

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

In the Matter of Missouri-American Water)	
Company's Request for Authority to Implement)	Case No. WR-2026-0304
General Rate Increase for Water and Sewer)	Case No. SR-2026-0305
Service Provided in Missouri Service Areas.)	

MOTION TO ESTABLISH TEST YEAR

COMES NOW Missouri-American Water Company (MAWC or Company), by and through counsel, and hereby moves the Missouri Public Service Commission (Commission) to establish a future test year in this general rate case; and in support thereof, states as follows:

SUMMARY

1. By this motion, the Company requests that the Commission set a future test year for this general rate case, pursuant to Section 393.150, RSMo. As the Company asserts below, a future test year is both authorized by law and is the most appropriate ratemaking tool for use in the specific circumstances faced by the Company, including that a future test year in this proceeding it is consistent with the public interest.
2. MAWC proposes to use the following information and process to develop the future test year:
 - i. Historical Test Year: a normalized a fully historical base year that reflects actual revenues, expenses, and rate base for the 12 months ended December 31, 2025;
 - ii. Bridge Period: adjusted, normalized and annualized base year 12 months ending December 31, 2026; and then,
 - iii. Future Test Year: a forecast of the period covering the first year that new rates are expected to be in place (12 months ending May 31, 2028).
3. The future test year includes a forecast of revenue and expenses. Expenses are adjusted for changes to categories of expenses where they can be reasonably forecasted. For other expenses, an inflation factor is used to adjust costs for the future period. The Company's

future test year also employs a 12-month average of projected rate base. The forecast is composed of both specific projects that are scheduled to be in service during the future test year and projected levels of other activity such as main and service replacements, meter replacements and similar project groupings.

4. The relationship between revenues, expenses and rate base that may exist in a historical test year, or even during a true-up period, will not exist in the first year that rates will be in effect. The use of a fully forecasted test year is designed to restore a proper matching of these items for this period to produce rates that most accurately reflect the revenues, expenses and investments during the period the rates are to be effective. The future test year MAWC has elected in this case is not detrimental to, and is consistent with, the public interest.

A FUTURE TEST YEAR IS AUTHORIZED BY LAW

5. The Commission's statutory duty in this case is to set just and reasonable prospective rates for water and sewer service provided by the Company.¹ A "just and reasonable" rate is one that is fair to both the utility and its customers;² "from the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business."³ A just and reasonable rate is sufficient to "insure to the investors a reasonable return upon funds invested."⁴ In addition to its operating expenses, the Commission must afford the utility an opportunity to recover a reasonable

¹ Sections 393.130.1, 393.140.5, 393.150.2, RSMo.

² *St. ex rel. Valley Sewage Co. v. Pub. Serv. Comm'n*, 515 S.W.2d 845 (Mo. App., K.C.D. 1974).

³ *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944) (citations omitted).

⁴ *St. ex rel. Washington University et al. v. Pub. Serv. Comm'n*, 308 Mo. 328, 344-45, 272 S.W. 971, 973 (banc 1925).

return on the assets it has devoted to the public service.⁵

6. In 2025, the Missouri General Assembly enacted Senate Bill 4, which amended Section 393.150, RSMo., by adding Subsections 3 through 9. Section 393.150.3(1), RSMo., provides:

Beginning July 1, 2026, the test year for proceedings under this section **shall**, if requested by a gas corporation, water corporation, or sewer corporation, be a future year consisting of the first twelve full calendar months after the operation of law date determined in subsections 1 and 2 of this section for schedules stating new base rates filed by a gas corporation, water corporation, or sewer corporation under this section, unless the commission makes a determination that using a future test year under this section is detrimental to the public interest. For ratemaking purposes, the average of the projected month-end total rate base amount during the future test year shall be used to establish new base rates. Unless otherwise ordered by the commission, new base rates shall not go into effect before the first day of the future test year.⁶ (emphasis added)

7. In construing a statute, courts presume that the legislature was aware of the state of the law at the time of its enactment and, therefore, when the legislature amends a statute, it intended to change the existing law.⁷ By the amendment of Section 393.150, RSMo., the legislature intended to change the long-standing reliance of the Commission on historical test years in ratemaking. The public policy of the state is found in its statutes.⁸ The Missouri General Assembly has made it clear that the public policy of Missouri is now to use future test years in ratemaking for water and wastewater utilities who seek this option.
8. The cited statute requires the Commission to grant the request for a future test year “unless

⁵ *St. ex rel. Utility Consumers Council, Inc. v. Pub. Serv. Comm'n*, 585 S.W.2d 41, 49 (Mo. banc 1979) (“UCCM”).

⁶ Emphasis added.

⁷ *State ex rel. T.J. v. Cundiff*, 632 S.W.3d 353, 357 (Mo. Banc 2021).

⁸ *State ex rel. City of St. Louis v. Public Service Com'n of Missouri*, 335 Mo. 448, 458-459, 73 S.W.2d 393, 399 - 400 (Mo.1934).

the commission makes a determination that using a future test year under this section is detrimental to the public interest.”⁹ In a similar circumstance,¹⁰ the Commission acknowledged that “the Commission may not withhold its approval of the proposed transaction unless the Applicants fail in their burden to demonstrate that the transaction is not detrimental to the public interest, and detriment is determined by performing a balancing test where attendant benefits are weighed against direct or indirect effects of the transaction that would diminish the provision of safe or adequate of service or that would tend to make rates less just or less reasonable.”¹¹

A FUTURE TEST YEAR IS CONSISTENT WITH THE PUBLIC INTEREST

9. When setting new prospective rates, the Commission is required to consider “all relevant factors.”¹² It is the Company’s position that a future test year is necessary to consider “all relevant factors,” as well as to reasonably estimate “what costs will be when rates are in effect”¹³ and to compensate MAWC for its investment in, and its operation and maintenance expense associated with, utility plant that will be providing service to its customers. This includes additions that will be used and useful and serving the customers during the relevant rate year.

⁹ Section 393.150.3(1), RSMo.; at Section 536.010(6)(d), “determination” is treated as a synonym of “decision” and “order.”

¹⁰ An acquisition, which is governed by the same standard.

¹¹ *In the Matter of Union Electric Company, d/b/a AmerenUE*, 13 MoPSC3d 266, 293 (2005); and see *In the Matter of Great Plains Energy, Inc., Kansas City Power & Light Company and Aquila, Inc.*, 17 Mo.P.S.C.3d 338, 541 (2008).

¹² Section 393.270(4), RSMo.; *State of Mo. ex rel. Pub. Counsel v. PSC of Mo.*, 397 S.W.3d 441, 448 (Mo. Ct. App. 2012) (“In reliance upon §393.270.4, Missouri courts have traditionally held that the Commission’s ‘determination of the proper rate for [utilities] is to be based on all relevant factors rather than on consideration of just a single factor.’ *Midwest Gas Users*, 976 S.W.2d at 479.”).

¹³ *Noranda Aluminum, Inc., et al. v. Union Electric Company, d/b/a Ameren Missouri*, 2014 Mo.PSC LEXIS 882, 29 (October 1, 2014), citing *State ex rel. Southwestern Bell Tele. Co. v. Pub. Serv. Comm’n*, 645 S.W.2d 44, 48 (Mo. App. W.D. 1982); *In the Matter of Union Electric Company*, 2015 Mo. PSC LEXIS 380, 43 (April 29, 2015).

10. The use of a future test year also properly addresses the matching principle. New rates based on a historical test year, will not be fully reflective of the rate year relationships. At the same time, any cost and revenue changes that mitigate or reduce the cost of service in the rate year should be reflected. The use of a future test year is designed to restore a proper matching of these items for this period to produce rates that most accurately reflect the revenues, expenses and investments during the period the rates are to be effective. Because the future test year best balances all rate elements, it best reflects the matching principle and is a well-understood and successful ratemaking tool and should be adopted by the Commission in this case.
11. The future test year serves to consider all relevant factors and best matches these factors during the period of time rates will be in effect. Accordingly, the use of a future test year is consistent with the public interest.
12. The Company respectfully requests that the Commission act expeditiously on this motion.

WHEREFORE, on account of all the foregoing, MAWC respectfully requests the Commission issue an order adopting a future test period covering the first year that new rates are expected to be in effect (the 12 months ending May 31, 2028).

Respectfully submitted,

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ATTORNEYS FOR MISSOURI-AMERICAN WATER COMPANY

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing document was sent via electronic mail on this 1st day of July 2026 to:

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/s/ Rachel Niemeier