**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	)))))	**File No. WR-2017-0285, et al.**

**INITIAL BRIEF
OF
PUBLIC WATER SUPPLY DISTRICT NOS. 1 AND 2
OF ANDREW COUNTY**

COME NOW Intervenors Public Water Supply District No. 1 of Andrew County and Public Water Supply District No. 2 of Andrew County ("Water Districts")[1] and, pursuant to the Missouri Public Service Commission's ("Commission") *Order Directing Filing of Additional Exhibits and Revising Deadline for Initial Briefs* entered in this matter on March 20, 2018, respectfully submit their Initial Brief in this proceeding.

I. Water Rate Design: Consolidation/Single Tariff Pricing

With the filing of the "Stipulation and Agreement" on March 1, 2018, followed by the submission of the "Stipulation and Agreement Regarding Rate Design" on March 6th, the primary advocacy of the Water Districts in this proceeding has been focused on supporting the continued movement to full consolidation or single tariff pricing for

[1] As the record reflects, the Water Districts are not-for-profit political subdivisions serving rural customers in areas outside of St. Joseph, Missouri, and are among the Company's larger customers. Historically, they were within the Company's St. Joseph District and now, following Case No. WR-2015-0301, they are in the District 2 service area for water customers, served under the Company's Rate B, Sale of Water for Resale rate. (Exs. 675/676, p. 2; Tr. 563-564).

Missouri-American Water Company ("Company"). (Tr. 563-570). While the analysis and testimony of the Water Districts' expert witness primarily addressed the former St. Joseph district's sale for resale class (Rate B) given the severe impacts in terms of rate volatility over the years, the Water Districts respectfully request that the Commission stay the course and implement full consolidation of the Company's water districts in this proceeding.

As various parties have noted, in adopting the existing three-district hybrid proposal advocated by Staff in the Company's last rate case, the Commission nevertheless found that full single-tariff pricing is an attractive option and, since such option was not proposed nor fully considered by the parties in that case, expressly stated that the Commission would expect the parties to fully examine single-tariff pricing in the next rate case.[2] The current record reflects the full examination contemplated by the Commission, and such record clearly supports the Commission's adoption of single-tariff pricing. (See, *e.g.*, Ex. 15, pp. 14-17; Ex. 16, pp. 10-15; Ex. 17, pp. 4-5; Ex. 18, pp. 38-48; Ex. 20, pp. 7-16; Ex. 21, pp. 59-62; Exs. 675/676, pp. 4-7; Tr. 588; Tr. 607-625).

Again, in resolving the Company's prior general rate proceeding, the Commission focused on the positive elements of consolidation in balancing different interests.

> Consolidated pricing will help to meet the needs of all customers by sharing the cost of providing needed services among a larger group of customers, making the cost of service more affordable for all. Consolidation will limit rate shock when new infrastructure must be installed in a district with a small population, and all districts will eventually face that prospect.

[2] *Report and Order*, Case No. WR-2015-0301, May 26, 2016, page 28. Indeed, the Commission recognized that "[t]he Commission may need to make take (sic) that leap in Missouri-American's next rate case as it will likely be facing the prospect of a major new capital construction project in the Platte County district, a district that will have difficulty affording a major capital expense." *Id*.

> Consolidation is not without risk. It averages rates and inevitably some customers will pay more than they pay now, and some will pay less. At least in the short term that will be seen by some as unfair, but, over the long term, the effects of consolidation will even out across the state. It is not reasonable to keep patching the current group of rate districts to deal with the needed, but unaffordable, infrastructure repairs and improvements as they occur.[3]

The Company initially proposed rates for the Rate B Sale for Resale class on a bifurcated basis that would have resulted in different volumetric rates for the current District 1 as opposed to a combined District 2 and 3; that is no longer the case. The Company now supports full consolidation with the Rate B volumetric rate being equivalent across all the current districts, which is reflected in the rate analysis set forth in Ex. 136. (*See*, Tr. 545, 568-569, 601, 642-643; Ex. 17, p. 4).

II. Lead Service Line Replacement Cost Assignment

As noted during the evidentiary hearing, the Water Districts' position on this issue is limited to the question of how costs should be assigned or allocated. The Water Districts support the position of the Missouri Industrial Energy Consumers ("MIEC") that those costs should be directly assigned to the classes to which the service lines relate. (Tr. 253, 280).[4]

The Company proposes to record these costs in Account 345 – Services, and in the Company's cost of service study, this account is allocated based on Factor 9 which allocates costs based on the relative cost of services by size and customer classification. The Company's testimony notes that since most of the service lines are either residential

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[3] *Id.*, p. 27.

[4] The Missouri Division of Energy Statement of Positions regarding this particular sub-issue reflects, in part, that "DE is not opposed to a cost allocation methodology for the costs of the Program that ensures payment by the customer groups associated with the LSLR costs, and is also not opposed to a program that targets ratepayer-funded LSLRs to low-income customers. (Page 4, footnote omitted).

or non-residential, this factor allocates only 0.0005 to the total Sale for Resale customers. (Ex. 16, pp. 16-17).

While Factor 9 is quite small for the Sale for Resale class, in both relative and absolute terms, the Sale for Resale class responsibility for lead service lines should be zero. This is a fact illustrated by the cost study methodology for distribution mains. As discussed during the evidentiary hearing, there continues to be a class cost of service distribution main adjustment for the Rate B sale for resale customers in the St. Joseph service area in both the Company and Staff class cost of service studies. This is an appropriate recognition that the sale for resale customer class is connected directly to the transmission system and does not receive any benefit from the smaller distribution mains. (Tr. 564; Ex. 15, pp. 8-9; Ex. 104, pp. 5-6[5]). In regards to this particular sub-issue, obviously, such recognition would appropriately extend to the service lines behind those distribution mains.

III. Conclusion

In conclusion, the Water Districts respectfully request that the Commission adopt the single-tariff pricing proposal and resulting rates that are fully supported by the record in this matter.

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[5] "Staff is proposing to continue a main adjustment for sale for resale and certain large industrial customers in the Joplin, St. Joseph, and St. Louis Metro service territories approved by the Commission in previous rate cases. Staff's continuing position is that it is appropriate to make a main adjustment for certain large industrial customers and the sale for resale customer class because they are connected directly to the transmission system and do not receive any benefit from the smaller distribution mains. Staff has performed an adjustment similar to MAWC's adjustment for the Joplin and St. Joseph Districts." (Ex. 104, pp. 5-6).

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that true copies of the foregoing document has been e-mailed on this 30th day of March, 2018, to the parties of record as set out on the official Service List maintained by the Data Center of the Missouri Public Service Commission for this case.

/s/ Larry W. Dority

Larry W. Dority