if
2 the Commission were to decide to consolidate the Rate
3 A customers into one tariff, do you think the
4 Commission would have an opportunity to deconsolidate
5 or break up those Rate A customers in a future rate
6 case if that's what the cost of service demonstrates?

7 A. I haven't considered that before, but it
8 does seem possible. I think there would be -- I
9 don't know that that would be beneficial to
10 ratepayers though.

11 Q. Okay.

12 A. Be really confusing.

13 JUDGE SEYER: All right. Does the
14 Company have any recross?

15 MR. KILE: No, your Honor.

16 JUDGE SEYER: All right. Public Counsel?

17 MR. CLIZER: No.

18 JUDGE SEYER: Recross by any of the other
19 parties? Yes, Mr. Coffman.

20 RECROSS-EXAMINATION

21 BY MR. COFFMAN:

22 Q. Ms. Marek.

23 A. Marek.

24 Q. Marek, apologies.

25 A. That's okay.

1 Q. Have you calculated what the additional
2 impact would be in the St. Louis County area if the
3 Commission moves to single-tariff pricing, just the
4 single-tariff pricing change, how much roughly would
5 rates go up?

6 A. We do not calculate that because we are
7 against it because it strays from cost causation.

8 Q. And, but earlier you said -- you testified
9 about the -- that the, I believe the St. Louis County
10 Rate A area -- or I'm sorry, it was District 1 I
11 guess is what we call it, is 48 percent of something.
12 Do you recall saying that earlier? And I wasn't -- I
13 wasn't sure exactly what was meant. I think it was
14 in response to a question from Mr. Clizer.

15 A. I don't recall saying --

16 Q. Okay.

17 A. -- percentages nor him asking me
18 questions.

19 MR. COFFMAN: Probably my confusion.
20 That's all I have.

21 THE WITNESS: Okay.

22 JUDGE SEYER: All right. Any other
23 recross? Any redirect?

24 MS. ASLIN: Just a few questions.

25 REDIRECT EXAMINATION

1 BY MS. ASLIN:

2 Q. Ms. Marek, because Staff is proposing an
3 across-the-board percentage increase, doesn't that,
4 therefore, mean that no changes to the allocations
5 are necessary?

6 A. Correct.

7 Q. And do you recall being asked about the
8 class cost of service study from the last rate case?

9 A. Yes.

10 Q. And there were some questions about
11 whether or not there might have been errors in that?

12 A. Yes.

13 Q. Could you explain to me what is the
14 relationship between class cost of service study and
15 rate design?

16 A. So the class cost of service study is just
17 used as a guide in rate design. And with rates like
18 Missouri-American's where Rate A includes so many
19 classes, rate design takes the overall revenue
20 requirement and allocates it through each of their
21 rate classes.

22 Q. So would it be accurate to say that there
23 is more work to be done after a class cost of service
24 study to develop a rate design, a class cost of --
25 class cost of service study, excuse me, does not

1 produce a rate design?

2 **A. That's correct.**

3 MS. ASLIN: Okay. No further questions.

4 JUDGE SEYER: All right. Thanks for your
5 testimony.

6 **THE WITNESS: Thank you.**

7 JUDGE SEYER: All right.

8 **THE WITNESS: Thanks, Commissioners.**

9 JUDGE SEYER: I don't recall exactly
10 whether this was discussed on the record, but
11 Mr. Robertson will testify in a bit when we get to
12 the issue of revenues. Correct?

13 MS. ASLIN: That's correct.

14 JUDGE SEYER: All right. And,
15 Mr. Coffman, Ms. Palmer will testify on Monday?

16 MR. COFFMAN: That's right.

17 JUDGE SEYER: Okay. And so next on the
18 list is Jessica York. So, Mr. Opitz, would you like
19 to call this witness?

20 MR. OPITZ: MECG recalls Ms. Jessica
21 York.

22 JUDGE SEYER: All right. Mr. Opitz, go
23 ahead.

24 (Witness previously sworn).

25 JESSICA YORK,

1 the witness, having been first duly sworn,
2 testified as follows:

3 MR. OPITZ: Ms. York, I believe your
4 testimony has been admitted. I tender the witness
5 for cross-examination.

6 JUDGE SEYER: Mr. Coffman, do you have
7 any cross-examination?

8 MR. COFFMAN: No questions, your Honor.

9 JUDGE SEYER: Any questions, Mr. Bednar?

10 MR. BEDNAR: One or two.

11 CROSS-EXAMINATION

12 BY MR. BEDNAR:

13 Q. Ms. York, in your --

14 JUDGE SEYER: Mr. Bednar, I'm sorry,
15 could you --

16 MR. BEDNAR: Oh, I'm sorry. I apologize.

17 BY MR. BEDNAR:

18 Q. Ms. York, question on the rate design
19 issue. I guess, number one, would you agree with the
20 statement that rate design -- cost of service doesn't
21 dictate rate design?

22 A. Yes. I generally agree that it is --
23 ideally you would set rates based on cost of service,
24 but it's not always possible to do that.

25 Q. Right. And then in regards to Rate A and

1 the issues there with the number of different types
2 of users, has anyone ever asked you to present any
3 type of an opinion as to breaking that rate up,
4 separate from Rate J and would have -- would not
5 have -- separate and apart from Rate J, just have,
6 for instance, a Rate C?

7 **A. Generally speaking, you know,**
8 **class-specific rates would be good. I mean, you**
9 **could -- it would be easier to tie them to the cost**
10 **of service results then.**

11 Q. Right. When you have a class that goes
12 from zero to 450,000 gallons of usage, that's a
13 pretty broad band to be able to utilize cost of
14 service effectively. Wouldn't you agree?

15 **A. That would certainly make it more**
16 **challenging, yes.**

17 MR. BEDNAR: Thank you. No further
18 questions.

19 JUDGE SEYER: All right. Any cross on
20 behalf of MIEC?

21 CROSS-EXAMINATION

22 BY MS. PLESCIA:

23 Q. I could phrase this as friendly cross, but
24 I just wanted to give the witness the opportunity to
25 respond to the Chair's questions earlier about

1 concerns or flaws with the Staff's cost of service
2 study from 2022 that's been so much discussed.

3 So if that's all right with the
4 Commission, I'll go forward with that.

5 JUDGE SEYER: Yes.

6 THE WITNESS: Okay. And this -- I
7 explain this in my cross-rebuttal/surrebuttal
8 testimony. I pointed out that in the last case, the
9 Staff had originally not applied the distribution
10 multipliers that it had supported in its direct
11 testimony to its actual class cost of service model
12 for Rate J or the sale-for-resale classes. I showed
13 that the Staff's models included maximum day and
14 maximum hour demand ratios by class from a prior rate
15 case with no evidence to prove that those factors
16 were still repre -- representative of the load
17 characteristics of the classes as of the last rate
18 case.

19 JUDGE SEYER: Ms. York, I'm going to
20 interrupt. Could you --

21 THE WITNESS: Go ahead.

22 JUDGE SEYER: -- move your microphone
23 down.

24 THE WITNESS: Is that better?

25 I also pointed out that there was some

1 other unsupported data points, including the source
2 of average day rate of flow used to develop
3 allocation factor three and other things like the
4 horsepower of the pumps used to develop factors six
5 and seven.

6 So then in rebuttal testimony, in Staff's
7 rebuttal in the last case they did make some
8 corrections for those issues. They did end up
9 applying those distribution multipliers to the
10 industrial and sale-for-resale classes. They did
11 update the customer class max day and max hour demand
12 ratios. And they had modified some other data points
13 that were used to develop their allocators like the
14 annual usage by customer class, let's see, max date,
15 demand ratios, maximum hour demands ratios, the
16 weightings of the base max day extra capacity and
17 fire protection components in the development of
18 factor three. Weightings of base max hour extra
19 capacity and fire protection components in factor
20 four. And the weighting was used to develop factor
21 five as well.

22 And the issue that I had in that case
23 even with those corrections, Staff's testimony did
24 not really explain any of those things, any of the
25 changes they made other than acknowledging that they

1 had updated the distribution multiplier issue. So my
2 position in that case was that because Staff's
3 testimony was silent on the other changes that it
4 made to its models, it really hadn't supported those
5 changes and so we were still hesitant to be relying
6 on that model in the last case.

7 JUDGE SEYER: All right. Anything else,
8 Ms. Plescia?

9 MS. PLESCIA: No other questions, thank
10 you.

11 JUDGE SEYER: Mr. Fischer, do you have
12 cross? You knew what I was going to ask, didn't you.

13 MR. FISCHER: Sorry.

14 CROSS-EXAMINATION

15 BY MR. FISCHER:

16 Q. With those changes though Staff did
17 correct many of the things that you'd brought up in
18 the -- in your rebuttal to their case. Right?

19 A. They made the changes, but I was still not
20 able to verify whether those were acceptable or, you
21 know, reasonable, justified, correct, and so on and
22 so forth.

23 Q. Were there any suggestions that you made
24 they didn't do?

25 A. I don't remember. I don't know if I

1 captured all of the changes in this testimony or not.

2 I -- I really don't recall.

3 Q. Your testimony also in that case
4 indicated, didn't it, that the resale class was
5 recovering a greater percentage of the cost of
6 service than other classes?

7 A. I don't recall offhand, but it might have.
8 I mean, that testimony is --

9 Q. Okay.

10 A. -- out there.

11 MR. FISCHER: Okay. Thank you very much.

12 JUDGE SEYER: All right. Mr. Harden, do
13 you have any cross?

14 MR. HARDEN: I do not, thank you.

15 JUDGE SEYER: All right. Mr. Clizer, do
16 you have any on behalf of Public Counsel?

17 MR. CLIZER: No, thank you, your Honor.

18 JUDGE SEYER: Staff?

19 MS. ASLIN: No questions.

20 JUDGE SEYER: Mr. Kile?

21 MR. KILE: No questions, your Honor.

22 JUDGE SEYER: Are there any questions
23 from the commissioners? All right. I have no
24 questions myself, so thank you for your testimony.

25 MR. OPITZ: I have one redirect question,

1 your Honor.

2 JUDGE SEYER: Oh, I'm sorry.

3 REDIRECT EXAMINATION

4 BY MR. OPITZ:

5 Q. Ms. York, you were asked about Staff's
6 cost of service study in the last case. Even if we
7 assume that there were no errors with that, the Staff
8 is still not relying on that for its recommendation
9 in this case. Is that correct?

10 A. Correct.

11 MR. OPITZ: Thank you.

12 JUDGE SEYER: All right. You are free to
13 step down. And my understanding is Dr. Marke is the
14 next witness. All right. You do have your right
15 hand raised. Thank you.

16 (Witness sworn).

17 DR. GEOFF MARKE,
18 the witness, having been first duly sworn,
19 testified as follows:

20 JUDGE SEYER: Thank you. Go ahead,
21 Mr. Clizer.

22 DIRECT EXAMINATION

23 BY MR. CLIZER:

24 Q. Dr. Marke, could you go ahead and state
25 and spell your name for the record.

1 **A. It's Geoff, G-e-o-f-f, Marke, M-a-r-k-e.**

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

4 **A. Missouri Office of Public Counsel. I'm**
5 **the chief economist.**

6 Q. Did you prepare or cause to be prepared
7 testimony that has been marked 308, the
8 direct/rebuttal of Geoff Marke or -- and 309, cross-
9 rebuttal testimony of Geoff Marke in this case?

10 **A. Yes.**

11 Q. Do you have any corrections to make to
12 that testimony at this time?

13 **A. No.**

14 Q. If I were to ask you the same questions
15 posed in that testimony today, would your answers be
16 the same or substantially similar?

17 **A. Yes.**

18 Q. Are those answers true and correct to the
19 best of your knowledge and belief?

20 **A. Yes.**

21 MR. CLIZER: I move for the admission of
22 Exhibit 308, the direct/rebuttal testimony of Geoff
23 Marke, and 309, the cross-rebuttal testimony of
24 Dr. Geoff Marke.

25 JUDGE SEYER: Any objections? 308 and

1 309 admitted.

2 (OPC Exhibits 308 and 309 were admitted
3 and made a part of this record.)

4 MR. CLIZER: I tender the witness for
5 cross-examination.

6 JUDGE SEYER: All right. Mr. Coffman,
7 any cross on behalf of Consumers Council or AARP?

8 MR. COFFMAN: No questions, your Honor.

9 JUDGE SEYER: All right. Mr. Bednar, on
10 behalf of Riverside?

11 MR. BEDNAR: Just a couple of short
12 questions.

13 CROSS-EXAMINATION

14 BY MR. BEDNAR:

15 Q. Wait. Are we talking about customer --
16 monthly customer charge?

17 A. We can.

18 Q. Still good?

19 A. Yeah, yeah.

20 Q. I just didn't want --

21 A. Yeah.

22 Q. -- to get confused on the two categories.

23 I think you stated that you found no basis
24 for the increase from 10 to 21.34 per month in the
25 requested increase in monthly meter charge?

1 **A. Yes.**

2 Q. And is that in a -- not in requested
3 revenue stabilization form, but is that not almost a
4 rate stabilization mechanism in its own right?

5 **A. It is.**

6 Q. And then you also talked about
7 potential -- the -- I'm sorry. Never mind.

8 No further questions.

9 JUDGE SEYER: All right. Any cross on
10 behalf of MECG?

11 MR. OPITZ: No cross, your Honor.

12 JUDGE SEYER: Thank you. MIEC?

13 MS. PLESCIA: No questions, thank you,
14 judge.

15 JUDGE SEYER: Public water Supply
16 Districts?

17 MR. FISCHER: No, thank you, judge.

18 JUDGE SEYER: All right. And Mr. Harden,
19 any of behalf of Triumph Foods?

20 MR. HARDEN: No, thank you, your Honor.

21 JUDGE SEYER: Ms. Aslin, any cross on
22 behalf of Staff?

23 MS. ASLIN: No, thank you.

24 JUDGE SEYER: And any cross by the
25 company?

1 MR. KILE: No, your Honor.

2 JUDGE SEYER: Do the commissioners have
3 any questions for Dr. Marke? All right. And I don't
4 have any questions, Doctor, so.

5 MR. CLIZER: I would like one quick
6 redirect.

7 JUDGE SEYER: Yes.

8 REDIRECT EXAMINATION

9 BY MR. CLIZER:

10 Q. Dr. Marke, regarding the question posed to
11 you by Mr. Bednar and the rate stabilization impact
12 an increase in customer charge would have, are
13 there -- does that rate stabilization justify an
14 increase to the customer fixed charge?

15 A. Well, I don't think either do. You know,
16 we've been pretty focal about -- the RSM's already
17 been discussed at length this morning, but the
18 customer charge, the combined two provides more
19 revenue certainty to the Company. You know, and
20 again, this is a balancing act that the Commission's
21 got to consider. The way I would -- the way I would
22 advise the Commission on this is it's a risk/reward
23 issue. So with each incremental -- in isolation
24 moving to, you know, 113 percent increase in the
25 customer charge, you know, there might be some logic

1 behind that and, you know, from one perspective, but
2 collectively all it is doing is it is all
3 increasing -- or decreasing the risk to the Company.
4 Decreasing the Company's ability to -- to -- to
5 function as -- as something that would be a
6 comparable for what you would see in the market.

7 And the reality, you know, in any other
8 market base entity, they've got the discipline of the
9 market, you know. People can choose where they want
10 to go, they can elect to do different things. And
11 the real basis behind this building and everything
12 that goes on here is to serve as a proxy for that.
13 Absent that then, you start sitting there and you can
14 start questioning why are we doing a risk premium,
15 why are we putting that profit at such a high level.

16 And I think at a certain point you're
17 going to start to get questions from the public at
18 large. And I see -- you see this take place in some
19 other states that move to municipalization where, you
20 know, frustrations with the investor-owned utility
21 move towards a public system and that's -- that's
22 taking place with other cities. I think American
23 Water's done a good job, mind you, but when you start
24 approaching, you know, 30, 40 percent rate increases
25 on a continuous basis, it becomes much more difficult

1 for customers to be able to afford that. Having
2 them -- having the power to, you know, take control
3 of your bill on the usage is one mechanism to do it.

4 MR. CLIZER: Thank you, Dr. Marke. No
5 further redirect.

6 JUDGE SEYER: All right. Thank you
7 Dr. Marke.

8 **THE WITNESS: Thank you.**

9 JUDGE SEYER: And Mr. Clizer again, do
10 you have another witness?

11 MR. CLIZER: The other witness is
12 responding to the issue that we have now I think
13 effectively moved to Revenue. So assuming that --
14 yes. I have no further issue on the existing class
15 cost of service at this time.

16 JUDGE SEYER: All right. Then are we
17 prepared to move on to the Uniform Affordability
18 Tariff?

19 MS. NIEMEIER: Can you give us just a
20 minute.

21 JUDGE SEYER: Okay.

22 MR. OPITZ: Your Honor, can I ask for a,
23 maybe a five-minute recess?

24 JUDGE SEYER: Actually let's do a
25 ten-minute recess. We'll convene at 2:40. And going

1 off the record.

2 (Off the record.)

3 JUDGE SEYER: Let's go back on the
4 record. We're back on the record. At this point we
5 will cover the issue of the Universal Affordability
6 Tariff. And so would the Company like to call any
7 witnesses on that issue?

8 MS. NIEMEIER: Good afternoon. The
9 Company doesn't need to call a witness unless
10 somebody wants to cross, but we have come to an
11 agreement with the Staff of the Commission, the
12 Office of Public Counsel, Missouri AARP and Consumer
13 Council of Missouri, and we filed that stipulation
14 earlier today in EFIS. We will be filing an update.
15 There was a scrivener's error in the draft that was
16 filed, and we will correct that. It doesn't change
17 the substance. All those parties are in agreement
18 and that is the collective position of each of those
19 parties now. We understand there's an objection to
20 that from another party and if he wants to cross one
21 of our witnesses, we can call Mr. Rea back to the
22 stand.

23 MR. OPITZ: Your Honor, this is Tim
24 Opitz, MECG. MECG is the party that will at some
25 point today file its objection. I'd -- since we're

1 taking this issue up now, I'd like the opportunity to
2 be heard with a mini opening statement and then I do
3 expect to cross-examine Mr. Rea.

4 JUDGE SEYER: Are there any other parties
5 that would like to be -- like to present a mini
6 opening statement? Okay. Sounds like not. So
7 Mr. Opitz.

8 MR. OPITZ: May it please the Commission.
9 Again, Tim Opitz on behalf of MCEG. Universal
10 affordability tariff sounds like a good thing, and
11 you're probably wondering why I would lodge an
12 objection to that. First, ten years ago in a
13 Missouri-American Water rate case I believe, I was
14 counsel for the Office of Public Counsel at the time
15 and I evaluated the proposal in that case and argued
16 that a low-income rate was unlawful. And my argument
17 there in my briefs, and I got it right here, is
18 that -- from that case, is we had a responsibility to
19 all residential customers, not just the low-income
20 customers and so we needed to take into account the
21 legality of what was being proposed and the impact on
22 other customers.

23 In that intervening decade I've not seen
24 any Missouri court case law to change that legal
25 analysis and I've not heard anything or read anything

1 rather in the testimony in this case that makes me
2 change my view that this kind of low-income tariff is
3 unsupported by authority of the -- under the current
4 law. You know, the premise is we've got to avoid
5 unjust discrimination between customers when setting
6 rates. Differences in rates must be based upon
7 differences in service. And a customer's income is
8 not an immutable difference in service here.

9 Second, with respect to my review of the
10 stipulation that's been filed, understanding that it
11 may be updated, I do have concerns about the
12 implementation. First, these costs are not known and
13 measurable. I don't understand how any party can
14 make an assessment to support this kind of program
15 when the Company's own testimony says that 69,500
16 customers could potentially see a 55 percent discount
17 on their bills. The -- if every eligible customer
18 took service on under that, that regulatory asset
19 would be a humongous figure.

20 **A subpart of that about the**
21 **implementation is the rate treatment when that**
22 **regulatory asset is considered in a future case if**
23 **it's approved is unknown, you know. I have concerns**
24 **about whether the Company might ask for a return on**
25 **that amount or the speed at which it is amortized.**

1 These are concerns that will impact rates possibly
2 significantly in a future case.

3 And then third, to me it is incredible
4 that a company asking for a 40 percent increase,
5 within that increase is a request for, I believe I
6 heard yesterday a highest-in-the-nation 10.75 return
7 on equity, is asking for an affordability tariff.
8 Physician, heal thyself. What has the Company done
9 to control its costs. As far as I've seen in the
10 presentation of this case, nothing. Should every
11 other customer, the majority of the residential
12 customers who aren't eligible to take on this or
13 business customers in Rate A or business customers in
14 Rate J, however it's allocated in the future, should
15 they be on the hook to subsidize the excesses of a
16 monopoly company that has made its rates so
17 unaffordable that I believe 15 percent of its
18 residential customers would qualify for a huge
19 discount on their bill.

20 I -- I urge the Commission to get back to
21 the basics on affordability. We know as stakeholders
22 in a case how to address affordability, and it's not
23 by pursuing unlawful means. We should direct --
24 address it by rejecting their 10.75 percent ROE which
25 would be the highest in the nation. We should reject

1 their capital structure which has the impact of
2 driving up the increase in this case. We should
3 reject their RSM which would cost customers more
4 money without a rate case and without full review in
5 the future. We should reject their PCT, the
6 production cost tracker, which would cost customers
7 more money in the future. We should reject their
8 applications for accounting treatment that has been
9 described as water PISA. All of these things will
10 increase their rates. All of these things would lead
11 to increases in their case. If affordability is an
12 issue, the answer is not an unlawful approach that
13 will further burden other customers. If
14 affordability is an issue, parties in this case know
15 what to do and I hope the Commission knows what to
16 do.

17 And I will file my objection later on to
18 their stipulation. Happy to answer any questions.

19 JUDGE SEYER: Do the commissioners have
20 any questions?

21 CHAIR HAHN: I do.

22 QUESTIONS

23 BY CHAIR HAHN:

24 Q. Mr. Opitz, since you've not a signatory to
25 this pilot program, is there a -- is -- is there a

1 budget for this particular program that you're aware
2 of, a cap at all?

3 A. I'm not aware of the -- of a cap for the
4 stipulated thing. I guess I haven't looked at a cap.
5 My understanding of the testimony was that 69,500
6 customers would qualify for various levels of
7 discount, 75 percent, 55 percent, and then a lower
8 amount that I can't recall right now. You know,
9 for -- sorry, go ahead. I was going to say, if you
10 did put a cap on this, that would further compound my
11 concerns about the legality of this kind of program
12 because if you're just going to open it up to some
13 portion and it becomes first-come, first-serve for a
14 program that is already of questionable legality, I
15 think it compounds the problem.

16 Q. And as far as you know from this stip and
17 agreement, how would the cost for the program be
18 recovered?

19 A. I don't believe in the document I reviewed
20 that it was addressed in there. I think it was left
21 unsaid for the future rate case which again gives
22 me -- it contributes to my heartburn about this. In
23 add -- setting aside the legality of it, I don't know
24 the magnitude of it. And I hope to ask the Company
25 witness if he knows some idea about the magnitude.

1 But that number of customers, if I look
2 at a 55 percent discount on a bill using the
3 Company's 21-point-something customer charge and
4 their proposed per hundred gallon commodity charge
5 and I thought I read somewhere that there was about
6 a \$6,000 average use -- or a 6,000-gallon average
7 usage per month, I'm looking at about an average bill
8 of about \$80-some a month under the -- after this
9 case. So if 69,500 customers get 55 percent of that
10 off, we put all that into a regulatory asset, they
11 stay out for two years, I mean, are -- how many tens
12 of millions of dollars are we looking at there. Is
13 the Company going on earn a return on it. How are
14 they going to amortize it. There's a lot of
15 unknowns. And, you know, so -- so I can't agree to
16 that.

17 And, you know, because I believe it's
18 questionable legality, I think it's questionable
19 policy, and I think it's unknown, I'll be filing my
20 objection to that.

21 CHAIR HAHN: Thank you.

22 MR. OPITZ: Thank you.

23 JUDGE SEYER: Thank you, Mr. Opitz. All
24 right. Ms. Niemeier, I do know that there's
25 potentially some questions from the commissioners of

1 Mr. Rea, so is it possible to recall him?

2 MS. NIEMEIER: Absolutely. The company
3 recalls Mr. Rea.

4 (Witness previously sworn).

5 CHARLES REA,
6 the witness, having been first duly sworn,
7 testified as follows:

8 JUDGE SEYER: Go ahead, Ms. Niemeier.

9 MS. NIEMEIER: He's already provided his
10 testimony and it's been admitted, so I have no --
11 he's tendered for cross.

12 JUDGE SEYER: Okay. Ms. Aslin, introduce
13 our next Staff counsel that is making his appearance
14 in the hearing. Or he can introduce himself.

15 MR. VANDERGRIFF: Good morning, your
16 Honor. I'm Eric Vandergriff, Staff counsel. The
17 court reporter has my information.

18 JUDGE SEYER: Perfect. Mr. Vandergriff,
19 do you have cross-examination for Mr. Rea?

20 MR. VANDERGRIFF: No, your Honor.

21 JUDGE SEYER: All right. For the Public
22 Counsel?

23 MR. CLIZER: No questions, thank you.

24 JUDGE SEYER: Mr. Coffman, for Consumers
25 Council or AARP?

1 MR. COFFMAN: No questions. Or well, let
2 me -- let me just ask him a couple.

3 CROSS-EXAMINATION

4 BY MR. COFFMAN:

5 Q. In reading your testimony, Mr. Rea, is
6 it -- is it a fair summary that you find there to be
7 a cost-causation difference between high income and
8 low-income water customers?

9 A. Generally speaking, yes.

10 MR. COFFMAN: Okay. That's all I have.
11 Thank you.

12 JUDGE SEYER: Okay. Mr. Bednar, anything
13 on behalf of the City of Riverside?

14 MR. BEDNAR: No, your Honor. No, your
15 Honor.

16 JUDGE SEYER: Mr. Opitz?

17 CROSS-EXAMINATION

18 BY MR. OPITZ:

19 Q. Mr. Rea, I've got a couple questions, but
20 to go back to that question from Mr. Coffman, he
21 asked about causation. Your testimony doesn't say
22 causation. Is that right? Your testimony says
23 correlation?

24 A. Can you point to where you're talking
25 about that and where it doesn't say cost causation?

1 Q. As one example in your, I believe it's
2 your direct testimony, page 32. And I'm looking at
3 lines 13 and 14 I guess going on to 15. And would
4 you agree that you talk about the correlation between
5 income and seasonal use of water?

6 A. Yes. So in that section of testimony what
7 I'm saying is that there is a positive correlation in
8 the Company's residential customer base between
9 household income and seasonal use of water. Higher
10 income does not cause the seasonal use of water, but
11 customers generally that have higher incomes tend to
12 use water more for seasonal usage like lawn
13 irrigation, swimming pools, that sort of thing than
14 lower-income customers do.

15 The cost causation issue is whether
16 customers that use seasonal water more cause more
17 costs to be incurred by the Company than customers
18 that do not. That's the cost-causation issue.

19 Q. And you don't disagree that there may be
20 low-income customers who are seasonal users of water?

21 A. As I said, if you look at median household
22 incomes across our territory and the communities that
23 we serve and the seasonal use of water in those
24 communities, there is a strong correlation between
25 income and seasonal use of water. Are there

1 low-income customers somewhere that may use more
2 water in the summertime than they do in the
3 wintertime. Yes. But generally speaking --

4 Q. And there's high-income customers who may
5 use less water in the summer too. Right?

6 A. That is certainty true.

7 Q. And they wouldn't be eligible. They'd be
8 discriminated against under this tariff?

9 A. Why would they discriminated against? I
10 don't understand.

11 Q. Because they would not be eligible based
12 solely on their income rather than the nature of
13 their service class.

14 A. It's a program that's -- whose eligibility
15 is based on income. I don't consider customers who
16 have high incomes that already have affordable water
17 bills to be discriminated against by not being able
18 to participate in the discount program.

19 Q. In fact, they would be paying for the
20 discount program in all likelihood.

21 A. Well, to the extent that those costs, the
22 administrative costs and the costs of the discounts
23 are included in rates at some point, not in this
24 case, but at some point, all customers would be
25 paying for that, not just the nonparticipating

1 customers.

2 Q. I have some concerns about the magnitude
3 of this potential regulatory asset. In your
4 testimony would you agree that you describe it
5 as 69,500 eligible customers?

6 A. We estimate that there will be that many
7 customers whose household incomes would qualify them
8 for participation in the program. And that's as --
9 originally filed that was 150 percent of federal
10 poverty or less. Now, in the stipulation, in the
11 tariff attached to the stipulation there is an
12 additional qualifier of 60 percent below the state
13 median income level. I don't know if that expands
14 participation significantly or not, but it is a
15 different, a slightly different set of qualifiers
16 than what we had originally proposed.

17 Q. So it's at least 69,500 in your estimate,
18 but it could be more?

19 A. I don't know.

20 Q. Do you know how many customers Missouri-
21 American Water has in Rate A?

22 A. More than 400,000 I believe residential
23 customers.

24 Q. Would you agree that the -- the minimum
25 filing requirements in this case list it as 445,445?

1 **A. I wouldn't disagree with that.**

2 **Q. So in -- it's probably not exact, but in**
3 **that wheelhouse. Right? So if -- if we take 69,500**
4 **divided by 445,445, that's about 15.6 percent?**

5 **A. That sounds about right.**

6 **Q. So Missouri-American's rates have**
7 **increased so much that 15.6 percent of its customers**
8 **need an affordability rate?**

9 **A. That's not what we're saying. If you want**
10 **to think about the numbers of customers for whom we**
11 **think that water service, basic water service is more**
12 **than 2 percent of household income, that information**
13 **is provided on page 17 in my direct testimony with**
14 **the affordability analysis we provided in this case.**

15 **Q. But this tariff and the stipulation, and I**
16 **don't believe the one in your testimony, was not so**
17 **limited by that. It's the income that if you qualify**
18 **for that income, you're eligible for this program.**
19 **Is that correct?**

20 **A. The eligibility requirements for the**
21 **program are probably larger, would -- would include**
22 **more customers than the customers that we have**
23 **estimated fall in the different categories under**
24 **page 17, that fall in the charts 5 and 6 on page 17**
25 **of my direct testimony.**

1 Q. Have you done any analysis about what the
2 balance of this regulatory asset would be after one
3 year?

4 A. So currently as I understand it, the
5 estimate of the administrative costs for the program
6 are approximately \$30,000 per month. I don't know if
7 that's based on the --

8 Q. But it -- but a significant -- I would say
9 a more significant portion of this program's budget
10 is going to be at discount that customers
11 participating are given on their bills. Is that
12 correct?

13 MR. KILE: Your Honor, I'd like to
14 interpose an objection. He has several times
15 interrupted the witness while he was in the middle of
16 his answer before moving to the next question.

17 JUDGE SEYER: All right. I'll note that.

18 MR. OPITZ: And I agree I have.

19 JUDGE SEYER: Yes. Well, if we can wait
20 until the answer is complete before you ask your
21 question.

22 MR. OPITZ: Well, I'm asking yes or no
23 questions for the most part and if he goes beyond yes
24 or no, then I'm going to ask a new question.

25 JUDGE SEYER: All right.

1 BY MR. OPITZ:

2 Q. Of the program that is stipulated to, have
3 you prepared an estimate of what that regulatory
4 asset will be?

5 A. As I -- as I said, part of the cost of the
6 program will be administrative costs, and we have an
7 estimate for that. That's the \$30,000 a month that I
8 talked about before. But I don't know if that
9 estimate is based on the originally-filed eligibility
10 requirements or the stipulated-eligibility
11 requirements. Mr. LaGrand could probably answer that
12 question.

13 The other part of the administrative costs
14 will be the cost of the discounts, and that will be
15 variable depending on the number of customers that
16 participate. So I guess to answer your question in
17 total, no, we don't have an estimate of the total
18 amount of cost that might be incurred in the program
19 over time.

20 Q. Would you agree that if 69,500 customers
21 are eligible, that the potential regulatory asset
22 will exceed \$10 million?

23 A. Oh, I would have to work out the math with
24 that. I can't agree to that sitting here.

25 Q. Would you agree that if it does exceed \$10

1 million, you won't seek recovery?

2 A. No. I wouldn't agree to that either.

3 Q. By putting forward this tariff in your
4 direct testimony, are you admitting that the Company
5 has an affordability problem with its rates?

6 A. No. There will always be, there will
7 always be customers on any system for whom
8 affordability of service could be an issue. That is
9 true that -- that is true as we stand today. Even
10 absent a rate case, that would be true.

11 And the goal of the tariff is to try to
12 mitigate those concerns for the customers where we
13 think that's -- where affordability is a concern. So
14 no, it's not a reflection of whether or not rates are
15 generally affordable or not, because there will
16 always be some group of customers, unless you're
17 giving water away for free, there will also be some
18 number of customers for whom affordability will be an
19 issue. The point of this tariff and the point of
20 this program is to try to mitigate affordability
21 concerns for that group of customers.

22 Q. But you would agree you're not giving away
23 water for free. I'm sorry. That Missouri-American's
24 not giving away water for free.

25 A. We are not.

1 Q. And you would agree that the Company's
2 request for 10.75 percent return on its equity will
3 have an impact on the affordability of the rates?

4 A. Certainly a higher increase granted in
5 this proceeding relatively -- relative to a lower
6 increase granted in this proceeding or no increase
7 granted in this proceeding would have an effect on
8 affordability of rates.

9 Q. And the return that the Company asked for
10 is something that's within its control. Is that
11 right?

12 A. Presumably.

13 MR. OPITZ: I don't have any more
14 questions.

15 JUDGE SEYER: All right. Is there any
16 cross on behalf of MIEC?

17 MS. PLESCIA: Just one question.

18 CROSS-EXAMINATION

19 BY MS. PLESCIA:

20 Q. My clients haven't taken a position on
21 this particular issue, but one question I have is is
22 there anything that would prevent the company from
23 absorbing some of these costs below the line?

24 A. We don't believe that that's necessary or
25 appropriate based on the information that we provided

1 in direct testimony on pages 29 -- or 28 and 29,
2 section D of my section on that tariff.

3 Q. I appreciate that, but the question I
4 asked is is it possible.

5 A. Well, effectively absorbing part of the
6 cost of the program effectively is a reduction in ROE
7 due to the offering of the UAT which I don't think
8 that the Company would agree to.

9 MS. PLESCIA: Thank you.

10 JUDGE SEYER: Chair Hahn, you have
11 questions?

12 CHAIR HAHN: Thank you.

13 QUESTIONS

14 BY CHAIR HAHN:

15 Q. In other -- and I'm not an expert on
16 low-income programs, but I have read some of the
17 program guidelines for other low-income programs and
18 they do contain both shareholder dollars and
19 ratepayer dollars. So are you telling me that this
20 has zero shareholder dollars in it?

21 A. This particular tariff offering?

22 Q. That's right.

23 A. Yes. That's true. Now, we have other
24 low-income programs for which shareholders do
25 contribute, but that's not a feature of this tariff

1 offering.

2 Q. Okay. And is it also true that this
3 program would have no budget or no overall cap?

4 A. Not as proposed.

5 Q. Okay.

6 A. At least in terms of the discounts that
7 are offered.

8 Q. Yeah. How many other operating companies
9 within the Missouri-Amer -- or within American Water
10 Works have something similar to this that is uncapped
11 with zero shareholder dollars?

12 A. The programs that American Water -- well,
13 let me answer it this way. Pennsylvania-American
14 Water, New Jersey-American Water, Illinois-American
15 Water have low-income programs that are designed --
16 that are designed almost exactly like this program.
17 None of them have caps.

18 West Virginia and California have -- also
19 have low-income programs, but they're not designed
20 the same way that these programs are. I'm not aware
21 of any program like this that American Water sponsors
22 or operates where participation is capped at a
23 certain level.

24 Q. Okay. So you -- in Pennsylvania and New
25 Jersey and Illinois you have programs that are

1 identical or nearly identical to this?

2 **A. Right. Different discounts for different**
3 **tiers of household income.**

4 Q. Okay. Are there any shareholder dollars
5 that help support those programs?

6 **A. Not that I'm aware of.**

7 Q. Okay. What about in West Virginia and
8 California?

9 **A. California, I don't know the answer to.**
10 **In West Virginia those discounts are actually funded**
11 **by the State through a reduction in a certain type of**
12 **tax that the Company otherwise would pay that they**
13 **don't pay based on the amount of discounts that are**
14 **provided through the program.**

15 Q. Okay. So of the 12 companies, operating
16 companies of Missouri-American, five have some kind
17 of program; three have identical programs?

18 **A. Nearly identical. The tiers are**
19 **different, the dis -- the level of discounts are**
20 **different, but the structure is the same.**

21 Q. Okay. Would it be possible for you to
22 prepare an analysis that would show under these
23 assumptions if 69,500 folks, that's the minimum that
24 would qualify without the SMI additional qualifier,
25 that would basically be the floor, what that would

1 look like in the regulatory asset over the next two
2 years?

3 **A. Sure. We could do that.**

4 CHAIR HAHN: Thank you.

5 **THE WITNESS: Yep.**

6 JUDGE SEYER: Are there further questions
7 from the commissioners?

8 **THE WITNESS: May I ask a clarifying**
9 **question?**

10 BY CHAIR HAHN:

11 Q. Yes.

12 **A. Is that an assumption that -- we can do**
13 **that for any level of participation that you'd like**
14 **to see. Do you want to see that for a hundred**
15 **percent participation, 50 percent participation,**
16 **different?**

17 Q. I would probably run a range of scenarios,
18 right, and maybe even model it off of participation
19 in some of your other programs.

20 **A. Okay.**

21 Q. I know OPC probably has how many folks
22 partic -- percentages of folks that normally
23 participate in low-income programs, but I'm feeling
24 uncomfortable with what's before me because I have no
25 idea the kind of impact it could have and I want to

1 have a better understanding of that.

2 **A. Sure.**

3 CHAIR HAHN: Thank you.

4 **THE WITNESS: Sure. No problem.**

5 JUDGE SEYER: All right. Any other
6 commissioner questions?

7 COMMISSIONER MITCHELL: Judge, if I may.
8 This is Commissioner Mitchell.

9 QUESTIONS

10 BY COMMISSIONER MITCHELL:

11 Q. Mr. Opitz pointed out that Missouri has a
12 statutory prohibition against charging customers in
13 the same rate class different rates. And I'm curious
14 how is it that this does not run afoul of that
15 statute?

16 **A. I don't have a copy of the statute. I**
17 **don't know that I have an opinion on whether this**
18 **program is legal or not legal. I can tell you that**
19 **it is generally true that the cost of providing**
20 **service to customers that use seasonal use of water**
21 **versus customers that don't is different, and they**
22 **are all being, you know, essentially charged the same**
23 **price. So we don't see that this low-income program**
24 **runs afoul of -- of any of that kind of principle.**

25 Q. But they are -- customers in the same

1 customer classification would be charged a different
2 rate. True?

3 A. Can you ask that question again? I didn't
4 catch all of that.

5 Q. The customers that qualify are customers
6 in the same rate class that would be charged a
7 different rate. True?

8 A. The -- today are charged the same rate.

9 Q. Yeah.

10 A. They are all Rate A residential customers.

11 Q. But if this is approved and moves forward,
12 that wouldn't be the case. True?

13 A. Some would be eligible for discounts and
14 some would not. So effectively, yes, that would be
15 true.

16 Q. And I've heard the word "pilot" discussed.
17 And what -- what exactly does that mean, a pilot?

18 A. I'm sorry, I didn't -- I didn't get all
19 the question again, I apologize.

20 Q. So I've heard the word -- I've heard this
21 described as a pilot program. Can you tell me what
22 that means, a pilot program?

23 A. To be honest I don't consider this --
24 well, the tariff is listed as a pilot program. I
25 don't -- to me I don't think that it needs to be a

1 pilot program because we have operated programs like
2 this in other states and we're pretty well-versed on
3 how this works. Whether it needs to be or should be
4 called a pilot program for the purposes of Missouri
5 regulation is probably better addressed to a
6 different witness than me.

7 Q. Okay. Are you familiar with other pilot
8 programs that have been approved or authorized by the
9 Commission that don't have an end point or don't have
10 performance metrics or don't have a stated goal or
11 data set that they're trying to be evaluated?

12 A. I am not, but I -- but I almost -- I also
13 must confess that I'm not completely conversant on
14 other pilot programs that electric or gas utilities
15 in Missouri may have asked for approval from the
16 Commission for. Again, that was probably a question
17 that would be better addressed to somebody else.

18 Q. All right.

19 A. And I'm looking at the OPC witness when I
20 say that, so.

21 Q. Okay.

22 A. Who appears to be nodding his head in
23 agreement, so.

24 Q. Thank you. Are there differences between
25 what was originally proposed as the UAT and what is

1 now being proposed as the pilot program?

2 A. The only difference that I'm aware of is
3 the qualifier of state median income that was
4 included. And it also appears that the -- well,
5 there -- I should say -- I'm sorry. There are a
6 couple of differences. One is the inclusion of the
7 state median income qualifier. Another is that the
8 this appears to apply to water and not to wastewater
9 which was not our original intent, but I think -- I
10 think we are fine with.

11 The other issue, the third issue is there
12 is, as has been discussed, a tariff provision that
13 says at the end that all customer discounts,
14 administrative fees, and other program costs will be
15 deferred to a regulatory asset for recovery in the
16 next rate case. Originally we had built in a level
17 of discounts under an assumed level of participation
18 in our rates. This tariff language would appear
19 to -- to negate that and there would not be any
20 discounts built into rates which would lower the
21 volumetric rate somewhat and all of that would be
22 addressed at a later date.

23 Q. And I guess the other difference would be
24 the insertion of the word "pilot" into the language?

25 A. Yes. Yes. For whatever -- for whatever

1 **purpose that serves, yes.**

2 Q. And just bear with me a little bit. If it
3 is a pilot program, what -- what is it that we're
4 looking to study or test or what -- what would be the
5 performance metric of whether the pilot was
6 successful or unsuccessful?

7 A. Well, again, I personally don't consider
8 this to be a pilot program in the -- in the truest
9 sense because American Water has these programs in
10 other states. I -- I think I would again defer to an
11 OPC witness who might be able to better answer that
12 question than me. Particularly because it pertains
13 specifically to Missouri regulation that they may be
14 more conversant on than I am.

15 Q. Thank you. And at the end of the day is
16 the effect on, you know, the general population of
17 ratepayers really the transfer of what would
18 otherwise be bad debt to a regulatory asset than
19 would -- than would automatically be recovered in the
20 next rate case?

21 A. **Can you ask that again please?**

22 Q. At the end of the day is the net effect of
23 this program to be a transfer of what would otherwise
24 be bad debt to a regulatory asset that would then be
25 automatically recovered by the Company in the next

1 rate case?

2 A. Well, I would say two things. One, I
3 think that we would expect that bad debt expense
4 would go down generally because of the existence of
5 this program just because customers who might be
6 facing that issue more who participate in the program
7 will have lower bills. I think that the next effect
8 of this program will be that water service will be
9 affordable to more customers with the program than
10 without the program, regardless of what the
11 administrative or level of discounts might turn out
12 to be.

13 Q. But fair to say the discounts and
14 administrative costs are simply transferred to the
15 balance of the ratepayers. Is that correct?

16 A. Well, all ratepayers will pay for them, so
17 it's not transferred to just nonparticipating
18 customers. All -- all customers will pay for them
19 assuming that at some point all of that is included
20 in rates. But the discounts that are offered to
21 qualifying customers will -- will result in an
22 overall improvement of affordability across the
23 system.

24 Q. Well, I think some rates would go down and
25 some would go up, but the net effect on the Company

1 would be zero. Correct?

2 **A. Ultimately, yes.**

3 COMMISSIONER MITCHELL: Thank you,

4 Mr. Rea. That's all the questions I have.

5 JUDGE SEYER: All right.

6 QUESTIONS

7 BY JUDGE SEYER:

8 Q. Mr. Rea, to kind of piggyback on
9 Commissioner Mitchell's questions about this being a
10 pilot program, the -- the actual -- trying to think
11 of the right word -- but I guess what creates this
12 program is this tariff sheet and it's a single
13 tariff, single page. Correct?

14 **A. Yes.**

15 Q. Okay. Looking at that single page, I
16 don't see anything that discusses how long this pilot
17 program might last. Do you see that?

18 **A. There is nothing in the printed tariff**
19 **page that discusses that. I would agree with that.**

20 Q. And nothing that really addresses any
21 metrics on the success or failure of the program?

22 **A. I would agree with that.**

23 Q. Okay. So as it stands here, we don't know
24 how long this would be a pilot program versus a
25 permanent program or what have you?

1 **A. I don't, no.**

2 Q. Okay. I'm afraid you're going to me tell
3 me I shouldn't ask this witness, but I'm going to
4 refer -- I'm going to refer to the Company's witness
5 Brian LaGrand. He has in his direct testimony,
6 page 35 -- let me find that. The question posed to
7 him was: Describe the regulatory treatment you're
8 requesting for the UAT cost.

9 And his answer is: The Company's
10 requesting that actual costs associated with the
11 discounts be captured through the RSM and that costs
12 associated with the administration of the program be
13 recorded and deferred to the Company's next general
14 rate base.

15 So my question is if the Commission does
16 not approve an RSM, how would those actual costs
17 associated with the --

18 **A. Well, that --**

19 Q. -- program be recovered?

20 **A. Yeah. That -- that feature would not**
21 **apply under the stipulation. And I apologize to the**
22 **Commissioner. I should have mentioned that as**
23 **another -- as another change. Originally the Company**
24 **proposed that the discounts be recovered through the**
25 **RSM. Under the tariff sheet, under the stipulation**

1 those discounts would not be recovered currently
2 under any mechanism, so it would not be recovered
3 through the RSM.

4 JUDGE SEYER: Okay. All right. That's
5 all the questions I have. Any recross on behalf of
6 Staff?

7 MR. VANDERGRIFF: Yes, your Honor.

8 RECROSS-EXAMINATION

9 BY MR. VANDERGRIFF:

10 Q. I believe that MCEG and Commissioner
11 Mitchell asked you about seasonal costs. What is the
12 relevance of seasonal costs with regard to customers
13 in this proposed tariff and the other customers in
14 this that you're targeting?

15 A. One of the arguments that's commonly made
16 against a program like this is that it amounts to a
17 subsidy from higher-income customers to lower-income
18 customers. The point of the analysis that we
19 provided in direct testimony is to show that in many
20 cases, higher-income customers that have significant
21 seasonal use of water are actually being subsidized
22 by lower-income customers and other customers who do
23 not have seasonal usage of water. And there is a
24 strong correlation between seasonal use of water and
25 income.

1 And so what we're trying to show is that
2 part of what this program is doing is actually sort
3 of reversing a subsidy that already exists that's
4 going from lower-income customers to higher-income
5 customers. That's the relevance of the discussion
6 around seasonal water usage.

7 Q. So we talked about classes and the
8 legality of it. To your best recollection what
9 classes do we have right now?

10 A. I think of it in terms of rate classes,
11 and there are three: Rate A which -- well, Rate B
12 which is sales to resale, Rate J which is large
13 users, and Rate A which is effectively everybody
14 else.

15 Q. All right. So you would say that everyone
16 in those classes are similarly situated within their
17 class. Correct?

18 A. I wouldn't necessarily say that. We
19 certainly have residential customers, small
20 commercial customers, public authority customers, all
21 of which are in Rate A.

22 Q. And with that do you discriminate between
23 any of those within their class?

24 A. Well, I mean, if you're asking if I think
25 that Rate A is discriminatory on its face, I am not

1 **prepared to answer that question --**

2 Q. All right.

3 **A. -- yes or no.**

4 Q. So you do not know -- all right. Well,
5 what I'm getting at is between the federal poverty
6 level which is tiered, are you going to be
7 discriminating between the tiers, whether that be
8 the 150 tier? Are you going to be discriminating
9 between any of the tiers within each level?

10 **A. Well, there will be different discounts**
11 **for different tiers. I don't know that -- to me that**
12 **doesn't necessarily qualify as discrimination. But**
13 **there will be different discounts as proposed for**
14 **different tiers.**

15 Q. So you're saying -- so your answer is that
16 they will all be treated the same within their tiers?

17 **A. Yes.**

18 MR. VANDERGRIFF: No further questions.

19 JUDGE SEYER: Any recross on behalf of
20 Public Counsel?

21 MR. CLIZER: I do not think it would be a
22 good use of time for me to recross Mr. Rea on this
23 issue. However, I do want to point out that a large
24 number of the questions that have been posed to
25 Mr. Rea by the Commission and the Bench and the

1 concerns that have expressed are items that can be
2 directly addressed and explained by the OPC witness
3 Dr. Geoff Marke who I will make available. I
4 encourage you all in the strongest terms to please
5 ask Dr. Marke the same questions that you posed,
6 especially those that Mr. Rea suggested he was not
7 able to answer. With that, I have no further
8 statement. Thank you.

9 JUDGE SEYER: All right. Mr. Coffman, on
10 behalf of Consumers Council of Missouri?

11 MR. COFFMAN: Thank you.

12 RECROSS-EXAMINATION

13 BY MR. COFFMAN:

14 Q. Thank you, Mr. Rea. I just -- there were
15 questions. Let's see. I know you're not an
16 attorney, but have -- have you looked at the statutes
17 that are relevant to discrimination based on class in
18 the Missouri statute?

19 A. Specifically in Missouri?

20 Q. Yes.

21 A. No.

22 Q. Okay. Well, I just want to ask you then
23 about the -- the budget. You know, there was --
24 Mr. Opitz talked about the 69,500 customers that may
25 potentially qualify. Are you familiar with the

1 numbers, with the similar programs in New Jersey,
2 Pennsylvania, and Illinois as to how many customers
3 might qualify under the eligibility in those states
4 and how many people actually wind up taking advantage
5 of the program there?

6 A. Yes. The Pennsylvania program is by far
7 the most successful in terms of participation. It's
8 also by far the oldest.

9 Q. How many years has it been in place?

10 A. Many. I don't know exactly.

11 Q. More than 30?

12 A. I don't know about more than 30.

13 Q. Okay.

14 A. Certainly more than -- well, certainly --
15 it's certainly more than ten.

16 Q. Okay.

17 A. And -- and participation levels in that
18 program I believe are 35 to 40 percent approximately.
19 The program in New Jersey is practically brand new.
20 The program in Illinois is a couple of years old. I
21 don't know what the participation levels are there,
22 but I think they're less than 10 percent.

23 Q. Okay. So with a very mature program
24 that's been around a long time, the penetration into
25 the eligible customers is still only 30 percent give

1 or take?

2 **A. Currently, yes.**

3 Q. Okay. And so for the brand-new program in
4 New Jersey, do you have a sense of how long it takes
5 for -- has taken for that program to get up and
6 running? Like, how -- like how many -- do you know
7 how many customers were in the first or second years
8 of that program?

9 **A. No. I don't think it's a year old even,**
10 **but no, I don't.**

11 Q. Okay. But in your experience with these
12 type of programs, would you -- would not -- wouldn't
13 you expect it to be a very -- a trickle at first, a
14 very small number that would ramp up over time as the
15 program kind of got its feet under itself?

16 **A. Generally, yes. We would expect it to**
17 **ramp up over time. We would expect initial**
18 **participation to be relatively low.**

19 Q. But as far as the budget, as far as what
20 Missouri-American Water Company's expecting is, there
21 would be a little over \$300,000 for dollar energies
22 implementation. Correct?

23 **A. Yes.**

24 Q. So an --

25 **A. Yes.**

1 Q. So an annual cost of -- do you know what
2 the number is? Is it 320,000 maybe or is it --

3 A. I'm not --

4 Q. Per -- what is dollar energies cost per
5 year?

6 A. The estimate that's current that I
7 understand is in place is \$30,000 a month and so that
8 would be \$360,000 a year.

9 Q. Okay. So 360,000. And then the -- but
10 the -- the really difficult part of trying to
11 determine the budget is how many of the 69,500
12 customers might find out about the program and follow
13 through and be qualified?

14 A. Right. And I believe the Chair has asked
15 for an analysis of what those costs might be under
16 different potential participation scenarios, which we
17 can do.

18 Q. As you -- and since this is based on very
19 similar income qualifications as the LIHEAP energy
20 pro -- energy assistance program, are you familiar
21 with how many people who would qualify for LIHEAP
22 assistance actually get it nationally or in Missouri?

23 A. I don't know.

24 Q. Would you be surprised if it was in the
25 area of 25 percent?

1 **A. I would not be surprised.**

2 Q. Okay. And so when you perform your
3 various scenarios for the Commission, I assume you're
4 going to include something in the 25, 30 percent
5 range as a potential number?

6 **A. Sure. That's why I asked.**

7 Q. Yeah. But would you even expect it to be
8 that high in the first couple of years of the
9 program, based on your experience in implementing
10 these programs?

11 **A. Well, we would -- we would -- I didn't say**
12 **the Company is happy with participation levels**
13 **anywhere it's got.**

14 Q. Right.

15 **A. And, I mean, to be -- to be sure we have**
16 **been asked in Pennsylvania to figure out ways to ramp**
17 **it up.**

18 But to answer the question, would we
19 expect to see something north of 25 percent in the
20 first year or two? I think we would be doing
21 exceeding well if we got to that level of
22 participation off the bat. Off the start.

23 Q. And under the stipulations that have been
24 filed thus far, there would be quarterly meetings
25 amongst the interested parties to look at the numbers

1 and to talk about ways to promote it and to make sure
2 that the budget is coming in, you know, as expected,
3 Right?

4 **A. Well, certainly there's a provision for**
5 **quarterly meetings. And I presume that that would be**
6 **a topic of interest.**

7 Q. And is it -- is it not true that Missouri-
8 American Water, as long as it's using a WSIRA
9 surcharge, is going to have to come back here at
10 least three years from now, if not sooner, for
11 another rate case?

12 **A. I presume that that's true, but that's a**
13 **question that you would need to ask Mr. LaGrand.**

14 Q. Okay. So given that the stipulation would
15 have all these costs put into a deferral means that
16 there would be no cost as a result of this case under
17 the non-unam stipulation and that whatever cost is
18 collected over the next one, two, or three years
19 would then be completely under this Commission's
20 control to decide what happens in the subsequent
21 case?

22 **A. Both of those things are true --**

23 Q. And so --

24 **A. -- to my knowledge.**

25 Q. -- in the sense that this is the first

1 experience with a water program in Missouri that that
2 amount would then be, in a sense, this interim period
3 would be a pilot program and the next rate case would
4 be when the Commission would be evaluating that
5 pilot.

6 Is that a fair assessment of the stip?

7 **A. You could look at it that way.**

8 MR. COFFMAN: That's all I have. Thank
9 you.

10 JUDGE SEYER: All right. Mr. Opitz.

11 MR. OPITZ: Hopefully briefly, your
12 Honor.

13 RECROSS-EXAMINATION

14 BY MR. OPITZ:

15 Q. Mr. Rea, Commissioner Mitchell and I --
16 and I can't read my writing on the exact phrasing.
17 He asked you a question about bad debt expense and
18 the relationship to this being a pilot program. Do
19 you recall that line of questioning?

20 **A. I do.**

21 Q. Do you know the amount of bad debt expense
22 that Missouri-American has included in its case this
23 year?

24 **A. I personally do not. That would be a**
25 **question better asked of another -- or another**

1 **Missouri-American witness.**

2 Q. Would you disagree that it's around, in
3 year 2023, \$3.08 million?

4 A. I don't have an opinion.

5 Q. To the extent that this program could be
6 classified as a pilot with the goal of reducing bad
7 debt, I understand that's not your view, but to the
8 extent that that were the case, would it make sense
9 to have a program budget that exceeds the possible
10 savings by avoiding your budgeted bad debt expense?

11 A. Yes. It -- it makes sense to me that the
12 administrative cost of the program would be higher
13 than what you would expect to save on bad debt
14 expense because the purpose of the program in my
15 opinion is not to reduce a bad debt expense. The
16 purpose of the program is to make service affordable
17 for as many customers as we can. To me, that's the
18 point of the program.

19 Q. So to the extent that it is characterized
20 as a pilot, you would say that bad debt is not one --
21 bad debt reduction is not one of the outcomes you are
22 prioritizing with this tariff?

23 A. Well, I don't believe that the program
24 should be categorized as a pilot program for the
25 purpose of learning something that -- that we

1 otherwise don't know because, as I said, American
2 Water has operated these programs in other states
3 pretty successfully. So I don't really have an
4 opinion of what metrics ought to be included as part
5 of the designation of this being labeled a pilot
6 program because I'm not sure that it -- other than
7 for regulatory or legal expediency, I don't believe
8 it should be a pilot program.

9 Q. But, I mean --

10 A. We've --

11 Q. Legal expediency is a pretty big
12 consideration that a State agency should keep in
13 mind. Would you agree?

14 A. Well, we've called this a pilot program in
15 the stipulation. As I have said, I am not as
16 conversant on what that means in terms of Missouri
17 law or regulation than other witnesses who have
18 signed on -- or other parties that have signed on to
19 the stipulation. So I don't know that I'm in the
20 position to answer that question.

21 Q. Okay. And you're not an attorney?

22 A. I am not.

23 MR. OPITZ: Okay. I have no further
24 questions. Thank you.

25 JUDGE SEYER: All right. Is there any

1 cross on behalf of MIEC?

2 MS. PLESCIA: No, thank you, your Honor.

3 JUDGE SEYER: Redirect by the Company?

4 MS. NIEMEIER: Just one question.

5 REDIRECT EXAMINATION

6 BY MS. NIEMEIER:

7 Q. Is there a reasonable basis to charge
8 different rates for eligible customers in each
9 category on the tariff?

10 A. Can you ask that again?

11 Q. Yes, I can. In the tariff as proposed, in
12 the program as proposed --

13 A. Do you mean as stipulated to?

14 Q. Yes.

15 A. Yes.

16 Q. Is there a reasonable basis to charge
17 different rates for different customers?

18 A. Are you asking is there a reasonable basis
19 for different discounts for different levels of
20 household income?

21 Q. Sure.

22 A. Yes. And that generally is provided --
23 well, at least that was originally proposed, provided
24 in the analysis on page 26 of my direct testimony
25 where we're trying to figure out what levels of

1 discounts would be needed at different levels of
2 household income to get customers' water -- basic
3 water service down below 2 percent of household
4 income. That's the basis for how we proposed the
5 discounts originally, and that's also the basis for
6 why we stopped the discounts at a tier of 150 percent
7 of federal poverty level.

8 MS. NIEMEIER: Nothing further. Thank
9 you.

10 JUDGE SEYER: Thank you, Mr. Rea. You
11 may step down.

12 THE WITNESS: Thank you.

13 JUDGE SEYER: Does the Company have any
14 further witnesses on this issue?

15 MS. NIEMEIER: We do not.

16 JUDGE SEYER: Does Staff have any
17 witnesses they'd like to call?

18 MR. VANDERGRIFF: Yes, your Honor. We'd
19 like to welcome Scott Glasgow.

20 JUDGE SEYER: All right. Mr. Glasgow has
21 his right hand raised. I appreciate that.

22 (Witness sworn).

23 SCOTT GLASGOW,
24 the witness, having been first duly sworn,
25 testified as follows:

1 JUDGE SEYER: All right. Thank you.

2 DIRECT EXAMINATION

3 BY MR. VANDERGRIFF:

4 Q. Mr. Glasgow, please state your name and
5 spell it for the court reporter.

6 A. Scott Glasgow, S-c-o-t-t G-l-a-s-g-o-w.

7 Q. How are you employed?

8 A. I am a senior research data analyst in the
9 customer experience department with the Public
10 Service Commission.

11 Q. Did you prepare or caused to be prepared
12 testimony in this matter marked as Exhibit 205?

13 A. I did. I did.

14 Q. Okay. Do you have any changes or
15 corrections for your testimony?

16 A. I do not.

17 Q. Are the answers contained in that
18 testimony true and correct to the best of your
19 knowledge and belief?

20 A. They are.

21 Q. If I were to ask you the same questions
22 today, would your answers be the same?

23 (Cell phone interruption.)

24 THE WITNESS: I'm so sorry. They would.

25 MR. VANDERGRIFF: I move for the admission

1 of Exhibit 205 into evidence.

2 JUDGE SEYER: All right. Is there any
3 objection to the admission of Exhibit 205? All
4 right. Hearing none, 205 is admitted.

5 (Staff Exhibit 205 was admitted and made
6 a part of this record.)

7 MR. VANDERGRIFF: I tender the witness
8 for cross-examination.

9 JUDGE SEYER: All right. Does the
10 Company have any cross-examination?

11 MS. NIEMEIER: No questions.

12 JUDGE SEYER: All right. Public Counsel?

13 MR. CLIZER: No questions.

14 JUDGE SEYER: Consumers Council?

15 MR. COFFMAN: No questions.

16 JUDGE SEYER: MECG?

17 MR. OPITZ: No, thank you, your Honor.

18 JUDGE SEYER: MIEC?

19 MS. PLESCIA: No questions, your Honor.

20 JUDGE SEYER: Any questions from the
21 commissioners? All right. Mr. Glasgow, you're free
22 to go.

23 MR. COFFMAN: Your Honor, are you -- are
24 we ready for Mr. Colton again.

25 JUDGE SEYER: According to the schedule

1 I'm looking at, yes.

2 MR. COFFMAN: Mr. Colton, are you on
3 there? He figured out how to turn on his camera.
4 There he is. Okay.

5 JUDGE SEYER: All right. Mr. Colton, I
6 placed you under oath earlier and I will turn it over
7 to Mr. Coffman.

8 (Witness previously sworn).

9 ROGER COLTON,
10 the witness, having been first duly sworn,
11 testified as follows:

12 DIRECT EXAMINATION

13 BY MR. COFFMAN:

14 Q. Okay. Good afternoon, Mr. Colton. You're
15 already sworn and your testimony is already in the
16 record, Exhibit 450. You have many pages on
17 affordability in the universal affordability tariff.
18 And so is that -- is that not correct, your testimony
19 is in Exhibit 450?

20 A. It is.

21 MR. COFFMAN: And so I now offer
22 Mr. Colton for cross-examination.

23 JUDGE SEYER: All right. Any cross by
24 MECG?

25 MR. OPITZ: No, thank you, your Honor.

1 JUDGE SEYER: MIEC?

2 MS. PLESCIA: No questions, thank you.

3 JUDGE SEYER: Public Counsel?

4 MR. CLIZER: No, thank you.

5 JUDGE SEYER: Staff?

6 MR. VANDERGRIFF: No, your Honor, thank
7 you.

8 JUDGE SEYER: Missouri-American?

9 MS. NIEMEIER: No questions, thank you.

10 JUDGE SEYER: Any questions from the
11 commissioners? All right. I have no questions
12 either. So thank you for your testimony.

13 MR. COFFMAN: Mr. Colton --

14 **THE WITNESS: Thank you, your Honor.**

15 MR. COFFMAN: Mr. Colton is excused I
16 assume.

17 JUDGE SEYER: Yes.

18 MR. COFFMAN: Thank you.

19 JUDGE SEYER: According to my schedule
20 that would lead us to Dr. Marke --

21 MR. CLIZER: Correct.

22 JUDGE SEYER: -- for Public Counsel.
23 All right.

24 (Witness previously sworn).

25 DR. GEOFF MARKE,

1 the witness, having been first duly sworn,
2 testified as follows:

3 JUDGE SEYER: Go ahead, Mr. Clizer.

4 MR. CLIZER: Dr. Marke has been sworn,
5 his testimony's been offered. I tender the witness.

6 JUDGE SEYER: Mr. Coffman, any cross?

7 MR. COFFMAN: Yes, I think I have a
8 couple.

9 CROSS-EXAMINATION

10 BY MR. COFFMAN:

11 Q. Mr. Marke, there has been some discussion
12 about the fact this is a deferral, and we don't have
13 a particular budget in this stipulation. Could you
14 opine about what you think about the appropriate
15 expectation of the cost of this program over say the
16 first one, two, or three years of it if it's
17 approved?

18 A. It's a good question. It was top of mind
19 with a lot of people when we were putting this
20 together. So what gave me comfort in moving forward
21 with this is that you've got other examples in other
22 states. So, I mean, Pennsylvania, it's -- I heard
23 that it's a program that's been around for 30 years.
24 So for 30 years you're getting, at best case
25 scenario, 40 percent of the eligible people have

1 applied for that.

2 We're not going to get anywhere else near
3 that. I mean, based off of our experience with other
4 income-eligible programs, it's going to be a
5 challenge. Now, I'm not -- you know, I'm optimistic.
6 We'll -- we'll get people applied, but it's not going
7 to approach the sort of levels that I think that are
8 going to cause problems in a future proceeding, at
9 least in the near future.

10 Q. So, Mr. Marke, isn't there a benefit to
11 this being treated a deferral between now and the
12 next rate case such that we don't set a budget or try
13 to put too much into the revenue environment now not
14 knowing how many people will take advantage of it?

15 A. And that was the logic behind it. You
16 know, the one cost that we did have an estimate for
17 was the administrative overhead cost. So we've got a
18 third-party implementer out of Pennsylvania that's --
19 that administers the other American Water programs.
20 And they administer it in other states. So we
21 cross-checked references there. We felt comfortable
22 with that.

23 You know, I'm optimistic we can actually
24 lower those costs moving forward. We've got -- I've
25 started conversations with Social -- Department of

1 Social Services about a -- an app that they're
2 exploring right now, a SteadyIQ app which would make
3 it easier for customers that -- it's income
4 verification is what it is and it makes easier if you
5 get SNAP or LIHEAP or any other, you know, government
6 subsidy programs. Because that's the real challenge
7 is just people not having their paperwork.

8 Q. I don't think that you're not an attorney,
9 are you, Mr. Marke?

10 A. I'm not.

11 Q. Have you at least -- I know you've
12 analyzed these issues from a variety of directions.
13 Have you looked at the statute that has sometimes
14 been called antidiscrimination statute in Missouri?

15 A. I'm familiar with it.

16 Q. Does that statute have any requirement as
17 to what the customer classes should be for any
18 particular utility?

19 A. No.

20 Q. So it doesn't even mandate that there be a
21 residential, commercial, small business, no rate A,
22 B, C, D or anything? That's all within the
23 Commission's discretion to define the classes.
24 Correct?

25 A. That's my understanding.

1 Q. And the statute doesn't even prohibit all
2 discrimination between classes, just that
3 discrimination that is undue. Correct?

4 A. Correct.

5 Q. Okay. Has -- are you aware of any court
6 cases that have addressed whether a low-income rate
7 is illegal in Missouri?

8 A. I'm not aware of any.

9 Q. And are you aware that there is pending
10 legislation in the state capitol right now that might
11 put a new set of laws and -- or rules in place with
12 regard to low-income rates?

13 A. I am -- I am familiar with that, yes.

14 Q. And so if this, the thing before us today,
15 the universal affordability tariff is put into place
16 as a pilot, it would presumably or it could possibly
17 be -- when it's evaluated, there will be new laws in
18 place that could be addressed at that time?

19 A. Yes.

20 Q. Okay. And, but just back to the issue of,
21 you know, how fast this program is going to ramp up.
22 Are there any other examples that you've experienced
23 in Missouri with new programs of this type and how
24 quickly they were -- they got up and running?

25 A. So, you know, I'll give you a little

1 history on this. I'll try to be quick. We
2 haven't -- we've explored the low-income rates a
3 couple of times on Missouri-American Water. Very,
4 very, very small programs. St. Joe, in Mexico. It
5 was effectively a discount on the customer charge.
6 The problems with this programs were really the
7 implementer at the end of the day, was just
8 overworked and we did not get enough people signed up
9 for it. So, you know, the -- those were pilot
10 programs. They were technically rate design or rate
11 tariff programs.

12 But historically what the Commission's
13 approved have been bill assistance programs. And I
14 differ -- I think there is a difference. The Keeping
15 Current's probably the most obvious example of this.
16 That's a program that's designed to go ahead and keep
17 existing customers current on their bills. It's not
18 meant to be indefinite; it's a two-year program. And
19 that's a program that's funded 50/50 by ratepayers
20 and shareholders.

21 This is different. This is a program
22 where it's effectively you're eligible, this is going
23 to be -- you know, it's -- it's a LIHEAP program
24 effectively and a huge discount that's going to be
25 moving forward, so. This is new territory for us

1 moving.

2 And if the Commission approves this, what
3 will they get out of it. A really good valid data
4 point, I mean, quite frankly moving forward. You
5 know, again, reasonable minds can absolutely differ
6 over what the thresholds should be. Again, we were
7 comfortable with it because these were same
8 thresholds that were offered in other states that did
9 not, at least initially, see the uptick that would
10 cause a huge rate shock, you know, moving forward.
11 So with those variables in place, the fact that we're
12 going to be meeting on a quarterly basis and looking
13 at this data and I -- there's going to be a lot of
14 eyes on this because this is the first of its kind, I
15 do feel comfortable with it moving forward.

16 MR. COFFMAN: I have no further questions.

17 JUDGE SEYER: Mr. Bednar, do you have any
18 cross on behalf of the City of Riverside?

19 MR. BEDNAR: I do not, your Honor.

20 JUDGE SEYER: All right. Mr. Opitz, on
21 behalf of MECG?

22 MR. OPITZ: No, thank you, your Honor.

23 JUDGE SEYER: Ms. Plescia on behalf of
24 MIEC?

25 MS. PLESCIA: No questions, your Honor.

1 JUDGE SEYER: Staff?

2 MR. VANDERGRIFF: Just one.

3 CROSS-EXAMINATION

4 BY MR. VANDERGRIFF:

5 Q. So you've said that, you know, there's no
6 statute, nothing in the statute that says that
7 discrimination or even these classes are illegal.
8 Right?

9 A. I think I understand the question. I do
10 not believe that's the case.

11 Q. All right. Thank you. Now, you also
12 heard that larger customers like businesses may be
13 subsidizing this program. Do you believe that that
14 is true?

15 A. I think at this point it would remain to
16 be seen. I mean, we'll -- we'll -- this is going to
17 go into a deferral account at the end of the day.
18 And I think I would caution with the word "subsidy"
19 in what we're doing here. And Mr. Rea just
20 articulated -- and that really is just the whole
21 basis of his testimony was that that is
22 counterintuitive, that you've got low-income
23 customers.

24 And if you think about it logically, think
25 customers in apartment, right. These are customers

1 that are most likely going to laundromats, to go
2 ahead -- and they're paying extra for water use for
3 this. They're not watering lawns. They don't have
4 pools. That's effectively the group you're talking
5 about. And what Mr. Rea's analysis -- and it's
6 generalizing; you know, there's going to be examples
7 where customers are going to fall out one way or the
8 other -- but on a whole, that subset of customers,
9 you could make an argument, are actively subsidizing
10 other customers that have much higher use during --
11 particularly in the summer.

12 Q. Thank you. And to follow that up,
13 let's say that there is a risk to these customers
14 or these business classes. What do you think that
15 risk is with regard to the universal affordability
16 tariff?

17 A. At this stage, very, very low just
18 because, again, I don't think we're going to get the
19 numbers that -- I understand where Mr. Opitz is
20 talking about, but I -- I -- the 69,000 customers and
21 we're -- roughly a half a million customers in total,
22 but we're not going to get 69,000 customers in the
23 two years that we're talking about. And even then
24 there's all sorts of additional questions to ask. So
25 this is not a black and white issue.

1 MR. VANDERGRIFF: No further questions.

2 Thank you, Dr. Marke.

3 JUDGE SEYER: All right. Any cross on
4 behalf of the company?

5 MS. NIEMEIER: No, thank you.

6 JUDGE SEYER: Okay. Do the commissioners
7 have questions?

8 COMMISSIONER MITCHELL: I do, Judge.

9 JUDGE SEYER: All right. Commissioner
10 Mitchell.

11 QUESTIONS

12 BY COMMISSIONER MITCHELL:

13 Q. And this is a question I asked Mr. Rea and
14 he -- he deferred to you, but. So do we have any
15 other pilot programs in the state that have been
16 approved by the Commission that don't have a time
17 limit or don't have a budget limit, don't have
18 limiting -- really any limiting factor or performance
19 metrics attached to them?

20 A. It's a great question. I would say since
21 I've been here, all of the low-income programs have
22 been couched as pilot programs. Out of, I would
23 characterize it as out of an abundance of caution,
24 and parties have effectively been okay with that.
25 And we've taken that opportunity to learn from those

1 programs and adjust them accordingly.

2 As far as the budget is concerned, the
3 closest example of that would be past Missouri-
4 American Water cases which were much, much, much,
5 much smaller in scope. So this is -- this is sort of
6 a first in that area. I will say we do have annual
7 budgets for other programs. And in those cases we
8 almost always overbudget. We plan for overbudgeting
9 because we never want to be in a position where we're
10 actually, you know, we've hit that mark and we're
11 turning customers down during, you know, the holidays
12 or whatnot. So there's usually a rollover function
13 that -- that takes place.

14 And I don't -- I don't believe I know what
15 the third part of that question. Oh, time limits.
16 They're examined periodically is the short answer.
17 And in any given rate case, you know, parties are
18 free to go ahead and adjust the programs, you know,
19 discontinue -- we've -- you know, we've discontinued
20 programs. We've reevaluated them entirely. You
21 know, I -- that I think is going to be on the table
22 for this one as well.

23 Q. Be fair to say that for this instance
24 there's -- there's not a budget or time limit
25 established in the -- in the language?

1 A. There isn't in the language, but, yeah, I
2 would say we are absol -- we will absolutely be
3 evaluating it and judging it on the quarterly calls.
4 Clearly in the next rate case that's going to be a
5 topical issue.

6 And we do have metrics that we can point
7 to. And the easiest example, you've already
8 identified one in terms of arrearages, but
9 disconnections. I mean, this is the other obvious
10 one. You know, we -- we know from the data docket
11 that the Commission -- the rulemaking process and the
12 Commission staff just finished up a report here a
13 month ago that looked at those annual numbers across
14 utilities. American Water, you know, they're
15 discontinuance in any given month was a low end
16 of 176 customers to a high end of 2,155 customers.
17 So that would be one area that we could look at.
18 Again, it's -- it's not a lot of sample at that
19 point, but, you know, this is a start and there's
20 going to be some sense-making with it.

21 Q. Do you think this tariff could
22 inadvertently create disincentives for low-income
23 customers to perhaps have to choose between an
24 incremental -- incremental advance in their pay or
25 taking a different job that paid better to move them

1 out of a poverty classification for fear of losing
2 the discount?

3 A. You know, that is a really good question,
4 and I think that's one that will always persist with
5 any sort of income-eligible program. As a whole, no.
6 You know, I don't think that that'll be the case, but
7 you need to look at it in its totality.

8 I mean, I think what you can say and I
9 think what -- there is a lot of fear among low-income
10 advocates right now is that a lot of existing
11 subsidies to keep them afloat are drying up in other
12 cases. So, for example, post-COVID we -- the Federal
13 Government had what they called LIHWAP. It was a
14 low-income LIHEAP program that provided a subsidy.
15 And that's -- that's no longer in service. You know,
16 there's -- there's other examples like that, but
17 clearly there's going to be -- you know, if we hit an
18 inflationary period, then it continues or it becomes
19 more exacerbated or, you know, there's a down -- a
20 further downturn with the economy, I -- this program
21 should help.

22 COMMISSIONER MITCHELL: Thank you,
23 Dr. Marke. That's all the questions I have.

24 JUDGE SEYER: Chair Hahn.

25 CHAIR HAHN: Just one.

QUESTIONS

BY CHAIR HAHN:

Q. Keeping Current does have shareholder dollars attached, but in this, there's no shareholder dollars attached. Talk me through that rationale.

A. It's a great question. I think context is important. It's different in its design. So, you know, there's a bill assistance program that usually has further details that I think differentiate it from just a straight income-based discount, right. There's seniors, for example. There are, you know, customers that need -- Keeping Current is also half, Keeping Current and Keeping cool, so that would be an example of that. Or there's a time limit. For Keeping Current it's two years.

This -- this doesn't have that. We didn't know exactly what the magnitude of the cost would be. And I'll put it this way. I think because we're deferring the dollars into future rate case, parties are free to argue whatever they want at that point.

CHAIR HAHN: Understood. Thank you.

JUDGE SEYER: Yes, Commissioner Kolkmeier.

COMMISSIONER KOLKMEYER: Thank you.

QUESTIONS

BY COMMISSIONER KOLKMEYER:

Q. Good afternoon, Dr. Marke.

A. Good afternoon.

Q. Are there any other water companies in Missouri that offer subsidies to low income or discounts or one class is subsidizing another class?

A. American Water is by far the biggest water utility in the state, so every other smaller water utility -- Confluence comes close -- there are no low-income and I don't think there are any economic development subsidies on the commercial side for those other customers. But American Water does have it. Triumph Foods is an example of that, of somebody that is being subsidized by other customers.

Q. LIHEAP, that's -- you're elig -- I mean, water is an eligible utility. Correct?

A. No.

Q. No?

A. No.

Q. Okay.

A. Yeah. So they had a program for about two years post-COVID that was LIHEAP, but that's been discontinued.

Q. But my recollect -- recollection of

1 LIHEAP, a consumer gets so much money and they decide
2 whether it's going to go to electric --

3 **A. Right.**

4 Q. -- or gas or what utility they need it to
5 go to?

6 **A. That's correct.**

7 Q. Yeah.

8 **A. That's fair.**

9 COMMISSIONER KOLKMEYER: Thank you.

10 JUDGE SEYER: All right. Mr. Coffman, do
11 you have any questions?

12 MR. COFFMAN: No, your Honor.

13 JUDGE SEYER: All right. Mr. Bednar, any
14 recross?

15 MR. BEDNAR: No, your Honor.

16 JUDGE SEYER: Mr. Opitz?

17 MR. OPITZ: No, thank you, your Honor.

18 JUDGE SEYER: Ms. Plescia?

19 MS. PLESCIA: No questions, your Honor.

20 JUDGE SEYER: Mr. Vandergriff?

21 MR. VANDERGRIFF: No, your Honor.

22 JUDGE SEYER: And Ms. Niemeier?

23 MS. NIEMEIER: No, your Honor.

24 MR. CLIZER: Very, very quick redirect.

25 JUDGE SEYER: Yes.

1 MR. CLIZER: Sorry.

2 REDIRECT EXAMINATION

3 BY MR. CLIZER:

4 Q. For the sake of the record, it was
5 mentioned LIHEAP. That was the Low Income Home
6 Energy Assistance Program. Correct?

7 A. Yes.

8 Q. And just to make sure this is clear,
9 LIHEAP dollars can be applied towards a water bill?

10 A. No.

11 Q. Okay. They are only applicable towards
12 gas and electric?

13 A. Yes.

14 Q. And again, for the sake of the record,
15 LIHWAP would be Low Income Water Assistance Program?

16 A. It is. LIHWAP also has another
17 connotation on the electric side, but for -- for the
18 record, there -- for two years there was a low-income
19 assistance program called LIHWAP. It's just the W
20 mean -- indicating water.

21 MR. CLIZER: All right. Thank you. That
22 was it.

23 JUDGE SEYER: All right. Thank you,
24 Dr. Marke.

25 THE WITNESS: Thank you.

1 JUDGE SEYER: Unless there's an
2 objection, I think it would be appropriate to take a
3 break here. So let's go off the record and reconvene
4 about ten after 4:00.

5 (Off the record.)

6 JUDGE SEYER: All right. Let's go back
7 on the record. We are ready to move on to the issue
8 of Revenues. Is that correct? Okay. Are there mini
9 opening statements on this issue?

10 MR. CLIZER: Yes.

11 JUDGE SEYER: Then the Company.

12 MR. KILE: Your Honor, I'll be very
13 short --

14 JUDGE SEYER: Mr. Kile.

15 MR. KILE: -- in the interest of getting
16 to the witnesses quickly.

17 The real issue on revenues that's in
18 debate is whether or not we will use the Company's
19 linear regression analysis to forecast future
20 residential commercial and OPA usage. The Company is
21 only party who submitted a linear regression analysis
22 and that analysis unquestionably demonstrates a long
23 downward trend in usage per customer. The only way
24 the other parties can attack that analysis is to
25 truncate it and look at less data points. They have

1 instead used five year or three-year simple average
2 to -- to project usage. Those averages completely
3 ignore that downward long-term trend in usage per
4 customer. Water's no different than other utilities,
5 they typically use linear regression to forecast
6 their usage. It should be the same here.

7 Thank you. Oh, and I'm happy to answer
8 questions if you have any.

9 JUDGE SEYER: Are there any questions?
10 All right. Thank you. Mr. Vandergriff? I'm sorry.
11 Ms. Johnson for Staff.

12 MS. JOHNSON: Thank you, Judge. We're
13 playing a little musical chairs here, make sure that
14 everyone's with their appropriate witness, so I
15 appreciate your flexibility.

16 I'll be brief also. Again, reminder,
17 Tracy Johnson from Staff Counsel's office. May it
18 please the Commission. So I'm here to give a
19 statement on Issue 28 which is Revenues. The main
20 difference on the issue of Revenues involves what's
21 actually known and measurable versus projections and
22 assumptions.

23 What's known and measurable is
24 reasonable. Pushing for discrete adjustments in the
25 inclusion of data beyond the true-up period in this

1 case is unreasonable and excessive. Staff poses
2 discrete adjustments as a general policy, and you'll
3 hear from Staff witness Kim Bolin tomorrow during a
4 presentation of witnesses on Regulatory Policy.

5 The reconciliation difference between
6 Staff and the Company in this case is 1.8 million
7 across all revenues. Staff expects that that
8 difference is going to increase during true-up to
9 approximately 2.5 million. If, as the Company
10 suggests, we utilize customer growth, rely on
11 projections, and make assumptions pushing the data
12 beyond the true-up period out to May of 2025 to
13 include future data, the difference jumps to 12
14 million.

15 Staff's reasonable approach for
16 calculating usage is based on current tariffs,
17 currently ordered test year. Staff's approach
18 involved analyzing five years of data to identify
19 trends. The data include -- excuse me. If the data
20 indicates that there is a flux in the trend from year
21 to year, meaning that no trend is identified at all,
22 then a five-year average of the data is used. If
23 there is an identifiable trend up or down, then only
24 the last 12 months of data is used because it's the
25 most indicative given the trend. Relying on five

1 years of data allows for inclusion of an appropriate
2 amount of data points without allowing outdated or
3 old numbers from too far past. Five years sheds
4 light and provides more accuracy, especially whenever
5 Staff takes into consideration the adjustments that
6 were made according to the trends. This is
7 reasonable. Utilizing known data and measurable
8 trends with the currently in-place tariffs is
9 reasonable.

10 The bottom line is if you calculate
11 revenues based on the number suggested by the
12 Company, the customer number or the metered units,
13 however you want to talk about it, will be based on
14 speculative projections and it will artificially
15 drive revenues down to the benefit of the Company and
16 the detriment of the ratepayers.

17 Ashley Sarver is Staff's witness on this
18 issue along with Jared Robertson. They've put
19 together customer usage data for you and there's
20 detailed specifics on residential usage that would be
21 best addressed by Mr. Robertson.

22 Missouri-American's witness McClellan
23 acknowledged on page 18, line 10 of his second round
24 of testimony specifically that Ms. Sarver's
25 methodologies in calculating usage in customer

1 numbers in this case are generally consistent with
2 the methodologies used by the Company.

3 The main difference between Staff and
4 Missouri-American is the amount and time frame of the
5 data. Working the numbers to get the most beneficial
6 output is not reasonable. In this case it's
7 excessive. Relying on Staff's approach is
8 reasonable. Thank you.

9 JUDGE SEYER: Any questions from the
10 commissioners? All right. Hearing none. Thank you.
11 Mr. Coffman?

12 MR. COFFMAN: No opening, thanks.

13 JUDGE SEYER: Opening statement by any of
14 the other Intervenor?

15 MR. CLIZER: I think it's me.

16 JUDGE SEYER: All right. For the Public
17 Counsel, Mr. Clizer.

18 MR. CLIZER: I handed out a PowerPoint
19 earlier. I hope everyone still has a copy of it
20 because I don't have multiples.

21 All right. I know it's getting late, so
22 I'm not going to go through this bit by bit. I'm
23 going to try and speed things up a little bit here
24 and keep this going.

25 Really quick, this is just high-level

1 talk for a second. Billing determinants. How does
2 this work. Okay. What happens in a case. You guys
3 are going to come up with a revenue requirement.
4 That's the total dollar amount that you have to set
5 in the case. Then you're going to divide that
6 revenue requirement up among the classes, right. So
7 let's say you have \$500 million total pot. You
8 give 300 million Class A, 150 to Class B, 50 to Class
9 C. Once you've put it in a class, you then have to
10 divide it up amongst the number of customers in the
11 class. That gives you the cost per customer. And
12 then you're going to take that and you're going to
13 say how much of that is going to be the customer
14 charge and how much is the volumetric charge. And
15 then when you finally know much you want as the
16 volumetric charge, you divide that by the billing
17 determinants to give you the actual rates.

18 So what's at issue here is figuring out
19 what that billing determinate is and that's based on
20 the normalized usage. And all we're trying to do is
21 figure out what the volumetric rate should be by
22 making sure we have an accurate, normalized usage.
23 And just the word "normalization," all that means is
24 that we take out weird parts. You know, if there's a
25 spike or a drip or whatever, we -- we just want it to

1 be a -- something that represents what's the actual
2 normal occurrence.

3 And it's really important to understand
4 that this issue doesn't or shouldn't affect the
5 revenue requirement. And what that means is that the
6 Company isn't supposed to get more or less money
7 depending on how this works. However, you have to
8 make sure the number's accurate because if you get it
9 wrong, the Company will collect more or less money
10 than they're supposed to. Because you're dividing
11 the -- the volumetric -- because you're dividing the
12 amount per customer by the billing determinate, if
13 you put that number too high, then the volumetric
14 rate will become too low and the Company will collect
15 too little money. If, on the other hand, you put the
16 volumetric rate too low -- I got that right --

17 MS. MANTLE: Yes.

18 MR. CLIZER: If you put the billing
19 determinate too low, the volumetric rate becomes too
20 high and the customer -- Company collects too much
21 money.

22 So again, the real key that I want to
23 stress to you is this is not some big policy issue.
24 This is not like, Hey, should the Company collect for
25 paying incentive compensation or how much profit

1 should they make. Your goal is really simple. You
2 just want an accurate number. We all just want the
3 most accurate possible number we can for that billing
4 determinate because otherwise the Company will either
5 over or under collect. That's all that's at stake
6 here.

7 Okay. So what is the problem. Why is
8 there a dispute. You already heard it from Staff
9 counsel. Missouri-American Water wants to predict
10 rates through May 31st of 2025. But more
11 importantly, they're predicting that the usage will
12 go down. And that's going to result in a lower
13 normalized residential usage. And because that's
14 what you're dividing by, that results in a higher
15 volumetric rate which means that if the Company gets
16 it wrong, the volumetric rate would be too high and
17 the Company will overearn.

18 So why does the OPC have an issue with
19 this. What is our position. We believe that the
20 residential usage is not actually declining at this
21 point in time. And that means, again, if we use what
22 the Company's predicting, rates will be set too high
23 and Company will overearn.

24 All you have to do to understand this,
25 all you need to look at is the Company's current

1 trend for water usage. This graph is the case for
2 the OPC. And what this graph is, it's the last five
3 years of usage. And what you can see, we have the
4 line numbers on there. This, by the way, is in the
5 supplemental testimony of Ms. Mantle. If you
6 remember back from, you know, high school algebra,
7 $Y = MX + B$, M is your slope function, it's positive,
8 these are not declining. These numbers are not
9 holding steady. I mean, you should be able to look
10 at that visually and say these are fairly steady
11 numbers. And that's what the Staff relied on. They
12 looked at the last five years and said, you know,
13 that's what they based their numbers off of.

14 What the Company did, which is what you
15 kind of heard of, is they used ten years. And if you
16 go back ten years, yes, the numbers are starting to
17 actually decline at that point. However, that is not
18 a good usage. We should not be using ten years. And
19 the simple reason for that is first of all, 2014
20 through 2018 is not a good representation of what's
21 happening here in 2023, all right. We want to use
22 the most recent data possible. Second, it's no
23 longer evident that we have a decrease. Yes, it
24 might have been decreasing from 2014 to 2018, but the
25 last five years have been steady. We don't need to

1 go back further when the last five years was steady
2 because that's a good indication that we're going to
3 have steady movement moving forward.

4 And finally I just want to point out, if
5 you accept this whole linear regression analysis,
6 what that basically means is you're accepting that
7 water usage is going to be constantly declining. But
8 you should know there's obviously a point where you
9 have to stop declining. Like you can't have a
10 constant decline down to zero. People still have to
11 drink, wash, bathe. People are still going to use
12 water at some level. So even if you accepted a
13 decline at some point, you would expect that decline
14 would level off too. And again, that reinforces what
15 we've seen. In the last five years we've had a
16 steady flat rate.

17 So the only difference between Staff and
18 the OPC, Staff used five years, the OPC actually
19 decided to use three years. You can ask Ms. Mantle
20 for the kind of justifications behind that. We felt
21 that it would help to avoid the complications
22 presented by the COVID. We thought maybe that was an
23 impact there, so we just looked at three. However,
24 even if you use our three instead of the five, the
25 difference is only about \$600,000, which when you

1 compare that to the \$10 million that you just heard
2 from Staff is the difference between their case and
3 the Company, you can kind of see that it's not really
4 that big a difference. And again, that just
5 reinforces the point. These last five years we've
6 had very flat, steady rates. We don't need to be
7 predicting that customers are suddenly going to be
8 using a whole lot less than they've been using over
9 the last five years of steady rates.

10 All right. I think I ran through that
11 like I said. I'm moving quick. I'm trying to get
12 through to the witnesses. So I'll pause there if you
13 have any questions.

14 JUDGE SEYER: Any questions from the
15 commissioners? All right. Thank you, Mr. Clizer.
16 The Company can call their first witness.

17 MR. KILE: Petitioner recalls
18 Mr. McClellan.

19 JUDGE SEYER: And, Mr. McClellan, I'm
20 going to say you're probably going to have to adjust
21 that microphone.

22 **THE WITNESS: Okay.**

23 **(Witness previously sworn).**

24 **MAX MCCLELLAN,**
25 **the witness, having been first duly sworn,**

1 **testified as follows:**

2 JUDGE SEYER: All right. Go ahead,
3 Mr. Kile.

4 MR. KILE: Your Honor, his testimony is
5 already in the record and he's already been sworn so
6 he is available for cross-examination.

7 JUDGE SEYER: Okay. Mr. Vandergriff, any
8 cross?

9 MR. VANDERGRIFF: Yes, your Honor.

10 CROSS-EXAMINATION

11 BY MR. VANDERGRIFF:

12 Q. Good morning, Mr. McClellan.

13 **A. Good afternoon.**

14 Q. Good afternoon. Would you agree that
15 accurate water usage projections are critical for
16 setting proper billing rates?

17 **A. Yes.**

18 Q. You used the regression analysis as
19 opposed to normalization. Correct?

20 **A. Regression analysis I consider to be a**
21 **form of normalization the way we utilized it, yes.**

22 Q. The regression -- excuse me. You utilized
23 the ten-year linear regression analysis versus
24 Staff's five-year averaging method. Correct?

25 **A. That is correct.**

1 Q. The regression analysis uses statistics.
2 Correct?

3 A. Yes.

4 Q. Is it factually accurate to state that
5 regression models rely on assumptions about the
6 relationship between independent variables and, in
7 this matter, water usage?

8 A. Yes. Water usage for customer.

9 Q. Would you agree that statistical
10 significance does not always guarantee an accurate
11 representation of real world conditions?

12 A. Could you repeat that?

13 Q. Would you agree that statistical
14 significance does not always guarantee an accurate
15 representation of real world conditions?

16 A. I don't think that I agree with that.
17 Statistical significance I think within its
18 definition does kind of account for the possibility
19 of something not being true though.

20 Q. Would you agree that if any assumptions
21 are incorrect, the reliability of the regression
22 model would be compromised?

23 A. Yes.

24 Q. Is it correct that your weather adjustment
25 relies on calendar month data?

1 **A. The weather data used in the regression**
2 **analysis utilizes calendar weather data. However,**
3 **it's weighted. I'll let you proceed with your next**
4 **question.**

5 Q. Would you agree that water usage is
6 recorded based on billing cycles rather than strict
7 calendar months?

8 **A. Yes.**

9 Q. Is it true that your regression analysis
10 uses data from as early as 2014?

11 **A. Yes.**

12 Q. Would you agree that water usage patterns
13 observed from 2014 through 2018 may differ from those
14 observed in the most recent years?

15 **A. Yes, that's true. And -- and for that**
16 **reason we weather normalized all the data.**

17 MR. VANDERGRIFF: No further questions.
18 Thank you.

19 JUDGE SEYER: Any cross on behalf of the
20 Public Counsel?

21 MR. CLIZER: No, thank you.

22 JUDGE SEYER: CCM?

23 MR. COFFMAN: No questions.

24 JUDGE SEYER: MECG?

25 MR. OPITZ: No, thank you, your Honor.

1 JUDGE SEYER: MIEC?

2 MS. PLESCIA: No questions, your Honor.

3 JUDGE SEYER: Any questions from the
4 Commissioners? All right. I don't have any question
5 myself. Redirect?

6 MR. KILE: Just one, your Honor.

7 REDIRECT EXAMINATION

8 BY MR. KILE:

9 Q. Mr. McClellan, you were asked by Staff
10 counsel a question about weather and monthly data.
11 And you answered that question and you ended it with,
12 However, it's weighted. And then you finished it by
13 saying, I'll let you ask your next question. What
14 were you getting at with that, However, it's
15 weighted?

16 A. Yes. So we have calendar weather data and
17 billed sales and bill cycles are -- they cross over
18 several calendar months. So for that reason Company
19 weights its weather data from one month to the next
20 in cognizance that a month of billed sales carries
21 over several calendar months.

22 Q. Does that process of waiting deal with
23 this issue that you're describing about a billing
24 cycle carrying over more than one month?

25 A. Yes. I think it certainly accommodates

1 **that.**

2 MR. KILE: No further questions, your
3 Honor.

4 JUDGE SEYER: All right. Thank you,
5 Mr. McClellan.

6 **THE WITNESS: Thank you.**

7 JUDGE SEYER: Does the Company have any
8 further witnesses on this issue?

9 MR. KILE: We do not, your Honor.

10 JUDGE SEYER: Staff, call your first
11 witness.

12 MR. VANDERGRIFF: We have Mr. Jarrod
13 Robertson.

14 JUDGE SEYER: All right. Mr. Robertson,
15 you have your right hand raised.

16 (Witness sworn).

17 JARROD ROBERTSON,
18 the witness, having been first duly sworn,
19 testified as follows:

20 JUDGE SEYER: All right.

21 DIRECT EXAMINATION

22 BY MR. VANDERGRIFF:

23 Q. Good afternoon. Please state your name
24 and spell it for the court reporter.

25 **A. Jarrod Robertson. It's J-a-r-r-o-d**

1 **R-o-b-e-r-t-s-o-n.**

2 Q. How are you employed?

3 **A. I'm with Missouri Public Service**
4 **Commission, water, sewer, gas, and steam department**
5 **as a senior research data analyst.**

6 Q. Did you prepare or cause to be prepared
7 testimony in this matter marked as Exhibits 214?
8 Excuse me. 211?

9 **A. Yes.**

10 Q. Do you have any change or corrections to
11 that testimony?

12 **A. No.**

13 Q. Are the answers contained in the testimony
14 true and correct to the best of your knowledge and
15 belief?

16 **A. Yes.**

17 Q. If I were to ask you the same questions
18 today, would your answers be the same?

19 **A. Yes.**

20 MR. VANDERGRIFF: I move for the admission
21 of Exhibits 211 into evidence.

22 JUDGE SEYER: All right.

23 Mr. Vandergriff, let me ask you this though. Are you
24 moving at this time also for his cross-rebuttal and
25 surrebuttal?

1 MR. VANDERGRIFF: Yes, your Honor.

2 JUDGE SEYER: Exhibit 224?

3 MR. VANDERGRIFF: We're moving in to all
4 of his testimony surrebuttal, and his cross-rebuttal.

5 JUDGE SEYER: Okay. Would you like to
6 ask him the foundational questions for 224?

7 BY MR. VANDERGRIFF:

8 Q. For Exhibits 224 -- excuse me for missing
9 that -- do you have any changes or corrections to
10 that testimony?

11 A. No.

12 Q. And are the answers contained in that
13 testimony true and correct to the best of your
14 knowledge and belief?

15 A. Yes.

16 Q. If I were to ask you the same questions
17 today, would your answers be the same?

18 A. Yes.

19 MR. VANDERGRIFF: Your Honor, I move into
20 evidence Exhibits 2024 [sic]?

21 JUDGE SEYER: All right. Is there any
22 objection to the admission of Exhibit 211 and 224?
23 All right. Hearing none, those exhibits are
24 admitted.

25 (Staff Exhibits 211 and 224 were admitted

1 and made a part of this record.)

2 MR. VANDERGRIFF: I tender the witness
3 for cross-examination.

4 JUDGE SEYER: All right. Any cross by
5 the Company?

6 MR. KILE: No, your Honor.

7 JUDGE SEYER: Okay. Public Counsel?

8 CROSS-EXAMINATION

9 BY MR. CLIZER:

10 Q. Evening, Mr. Robertson.

11 A. **Evening.**

12 Q. I'm looking at your schedule JJR-D1, your
13 curriculum vitae effectively, cases that you've
14 participated in. According to this I see at least
15 four cases that describe you having the issue of
16 normalized usage. Is that accurate?

17 A. **Yes.**

18 Q. And those are three Missouri-American
19 Water cases and one Liberty Water Company case. Is
20 that accurate?

21 A. **Those four and this is the fifth.**

22 Q. This would be the fifth. Have you
23 employed the same methodology in all five of these
24 cases then with regard to normalized usage?

25 A. **Yes.**

1 Q. That's the five-year average for the sake
2 of the record?

3 A. That's correct.

4 Q. Would you agree with me that Missouri-
5 American Water is -- water usage over the last five
6 years has maintained a relatively steady rate for
7 residential customers?

8 A. A steady rate or volume?

9 Q. Steady rate of usage.

10 A. No.

11 Q. Has it increased or decreased
12 dramatically?

13 A. Did you ask me over the last five years,
14 my apologies?

15 Q. Yes. Last five years.

16 A. Decrease.

17 Q. Water usage has?

18 A. On a per customer basis?

19 Q. Yes.

20 A. On a per customer basis, we have seen a
21 decline in usage.

22 MR. CLIZER: One second, your Honor.
23 Apologies.

24 BY MR. CLIZER:

25 Q. Can you turn -- I'm sorry. Can you turn

1 to page 14 of your direct/rebuttal testimony?

2 **A. That was direct/rebuttal?**

3 Q. Direct/rebuttal, yes.

4 **A. Yes, I'm there.**

5 Q. You would agree me that the number
6 labeled next to 2023 is higher than the number
7 labeled next to 2019?

8 **A. That the number next to 2023 is higher**
9 **than the 2019 volume?**

10 Q. Under Per Day you would agree with me next
11 to 2023 it says 207.0702?

12 **A. Correct.**

13 Q. And next to 2019 it says 197.9667?

14 **A. Correct.**

15 Q. Then on 2022 it's 206.2013?

16 **A. That is correct.**

17 Q. And 2021 it's 200.9525?

18 **A. We're focusing on D1 only?**

19 Q. D1 only.

20 **A. That is correct.**

21 Q. And those tables represent the resi --
22 sorry. Those tables represent the residential
23 customer usage on a per-day basis?

24 **A. Those are the normalized usage levels,**
25 **yes.**

1 Q. So the normalized tariff usage level is
2 increasing from 2019 to 2023?

3 A. It was an increase from 2019 to 2023.

4 Q. And the information provided in D2 had to
5 be updated as part of your cross-rebuttal. Correct?

6 A. That is correct, yes.

7 COURT REPORTER: Mr. Clizer, what did you
8 just say? Updated as part of your cross?

9 MR. CLIZER: And the information had to be
10 updated as part of the cross-rebuttal testimony.

11 BY MR. CLIZER:

12 Q. And if you'd turn to page 4 of your
13 cross-rebuttal testimony.

14 A. I'm there.

15 Q. Now, we'll see effectively the same table.
16 Or rather I should say a table detailing the same
17 information. Let me put it that way. Is that
18 correct?

19 A. That is correct.

20 Q. And that would be the residential customer
21 usage on a gallon-per-day basis?

22 A. Yes.

23 Q. And again for District 2 from 2019 it
24 rises. It starts at 144 and increases to 154 as
25 of 2023?

1 **A. Correct.**

2 MR. CLIZER: All right. Thank you. Now I
3 have no further questions.

4 JUDGE SEYER: Mr. Coffman, do you have
5 any cross?

6 MR. COFFMAN: No questions.

7 JUDGE SEYER: Mr. Opitz?

8 MR. OPITZ: No, thank you, your Honor.

9 JUDGE SEYER: Ms. Plescia?

10 MS. PLESCIA: No questions, your Honor.

11 JUDGE SEYER: Any commissioner questions?

12 COMMISSIONER MITCHELL: Just one.

13 QUESTIONS

14 BY COMMISSIONER MITCHELL:

15 Q. Just so I'm -- just so I'm clear, usage is
16 increasing, decreasing, or about the same?

17 **A. What we're observing here is simply a**
18 **snapshot of customer usage on a per-day basis for**
19 **each year. In order to get a five-year average, we**
20 **have to include the data from 2018 to get the five**
21 **data points and that would be the driver for the**
22 **overall decline.**

23 COMMISSIONER MITCHELL: Thank you.

24 JUDGE SEYER: All right.

25 QUESTIONS

1 BY JUDGE SEYER:

2 Q. Mr. Robertson, could I direct you to your
3 direct and rebuttal testimony, page 9.

4 A. I'm there.

5 Q. There is a question asked of you: Why
6 does Staff believe June 2020 is a more appropriate
7 removal date for the COVID 19 variable.

8 Your answer, and I'm going to paraphrase,
9 is that any COVID 19 variable should be limited in
10 Missouri-American's regression analysis. Is that
11 fair to say?

12 A. Could you rephrase that question please?

13 Q. Well, the question asked of you was: Why
14 do you believe June 2020 is a more appropriate
15 removal date for COVID -- the COVID 19 variable.

16 And you say, I believe more or less, that
17 any COVID 19 variable should be limited in Missouri-
18 American's regression analysis.

19 Would any residential increase in water
20 consumption during the COVID 19 period be offset to
21 some extent by reduced business and commercial water
22 consumption?

23 A. There are two characteristics to this.
24 We're looking at time as well as the impact of COVID
25 being placed at 100 percent over that amount of time

1 by Missouri-American Water. That basically would
2 appear that assumptions are being made that all
3 customers' households reacted to the pandemic and/or
4 regulatory aspects in the same manner. It makes
5 assumptions that each household had children in the
6 home that -- or had children in school that had to
7 stay at home at that time or that customers in the
8 home had jobs that allowed them to work at home at
9 that point in time. There's been no evidence to
10 support that across the board 100 percent for each
11 and every customer of Missouri-American Water.

12 JUDGE SEYER: Okay. All right. Is there
13 recross by the Company?

14 MR. KILE: No, your Honor.

15 JUDGE SEYER: All right. How about from
16 Public Counsel?

17 MR. CLIZER: No, your Honor.

18 JUDGE SEYER: The other Intervenors?
19 Yes, Mr. Coffman.

20 MR. COFFMAN: Okay. Never mind.

21 JUDGE SEYER: All right.

22 MR. COFFMAN: No questions, thank you.

23 JUDGE SEYER: Okay. Mr. Vandergriff,
24 redirect?

25 MR. VANDERGRIFF: No, your Honor.

1 JUDGE SEYER: All right. Mr. Robertson,
2 thank you for your testimony.

3 **THE WITNESS: Thank you. Appreciate it.**

4 JUDGE SEYER: All right. And it looks
5 like Ms. Sarver is retaking the stand, and
6 Ms. Johnson will handle the direct.

7 (Witness previously sworn).

8 ASHLEY SARVER,
9 the witness, having been first duly sworn,
10 testified as follows:

11 MS. JOHNSON: Thanks again for your
12 patience with our musical chairs. Ms. Sarver has
13 already been sworn and her testimony's already been
14 admitted, so we tender her again.

15 JUDGE SEYER: All right. Does the
16 Company have cross?

17 MR. KILE: No, your Honor.

18 JUDGE SEYER: Public Counsel?

19 MR. CLIZER: No, your Honor.

20 JUDGE SEYER: Consumers Council?

21 MR. COFFMAN: No questions, your Honor.

22 JUDGE SEYER: MECG?

23 MR. OPITZ: No, thank you, your Honor.

24 JUDGE SEYER: MIEC?

25 MS. PLESCIA: No questions, thank you.

1 JUDGE SEYER: Any questions from the
2 commissioners? I hear none. All right. Any --
3 well, I do have a couple questions.

4 QUESTIONS

5 BY JUDGE SEYER:

6 Q. Mr. Robertson in his direct and rebuttal
7 testimony stated that Staff reviewed Missouri-
8 American Water usage for the most recent five years
9 and used an average for purposes of its revenue
10 analysis. You also used a five-year average in
11 determining the chemical, fuel, and power costs to be
12 included in Missouri-American's cost of service. Is
13 that correct?

14 A. We looked at five years, yes.

15 Q. Okay. But for those expense items?

16 A. Yes.

17 Q. Okay. When applying -- when applying the
18 matching principle, would it be important to use the
19 same methodology in determining revenues with
20 customer water consumption and the -- and the
21 chemical, fuel, and power cost?

22 A. No, not necessarily.

23 Q. Why not?

24 A. They're two separate -- like, whenever we
25 look at these expenses and stuff, we pick an av -- or

1 we pick like five years to review, but it doesn't
2 necessarily have to be the same for the revenue side.

3 JUDGE SEYER: I see. Okay. I don't have
4 any further questions. Any recross from the Company?

5 MR. KILE: No, thank you, your Honor.

6 JUDGE SEYER: Public Counsel?

7 MR. CLIZER: No.

8 JUDGE SEYER: Any of the other
9 Intervenors?

10 MR. COFFMAN: No, your Honor.

11 JUDGE SEYER: All right. Thank you,
12 Mr. Coffman. Any redirect?

13 MS. JOHNSON: No, thank you, Judge.

14 JUDGE SEYER: All right. Thank you,
15 Ms. Sarver.

16 JUDGE SEYER: Any further Staff witnesses
17 on this issue?

18 MS. JOHNSON: No, Judge, just the two.

19 JUDGE SEYER: Okay. All right. And it
20 looks like Ms. Mantle is retaking the stand on behalf
21 of Public Counsel.

22 (Witness previously sworn).

23 LENA MANTLE,

24 the witness, having been first duly sworn,
25 testified as follows:

1 JUDGE SEYER: Mr. Clizer, go ahead.

2 MR. CLIZER: Ms. Mantle's testimony's
3 already been into the record and she is still sworn,
4 so I tender the witness.

5 JUDGE SEYER: All right. Mr. Coffman, do
6 you have any cross-examination for Ms. Mantle?

7 MR. COFFMAN: Yes.

8 CROSS-EXAMINATION

9 BY MR. COFFMAN:

10 Q. I'm trying to understand some of the
11 questioning that just occurred with the Staff witness
12 regarding the most recent five-year usage numbers.

13 A. Yes.

14 Q. Could you explain to me what your
15 perspective is on the most recent five years, whether
16 you agree with Staff on their analysis?

17 A. I too was very confused with
18 Mr. Robertson's testimony. I -- I start with the
19 real data, not an average, not a difference between
20 the years and look at that, and we all saw that in
21 the graphs in my counsel's opening. But then when
22 you look at the numbers that were in Mr. Robertson's
23 testimony that Ms. -- that Mr. Clizer pointed
24 Mr. Robertson to, it's very obvious that usage has
25 increased since 2018 I think was his earliest. 2019.

1 Both in division one and division two. And division
2 one by the way, that's the St. Louis and division two
3 is non-St. Louis.

4 I -- he has a table where he shows that
5 it's declining. I had to ask for work papers for
6 that table. And if I remember correctly, he took
7 differences between years, whether it was an increase
8 or decrease, and then averaged those to -- to come up
9 with a number that said it was declining, but that
10 makes no sense. That makes absolutely no sense when
11 the numbers are actually increasing.

12 Q. So in other words, your -- your math
13 from 2018 to the most recent -- what is the most
14 recent date?

15 A. 2019 through 2023.

16 Q. So from 2019 to the end of 2023, you think
17 that the math -- math clearly shows an increasing
18 amount of usage from those two data points?

19 A. Yes.

20 Q. Okay. And that you be -- and you're
21 telling me that the Staff analysis you think
22 distorted that by looking at the changes from one
23 year to another within that five-year period?

24 A. Yes.

25 Q. Okay.

1 **A. That's -- that's my recollection. It's**
2 **really -- it has to do too with his table on page 2**
3 **of his cross-rebuttal that I could not understand and**
4 **again, had to look at the work papers to try to**
5 **understand.**

6 **Q. But again, there's no doubt about the**
7 **math. From 2019 to 2023 it's an increase usage**
8 **overall?**

9 **A. It's numbers that even -- even my grandson**
10 **who's in first grade could tell you that those are**
11 **increasing numbers.**

12 **Q. And that's in your testimony?**

13 **A. Well, not about my grandson, but.**

14 **Q. So if the Commission wanted to find**
15 **those -- those raw numbers, where would they look?**

16 **A. Mr. Robertson has them in his testimony.**

17 **Q. But -- yeah. But you would -- in other**
18 **words, your recommendation is look at the actual**
19 **numbers for that five-year period instead of doing**
20 **some calculation within that five-year period?**

21 **A. There's no need to do any kind of**
22 **calculation. You can just look at the data, which**
23 **every analyst should start with looking at the data.**

24 **MR. COFFMAN:** Okay. Thank you. That's
25 **all I have.**

1 JUDGE SEYER: Mr. Opitz, any cross?

2 MR. OPITZ: No, thank you, your Honor.

3 JUDGE SEYER: Ms. Plescia?

4 MS. PLESCIA: No questions, thank you.

5 JUDGE SEYER: Mr. Vander -- or I'm sorry,
6 Ms. Johnson?

7 MS. JOHNSON: I do have just a few follow
8 ups.

9 CROSS-EXAMINATION

10 BY MS. JOHNSON:

11 Q. Good afternoon, Ms. Mantle.

12 A. **Ad good afternoon.**

13 Q. So were you here in the room, I think you
14 were, for my opening on this issue followed by
15 Mr. Clizer?

16 A. **Yes.**

17 Q. And to me it sounded like Staff and OPC
18 were on the same page but for one thing which was the
19 number of years. Right? So Staff looked at five and
20 it sounded to me like you looked at three. Is that
21 correct?

22 A. **That is correct. We used the same data.**
23 **I used three years; Mr. Robertson used five.**

24 Q. So is it fair to say that your issue with
25 Mr. Robertson's testimony is his representation of

1 the same data that you used and that you don't agree
2 with how it's presented, but the overall outcome
3 would be the same for Staff and OPC's position?

4 A. I don't agree with him that the usage is
5 declining. The numbers are what the numbers are. We
6 used the same numbers and the three-year average was
7 so close to the five-year average which just
8 demonstrates how flat the usage has been over those
9 five years. So I -- I agree that an average is a
10 good way because the usage is flat. There's no need
11 to do any fancy analysis. And we used the same data
12 and we came up with almost the same numbers.

13 Q. Understood. Thank you. Can you contrast
14 that for me with the linear regression modeling
15 that's been suggested by the Company?

16 A. The linear regression model goes back
17 using data back to 2014. And as the graph in the
18 opening presentation showed, from 2014 through 2018,
19 there was a decline and then it flattened out. And a
20 regression model fits a line through the data that's
21 given. It can't look at it and say, Oh, well, here
22 it's turning and going flat. You ask -- you put it
23 in the model and it spits something out.

24 And because it was declining and then
25 going flat, that regression model would show that

1 it's declining still. Because the number that it
2 started with in 2014 is higher than it was the last
3 five years. Regression model's statistics just spit
4 out an answer. It takes an analyst to look at it and
5 see if the results really do fit the data that you
6 have. And so when he's doing a prediction and he's
7 predict -- he's using 2014, he's predicting that that
8 will continue regardless of what's happened in the
9 last five years.

10 Q. Whenever you say he, you're talking about
11 Mr. Max McClellan for the Company. Right?

12 A. Yes. The one that conducted the
13 regression analysis.

14 MS. JOHNSON: Thank you for clarifying.
15 That's all.

16 JUDGE SEYER: All right. Any cross on
17 behalf of Missouri-American?

18 MR. KILE: No, thank you, your Honor.

19 JUDGE SEYER: Are there any questions
20 from the commissioners? Hearing none. I also have
21 no questions. Any redirect?

22 MR. CLIZER: Very briefly.

23 REDIRECT EXAMINATION

24 BY MR. CLIZER:

25 Q. So obviously there was a conversation and

1 a bit of dispute on whether there's an increase or
2 decrease. You've obviously taken the position that
3 there's an increase. Correct?

4 **A. Correct.**

5 Q. But just for the sake of clarity, the OPC
6 is not recommending that that increase be projected
7 forward until May 31st, 2025. Correct?

8 **A. No.**

9 Q. And Staff is also not making that?

10 **A. No. Staff is not projecting. Staff is**
11 **using a normalized number.**

12 Q. And this is contrary to what the Company's
13 project -- is doing. Correct?

14 **A. Yes. They've projected -- predicted what**
15 **would happen.**

16 MR. CLIZER: All right. Thank you. That
17 was my redirect. Thank you, your Honor.

18 JUDGE SEYER: Thank you, Ms. Mantle. You
19 may step down. So are we moving on to Production
20 Cost Tracker or Cash Working Capital? Mr. Cooper.

21 MR. COOPER: Well, and maybe there's a
22 third option. I would like to put Mr. Walker on to
23 admit his testimony and stand cross-examination to
24 the extent there is any on Cash Working Capital. I
25 don't necessarily need to do openings at this time or

1 complete that whole issue. I'm happy to come back to
2 it at a future time.

3 JUDGE SEYER: How about we put Mr. Walker
4 on the stand and then when we come back to that
5 issue, if there are opening statements -- the parties
6 would like to present openings statements, we can do
7 it at that time.

8 MR. COOPER: We would call Mr. Harold
9 Walker.

10 JUDGE SEYER: Mr. Walker, would you raise
11 your right hand please.

12 (Witness sworn).

13 HAROLD WALKER III,
14 the witness, having been first duly sworn,
15 testified as follows:

16 JUDGE SEYER: Thank you.

17 DIRECT EXAMINATION

18 BY MR. COOPER:

19 Q. Please state your name.

20 A. **Harold Walker III.**

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

23 A. **Gannett Flemming Valuation and Rate**
24 **Consultants, LLC. I'm employed as a manager of**
25 **financial studies.**

1 Q. And you're appearing today on behalf of
2 Missouri-American Water Company?

3 A. That is correct.

4 Q. Have you caused to be prepared for the
5 purposes of this proceeding certain direct testimony
6 and rebuttal/surrebuttal/sur-surrebuttal testimony in
7 question-and-answer form?

8 A. Yes, I have.

9 Q. Is it your understanding that that
10 testimony has been marked as Exhibits 28 and 29 for
11 identification?

12 A. Yes.

13 Q. Do you have any changes that you would
14 like to make to that testimony at this time?

15 A. I do not.

16 Q. If I were to ask you the questions which
17 are contained in Exhibits 28 and 29 today, would your
18 answers be the same?

19 A. Yes, they would.

20 Q. Are those answers true and correct to the
21 best of your information, knowledge, and belief?

22 A. Yes.

23 MR. COOPER: Your Honor, I would offer
24 Exhibits 28 and 29 into evidence and tender
25 Mr. Walker for cross-examination.

1 JUDGE SEYER: Is there any objection to
2 the admission of those documents?

3 MR. JOHNSON: No objection.

4 JUDGE SEYER: Exhibits 28 and 29 are
5 admitted.

6 (Company Exhibits 28 and 29 were admitted
7 and made a part of this record.)

8 JUDGE SEYER: All right. Mr. Johnson,
9 cross on behalf of Staff?

10 MR. JOHNSON: No questions, Judge.

11 JUDGE SEYER: All right. Mr. Clizer, any
12 cross?

13 MR. CLIZER: One moment. OPC would mark
14 an exhibit. I'm going to hope it's 319 I think. I
15 might be off.

16 JUDGE SEYER: We are up to 320 would be
17 the next exhibit.

18 MR. CLIZER: No cross at this time.

19 JUDGE SEYER: Mr. Coffman, do you have
20 any cross?

21 MR. COFFMAN: No cross, thank you.

22 JUDGE SEYER: Any cross on behalf of
23 MECG?

24 MR. OPITZ: No, thank you, your Honor.

25 JUDGE SEYER: Any cross on behalf of

1 MIEC?

2 MS. PLESCIA: No questions, thank you.

3 JUDGE SEYER: Any questions from the
4 commissioners? All right. Hearing none.

5 Mr. Walker, I do have a couple questions myself.

6 QUESTIONS

7 BY JUDGE SEYER:

8 Q. Let me see if I can find this. I'll
9 direct you to your rebuttal/surrebuttal and
10 sur-surrebuttal testimony page 5.

11 A. I have it.

12 Q. Okay. On line 6 the question is asked of
13 you: Does the Company have complete control of the
14 billing lag.

15 And your answer says: No. For example,
16 as to Arnold sewer customers, the Company must rely
17 on the water districts that provide water service to
18 the Arnold sewer customers for water use data. As a
19 result, no Arnold sewer customer has a billing lag
20 that is less than 18 days.

21 With that in mind, I want to direct you to
22 your direct testimony, schedule HW-2.

23 A. I have it.

24 Q. All right. On -- and you're ahead of me
25 on that. On that schedule I believe it says on the

1 first page that it lists a billing lag for Arnold
2 sewer as five-and-a-half days.

3 A. Yes.

4 Q. So how do you --

5 A. The billing lag was calculated on a total
6 company basis, 5.5 days. And that was used for all
7 the groupings of companies. So everything was done
8 on a consolidated basis.

9 Q. Are you saying across all of Missouri
10 Water Works companies?

11 A. Yes.

12 Q. Subsidiaries?

13 A. Yes.

14 Q. Okay.

15 A. And that's because some of the data in the
16 revenue lag itself is not available for individual
17 companies, but I can look at -- I looked at the
18 actual invoices and was able to see those in Arnold,
19 where they fell within that parameter to know that
20 the smallest number was 18 days.

21 Q. I'll direct you back to page 5 of the
22 rebuttal testimony.

23 A. Yes, I have it.

24 Q. So back in your answer to that question
25 about the billing lag, you go on to say:

1 Additionally, although the majority of Missouri-
2 American Water Company's customers have billing lags
3 of less than three days, some customer bills require
4 extra scrutiny which delays the billing process for
5 those affected.

6 Do you know how many customer bills
7 require that extra scrutiny each month?

8 **A. I do not.**

9 Q. Okay. Can you explain why, if the
10 majority of Missouri-American customers have a
11 billing lag of less than three days, why your direct
12 testimony schedule MW-2 shows every group of
13 customers having a five-and-a-half billing lag --
14 five-and-a-half day billing lag?

15 A. Because it's weighted based upon the total
16 bill. So when I make the statement that the majority
17 of customers, I'm looking at individual invoices, and
18 I can see that the majority of those are less than
19 three days. However, on a weighted basis, when you
20 take the actual lag and you multiply it by the
21 revenue dollar for that particular customer, then
22 when you sum it up for all 550,000 customers on a
23 weighted basis, you develop the 5.5 days. So it's a
24 weighted average, the 5.5 days.

25 Q. Okay. And you actually had that in your

1 testimony it looks like. The very next sentence:
2 The Company's billing lag is properly determined and
3 reflects the weighted average of the billing lag days
4 for all 500 -- 500,532 customer invoices reviewed.

5 **A. Yes. I just misspoke. I was recalling**
6 **that it was 550. You're correct. It's 500,532.**

7 JUDGE SEYER: Okay. All right. Those
8 are my only questions, so I will open it to up
9 recross. Mr. Johnson?

10 MR. JOHNSON: No questions, Judge.

11 JUDGE SEYER: Okay. Mr. Clizer?

12 MR. CLIZER: No recross, your Honor,
13 thank you.

14 JUDGE SEYER: Any recross by any other
15 party? Okay. Mr. Cooper, do you have redirect?

16 MR. COOPER: I do not. Thank you, your
17 Honor.

18 JUDGE SEYER: All right. Mr. Walker,
19 thank you so much for your testimony.

20 **THE WITNESS: Thank you.**

21 JUDGE SEYER: All right. So my
22 understanding is we are now going to switch to
23 Production Cost Tracker. Is that correct?

24 MR. CLIZER: I would assume, yes.

25 JUDGE SEYER: Okay.

1 MR. COOPER: Your Honor, before we leave
2 that, may Mr. Walker be excused?

3 JUDGE SEYER: Yes. As far as I'm
4 concerned if there's no objection. Okay. All right.
5 The Company may call their first witness on the issue
6 of Production Cost Tracker.

7 MR. CLIZER: We'd like to do mini
8 openings.

9 JUDGE SEYER: Oh, that's right. You do,
10 Mr. Clizer, have a tendency to keep me in line. So,
11 Mr. Cooper, you'll present your opening -- the
12 opening for the Company?

13 MR. COOPER: I will, your Honor.

14 Missouri-American's ratemaking proposals
15 in this case are designed to at least partially
16 address constraints with the existing ratemaking
17 structure. Among other things Missouri-American is
18 requesting that if the Commission does not approve an
19 RSM that includes a production cost tracker, it
20 separately approve a tracker mechanism for production
21 costs. And that's what we're trying here at this
22 point in time.

23 These production costs roughly make up 23
24 percent of the Company's expenses. The tracker would
25 allow any difference in productions costs incurred

1 and production costs in customer rates to be deferred
2 to a regulatory -- that differ from production costs
3 and customer rates to be deferred to a regulatory
4 asset or a liability. The relevant costs are related
5 to things like the cost of electricity at water
6 treatment plants, the costs of chemicals to treat and
7 clean water before it is delivered to customers,
8 sludge removal costs at wastewater lagoons, and water
9 purchased from neighboring communities to supplement
10 production capacity.

11 Similar to the Company's pension and OPEB
12 trackers that have been in place for over 15 years,
13 the production cost tracker consists of costs that
14 are outside the Company's control and are volatile in
15 the case of chemical prices and volumes of water
16 purchased. These production costs are among the most
17 critical costs incurred because they are essential
18 for providing safe, clean drinking water to Missouri-
19 American customers and their families. It is not a
20 discretionary expense the Company can choose to incur
21 or not incur.

22 Missouri-American's proposed tracker
23 would allow recovery to be addressed in a future rate
24 case and if inclusion of the regulatory asset or
25 reliability in rates was approved would ensure that

1 customers only pay for the expenses incurred, nothing
2 more and nothing less, while allowing the Company to
3 collect the revenues associated with a portion of the
4 Company's expenses experiencing volatility.

5 That's all I have at this time, your
6 Honor.

7 JUDGE SEYER: All right. Are there any
8 questions of the commissioners? All right. Thank
9 you, Mr. Cooper.

10 JUDGE SEYER: Mr. Graham, it's good to
11 see you.

12 MR. GRAHAM: Good to see you, Judge.

13 JUDGE SEYER: Presenting on behalf of the
14 Staff.

15 MR. GRAHAM: Yes, thank you. Paul
16 Graham. I want to try to keep this brief, and that's
17 actually a promise. And I'm going to try to do no
18 harm and I'm going to try to do good. In my effort
19 to do no harm I'm going to not try to argue facts.
20 The facts are very granular in this case. There's
21 going to be a lot of dispute back and forth among the
22 witnesses on what constitutes extraordinary type
23 expenses.

24 What I'd like to bring to the table and
25 do good with is a legal perspective. What I don't

1 often hear in cases but I do hear it from good
2 judges, I do hear it from good lawyers, I do hear it
3 from good law professors is a question: What is the
4 rule of decision in this case. What rule should you
5 apply in deciding whether or not to grant this
6 request for a production cost tracker. I submit that
7 the burden of proof, the persuasion is on the
8 Company.

9 Let's unpack that. That means the Staff
10 does not have to prove or persuade you that the
11 application or following the usual procedures of
12 setting rates and packing the numbers that are in
13 question into general ratemaking procedures will
14 result in fair and just rates. That's already the
15 law. The burden of proof is on the Company to show
16 that the application of the ordinary procedures is
17 more likely than not to result in unjust and
18 unreasonable rates.

19 So let's formulate that now as a rule of
20 decision. The Commission should reject the request
21 for the production cost tracker if the Company fails
22 to sustain its burden of proof to show that not
23 including those, not implementing a tracker will
24 cause it to -- will result in unjust and unreasonable
25 rates. That's the rule of decision here. That

1 concludes my statement. Any questions?

2 JUDGE SEYER: Appears not. Thank you.
3 Mr. Coffman, would you like to make an opening?

4 MR. COFFMAN: No, your Honor.

5 JUDGE SEYER: Mr. Opitz?

6 MR. OPITZ: No, thank you, your Honor.

7 JUDGE SEYER: Ms. Plescia?

8 MS. PLESCIA: Yes, I would like to your
9 Honor.

10 May it please the Commission. I agree
11 with everything that Mr. Graham said, but I have a
12 different perspective because the primary reason for
13 the Commission to not approve a production cost
14 tracker is that it is unlawful. And I will simply
15 cite the Supreme Court -- the Missouri Supreme
16 Court's decision in Utilities Consumers Council
17 versus Public Service Commission. And the
18 Commission's -- oh, excuse me -- the Court opinion in
19 the case provides policy reasons why it is
20 inappropriate to allow trackers or any type of rate
21 increase mechanism that does not consider all
22 relevant factors. And I would like to just read a
23 few paragraphs from that decision which I think is
24 very persuasive, and it's rooted in the constitution,
25 the Missouri Constitution itself.

1 Although no hearing by the Commission is
2 required before a new rate goes into effect under the
3 file and suspend method, the Commission is
4 nonetheless required, in determining whether or not
5 to suspend the proposed rate, to consider all factors
6 relevant to the proper maximum. However difficult
7 may be the ascertainment of relative and material
8 factors in the establishment of just and reasonable
9 rates, neither impulse nor expediency can be
10 substituted for the requirement that such rates must
11 be authorized by law and supported by competent and
12 substantial evidence upon the whole record, citing
13 the Missouri Constitution, Article 5, Section 22.

14 The importance of this is that the
15 Commission was never instituted to simply take
16 certain costs and allow those to increase without
17 considering countervailing costs. And by using
18 trackers the entire jurisdiction of the Commission is
19 called into question. And the basic constraint that
20 the Commission by law is required to consider all
21 factors, not just one to the exclusion of others, is
22 the key to the powers of the Commission.

23 There are other policy reasons why it's a
24 bad idea even if it were to be lawful to have a
25 production cost tracker. It is single-issue

1 ratemaking of course. It also requires that
2 customers take on the burden of proof approving that
3 a cost is not appropriate for recovery. It also
4 causes the utility to be less efficient. It disturbs
5 the balancing of the efficiency incentives that a
6 utility should have. It isolates one increasing cost
7 without considering decreasing cost at the same time.
8 And it is not consistent with just and reasonable
9 rates in general.

10 Our witness has testimony on this issue
11 on the production cost tracker, and we will be glad
12 to call her to the stand for any questions that the
13 Commission has. Thank you.

14 JUDGE SEYER: Do the commissioners have
15 any questions? All right. Then the Company may call
16 their first witness on this issue.

17 MR. CLIZER: Excuse me.

18 JUDGE SEYER: Oh, I'm sorry.

19 MR. CLIZER: No, that's okay.

20 JUDGE SEYER: I very specifically had
21 that in front of me. I'm like, we still have Public
22 Counsel, but it has been a long day.

23 MR. CLIZER: There's no handout this
24 time. There's no presentation. I'm going to keep
25 this quick.

1 There's two parts to it. First I'm going
2 to hit you with the policy. Then I'm going to throw
3 another monkey wrench into it based on what's already
4 been said before.

5 Okay. Policy-wise this is really simple.
6 You are removing the incentive for them to be
7 efficient. I want you to think, you own -- let's say
8 you own your own business, right. You have to buy
9 goods. In this case you have to buy chemicals. If
10 the cost of chemicals go up, you're not without, you
11 know, recourse. You can shop around. You can look
12 for different suppliers. You can find ways to get
13 cheaper chemicals. You own a home. You're
14 responsible for your own energy bills. The energy
15 bill goes up. You have options to try and fight that
16 down. You can install a cost-effective lighting.
17 You can cool your -- turn down your cool -- air
18 conditioner in the summer, turn down your heater in
19 the winter if you're using electric heat. This idea
20 that these are costs completely beyond their control
21 is wrong. They can control these costs. And if you
22 give them a tracker, they have no incentive to stay
23 efficient.

24 Basically it's like if you owned a
25 company and you had to buy chemicals and somebody

1 came along and said, Hey, it doesn't matter how much
2 the chemical cost increases, we're just going to pay
3 the difference. We'll give you the difference no
4 matter what. Well, guess what. You no longer have
5 any incentive to try and keep costs low. It's bad
6 policy for that reason alone.

7 Now, the second half of this, this is
8 the -- the monkey wrench I'm going to throw into
9 this, and, Judge, I really want you to focus on this.
10 In order to have a tracker, you have to have the
11 numbers you're going to track against. And the
12 problem is in this case several of the items they
13 want to track have been resolved by black box
14 settlement. So you don't actually have the numbers
15 that went against what you can have a tracker at this
16 stage. I fundamentally don't think that you can do a
17 production cost tracker in this case under any
18 circumstances because the numbers being tracked are
19 already settled via black box. You can't authorize a
20 tracker when you don't have anything to track
21 against. Does that make sense? I -- why am I asking
22 you, I apologize. Anyway those are my two points.

23 Are there any questions?

24 JUDGE SEYER: Yes, Commissioner Coleman.

25 COMMISSIONER COLEMAN: I just want

1 Mr. Clizer to know that we've been insulted by better
2 people.

3 MR. CLIZER: I was more pointing to the
4 fact that you can't answer my questions than
5 anything.

6 JUDGE SEYER: All right. Thank you,
7 Mr. Clizer.

8 COMMISSIONER COLEMAN: Plus you didn't
9 have a handout, so I'm disappointed.

10 JUDGE SEYER: All right. On this issue
11 the Company may call their first witness.

12 MR. COOPER: We would call Mr. Brian
13 LaGrand.

14 JUDGE SEYER: Mr. LaGrand.
15 (Witness sworn).

16 BRIAN LAGRAN,
17 the witness, having been first duly sworn,
18 testified as follows:

19 JUDGE SEYER: Thank you.

20 DIRECT EXAMINATION

21 BY MR. COOPER:

22 Q. Please state your name.

23 A. **Brian LaGrand.**

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

1 **A. So I am very recently employed by the**
2 **American Water Service Company, but still as the**
3 **director of rates for Missouri.**

4 Q. And that's slightly different than -- than
5 your title that was utilized in your -- your prefiled
6 testimony. Correct?

7 **A. Correct.**

8 Q. Okay. Have you caused to be prepared for
9 the purposes of this proceeding certain direct
10 testimony, supplemental/direct testimony, and
11 rebuttal/surrebuttal/sur-surrebuttal testimony?

12 **A. Yes, I have.**

13 Q. Is it your understanding that that
14 testimony has been marked as Exhibits 12, 13, and 14
15 for identification?

16 **A. Yes.**

17 Q. Other than the change in title that we
18 just talked about, do you have any changes to make to
19 that testimony at this time?

20 **A. I have one very minor correction.**

21 Q. Okay. Would you go ahead.

22 **A. In my rebuttal/surrebuttal/sur-surrebuttal**
23 **testimony on page 16 in line 4, the number at the end**
24 **of that line -- or excuse me, line 3 -- the number in**
25 **that line is missing a zero at the end so the number**

1 **should be \$1,040,000.**

2 Q. And is that the only change you have?

3 **A. That is, yes.**

4 Q. If I were to ask you the questions that
5 are contained in Exhibits 12, 13, and 14 today, would
6 your answers, with the amendments we've just
7 discussed, be the same?

8 **A. Yes, they would.**

9 Q. Are those answers true and correct to the
10 best of your information, knowledge, and belief?

11 **A. Yes, they are.**

12 MR. COOPER: Your Honor, I would offer
13 Exhibits 12, 13, and 14 into evidence and tender
14 Mr. LaGrand for cross-examination.

15 JUDGE SEYER: Any objection?

16 Exhibits 12, 13, and 14 admitted.

17 (Company Exhibits 12, 13, and 14 were
18 admitted and made a part of this record.)

19 JUDGE SEYER: All right. Mr. Graham, do
20 you have cross-examination for the witness?

21 MR. GRAHAM: No, your Honor.

22 JUDGE SEYER: Mr. Clizer?

23 MR. CLIZER: No, thank you, your Honor.

24 JUDGE SEYER: Mr. Coffman?

25 MR. COFFMAN: No thanks.

1 JUDGE SEYER: Mr. Opitz?

2 MR. OPITZ: No, thank you, your Honor.

3 JUDGE SEYER: Ms. Plescia?

4 MS. PLESCIA: No questions, thank you.

5 JUDGE SEYER: Any questions from the
6 commissioners? All right.

7 QUESTIONS

8 BY JUDGE SEYER:

9 Q. There is a single question that I have and
10 it relates to your direct testimony. So it's page 33
11 of your direct testimony.

12 **A. Okay. Yes, I'm here.**

13 Q. At the -- near the bottom of that page,
14 line 20, and this is answer to the question: If
15 approved, how would this tracker work in practice.
16 You state, After new rates take effect in this case,
17 the Company would compare the actual cost production
18 cost expense recognized on its financial statements
19 to the amount allowed in rates excluding production
20 costs associated with acquisitions that have not yet
21 been through a general rate case.

22 Would Missouri-American adjust the
23 production cost for lost and unaccounted-for water?

24 **A. I don't think that's how I would propose**
25 **it be designed. The -- the unaccounted-for water is**

1 part of the overall production of taking in the
2 water, treating it, and then getting it out to the
3 distribution system so that is a -- that is a cost of
4 producing that water.

5 JUDGE SEYER: All right. Thank you.

6 THE WITNESS: Sure.

7 JUDGE SEYER: Any recross?

8 MR. GRAHAM: Oh. No. No, your Honor.

9 MR. CLIZER: No.

10 JUDGE SEYER: Okay. By any -- by any of
11 the other parties? I'll take that as a no.
12 Redirect?

13 MR. COOPER: No questions, your Honor.

14 JUDGE SEYER: All right. Thank you for
15 your testimony, Mr. LaGrand.

16 THE WITNESS: Okay. Thank you, your
17 Honor.

18 JUDGE SEYER: If the hearing schedule is
19 still the same, that would bring us to Staff witness
20 Amanda McMellen.

21 JUDGE SEYER: Ms. McMellen.

22 (Witness sworn).

23 AMANDA MCMELLEN,
24 the witness, having been first duly sworn,
25 testified as follows:

1 JUDGE SEYER: Thank you. Mr. Graham.

2 DIRECT EXAMINATION

3 BY MR. GRAHAM:

4 Q. Ms. McMellen, would you state your full
5 name for the record and spell it for the court
6 reporter.

7 A. It's Amanda McMellen, A-m-a-n-d-a
8 M-c-M-e-l-l-e-n.

9 JUDGE SEYER: And, Mr. Graham, I'm going
10 to interrupt really quickly. You know where I was
11 going with that. Yes, your mic was off.

12 MR. GRAHAM: Thank you, sir.

13 JUDGE SEYER: Thank you.

14 BY MR. GRAHAM:

15 Q. Ms. McMellen, are you employed by the
16 Public Service Commission?

17 A. Yes, I am.

18 Q. In what capacity?

19 A. I'm a utility regulatory audit unit
20 supervisor.

21 Q. And is your employment information,
22 professional experience, and your qualifications
23 described in your prefiled testimony or its exhibits
24 and attachments?

25 A. Yes, my schedule 1.

1 Q. Have you caused to be prefiled in this
2 case as Exhibit 209 your direct/rebuttal testimony
3 and as Exhibit 222 your cross-rebuttal testimony?

4 A. Yes.

5 Q. Do you have any corrections to your
6 testimony?

7 A. I have one correction to my
8 direct/rebuttal testimony.

9 Q. Your direct/rebuttal testimony is
10 Exhibit 209.

11 A. Yes.

12 Q. And that's the testimony also for the
13 record that contains your investigation, your
14 conclusions, and your recommendation with respect to
15 the production cost tracker that is the issue before
16 the Commission today?

17 A. Correct.

18 Q. And what are those corrections please?

19 A. Page 10, line 22 where it states
20 December 31st, 2022, that should be 2024.

21 Q. And is that your only correction?

22 A. Yes.

23 Q. Okay. Now, as corrected if I ask you
24 the questions that were posed to you in those
25 Exhibits 209 and 222, that testimony, would your

1 answers be the same today as those recorded in the
2 exhibits?

3 **A. Yes, they would.**

4 Q. And all -- are all of your answers to
5 those questions true, accurate, and correct?

6 **A. Yes, they are.**

7 MR. GRAHAM: Judge, at this time I'd offer
8 Exhibits 209 and 222.

9 JUDGE SEYER: All right. Any objection?
10 Exhibit 209 and 222 are admitted.

11 (Staff Exhibits 209 and 222 were admitted
12 and made a part of this record.)

13 MR. GRAHAM: Thank you, Judge. At this
14 time I will tender the witness.

15 JUDGE SEYER: All right. Any cross on
16 behalf of the Company?

17 MR. COOPER: No, your Honor.

18 JUDGE SEYER: Public Counsel?

19 CROSS-EXAMINATION

20 BY MR. CLIZER:

21 Q. Good evening, Ms. McMellen.

22 **A. Good evening.**

23 Q. Are you familiar with the stipulation that
24 was filed in this case?

25 **A. Yes, I am.**

1 Q. And specifically I'm referring to the
2 first stipulation, the one that resolved, among other
3 things, select expense items?

4 A. Yes.

5 Q. And would you agree with me that that
6 stipulation included settlement of select expense
7 items for a lump sum?

8 A. Yes, I agree.

9 Q. And that lump -- that includes settlement
10 of purchased water, fuel and power and chemicals at
11 waste disposal?

12 A. Yes, that's correct.

13 Q. You would agree with me that if the
14 Commission accepts that stipulation, there will be no
15 authorized rates for those items because it's been
16 settled by this lump sum in the settlement?

17 MR. COOPER: I'd object to that -- that
18 question. I think it calls for essentially a legal
19 conclusion that is something for the Commission to
20 decide later.

21 MR. CLIZER: Let me withdraw the question
22 and attempt it another way.

23 BY MR. CLIZER:

24 Q. How would Staff determine the authorized
25 rates in this case if this stipulation -- how would

1 Staff determine the authorized costs for those items
2 in this case if the Commission were to adopt the
3 stipulation?

4 **A. I don't know that we could.**

5 Q. Would you agree with me that in order to
6 have a tracker, it is necessary to know what number
7 you're tracking something against?

8 **A. That is my understanding, yes.**

9 MR. CLIZER: All right. Thank you. I
10 have no further questions.

11 JUDGE SEYER: Mr. Coffman, do you have
12 cross?

13 MR. COFFMAN: No cross, thank you.

14 JUDGE SEYER: Mr. Opitz?

15 MR. OPITZ: No, thank you, your Honor.

16 JUDGE SEYER: Ms. Plescia?

17 MS. PLESCIA: No -- excuse me. No
18 questions, thank you.

19 JUDGE SEYER: Any questions from
20 commissioners? All right. I have no questions
21 myself, so thank you.

22 **THE WITNESS: Thank you.**

23 MR. GRAHAM: Your Honor, I would like a
24 little redirect.

25 JUDGE SEYER: Yes. Redirect.

1 REDIRECT EXAMINATION

2 BY MR. GRAHAM:

3 Q. Following up on --

4 JUDGE SEYER: In my -- in my defense, I
5 got very, very little sleep last night.

6 MR. GRAHAM: That's all right. I almost
7 let it go for the same reason on my behalf. Then my
8 client prodded me.

9 BY MR. GRAHAM:

10 Q. Ms. McMellen, back to Mr. Clizer's
11 question, and there was an objection to that question
12 on the basis that it called for a legal opinion. Do
13 you recall that examination and those objections?

14 A. I do.

15 Q. Okay. Are you familiar with the
16 agreement?

17 A. Yes, I am.

18 Q. Okay. And you're here representing the
19 Staff?

20 A. I am.

21 Q. Okay. I'm not asking for your legal
22 opinion. Is the agreement that the expenses that
23 Mr. Clizer identified will be excluded from rate base
24 increase -- or how did you describe it?

25 MR. CLIZER: Black box.

1 BY MR. GRAHAM:

2 Q. It's a black box settlement, but the
3 expenses that are involved, some of them are involved
4 in this tracker issue, are they not?

5 A. Yes.

6 Q. And those have been -- been resolved, that
7 it is the agreement of the Staff that those expenses
8 have been resolved by black box?

9 A. Correct.

10 MR. GRAHAM: Okay. That's all the
11 questions I have.

12 JUDGE SEYER: All right. Now,
13 Ms. McMellen, you may step down.

14 THE WITNESS: Thank you, Judge.

15 MR. CLIZER: Your Honor.

16 JUDGE SEYER: Yes.

17 MR. CLIZER: I do not know what your
18 intentions are. I expect that I might have some more
19 extensive cross of Staff witness for the last issue
20 for today. I also, however, tentatively think we
21 might have a little bit more free time in the
22 upcoming. I don't know what other availabilities
23 are, but I would be -- I'm just going to move to
24 potentially move the rest of Cash Working Capital
25 farther in the schedule and just call it a night.

1 JUDGE SEYER: There are potentially other
2 witnesses.

3 MR. CLIZER: I forgot that. I'm -- you
4 know what, I'm going to take the same excuse. I also
5 did not get a lot of sleep last night. I was ready
6 to be done.

7 JUDGE SEYER: All right. Mr. Opitz,
8 would you like to call a witness on this issue?

9 MR. OPITZ: Your Honor, MECG calls --
10 recalls Ms. Jessica York to the stand.

11 JUDGE SEYER: All right.

12 (Witness previously sworn).

13 JESSICA YORK,
14 the witness, having been first duly sworn,
15 testified as follows:

16 JUDGE SEYER: Go ahead, Mr. Opitz.

17 MR. OPITZ: Ms. York, your testimony has
18 been submitted and accepted into the record and I
19 would tender you for cross-examination by the
20 parties.

21 JUDGE SEYER: Any on behalf of Consumers
22 Council?

23 MR. COFFMAN: No, your Honor.

24 JUDGE SEYER: Ms. Plescia, it's always
25 awkward for me to ask this question. Is it cross or

1 direct. Do you have any questions?

2 MS. PLESCIA: Yes.

3 CROSS EXAMINATION

4 BY MS. PLESCIA:

5 Q. I do have a question for -- I do have a
6 question relating to the issue of single-issue
7 ratemaking and why the production cost tracker is, in
8 her view and her testimony, not appropriate in this
9 case. Could you explain for us your concerns with
10 the production cost tracker?

11 A. Yes. As you mentioned --

12 MR. COOPER: Never mind. Go ahead, I'm
13 sorry.

14 THE WITNESS: Okay. I did testify that
15 this represents single-issue ratemaking. And --
16 because, I mean, you'd be tracking a certain bucket
17 of costs, you know, without considering potentially
18 offsetting changes and other components of the cost
19 of service.

20 In addition, I mean, when you look at
21 this particular category of costs that the fuel and
22 power, chemicals, waste disposal, and purchased
23 water, in Mr. McClellan's schedules MWM-1 and MWM-2,
24 I mean, they are relatively small portions of the
25 overall revenue requirement. I think it comes out to

1 be about 6 percent of the total based on their
2 claimed revenue environment. So it just does not
3 seem like a, you know, a volatile, unpredictable, you
4 know, outside of the Company's control kind of
5 category of costs.

6 I would also note that in terms of the
7 cost that they wanted to track, fuel and power I
8 think was a relatively significant component of that.
9 And I know, you know, Ameren Missouri is one of the
10 utilities that serves them and they're in a rate case
11 right now, so presumably those rates will be set, you
12 know, for a couple years and they should not be
13 unpredictable.

14 And I think chemicals was another
15 relatively significant component of that. And, I
16 mean, I think one of the Company witnesses testimony
17 talked about how they buy those in bulk, you know,
18 through the service company to get better pricing on
19 that. So again, I just don't -- I don't think the
20 production cost tracker is necessary in this case.

21 MS. PLESCIA: No further questions.
22 Thank you.

23 JUDGE SEYER: Thank you. Mr. Graham, do
24 you have cross?

25 MR. GRAHAM: No, your Honor.

1 JUDGE SEYER: Mr. Cooper?

2 MR. COOPER: Yes, your Honor, thank you.

3 CROSS-EXAMINATION

4 BY MR. COOPER:

5 Q. You mentioned a percentage of revenue
6 requirement in regard to the production cost I
7 believe. Do you know the percentage of the expenses
8 that they would represent?

9 A. I did not look at that in terms of just
10 expenses. I was looking at the total.

11 Q. Your counsel mentioned I guess what I
12 would commonly call the UCCM case in her opening. Is
13 that something you're familiar with?

14 A. No.

15 Q. Okay. In your testimony you suggest that
16 the production cost tracker allows the Company to
17 recover certain components of its requirement on a
18 piecemeal basis outside of a full base rate case. Is
19 that correct?

20 A. I did say that.

21 Q. Do you understand that the production cost
22 tracker proposed by the Company would not allow for
23 recovery of expenses between rate cases?

24 A. Yes. I -- yes.

25 Q. Because it's a deferral. Correct?

1 **A. Right.**

2 Q. And so ultimately you would agree with me
3 that if the Company proposes any actual recovery or
4 refunding I suppose, depending on whether it's an
5 asset or a liability, would be as the result of an
6 amortization of deferred amounts in the next general
7 rate case?

8 **A. That's how it would work.**

9 Q. And again, so there's -- there's no
10 surcharge between cases. Correct?

11 **A. Correct.**

12 Q. So it's -- it would be unlike the fuel
13 adjustment clause or the PGA or some other things
14 where there are charges between rate cases. Correct?

15 **A. I would agree with that.**

16 Q. Okay. Do you believe that all trackers
17 constitute unlawful single-issue ratemaking?

18 **A. I --**

19 MR. OPITZ: Objection; calls for a legal
20 conclusion.

21 JUDGE SEYER: Sustained.

22 BY MR. COOPER:

23 Q. Are you familiar with any trackers that
24 have been commonly used by this Commission?

25 **A. No. The -- no, I'm not.**

1 Q. So like the pensions and OPEBs tracker,
2 that doesn't -- not something that --

3 A. No.

4 Q. -- you have any knowledge of?

5 A. No.

6 MR. COOPER: Okay. That's all the
7 questions I have, your Honor.

8 JUDGE SEYER: Thank you. Mr. Clizer, I
9 apologize. Did I deprive you an opportunity for
10 cross?

11 MR. CLIZER: That's quite okay. I had no
12 questions.

13 JUDGE SEYER: All right. Are there any
14 questions from the commissioners? All right. I do
15 not have any questions myself. Is there any
16 redirect?

17 MR. OPITZ: I have none, your Honor.

18 JUDGE SEYER: Okay. Any on behalf of
19 MIEC?

20 MS. PLESCIA: No questions, your Honor.

21 JUDGE SEYER: Thank you. Ms. York,
22 you're excuse.

23 THE WITNESS: Thank you.

24 JUDGE SEYER: And that brings us to
25 Ms. Mantle on behalf of Public Counsel.

1 (Witness previously sworn).

2 LENA MANTLE,

3 the witness, having been first duly sworn,
4 testified as follows:

5 JUDGE SEYER: Go ahead.

6 MR. CLIZER: Ms. Mantle's testimony has
7 been offered and accepted into the record and she's
8 still under oath. I tender the witness.

9 JUDGE SEYER: All right. Any cross-
10 examination on behalf of Consumers Council of
11 Missouri?

12 MR. COFFMAN: No questions, your Honor.

13 JUDGE SEYER: MECG?

14 MR. OPITZ: No, thank you, your Honor.

15 JUDGE SEYER: MIEC?

16 MS. PLESCIA: No questions, thank you.

17 JUDGE SEYER: Staff?

18 MR. GRAHAM: No, thank you, your Honor.

19 JUDGE SEYER: The Company?

20 MR. COOPER: No questions.

21 JUDGE SEYER: Okay. Any questions from
22 the commissioners? All right. Hearing none. I have
23 no questions myself, so thank you. All right. It
24 is 5:40. Mr. Clizer, you suggested that we put off
25 the remaining witnesses for Cash Working Capital.

1 How do the parties feel about that? Mr. Cooper?

2 MR. COOPER: Well, given Mr. Clizer's
3 representation that he has lengthy cross-examination,
4 I'm in favor.

5 JUDGE SEYER: Okay.

6 MR. JOHNSON: Judge, I would actually be
7 in favor of doing it tonight or potentially moving it
8 to Wednesday since we have an open spot. I think the
9 schedule's pretty busy for tomorrow.

10 MR. CLIZER: I have no objection to
11 moving it till Wednesday. I just kind of want to get
12 home.

13 JUDGE SEYER: And your witness -- your
14 witness can be available that day?

15 MR. CLIZER: Give me one second. Can you
16 be available? Yes.

17 JUDGE SEYER: All right. Then if there's
18 nothing further, we'll adjourn for the day.

19 MR. COOPER: Judge, just -- just one
20 other item. While we don't necessarily object to
21 Wednesday, hopefully that's not a decision we're
22 making that's set in stone at this moment because I
23 suspect we'll have a chance on Tuesday to finish it
24 up, but.

25 MR. CLIZER: For what it's worth,

1 Mr. Riley will be in the building I think. We'll
2 make him available whenever we get to him.

3 MS. JOHNSON: And, Judge, I think the
4 same can be said for Staff.

5 JUDGE SEYER: Okay. All right.

6 MR. COFFMAN: I don't know if this needs
7 to be on the record.

8 JUDGE SEYER: Okay. Then if there's
9 nothing further, we will go off the record and
10 adjourn for the day. Going off the record.

11 (Whereupon, the hearing was adjourned
12 at 5:40 p.m.)
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1 CERTIFICATE OF REPORTER

2 STATE OF MISSOURI)

3 COUNTY OF CALLAWAY)

4 I, Shelley L. Bartels, a Certified Court
5 Reporter, CCR No. 679, do hereby certify that I was
6 authorized to and did stenographically report the
7 transcript of proceedings; and that the foregoing
8 transcript, pages 1 through 331, is a true record of
9 my stenographic notes.

10 I FURTHER CERTIFY that I am not a relative,
11 employee, or attorney, or counsel of any of the
12 parties, nor am I a relative or employee of any of
13 the parties' attorney or counsel connected with the
14 action, nor am I financially interested in the
15 action.

16
17 DATED this 9th day of March, 2025.

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21 Shelley L. Bartels, CCR 679
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