

Exhibit No.:	
Issues:	Labor and Labor-Related Expenses, Overtime, Payroll Taxes, Temporary Employees
Witness:	Peter J. Thakadiyil
Exhibit Type:	Rebuttal
Sponsoring Party:	Missouri-American Water Company
Case No.:	WR-2008-0311 SR-2008-0312
Date:	September 30, 2008

MISSOURI PUBLIC SERVICE COMMISSION

**CASE NO. WR-2008-0311
CASE NO. SR-2008-0312**

REBUTTAL TESTIMONY

OF

PETER J. THAKADIYIL

ON BEHALF OF

MISSOURI-AMERICAN WATER COMPANY

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

IN THE MATTER OF MISSOURI-AMERICAN)	
WATER COMPANY FOR AUTHORITY TO)	
FILE TARIFFS REFLECTING INCREASED)	CASE NO. WR-2008-0311
RATES FOR WATER AND SEWER)	CASE NO. SR-2008-0312
SERVICE)	

AFFIDAVIT OF PETER J. THAKADIYIL

Peter J. Thakadiyil, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Rebuttal Testimony of Peter J. Thakadiyil"; that said testimony and schedules were prepared by him and/or under his direction and supervision; that if inquires were made as to the facts in said testimony and schedules, he would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of his knowledge.


Peter J. Thakadiyil

State of Missouri
County of St. Louis
SUBSCRIBED and sworn to
Before me this 29th day of September 2008.


Notary Public

My commission expires:

Staci A. Olsen
Notary Public - Notary Seal
State of Missouri
St. Charles County
Commission # 05519210
My Commission Expires: March 20, 2009

**REBUTTAL TESTIMONY
PETER J. THAKADIYIL
MISSOURI-AMERICAN WATER COMPANY
CASE NO.WR-2008-0311
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REBUTTAL TESTIMONY

PETER J. THAKADIYIL

I. WITNESS INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Peter J. Thakadiyil, and my business address is 727 Craig Road,
3 St. Louis, Missouri 63141.

4

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by American Water Works Service Company ("Service
7 Company") as a Financial Analyst II in Rates & Regulation. The Service
8 Company is a subsidiary of American Water Works Company, Inc.
9 ("American") that provides support services to American's water utility
10 subsidiaries.

11

12 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS**
13 **PROCEEDING?**

14 A. Yes, I have submitted direct testimony in this proceeding on behalf of
15 Missouri-American Water Company ("MAWC" or "Company").

II. PURPOSE

16 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

1 A. The purpose of my rebuttal testimony is to respond to the labor and labor
2 related expense adjustments made by Missouri Commission Staff ("Staff") on
3 behalf of the Company.

4
5 **III. LABOR AND LABOR-RELATED EXPENSES**

6 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY AS TO**
7 **LABOR AND LABOR RELATED EXPENSES?**

8 A. The issues that I will be addressing are overtime hours, the payroll tax impact
9 of payroll adjustments and temporary employees.

10
11 **IV. OVERTIME**

12 **Q. WHAT IS STAFF'S METHODOLOGY IN CALCULATING OVERTIME**
13 **EXPENSE?**

14 A. The Staff Report states overtime payroll for each district was based upon
15 a five year average. However, Staff's workpapers show that Staff uses a
16 four year average.

17
18 **Q. IS STAFF'S METHODOLOGY IN CALCULATING OVERTIME HOURS**
19 **CONSISTENT WITH PRIOR CASES?**

20 A. No. In Case Number WR-2003-0500, Staff used a three year average to
21 calculate overtime hours. In Case Number WR-2007-0216, Staff used a
22 four year average, two year average or in some cases used the most
23 recent calendar year, even if there was data available from prior periods.

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Q. WHAT HAS BEEN THE COMPANY’S APPROACH TO CALCULATING OVERTIME HOURS IN PREVIOUS CASES?

A. In Case Number WR-2003-0500 the Company used a three year average to calculate overtime hours. In Case Number WR-2007-0216, the Company used actual test year overtime hours.

Q. DID STAFF PROVIDE ANY EXPLANATIONS AS TO WHY THEY HAVE NOT USED A CONSISTENT METHOD TO CALCULATE OVERTIME?

A. No.

Q. WHAT IS THE COMPANY’S METHODOLOGY FOR CALCULATING OVERTIME HOURS IN THIS CASE (CASE NUMBER WR-2008-0311)?

A. The Company is using a three year average to calculate overtime hours.

Q. WHY HAS THE COMPANY CHANGED FROM TEST YEAR HOURS TO A THREE YEAR AVERAGE IN CASE NUMBER WR-2008-0311?

A. The Company believes the use of actual test year overtime hours is an appropriate method for rate recovery if those test year hours are considered to be representative of a normal year. Nevertheless, the Company decided a three year average of overtime hours would be a reasonable method to normalize test year overtime hours in this case.

1 **Q. WHY DOES THE COMPANY BELIEVE A THREE YEAR AVERAGE IS**
2 **MORE APPROPRIATE TO USE THAN A FOUR YEAR AVERAGE OF**
3 **OVERTIME HOURS?**

4 A. The Company believes that overtime hours prior to 2005 is not reflective
5 of current data. Staff agrees that, test year overtime hours are 71% higher
6 than 2004. In contrast, the test year is only 26% higher than 2005 and
7 2006 almost mirrors the test year with a 1% difference in total overtime
8 hours. Clearly, 2004 was substantially outside the norm and is not
9 reflective of the current level of overtime labor. Please see schedule PJT-
10 1.

11
12 **Q. WHAT WOULD THE INCREASE IN REVENUE REQUIRIMENT BE IF THE**
13 **COMPANY USED ACTUAL TEST YEAR OVERTIME HOURS?**

14 A. The Company's requested revenue requirement would be \$248,399
15 higher if the Company used actual test year overtime hours as compared
16 to the proposed three year average.

17
18 **Q. WHAT IS THE REVENUE REQUIRMENT FOR OVERTIME AS FILED BY**
19 **THE COMPANY?**

20 A. \$2,669,234.

21
22 **Q. WHAT IS STAFF'S REVENUE REQUIRIMENT FOR OVERTIME?**

23 A. \$2,264,200.

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V. PAYROLL TAX

Q. DOES THE COMPANY AGREE WITH STAFF'S ADJUSTMENT TO PAYROLL TAX ASSOCIATED WITH OVERTIME HOURS?

A. The Company does not agree with Staff's calculation of payroll taxes related to overtime hours to the extent that they are understated by the use of a four year average of overtime hours.

VI. TEMPORARY EMPLOYEES

Q. WHAT IS THE COMPANY'S ISSUE WITH TEMPORARY EMPLOYEES?

A. In Staff's initial workpapers, temporary employees were not included in the Staff Report. Thus, Staff excluded normal operating expenses from the revenue requirement.

Q. IN YOUR OPINION WHY DID STAFF EXCLUDE TEMPORARY EMPLOYEES?

A. Temporary employees were not included in Staff's calculation of payroll, because they were not hired as of March 31, 2008.

Q. IF TEMPORARY EMPLOYEES WERE NOT HIRED BY MARCH 31, 2008, WHY SHOULD TEMPORARY EMPLOYEES BE INCLUDED IN THE REVENUE REQUIREMENT?

1 A. Summer temporary employees are only employed by the Company from
2 May through August. If Staff only uses payroll at a certain point in time,
3 i.e. March 31 or September 30, summer temporary employees would not
4 be included in Staff's revenue requirement calculation.

5
6 **Q. ARE TEMPORARY EMPLOYEES A REOCCURRING EXPENSE?**

7 A. Yes.

8
9 **Q. WHAT TYPE OF DUTIES ARE ROUTINELY PERFORMED BY**
10 **TEMPORARY EMPLOYEES?**

11 A. Temporary employees are hired for many tasks. Such tasks typically
12 include hydrant maintenance, meter reading, water quality assistance and
13 ground maintenance.

14
15 **Q. HAS STAFF UPDATED ITS WORKPAPERS?**

16 A. Yes. The Staff has updated its workpapers to include temporary
17 employees in its revenue requirement. The Company agrees with Staff's
18 approach to include temporary employees in the updated workpapers.

19
20 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

21 A. Yes.

	Overtime	2007
Year	Hours per Year	Increase
2007	81,863	
2006	80,766	1.36%
2005	64,781	26.37%
2004	47,848	71.09%

From:
Staff Workpaper:
Missouri American Water Company
WR-2008-0311 & SR-2008-0312
Issue: Overtime
Source: OT O&M tab