

Exhibit No.: 129
Issue(s): Customer Usage
Customer Normalization
Witness: Jarrod J. Robertson
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: WR-2017-0285
Date Testimony Prepared: February 9, 2018

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

WATER AND SEWER DEPARTMENT

SURREBUTTAL TESTIMONY

OF

JARROD J. ROBERTSON

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2017-0285

*Jefferson City, Missouri
February 2018*

Exhibit No. 129
Date 3/8/18 Reporter MLH
File No. WR-2017-0285

1 This error has been corrected, and is reflected in a change to the District #3 customer usage
2 per day in my submitted Schedule JJR-s1.

3 Q. What is the next revision you would like to address within Schedule JJR-r1?

4 A. The next revision I will address is a change to Tri-States' customer count for
5 the year of service, 2013-2014. I had previously made an error in this total customer count
6 by not dividing the total customer count for this time period by 12 months. This error has
7 been corrected, and is reflected in a change to the District #3 customer usage per day in my
8 submitted Schedule JJR-s1.

9 Q. What is the next revision you would like to address within Schedule JJR-r1?

10 A. The next revision I will address is a change to Redfield's customer count for
11 the year of service, 2015-2016. I had previously made an error in this total customer count
12 by not dividing the total customer count for this time period by 12 months. This error has
13 been corrected, and is reflected in a change to the District #1 customer usage per day in my
14 submitted Schedule JJR-s1.

15 Q. What is the final revision you would like to address within Schedule JJR-r1?

16 A. The final revision I will address is a change to Hickory Hills' customer count
17 for the years of service, 2015-2016. I had previously made an error in this total customer
18 count by not dividing the total customer count for this time period by 12 months. This error
19 has been corrected, and is reflected in a change to the District #1 customer usage per day in
20 my submitted Schedule JJR-s1.

21 **Usage Normalization**

22 Q. Mr. Roach states, on page 6, lines 9 – 13, the Staff five-year averaging
23 technique for sales volumes and billing determinants would be based on summer sales

1 volumes influenced by warmer and dryer conditions. Does Staff feel that these assertions
2 are correct?

3 A. No. Staff's method identifies current customer usage patterns, which are
4 relevant to establishing normalized usage present day. Staff does not analyze or compare
5 usage patterns from 10, 20, 30, or 40 years ago. Staff takes current usage patterns over the
6 past five years, and determines that over the next three to four years (the general timeframe
7 between MAWC's rate cases) customer usage patterns will be similar. Staff's method
8 examines actual customer usage over the past five years; Staff does not manipulate, or focus
9 on a subset of data as it relates to periods of less than a year, or a warmer - cooler climatic
10 period, or wetter - dryer climate. Staff's method instead, focuses on actual customer usage
11 as provided by MAWC to normalize usage.

12 Q. On page 7, lines 6 - 9, Mr. Roach states that Staff ignored the impact of
13 continual replacement of water using devices and appliances with more efficient
14 counterparts. Is, Mr. Roach, correct in his judgement?

15 A. No, Staff's five-year average takes all current customer usage behavior into
16 account, thus capturing changes in usage patterns that result from appliance upgrades, and
17 more efficient devices being utilized by the customer.

18 Q. Mr. Roach states on pages 7 - 8, specifically on page 8, lines 1 - 3, reduction
19 in usage per customer is a nationally recognized trend, and that if Staff had some reason to
20 believe that Missouri was singularly exempt from this trend, it should have been incumbent
21 on Staff to demonstrate and explain such an anomalous result. Does Staff disagree there is a
22 national trend of reduction in customer usage?

Surrebuttal Testimony of
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1 A. No. On page 6, lines 3 – 4, of my rebuttal testimony, Staff acknowledges that
2 residential customer usage on a per day basis appears to be less today than it was in the past.

3 Q. Mr. Roach on page 10, lines 6 – 13, states Staff’s five-year simple average
4 technique, as applied to residential customers in particular, ignores the underlying trend of
5 reductions to residential customer usage due to continual replacement of water using devises
6 and appliances with their more efficient counterparts, and Staff’s proposed technique
7 employs residential usage during a five-year period that has been overstated due to
8 customer’s responses to warmer and dryer than average climatic conditions. For those two
9 reasons, the Staff proposed five-year simple averaging technique is inappropriate for setting
10 rates in this proceeding. Does Staff agree with these statements?

11 A. No. Staff’s method of a five-year average used in determining a normalized
12 level of residential usage is the most reasonable and appropriate method in calculating the
13 appropriate usage on a going forward basis. Usage can fluctuate dramatically, up or down,
14 based on various factors, and Staff’s five-year average takes into account the most
15 recent variables that affect the most current customer usage patterns. Variables such as:
16 climate trends (temperature and moisture), more efficient usage behavior, more efficient
17 appliances, and infrastructure upgrades.

18 Also, focusing on the most recent usage behavior is important, as rates for MAWC
19 are generally set for a two- to four-year period. MAWC does control when it chooses to
20 come to file a rate case; however, to maintain its Infrastructure System Replacement
21 Surcharge (ISRS), MAWC is bound to no more than three years between rate increases if
22 it chooses to implement an ISRS. Therefore, Staff’s five-year average also provides
23 “historical” data (one-three years) from previous usage data from the last rate case.

Surrebuttal Testimony of
Jarrod J. Robertson

1 | Thus, the five-year average will lead to a more reasonable normalized usage level as it
2 | focuses on recent usage patterns, more-so than a ten year regression analysis.

3 | Q. Does this conclude your surrebuttal testimony?

4 | A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

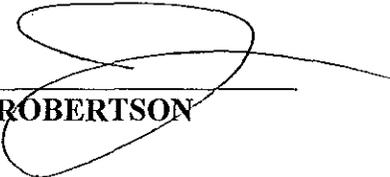
In the Matter of Missouri-American Water)
Company's Request for Authority to) Case No. WR-2017-0285
Implement General Rate Increase for Water)
and Sewer Service Provided in Missouri)
Service Areas)

AFFIDAVIT OF JARROD J. ROBERTSON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW JARROD J. ROBERTSON and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Surrebuttal Testimony; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

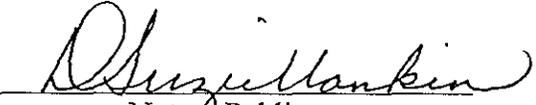


JARROD J. ROBERTSON

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 9th day of February, 2018.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2020
Commission Number: 12412070



Notary Public

Missouri-American Water Company

Case No. WR-2017-0285

Customer Usage Per Day

<u>Service Area</u>	<u>Usage Per Day</u>
District No. 1	0.22438
District No. 2	0.15458
District No. 3	0.14650