

Exhibit No.: _____
Issues: Public Interest
Witness: Chad Sayre
Sponsoring Party: Lake Perry Lot Owners Association
Type of Exhibit: Rebuttal Testimony
Case Nos.: WA-2019-0299
Date Testimony Prepared: August 23, 2019

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

In the Matter of the Application of Confluence)
Rivers Utility Operating Company, Inc.)
For Authority to Acquire Certain Water and)
Sewer Assets and for a Certificate of Convenience)
And Necessity)
Case No. WA-2019-0299
Case No. SA-2019-0300

**REBUTTAL TESTIMONY OF
CHAD SAYRE
ON BEHALF OF THE
LAKE PERRY LOT OWNERS ASSOCIATION
AUGUST 23, 2019**

1 **Q. What is your name?**

2 A. Chad Warren Sayre

3 **Q. On behalf of what party in this case are you testifying?**

4 A. Lake Perry Lot Owners Association

5 **Q. What is your education and professional background?**

6 A. I obtained a Bachelor of Science in Civil Engineering in 1991 and a Master of Science in Civil
7 Engineering in 1995. Professionally, I am a registered engineer in the State of Missouri and
8 Nebraska.

9 I am an owner-principal of Allstate Consultants LLC. My business address is 3312 LeMone
10 Industrial Blvd., Columbia, MO 65201. We have significant experience and success in the
11 assessment, planning, designs and funding development of water supply, treatment, distribution,
12 elevated storage, as well as wastewater, permitting, compliance, collections, operations, disposal
13 and treatment. I have attached a pictorial project portfolio of many of the projects Allstate
14 Consultants have undertaken as Schedule CWS-1 to my testimony.

15 **Q. What is the purpose of your testimony?**

16 A. The purpose of my testimony is to provide technical assistance to the Lake Perry Lot Owners
17 Association (“Association”) and an engineering report that evaluates the current condition of the
18 Port Perry Service Company water and wastewater systems. The Association requested my
19 evaluation as part of a data set to evaluate the Application in this case, the proposed purchase of
20 the systems by Confluence Rivers Utility Operating Company, Inc. and an assessment and report
21 about current and potential future needs for improvements cost and the impact on water and sewer
22 rates for the short term, midterm, and long term. Based on this analysis, I provide my engineering

1 opinion that the Application is detrimental to the public interest based upon the public and
2 confidential data reviewed to date.

3 **Q. Please summarize the contents of your engineering report.**

4 A. I have attached a copy of my Preliminary Engineering Report dated January 7, 2019 for an
5 “Engineering Summary and Assessment of Lake Perry Water and Wastewater systems,” as
6 Schedule CWS-2 hereto. My report conclusions are best summarized in section 3.0 therein. For
7 ease of reference, I will reproduce those general conclusions as follows:

8 **3.0 Proposed System Improvements**

9 **3.1 Water System**

10 Following a cursory site review, meetings with Lake Perry HOA, and review of
11 public documents, we don’t see any immediate major items that need to be
12 completed for permit compliance. Well #2 needs to be evaluated for rehabilitation,
13 modernization, and improvement options or a new well needs constructed with
14 complete system integration to the elevated storage and Well #1. Both wells as
15 public water supplies need to be able to disinfect, and eventually will need pump
16 upgrades, but currently the system is in compliance with regulations and MDNR.
17 Prior to any final change of ownership an MDNR standard comprehensive
18 hydraulic analysis may be helpful to finalize if and what improvements are finally
19 needed, and also may yield data for final improvements recommendation. My
20 report includes several items that may or may not be required and how those
21 potentials would impact water and sewer consumer’s rates.

22 Well #2 may be able to be rehabilitated for less capital, but system waterlines would
23 need to be possibly upsized to allow better pumping hydraulics over time to the
24 existing storage tank, along with a new pump and VFD, SCADA, and system
25 integration. This could also solve future pressure concerns during peak demand
26 flows. Most of these improvements could be managed and/or performed by
27 existing HOA staff and local contractors over time as part of a 5 to 10 year owner
28 supervised plan.

29 If a new well is drilled, and replaces Well #2, it should be considered to be placed
30 at the existing storage tank site or near it, with system water lines being evaluated
31 by the hydraulic analysis mentioned above.

32 A complete hydraulic analysis should be completed prior to any work, decisions,
33 or improvements being made. This analysis and report of options and report of
34 options should be submitted to MDNR in the form of a complete PER to ensure
35 compliance and informed decisions are made. This could save capital investments
36 and increase benefits to cost. The buyer may want to consider this analysis as a
37 contract or agreement contingency following attorney review which will keep rates

1 for water and wastewater consumers at levels in the public interest and at or below
2 reasonable rates for this system.

3 Enhanced control valves, fencing for security and other minor items can be
4 completed with local staff once the system is acquired to save operations, costs and
5 to allow remote monitoring for the public interest and public health.

6 The current elevated storage tank is large enough for compliance.

7 **3.2 Wastewater System**

8 The wastewater system reportedly is in compliance with MDNR currently, but a
9 permit evaluation and/or renewal needs to be processed ASAP (see Appendix 7.10
10 and 7.12). Minor replacements and maintenance items are needed over time as in
11 any operating system. This system is a no discharge system and is in compliance.
12 These include brush clearing, gravel drive access improvements, gates and land
13 application sprinkler head replacements. Additional enhancements to monitor
14 security, and adding pressure activated valves to allow zone development in the
15 irrigation zones should be evaluated and planned to insure operation costs and to
16 benefit the public's interest by being efficient in labor costs. Improved warning
17 signs and potential fencing and some more access restrictions should be considered
18 over time.

19 **Q. Please briefly describe the steps you undertook in developing your engineering report for**
20 **Lake Perry Service Company.**

21 A. I requested several key documents from the Association to provide the engineering report and a
22 preliminary Rate Impact Assessment. These key documents were location maps, service territory
23 maps, general subdivision or customer maps, audits, and financials as available. I also requested
24 governing rules and regulations for customers and systems, operating permits and any recent
25 MDNR inspection documents. I took a site tour with Association personnel.

26 **Q. Did you follow commonly accepted processes in developing the engineering report?**

27 A. Yes. I have completed numerous engineer evaluations and reports on many projects for private,
28 public, quasi-public, municipal, and many types of political subdivisions. This was a standard and
29 straight forward engineering evaluation where there were no documented MDNR notice of
30 violations or immediate issues with environmental or public health risks. I performed a site visit
31 and tour, developed my draft report, and then published a signed and sealed engineering report as
32 part of the accepted engineering practice and minimum standard of care for these types of reports .

1 **Q. How would you distinguish your conclusions from the conclusions of Confluence Rivers in**
2 **their Application and their direct testimony?**

3 A. My report is signed and sealed and is being presented in this case. And I take full
4 responsibility for the content of that report rate impacts and impacts to the public interest, primarily
5 the Association and the systems rate payers. My report has not changed since it was published.
6 My report concludes that while the water and sewer systems are in compliance with basic
7 environmental and safety standards, some routine maintenance and evaluations are required.
8 Regarding the Confluence Rivers conclusions, first let me say that Confluence Rivers has published
9 numerous budgets, draft reports and only one signed sealed report to my knowledge. The results
10 have varied widely and this is confusing. In Confluence Rivers' testimony in this case and the prior
11 case Case No. WM-2018-0166, I see numerous what appears to be speculations in the Confluence
12 Rivers testimony. It is inappropriate to draw engineering conclusions based on such
13 unsubstantiated or widely varying claims, in my opinion. The first time I saw a signed and sealed
14 engineering report from Confluence Rivers was the week before this testimony was due to be filed.
15 I have seen conflicting and inconsistent evaluations of the systems in multiple versions of unsigned
16 and unsealed engineering studies from Confluence Rivers. Mr. Justis has included those conflicting
17 engineering studies in his testimony. This is confusing and a concern to me as a registered
18 professional engineer in the State of Missouri who is regularly employed by public bodies and
19 private entities. My engineering opinion is the same as it was when I first issued my engineering
20 study. But the Confluence Rivers various engineering studies published budgets, and scopes could
21 justify different conclusions and are very confusing to the public.

22 **Q. Do you have specific examples of how these various reports could cause diverse outcomes?**

23 Yes, I do. My report recommends normal maintenance items be completed but that before any new
24 enhancements or improvements are made that a complete hydraulic analysis be made of the water

1 system, and wells to meet a minimum standard of care. My recommendation does not require any
2 formal action from the Department of Natural Resources.

3 However, Confluence Rivers has entered into an Abatement Order on Consent (“AOC”), dated
4 April 2, 2019, signed by Chris Weiberg Director of MDNR’s Water Protection Program and Josiah
5 Cox. I have attached a copy of the AOC to my testimony as Schedule CWS-3. I checked with the
6 MDNR resources and confirmed that Port Perry has had no discharge violations to Nations Creek.
7 There is no reason on environmental precedent for Port Perry to enter into an AOC in my opinion.
8 Yet paragraphs 43-45 of the AOC proposes that Port Perry has at least “anticipated” violations of
9 such a kind as to have “caused pollution” to Nations Creek. I saw nothing at Port Perry that would
10 under a normal standard of care require or justify any abatement order. There has been no letter of
11 warning since 2012 nor notice of violation that would justify any legal action or technical
12 abatement. I can’t find where or how Confluence Rivers can agree to an abatement when nothing
13 needs abatement in my opinion. I also don’t agree with Item 28 where Mr. Wieberg and Mr. Cox
14 indicate the design flow is 740,000 gpd.

15 **Q. In light of your work on the engineering report and reviewing the Lake Perry Service**
16 **Company business plan, do you have any conclusions on whether the Confluence Rivers’**
17 **application is in the public interest?**

18 A. In my opinion, the public is best served by an existing compliant system (like Port Perry), when
19 such system is locally owned, locally operated, locally accountable and locally controlled. These
20 Port Perry systems are not out of compliance. The local control will be motivated to maintain
21 compliance at the lowest cost. This is the public’s interest. From my review of the testimony and
22 engineering reports and widely ranging claims of Confluence Rivers in this case and the prior Case
23 No. WM-2018-0116, I see a motivation to increase the cost. From my experience at Raccoon Creek
24 and the Villages at Whiteman and other related projects and clients, I see this family of connected
25 companies end up with sewer rates from \$90.00 to \$100.00 per month as a pattern when I believe

1 there are much more economic alternatives to the public and users. This range is approximately
2 double the state's average rate for similar sized systems. As a registered professional engineer, it
3 is my judgment that the circumstances leading to this situation are detrimental to the public interest.

4 **Q: Does this conclude your testimony?**

5 A: Yes, it does.

