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TO: Members of the Public
FROM: The Missouri Office of the Public Counsel
RE: The Consumer Advocate's Handout Regarding Missouri – American Water Company's request to increase its rates for water and wastewater services (Missouri Public Service Commission case number WR-2020-0344)

Who is the Public Counsel:

The Public Counsel is a position within the state government created by the Missouri State Legislature. The Public Counsel employs legal and technical experts who together form the Office of the Public Counsel (or "OPC"). The purpose of the OPC is to represent and protect the interests of the public in any proceedings before the Missouri Public Service Commission (which is a separate entity). Missouri statute tasks the OPC to advocate for utility service at the most reasonable rates possible from publically regulated utility companies operating in Missouri.

What this case is about:

Missouri – American Water Company (MAWC) initiated this case to increase the rate it charges for water and sewer services in Missouri. Specifically, MAWC is asking the Commission to increase its authorized revenues by over \$102 million; amounting to a 32.3% increase in revenue, a 10.5% return on equity, and 7.78% overall rate of return. For a customer using 3,000 gallons monthly, MAWC's request would increase St. Louis County, and outer Missouri customers by approximately \$9 and between \$6 and \$3 a month, respectively. Customers on the Lawson Water system would expect a monthly bill decrease of approximately \$11.

In addition, MAWC is asking the Commission to approve a revenue stabilization mechanism that would enable the Company to account for fluctuations in water usage due to weather or conservation through a surcharge on customer bills. MAWC is also seeking to consolidate its tariffs meaning that water and sewer rates would be uniform amongst customer classes throughout Missouri. MAWC currently services customers under two different sets of tariffs with rates differing between St. Louis County and the rest of Missouri.

The Office of the Public Counsel's assessment of this case:

The OPC does not believe that a rate increase is warranted at this time because MAWC's customers are currently bearing the economic burdens of a global pandemic, and furthermore the Staff of the Public Service Commission (Staff) independently determined that the Commission should actually decrease MAWC's rates by over \$19 million. The OPC supports Staff's recommendation.

OPC's witnesses recommend that the Commission should set MAWC's return on equity (shareholder profit margin) at 9.25%, provided MAWC uses more lower-cost debt in its capital structure to reduce costs for customers. If not, then the OPC recommends less of a return depending on the final ordered equity to debt ratio. OPC is skeptical as to the need for a revenue stabilization mechanism, and accordingly recommends that the Commission deny MAWC's request. OPC also recommends that MAWC's service areas not be consolidated as proposed; OPC's position is to keep the systems separate to ensure that customers around the State do not pay system upgrade costs for distant systems that do not provide their water/sewer service. Consolidated tariff prices can also hide the true cost of providing service as individual costs on distinct water and sewer systems are spread to other customers.

The OPC and MAWC also have ongoing disagreements as to other technical issues such as MAWC's purported income tax expense, how to calculate MAWC's normalized revenues, rate case expense, and allowance for funds used during construction. The ratemaking treatment of these issues are inter-related, and therefore any estimated bill impact for customers will vary depending on how the Commission rules on each discrete issue.

What should you, as an individual, do in this case:

The most important thing for you as an individual member of the public to do in this case is to stand up and be heard. **We want to hear from you**, and virtual local public hearings are the best place to do that. Both prior to and after your local public hearing, there will be made available means by which you can informally ask any or all of the parties any questions (or raise any concerns) you might have about this case or your water and wastewater services in general. In addition, there will be an opportunity for you to speak directly to Commissioners and provide comments that will become a part of the record in this case through a virtual format. This is likely to be your one and only chance to talk to the Commission directly and tell the Commissioners exactly how you feel about this case. Therefore, even if someone else has said everything that you wanted to say, you should tell the Commission you agree just so it knows that more than one person holds that opinion.

In addition to providing testimony you, or anyone you know who would like to, may also file written comments in this case by going to https://psc.mo.gov/General/Submit_Comments and accessing the links provided. **However, the Commission has in the past not accepted written comments as part of the record, so your best chance to be heard is at this virtual public hearing.** If you want to stay informed about this case or read up on what has already been filed, you can access this case on the Commission's Electronic Filing Information System (or "EFIS"). Just go to <https://psc.mo.gov/General/EFIS>, find the link for "Docket Sheet" under EFIS Shortcuts, and enter the case number for this case (WR-2020-0344) in the box provided to see everything filed in this case.