

Exhibit No.	_____
Issue:	Rate Design – Class Cost of Service; Main Extension Policies; Customer Charges; Fees
Witness:	J. Bruce Woody
Sponsoring Party:	City of St. Joseph
Type of Exhibit:	Direct Testimony
Case No.:	WR-2010-0131
Date Testimony Prepared:	March 26, 2010

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

**CASE NO. WR-2010-0131
MISSOURI-AMERICAN WATER COMPANY**

DIRECT TESTIMONY

OF

J. BRUCE WOODY

ON BEHALF OF THE CITY OF ST. JOSEPH

March 26, 2010

**DIRECT TESTIMONY
OF
J. BRUCE WOODY**

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

2 A. My name is J. Bruce Woody, P.E. My business address is St. Joseph City
3 Hall, 1100 Frederick Avenue, St. Joseph, Missouri 64501.

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

5 A. I am the Director of Public Works and Transportation for the City of St.
6 Joseph, Missouri.

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS
8 EXPERIENCE.**

9 A. I have a Bachelor of Science in Civil Engineering from the University of
10 Missouri-Rolla and a Master of Arts in Public Administration from the
11 University of Kansas, and am a Registered Professional Engineer in both
12 Missouri and Kansas. I have been Director of Public Works and
13 Transportation for the City of St. Joseph since February 1997. I had
14 previously been the Assistant Director of Public Works and Transportation
15 and City Engineer for St. Joseph (November 1995 to February 1997). Prior to
16 that, I served as Assistant City Engineer in the City of Kansas City, Kansas
17 (1990 to 1995), as an Engineer III for the City of Olathe, Kansas (1988-1990)
18 and an Engineer I for the City of Kansas City, Kansas (1986-1988). From
19 January 1985 to November 1986, I was a construction inspector for the
20 Missouri State Highway and Transportation Department. I am a member of
21 the National Society of Professional Engineers, the American Public Works
22 Association, the Solid Waste Association of North America and the Water
23 Environment Federation.

1 **Q. FOR WHOM ARE YOU TESTIFYING IN THIS PROCEEDING?**

2 A. I am testifying in this case on behalf of Intervenor, the City of St. Joseph,
3 Missouri.

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 A. I want to address several concerns I have with the proposals of Missouri-
6 American Water Company (MAWC) in this case. First, citizens of St. Joseph
7 and the City Council that represents them are very upset by the massive rate
8 increase that MAWC is proposing in this case, which is 26.19% overall for the
9 St. Joseph District, 29.81% for residential customers and 29.15% for fire
10 protection services. Such huge increases bear no reasonable relationship to
11 inflation rates in the economy. We urge the Public Service Commission to do
12 everything in its power to minimize the amount of any rate increase in this
13 case. In addition, I believe MAWC should share in the cost of main extensions
14 or upgrades, rather than demanding that developers or customers finance the
15 full burden of main extensions or enlargements. There are other elements of
16 MAWC's main extension policies that I will also address. In addition, I do not
17 believe that MAWC should be allowed to consolidate its minimum customer
18 charges on a Company-wide basis, and increase the customer charge in St.
19 Joseph by 68%, because this will require St. Joseph customers to subsidize
20 other MAWC customers. Finally, I also do not believe MAWC should be
21 allowed to consolidate its various, miscellaneous fees on a Company-wide
22 basis, as it proposes to do. The Company has not justified increases in fees
23 of from 25 to 40%, nor charging for services that currently do not bear a fee.

1 **Q. PLEASE EXPLAIN YOUR POSITION REGARDING MAWC'S MAIN**
2 **EXTENSION POLICIES.**

3 A. Currently, in the St. Joseph District, MAWC will pay for an extension of a main
4 where the cost does not exceed four (4) times the estimated normal annual
5 revenue from the prospective customer or group of customers. The proposed
6 tariffs in this case do not provide for any free extensions of mains. This policy
7 does not promote the logical progression of utility service and in fact is an
8 impediment to development. In addition, currently the costs of extensions
9 above the free extension limit can be recouped by the customer or developer
10 during the next ten years after the main extension as more customers are
11 added. There is no such provision in MAWC's proposed tariffs in this case.
12 Again, this is not progress, but will act to further discourage development in
13 the City of St. Joseph.

14 **Q. HOW DO MAWC'S EXISTING MAIN EXTENSION POLICIES ADVERSELY**
15 **AFFECT DEVELOPMENT IN ST. JOSEPH?**

16 A. Even if MAWC will reimburse a develop for some of its main extension costs,
17 under its existing St. Joseph tariffs, as more customers are added to the
18 development in the first ten years, the developer has to pay the full cost of the
19 main extension up front. This can be an enormous investment by the
20 developer, and often discourages a developer from proceeding with a
21 construction plan at all. This numbing effect on economic development of
22 MAWC's main extension policies will only be made worse if MAWC's

1 proposed tariffs in this case are approved. MAWC should be required to bear
2 at least 50% of the cost of such main extensions or enlargements.

3 **Q. DO YOU HAVE SPECIFIC EXAMPLES OF HARM CAUSED BY THESE MAIN**
4 **EXTENSION POLICIES?**

5 A. Yes. I have seen several instances in the recent past where MAWC's main
6 extension policies have hurt St. Joseph residents and institutions. A large
7 church recently built an addition to its facility that required an upgrade of the
8 water main from 4 inches to 8 inches to accommodate fire flows. While only
9 an 8 inch main was necessary for the facility improvement, MAWC wanted to
10 have a 12 inch main installed and to have that main connect between two
11 existing 8 inch mains located on arterial roadways ½ mile apart. Instead of
12 only requiring the the church to pay for the 8inch main and MAWC paying the
13 additional cost of installing a 12 inch main, the church was made to bear the
14 entire cost of about \$100,000. There was no MAWC investment made, no
15 sharing or partnering. This policy impedes development and places an unfair
16 burden on a single MAWC customer.

17
18 Another example of harm caused by MAWC's main extension policies is
19 failure to invest in infrastructure development when opportunities are
20 available. We believe that the water company needs to improve their ability
21 and/or willingness to upgrade or install water mains when the opportunity
22 presents itself during municipal construction projects or new private
23 developments. The financial burden of upgrades to increase the level of

1 service outside of new developments should not be the responsibility of the
2 developer. The water company needs to develop a funding source or method
3 to pay for the cost of these upgrades. Missing the opportunity due to lack of
4 funding is not in the best long term interests of the ratepayer. A few
5 examples of past situations that could have benefited from this approach are
6 as follows:

7
8 First, for the recently completed East Towne Business Park, the design of the
9 water main extension was originally set at 16 inches, with 12 inches being
10 required for the new business park and the increased size needed to serve
11 future growth outside of the new park. MAWC initially offered to fund the
12 differential cost. At construction time, however, the funding was not available
13 for the increase in size, so the 12 inch pipe was installed. Therefore, any
14 future increase in capacity will now be more costly.

15
16 Second, for the ongoing Timber Creek Subdivision, the developer was
17 required to complete some off-site valve improvements to increase the flow to
18 the area of the subdivision. These types of off-site improvements of existing,
19 inadequate infrastructure to allow service to typical new developments should
20 be funded by the water company.

21
22 In many places in the city, 2 inch and smaller service lines were installed in
23 the road right-of-way for lengths up to several hundred feet. They were

1 installed to serve users that did not have access to mains when the building
2 was constructed. This is primarily a past practice. During a street
3 construction project on Faraon Street, several 2" service lines could have
4 been eliminated in favor of a new water main extending north on Woodbine
5 Rd. This was not completed, as I understand it, because it was not a
6 programmed project and separate funding was not available to complete the
7 work. Private individuals in this case continue to own long service lines near
8 roadway pavement that have the potential to cause thousands of dollars of
9 damage if they break. It is also an impediment to future development further
10 up the road. In addition, these private users are not members of the One Call
11 system so the lines will not be marked.

12

13 **Q. ARE MAWC'S POLICIES CONSISTENT WITH YOUR UNDERSTANDING OF**
14 **WHAT MAKES A "PUBLIC UTILITY" A "PUBLIC UTILITY"?**

15 A. No, it is not. The concept of a public utility is that the utility will make needed
16 investments in utility infrastructure to fulfill its obligation to serve all customers
17 in its service area, in exchange for a monopoly status and a reasonable
18 opportunity to earn a reasonable return on its investment. MAWC's main
19 extension policies shift that investment burden to customers and have a
20 serious, negative impact on economic development in the City of St. Joseph
21 and other cities.

22 **Q. WHAT OTHER CONCERNS DO YOU HAVE ABOUT MAWC'S MAIN**
23 **EXTENSION POLICIES?**

1 A. The proposed tariff allows MAWC to charge a new customer the costs of
2 Company-designed water main extension plans or the costs of MAWC review
3 of Applicant-designed water main extension plans, and appear to add new,
4 enumerated “costs” that MAWC would be allowed to charge to the applicant
5 for the extension (including pension and welfare costs, supervision costs,
6 tools, stores expenses, salaries and overhead, transportation, and
7 contingencies). *See Proposed Rule 21, 2. a. and c., and 3. a. and c.,*
8 *Proposed Sheets 53 and 54.* As in the existing tariff, Company’s “standards
9 and contractual requirements” appear to be binding on applicants, but do not
10 appear to be included in the tariff. *See, for example, Proposed Sheet 52, Rule*
11 *21 1.b.* So a customer or developer cannot know from MAWC’s tariff what it
12 might be required to do in order to extend a main. Finally, but importantly,
13 MAWC proposes to add tariff language that states that “no regulation or
14 ordinances of local governments shall be permitted to impose differing
15 construction methods (excepting local permit requirements for excavation and
16 restoration of public rights-of-way)” or other requirements unless ordered by
17 the Public Service Commission upon complaint. *See Proposed Sheet 52,*
18 *Rule 21, Section 1.* This language appears to try to preempt the legitimate
19 police powers of municipalities and create new Public Service Commission
20 jurisdiction in their stead. This is in direct opposition to local Municipal Code,
21 Chapter 29, Article 5, “Public Utility Right-of-Way Management Ordinance.”

1 **Q. DO YOU SUPPORT MAWC’S PROPOSAL TO CONSOLIDATE ALL ITS RULES**
2 **AND REGULATIONS INTO A UNIFIED, COMPANY-WIDE SET OF RULES AND**
3 **REGULATIONS?**

4 A. No. This may make life easier for MAWC, but not for customers or the cities in
5 which many of them reside. We are not even certain of all the changes being
6 proposed – MAWC was unable to produce a red-line version. Some of the
7 problems I have outlined above are created or made worse by this
8 consolidated tariff approach. In addition, this effort is at odds with the
9 established policy of the Public Service Commission to regulate MAWC on a
10 District Specific basis rather than on a Company-wide basis.

11 **Q. WHAT MINIMUM CUSTOMER CHARGE DOES MAWC PROPOSE IN THIS**
12 **CASE?**

13 A. MAWC proposes a \$15.00 per month minimum customer charge for all
14 Missouri customers of MAWC, regardless of District, in a “unified” tariff.

15 **Q. DO YOU THINK THAT IS FAIR AND REASONABLE?**

16 A. No. The current customer charge in the St. Joseph District is \$8.95 a month.
17 MAWC’s proposal in this case would increase the customer charge in St.
18 Joseph by 68%. MAWC has not justified this massive increase in the
19 customer charge for St. Joseph customers. In addition, this huge increase in
20 the customer charge would result in St. Joseph customers subsidizing
21 customers in other Districts of MAWC. This result is entirely unfair. The Public
22 Service Commission decided in 2000 that MAWC’s rates should be

1 established on a District-by-District basis (District Specific Pricing) rather than
2 on a Company-wide basis (Single Tariff Pricing). The result of that decision
3 was an enormous rate increase for the St. Joseph District of MAWC to reflect
4 the entire cost of construction of a new water treatment plant in St. Joseph.
5 That decision resulted in rate increases in the St. Joseph District from 40% to
6 268%. Those customers should not now be asked to subsidize customer
7 charges or other fees in other Districts not based on St. Joseph-specific costs
8 of the Company.

9 **Q. DOES MAWC PROPOSE SIGNIFICANT INCREASES IN OTHER FEES IN THIS**
10 **CASE?**

11 A. Yes. As shown in Schedule GAW-3 of MAWC witness Weeks, MAWC also
12 proposes to unify various fees among all Districts, and would increase many
13 of the charges for St. Joseph from 25% to 40%. MAWC would also impose a
14 charge for some services for which no charge was previously required. These
15 fees are not based on St. Joseph-specific costs. MAWC's proposal would
16 include a \$15.00 charge for a "hydrant inspection" which previously had no
17 cost in the St. Joseph District. MAWC's direct testimony offers no explanation
18 or justification for these changes.

19 **Q. SHOULD MAWC BE ALLOWED TO IMPOSE THESE UNIFIED FEES ON ST.**
20 **JOSEPH CUSTOMERS?**

21 A. No, for the reasons I have just given. In addition, like the proposed unified
22 customer charge, this proposal is entirely inconsistent with the Commission's
23 2000 decision that MAWC should charge its customers on a District Specific

1 basis, and not by a Single Tariff. These fees could result in St. Joseph
2 customers subsidizing customers in other Districts of MAWC, which would be
3 entirely unfair.

4 **Q. WHAT DO YOU RECOMMEND THE COMMISSION ORDER IN THIS CASE?**

5 A. The Commission should reject the proposed, unified tariffs proposed by
6 MAWC in this case, including the proposed rules and regulations regarding
7 main extensions, the minimum customer charge and the miscellaneous fees
8 on GAW-3. The Commission should establish District-specific rules, fees and
9 customer charges for MAWC. In addition, the Commission should require
10 MAWC to file main extension tariffs that require MAWC to share in the costs
11 of main extensions and upgrades by paying at least 50% of those costs, and
12 to work with cities to make logical improvements and upgrades in concert with
13 public works projects in the city.

14 **Q. PLEASE SUMMARIZE YOUR DIRECT TESTIMONY.**

15 A. First, citizens of St. Joseph and members of the City Council that represents
16 them are very upset by the massive rate increase that MAWC is proposing in
17 this case, which bears no reasonable relationship to the rate of inflation. We
18 urge the Public Service Commission to do everything in its power to minimize
19 the amount of any rate increase in this case. In addition, MAWC should be
20 required to provide investment that serves the public by sharing in the cost of
21 main extensions or upgrades, rather than demanding that developers or
22 customers finance the full burden of main extensions or enlargements.
23 MAWC should not be allowed to consolidate its minimum customer charges

1 on a Company-wide basis, or increase the customer charge in St. Joseph by
2 68% as proposed, because this will require St. Joseph customers to subsidize
3 other MAWC customers. Finally, I also do not believe MAWC should be
4 allowed to consolidate its various, miscellaneous fees on a Company-wide
5 basis, as it proposes to do. The Company has not justified the
6 reasonableness of Company-wide fees or the significant increases that St.
7 Joseph and other customers would experience as a result. These unified
8 tariffs also are contrary to the Commission's established policy of regulating
9 MAWC on a District-specific basis.

10 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

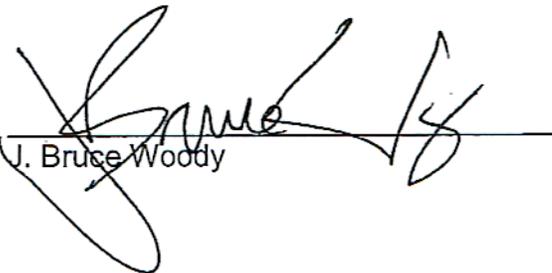
11 A. Yes, it does.

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-2010-0131**
Implement a General Rate Increase for)
Water Service Provided in Missouri) **Tracking No. YW-2010-0310**
Service Areas)

AFFIDAVIT OF J. BRUCE WOODY

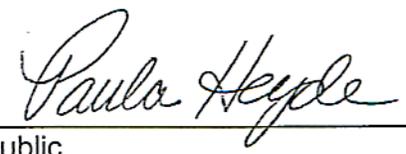
J. Bruce Woody, of lawful age, on his oath, states that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.



J. Bruce Woody

Subscribed and sworn before me this 26th day of March 2010.





Notary Public

My Commission Expires: 6-29-2012