

Exhibit No. 128

Staff – Exhibit 128
Daronn A. Williams
Rebuttal Testimony (Class Cost of Service)
File No. WR-2022-0303

Exhibit No.:
Issue(s): *Main Extension Rule*
Witness: *Daronn A. Williams*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case No.: *WR-2022-0303*
Date Testimony Prepared: *January 25, 2023*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

WATER, SEWER & STEAM DEPARTMENT

REBUTTAL TESTIMONY
Class Cost of Service/Rate Design

OF

DARONN A. WILLIAMS

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2022-0303

Jefferson City, Missouri
January 2023

1 A. Section A.2 of Rule 23 states, in part, that MAWC will pay for the cost of all
2 main extensions where the cost of the extension does not exceed four times the applicant's¹
3 estimated average annual revenue. Applicants must commit to purchase water service for at
4 least one year, and guarantee to MAWC that they will take water service within 120 days after
5 MAWC accepts the main and determines it is ready for service.

6 If the estimated cost of the extension exceeds four times MAWC's estimate of
7 the applicant's average annual revenue, Section A.3. of Rule 23 states that the applicant and
8 MAWC shall fund the remaining cost (the total cost less four times the applicant's estimated
9 average annual revenue) according to ratios based upon the project's location. For projects in
10 the St. Louis Metro District, the proposed water main extension is funded at a ratio of 95:5, in
11 which the applicant funds 95% of the remaining cost, and MAWC funds 5%. Projects in all
12 other districts are funded at a ratio of 86:14, in which the applicant funds 86% of the remaining
13 cost, and MAWC funds 14%.

14 Q. What changes to Rule 23 does MAWC propose?

15 A. MAWC proposes to remove the 120-day time frame. MAWC further proposes
16 that there be no deadline for applicants taking water service, because it states that developers
17 have a difficult time completing the new service connections within this time frame. In
18 addition, MAWC proposes that the funding ratio for all districts be at a ratio of 65:35, in which
19 the applicant funds 65% of the remaining cost and MAWC funds 35%. MAWC states that this
20 ratio "more accurately reflect[s] refunds for the build out of the developments reviewed."²

21 Q. What is Staff's opinion of MAWC's proposal?

¹ Applicants are typically land developers building residential subdivisions.

² *Direct Testimony of Jeffrey T. Kaiser*, WR-2022-0303, P. 22:14-17.

1 A. Staff does not object to removing the 120-day time frame and does not object to
2 the general effort of simplifying the refund program by using the same refund ratios for all
3 districts, but does object to the 65:35 ratio.

4 Q. Why does Staff object to the 65:35 ratio?

5 A. Staff objects to MAWC funding 35% of the remaining cost because this amount
6 is based on the maximum hypothetical refund for main extensions for all subdivisions from
7 2018 through 2022. It is based on the assumption that all of the lots in each subdivision will be
8 built out, that MAWC paid four times the average revenue for each lot, and that the new
9 developer will take water service at its premises within 120 days after the date MAWC accepts
10 the main. According to the data provided in MAWC's response to Staff Data Request ("DR")
11 No. 0264, not all planned lots are developed and connected to the MAWC system, and, per
12 Mr. Kaiser's testimony (lines 9 and 10 on page 22), not all homes take water service at their
13 premises within the 120-day time frame. Between 2018 and 2022 there were 2,371 lots planned
14 to be developed, but only 1,653 lots were actually developed. This is roughly 70% of lots
15 actually being developed for single-family residences. Staff was not provided data related to
16 how often the homes take water service within the 120-day time frame.

17 Mr. Kaiser included Schedule JTK-1 in his direct testimony to show how
18 MAWC calculated its proposed 65:35 ratio. In its response to DR No. 0264, MAWC states a
19 particular project was inadvertently counted twice in this schedule. MAWC corrected the
20 schedule in its response to this DR in a "2022 grc - mopsc 0264_attachment 2" document. I
21 have prepared Schedule DAW-r2, which shows MAWC's updated Schedule JTK-1 with some
22 column headings updated for clarity. This schedule additionally shows (1) the number of lots
23 that were actually developed by 2022 per district, (2) MAWC's actual cost for the main

1 extensions per district, and (3) the corresponding percentage paid for residential main
2 extensions from 2018 through 2022. This information was gathered from MAWC's response
3 to DR 0264.

4 Two columns in this schedule shows the median (the middle number in a given sequence
5 of numbers) of what MAWC calls "MAWC percentage of total cost" (which is the maximum
6 hypothetical percentage values) and the actual percentage MAWC spent. The values in the
7 column named "MAWC Percentage of Total Cost Using 4*Revenue" is derived by dividing the
8 corresponding value in the "Total MAWC Contribution Using 4*Revenue" column by the
9 corresponding value in the "Total Cost of the Developer Project" column. Values in the column
10 named "MAWC Percentage of Total Cost Using 4*Revenue" are the corresponding percentages
11 MAWC would refund if (1) all of the lots in each subdivision will be built out, (2) MAWC paid
12 four times the average revenue for each lot, and (3) the new developer will take water service
13 within the 120-day time frame.

14 The median, as calculated utilizing data in Schedule JTK-1, for MAWC's maximum
15 hypothetical values is 34.91%. Staff believes this is where MAWC's proposed 35% comes
16 from. However, the median of what MAWC actually spent is 14.30%. The median of these
17 two values is 24.60%, which is the middle number between MAWC's proposed refund rate and
18 its current refund rate for all districts. As a result, Staff recommends MAWC use of a refund
19 rate of 25% for all districts.

20 In summary, Staff objects to the use of the 35% refund because it is based on the
21 maximum hypothetical amount MAWC could refund and not actual amounts it has refunded.
22 Staff would prefer to rely on historical data rather than hypothetical data.

23 Q. Does Staff have an alternate proposal?

Rebuttal Testimony of
Daronn A. Williams

1 A. Yes. Staff proposes a 25% refund rate instead of MAWC's proposed
2 35% refund rate.

3 Q. Why does Staff propose a 25% refund rate?

4 A. Staff proposes a 25% refund rate as this is based on the median as calculated
5 using actual data and MAWC's hypotheticals, while MAWC is requesting a rate based solely
6 on hypotheticals. Staff does not object to MAWC's efforts to simplify the refund process while
7 remaining competitive and incentivizing residential developments in its service areas.
8 However, Staff would prefer a conservative approach in this matter while being conscientious
9 of this impact on MAWC customers. Any refund MAWC distributes to developers will become
10 a part of rate base and, thus, MAWC would have the ability to earn a return on this investment;
11 this return would be passed along to the ratepayers.

12 Q. What is Staff's recommendation?

13 A. Staff recommends the Commission allow MAWC to change Rule 23 (tariff
14 Sheet Nos. R48-51 and R55) to allow a Company refund rate of 25% for all districts in Missouri
15 and remove the 120-day time frame.

16 Q. Does this conclude your rebuttal testimony?

17 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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

Case No. WR-2022-0303

AFFIDAVIT OF DARONN A. WILLIAMS

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

COMES NOW DARONN A. WILLIAMS and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Rebuttal Testimony of Daronn A. Williams*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.


DARONN A. WILLIAMS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 20th day of January 2023.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070


Notary Public

Daronn A. Williams

As an Associate Engineer with the Water, Sewer and Steam Department of the Commission Staff, my core duties revolve around being the lead engineer for a variety of cases such as Application for Certificate, Merger, Sale, Transfer, Rate Case, Territorial Agreement, and more filed with the Commission from water and sewer utilities. I also hold a Drinking Water Distribution Level – 1, Drinking Water Treatment Level – D, and Wastewater Treatment Level – D Operations Certification.

Educational Background and Work Experience

I hold a Bachelor of Science Degree in Environmental Engineering from Missouri University of Science & Technology. Prior to starting at the Commission, in December 2018, I worked as an Environmental Engineer at the Missouri Department of Natural Resources (DNR) for the Air Pollution Control Program, from January 2009 to November 2018.

Previous Testimony Before the Public Service Commission

Case Number	Company	Type of Filing	Issue
SA-2021-0017	Missouri American Water Company, Inc.	Surrebuttal & Live Testimony	General Info & Misc.

