

Exhibit No.:

Issues: Rate Design

Witness: James M. Russo

Sponsoring Party: MO PSC Staff

Type of Exhibit: Direct Testimony

Case No.: WR-2008-0311

Date Testimony Prepared: September 3, 2008

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT TESTIMONY

OF

JAMES M. RUSSO

MISSOURI-AMERICAN WATER COMPANY

CASE NOS. WR-2008-0311 and SR-2008-0312

**Jefferson City, Missouri
September 2008**

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DIRECT TESTIMONY

OF

JAMES M. RUSSO

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2008-0311 and SR-2008-0312

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

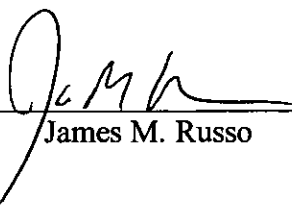
In the Matter of Missouri-American Water)
Company's request for authority to)
implement a general rate increase for)
water and sewer service provided in)
Missouri Service Areas)

Case No. WR-2008-0311

AFFIDAVIT OF JAMES M. RUSSO

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

James M. Russo, of lawful age, on his oath states: that he has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 3 pages of Direct Testimony to be presented in the above case, that the answers in the following Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.



James M. Russo

Subscribed and sworn to before me this 29th day of August , 2008.



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086



Notary Public

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OF

JAMES M. RUSSO

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2008-0311 and SR-2008-0312

Q. Please state your name and business address.

A. James M. Russo, P.O. Box 360, Jefferson City, Missouri 65102.

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

A. I am the Rate and Tariff Examination Supervisor in the Water & Sewer Department with the Missouri Public Service Commission (Commission).

BACKGROUND OF WITNESS

Q. Please describe your educational background and other qualifications.

A. I graduated from California State University-Fresno, Fresno, California, and received a Bachelor of Science degree in Accounting. Prior to my employment with the Commission, local elected officials in county government employed me in various capacities. I was the assistant treasurer-tax collector for San Joaquin and El Dorado Counties in California. My responsibilities included all financial dealings of the counties and all accounting activities of the agency. In addition, I was the supervising accountant auditor in El Dorado County for two years. My division was responsible for internal audits of all county agencies, special districts, and franchise/lease agreements.

Q. What has been the nature of your duties with the Commission?

A. From April 1997 to December 2001, I worked in the Accounting Department of the Commission, where my duties consisted of directing and assisting with various audits and examinations of the books and records of public utilities operating within the State of

1 Missouri under the jurisdiction of the Commission. From
2 December 16, 2001 to August 2003, I was a Regulatory Auditor IV in the Energy Tariffs/Rate
3 Design Department, where my duties consisted of analyzing applications, reviewing tariffs,
4 and making recommendations based upon these evaluations. On August 16, 2003, I assumed
5 the position of Rate and Tariff Examination Supervisor in the Water & Sewer Department
6 where my duties consist of reviewing tariffs, preparing and analyzing cost of service and rate
7 design, and performing accounting functions.

8 Q. Have you previously filed testimony before this Commission?

9 A. Yes. A list of cases in which I have filed testimony before this Commission is
10 attached as Schedule 1 to my direct testimony.

11 Q. With reference to Case No. WR-2008-0311, have you participated in the
12 Commission Staff's (Staff) audit of Missouri-American Water Company (MAWC)
13 concerning its request for a rate increase in this proceeding?

14 A. Yes, I have, with the assistance of other members of the Staff.

15 **EXECUTIVE SUMMARY**

16 Q. What is the purpose of your direct testimony?

17 A. The purpose of my direct testimony is to provide an overview of the Staff
18 position relating to class cost-of-service (CCOS), rate design and a miscellaneous tariff issue.
19 I am sponsoring the staffs CCOS and Rate Design Report in this proceeding which describes
20 in greater detail, the Staff's position relating to these issues, and is being filed concurrently
21 with this testimony.

22 **CLASS COST OF SERVICE**

23 Q. What is the purpose of Staff's CCOS?

1 A. The purpose of Staff's CCOS is to provide the Commission with a measure of
2 relative class cost responsibility for the overall revenue requirements of MAWC. For
3 individual items of cost, the responsibility of a certain class of customers to pay that cost can
4 be either directly assigned or allocated to customer classes using reasonable methods for
5 determining the class responsibility for that item of cost. The results are then summarized so
6 that they can be compared to revenues being collected from each class on current rates.

7 Q. What is Staff's recommendation on CCOS?

8 A. Staff is recommending that the Commission adopt Staff's CCOS study. Staff
9 also recommends moving all districts to their appropriate cost-of-service, with the exception
10 of Brunswick and Warren County. Staff is proposing that these two districts continue to
11 receive relief from the St. Louis district, albeit a smaller contribution than in previous cases.

12 **RATE DESIGN**

13 Q. What is Staff's position relating to rate design?

14 A. Staff is proposing the elimination of the declining block rate structure and
15 replacing it with single commodity rate structure for each customer classification within each
16 district based on the results of the CCOS.

17 **MISCELLANEOUS TARIFF ISSUES**

18 Q. What is Staff's position concerning the payment of interest on customer
19 deposits?

20 A. Staff is proposing that the Company's tariffs are consistent in the way the
21 Company calculates the payment of interest on customer deposits

22 Q. Does this conclude your direct testimony?

23 A. Yes it does.

RATE CASE PROCEEDING PARTICIPATION

JAMES M. RUSSO

<u>COMPANY</u>	<u>CASE NO.</u>
Union Electric Company	GR-97-393
Gascony Water Company	WA-97-510
St. Joseph Light and Power Company	EC-98-573
St. Joseph Light and Power Company	HR-99-245
St. Joseph Light and Power Company	GR-99-246
St. Joseph Light and Power Company	ER-99-247
UtiliCorp United Inc./St. Joseph Light and Power Company	EM-2000-292
UtiliCorp United Inc./Empire District Electric Company	EM-2000-369
Osage Water Company	WR-2000-557
Osage Water Company	SR-2000-556
Missouri Gas Energy	GR-2001-292
Southern Missouri Gas Company, L.P.	GR-2001-0388
Environmental Utilities	WA-2002-65
Laclede Gas Company	GR-2002-356
Laclede Gas Company	GA-2002-429
Missouri Gas Energy	GT-2003-0033
Aquila Networks L & P	GT-2003-0038
Southern Missouri Gas Company, L.P.	GT-2003-0031
Atmos Energy Corporation	GT-2003-0037
Fidelity Natural Gas, Inc.	GT-2003-0036
Laclede Gas Company	GT-2003-0032
Union Electric Company	GT-2003-0034
Union Electric Company	GR-2003-0517
Missouri Gas Energy	GT-2004-0049
Aquila Inc.	GR-2004-0072
Missouri Gas Energy	GC-2004-0216
Missouri Gas Energy	GC-2004-0305
Algonquin Water Resources of Missouri, LLC	WR-2006-0425

Missouri-American Water Company
Timber Creek Sewer Company

WR-2007-0216
SR-2008-0080