

Exhibit No.: OPC-3  
Issue(s): Rate Design  
Witness/Type of Exhibit: Meisenheimer/Surrebuttal  
Sponsoring Party: Public Counsel  
Case No.: WR-2007-0216

**SURREBUTTAL TESTIMONY**  
  
**OF**  
  
**BARBARA A. MEISENHEIMER**

Submitted on Behalf of the Office of the Public Counsel

**Missouri-American Water Company**

**Case No. WR-2007-0216**

July 31, 2007

OPC Exhibit No. 3  
Case No(s). WR-2007-0216  
Date 8-14-07 Rptr. pf

**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 Service provided in Missouri )  
Service Areas )

**WR-2007-0216**

**AFFIDAVIT OF BARBARA A. MEISENHEIMER**

STATE OF MISSOURI )

ss

COUNTY OF COLE )

Barbara A. Meisenheimer, of lawful age and being first duly sworn, deposes and states:

1. My name is Barbara A. Meisenheimer. I am the Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal 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.



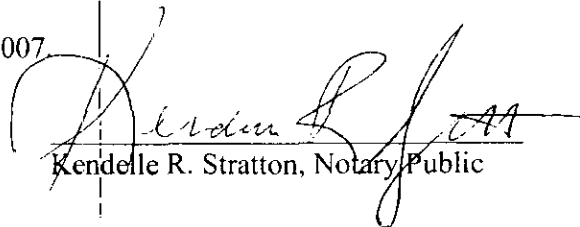
Barbara A. Meisenheimer

Subscribed and sworn to me this 31st day of July 2007.



**KENDELLE R. STRATTON**  
My Commission Expires  
February 4, 2011  
Cole County  
Commission #07004782

My commission expires February 4, 2011.

  
Kendelle R. Stratton, Notary Public

**SURREBUTTAL TESTIMONY  
OF  
BARBARA A. MEISENHEIMER**

**MISSOURI-AMERICAN WATER COMPANY**

**CASE NO. WR-2007-0216**

1       **Q.     PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

2       A.     Barbara Meisenheimer, Chief Economist, Office of the Public Counsel, P. O. Box  
3             2230, Jefferson City, Missouri 65102.

4       **Q.     HAVE YOU TESTIFIED PREVIOUSLY IN THIS CASE?**

5       A.     Yes, I submitted direct testimony on district and class rate design for the Missouri  
6             American Water Company (MAWC or the Company) on June 12, 2007, and  
7             rebuttal testimony on July 13, 2007.

8       **Q.     WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

9       A.     The purpose of my surrebuttal testimony is to provide Office of the Public  
10            Counsel (OPC or Public Counsel)'s final rate design proposal and to respond to  
11            the Company's rebuttal testimony.

1       **Q.     PLEASE SUMMARIZE THE RATE DESIGN PROPOSAL CONTAINED IN YOUR**  
2       **REBUTTAL TESTIMONY.**

3       A.     Public Counsel generally supports district revenues to be aligned with district  
4       costs; however, the deficiency for Brunswick and Warren County is too  
5       significant to accomplish movement to full cost of service in this case. In order to  
6       make a significant movement toward cost of service while mitigating rate shock,  
7       the district increase for Brunswick and Warren County should be set at the  
8       highest percentage increase experienced by any other district. Recovery from  
9       other districts should be based on district specific revenue requirements with the  
10      exceptions that the subsidy needed to cover Brunswick's under-collection be  
11      collected from St. Louis and the subsidy needed to cover Warren County's under-  
12      collection be collected from St. Charles. Within districts, the customer charge and  
13      volumetric rate elements should be adjusted by an equal percent with the  
14      exception that Public Counsel would not oppose creating uniform block rates for  
15      the St. Joseph district provided that the block adjustments are made in the manner  
16      described in my rebuttal testimony.

17      **Q.     HAS YOUR CLASS RATE DESIGN PROPOSAL CHANGED BASED ON THE CLASS COST**  
18      **OF SERVICE STUDY FILED IN THE COMPANY'S REBUTTAL TESTIMONY?**

19      A.     No. The Company's CCOS study results indicate that generally current class  
20      revenues are aligned with class costs so there is no need for significant shifts in  
21      class revenue responsibility within districts.

1       **Q.     PLEASE RESPOND TO THE COMPANY'S PROPOSAL TO CONSOLIDATE THE ST.**  
2       **LOUIS AND ST. CHARLES DISTRICTS.**

3       A.     Public Counsel cannot support this proposal without further assurance that the  
4       proposal will not adversely affect residential and small commercial customers in  
5       St. Charles and St. Louis. While Public Counsel is generally not opposed to  
6       consolidating interconnected systems such as St. Louis and St. Charles, the  
7       differences in rate classes and the method of recovery for infrastructure  
8       replacements in St. Louis adds a level of complexity to consolidation.

9       The Company proposal to consolidate the St. Louis and St. Charles districts is  
10      incomplete in that it fails to explain how the existing rate classes will be  
11      combined or the customer impacts resulting from consolidating rate elements.  
12      For example, currently, St. Charles has distinct Residential and Commercial rate  
13      classes while St. Louis has a Rate A which includes both. The Rate A customer  
14      charges for smaller meters in St. Louis is lower than for St. Charles. The  
15      volumetric charge is the same regardless of use for the St. Louis district while in  
16      St. Charles the customer charge for smaller meters is higher and the volumetric  
17      charges vary according to a four block structure. The individual customer  
18      impacts that might result from consolidation of these differing rate structures are  
19      unknown at this time.

20      Additionally, the Company uses an ISRS mechanism that allows it to collect, in  
21      advance of a rate proceeding, a portion of the replacement costs incurred for St.  
22      Louis County. Currently, the Company only has authority to impose the ISRS for  
23      St. Louis County. However, when new rates are set, the ISRS charge is reset to  
24      zero and rates are adjusted to collect the prudently incurred return on rate base

1           and expenses associated with those infrastructure replacements. If the districts  
2           are consolidated resulting in uniform rates, then following a rate case, St. Charles  
3           customers would pay a portion of the cost associated with St. Louis infrastructure  
4           replacements. The benefit to the Company of the advanced recovery associated  
5           with the ISRS coupled with the consolidation of St. Louis and St. Charles may  
6           give the Company additional incentive and perceived justification for seeking the  
7           legislative authority to impose a similar ISRS mechanism on St. Charles.

8           **Q.       DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

9           **A.       Yes.**