

*Exhibit No.:*  
*Issues:* *Construction Costs*  
*Witness:* *James A. Merciel, Jr.*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Direct Testimony*  
*Case No.:* *SR-2008-0080*  
*Date Testimony Prepared:* *December 21, 2007*

**MISSOURI PUBLIC SERVICE COMMISSION**  
**UTILITY SERVICES DIVISION**

**DIRECT TESTIMONY**  
**OF**  
**JAMES A. MERCIEL, JR.**

**TIMBER CREEK SEWER COMPANY**  
**CASE NO. SR-2008-0080**

*Jefferson City, Missouri*  
*December 2007*

In the Matter of Timber Creek Sewer Company,  
Inc.'s Tariff Designed to Increase Rates for Sewer  
Service.

)  
) Case No. SR-2008-0080  
)

[illegible]

James A. Merciel, Jr.

  
Notary Public



**SUSAN L. SUNDERMEYER**  
My Commission Expires  
September 21, 2010  
Callaway County  
Commission #06942086

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**DIRECT TESTIMONY**  
**OF**  
**JAMES A. MERCIEL, JR.**  
**TIMBER CREEK SEWER COMPANY**  
**CASE NO. SR-2008-0080**

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## INTRODUCTION

## **EXECUTIVE SUMMARY**

1 (CIAC) charge, which is paid by a developer, a builder, or a new customer at the time a new  
2 connection is made to the Company's sewer system.

3 **PROPOSED ESTIMATED COST OF TREATMENT FACILITIES**

4 Q. What information are you discussing, and why?

5 A. The information I am explaining is the proposed estimated cost of a new  
6 sewage treatment facility, because the cost of the facility directly impacts both the rates, and  
7 the CIAC charge, which is a capital contribution, that customers pay when making a  
8 connection. The Company, similar to some other utilities, uses a combination of its capital  
9 resources and funds provided by developers or new customers, to support plant capital cost.  
10 As explained in the Direct Testimony of James M. Russo of the W/S Department, an increase  
11 in the CIAC charge was negotiated in this case which is based on an increased cost of  
12 constructing sewage treatment plants, and also with the idea of reducing the Company's  
13 investment on a per customer basis. As such, an estimated amount of \$8.00 per gallon of  
14 treatment capacity was used for the calculation of the increased CIAC charge.

15 Q. Do you believe that the \$8.00 per gallon estimate is a figure that is appropriate  
16 to use?

17 A. Yes, from the standpoint of a customer or other party paying the CIAC charge,  
18 I believe that \$8.00 per gallon is appropriate, because it is within the range of the costs of  
19 other treatment plants that I have observed.

20 Q. On what do you base this opinion?

21 A. My opinion is based on the observation of eight other projects and estimates  
22 that we have seen recently. These projects involve a regulated company that recently finished  
23 a rate case and whose work included the construction of three (3) new sewage treatment

1 facilities (Missouri-American Water Co.), a new company that received approval to  
2 commence business as a water and sewer utility (Southtown Utilities Co., Inc.), a regulated  
3 company that built a plant a couple of years ago (Mill Creek Sewers, Inc.), a pending case  
4 involving a new sewer utility (EMC of St. Charles County, LLC), a pending case involving a  
5 regulated sewer utility that is proposing to sell its assets to a public district that is planning a  
6 major upgrade of the existing sewage treatment facility, with estimated costs of various  
7 options (Lincoln County Utilities Company), and a company that filed to become a regulated  
8 utility, but withdrew its application, but had an estimated cost of a plant that was under  
9 construction (Big Island Water & Sewer Co., Inc.). All but one of these projects incurred a  
10 cost or estimated a cost in excess of \$8.00 per gallon, specifically in the range of just under  
11 \$5.00 to approximately \$18.00 per gallon of capacity. It appears that, for many of them, the  
12 purchase of plant components is approximately \$4.00 per gallon, and construction costs are  
13 approximately \$12.00 per gallon.

14 Q. Why would the Company's construction cost be less than most of these other  
15 projects?

16 A. The cost, to a great extent, depends on the type and size of treatment facility.  
17 Larger plants could tend to cost less per gallon. Also, plants that are technologically more  
18 advanced and capable of a better quality effluent to meet ever-increasing discharge  
19 requirements are now available, and these plants have more parts and are more complex than  
20 older type extended aeration plants. Finally, expansion of an existing plant constructed with a  
21 modular format could cost less.

1    **CONCLUSION**

2           Q.     Do you believe that \$8.00 per gallon is an appropriate estimate to use for the  
3 Company's situation?

4           A.     Yes.

5           Q.     Does this conclude your Direct Testimony?

6           A.     Yes.