BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Missouri-American Water	)	
Company's Request for Authority to	)	File No. WR-2024-0320
Implement General Rate Increase for Water	)	File No. SR-2024-0321
and Sewer Service Provided in Missouri	)	
Service Areas	)	

Midwest Energy Consumers Group Application For Rehearing

COMES NOW, the Midwest Energy Consumers Group, ("MECG"), pursuant to § 386.500 and 20 CSR 4240-2.160, and hereby requests that the Commission rehear this case because the Commission's findings, conclusions, and decision related to class cost of service and revenue allocation are unjust and unreasonable. The order is unjust and unreasonable in that it is unsupported by substantial and competent evidence considering the whole record and constitutes an abuse of the Commission's discretion.

I. Introduction / Overview of the issues

Commission decisions must be both lawful and reasonable.[1] The decision is lawful when the Commission has statutory authority to render its decision.[2] The decision is reasonable when it is supported by substantial, competent evidence on the whole record, is not arbitrary and capricious, and is not based on an abuse of discretion.[3] MECG asks the Commission to rehear and reconsider its decision on CCOS and revenue allocation for two reasons. First, the Commission's finding that the CCOS studies presented are unreliable based on the use of a future test year is incorrect. Second, the Commission's decision to adopt an equal percentage increase, based on

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[1] *See* Mo. Pub. Serv. Comm'n v. Union Elec. Co., 552 S.W.3d 532, 538-39 (Mo. banc 2018). See also Section 386.510 RSMo. (providing for judicial review of "the reasonableness or lawfulness of the original order" from the PSC).
[2] *See* Office of Pub. Counsel v. Mo. Pub. Serv. Comm'n, 409 S.W.3d 371, 375 (Mo. 2013) (Lawfulness is determined by examining whether "statutory authority for its issuance exists….").
[3] *State ex rel. Praxair, Inc. v. Missouri Pub. Serv. Comm'n,* 344 S.W.3d 178, 184 (Mo. banc 2011).

Staff's claim of "little difference" between CCOS studies, is wrong and contradicted by evidence. Together these errors make the Commission's decision on CCOS and revenue allocation unreasonable, arbitrary, and capricious.

II. The Public Service Commission finding that moving from a future test year to an historical test year makes the CCOS study and analysis of MECG unreliable is unreasonable, arbitrary and capricious, in that, the evidence in the record contradicts this finding.

The Commission errs in its reasoning that moving from a future test year to an historical test year with a true-up makes the CCOS study of MECG unreliable. The change in test period would impact the amount of the revenue requirement but not the allocation factors used to allocate the costs in the CCOS. The test year determines the value, or dollars, of each expense or cost item. For the CCOS allocation factors the test period (whether it be a historical test year, historical test year plus true-up, or future test year) are not impacted. Because of this, it is a non sequitur to say the CCOS study of MECG is unreliable due to a change in test year. The change would be the dollars in each cost category, so there is no need to update the CCOS study to make the allocation methods reliable – their reliability is not impacted by the test period. In a CCOS, the costs are allocated to the classes using allocators or "factors," which are percentages, that are based on the underlying nature of the cost, not the numerical dollar value of the cost. At paragraph 12, p. 13, in its order, the Commission recognizes this fact and describes it accurately:

> "The Company's CCOS study prepared for this case allocates the total revenue requirement for each of those cost categories. The revenue requirement for each of these cost categories is then allocated to the various customer classes MAWC serves, with different cost categories allocated to customer classes using a class allocation factor that differs depending on the nature of the costs."

On this point, the Commission is 100% correct. However, when it comes to the decision in this case – the order fails to follow its own finding to the logical conclusion. The costs provided by the company (and other parties, too) in its filings rarely match what the final amount would be to set rates. However, the allocation factors do not change (unless ordered by the Commission when there is a dispute). That is why typically there is a time between the final order in the case and the compliance tariffs being filed – because the Commission's decisions must be incorporated into what the final rates will look like for each customer class.

To illustrate this point and show why the use of a test period does not change the CCOS's reliability, we can examine the allocation of one cost item where the appropriate allocation factor was disputed in this case - purchased power expense. In this example, Issue 3.a.v. stated: "How should purchased power expenses be allocated?". MAWC advocated for Factor 1, while MECG advocated for Factor 3.

The discussion points below lay out the reasons the Commission's overall decision on CCOS and revenue allocation should be reheard and reconsidered using the facts related to this disputed issue to illustrate the broader concepts on why CCOS is not made unreliable by a test year choice. The questions offered by MECG to guide the Commission's reconsideration are:

- First: what changes when the test year changes?
- Second: how are the allocation factors calculated?
- Third: how does the choice of a test year impact the billing determinates in a CCOS study in a way that may change the allocation factor?
- Fourth: how does the choice of a test year impact the reasonableness of a CCOS study?
- Fifth: what should the Commission do in this case?

First: what changes when the test year changes.

We can examine the impact on this cost category of the Commission's decision to use a historical test year plus true up. In its direct filing, the MAWC included $3,404,675 for Power and Pumping expenses, fuel and power. This is shown in Schedule MWM-2 at p.11, reproduced below (highlighting added):[4]

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[4] Ex. 18.

Missouri-American Water Company
Class Cost of Service Study - Account Detail using One-Step Allocation
Case No: WR-2024-0320, SR-2024-0321

	Post Test Year	Alloc	Description	Residential	Non-Residential	Rate J	Rate B	Rate P	Rate F Private Fire	Public Fire	Total	Variance
Source of Supply Expense												
Operating Expense												
Purchased Water	$ 449,333	1	Total Usage	$ 254,899	$ 87,671	$ 55,288	$ 20,219	$ 30,673	$ 582	$ -	$ 449,333	$ -
Fuel and Power	$ 4,759,803	1	Total Usage	$ 2,700,155	$ 928,705	$ 585,671	$ 214,183	$ 324,921	$ 6,168	$ -	$ 4,759,803	$ -
Salaries and Wages	$ 4,894	2	Base/Extra Daily	$ 2,882	$ 1,036	$ 503	$ 195	$ 274	$ 4	$ -	$ 4,894	$ -
Contract Services - Other	$ 302,230	2	Base/Extra Daily	$ 177,981	$ 63,951	$ 31,055	$ 12,057	$ 16,932	$ 254	$ -	$ 302,230	$ -
Building Maintenance and Services	$ 439,514	2	Base/Extra Daily	$ 258,826	$ 93,000	$ 45,161	$ 17,534	$ 24,624	$ 370	$ -	$ 439,514	$ -
Miscellaneous	$ 327	2	Base/Extra Daily	$ 192	$ 69	$ 34	$ 13	$ 18	$ 0	$ -	$ 327	$ -
Telelcommunications	$ 6,580	2	Base/Extra Daily	$ 3,875	$ 1,392	$ 676	$ 263	$ 369	$ 6	$ -	$ 6,580	$ -
Postage	$ -	2	Base/Extra Daily	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Office supplies and services	$ 7,237	2	Base/Extra Daily	$ 4,262	$ 1,531	$ 744	$ 289	$ 405	$ 6	$ -	$ 7,237	$ -
Materials & Supplies	$ 6,731	2	Base/Extra Daily	$ 3,964	$ 1,424	$ 692	$ 269	$ 377	$ 6	$ -	$ 6,731	$ -
Rents-Property	$ 5,770	2	Base/Extra Daily	$ 3,398	$ 1,221	$ 593	$ 230	$ 323	$ 5	$ -	$ 5,770	$ -
Rents-Equipment	$ 5,455	2	Base/Extra Daily	$ 3,213	$ 1,154	$ 561	$ 218	$ 306	$ 5	$ -	$ 5,455	$ -
Transportation	$ 1,911	2	Base/Extra Daily	$ 1,126	$ 404	$ 196	$ 76	$ 107	$ 2	$ -	$ 1,911	$ -
	$ 5,989,786			$ 3,414,772	$ 1,181,559	$ 721,172	$ 265,546	$ 399,330	$ 7,407	$ -	$ 5,989,786	$ -
Maintenance Expense												
Salaries and Wages	$ 205,668	2	Base/Extra Daily	$ 121,116	$ 43,519	$ 21,133	$ 8,205	$ 11,522	$ 173	$ -	$ 205,668	$ -
Materials & Supplies	$ 76,176	2	Base/Extra Daily	$ 44,860	$ 16,119	$ 7,827	$ 3,039	$ 4,268	$ 64	$ -	$ 76,176	$ -
Transportation	$ 4,911	2	Base/Extra Daily	$ 2,892	$ 1,039	$ 505	$ 196	$ 275	$ 4	$ -	$ 4,911	$ -
Miscellaneous	$ 14,158	2	Base/Extra Daily	$ 8,338	$ 2,996	$ 1,455	$ 565	$ 793	$ 12	$ -	$ 14,158	$ -
Contract Services - Eng	$ -	2	Base/Extra Daily	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contract Services - Other	$ 103,465	2	Base/Extra Daily	$ 60,929	$ 21,893	$ 10,631	$ 4,128	$ 5,797	$ 87	$ -	$ 103,465	$ -
	$ 404,378			$ 238,135	$ 85,565	$ 41,550	$ 16,132	$ 22,655	$ 340	$ -	$ 404,378	$ -
Total SS Expense	**$ 6,394,164**			**$ 3,652,907**	**$ 1,267,125**	**$ 762,722**	**$ 281,678**	**$ 421,985**	**$ 7,747**	**$ -**	**$ 6,394,164**	**$ -**
Power and Pumping Expenses												
Operating Expense												
Fuel and Power	$ 3,404,675	1	Total Usage	$ 1,931,414	$ 664,300	$ 418,929	$ 153,204	$ 232,415	$ 4,412	$ -	$ 3,404,675	$ -
Salaries and Wages	$ 1,520,857	3	Base/Extra Daily w/ Fire	$ 859,646	$ 309,457	$ 148,411	$ 57,805	$ 80,843	$ 14,752	$ 49,945	$ 1,520,857	$ -
Employee Benefits	$ 1,602	3	Base/Extra Daily w/ Fire	$ 905	$ 326	$ 156	$ 61	$ 85	$ 16	$ 53	$ 1,602	$ -
Building Maintenance and Services	$ 3,770	3	Base/Extra Daily w/ Fire	$ 2,131	$ 767	$ 368	$ 143	$ 200	$ 37	$ 124	$ 3,770	$ -
Miscellaneous	$ 3,523	3	Base/Extra Daily w/ Fire	$ 1,991	$ 717	$ 344	$ 134	$ 187	$ 34	$ 116	$ 3,523	$ -
Office supplies and services	$ 192	3	Base/Extra Daily w/ Fire	$ 108	$ 39	$ 19	$ 7	$ 10	$ 2	$ 6	$ 192	$ -
Materials & Supplies	$ 12,263	3	Base/Extra Daily w/ Fire	$ 6,932	$ 2,495	$ 1,197	$ 466	$ 652	$ 119	$ 403	$ 12,263	$ -
Rents-Equipment	$ 4,852	3	Base/Extra Daily w/ Fire	$ 2,743	$ 987	$ 473	$ 184	$ 258	$ 47	$ 159	$ 4,852	$ -
Transportation	$ 136,768	3	Base/Extra Daily w/ Fire	$ 77,307	$ 27,829	$ 13,346	$ 5,198	$ 7,270	$ 1,327	$ 4,491	$ 136,768	$ -
	$ 5,088,502			$ 2,883,177	$ 1,006,917	$ 583,243	$ 217,203	$ 321,921	$ 20,744	$ 55,297	$ 5,088,502	$ -
Maintenance Expense												
Salaries and Wages	$ 622,608	3	Base/Extra Daily w/ Fire	$ 351,921	$ 126,685	$ 60,756	$ 23,664	$ 33,095	$ 6,039	$ 20,446	$ 622,608	$ -
Transportation	$ 7,261	3	Base/Extra Daily w/ Fire	$ 4,104	$ 1,477	$ 709	$ 276	$ 386	$ 70	$ 238	$ 7,261	$ -
Contract Services - Eng	$ 9,407	3	Base/Extra Daily w/ Fire	$ 5,317	$ 1,914	$ 918	$ 358	$ 500	$ 91	$ 309	$ 9,407	$ -
Contract Services - Other	$ 551,245	3	Base/Extra Daily w/ Fire	$ 311,585	$ 112,165	$ 53,793	$ 20,952	$ 29,302	$ 5,347	$ 18,103	$ 551,245	$ -
Miscellaneous	$ 3,075	3	Base/Extra Daily w/ Fire	$ 1,738	$ 626	$ 300	$ 117	$ 163	$ 30	$ 101	$ 3,075	$ -
Materials & Supplies	$ 129,037	3	Base/Extra Daily w/ Fire	$ 72,937	$ 26,256	$ 12,592	$ 4,904	$ 6,859	$ 1,252	$ 4,238	$ 129,037	$ -
	$ 1,322,633			$ 747,602	$ 269,123	$ 129,067	$ 50,271	$ 70,306	$ 12,829	$ 43,435	$ 1,322,633	$ -
Total Pumping Expense	**$ 6,411,135**			**$ 3,630,779**	**$ 1,276,040**	**$ 712,310**	**$ 267,474**	**$ 392,227**	**$ 33,573**	**$ 98,731**	**$ 6,411,135**	**$ -**

That dollar figure was based on the future test year estimate by MAWC. But importantly, the Commission can see that it was allocated using Factor 1, which carries through to show how much of that total cost is allocated to each rate class. If, in fact, the Commission's decision to prohibit a future test year caused that cost amount to change (for purposes of the CCOS it does not matter if it is an increase or a decrease), there is no impact on the allocation factor to assign whatever cost the Commission determines to be appropriate to each customer class. To understand why that is the case, the next step is to look at how the allocation factors are developed.

Second: how are the allocation factors calculated?

MAWC's Exhibit 18, Schedule MWM-1, p. 25 shows how each allocation factor was developed. For purposes of this example, the portion of that schedule showing allocation factor 1 and allocation factor 3 are reproduced below:

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Schedule MWM-1
MAWC Class Cost of Service Study
Case No: WR-2024-0320, SR 2024-0321
Tab: Class Allocator
Page 25 of 29

Missouri-American Water Company
Cost of Service Study - Class Allocators
Case No: WR-2024-0320, SR-2024-0321

1. VARIABLE COST

Item	Residential	Non Residential	Rate J	Rate B	Rate P	Rate F Private Fire	Public Fire	Total	Units
Total Usage	228,746,333	78,676,166	49,615,703	18,144,716	27,526,028	522,548	-	403,231,495	hundred gallons
Allocator	0.5673	0.1951	0.1230	0.0450	0.0683	0.0013	-	1.0000	

2. BASE/EXTRA DAILY

Item	Residential	Non Residential	Rate J	Rate B	Rate P	Rate F Private Fire	Public Fire	Total	Units
Average Daily Use	626,702	215,551	135,933	49,712	75,414	1,432	-	1,104,744	hundred gallons
Extra Capacity	627,595	241,599	65,082	30,392	33,318			997,986	hundred gallons
System Capacity Factor	0.6491								
Average Day Allocator	0.3682	0.1266	0.0799	0.0292	0.0443	0.0008	-	0.6491	
Extra Capacity Allocator	0.2207	0.0850	0.0229	0.0107	0.0117	-	-	0.3509	
Allocator	0.5889	0.2116	0.1028	0.0399	0.0560	0.0008	-	1.0000	

3. BASE/EXTRA DAILY (w FIRE PROTECTION)

Item	Residential	Non Residential	Rate J	Rate B	Rate P	Rate F Private Fire	Public Fire	Total	Units
Average Daily Use	626,702	215,551	135,933	49,712	75,414	1,432	-	1,104,744	hundred gallons
Extra Capacity	627,595	241,599	65,082	30,392	33,318	25,311	93,257	1,116,555	hundred gallons
System Capacity Factor	0.6068	assuming fire protection							
Average Day Allocator	0.3442	0.1184	0.0747	0.0273	0.0414	0.0008	-	0.6068	
Extra Capacity Allocator	0.2210	0.0851	0.0229	0.0107	0.0117	0.0089	0.0328	0.3932	
Combined Allocator	0.5652	0.2035	0.0976	0.0380	0.0532	0.0097	0.0328	1.0000	

4. BASE/EXTRA HOURLY (w FIRE PROTECTION)

Item	Residential	Non Residential	Rate J	Rate B	Rate P	Rate F Private Fire	Public Fire	Total	Units
Average Hourly Use	26,113	8,981	623	431	-	60	-	36,207	hundred gallons
Extra Capacity	90,689	14,246	401	263	-	3,952	13,989	123,540	hundred gallons
System Capacity Factor	0.3343	assuming fire protection							
Average Day Allocator	0.2411	0.0829	0.0058	0.0040	-	0.0006	-	0.3343	
Extra Capacity Allocator	0.4887	0.0768	0.0022	0.0014	-	0.0213	0.0754	0.6657	
Combined Allocator	0.7298	0.1597	0.0079	0.0054	-	0.0218	0.0754	1.0000	

Allocator 1, or factor 1, is for variable cost and is derived from each class's annual water usage. The schedule shows that allocation factor is calculated by dividing the total usage for each class by the company's total usage. For residential, 228,746,333 divided by 403,231,495 yields a result of 0.5673. This allocator is shown in the table above as a rounded figure.

The calculation of allocator 3, or factor 3, is Base/Extra Daily with fire protection. This calculation allocates costs between customer classes based on average flow and peak day demand.[5] MECG offered testimony that this is the appropriate allocator to use for this cost because purchased power expense is based on demand and energy consumption. Demand costs are based on the

[5] Ex. 500, pp. 10-11.

highest power demand in a month, not on average daily usage.[6] This means that the demand component of purchased power expense does not vary with the amount of water consumed, instead it varies with the peak day and peak hour power consumption. In addition, the energy component of purchased power costs also varies with time and seasonal use and does not vary evenly with the daily amount of water consumed.[7] If the Commission used the Factor 3 allocation factor for this cost, the allocator would be 0.5652 for the Residential class. **No matter the test period used, the CCOS allocation methodology is what is important to revenue allocation and class cost of service results.** The dispute between MAWC and MECG on which factor to use is not impacted by the choice of a test period in this case. The test period determines the amount to be allocated, not the allocation method to use.

If we look again at the prior schedule from the company's direct testimony showing the total cost to be allocated, we can see how that factor is used:

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[6] Id.
[7] Id.

Missouri-American Water Company
Class Cost of Service Study - Account Detail using One-Step Allocation
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Contract Services - Eng	$ -	2	Base/Extra Daily	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contract Services - Other	$ 103,465	2	Base/Extra Daily	$ 60,929	$ 21,893	$ 10,631	$ 4,128	$ 5,797	$ 87	$ -	$ 103,465	$ -
	$ 404,378			$ 238,135	$ 85,565	$ 41,550	$ 16,132	$ 22,655	$ 340	$ -	$ 404,378	$ -
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Employee Benefits	$ 1,602	3	Base/Extra Daily w/ Fire	$ 905	$ 326	$ 156	$ 61	$ 85	$ 16	$ 53	$ 1,602	$ -
Building Maintenance and Services	$ 3,770	3	Base/Extra Daily w/ Fire	$ 2,131	$ 767	$ 368	$ 143	$ 200	$ 37	$ 124	$ 3,770	$ -
Miscellaneous	$ 3,523	3	Base/Extra Daily w/ Fire	$ 1,991	$ 717	$ 344	$ 134	$ 187	$ 34	$ 116	$ 3,523	$ -
Office supplies and services	$ 192	3	Base/Extra Daily w/ Fire	$ 108	$ 39	$ 19	$ 7	$ 10	$ 2	$ 6	$ 192	$ -
Materials & Supplies	$ 12,263	3	Base/Extra Daily w/ Fire	$ 6,932	$ 2,495	$ 1,197	$ 466	$ 652	$ 119	$ 403	$ 12,263	$ -
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Transportation	$ 136,768	3	Base/Extra Daily w/ Fire	$ 77,307	$ 27,829	$ 13,346	$ 5,198	$ 7,270	$ 1,327	$ 4,491	$ 136,768	$ -
	$ 5,088,502			$ 2,883,177	$ 1,006,917	$ 583,243	$ 217,203	$ 321,921	$ 20,744	$ 55,297	$ 5,088,502	$ -
Maintenance Expense												
Salaries and Wages	$ 622,608	3	Base/Extra Daily w/ Fire	$ 351,921	$ 126,685	$ 60,756	$ 23,664	$ 33,095	$ 6,039	$ 20,446	$ 622,608	$ -
Transportation	$ 7,261	3	Base/Extra Daily w/ Fire	$ 4,104	$ 1,477	$ 709	$ 276	$ 386	$ 70	$ 238	$ 7,261	$ -
Contract Services - Eng	$ 9,407	3	Base/Extra Daily w/ Fire	$ 5,317	$ 1,914	$ 918	$ 358	$ 500	$ 91	$ 309	$ 9,407	$ -
Contract Services - Other	$ 551,245	3	Base/Extra Daily w/ Fire	$ 311,585	$ 112,165	$ 53,793	$ 20,952	$ 29,302	$ 5,347	$ 18,103	$ 551,245	$ -
Miscellaneous	$ 3,075	3	Base/Extra Daily w/ Fire	$ 1,738	$ 626	$ 300	$ 117	$ 163	$ 30	$ 101	$ 3,075	$ -
Materials & Supplies	$ 129,037	3	Base/Extra Daily w/ Fire	$ 72,937	$ 26,256	$ 12,592	$ 4,904	$ 6,859	$ 1,252	$ 4,238	$ 129,037	$ -
	$ 1,322,633			$ 747,602	$ 269,123	$ 129,067	$ 50,271	$ 70,306	$ 12,829	$ 43,435	$ 1,322,633	$ -
Total Pumping Expense	**$ 6,411,135**			**$ 3,630,779**	**$ 1,276,040**	**$ 712,310**	**$ 267,474**	**$ 392,227**	**$ 33,573**	**$ 98,731**	**$ 6,411,135**	**$ -**

MAWC's CCOS takes that total value of $3,404,675 for source of supply expense, fuel and power and applies allocator 1. That means the cost is multiplied by the factor 1 percentage calculated for each customer class. In this example, we calculated the residential allocator factor 1 to be 0.5673. Multiplying that factor 1 percentage by the amount of the cost yields a dollar amount of $1,931,413.91 (i.e., $3,404,675 x 0.5673) allocated to the residential class. This figure is rounded in the MAWC schedule to the nearest dollar figure, as can be seen above.

Third: how does the choice of a test year impact the billing determinates in a CCOS study in a way that may change the allocation factor?

As explained above, the choice of test year affects the dollar amounts of investment and expenses to be allocated. In addition, the billing determinates used to set rates may also change. Differences in revenue requirements and billing determinates, such as usage, are a routine disagreement in rate cases and do not impact the reasonableness of a CCOS study. As discussed above, the calculation of the various allocation factors is dependent on methodology. Carrying forward the example of factor 1, if we assume that the use of a future test year impacted the volumetric usage to be used to set rates the methodology to determine the allocation factor would remain the same. That is, each class's Commission-approved water usage would be divided by the district's total water usage to develop the Factor 1 allocation percentage.

In fact, the inputs changing would not be unusual – billing determinates are often disputed and, if the issue must be decided by the Commission, after its Order the Company (frequently with the input from parties) develops compliance rates to implement the Commission's decisions. This normal process may result in updated numerical allocation factors to those that were filed and supported in the case – but the mechanics of the allocation methodology will remain constant, and so, there's nothing done that renders the CCOS studies inherently unreliable if done according to accepted methodologies. Moreover, as a practical matter in this case, the billing determinates were stipulated in the revenue requirement stipulation and agreement so there is no dispute on this issue.[8]

Fourth: how does the choice of a test year impact the reasonableness of a CCOS study?

As shown above, the choice of a test period does not impact the reasonableness of a CCOS methodology. In this case, the inputs may have some variation based on the costs after the future test period estimates were removed by the company, but the application of the allocation factor does not change. The Commission errs in finding MAWC, MIEC, and MECG's CCOS study analysis to be unreliable on the mistaken belief that choice of a test period impacts the allocation factors to be used to assign the final costs to the various customer classes.

All of this is supported by the fact that, when its future test year was rejected, MAWC did not file a new CCOS study or testimony. Instead, MAWC filed its *Motion for Leave to Supplement the Direct Testimony of Brian W. LaGrand* stating that it was making this filing in response to and acknowledging the Commission's ordered test year and submitting Mr. LaGrand's testimony to comply with that Order.[9] The Supplemental Direct Testimony of Brian W. LaGrand was filed and eventually admitted as Exhibit No. 13. It addresses the costs that changed as a result of the test year. Rather than drawing the inference that MAWC (and other parties) ignored the Commission's ordered test year it is more reasonable to understand that there was no need to file a new CCOS study, because the existing one would be updated in in the normal course of the rate case.

It is the application of the appropriate allocation factors that is important in the CCOS, not necessarily the underlying cost amounts because, as the Commission knows, those underlying cost

[8] Revenue Requirement Stipulation and Agreement, Doc. No. 176, p. 2, paragraph 6 (referring to appendix A to that document).
[9] Motion for Leave to Supplement the Direct Testimony of Brian W. LaGrand, Doc. No. 46.

amounts (and billing determinates used to derive allocation factor percentages) may ultimately not be known until the Commission issues a final decision in the case.

Fifth: what should the Commission do in this case?

The Commission should reconsider and rehear this issue. The Commission can make the findings related to the allocation factors to be applied in this case, supported by the evidence in the record, as outlined in MECG's initial brief. Then, it should adopt MECG's policy recommendation to move towards cost of service in a gradual manner to avoid burdening any class with an increase greater than 1.25 times the system average.

III. The Commission's decision on Staff's finding that "there was little difference between the cost allocations in the CCOS Study the Company conducted in this case and those used in Staff's CCOS study in the most recent rate case for MAWC" is unreasonable, arbitrary, and capricious, in that, it is contradicted by the evidence in the record.

The Commission's Order incorrectly restates what the record shows the Staff did and contradicts its own findings. First, Staff did no evaluation of the factors - as the Commission found in paragraph 23 on p. 15 of the Order: "Staff did not identify any specific examples of the allocation factor similarities between its CCOS study from the Company's last rate case and the Company's CCOS study in the current rate case in either prefiled testimony or at the evidentiary hearing." Further, Staff's witness admitted at the hearing that she had not seen the results of Staff's CCOS study from the prior MAWC rate case until it was introduced as a hearing exhibit in the instant case:

> [Mr. Fischer]: Ms. Marek, I'd like to show you this exhibit which I've taken from the rebuttal testimony of Staff witness Carry Roth in that last rate case. It was Exhibit 127. Have you previously seen this schedule?
>
> [Ms. Marek]: When you presented it to me, yes.

[Mr. Fischer]: You've seen this before?

[Ms. Marek]: Yes. When you presented it to me.[10]

The record shows that Staff did not do what it claims to have done. The Commission cannot base its determination on this point and should reconsider its decision.

Second, the allocation results from Staff's study in the last case are nowhere close to what MAWC proposed in its direct testimony. To conclude there is "little difference between the cost allocations" does not reflect reality. Exhibit 700 is Staff's prior CCOS result, showing (highlighting added):

Missouri-American Water Company
WR-2022-0303
Staff Class Cost of Service Study District 2
COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES
FOR THE TEST YEAR ENDED June 30, 2022 UPDATED TO December 31, 2022

Customer Classification	Cost of Service Amount	Cost of Service Percent	Cost of Service After Realocation of Public Fire		Present Revenues Amount	Present Revenues Percent	Proposed Revenues Amount	Proposed Revenues Percent	Cost of Service Amount	Cost of Service Percent Increase
(1)	(2)	(3)			(4)	(5)	(6)	(7)	(8)	(9)
Residential	$ 64,624,231	60.1%	$ 70,176,452	65.3%	$ 54,876,626	60.1%	$ 15,299,826	94.3%	$ 70,176,452	27.9%
Commercial	17,077,923	15.9%	$ 18,235,283	17.0%	$ 17,934,442	19.6%	$ 300,841	1.9%	$ 18,235,283	1.7%
Industrial	9,986,793	9.3%	$ 10,115,815	9.4%	$ 9,496,157	10.4%	$ 619,658	3.8%	$ 10,115,815	6.5%
Other Public Authority	3,908,433	3.6%	$ 4,187,234	3.9%	$ 3,938,759	4.3%	$ 248,475	1.5%	$ 4,187,234	6.3%
Sales for Resale	2,807,292	2.6%	$ 2,842,856	2.6%	$ 3,626,612	4.0%	$ (783,756)	-4.8%	$ 2,842,856	-21.6%
Private Fire Service	1,967,066	1.8%	$ 1,967,066	1.8%	$ 1,434,399	1.6%	$ 532,667	3.3%	$ 1,967,066	37.1%
Public Fire Service	7,152,968	6.7%								
Total Sales	107,524,705	100%	$ 107,524,705		$ 91,306,995	100%	16,217,710	100%	107,524,705	17.8%
Other Revenues	1,713,635									
Total	$ 109,238,340		$ 107,524,705		$ 91,306,995		$ 16,217,710		$ 107,524,705	17.8%
True-Up Estimate	5,463,204						5,463,204		5,463,204	
Total w/ True-Up	$ 114,701,544						$ 21,680,914		$ 112,987,909	

Note: Present Revenues and Proposed Revenues from Staff's EMS Run.

[10] Tr. Vol. 10, pp. 160-61.

Table 1 in exhibit 18, shows MAWC's CCOS result (highlighting added):

TABLE 1

St. Louis County			
Customer Class	**Revenue at Present Rates**	**Cost of Service**	**Difference**
Residential	$ 219,196,203	$ 322,410,900	47.09%
Non-Residential	$ 68,531,934	$ 81,316,451	18.65%
Rate J	$ 11,296,485	$ 19,195,185	69.92%
Rate B	$ 4,931,008	$ 7,116,063	44.31%
Rate P	$ 4,684,084	$ 8,861,800	89.19%
Rate F (Private Fire)	$ 4,998,343	$ 8,349,932	67.05%
Public Fire			
Total	$ 313,638,057	$ 447,250,332	42.60%
Non-St. Louis County			
Customer Class	**Revenue at Present Rates**	**Cost of Service**	**Difference**
Residential	$ 68,796,681	$ 106,423,077	54.69%
Non-Residential	$ 30,997,236	$ 36,688,034	18.36%
Rate J	$ 10,574,417	$ 13,764,877	30.17%
Rate B	$ 4,406,843	$ 6,817,915	54.71%
Rate P	$ 1,091,501	$ 3,973,251	264.02%
Rate F (Private Fire)	$ 1,926,258	$ 5,702,475	196.04%
Public Fire			
Total	$ 117,792,936	$ 173,369,630	47.18%

Comparing the results of the two cost allocations, in terms of a relative index[11] of increase, shows how different they are:

STAFFS - District 2 (All other)		
	Cost of Service Percent increase (Staff prior case)	Index
Residential	27.9%	1.57
Commercial	1.7%	0.10
Industrial	6.5%	0.37
Other Public Authoirty	6.3%	0.35
Sales for Resale	-21.6%	(1.21)
Private Fire Service	37.1%	2.08
		-
System increase	17.8%	1.00

MAWC's Direct - District 2 (Non Stl County)		
	Cost of service Percent Increase (MAWC direct)	Index
Residential	54.69%	1.16
Non-residential	18.36%	0.39
Rate J	30.17%	0.64
Rate B	54.71%	1.16
Rate F (Private Fire)	196.04%	4.16
System increase	47.18%	1.00

DIFFERENCE	
	Staff's prior CCOS minus MAWC's direct in this case
Residential	0.41
Non-residential	(0.29)
Rate J	(0.27)
Rate B	(2.37)
Rate F (Private Fire)	(2.07)

[11] Relative index is calculated by dividing the percentage increase to a particular customer class by the percent increase to the entire system (in this case the % to each district).

Finding that these allocations are similar is not supported by evidence or common-sense. To further illustrate this point, the Commission's Order in this case inherently contradicts its own finding when it says at paragraph 33, p. 17: "Staff's CCOS study filed in MAWC's last rate case quantified proposed revenue decreases for Sales for Resale customers in both District 1 and District 2." This finding is shown in the "sales for resale" line. In that prior case, Staff's CCOS would have given Sales for resale a *reduction* in rates at an index of negative 1.21. In this case, MAWC's direct CCOS would give Rate B (which is sales for resale customers) an *increase* in rates at an index of 1.16. This swing in the index from a 20% decrease to a 16% increase cannot reasonably amount to "little difference between the cost allocations". Because the Commission's findings about Staff's analysis are contradicted by the evidence in the record, relying on them in its decision on CCOS and revenue allocation is unreasonable, arbitrary and capricious. The Commission should rehear and reconsider its decisions that rely on the Staff's analysis.

IV. Conclusion

The Commission should rehear and reconsider its decision to allocate the increase on an equal percentage basis because its decision is based on (1) the mistaken belief that the choice of a test period means that the CCOS analysis offered by MAWC, MIEC and MECG is unreliable when, in fact, these methodologies and allocation factors do not change based on the Commission's rejection of the future test year and (2) the Commission erred in relying on the Staff's speculations about the cost of service studies in this case by relying on assertions that are contradicted by the evidence in the record.

Rehearing and reconsidering these issues will aid the Commission in setting cost-based rates. Over the years, the Commission has repeatedly recognized the need for cost-based rates in its rate case orders. Even when the Commission has not made movement towards setting rates based on a class cost of service study, the Commission has reiterated that it "continues to believe that cost-based rates are appropriate."[12] Setting rates based on cost-of-service is good public policy because doing so promotes equity among classes and encourages economic efficiency. First, if revenues are allocated to classes and align closely with the class cost responsibility, equity is maintained because each class pays its fair share of costs. Second, if retail rates align with cost of service, they reflect accurate pricing signals that drive consumer behavior, which in turn results in more efficient use of the system and minimizes system costs.

The starting point in setting cost-based rates is a class cost of service study. By relying on a CCOS, the Commission has a guiding principle in allocating revenue requirement to classes and informing rate design supported by evidence. Resolving issues 3.a.i through 3.a.vii as described in the briefs of MECG results in a CCOSS that can be relied on to set rates in this case and that advances sound regulatory policy objectives.

WHEREFORE, MECG submits its Application For Rehearing and asks the Commission to reconsider its Order on the foregoing points.

Respectfully,

/s/ Tim Opitz
Tim Opitz, Mo. Bar No. 65082
Opitz Law Firm, LLC
308 E. High Street, Suite B101
Jefferson City, MO 65101
T: (573) 825-1796
tim.opitz@opitzlawfirm.com

ATTORNEY FOR MIDWEST
ENERGY CONSUMERS GROUP

Certificate of Service

[12] *Report and Order*, Case No. ER-2022-0337, p. 24.

I hereby certify that copies of the foregoing have been emailed to all counsel of record this 16th day of May 2025:

/s/ Tim Opitz