

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

In the Matter of the Petition of Missouri-) **File No. WR-2026-0160**
American Water Company for Approval to) Tariff Nos. JW-2026-0117
Change Water and Sewer Infrastructure) and JS-2026-0118
Rate Adjustments (WSIRA))

STAFF'S CORRECTED RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), by and through the undersigned counsel, and respectfully states as follows:

1. On May 28, 2026, Staff filed its recommendation to the Commission in compliance with its *Order Directing Notice, Setting Deadlines, Directing Filings, Consolidating Cases and Suspending Tariffs*. Since filing its recommendation, Staff identified discrepancies within its originally filed workpapers.

2. Staff’s Amended Memorandum is attached to this pleading. The impact of this correction is an additional \$9,206.85 of WSIRA revenue.

3. On March 3, 2026, the Missouri-American Water Company (“MAWC”) filed its Petition to Establish a Water and Sewer Infrastructure Rate Adjustment (“WSIRA”) and Motion for Approval of Customer Notice (“Petition”) with the Missouri Public Service Commission (“Commission”). MAWC also filed tariff sheets in the tariff tracking files, JW-2026-0117 and JS-2026-0118.

4. On March 9, 2026, the Commission entered an *Order Directing Notice, Setting an Intervention Deadline, Directing a Staff Recommendation, and Consolidating Files*. This Order directed Staff to file its recommendation no later than June 1, 2026, and ordered

MAWC to respond to Staff's recommendation no later than June 8, 2026. No parties requested intervention.

5. Sections 393.1500-1509, RSMo, provide that eligible water and sewer corporations may recover certain infrastructure system replacement costs through a WSIRA. Commission Rule 20 CSR 4240-10.185(3)(C) required MAWC to file all updates to its petition no later than 60 days from the date the petition was initially filed, which was May 2, 2026. MAWC did not file its final update by the 60-day deadline. Instead, on May 13, 2026, the Company filed a motion to include a final update to the Petition, after submitting its final updates on May 12, 2026. Staff did not oppose the motion, but the Commission has not issued its ruling on that motion.

6. MAWC submitted its Petition to recover WSIRA investment that was placed into service for the period November 1, 2025, to January 31, 2026, with estimated WSIRA costs for February 1, 2026, through April 30, 2026, also included. MAWC estimated in its Petition that it was entitled in this case to WSIRA water revenues of \$17,166,505 and sewer revenues of \$386,079. This would equate to an increase of approximately 3.0876% for water and 1.6077% for sewer, based on the base revenue level approved by the Commission in its most recently completed general rate case.

7. On May 12, 2026, MAWC provided Staff final, updated workpapers which include the actual WSIRA investments through October. These updated workpapers included increases in the proposed revenues for water and increases in the proposed revenues for sewer.

8. As detailed further within the attached *Staff Amended Memorandum* and incorporated herein, based upon its investigation and calculations Staff concludes the Company's actual WSIRA rates should be designed to recover annual WSIRA revenues of \$12,103,890 from St. Louis County water customers, \$5,797,251 from All Other water customers, \$15,244 from Arnold sewer customers, and \$404,041 from All Other sewer customers. Therefore, Staff's corrected recommendation is approval of \$17,901,141 in water revenues and \$419,285 in sewer revenues, generating a combined water and sewer revenue of \$18,320,426.

9. MAWC is current on its quarterly assessment payments and is not delinquent for prior year's assessments, nor does MAWC have any past due annual reports.

WHEREFORE, for the reasons stated above and in Staff's attached Memorandum, incorporated herein, Staff recommends that the Commission issue an order in this case that:

1. Rejects the following proposed tariff sheets filed in Tariff No. JW-2026-0117:
 - a. FORM NO. 13 P.S.C. MO NO. 13 12th Revised Sheet No. RT 11.1
Cancelling 11th Revised Sheet No. RT 11.1, and
 - b. FORM NO. 13. P.S.C. MO No. 13 12th Revised Sheet No. RT 11.2
Cancelling 11th Revised Sheet No. RT 11.2;
2. Rejects the following proposed tariff sheets filed in Tariff No. JS-2026-0118:
 - a. FORM NO. 13 P.S.C. MO NO. 26 11th Revised Sheet No. RT 11.1
Cancelling 10th Revised Sheet No. RT 11.1, and
 - b. FORM NO. 13. P.S.C. MO No. 26 11th Revised Sheet No. RT 11.2
Cancelling 10th Revised Sheet No. RT 11.2;

3. Approves Staff's recommended WSIRA surcharge revenues in this docket in the incremental pre-tax revenue amount of \$12,103,890 from St. Louis County water customers, \$5,797,251 from All Other water customers, \$15,244 from Arnold sewer customers, and \$404,041 from All Other sewer customers for a total of \$17,901,141 in water revenues and \$419,285 in sewer revenues in this filing ; and
4. Authorizes MAWC to file revised tariff sheets for each utility, service area, and customer class, as reflected in Staff's Appendix A1 – A4, which generates \$18,320,426 of combined and water and sewer revenues.

Respectfully submitted,

/s/ Eric Vandergriff

Eric Vandergriff

Senior Counsel

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Staff Counsel for the

Missouri Public Service Commission

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered, transmitted by facsimile or electronically mailed to all parties and/or counsel of record on this 3rd day of June 2026.

/s/ Eric Vandergriff

AMENDED MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. WR-2026-0160, Tariff No. JW-2026-0117 and JS-2026-0118

FROM: Jadon Stafford, Water, Sewer, Gas, & Steam Department

<u>/s/ Jadon Stafford</u>	<u>6/03/2026</u>
Economics Analyst	Date

SUBJECT: Amended Staff Report and Recommendation Regarding the Petition of Missouri-American Water Company for Approval to Establish a Water and Sewer Infrastructure Adjustment (“WSIRA”)

DATE: June 3, 2026

BACKGROUND

On March 3, 2026, Missouri-American Water Company (“Company” or “MAWC”) filed its *Petition to Establish a Water and Sewer Infrastructure Rate Adjustment (WSIRA) and Motion for Approval of Customer Notice* (“Petition”) with the Missouri Public Service Commission (“Commission”). The Company submitted its Petition pursuant to the provisions of the Missouri Water and Sewer Infrastructure Act, Sections 393.1500 to 393.1509, RSMo, and Commission Rule 20 CSR 4240-2.060(1). These sections provide that eligible water and sewer corporations may recover certain infrastructure system replacement costs without the need to file a formal rate case. Instead, these investments in infrastructure are recovered through a Water and Sewer Infrastructure Rate Adjustment (“WSIRA”). This is MAWC’s second WSIRA filing since the Commission issued its Report and Order in its most recently completed general rate case, Case No. WR-2024-0320. Additionally, this is MAWC’s eighth WSIRA filing under the enabling statutes cited above.¹

In this case (WR-2026-0160), MAWC submitted its Petition to recover WSIRA investment that was placed into service for the period November 1, 2025, to January 31, 2026, with estimated WSIRA costs for February 1, 2026, through April 30, 2026, also included. MAWC estimated in its Petition that it was entitled in this case to WSIRA water revenues of \$17,166,505 and sewer revenues of \$386,079. This would equate to an increase of approximately 3.0876% for water and 1.6077% for sewer, based on the base revenue level approved by the Commission in its most recently completed general rate case.

¹ MAWC’s previous WSIRA filings are Case Nos. WO-2021-0428, WO-2022-0176, WO-2023-0008, WO-2023-0427, WO-2024-0195, WR-2025-0009, and WR-2025-0345.

During the normal course of a WSIRA case, the revenues are expected to increase or decrease as the estimated values are updated, as described below.

On March 9, 2026, the Commission issued its *Order Directing Notice, Setting an Intervention Deadline, Directing a Staff Recommendation, and Consolidating Files*, establishing March 18, 2026, as the deadline to intervene in the instant case. As of the date of Staff's Amended Recommendation, no parties have requested to intervene in this case. On March 9, 2026, the Commission issued its *Order Suspending Tariff Sheets*. The Commission directed Staff to file a report regarding its recommendation of the WSIRA filing no later than June 1, 2026. The Commission ordered MAWC to respond to Staff's recommendation no later than June 8, 2026. On May 13, 2026, the Company filed a motion to include a final update to the Petition, as they submitted their final updates on May 12, 2026, falling outside the 60-day deadline of May 2, 2026. The Commission has not yet made a ruling on the motion.

In the course of processing the Petition, the Company updated its numbers and Staff calculated the new WSIRA rates. The final, updated workpapers, which include the actual WSIRA investments through April, were received on May 12, 2026. MAWC's final request includes WSIRA water revenues of \$18,690,772 and sewer revenues of \$438,269. As is routine in this type of proceeding, the Company will need to submit new proposed tariff sheets that reflect its updated calculations and proposed WSIRA rates. The tariff sheets MAWC filed in this docket have an issue date of March 3, 2026, and an effective date of April 2, 2026. If the Commission approves new WSIRA rates, MAWC will need to submit new tariff sheets which include revised issue and effective dates. MAWC's most recent WSIRA tariff sheets approved by the Commission, in Case No. WR-2025-0345, were issued February 19, 2026, and became effective March 21, 2026.

STAFF INVESTIGATION

As noted in its Petition, MAWC serves approximately 485,000 water customers and 24,000 sewer customers, thereby meeting the WSIRA filing criteria of a corporation providing water or sewer service to more than 8,000 customer connections. In addition, the cumulative amount of WSIRA revenues that will result from this Petition does not exceed 15% percent, or \$87.0 million, of the base revenue levels of \$580.0 million approved by the Commission in the most recent completed MAWC general rate case, Case No. WR-2024-0320.

Revenue Requirement in WR-2024-0320	\$580,000,000
WSIRA Cap per Legislation	15%
WSIRA \$ Cap	\$87,000,000 ²
Prior Case – WSIRA WR-2025-0345	\$15,567,151
Current Case – WSIRA WR-2026-0160	\$18,320,426 ³

As part of its analysis of MAWC’s Petition, Staff reviewed supporting workpapers, descriptions of WSIRA projects, MAWC’s accounting entries, and invoices representing WSIRA investment costs, as well as other applicable documentation, such as work order authorizations. Staff communicated with MAWC personnel to clarify MAWC’s Petition when necessary. Staff also visited and inspected many sites which had WSIRA-eligible infrastructure system projects placed into service during the audited period.

LEAD SERVICE LINES

As previously noted in The Missouri Water and Sewer Infrastructure Act, Section 393.1506, RSMo, replacement of customer-owned lead service lines is not to be included in the WSIRA revenue requirement calculation.

In Case Number WU-2017-0296, the Commission included in its Finding of Facts:

In most cases, the water utility owns the portion of the water service line between the water main and a point at or near the property line. At this location, there is often a utility-owed water meter. The remaining portion of the water service line is owned by the customer. However, in St. Louis County, customers own the entire water service line between the water main and the premise.⁴

² According to Section 393.1506.1, RSMo, replacement of customer-owned lead service lines does not count toward the program cap. MAWC did not include in this WSIRA filing costs related to the replacement of customer-owned lead service lines.

³ Includes WSIRA revenue adjustments for reconciliation and a revenue cap adjustment.

⁴ Case Number WU-2017-0296, Commission Report and Order, page 5, paragraph 5.

Additionally, the Commission ordered:

Missouri-American Water Company is granted authority to defer and book to Account 186 the costs of all customer-owned lead service line replacements made from January 1, 2017, through May 31, 2018, using its short-term borrowing rate as its carrying cost.⁵

Since the Commission granted the Company authority to defer and book costs of all customer-owned lead service line replacements in WU-2017-0296, the Commission has continued to approve the Company's authority to defer and book costs of customer-owned lead service line replacements to Account 186, applying the Company's long-term borrowing rate to the carrying costs. MAWC has been authorized to amortize the deferred amounts over ten (10) years and apply the long-term debt rate to the unamortized balances.⁶

STAFF'S REVENUE CALCULATION

Staff agrees with MAWC's methodology in calculating the WSIRA revenue requirement for this filing. Staff replaced the estimated costs filed in the Petition and updated the balances with the actual cost for that period.

There were also several accounting entries and invoices Staff is recommending be excluded from the WSIRA request as Staff does not believe them to be WSIRA eligible project expenses. These expenses are for lead service line investigations, meter relocation program, smoke testing, miscellaneous employee expenses, and water filter pitchers. It is Staff's position that the Company should not earn a return on these types of expenses. Staff's position related to lead service line investigation expenses should be recovered as part of a normal rate case process. The U.S. Environmental Protection Agency requires water companies to keep an inventory of service line material; therefore, the inventory would be performed whether or not a line is replaced. Staff's position related to chemical expense and meter relocation expense should be recovered as part of the normal rate case process. The effect of the excluded expenses after depreciation and taxes is a total revenue requirement of \$808,615 less than the Company is requesting.

⁵ Case Number WU-2017-0296, Commission Report and Order, page 10, paragraph 2.

⁶ Case Number WR-2020-0344, Commission Report and Order, page 4, paragraph 14; Case Number WR-2022-0303, Commission Report and Order, page 4, paragraph 13; and, Case Number WR-2024-0320, Commission Report and Order, page 3 of Revenue Requirement Stipulation and Agreement Attachment, paragraph 12.

THE WSIRA RATE SCHEDULES

Water

The proposed WSIRA water rate schedules include a volumetric rate for each affected customer class (Rate A, Rate B and Rate J), with the rate to be determined through the use of the customer class billing determinants from the Company's last completed rate case, Case No. WR-2024-0320, and the WSIRA revenues allocated to each affected customer class (Rate A, Rate B and Rate J) for both St. Louis County and the All Other Missouri District.

Sewer

The proposed WSIRA sewer rate schedules include the WSIRA Revenue Requirement for all sewer customers divided by the revenues authorized from the Company's last completed rate case, Case No. WR-2024-0320. This calculation represents a percentage that will then be applied to the customer's total bill.

MAWC sewer customers are a mix of flat rate customers and metered customers. Because of this mix of rate design types for sewer customers, MAWC has proposed to continue a sewer WSIRA rate that is a percentage of the total customer bill. The revenues authorized in MAWC's most recent rate case were used as the basis because that should be the annual base rate revenue generated from the currently approved sewer rates. Therefore, including a surcharge of 0.2038% (for Arnold) and 2.4433% (for Other Sewer) of the customer bill should generate the appropriate WSIRA revenue requirement for the sewer districts.

For this case, Staff finds it reasonable to utilize the Company's methodology for calculating the WSIRA water and sewer rates based on Staff's calculation of the WSIRA water and sewer revenue requirements. Staff adjusted its calculations to make Rate B the same for all customers. This is the same as the current rate design approved in the last rate case. The WSIRA rates are reflected in Appendix A1 through Appendix A4 attached to this Memorandum.

ASSESSMENTS AND ANNUAL REPORTS

MAWC is current on its quarterly assessment payments and is not delinquent for the prior year's assessments. MAWC does not have any past due annual reports.

STAFF RECONCILIATION

Section 393.1509.5(2), RSMo, requires a utility to reconcile any previously unreconciled WSIRA revenues as necessary to ensure that revenues resulting from the WSIRA match as closely as possible the appropriate pretax revenues as found by the Commission for that period. In the Company's updated workpapers, it calculated a reconciliation adjustment of \$0, due to the previous WSIRA adjustment remaining active. Staff agrees with this calculation.

STAFF'S CONCLUSIONS

In its Petition, MAWC filed to recover WSIRA-eligible infrastructure system project costs incurred during the period of November 1, 2025, through April 30, 2026. In the Petition, MAWC estimated the amount of additional plant investment for February, March, and April of 2026. At the time MAWC filed its Petition, MAWC proposed WSIRA revenues for water of \$17,166,505 and sewer revenues of \$386,079. The final, updated workpapers, which include the actual WSIRA investments through October, were received on May 12, 2026. These updated workpapers included increases in the proposed revenues for water and increases in the proposed revenues for sewer. MAWC's final request includes WSIRA water revenues of \$18,690,772 and sewer revenues of \$438,269.

Based upon its investigation and calculations, Staff concludes the Company's actual WSIRA rates should be designed to recover annual WSIRA revenues of \$12,103,890 from St. Louis County water customers, \$5,797,251 from All Other water customers, \$15,244 from Arnold sewer customers, and \$404,041 from All Other sewer customers. Therefore, Staff's recommendation is approval of \$17,901,141 in water revenues and \$419,285 in sewer revenues.

Staff's calculations reflect the overall weighted average cost of capital of 7.00% (tax grossed up rate of return) and MAWC's current depreciation rates, as reflected in the Stipulation and Agreement the Commission approved and ordered on May 7, 2025, in Case No. WR-2024-0320.

Staff's calculations reflect the actual WSIRA eligible investment placed in service from November 1, 2025, through April 30, 2026. In addition, property taxes have been included in Staff's calculation, as there will be property tax liability from MAWC due within the next 12 months related to these WSIRA investments.

Staff based its conclusions on an examination of workpapers and supporting documentation for the projects included for recovery in MAWC's proposed WSIRA filing, as well as from a review of the Stipulation and Agreement in Case No. WR-2024-0320. As a result, it is Staff's conclusion that the project costs incorporated within this WSIRA filing meet the requirements of the governing statutes as summarized previously in this Memorandum in the discussion of the Company's Petition. As per the enabling statute, neither Staff nor the Commission is making a determination of the ultimate prudence of any of the projects included in this WSIRA filing.

STAFF'S AMENDED RECOMMENDATION

Based on the above, Staff recommends that the Commission issue an order that:

1. Rejects the following proposed tariff sheets filed in Tariff No. JW-2026-0117:
 - a. FORM NO. 13 P.S.C. MO NO. 13 12th Revised Sheet No. RT 11.1 Cancelling 11th Revised Sheet No. RT 11.1, and
 - b. FORM NO. 13. P.S.C. MO No. 13 12th Revised Sheet No. RT 11.2 Cancelling 11th Revised Sheet No. RT 11.2;

2. Rejects the following proposed tariff sheets filed in Tariff No. JS-2026-0118:
 - a. FORM NO. 13 P.S.C. MO NO. 26 11th Revised Sheet No. RT 11.1 Cancelling 10th Revised Sheet No. RT 11.1, and
 - b. FORM NO. 13. P.S.C. MO No. 26 11th Revised Sheet No. RT 11.2 Cancelling 10th Revised Sheet No. RT 11.2;

3. Approves Staff's recommended WSIRA surcharge revenues in this docket in the incremental pre-tax revenue amount of \$12,103,890 from St. Louis County water customers, \$5,797,251 from All Other water customers, \$15,244 from Arnold sewer customers, and \$404,041 from All Other sewer customers for a total of \$17,901,141 in water revenues and \$419,285 in sewer revenues in this filing ; and

4. Authorizes MAWC to file revised tariff sheets for each utility, service area, and customer class, as reflected in Staff's Appendix A1 – A4, which generates \$18,320,426 of combined and water and sewer revenues.

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Change Water and Sewer Infrastructure) **And JS-2026-0118**
Rate Adjustments (WSIRA))

AFFIDAVIT OF JADON STAFFORD

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW JADON STAFFORD and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff's Corrected Recommendation* in memorandum form; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.


JADON STAFFORD

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 3rd day of June 2026.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2027
Commission Number: 15207377


Notary Public