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Case No.:	WR-2022-0303

REBUTTAL TESTIMONY
Class Cost of Service/Rate Design
OF
JORDAN SEAVER

Submitted on Behalf of the Office of the Public Counsel

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2022-0303

January 25, 2023

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**REBUTTAL TESTIMONY
OF
JORDAN SEAVER
MISSOURI AMERICAN WATER COMPANY**

CASE No. WR-2022-0303

I. INTRODUCTION

Q. What is your name and what is your business address?

A. My name is Jordan Seaver, and my business address is 200 Madison Street, Governor Office Building, Suite 650, Jefferson City, MO 65102

Q. By whom are you employed and in what capacity?

A. I am employed by the Office of the Public Counsel (“OPC”) as a Policy Analyst.

Q. Have you previously testified before the Missouri Public Service Commission (the “Commission”)?

A. No. I have submitted pre-filed testimony, but I have not been called to testify before the Commission. See Schedule JS-R-1 for my testimony and presentation history.

Q. What are your work and educational background?

A. I have been employed as a Policy Analyst by the OPC since January 2022. I have attended Michigan State University’s Institute of Public Utilities (“IPU”) Accounting and Ratemaking Course, as well as the National Association of Regulatory Utility Commissioners (“NARUC”) Rate School. I previously worked as a Legal Assistant for Cascino Vaughan Law Offices for 7 years. I have a Master of Arts in Philosophy from the University of Wyoming, and a Bachelor of Arts in Philosophy from the University of Illinois at Chicago.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of this testimony is to propose different Total Water Usage allocation factors and Base/Extra Daily allocation factors than those used in Missouri American Water Company’s (“MAWC” or the “Company”) class cost of service study (“CCOS”) conducted by Company witness Wesley Selinger.

1 **Q. What is a Class Cost of Service Study?**

2 A A CCOS is a breakdown of the revenue requirement in a rate case by different customer
3 classes according to a specific cost allocation. The cost allocation is a way to apportion
4 the utility cost of providing service to the various customer classes. Costs are allocated in
5 a way seen fit by the conductor of the CCOS, typically by cost causation, fair distribution
6 of costs, etc. Cost allocators are mechanisms used to apportion the cost of service and are
7 applied to the distinct functional cost subsets (e.g., fixed and variable costs, usage costs,
8 distribution costs, etc.) of the total revenue requirement. Cost allocators apportion the cost
9 of service by using allocation factors, which are percentages applied to the revenue
10 requirement as divided by cost subset. MAWC's CCOS for this rate case includes two
11 jurisdictions: St. Louis customers and All other Missouri customers.

12 **Q. What method or methods are used by Mr. Selinger to conduct the Company's CCOS?**

13 A. Mr. Selinger used the AWWA M1 Manual, and in particular the Base/Extra Capacity
14 Method for cost allocation. This method is described in detail in Mr. Selinger's testimony.

15 **Q. Did you use the AWWA M1 Manual to support this testimony?**

16 A. No. I did review the relevant sections of the AWWA M1 Manual, but did not use the
17 methods described in that manual, because I did not conduct a CCOS.

18 **II. CUSTOMER CLASS USAGE STATISTICS**

19 **Q. What are the total usage statistics for each customer class in Mr. Selinger's CCOS for
20 the St. Louis jurisdiction?**

21 A. The total water usage for the residential customer class is 23,020,060,000 gallons. The total
22 water usage for the non-residential customer class is 7,608,336,000 gallons. The total water
23 usage for the Rate J customer class is 3,259,396,000 gallons. The total water usage for the
24 Rate B customer class is 1,615,664,000 gallons. The total water usage for the Rate P customer
25 class is 2,429,387,000 gallons. The total water usage for the private fire customer class is
26 52,275,000 gallons. These usage statistics are drawn from the workpapers provided by Mr.
27 Selinger with his direct testimony.

1 **Q. What are the total usage statistics for each customer class in Mr. Selinger’s CCOS for**
2 **the All Other Water jurisdiction?**

3 A. The total water usage for the residential customer class is 5,652,922,000 gallons. The total
4 water usage for the non-residential customer class is 2,924,364,000 gallons. The total water
5 usage for the Rate J customer class is 3,128,292,000 gallons. The total water usage for the
6 Rate B customer class is 1,131,327,000 gallons. The total water usage for the Rate P customer
7 class is 1,005,191,000 gallons. The total water usage for the private fire customer class is
8 4,269,000 gallons.

9 **Q. How did Mr. Selinger determine the usage statistics for each customer class for both**
10 **jurisdictions?**

11 A. In a technical conference, the Company informed me that the usage statistics in the CCOS are
12 derived from a MAWC workpaper titled “CAS 11 and 12 Support – Water Customer Count
13 and Usage”¹. This workpaper does not include the test year months of April, May, and June
14 of 2022.

15 **Q. Did Mr. Selinger’s CCOS use estimated usage data for the test year?**

16 A. Yes. Mr. Selinger used estimated usage data for the test year because that data was not
17 available at the time of Mr. Selinger’s CCOS.

18 **Q. Does the current MAWC CCOS need to be updated with new usage data?**

19 A. Yes. Using estimated data for some months (at least April, May, and June of the test year),
20 Mr. Selinger’s CCOS is imprecise and needs to use the newest updated usage data of the test
21 year. The Company has provided an updated CAS 11 and 12 workbook that itself uses
22 updated basic usage data like the data found in CAS 11 and 12 Support – Water Customer
23 Count and Usage. However, the Company has not provided an updated excel workbook with
24 the new usage data broken out for each month (i.e., and updated CAS 11 and 12 Support –
25 Water Customer Count and Usage). This makes it impossible at this point to determine the
26 accuracy of the total water usage numbers provided in the updated CAS 11 and 12 workbook.

¹ See Schedules JS-R-2 and JS-R-3.

1 **Q. Are the usage statistics provided in Mr. Selinger's CCOS the only possible set for the**
2 **test year?**

3 A. They are not. The Company updated its usage statistics to complete the test year in the
4 updated CAS 11 and 12 workbook. The updated CAS 11 and 12 includes the full test year
5 usage for the residential, non-residential, and private fire customer classes, but, as discussed
6 above, does not provide the full, supporting data for this. Furthermore, the original usage
7 statistics provided in Mr. Selinger's CCOS do not match the usage statistics I could determine
8 from the CAS 11 and 12 Support – Water Customer Count and Usage workpapers.

9 **Q. What are the total usage statistics for each customer class for the St. Louis jurisdiction**
10 **from the updated CAS 11 and 12?**

11 A. The total water usage for the residential customer class is 22,912,971,000 gallons. The total
12 water usage for the non-residential customer class is 7,784,882,000 gallons. The total water
13 usage for the Rate J customer class is 3,088,917,000 gallons. The total water usage for the
14 Rate B customer class is 1,565,298,000 gallons. The total water usage for the Rate P customer
15 class is 1,165,150,000 gallons. The total water usage for the private fire customer class is
16 52,275,000 gallons.

17 **Q. What are the total usage statistics for each customer class for the All Other MO Water**
18 **jurisdiction from the updated CAS 11 and 12?**

19 A. The total water usage for the residential customer class is 6,405,633,000 gallons. The total
20 water usage for the non-residential customer class is 4,465,789,000 gallons. The total water
21 usage for the Rate J customer class is 2,987,518,000 gallons. The total water usage for the
22 Rate B customer class is 1,304,087,000 gallons. The total water usage for the Rate P customer
23 class is 23,088,000 gallons. The total water usage for the private fire customer class is
24 4,269,000 gallons.

25 **Q. Are there any differences between the total usage statistics in Mr. Selinger's CCOS and**
26 **those from the updated CAS 11 and 12?**

27 A. Yes, there are differences between said usage statistics.

1 **Q. What are the significant differences between the usage statistics as you have identified**
2 **them and those provided by Mr. Selinger?**

3 A. The most significant difference is between the non-residential usage provided by Mr. Selinger
4 and the non-residential usage provided in the updated CAS 11 and 12. The total usage for
5 non-residential customers in the St. Louis jurisdiction provided by Mr. Selinger is 2.3% less
6 than the usage provided for the same customer class in the updated CAS 11 and 12. The total
7 usage for the non-residential customers in the All Other MO Water jurisdiction provided by
8 Mr. Selinger is 34% less than the usage provided for the same customer class in the updated
9 workpapers.

10 **Q. Do these differences in non-residential usage negatively affect the results of the**
11 **Company's CCOS?**

12 A. Yes, they do. Because in the Company's CCOS study the non-residential usage is lower than
13 my determination, the allocation factor for the revenue requirement is higher for the
14 residential customer class. If the non-residential usage was higher, like my determination of
15 the usage statistics shows, then the allocation factor for the residential customer class would
16 be lower and the allocation factor for the non-residential customer class would be higher. This
17 is because the water customer usage in gallons is considered a variable cost, meaning that the
18 cost of service changes with usage. When the usage goes up, so does the cost of service, and
19 thus the CCOS shows that the allocation factors need to be sensitive to or change with that
20 new usage data. The change in the usage will then cause a change in the allocation factors for
21 the whole CCOS.

22 **Q. What are the total usage allocation factors for the residential and non-residential**
23 **customer classes in Mr. Selinger's St. Louis jurisdiction?**

24 A. The allocation factors for the total usage of the residential and non-residential customer
25 classes are .6060 and .2003, respectively.

1 **Q. What are the total usage allocation factors for the residential and non-residential**
2 **customer classes in Mr. Selinger's All Other MO Water jurisdiction?**

3 A. The allocation factors for the total usage of the residential and non-residential customer
4 classes for the All Other MO Water jurisdiction in Mr. Selinger's CCOS are .4083 and .2112,
5 respectively.

6 **Q. What are the total usage allocation factors for the residential and non-residential classes**
7 **when using the updated CAS 11 and 12 usage statistics for the St. Louis jurisdiction?**

8 A. If the usage statistics for these two customer classes are replaced with the usage statistics from
9 the updated CAS 11 and 12, then the total usage allocation factor for the residential class is
10 .6265, and the total usage allocation factor for the non-residential class is .2129. The total
11 usage allocation factors for the other customer classes all decrease slightly.

12 **Q. What are the total usage allocation factors for the residential and non-residential classes**
13 **when using the updated CAS 11 and 12 usage statistics for the All Other MO Water**
14 **jurisdiction?**

15 A. If the usage statistics for these two customer classes are replaced with those from the updated
16 CAS 11 and 12, then the total usage allocation factor for the residential class is .4217, and the
17 total usage allocation factor for the non-residential class is .2941. The total usage allocation
18 factors for the Rate B, Rate P, and private fire customer classes decrease, while the allocation
19 factor for the Rate J class increases.

20 **Q. How would the change in total usage allocation factors affect the allocation of the**
21 **functional cost of service ("COS")?**

22 A. When using my allocation factors based on the updated usage statistics, there is an increase
23 in the proportional revenue requirement allocation to the non-residential class for the St. Louis
24 jurisdiction and the All Other MO Water jurisdiction. The proportional allocation of the
25 revenue requirement is generally slightly higher, so for all customer classes, than on the initial
26 CCOS by Mr. Selinger. This generally higher revenue requirement allocation is a direct
27 consequence of the increase in water usage from Mr. Selinger's CCOS to the updated CAS
28 11 and 12.

1 **Q. What is your recommendation regarding the total usage allocation factors?**

2 A. My recommendation is that the Commission order MAWC to either use my allocation factors
3 based on the usage statistics from the updated CAS 11 and 12, or that the Commission order
4 MAWC to update the CCOS using the updated CAS 11 and 12 to determine new total usage
5 allocation factors.

6 **Q. What is your recommendation regarding the revenue requirement allocation?**

7 A. My recommendation regarding the revenue requirement allocation is that the Commission
8 does not allow a revenue-neutral increase of the customer classes, where the rates are
9 increased for all classes equally to match the increased cost of service. Allowing a revenue-
10 neutral increase would increase the rates for all classes without taking into account usage
11 trends or the cost causation for individual classes. As such, a revenue-neutral increase would
12 shift a burden from one class to the other classes without sufficient reason.

13 **Q. Does this conclude your testimony?**

14 A. Yes, it does.

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

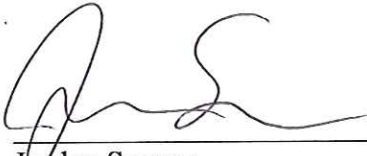
In the Matter of the Application of Missouri-)
American Water Company's Request for)
Authority to Implement General Rate Increase) Case No. WR-2022-0303
for Water and Sewer Service Provided in)
Missouri Service Areas)

AFFIDAVIT OF JORDAN SEAVER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Jordan Seaver, of lawful age and being first duly sworn, deposes and states:

1. My name is Jordan Seaver. I am a Policy 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.



Jordan Seaver
Policy Analyst

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



TIFFANY HILDEBRAND
My Commission Expires
August 8, 2023
Cole County
Commission #15037121



Tiffany Hildebrand
Notary Public

My Commission expires August 8, 2023.