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| Exhibit No. | _____ |
| Issue: | Rate Design – Class Cost of Service; Main Extension Policies |
| Witness: | J. Bruce Woody |
| Sponsoring Party: | City of St. Joseph |
| Type of Exhibit: | Surrebuttal Testimony |
| Case No.: | WR-2010-0131 |
| Date Testimony Prepared: | May 6, 2010 |

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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

SURREBUTTAL TESTIMONY

OF

J. BRUCE WOODY

ON BEHALF OF THE CITY OF ST. JOSEPH

May 6, 2010

SURREBUTTAL TESTIMONY

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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. DID YOU PREVIOUSLY PRESENT DIRECT TESTIMONY IN THIS CASE?**

8 A. Yes, I did.

9 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

10 A. I wish to respond to the Rebuttal Testimony of MAWC witnesses Dunn and
11 Weeks.

12 **Q. PLEASE PROCEED.**

13 A. MAWC witness Kevin H. Dunn, in his rebuttal testimony on page 22, argues
14 that economic growth has not halted in MAWC districts that do not have the
15 same free extensions and refund provisions that currently apply in the St.
16 Joseph District. He states that “the cost causer (normally the developer)
17 should be responsible for the cost of the main extension.” Mr. Dunn argues
18 that it is not reasonable for all ratepayers in the district “to support the
19 developer by subsidizing the cost of the main extension.”

20 **Q. DO YOU AGREE?**

21 A. No. First of all, “developers” are not the only people affected by main
22 extension policies. For example, individuals building homes and businesses,

1 and churches building new houses of worship or expanding existing ones, are
2 all affected by main extension policies. A public utility's obligation to serve all
3 customers in its PSC-certificated service territory does not end at some
4 arbitrary point of previous community development. Rather, it extends to the
5 entire certificated service area. Second, "developers" are not second-class
6 citizens, but are people who invest in the future and growth of our
7 communities and take financial risks to do so. Thirdly, if all main extension
8 costs had to be paid by the "cost-causer," the utility never would have
9 invested its own money in building water utility infrastructure in the first place.
10 "Costs paid by the cost-causer" is not the standard applied by the regulatory
11 compact to the utility's obligation to serve.

12 **Q. SHOULD MAWC BEAR ALL COSTS OF ALL MAIN EXTENSIONS?**

13 A. No, and that is not what we are proposing in this case. We are proposing that
14 MAWC share in main extension costs, not that they pay them entirely. This
15 allows a sharing of the costs and risks between developers and customers,
16 on the one hand, and the public utility that has the obligation to provide
17 service in the district, on the other.

18 **Q. ISN'T THERE A LEGITIMATE RISK OF NEW DEVELOPMENTS NOT BEING
19 SUCCESSFUL, AFTER NEW MAINS ARE EXTENDED TO SERVE THEM?**

20 A. Yes. That is one reason that we are not proposing that MAWC pay 100% of
21 all main extensions. There are other checks on main extensions, including the
22 fact that both MAWC and the City have to approve extension plans and the
23 City must issue a building permit.

1 **Q. DOES MAWC PAY FOR MAIN UPGRADES THAT BENEFIT ITS OVERALL**
2 **SYSTEM?**

3 A. Not always, and that is one of the major points I tried to raise in my direct
4 testimony on pages 4-6. If a development or new construction needs an 8-
5 inch main, but MAWC wants it to be a 12-inch main to meet overall system
6 requirements, then MAWC should certainly pay for the increased cost of
7 materials and labor for the larger size, not the developer or customer (such as
8 the church I spoke about in my direct testimony). The financial burden of
9 upgrades to increase the level of service outside of new developments should
10 not be the responsibility of the developer or customer.

11 **Q. DOES MAWC WORK WITH THE CITY TO COORDINATE MAIN UPGRADES**
12 **AS PART OF MAJOR CITY PROJECTS?**

13 A. Not always. As I testified in my direct testimony on page 5, in the East Towne
14 Business Park in St. Joseph, the design of the water main extension was
15 originally set at 16 inches, with 12 inches being required for the new business
16 park and the increased size needed to serve future growth outside of the new
17 park. MAWC initially offered to fund the differential cost. At construction
18 time, however, MAWC said it could not provide the funding necessary for the
19 increase in size, so the smaller 12 inch pipe was installed. Therefore, any
20 future increase in capacity will now be more costly. Mr. Dunn says the
21 Company “could not substantiate the possible growth beyond this subdivision
22 nor justify the proposed upsizing of the main.” (Dunn Direct, page 24, ll.17-
23 20.) It would have been a very cost effective and relatively minor investment

1 for the MAWC and its ratepayers to upsize this main for the benefit of flow
2 and future development along a new highway corridor. Future upgrades
3 instead will require a replacement or parallel line at a much higher cost and
4 will push off those costs on a future developer, which could prevent its
5 occurrence. The water company needs to develop a funding source or
6 method to pay for the cost of these upgrades. Missing the opportunity due to
7 lack of funding is not in the best long term interests of the ratepayer.

8 **Q. WOULD MAWC BE ENGAGING IN FORCED CHARITY IF REQUIRED TO**
9 **SHARE A LARGER PORTION OF INVESTMENTS IN MAIN EXTENSIONS AND**
10 **EXPANSIONS OR UPGRADES?**

11 A. Of course not. As I stated in my direct testimony, the concept of a public utility
12 is that the utility will make needed investments in utility infrastructure to fulfill
13 its obligation to serve all customers in its service area, in exchange for a
14 monopoly status and a reasonable opportunity to earn a reasonable return on
15 its investment. MAWC will earn a return of and a return on all reasonable
16 investments in utility infrastructure.

17 **Q. PLEASE ADDRESS MR. WEEKS' REBUTTAL.**

18 A. On pages 10 and 11 of his rebuttal, Mr. Weeks defends MAWC's proposed
19 tariff language that states that "no regulation or ordinances of local
20 governments shall be permitted to impose differing construction methods
21 (excepting local permit requirements for excavation and restoration of public
22 rights-of-way)" or other requirements unless ordered by the Public Service
23 Commission upon complaint. *See Proposed Sheet 52, Rule 21, Section 1. As*

1 I stated in my direct testimony, this language appears to try to preempt the
2 legitimate police powers of municipalities and create new Public Service
3 Commission jurisdiction in their stead. This language is also in direct
4 opposition to our local Municipal Code, Chapter 29, Article 5, "Public Utility
5 Right-of-Way Management Ordinance." I cannot say why similar language
6 exists in MAWC's St. Louis District tariff, but I disagree with the self-contained
7 rationale of that provision, that "[Public Service] Commission jurisdiction
8 constitutes a legislative recognition that the public interest in proper regulation
9 of public utilities transcends municipal or county lines" Mr. Weeks cites
10 two cases his attorneys apparently rely on to support this language. I am not
11 an attorney either, but I have been advised by counsel that the *Crestwood*
12 cases cited by Mr. Weeks were modified by more recent appellate decisions,
13 *StopAquila.Org v. Aquila, Inc.*, 180 S.W.3d 34 (Mo.App W.D. 2005) and *State*
14 *ex rel. Cass County v. Public Service Commission*, 259 S.W.3d 544 (Mo.App.
15 W.D. 2008). Our local St. Joseph ordinances preserve more local say in
16 MAWC's operations than the tariff language MAWC proposes in this case.
17 Any tariff language on this subject should, at the very least, recognize and
18 except those issues addressed in St. Joseph's ROW Management ordinance,
19 as amended. The questionable St. Louis District language should not be
20 expanded to a tariff affecting all MAWC Districts.

21 **Q. PLEASE SUMMARIZE YOUR SURREBUTTAL TESTIMONY.**

22 A. MAWC should be required to provide investment that serves the public by
23 sharing in the cost of main extensions or upgrades, rather than demanding

1 that developers or customers finance the full burden of main extensions or
2 enlargements. The Commission should not approve MAWC's proposed tariffs
3 in this case, which would delete current provisions in the St. Joseph tariff that
4 allow limited free extensions of mains and provide refunds to developers of
5 main extension costs above the free extension limits, over ten years, as new
6 customers are added. Rather, the Commission should require MAWC to file
7 main extension tariffs that require MAWC to share in the costs of main
8 extensions and upgrades by paying at least 50% of the portion of those costs
9 that currently have to be paid by customers and developers. In addition, the
10 Commission should require MAWC to work with cities to make logical
11 improvements and upgrades in concert with public works projects in the city.
12 Finally, the Commission should not approve MAWC's proposed language
13 purporting to preempt local government ordinances.

14 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

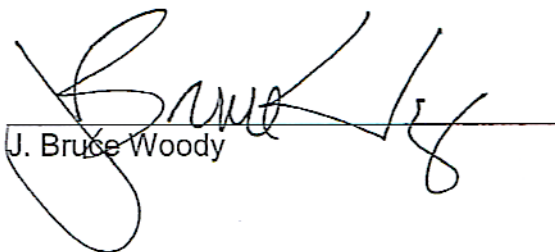
15 A. Yes, it does.

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 Surrebuttal Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Surrebuttal 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 5th day of May 2010.





Notary Public

My Commission Expires: 6-28-2012