

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of Missouri-American  
Water Company's Request for  
Authority to Implement a General  
Rate Increase for Water and Sewer  
Service Provided in Missouri Service  
Areas

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Case No. WR-2024-0320

**INITIAL BRIEF OF THE MISSOURI OFFICE OF THE PUBLIC COUNSEL**

John A. Clizer (#69043)  
Senior Counsel  
Missouri Office of the Public Counsel  
P.O. Box 2230  
Jefferson City, MO 65102  
Telephone: (573) 751-5324  
Facsimile: (573) 751-5562  
E-mail: [john.clizer@opc.mo.gov](mailto:john.clizer@opc.mo.gov)

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## **Glossary of Terms**

As used in this brief,

- “CCOS” means Class cost of Service
- “MAWC” means Missouri American Water Company
- “MECG” means Midwest Energy Consumer’s Group
- “Staff” means the Commission’s Staff
- “The Company” means Missouri American Water Company
- “UAT” means Universal Affordability Tariff

## **Introduction**

Following lengthy negotiations, the parties were able to submit three separate stipulations before the Commission to resolve nearly all the outstanding issues in this case. There are thus only three issues currently remaining for the Commission's consideration. [See Revenue Requirement Stipulation and Agreement, pg. 1 ¶ 2, EFIS 176 ("If this Stipulation is approved, Issues 3a, 3b, and 3e will remain.")] These three issues can be summarized as follows: (1) Class cost of Service ("CCOS"); (2) rate design; and (3) the proposed Universal Affordability Tariff ("UAT"). Pursuant to the Commission's *Order Setting Procedural Schedule*, the OPC will address each of these issues individually and in the order presented in the list of issues.

On the subject of CCOS and rate design, the OPC outlined three primary positions: (1) to maintain two separate water districts; (2) that there be no revenue-neutral shift across rate classes; and (3) that there be no change to the residential customer charge. [Tr. vol. 10 pg. 122 ln. 23 – pg. 123 ln. 4]. Of those three positions, the first and third have been resolved as part of the prior mentioned stipulations.<sup>1</sup> What remains, therefore, is the issue of revenue allocations.

All that is left for the Commission to determine is how much each class is or should be paying and, by extension, how much of an increase each individual class of customers will receive. As previously outlined, the OPC's position here is quite

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<sup>1</sup> Missouri American Water Company ("MAWC" or "the Company") agreed to maintain two separate water districts for residential customers and the residential customer charge was increased by \$1, taking it from \$10 to \$11. [Revenue Requirement Stipulation and Agreement, pg. 2 ¶ 7, EFIS no. 176].

simple: there should be no revenue-neutral shift across rate classes. The OPC takes this position because we recognize that the rate increase that will be brought about due to this case is already going to be quite large. In an effort to mitigate rate shock, the OPC is therefore arguing that the Commission should not engage in shifting cost burdens among classes to achieve revenue neutral shifts.

As it relates to the UAT, the other remaining issue in this case, the OPC was a signatory to the stipulation that would have implemented the UAT. Pursuant to that agreement, and Commission rules, the OPC supports implementation of the UAT in the manner set forth in the stipulation.<sup>2</sup> The UAT is a fair and reasonable way to reflect the empirical data that shows lower-income residential customers are using less water than higher-income residential customers and are thus subsidizing those same customers. The UAT will redress this current inequity.

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<sup>2</sup> As explained below, there was no real disagreement in the filed testimony regarding the question of whether there should be a UAT. The only real disagreement was with its methods of implementation and its interaction with other proposed mechanisms. Those issues were resolved through the stipulations entered into by the parties, so the OPC now supports the implementation design provided in the stipulation.

## **Class Cost of Service and Rate Design**

The revenue requirement stipulation submitted to the Commission called for an overall revenue requirement for MAWC of \$580,000,000. [See Revenue Requirement Stipulation and Agreement, pg. 2 ¶ 4, EFIS 176]. The Commission's Staff ("Staff") submitted into the record accounting schedules that calculated the Company's combined (*i.e.* water and sewer) Missouri jurisdictional operating revenues for the test year to be \$465,666,355. [Corrected Accounting Schedule (Public and Confidential), schedule 9 pg. 1 line Rev-15, EFIS 145]. As it stands, this means the stipulated revenue requirement represents a 25% increase over the Company's existing revenues.<sup>3</sup> In other words, this case is currently expected to yield a 25% increase to customer's rates.

Needless to say, 25% is already an immense increase to rates. Some solace can be taken in the fact that this is still substantially smaller than what would have befallen customers under either the \$624,33,381 revenue requirement requested by the Company absent a test year or MAWC's \$651,600,061 original revenue requirement request with a test year.<sup>4</sup> [Ex. 13, *Supplemental Direct Testimony of Brian W. LaGrand*, Schedule BWL-1 pg. 2, EFIS 191]. Yet this diminishes neither the scale of the increase nor the likelihood of rate shock that will occur given its size.

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<sup>3</sup>  $((580,000,000 - 465,666,355)/465,666,355)(100) = 24.55\%$

<sup>4</sup> These would have yielded a 34% and 40% increase respectively.  $((624,332,381 - 465,666,355)/465,666,355)(100) = 34.07\%$ ;  $((651,600,061 - 465,666,355)/465,666,355)(100) = 39.92\%$ .

In order to avoid undue rate shock on any one customer class due to the magnitude of the increase, this Commission should adopt the recommendation of its Staff who called for “an equal percent increase across all rates and districts[.]” [Ex. 217, *Direct/Rebuttal Testimony of Melanie Marek*, pg. 6 ln. 21, EFIS 227]. This will mean that the burden of this enormous rate increase will be shouldered by all customers equally and that no one customer class will be singled out to receive an even larger increase. It should also be noted that this recommendation is based on the CCOS study Staff performed for the last MAWC rate case over three years ago. [*Id.* at pg. 3 lns. 6 – 8]. Staff is re-using its old CCOS study because it did not perform a new CCOS study for this case as it found “there was not much difference in the cost allocations” since MAWC’s last case. [*Id.* at lns. 9 – 10]. The Commission has therefore already found the cost allocations Staff is proposing to be fair and reasonable, which further justifies having an equal percentage increase.

An equal percent increase across all rates and districts is the best method to appropriate the current rate increase. It guarantees that everyone is affected equally and that no one class is singled out. Moreover, it is necessary in the given case to alleviate the impact of the existing 25% increase. To tell certain customers that they are getting hit with a 25% increase is concerning on its own, but to tell them that they will see a 30% to 40% increase just so some other customers can get 10% to 20% increase will be adding insult to injury. The Commission should therefore adopt the recommendation of its Staff and order an equal percentage increase across all rates and districts.

## **Universal Affordability Tariff**

Four parties filed written testimony on the issue of the UAT: the OPC, Staff, the Company, and Consumer's Council of Missouri. [see Ex. 22, *Direct Testimony of Charles B. Rea*, EFIS 201; Ex. 205; *Direct/Rebuttal Testimony of Scott J. Glasgow*, EFIS 216; Ex. 450, *Direct Testimony of Roger D. Colton*, EFIS 267; Ex. 309, *Cross-Rebuttal Testimony of Geoff Marke*, EFIS 247]. None of the four parties who filed written testimony directly objected to the program in its totality. [see *Id.*] Instead, some parties simply raised concerns with either specific mechanisms of implementation or the lack of details included in the Company's proposal. [see, e.g., Ex. 205, *Direct/Rebuttal Testimony of Scott J. Glasgow*, pg. 2 lns. 14 – 16, EFIS 216]. This means that well before the hearing began there was no party objecting to the underlying premise of the UAT; just how the program would operate.

Given that all the pre-filed testimony offered on the UAT was tacitly in support of the program at some level, it is no surprise that the four parties who offered testimony on the issue were able to reach an agreement and enter into a stipulation to settle it by resolving the implementation issues and detail problems that had been previously raised. [Non-Unanimous Second Partial Stipulation and Agreement, EFIS 164]. It was at this point, however, that Midwest Energy Consumer's Group ("MECG") filed an objection to this stipulation. [Objection to the Second Partial Stipulation and Agreement, EFIS 167]. This is despite the fact that MECG offered no testimony evidence to directly present its case in either direct/rebuttal or surrebuttal



and further took no position on the issue in its position statement. [Statement of Position, pg. 8, EFIS 148].

The OPC does not seek to argue that the facts now relayed mean MECG is estopped from currently challenging the filed stipulation. However, the OPC also does not believe it is currently necessary to brief an issue for which there is, at present, no contradictory evidence or argument in the record. Therefore, the OPC will reserve this issue for reply briefing so that it may properly address the arguments raised by MECG. The OPC otherwise stands on the stipulation and the testimony evidence offered and admitted supporting the same.

WHEREFORE, the Office of the Public Counsel respectfully requests the Commission rule in the OPC's favor on the issues presented herein and grant any such other relief as is just and reasonable under the circumstances.

Respectfully submitted,

By:           /s/ John Clizer            
John Clizer (#69043)  
Senior Counsel  
Missouri Office of the Public  
Counsel  
P.O. Box 2230  
Jefferson City, MO 65102  
Telephone: (573) 751-5324  
Facsimile: (573) 751-5562  
E-mail: [john.clizer@opc.mo.gov](mailto:john.clizer@opc.mo.gov)

CERTIFICATE OF SERVICE

I hereby certify that copies of the forgoing have been mailed, emailed, or hand-delivered to all counsel of record this fourth day of April, 2025.

/s/ John Clizer