

Exhibit No.:	
Issue:	Timber Springs
Witness:	Jody L. Carlson, P.E.
Exhibit Type:	Surrebuttal
Sponsoring Party:	Missouri-American Water Company
Case No.:	WR-2020-0344
Date:	February 9, 2021

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WR-2020-0344

SURREBUTTAL TESTIMONY

OF

JODY L. CARLSON, P. E.

ON BEHALF OF

MISSOURI-AMERICAN WATER COMPANY

AFFIDAVIT

I, Jody L. Carlson, under penalty of perjury, and pursuant to Section 509.030, RSMo, state that I am Sr. Manager Operation for Missouri-American Water Company, that the accompanying testimony has been prepared by me or under my direction and supervision; that if inquiries were made as to the facts in said testimony, I would respond as therein set forth; and that the aforesaid testimony is true and correct to the best of my knowledge and belief.


Jody L. Carlson

February 8, 2021
Dated

**SURREBUTTAL TESTIMONY
JODY L. CARLSON, P.E.
MISSOURI-AMERICAN WATER COMPANY
CASE NO. WR-2020-0344**

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**SURREBUTTAL TESTIMONY
JODY L. CARLSON**

I. INTRODUCTION

1 **Q. Please state your name and business address.**

2 A. My name is Jody L. Carlson, and my business address is 3524 South Leonard Road,
3 St. Joseph, MO 64503.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by Missouri-American Water Company (“Missouri-American,”
6 “MAWC,” or “Company”) as Sr. Manager Operations – Northwest Missouri.

7 **Q. Please summarize your educational background and business experience.**

8 A. I hold a bachelor’s degree in Civil Engineering from the University of Missouri –
9 Columbia. I am also registered as a licensed professional engineer in the State of
10 Missouri. I have worked in the engineering field for over 25 years.

11 **Q. What are your current employment responsibilities?**

12 A. I manage the MAWC operations in Northwest Missouri.

13 **Q. What is the purpose of your Surrebuttal Testimony in this proceeding?**

14 A. The purpose of my Surrebuttal Testimony is to respond to testimony made at the
15 February 20, 2021 Local Public Hearing regarding Timber Springs.

1 **II. INITIAL RATES FOR TIMBER SPRINGS SEWER CUSTOMERS**

2 **Q. Were you present at the virtual Local Public Hearing on Wednesday evening**
3 **January 21, 2021, when there was testimony relative to the Timber Springs Sewer**
4 **system?**

5 A. Yes, I was.

6 **Q. Did you hear the testimony of some of the customers of Timber Springs service**
7 **area?**

8 A. Yes, I did.

9 **Q. How would you generally describe that testimony?**

10 A. The Timber Springs customers expressed their disappointment with the Company's
11 rate increase request in this case and stated that it was more than what they thought
12 future rates might be. The customers further stated that MAWC mislead them in
13 acquiring the Timber Springs sewer system.

14 **Q. Can you describe Timber Springs?**

15 A. Timber Springs is a subdivision consisting of approximately 65 homes in Clinton
16 County, near the town of Trimble, Missouri.

17 **Q. Does MAWC provide any utility services in Timber Springs?**

18 A. Yes. MAWC acquired the sewer system in 2019 through which it now provides sewer
19 service to the residents of Timber Springs.

20 **Q. How did Missouri-American acquire the Timber Springs sewer system?**

1 A. Approximately 5 years ago, Missouri-American and the Timber Spring Estates
2 Homeowners Association, Inc. (“HOA”) entered into discussions regarding Missouri-
3 American’s possible acquisition of the Timber Springs sewer system. As a result of
4 these discussions, on June 4, 2018, MAWC made a proposal to acquire the Timber
5 Spring sewer system (the “Proposal”) A true and correct copy of the Proposal is
6 attached hereto as Schedule JLC-1 C.

7 **Q. Were you personally involved in those initial conversations between MAWC and**
8 **the HOA?**

9 A. Yes, I was.

10 **Q. Did the HOA identify why it was interested in selling the system?**

11 A. The HOA could no longer maintain the system. Additionally, there were investments
12 needed to keep the system in compliance with the Missouri Department of Natural
13 Resources’ (“DNR”) requirements.

14 **Q. What documents were provided to the HOA regarding Missouri-American’s**
15 **intent to acquire the system?**

16 A. In addition to the initial Proposal, MAWC provided a draft asset purchase agreement
17 to the HOA. A true and correct copy of the executed Asset Purchase Agreement is
18 attached hereto as Schedule JLC-2 C. Schedules JLC-1 C, JLC-2 C are identified as
19 Confidential in accordance with Commission Rule 20 CSR 4240-2.135(2)(A)4 and 6.

20 **Q. Did either the Proposal or the Asset Purchase Agreement address the rates to be**
21 **charged if MAWC were to acquire the Timber Spring sewer system?**

1 A. Yes. The Proposal provides that MAWC will seek approval from the Missouri Public
2 Service Commission to place customers into its existing flat monthly wastewater tariff
3 rate of \$38.75 at transaction closing.

4 **Q. Did you personally meet with the HOA at the time the MAWC offer to purchase**
5 **was extended?**

6 A. Yes. In June 2018, I met with the HOA to discuss the Company's Proposal.

7 **Q. What if anything do you recall regarding your meeting with the HOA?**

8 A. In June 2018 I met with the HOA and explained MAWC's then existing rate structure
9 as well as the fact that MAWC is a publicly regulated entity with rates that are
10 ultimately set by the Missouri Public Service Commission. Further, in response to
11 whether a "rate lock" was possible, the HOA was informed that was not possible.
12 When asked how long the current rates would be in place, I further advised that
13 MAWC's next rate case could be expected within the next 2-3 years.

14 **Q. Did you make any commitments on behalf of MAWC with regard to future rates?**

15 A. No.

16 **Q. Do you have an understanding as to how the HOA reached a decision to sell to**
17 **Missouri-American?**

18 A. As I understand it, the members of the HOA voted in favor of selling to MAWC.

19 **Q. When did MAWC acquire the Timber Springs sewer system?**

20 A. Missouri-American closed on the system on May 17, 2019, following the Missouri
21 Public Service Commission's Order Granting Certificate of Convenience and

1 Necessity dated April 17, 2019, effective May 17, 2019 (the “Order”). A true and
2 correct copy of the Order is attached hereto as Schedule JLC-3

3 **Q. Was the initial rate for sewer service addressed in the Order?**

4 A. Yes. The Order provides that “[MAWC] shall apply a monthly residential flat rate of
5 \$38.75 for sewer service to Timber Springs.”

6 **Q. Does the Order provide any “rate lock” or guarantee that the then existing
7 MAWC monthly residential flat rate of \$38.75 would remain in place for any
8 period of time?**

9 A. No. The document speaks for itself.

10 **Q. Did MAWC communicate to the Timber Springs customers the rate that would
11 be charged for sewer service following its acquisition of the system?**

12 A. Yes. On May 17, 2019, I personally extended a welcome to the new Timber Springs
13 customers via a Welcome Letter, which included a sample bill outlining what
14 customers should expect when they received their first bill. A true and correct copy of
15 the Welcome Letter is attached hereto as Schedule JLC-4. The sample bill reflected
16 the flat rate of \$38.75 that was approved by the Missouri Public Service Commission.

17 **Q. Based on the documents provided or otherwise publicly available to the Timber
18 Springs customers, including the Proposal, Asset Purchase Agreement, Order and
19 Welcome Letter (Schedules JLC-1 C, JLC-2 C, JLC-3 and JLC-4, respectively)
20 was there any guarantee that the initial rate effective at the time of the acquisition
21 would remain in place for any specified period of time?**

1 A. No. In addition, as I stated previously, the HOA was advised that MAWC’s rates would
2 remain in effect only until such time as MAWC filed its next base rate case, which was
3 likely within the next 2-3 years.

4 **III. MAWC’S INVESTMENTS IN TIMBER SPRINGS**

5 **Q. Has Missouri-American made any investments in the Timber Springs system since**
6 **its acquisition ?**

7 A. Yes. MAWC’s investments in the Timber Springs system since its acquisition include
8 the following:

**TIMBER SPRINGS CAPITAL SPEND
(ACQUISITION THROUGH DECEMBER 2020)**

WBS #	Description	Capital Spend
R17-58Q1.19-P-0001	Replace Blower Motor & Yard Hydrant	1,578.22
R17-58Q1.20-P-0001	New Disinfection System, Grating & Shed	71,999.52
R17-58Q1.20-P-0002	Wastewater Pump Replacement	2,920.90
R17-58L1.20-P-0001	SCADA and Electrical Improvements	15,630.98
R17-58P1.20-P-0001	GIS Equipment	9,345.34
R17-58P1.20-P-0002	Survey Equipment	580.51
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		102,055.47
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NOTE: The above investments are in service and included in rate base in the current rate case proceeding.

9

10 **Q. Were these investments needed to ensure ongoing compliance with DNR**
11 **regulation?**

12 A. Yes, the majority of the approximate \$102,000 in investments were required for
13 compliance reasons. Specifically, the disinfection project and the pump and blower
14 were necessary to meet upcoming DNR permit discharge regulations. These

1 investments over the last two years are more than double the original purchase price of
2 the Timber Springs sewer system.

3 **Q. Does this conclude your Surrebuttal Testimony?**

4 A. Yes.