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MISSOURI PUBLIC SERVICE COMMISSION
COMMISSION STAFF DIVISION

DIRECT TESTIMONY
OF
NATELLE DIETRICH

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2017-0285

Jefferson City, Missouri
December 2017

Exhibit No. 103
Date 3/8/18 Reporter M
File No. WR-2018-0285

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OF
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1 **DIRECT TESTIMONY**
2 **OF**
3 **NATELLE DIETRICH**
4 **MISSOURI-AMERICAN WATER COMPANY**
5 **CASE NO. WR-2017-0285**

6 Q. Please state your name and business address.

7 A. My name is Natelle Dietrich. My business address is 200 Madison Street,
8 Jefferson City, Missouri 65101.

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

10 A. I am employed by the Missouri Public Service Commission ("Commission") as
11 Commission Staff Director.

12 Q. Have you provided your educational background and work experience in
13 this file?

14 A. Yes. My educational and work experience is included in my Direct Testimony
15 filed in this case with Staff's Direct Cost of Service Report on November 30, 2017.

16 **EXECUTIVE SUMMARY**

17 Q. What is the purpose of this direct testimony?

18 A. The purpose of this testimony is to sponsor Staff's recommended rate design as
19 developed by Staff and described in the Report on Class Cost of Service and Rate Design
20 ("CCOS Report") filed concurrently with this direct testimony.

21 **CCOS REPORT**

22 Q. What is Staff's rate design recommendation for water service in this case?

Direct Testimony of
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1 A. Staff recommends the Commission maintain the current three water district
2 structure approved in Missouri-American Water Company's (MAWC) last rate case,
3 Case No. WR-2015-0301. Under this approach, water districts would be made up of the
4 following service territories:

- 5 • Water District 1 – St. Louis Metro (St. Louis County, Warren County and
6 St. Charles), Mexico, Jefferson City, Anna Meadows, Redfield,
7 Lake Carmel, Jaxon Estates, and Wardsville.
- 8 • Water District 2 – St. Joseph, Platte County, and Brunswick.
- 9 • Water District 3 – Joplin, Stonebridge, Warrensburg, White Branch,
10 Lake Taneycomo, Lakewood Manor, Rankin Acres, Spring Valley,
11 Tri-States, Emerald Pointe, Maplewood, Riverside Estates, and Woodland
12 Manor.

13 Staff further proposed to maintain the currently effective customer charges that were
14 approved in MAWC's previous rate proceeding.

15 Q. What is Staff's rate design recommendation for sewer service in this case?

16 A. For all systems except for Arnold, which as explained in the CCOS Report has
17 a temporary rate cap, Staff recommends that for those areas with the highest rate, the rate
18 remain unchanged and that no service area see a rate decrease. Any additional revenues
19 needed to cover MAWC's cost of service would be spread amongst the areas with lower rates.

20 Q. Does Staff address other noteworthy items in its CCOS Report?

21 A. Yes. In its filing, MAWC proposed a Revenue Stabilization Mechanism
22 (RSM). In the CCOS Report, Staff witness James A. Busch discusses the mechanics of an
23 RSM. Mr. Busch discusses various pros and cons of an RSM and the pros and cons of the
24 traditional ratemaking model. In its direct case, Staff did not include an RSM, but Mr. Busch
25 provides guidance for the Commission's consideration should it ultimately order an RSM.

1 In the Report and Order in MAWC's last rate case, Case No. WR-2015-0301, the
2 parties were asked to file, in MAWC's next rate case, information on inclining block rates.
3 In its CCOS Report, Staff explains the "inclining block rate structure" concept and its
4 applicability to water utilities/customers. Staff explains that many opportunities for water
5 conservation or opportunities to change customer behavior have already been realized, and
6 that not all customers have an ability to conserve water. Customer education and design of
7 the blocks are key issues. In addition, Staff explains that an inclining block rate structure
8 could have a different effect in different areas of MAWC's service territory, and for
9 customers that are water customers only versus water/sewer customers. Ultimately, given the
10 uncertainties surrounding inclining block rates, Staff does not recommend inclining block
11 rates for MAWC.

12 Finally, as ordered in Case No. WR-2015-0301, MAWC created a pilot program that
13 established a low-income rate in District 2, comprised of its St. Joseph, Platte County and
14 Brunswick service areas. The low-income rate provided an 80 percent discount of the
15 monthly customer charge for customers who qualify for the Low Income Home Energy
16 Assistance Program (LIHEAP). The pilot was effective November 17, 2016. Since the pilot
17 has only been in effect for a short period of time, Staff recommends it continue in its current
18 form so that additional data may be gathered.

19 **CLASS COST OF SERVICE STUDY**

20 Q. Did Staff perform a CCOS study in this case?

21 A. Yes, for MAWC's water operations. Staff's CCOS study for MAWC's water
22 operations is designed to determine the relative class cost responsibility for the overall
23 revenue requirement of MAWC within its various service territories. Staff did not perform a

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1 CCOS Study for MAWC's sewer operations because its sewer operations are relatively small
2 and generally consist of residential customers. The rates for MAWC's sewer operations were
3 determined by the results of Staff's audit and the development of cost of service (COS) for
4 MAWC's sewer operations based on the Water & Sewer Department's small company rate
5 design method.

6 Q. What method of cost allocation did Staff use in its CCOS study when direct
7 assignment was not possible?

8 A. Staff used the base-extra capacity method as described in the American Water
9 Works Association (AWWA) manual of water supply practices, Principles of Water Rates,
10 Fees, and Charges, Seventh Edition ("AWWA M1"). This is the method used by Staff and
11 other parties in previous MAWC cases and is a widely accepted method for allocating costs to
12 the various customer classes.

13 **CCOS REPORT AND STAFF RATE DESIGN**

14 Q. How is the Staff's CCOS Report organized?

15 A. The CCOS Report is organized by topic as follows:

- 16 I. Executive Summary
- 17 II. Class Cost of Service: Water Operations
- 18 III. Rate Design: Water Operations
- 19 IV. Class Cost of Service: Sewer Operations
- 20 V. Rate Design: Sewer Operations
- 21 VI. Special Contracts
- 22 VII. Miscellaneous Fees
- 23 VIII. Revenue Stabilization Mechanism
- 24 IX. Schedules Included in Staff's CCOS Report

25
26 Q. Does this conclude your direct testimony?

27 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri-American)	
Water Company's Request for Authority)	Case No. WR-2017-0285
to Implement General Rate Increase for)	
Water and Sewer Service Provided in)	
Missouri Service Areas)	

AFFIDAVIT OF NATELLE DIETRICH

STATE OF MISSOURI)	ss.
)	
COUNTY OF COLE)	

COMES NOW NATELLE DIETRICH and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Direct Testimony; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

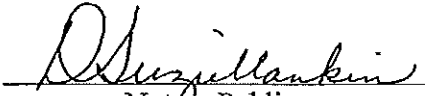


 NATELLE DIETRICH

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 12th day of December, 2017.

D. SUZIE MANKIN
 Notary Public - Notary Seal
 State of Missouri
 Commissioned for Cole County
 My Commission Expires: December 12, 2020
 Commission Number: 12412070



 Notary Public