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## Exhibit No. 305

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Testimony of Lena M. Mantle  
CCOS Direct/Rebuttal  
File No. WR-2024-0320

**Exhibit No.:**

**Issue(s):**

**Witness/Type of Exhibit:**

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RSM Tariff Sheets

Mantle/Direct Rebuttal

Public Counsel

WR-2024-0320

**CLASS COST OF SERVICE/RATE DESIGN**

**DIRECT/REBUTTAL TESTIMONY**

**OF**

**LENA M. MANTLE**

Submitted on Behalf of the Office of the Public Counsel

**MISSOURI-AMERICAN WATER COMPANY**

FILE NO. WR-2024-0320

December 20, 2024

**CLASS COST-OF-SERVICE/RATE DESIGN  
DIRECT/REBUTTAL TESTIMONY  
OF  
LENA M. MANTLE, P.E.  
MISSOURI AMERICAN WATER COMPANY  
CASE NO. WR-2024-0320**

**Q. What is your name?**

A. Lena M. Mantle.

**Q. Are you the same Lena M. Mantle who filed revenue requirement direct/rebuttal testimony in this case?**

A. Yes, I am.

**Q. Why are you filing class cost-of-service/rate design testimony?**

A. Missouri American Water Company (“MAWC”) filed two tariff sheets, Original Sheet No. RT 31.1 and Original Sheet No. RT 31.2, that were intended to describe its proposed revenue stabilization mechanism (“RSM”). In this testimony, I will point out the instances where these tariff sheets contradict the testimony regarding MAWC’s proposed RSM, and where the tariff sheets are unclear or incorrect.

**Q. How do these tariff sheets compare to the RSM tariff sheets MAWC proposed in its last general rate case, WR-2022-0303?**

A. With the exception of the sheet numbers, the tariff sheets proposed in this case are identical to the proposed RSM tariff sheets MAWC filed in its last general rate case.

**Q. Did you point out problems with the tariff sheets in case no. ER-2022-0303?**

A. Yes, I did.

**Q. Did MAWC resolve any of the concerns you raised with the tariff sheets it filed in the last case with the tariff sheets it filed in this case?**

A. No, it did not.

1 **Q. How is this testimony different from your class cost-of-service rebuttal**  
2 **testimony you provided in MAWC's last general rate case, WR-2022-0303?**

3 A. As I reviewed the proposed tariff sheets again, I found additional problems.

4 **Q. Do you have substitute tariff sheets to implement MAWC's proposed RSM?**

5 A. No. In my direct/rebuttal testimony filed on December 6, 2024, I recommended  
6 the Commission not approve an RSM for MAWC because MAWC did not show  
7 that an RSM was necessary for it to earn a sufficient return on its investments nor  
8 that there were benefits to its customers that outweighed the shift of risks to them.  
9 In addition, the inclusion of production costs in an RSM is not allowed by Section  
10 386.266.4 RSMo., as I understand the statute, under which MAWC is requesting  
11 the RSM.

12 In this testimony, I will detail the problems with the tariff sheets that  
13 MAWC has proposed to implement its RSM. These problems show the  
14 Commission how MAWC has not thought through all of the details of its proposed  
15 RSM. This provides yet another reason why the Commission should not approve  
16 a RSM for MAWC.

17 **Q. What problems did you find in MAWC's proposed tariff sheet RT 31.1?**

18 A. I found at least seventeen (17) problems on MAWC's proposed tariff sheet RT 31.1.  
19 Additional problems may also exist.

20 The very first problem with the tariff sheet is that it states the RSM is  
21 available to residential, commercial, other public authority and sale for resale  
22 metered water customer. This is misleading. It reads as if these customers have a  
23 choice as to whether or not this tariff sheet would apply to them. Actually, these  
24 customers would have no choice. If the Commission approves a RSM for MAWC,  
25 these tariff sheets would apply to these customers. "Applicability" is more  
26 descriptive than "Availability."

Table 1 below lists the problems I found in the definitions on sheet RT 31.1. I organized Table 1 to follow the headings and definitions included on MAWC’s proposed tariff sheet RT 31.1. I have grouped together the problems applicable to each definition.

Table 1  
Problems in MAWC’s Proposed Tariff Sheet RT 31.1

Section A – Definitions

**A. Actual Revenue (AR)**

- 1) Service Classifications are not identified in the proposed RSM tariff sheets or anywhere in the MAWC tariff sheets.
- 2) Revenue from acquisitions approved by the Commission is excluded. It does not designate if the excluded revenue is the revenue billed or revenue collected from these acquisitions.
- 3) Revenues collected under Rate I or Rate W are excluded. For consistency, it should exclude revenues *billed* under Rate I *and* Rate W.
- 4) Does not designate the time period over which the AR is aggregated. Tariff sheet RT 31.2 says it is annual. Testimony says a monthly comparison will be done. (Rea Direct, page 45)
- 5) Tariff sheet does not specifically exclude WSIRA revenues (Rea Direct, page 39)

**B. Actual Production Costs (APC)**

- 1) Does not exclude the costs of power, chemicals, purchased water and waste disposal incurred to meet the requirements of the customer classes that are not part of the RSM.
  - i. Tariff sheet should also include a description of how the allocation of costs between RSM and non-RSM classes is done. (Rea Direct, page 45).

**C. Effective Period**

- 1) Does not designate if the period billed to customers is billing or calendar months of April through December. (Note: this is a nine-month time period.)
- 2) “after the Filing Month.” The filing month will always be January. For clarity the tariff language should either “after the January filing” or “after the filing.”

**D. Effective Period Usage (G)**

- 1) Tariff sheet defines it as the units “delivered to customers” (past tense) but it also says the units applicable to the Effective Period which is a prospective time period.

**E. Filing Month**

- 1) This definition says the filing will be submitted to the Commission on or before January 31. Section C on Sheet RT 31.2 says the filing will be made on or before January 30.
- 2) Since the adjustment is for revenues through the fiscal year and it is to be filed by January 30 or 31, then the only month that can be the “Filing Month” is January.
- 3) Filing month is only used in the definition of Effective Period. Definition of Effective Period can be re-written in a manner that there is no need for a definition of Effective Period.

**F. Previous Amortization Period**

- 1) Should be deleted since this term is not used in the RSM tariff sheets.

**G. Rate Case Revenue (RCR)**

- 1) Service Classifications are not identified in the proposed RSM tariff sheets or anywhere in the MAWC tariff sheets.
- 2) For proration of new revenue requirement, the definition assumes that the revenue is the same for every day.

**Q. What problems did you find in MAWC’s proposed tariff sheet RT 31.2?**

A. I found at least an additional eighteen (18) problems in MAWC’s proposed tariff sheet RT 31.2. Other problems may also exist.

Table 2 below lists the problems I found. I organized Table 2 to follow the headings and definitions listed on MAWC’s proposed tariff sheet RT 31.2. I have grouped together the problems applicable to each definition and heading.

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Table 2  
Problems in MAWC’s Proposed Tariff Sheet RT 31.2

<b>H. Rate Case Production Costs (RPC)</b>
1) Does not exclude the costs of power, chemicals, purchased water and waste disposal incurred to meet the requirements of the customer classes that are not part of the RSM.
2) For proration of new normal annual production costs, the definition assumes that the costs are the same for every day.
<b>I. Upcoming Amortization Period</b>
1) Should be deleted since this term is not used in the RSM tariff sheets.
<b>Section B – Determination of Adjustment</b>
J. There is no name for the surcharge adjustment rate. Just a formula.
K. There is no formula or description of how a credit would be calculated.
1) What happens if the revenue reconciliation is a credit (revenues billed is greater than revenue requirement) but the prior year was under-billed?
L. The formula components are defined as annual numbers. This is inconsistent with Rea’s direct testimony (page 45) says that the differences between actual billed revenues and revenue requirement would be calculated on a monthly basis.
M. The term “I” is defined only as “interest rate.” Mr. Rea’s testimony is that this is the Company’s short-term borrowing rate. (page 46) Therefore the interest term in the tariff sheet needs to be specifically defined as such.
N. Formula provides that only the short-term interest on the differences in revenue and production costs is included in the adjustment. Interest should also be provided for any reconciliation amount.
O. Cannot tell what the term RA is with the given definition. It could be interpreted as the differences between billed revenue and revenue requirement. It may be the true-up Mr. Rea refers to in his direct testimony. (page 47)
P. Mr. Rea states in his testimony states that the tariff sheets describe the annual true-up. (page 47) The words “true-up” are not on tariff sheet.

Q. Tariff sheet states that “adjustment components above shall be summed together for billing purposes.” There are no adjustment components. The result of the formula is a volumetric rate. This sentence needs to be re-written or deleted.

R. “If either component of the adjustments ...” Now there are more than one adjustment? What are the components?

S. Assuming that there are “components” to adjustments, is the rounding done before or after the components are summed?

### **Section C – Reports and Reconciliations**

T. Definition of Filing Month sets the filing as before or on January 30 which is inconsistent with the prior sheet.

U. Includes a reference to “any annual adjustments.” Does this mean that there will be more than one adjustment?

V. Need a space between “April” and “1”

W. Giving credits “as soon as administratively possible” is vague. Should provide at date by which the credit will be provided.

1 **Q. MAWC witness Charles B. Rea in his direct testimony states that MAWC’s**  
2 **proposed tariff sheets include a provision for an annual true-up as required**  
3 **by Section 386.266.5(2) RSMo.<sup>1</sup> Did you find this provision in the proposed**  
4 **tariff sheets?**

5 A. No. The term RA on the proposed sheet RT 31.2 may be referring to a true-up, but  
6 it is unclear from the proposed tariff sheets.

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<sup>1</sup> Rea Direct, page 43.



1 **Q. Assuming the term “RA” on sheet RT 31.2 refers to the true-up required by**  
2 **Section 386.266.5(2) RSMo., does the tariff sheet include the provision of**  
3 **short-term interest as required by Section 386.266.5(2) RSMo.?**

4 A. It does not. The only place that the interest variable is used is in the formula on  
5 MAWC’s proposed sheet RT 31.2.

6 **Q. Does the tariff sheet proposed by MAWC specify this interest as short-term**  
7 **interest?**

8 A. No. It simply states “the interest rate” would be applied to the difference between  
9 the rate case revenue and the actual billed revenue net of production cost  
10 adjustments. Mr. Rea does state in his testimony that the interest would be at  
11 MAWC’s short-term interest rate.<sup>2</sup> However, to avoid confusion, the type of  
12 interest rate should be explicitly stated in the tariff sheets.

13 **Q. Which sheet would provide the rate charged to customers if actual billed**  
14 **revenues were less than the revenue requirement specified in Section 386.266.4**  
15 **RSMo.?**

16 A. Neither proposed tariff sheet RT 31.1 nor RT 31.2 identify the specific information  
17 used to calculate the specific rate charged if billed revenues were less than the  
18 revenue requirement in the rate case.

19 **Q. As specified in Section 386.266.4 RSMo., which sheet identifies the credit**  
20 **MAWC would be providing to customers if actual billed revenues were greater**  
21 **than the revenue requirement specified in Section 386.266.4 RSMo.?**

22 A. Mr. Rea describes in his testimony<sup>3</sup> how the credit for each customer would be  
23 calculated and applied. Neither proposed tariff sheet RT 31.1 nor RT 31.2 describe

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<sup>2</sup> *Id.*, page 47.

<sup>3</sup> *Id.*, page 46.

1 the process outlined in his testimony or identify how the data is used to determine  
2 the amount of the credit itself.

3 **Q. In the answers to the previous two questions, you stated that information other**  
4 **than just the rate should be provided. What information are you referring to?**

5 A. The information that is used to calculate the charge/credit. For MAWC's proposed  
6 RSM, this would be Actual Revenue, Rate Case Revenue, Actual Production Costs,  
7 Rate Case Production Costs, the true up amount, and the Effective Period Usage.<sup>4</sup>

8 **Q. Can a new tariff sheet with this information be filed when the first rate/credit**  
9 **has been determined?**

10 A. It could. However, the proposed tariff sheets only give the Commission 60 days to  
11 approve the RSM rate or credit. That does not allow much time for the Commission  
12 to determine not only what the rate or credit should be, but also what information  
13 should be provided along with the rate or credit.

14 **Q. Section 386.266.7 RSMo. appears to require MAWC to separately disclose the**  
15 **amount charged under the RSM. Can you tell from MAWC's proposed tariff**  
16 **sheets what that separate disclosure would be?**

17 A. No. MAWC provided no description of how the RSM would appear on the  
18 customers' bills.

19 **Q. In conclusion, should the Commission approve the tariff sheets MAWC has**  
20 **proposed to explain its RSM?**

21 A. No. The proposed tariff sheets reflect MAWC's lack of detailed planning for an  
22 RSM. The Commission should not approve an RSM for MAWC because, as I  
23 explained in my prior direct/rebuttal testimony MAWC has not sufficiently shown


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<sup>4</sup> Electric utilities have similar tariff sheets that show the inputs to the calculation of the fuel adjustment clause. The top portion of Union Electric Company d/b/a Ameren Missouri tariff sheet MO. P.S.C., Schedule 6, 1<sup>st</sup> Revised Sheet No. 71.16 through 1<sup>st</sup> Revised Sheet No. 71.21 provides definitions of the costs and revenues included in its current Fuel Adjustment Rate.

1       that an RSM is necessary for MAWC to earn a return on its investments. The  
2       inadequate tariff sheets MAWC proposed to implement the RSM it has proposed,  
3       further supports my recommendation for the Commission to not approve an RSM  
4       for MAWC. MAWC is asking for an RSM without showing that it has spent time  
5       considering the details of such a mechanism that would shift the risk of revenue  
6       recovery from MAWC to its customers. Therefore, these tariff sheets will not be  
7       necessary.

8       **Q. Does this conclude your Class Cost-of-Service/Rate Design direct/rebuttal**  
9       **testimony?**

10      **A.** Yes, it does.

  
Tiffany Hildebrand  
Notary Public