

Exhibit No.:
Issue: Rate Design
Witness: Brian C. Collins
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Triumph Foods, LLC
Case No.: WR-2017-0285
Date Testimony Prepared: February 9, 2018

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

**In the Matter of Missouri-American Water
Company's Request for Authority to
Implement General Rate Increase for
Water and Sewer Service Provided in
Missouri Service Areas**

Case No. WR-2017-0285

Surrebuttal Testimony of

Brian C. Collins

On behalf of

Triumph Foods, LLC

February 9, 2018



Project 10440.1

1 **Q WHAT IS THE PURPOSE OF THIS SURREBUTTAL TESTIMONY?**

2 A This surrebuttal testimony will address the special contract Triumph Foods has with
3 MAWC. I will discuss why the special contract continues to be appropriate for
4 Triumph Foods.

5 **Q WHAT BUSINESS IS TRIUMPH FOODS INVOLVED IN AND IN WHAT PART OF**
6 **MAWC'S SERVICE TERRITORY DOES IT OPERATE?**

7 A Triumph Foods is a pork processing operation located in St. Joseph, Missouri.
8 Currently, Triumph Foods employs over 2,800 employees at its St. Joseph
9 operations.

10 **Q PLEASE DESCRIBE THE GROWTH OF TRIUMPH FOODS IN ST JOSEPH.**

11 A Triumph Foods began its operations in St. Joseph in 2006. In 2007, Triumph Foods
12 added a second shift increasing its employee workforce to 2,000 employees. In
13 2010, due to expansion of operations, Triumph Foods' workforce totaled 2,700
14 employees. In 2012, Triumph Foods expended \$9.5 million to increase its
15 refrigeration and packaging space to meet growing demand for product exports. This
16 expansion also added jobs to the workforce. In 2013, Triumph Foods announced a
17 \$7.5 million expansion for improvements in packaging and storage facilities. This
18 expansion added 100+ jobs to the workforce. In 2016, Daily Premium Meats began
19 operations adjacent to Triumph Foods employing another 200 employees. Daily
20 Premium Meats is 50% owned by Triumph Foods.

21 **Q IS TRIUMPH FOODS A MAJOR EMPLOYER IN ST. JOSEPH?**

22 A Yes. Triumph Foods is the second largest employer in the St. Joseph area trailing
23 only Mosaic Life Care in total workforce levels.

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1 **Q DOES TRIUMPH FOODS USE WATER IN ITS OPERATIONS?**

2 A Yes. In fact, Triumph Foods is MAWC's single largest customer. Triumph Foods'
3 water usage is multiple times larger than the second largest customer served by
4 MAWC. In the St Joseph district, Triumph Foods is the equivalent of a smelter facility
5 taking energy from a local electric utility.

6 **Q IS TRIUMPH FOODS CURRENTLY SERVED BY MAWC PURSUANT TO A**
7 **SPECIAL CONTRACT?**

8 A Yes. Triumph Foods has been operating under a special contract since the beginning
9 of its operations in St. Joseph.

10 **Q DOES THE SPECIAL CONTRACT COVER THE VARIABLE COSTS OF**
11 **PROVIDING WATER SERVICE TO TRIUMPH FOODS AND PROVIDE FOR A**
12 **CONTRIBUTION TO THE FIXED COSTS OF MAWC?**

13 A Yes. The special contract terms assure that the variable costs of serving Triumph
14 Foods are recovered in the rate. The special contract rate is typically revised each
15 MAWC rate case based on changes in the following costs:

- 16 > Fuel and power costs
- 17 > Chemical costs
- 18 > Miscellaneous water treatment expenses

19 The above costs represent the variable costs of serving Triumph Foods.

20 In addition to those costs, the special contract also has a provision for
21 marginal cost recovery, which relates to Triumph Foods making a contribution to the
22 fixed costs of MAWC.

1 **Q IS THE SPECIAL CONTRACT WITH TRIUMPH FOODS BENEFICIAL TO THE**
2 **OTHER MAWC CUSTOMERS IN ST. JOSEPH?**

3 A Yes. Because the special contract calls for Triumph Foods to provide a contribution
4 to MAWC's fixed costs, and allows MAWC to recover its variable costs to serve
5 Triumph Foods, the other customers of St. Joseph are paying less for water service
6 than if Triumph Foods were not on the MAWC system.

7 **Q HOW DID THE COMPANY REFLECT THE TRIUMPH FOODS SPECIAL**
8 **CONTRACT IN ITS COST OF SERVICE (REVENUE REQUIREMENT)?**

9 A MAWC reflected Triumph Foods in its cost of service at the rate stipulated to in
10 MAWC's last rate case which is reflective of the current special contract.

11 **Q HAS ANY OTHER PARTY IN THIS CASE ADDRESSED THE TRIUMPH FOODS**
12 **LEVEL OF REVENUES?**

13 A Yes. In the Staff's cost of service (revenue requirement) direct filing, the Staff
14 reflected Triumph Foods at the current rate agreed to in MAWC's last rate case. This
15 level of revenues also reflects the Triumph Foods special contract.

16 **Q DID STAFF ADDRESS THE TRIUMPH FOODS RATE IN ITS RATE DESIGN**
17 **REBUTTAL TESTIMONY?**

18 A Yes. Staff witness Matthew J. Barnes addresses the Triumph Foods contract rate in
19 his rebuttal testimony. He indicates that Triumph Foods continues to meet the criteria
20 of the Company's Economic Development Rider and recommends that the
21 Commission approve continuation of MAWC's special contract with Triumph Foods at
22 the rate identified in his confidential rate design rebuttal testimony because the

1 contract provides numerous economic benefits to the St. Joseph area and the State
2 of Missouri. I support Mr. Barnes' recommendations.

3

4 **Q DOES MR. BARNES' REBUTTAL TESTIMONY ADDRESS CONCERNS RELATED**
5 **TO TRIUMPH FOODS' SPECIAL CONTRACT RAISED IN THE REBUTTAL**
6 **TESTIMONY OF DR. MARKE ON BEHALF OF OPC?**

7 A Yes, Mr. Barnes' rebuttal testimony addresses the concerns raised by Dr. Marke and
8 as a result, Dr. Marke's concerns are without merit.

9 **Q PLEASE SUMMARIZE YOUR TESTIMONY.**

10 A Triumph Foods is a major employer in St. Joseph, Missouri. Triumph Foods has
11 continued to grow its operations in St. Joseph adding hundreds of jobs over a period
12 of several years. Triumph Foods is MAWC's largest water user. Triumph Foods'
13 decision to locate in St. Joseph was directly linked to the accessibility of water at the
14 reduced rate contained in the current special contract. The St. Joseph area is
15 experiencing many rewards from the decision of Triumph Foods to locate in
16 St. Joseph. There is no credible rationale to discontinue the special contract at this
17 time.

18 **Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

19 A Yes, it does.

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