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RSM Tariff Issues
Mantle/Rebuttal
Public Counsel
WR-2022-0303

REBUTTAL TESTIMONY
Class Cost of Service/Rate Design

OF

LENA M. MANTLE

Submitted on Behalf of the Office of the Public Counsel

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2022-0303

January 25, 2023

CLASS COST OF SERVICE/RATE DESIGN

REBUTTAL TESTIMONY

OF

LENA M. MANTLE, P.E.

MISSOURI AMERICAN WATER COMPANY

CASE NO. WR-2022-0303

1 **Q. What is your name?**

2 A. Lena M. Mantle.

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

5 A. Yes, I am.

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

7 A. Missouri American Water Company (“MAWC”) filed two tariff sheets, Original
8 Sheet No. RT 30.1 and Original Sheet No. RT 30.2, that were intended to describe
9 its proposed revenue stabilization mechanism (“RSM”). In this testimony, I will
10 point out the instances where these tariff sheets contradict the testimony regarding
11 MAWC’s proposed RSM, and where the tariff sheets are unclear or incorrect.

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

13 A. No. In my rebuttal testimony filed on January 18, 2023, I recommended the
14 Commission not approve an RSM for MAWC because MAWC did not show that
15 an RSM was necessary for it to earn a sufficient return on its investments nor that
16 there were benefits to its customers that outweighed the shift of risks to them. In
17 addition, the inclusion of production costs in an RSM is not allowed by Section
18 386.266.4 RSMo., as I understand the statute, under which MAWC is requesting
19 the RSM.

20 In this testimony, I will detail some of the problems with the tariff sheets that
21 MAWC provided to implement the RSM. These problems show the Commission

1 how MAWC has not thought through all of the details of its proposed RSM. This
2 provides yet another reason why the Commission should not approve an RSM for
3 MAWC.

4 **Q. What problems did you find in MAWC’s proposed tariff sheet RT 30.1?**

5 A. I found at least fifteen (15) problems on MAWC’s proposed tariff sheet RT 30.1.
6 Additional problems may also exist.

7 Table 1 below lists the problems I found. I organized Table 1 to follow the headings
8 and definitions included on MAWC’s proposed tariff sheet RT 30.1. I have
9 grouped together the problems applicable to each definition.

10 Table 1
11 Problems in MAWC’s Proposed Tariff Sheet RT 30.1

Section A – Definitions

A. Actual Revenue (AR)

- 1) Service Classifications are not identified in the proposed RSM tariff sheets (proposed tariff sheets RT 30.1 or RT 30.2) or anywhere in MAWC’s currently effective or proposed tariff sheets.
- 2) Revenue from acquisitions approved by the Commission are excluded. This definition does not designate if the revenues from acquisitions that are excluded are *collected* or *billed* revenue.
- 3) The definition states that revenues *collected* under Rate I or Rate W are excluded. This is inconsistent with the reference to *billed* revenues in other parts of this definition.
- 4) This proposed tariff sheet does not designate the time period over which the AR is calculated. Tariff sheet RT 30.2 says it is annual. However, Mr. Watkins’s Direct Testimony says a monthly comparison will be done.¹
- 5) The tariff sheet does not specify what constitutes total revenue. It merely states what is not included.

B. Actual Production Costs (APC)

- 6) Mr. Watkins states that a percentage of the production costs would be removed to account for the production costs attributable to the industrial customers.² This tariff sheet does not exclude a portion of these costs.

¹ Watkins Direct Testimony, p. 11.

² *Id.* 10.

- 7) Mr. Watkins states that a percentage of the production costs would be removed to account for the production costs attributable to the industrial customers.³ This tariff sheet does not specify how to calculate the portion of these costs to be excluded.
- C. Effective Period
- 8) It is unclear whether the period billed to customers is the billing months or the calendar months of April through December.
- 9) The language regarding the Filing Month is unnecessarily complicated because, as explained further below, the Filing Month will always be January.
- D. Effective Period Usage (G)
- 10) This tariff sheet states that the effective period is the time period that the adjustment *is to be* collected from customers, indicating that it is a future time period. The definition for G stated that it is the units *delivered* to customers. This amount is unknown because customers have not had anything delivered in this future time period yet.
- E. Filing Month
- 11) This definition says the filing will be submitted to the Commission on or before January 31. However, section C on Sheet RT 30.2 says the filing will be made on or before January 30.
- 12) Because 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. The language of this definition is unnecessarily complicated.
- 13) The definition of Filing Month is only used in the definition of Effective Period. Therefore, a definition of Filing Month is unnecessary and complicates the tariff sheet.
- F. Previous Amortization Period
- 14) This term is not used in tariff sheets RT 30.1 or RT 30.2. Therefore, this definition is unnecessary.
- G. Rate Case Revenue (RCR)
- 15) Service Classifications are not identified in the proposed RSM tariff sheets (tariff sheets RT 30.1 or RT 30.2) or anywhere in MAWC’s current or proposed tariff sheets.

- 1 **Q. What problems did you find in MAWC’s proposed tariff sheet RT 30.2?**
- 2 A. I found at least fifteen (15) problems in MAWC’s proposed tariff sheet RT 30.2.
- 3 Additional problems may also exist.

³ *Id.*

1 Table 2 below lists the problems I found. I organized Table 2 to follow the headings
2 and definitions listed on MAWC’s proposed tariff sheet RT 30.2. I have grouped
3 together the problems applicable to each definition and heading.

4 Table 2
5 Problems in MAWC’s Proposed Tariff Sheet RT 30.2

- | |
|--|
| <p>H. Rate Case Production Costs (RPC)</p> <ul style="list-style-type: none">1) Mr. Watkins states that a percentage of the production costs would be removed to account for the production costs attributable to the industrial customers.⁴ This tariff sheet does not exclude a portion of these costs.2) Mr. Watkins states that a percentage of the production costs would be removed to account for the production costs attributable to the industrial customers.⁵ This tariff sheet does not specify how to calculate the portion of these costs to be excluded. <p>I. Upcoming Amortization Period</p> <ul style="list-style-type: none">3) The Upcoming Amortization Period definition is unnecessary because it is the same time period as the Effective Period on proposed sheet RT 30.1.4) The term Upcoming Amortization Period is not used anywhere in the RSM tariff sheets (proposed tariff sheets RT 30.1 and RT 30.2). <p><u>Section B – Determination of Adjustment</u></p> <ul style="list-style-type: none">5) There is no name for the adjustment rate, just a formula.6) The formula components are defined as annual numbers. However, Mr. Watkins’s testimony says that the differences between actual billed revenues and revenue requirement would be done on a monthly basis.⁶7) The formula on this tariff sheet would not result in a rate that includes the differences in revenues or production costs. The formula only includes the short-term interest paid on the differences in revenue and production costs, plus “RA,” which, as explained below is unclear. The sum of those components is then divided by the Effective Period.8) From the definition provided on proposed tariff sheet RT 30.2, it is unclear to what the formula component “RA” refers. “RA” could be interpreted as the differences between billed revenue and revenue requirement. However, it may also be the reconciliation component described by Mr. Watkins in his direct testimony.⁷ |
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⁴ *Id.* 10.

⁵ *Id.*

⁶ *Id.*

⁷ *Id.* 11.

- 9) The tariff sheet states that the “adjustment components above shall be summed together for billing purposes.” There are no adjustment components. Rather, there is only a formula with some components. Therefore, it is unclear what the tariff sheet means when it refers to “adjustment components.”
- 10) This tariff sheet states “If either component of the adjustments ...” It is unclear what *components* the tariff sheet is referring to here.
- 11) The tariff sheet describes a rounding of components in the “per 100 Gallons adjustment.” It is unclear whether the rounding described in this section is done before or after the components are summed.

Section C – Reports and Reconciliations

- 12) The definition of Filing Month in proposed sheet RT 30.1 sets the filing as before or on January 31 in contrast to this sections’ provision that sets the filing on or before January 30.
- 13) This section states that the RSM calculation will be done, but the “RSM calculation” is not defined anywhere on the tariff sheets (proposed tariff sheets RT 30.1 or RT 30.2).
- 14) There is no a space between “April” and “1.”
- 15) The tariff sheet states “Any credit will be issued as soon as administratively possible.” This is too vague and gives the Commission no recourse if MAWC delays the issuance of a credit.

1 **Q. MAWC witness John M. Watkins 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.⁸ Did you find this provision in the proposed**
4 **tariff sheets?**

5 **A.** No. The term RA on the proposed sheet RT 30.2 may be referring to a true-up, but
6 it is unclear from the proposed tariff sheets.

⁸ *Id.* 13.

1 **Q. Assuming that the term RA refers to the true-up required by Section**
2 **386.266.5(2) RSMo., does the term RA include the provision of short-term**
3 **interest as required by Section 386.266.5(2) RSMo.?**

4 A. As I understand Section 386.266.5(2), no, it does not. The only place that the
5 interest variable is used is in the formula on MAWC's proposed sheet RT 30.2.

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

9 A. Neither proposed tariff sheet RT 30.1 nor RT 30.2 identify the specific information
10 used to calculate the specific rate charged if billed revenues were less than the
11 revenue requirement in the rate case.

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

15 A. Mr. Watkins describes in his testimony⁹ how the credit for each customer would be
16 calculated and applied. Neither proposed tariff sheet RT 30.1 nor RT 30.2 describe
17 the process outlined in his testimony or identify how the data is used to determine
18 the amount of the credit itself.

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

21 A. The information that is used to calculate the charge/credit. For MAWC's proposed
22 RSM, this would be Actual Revenue, Rate Case Revenue, Actual Production Costs,
23 Rate Case Production Costs, the true up amount, and the Effective Period Usage.¹⁰

⁹ *Id.* 11-12.

¹⁰ 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 1st Revised Sheet No. 71.31 shows the calculation of its current Fuel Adjustment Rate.

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

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

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

10 A. No. I requested from MAWC a sample bill that would show how the RSM would
11 be separately identified on customers’ bills.¹¹ MAWC’s response included sample
12 bills from New York American Water Company and Illinois American Water
13 Company. MAWC’s response to OPC DR No. 8001 is attached to this testimony
14 as LMM-R-4.

15 **Q. Could you identify an RSM on these bills?**

16 A. No. From its written response, MAWC directed me to the “RAC/PTR Credit” on
17 the New York American Water Company sample bill and the “VBA Surcharge
18 Water” on the Illinois American Water Company sample bill.

19 I then sent OPC Data Request 8001.1 asking MAWC for a Missouri American
20 Water Company sample bill, specific to Missouri. MAWC’s response to this data
21 request included a written response and a sample MAWC bill. MAWC’s response
22 to OPC DR 8001.1 is attached as Schedule LMM-R-5.

¹¹ OPC Data Request 8001.

1 This sample bills shows an “RSM Surcharge” on the third page of the bill but it
2 does not provide an explanation of that surcharge on the bill. However, on that
3 same bill MAWC states:

4 Surcharges are used to recover changes to costs that occur between
5 ratemaking cycles. Common surcharges include Purchased Water,
6 Consolidated Expenses, Conservation, Intervenor Compensation
7 and Payment Assistance.

8 **Q. Are any of these surcharges “common” to MAWC?**

9 A. No. To my knowledge, none of these types of surcharges are allowed in Missouri.

10 **Q. How does this sample bill tie to MAWC’s proposed RSM tariff sheets?**

11 A. MAWC’s response to OPC DR 8001.1 shows that MAWC is proposing calling this
12 an “RSM surcharge” on customer bills. There is no “RSM surcharge” defined in
13 MAWC’s proposed RSM tariff sheets RT 30.1 and RT 30.2.

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

16 A. No. The proposed tariff sheets reflect MAWC’s lack of detailed planning for an
17 RSM. The Commission should not approve an RSM for MAWC because, as I
18 explained in my prior rebuttal testimony MAWC has not sufficiently shown that an
19 RSM is necessary for MAWC to earn a return on its investments. The inadequate
20 tariff sheets MAWC proposed to implement the RSM, further support my
21 recommendation for the Commission to not approve an RSM for MAWC. MAWC
22 is asking for an RSM without showing that it has spent time considering the details
23 of such a mechanism that would shift the risk of revenue recovery from MAWC to
24 its customers. Therefore, these tariff sheets will not be necessary.

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

26 A. Yes, it does.

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

In the Matter of the Application of Missouri-)
 American Water Company's Request for)
 Authority to Implement General Rate Increase) Case No. WR-2022-0303
 for Water and Sewer Service Provided in)
 Missouri Service Areas)

AFFIDAVIT OF LENA M. MANTLE

STATE OF MISSOURI)
) ss
 COUNTY OF COLE)

Lena M. Mantle, of lawful age and being first duly sworn, deposes and states:

1. My name is Lena M. Mantle. I am a Senior Analyst for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.



 Lena M. Mantle
 Senior Analyst

Subscribed and sworn to me this 25th day of January 2023.



TIFFANY HILDEBRAND
 My Commission Expires
 August 8, 2023
 Cole County
 Commission #15837121



 Tiffany Hildebrand
 Notary Public

My Commission expires August 8, 2023.