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STATE OF MISSOURI

PUBLIC SERVICE COMMISSION

HEARING

June 8, 2000
Jefferson City, Missouri
Volume 12

In the Matter of Missouri-American)
Water Company's Tariff Sheets)
Designed to Implement General Rate)
Increases for Water and Sewer) Case No.
Service Provided to Customers in) WR-2000-281
the Missouri Service Area of the)
Company.)

BEFORE:

KEVIN A. THOMPSON, Presiding,
DEPUTY CHIEF REGULATORY JUDGE.
SHEILA LUMPE, Chairperson,
KELVIN SIMMONS,
M. DIANNE DRAINER,
CONNIE MURRAY,
ROBERT G. SCHEMENAUER,
COMMISSIONERS.

REPORTED BY:

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1 P R O C E E D I N G S

2 JUDGE THOMPSON: Mr. Conrad, are you
3 willing to withdraw your objection for the record?

4 MR. CONRAD: Yes. In view of the fact
5 that counsel has now abandoned the line of
6 cross-examination, I'll withdraw the objection.

7 JUDGE THOMPSON: Thank you.

8 Mr. England, you are completed with your
9 cross-examination?

10 MR. ENGLAND: Yes, sir.

11 JUDGE THOMPSON: Questions from the Bench,
12 Vice Chair Drainer?

13 QUESTIONS BY COMMISSIONER DRAINER:

14 Q. Good morning.

15 A. Good morning, Vice Chair Drainer.

16 Q. If you would give me one moment, I will --
17 first, I had a question with respect to there was a
18 line of questioning to you from the Staff attorney
19 with respect to when you did rate design, that you
20 used class cost of service as just one of the
21 factors that you used in coming up with the rate
22 design?

23 A. Yes, ma'am.

24 Q. And this is your rate design method,
25 correct?

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1 A. This is a rate design methodology for this
2 case.

3 Q. And you were asked what other factors you
4 thought needed to be considered, I believe you said
5 economic efficiency?

6 A. Yes.

7 Q. Equity?

8 A. Yes.

9 Q. And reasonable rates?

10 A. Yes.

11 Q. Or just rates, I can't -- you used one or
12 the other; is that correct?

13 A. I recall it, but I think, yeah, that's
14 what I said.

15 Q. Well, would those be three factors that
16 you --

17 A. Yes.

18 Q. -- took into consideration?

19 A. Yes, ma'am.

20 Q. The next question from the attorney was
21 whether or not this Commission had considered those
22 factors to your knowledge in the past when setting
23 rates?

24 A. Yes.

25 Q. And your response, do you recall what that

1 was?

2 A. I believe I said that, yes, they took all
3 those factors into consideration.

4 Q. Okay. I had thought that you weren't
5 sure, but you do know that we take those into
6 consideration?

7 A. Yes.

8 Q. Okay. When you were putting together the
9 rate design for the Office of the Public Counsel,
10 were you doing that trying to represent all
11 Missouri American's customers in an equitable
12 fashion?

13 A. Yes, ma'am.

14 Q. Were you doing that to ensure all the
15 customers would have just, reasonable rates?

16 A. Yes, ma'am, that was our goal.

17 Q. Okay. Then let me ask you with respect to
18 your testimony, can you point me to a schedule that
19 shows me the impact in dollars by different volume
20 usage that customers would pay under your rate
21 design proposal?

22 For example, can you show me what
23 Brunswick, what a residential customer would pay
24 for \$6,000 of water, what they pay today and what
25 they would be paying under your rate proposal?

1 A. I don't know if I did an analysis like
2 that. I did not do a specific, how much more that
3 they would -- what the actual total bill would be.
4 It was more a percentaged increase over what their
5 current bill was. I left it in percentage terms.

6 Q. Isn't it true that if you are paying \$100
7 and there's a 10 percent increase, that would be --

8 A. \$110.

9 Q. And if you're paying \$5 and there's a 90
10 percent increase?

11 A. That would be, I think, a grand total of
12 9.50.

13 Q. So percentages in and of themselves like
14 10 percent, 90 percent, don't really tell me a
15 dollar impact, do they?

16 A. Not without knowing where you started
17 from.

18 Q. So did you do an analysis before you
19 presented all of your testimony that would show
20 what your percentage increases would be in actual
21 rates, in actual dollars to the customers? This is
22 an easy question.

23 A. No. I don't think we did in actual
24 dollars what a single customer would --

25 Q. And this Commission is charged with making

1 sure there are just, reasonable rates as in
2 393.130, the first paragraph says that there should
3 never be unjust or unreasonable charges. Are the
4 charges that we put in our tariffs in percentages
5 or are they in dollars? Is a rate a dollar amount?

6 A. I believe the tariffs are in dollar
7 amounts.

8 Q. Well, how can you tell me with certainty
9 that the rates that will be charged to every
10 customer in Missouri American's districts in
11 Missouri are going to be just and reasonable if you
12 did not develop the rates? How can you tell me
13 with certainty that you know those rates that you
14 have not calculated are just and reasonable?

15 A. Well, I believe that the Company developed
16 the rates based upon their increase. They had an
17 increase of a certain percent. And then if we had
18 an increase, you know, in the different districts
19 that was of a different percent, like, if it was a
20 lower percent, then the ultimate rates that would
21 be charged and developed in the tariffs would be
22 lower than the overall percentage and the overall
23 rate due to the percentage of what the Company was
24 charging.

25 Q. Okay. That's not really answering my

1 question, because if this Commission were to find a
2 revenue requirement that -- well, let me ask you
3 this: If this Commission were to find a revenue
4 requirement such as Staff has proposed or the
5 companies, which would be the highest revenue
6 requirement, is it your expert position speaking
7 for the Office of the Public Counsel, that we
8 should accept your rate design?

9 A. Yes.

10 Q. Now, having said that, do you know under
11 your rate design that every district's rates and
12 every customer's rates will be less than the rate
13 design proposed by the Company?

14 A. If we took a revenue requirement that was
15 the Staff's --

16 Q. The Staff's or Company's.

17 A. -- or the Company's would my rates be
18 lower than the Company's?

19 Q. Yes. For every customer.

20 A. For every customer, I believe that it
21 would be lower all but one, and those would be the
22 customers in the St. Joseph district.

23 Q. Now, would there -- what would be the
24 dollar impact to those customers in St. Joseph
25 under the higher revenue requirement using the rate

1 design?

2 A. We are currently finishing up that
3 schedule, that rate --

4 Q. That's because Vice Chair Drainer has
5 asked to see it since she has to make a decision to
6 give just, reasonable rates. I'm asking in your
7 testimony and with what you proposed, do you know
8 that those rates will be just and reasonable for
9 St. Joseph that you have proposed in your rate
10 design at the higher revenue requirement?

11 A. I believe that they are just and
12 reasonable, but I do not know what the actual level
13 is, what the actual rate --

14 Q. How do you know? How can you know that
15 when you don't know what the dollars are?

16 A. Because --

17 Q. I'd like to sell you a car.

18 A. How do I know that is just and
19 reasonable?

20 Q. Uh-huh.

21 A. Because the ultimate decision that is made
22 will be done on a just and reasonable basis.

23 Q. No. But that doesn't tell me anything
24 about your rate design. You're saying that you
25 trust that what we will do will be just and

1 reasonable. But I'm asking if you know that your
2 rate design for St. Joseph will be just and
3 reasonable?

4 A. I believe that what we developed for
5 St. Joseph is just and reasonable.

6 Q. But you don't know what the rates are?

7 A. But I don't know what the rates are.

8 Q. And I think you're asking me to have
9 faith. Okay.

10 Can I ask, does the Office of the Public
11 Counsel believe that it's representing each
12 district with the same level of concern of other
13 rates when you proposed your rate design?

14 A. I believe that we looked at every
15 district, and we tried to balance the concerns of
16 each district.

17 Q. Did the Office of the Public Counsel do
18 any surveys for the customers for Missouri American
19 Water Company to find out if the customers have an
20 understanding of single-tariff pricing or
21 district-specific pricing?

22 A. I am not aware that we sent out any
23 surveys to the consumers of Missouri American Water
24 Company.

25 Q. Okay. With your rate design, do you keep

1 the same four blocks, volume blocks that are used
2 for the larger customers?

3 A. We would assume that we would use the same
4 four blocks.

5 Q. And they would be impacted by the same
6 percent as would other classes or those are going
7 to go up? I guess go to page -- your surrebuttal,
8 your schedule JD2, SR2.

9 A. Yes, ma'am.

10 Q. You have a phase-in proposal, so at the
11 bottom where it talks about percentage yearly
12 increase by class, you have commercial and
13 industrial, OPA, resell, private buyer, plus the
14 residential, you have different percentages. Will
15 those percentages be increases if the customer is
16 using the different blocks it depends on what type
17 of customer you are, what your charge will be?

18 A. Those percent increases there represent
19 the overall increase in revenue to be collected
20 from that class within that district.

21 Q. So if you're a residential customer and
22 you're one in that class no matter what their
23 volume, you would have to pay a 7.68 percent
24 increase?

25 A. The average residential consumer would get

1 a 7.68 percent. A larger user may have a slightly
2 higher increase, and a smaller may have a slightly
3 lower increase. But on average, the bill would go
4 up 7.68 percent.

5 Q. So are you saying that by volume, you
6 would have different percentage increases?

7 A. I think that's the way that the -- the way
8 the blocks are set up that as you -- to try to get
9 an overall percent increase that when you move from
10 one unit within that block --

11 Q. Is that in your testimony somewhere what
12 you have done to change the blocks?

13 A. I have not addressed the changing of the
14 blocks.

15 Q. So these are just average percentage
16 increases? So an industrial user that's going to
17 be charged 18.92 percent would not know today, we
18 could not tell them that that's how much their bill
19 would increase? It would depend on their volume?

20 A. We could not precisely tell, but it would
21 be -- I think it would be very close to that
22 18.92 percent depending upon --

23 Q. But you have not calculated the charges
24 per block?

25 A. No. We did not calculate the charges per

1 block, by block.

2 Q. And would all customers, no matter what
3 their classification, pay the same charge if they
4 were in a block two?

5 A. What do you mean by pay the same charge?
6 I'm sorry.

7 Q. Well, presently if you were in block two,
8 which would be 1900M, so I guess that's -- if this
9 is in gallons, I would have to say that's
10 thousands, I guess, that's 1.9 million; is it that
11 much water? I guess I can't ask, but right now the
12 block would say the first 100Ms gallons is a \$1.95
13 a gallon. The next 1.9Ms would be -- or 1,900Ms,
14 which is block two, would be a \$1.0951, that's the
15 current block two rate?

16 A. Okay.

17 Q. In your rate design, would that block rate
18 for block two change, increase, the same charge no
19 matter what the class of service whether it's a
20 residential, commercial, industrial, you have six
21 classes?

22 A. I believe that the blocks would -- the
23 increase per rate per block would go up.

24 Q. The same for everyone?

25 A. The same, like, the same percent from the

1 first block in the same percent from the second
2 block?

3 Q. No. The actual dollars. If you go from
4 \$1.09 in the second block and let's say that
5 yours -- under single-tariff pricing it goes to
6 \$1.75 approximately. So if yours went to \$1.75 or
7 less, \$1.50, would you charge residential \$1.50 if
8 they, for whatever reason used, say, block one?
9 They used block one, would you charge them the same
10 that you would charge a small industrial user or
11 commercial user?

12 A. If they would fall in that block, I would
13 say assume that they would be charged the same.

14 Q. Okay. But you didn't do a calculation on
15 that?

16 A. No, ma'am, we did not do a calculation.

17 Q. With respect back to this SR-2, I noticed
18 in this and in your rebuttal testimony -- this is
19 just for St. Joseph district, is that what this
20 sheet is?

21 A. The SR-2, ma'am?

22 Q. Uh-huh.

23 A. The SR2 is an updated version of my
24 JAB-R2-R3 in my rebuttal testimony, which is the
25 same sheet for the St. Joseph district. As

1 Mr. England had pointed out yesterday, there was an
2 increase of about 600,000, and that was an update
3 of that sheet to show that additional --

4 Q. For St. Joseph only?

5 A. Yeah. It was just a -- we haven't updated
6 any of the other districts.

7 Q. Well, what I wanted to get to, this shows
8 a phase-in, though, for St. Joseph, correct, what
9 the rate increases would be, that percentage
10 increase?

11 A. Yes, ma'am.

12 Q. Now, explain to me how it works where it's
13 a reduction, you have, like, a 14.46 percentage
14 decrease?

15 A. Yes, ma'am.

16 Q. Are people's -- customer's rates going to
17 go down?

18 A. Yes. That's what that indicates, that the
19 rates in that year would decrease.

20 Q. And if I looked at your rebuttal testimony
21 and looked at R3-3 for Parkville in years six and
22 seven, their rates would go down?

23 A. Yes, ma'am.

24 Q. So have you got Parkville before you?

25 A. Yes, I do.

1 Q. Do you believe that it provides rate
2 stability to customers to increase their rates
3 12 percent for residential, 16 percent for
4 commercial, 15 percent for industrial customers
5 first couple years and then give them an 18 percent
6 decrease in year seven. Do you think changing the
7 rates over seven years with such increases and then
8 going to a six- and seven-year decrease or with
9 St. Joe in the fifth-year decrease, sends a
10 stability signal to customers as an economist?
11 That's a yes or no.

12 A. I don't necessarily think that it does
13 show stability.

14 Q. Okay. Let me ask you something else.
15 Since this is a case where it's looking over the
16 fence between districts, and they are looking at
17 what's happening to increases and cost in rates,
18 how do you think it would appear to a customer in
19 Parkville that's already concerned about St. Joseph
20 Plant, that they see themselves getting a 12
21 percent increase compared to St. Joseph, which is
22 about 8 percent? And yet not only do they see
23 themselves getting a larger increase, they see
24 St. Joseph getting a decrease in year five, and in
25 year five they are still getting a 12 percent

1 increase. How, as a customer, do you think what
2 would their perception be with that?

3 A. A customer without knowing all the facts
4 may look at that and question why, but I also think
5 that with the reason that St. Joseph is low in this
6 case is because of our prudence disallowance that
7 we're doing for the plant. So those increases may
8 be larger if the Company would win their case.

9 Q. But that's not what I'm asking. I'm
10 asking -- that's not what I'm asking. I'm asking
11 this is what you're telling me is your position or
12 what your revenue is. And so if we did this, your
13 impact is that St. Joseph will not only have a
14 lower percentage increase, but their customers are
15 going to get a decrease in year five, and Parkville
16 will still be getting all of its customers at least
17 a 12 percent increase in year five.

18 And so I want you to answer just to that,
19 do you think that sends the right signal to them,
20 or do you think they would be concerned? And I
21 guess what I heard you say is under this scenario,
22 you do think there could be a concern?

23 A. There would be some concern, but --

24 Q. Okay. Thank you.

25 What about Mexico in year five, they would

1 still get a 9 percent or more increase. Would they
2 maybe be concerned if they heard that St. Joseph
3 was getting a 14 percent decrease when they are
4 still getting such a large increase?

5 A. But as long as they know that they are
6 paying only for their costs, and that by moving
7 towards this rate design that we have developed
8 that, the future chance of them having to
9 support -- let's say, in Joplin, if they get a
10 large increase, St. Charles in St. Louis County
11 Water, if they had to ultimately decide by the
12 Company to add them to the system, that they may
13 have to pay higher today, but they will not have to
14 end up supporting other districts.

15 Q. Okay. That's your position. Now, have
16 you done a survey of all the customers of Missouri
17 American Water territory, and can you tell me that
18 with any significance that you know that to be true
19 of the customers?

20 A. I have not done a survey. I have a feel
21 from talking to people at the public hearings, but
22 as far as being a large population sample --

23 Q. But the population of all of the
24 customers, do you know that that would be their
25 perception that they would want continued increases

1 where they saw St. Joseph getting a decrease?

2 A. To ask that specific question, no.

3 Q. Now, let me also ask you about this
4 decrease. Since they are getting a decrease, there
5 has had to be some kind of overcollecting?

6 A. Yes.

7 Q. Are you making sure that the customers
8 get -- each customer bill is calculated so that
9 they get interest back on the money that they did
10 not need to be giving for the first, just in
11 St. Joseph's example, the first four years? Did
12 you do --

13 A. Mr. Trippensee has -- we worked together
14 to develop the phase-in, and he did the accounting
15 and the carrying costs and the interest and all
16 that. He would be the most appropriate person to
17 ask.

18 Q. Did he do interest for the customer?

19 A. I don't recall. I don't remember.

20 Q. Is this your rate design that you are
21 supporting as an expert witness for the Office of
22 the Public Counsel?

23 A. This is my rate design, which was --
24 phase-in was helped developed with the accounting
25 staff.

1 Q. And so you are supporting this, but you do
2 not know whether the customers -- each customer who
3 is overpaying including the commercial and
4 industrials would be getting an interest payment
5 back or the funds that they paid in can be
6 collected?

7 A. I believe, if I recall from
8 Mr. Trippensee, and I'm sure he can correct me if
9 I'm wrong, but the reason of the over collection
10 and for the decrease is because in the first years
11 due to the phase-in, the Company would not be
12 receiving the revenues required, therefore in
13 effect, the Company would be loaning money to the
14 customers, and the customers would be paying it
15 back, and that's why the rates would go up. And
16 then the rates would then drop once that extra
17 money has been paid back.

18 Q. Have you, in your calculations, looked at
19 once the plant is paid off, whether or not there's
20 a point in time that the rate should go down, or do
21 we have to wait till there's another earnings
22 investigation to make adjustments?

23 A. I would assume that when the plant is
24 completely paid for and fully depreciated, that the
25 cost associate would go down, but we did not do a

1 study as to when that would happen.

2 Q. Okay. I want to ask it in certain
3 attorney's lifetime, but -- I'm sorry.

4 Did you consider when you looked at all
5 the different class of customers and what your rate
6 impacts would have on them, any type of price
7 elasticity of demand for water?

8 A. When we were looking at the class shifts,
9 I don't recall looking at the price elasticity of
10 demand.

11 Q. Okay. Thank you.

12 You referenced that you weren't working on
13 a printout for me?

14 A. Yes, ma'am.

15 Q. I did understand your attorney to say at
16 the end of yesterday that your rate design then
17 lends itself to easily doing that calculation. I
18 would like to say that if you cannot do that, that
19 I would just accept having not received it that --
20 I don't mean to make parties do work on things that
21 maybe they can't accomplish, so I do want to let
22 you know I don't expect that.

23 A. Vice Chair Drainer, we are very close
24 with -- and with Mr. Trippensee being out of
25 pocket, we have -- we think we have -- we are real

1 close, and we anticipate getting something to you
2 by noon today.

3 COMMISSIONER DRAINER: Okay. I do also
4 want to reiterate to all the parties and their
5 attorneys that if I am given this document, as I
6 was the Company document, I would want you to have
7 adequate time to review it with your experts if you
8 believe that we need to put any other rate design
9 experts back on for questioning in order to accept
10 it, we should or if you do believe having seen it,
11 that we should not accept it. I would not want,
12 just because I'm in Commission that you feel you
13 can't object to that.

14 I would most certainly respect that when I
15 ask for something during the course of the hearing,
16 that you-all be given the ability to have that
17 accepted into evidence just as any other document
18 is. So thank you. I have no other questions.

19 JUDGE THOMPSON: Thank you, Vice Chair
20 Drainer.

21 Commissioner Schemenauer?

22 COMMISSIONER SCHEMENAUER: No questions.

23 JUDGE THOMPSON: Commissioner Simmons?

24 COMMISSIONER SIMMONS: A few questions.

25 Thank you, your Honor.

1 QUESTIONS BY COMMISSIONER SIMMONS:

2 Q. Mr. Busch, you'll just have to bear with
3 me for a second. I'm a little new, so I may ask
4 you a few questions that have already been talked
5 about. There are questions that I'd just like to
6 have some additional information on.

7 A. Yes, sir.

8 Q. I'd like to talk to you about a few of
9 your comments as it relates to DSP and STP. Do you
10 find STP to be extreme?

11 A. In the rate design?

12 Q. Yes.

13 A. On a spectrum it is an extreme. Not that
14 it's an extreme policy, but it's just when you look
15 at full STP and full DSP D, those would be the two
16 extremes. Not that one is like a radic-- they
17 don't look at extreme as a radical or a way out,
18 you know, not a good policy. It's just -- it sets
19 one and the DSP sets the other. Those are the
20 extremes.

21 Q. So you find them on two separate sides?

22 A. Yes.

23 Q. In your comments, your testimony, your
24 surrebuttal on, I guess, page 3, line 3, you talk
25 about the consumers, and I get the feeling that you

1 say the consumers voice their concerns about STP.

2 Do you feel that they thought it was extreme?

3 A. In reference to the public hearings that I
4 attended and talking to the consumers, not all the
5 consumers, but some of the consumers there, there
6 was a concern that STP paying for other people's
7 districts, you know, the cost in other citizen's
8 districts, I think the witness from Warrensburg
9 said, you know, we don't want to get into
10 St. Joseph's business. We don't want St. Joseph to
11 get in our business.

12 And that was the concern of STP that when
13 something happens in one district, it could have an
14 effect on the other district without that district
15 really having a say, and that's what the concern
16 is.

17 Q. How many of these hearings did you attend?

18 A. I attended three of the five.

19 Q. Three of the five?

20 A. Yes, sir.

21 Q. And with the three of the five of those,
22 did that seem to be the general consensus for those
23 consumers that testified?

24 A. In the last one I attended, I attended
25 St. Joe, and they were rather hoping that STP would

1 continue to be the course of action.

2 Q. Did anybody testify as to their like for
3 DSP?

4 A. I believe there were people who have
5 testified that they -- not in the St. Joseph -- but
6 in the two that I went to, and the two that I did
7 not attend, that they prefer the DSP methodology.

8 Q. Did anyone happen to ask what was the
9 Commission's current policy as it relates to rate
10 design?

11 A. I don't remember people asking, but I
12 remember talking to people, and telling them what
13 people -- I would tell them that right now we are
14 currently operating under a single-tariff pricing.

15 Q. So that was at least something that was
16 told to the people at the hearing that we were
17 currently operating under that policy?

18 A. I don't think it was told to -- it was
19 something that I know that I told to certain people
20 that I talked to. I didn't get up in front of
21 everybody and say, This is currently -- I don't
22 remember the -- I don't remember the Company or the
23 Staff or anybody saying this is the current
24 methodology that is being used.

25 COMMISSIONER SIMMONS: I don't have any

1 other questions at this time.

2 JUDGE THOMPSON: Thank you, Commissioner
3 Simmons.

4 Vice Chair Drainer?

5 COMMISSIONER DRAINER: I have a couple
6 more.

7 QUESTIONS BY COMMISSIONER DRAINER:

8 Q. On your schedules in your rebuttal, like,
9 in Parkville?

10 A. Yes, ma'am.

11 Q. Just using that one?

12 A. Okay.

13 Q. Okay. These were based on the revenue
14 requirement that Public Counsel is supporting. If
15 the revenue requirement were higher than that,
16 would the percentages increase in the same -- would
17 I expect the percentages would have to increase on
18 the same portion?

19 A. I think what -- that's kind of what you're
20 asking us to turn in for you today. And with what
21 we've done is with the class cost of service side
22 we were able to perform, that a lot of that extra
23 revenue requirement is going to the St. Joseph
24 district. So like Parkville, Mexico, Brunswick,
25 it's the exact same effect under our scenario or

1 under the Staff's revenue requirement.

2 Q. Okay. So what you're saying is that the
3 percentages would remain the same as in your
4 scenarios for all districts except St. Joe?

5 A. There's a slight increase for St. Charles,
6 and Warrensburg, just very slight, a couple
7 percent.

8 COMMISSIONER DRAINER: Thank you. That
9 answers my question.

10 JUDGE THOMPSON: Thank you, Vice Chair
11 Drainer.

12 Further questions from the Bench?

13 I have a question from Chair Lumpe.

14 THE WITNESS: Yes, sir.

15 QUESTIONS BY JUDGE THOMPSON:

16 Q. You have proposed a phase-in, correct?

17 A. Yes, sir.

18 Q. Chair Lumpe would like to know how you
19 would address the accounting problems that the
20 Company has raised with respect to a phase-in?

21 A. Mr. Trippensee deals with all the
22 accounting issues of that. I would request that he
23 would be the best person from our office to answer
24 that question.

25 Q. Are you unable to answer that question?

1 A. Yes, I am unable to answer that question.

2 Q. With respect to your table 1 in your
3 direct testimony, you have a column labeled Other
4 Public Authority as a type of customer. Exactly
5 what do you mean by Other Public Authority?

6 A. Other Public Authority is a
7 classification, and I believe that it's, like,
8 school districts, other public authorities within a
9 city.

10 Q. Okay. And then with respect to page 10 of
11 your direct where you list the increase in
12 investment in all districts, you excluded
13 St. Joseph?

14 A. Yes.

15 Q. What is the number for St. Joseph?

16 A. At the time of this it was close, I think,
17 75 million. I think it's less now. I think their
18 budget -- they've come in under budget, so it's
19 about 70 million total. It's around there. I
20 don't remember exactly from Mr. Amman's --

21 Q. Is Mr. Amman's testimony where I should
22 look to get that number?

23 A. That is where I got these numbers, and
24 that would be the best place to look to get that
25 number.

1 Q. But you don't have that?

2 A. I do not have that with me, no.

3 JUDGE THOMPSON: Thank you.

4 Vice Chair Drainer?

5 QUESTIONS BY COMMISSIONER DRAINER:

6 Q. Okay. Back to your Parkville, if you're

7 talking about school districts under other public

8 authority and they have 15.43 percent increase,

9 again, increase -- forgive me if I'm dense -- but

10 how if there's only a set block rate for each of

11 the blocks -- you have four blocks?

12 A. Right.

13 Q. And these are larger users?

14 A. Yes.

15 Q. And a school district would probably be a

16 larger user?

17 A. Yes.

18 Q. How can their rate increase, 15.43

19 percent, compare to an industrial rate of 14.99

20 percent if they are all working off of the same

21 block rates?

22 A. These percentages were based upon the cost

23 of service study and the different costs that were

24 assigned to each percentage for each class.

25 Q. But the rate design is going to have to be

1 done on rates. I mean, there's going to have to
2 be --

3 A. I understand that.

4 Q. So are you going to have -- then I get
5 back to, are you going to have different block
6 rates depending on the type of customer?

7 A. I don't think so. I think we were trying
8 to find, you know, just there would be a -- just
9 using the same blocks that the Company currently
10 has in their tariff. And how we would address that
11 issue -- I don't know exactly if there's a
12 difference in meter size that would take into
13 account, maybe that. I'm not for sure.

14 Q. You have not --

15 A. No, ma'am.

16 Q. -- forwarded the proposed tariff that
17 would cover that for each district and how each of
18 those rates would guarantee that the Company would
19 get this percentage, and therefore recover that
20 much revenue as shown on the top?

21 A. That is correct, ma'am.

22 COMMISSIONER DRAINER: Okay. Thank you.
23 No other questions at this time.

24 JUDGE THOMPSON: Further questions from
25 the Bench?

1 COMMISSIONER SIMMONS: Just one.

2 JUDGE THOMPSON: Commissioner Simmons?

3 COMMISSIONER SIMMONS: Thank you, your
4 Honor.

5 QUESTIONS BY COMMISSIONER SIMMONS:

6 Q. One question going back to the rate design
7 issue. Would you consider your rate design
8 proposal a policy shift for this Commission?

9 A. It's my understanding from the past orders
10 that the Commission has utilized STP, but they have
11 not made a definite decision that this is the
12 policy. So I don't know if I would consider it a
13 policy shift as much as it is a shift.

14 Q. Would you believe that your proposal is
15 similar to any other proposals throughout the
16 country that takes in the same considerations?

17 A. I have not looked at any other states in
18 any other rate designs in any of the other states.

19 Q. If we were to adopt -- hypothetically
20 speaking, if we were to adopt your proposal, would
21 you think that that would set a precedent
22 throughout the country for other type of rate
23 designs that would be similar?

24 A. If it's the first, it could be considered
25 precedent. I don't know if other people would look

1 at ours. And I think each state, each company, all
2 districts are unique, and each one should be looked
3 at on its own merits.

4 Q. Would you think that anybody would
5 consider your proposal extreme?

6 A. I'm sure there are people who think they
7 are extreme.

8 COMMISSIONER SIMMONS: Thank you.

9 JUDGE THOMPSON: Thank you, Commissioner
10 Simmons.

11 Further questions from the Bench?

12 QUESTIONS BY JUDGE THOMPSON:

13 Q. I have another question for you.

14 A. Yes, sir.

15 Q. And I apologize.

16 A. That's okay.

17 Q. Back to table 1 in your direct?

18 A. Table 1 in my direct, sir?

19 Q. Yes. I'm still mulling over this other
20 public authority group of customers, and perhaps
21 you're not the appropriate witness on this, but are
22 you telling me there are 191 school districts in
23 St. Joseph?

24 A. I'm not exactly --

25 Q. It seems high.

1 A. I'm not exactly sure exactly what all
2 entails in other public water authorities. I'm not
3 even sure what all those consumers -- it's
4 governmental entities.

5 Q. Because we know that the public water
6 supply districts who get water from the Company are
7 the resale customers; is that correct?

8 A. That's correct.

9 Q. Do you have any idea who would be an
10 appropriate witness to ask what the identity of
11 these other public authority customers is?

12 A. From our --

13 Q. From anyone.

14 A. I'm sure the Company would know what they
15 are. Ms. Hu would probably know from our office,
16 but the Company, they would know exactly what makes
17 that up completely.

18 JUDGE THOMPSON: Thank you.

19 Further questions?

20 Recross based on questions from the Bench,

21 Mr. Franson?

22 MR. FRANSON: No questions, your Honor.

23 JUDGE THOMPSON: Mr. Finnegan?

24 MR. FINNEGAN: No questions.

25 JUDGE THOMPSON: Mr. Curtis?

1 MR. CURTIS: Yes.

2 RECROSS-EXAMINATION BY MR. CURTIS:

3 Q. Mr. Busch, in response to question from
4 Commissioner Simmons regarding the local hearings,
5 did you attend the St. Charles local hearing?

6 A. Yes, sir, I was at the St. Charles local
7 hearing.

8 Q. Did you see me there also?

9 A. Yes, sir.

10 Q. Did you recall anyone at the
11 St. Charles -- by the way, approximately how many
12 people attended that local hearing?

13 A. The room was packed. They were standing
14 in the hall. It was well over 200 people.

15 Q. Did you hear anyone at that public hearing
16 express a desire to have STP as the approved rate
17 design for this case?

18 A. I don't recall anybody from St. Charles.

19 Q. In fact, did not virtually everybody speak
20 strongly against STP?

21 A. Everybody in St. Charles was against STP,
22 as far as I can remember, that spoke.

23 Q. Commissioner Simmons also asked you
24 regarding DSP if that is a -- if this is an extreme
25 rate design. Would you agree with me that for a

1 non-integrated, non-interconnected water company
2 such as Missouri American, that DSP probably
3 represents a more classic rate design, a more
4 traditional rate design in that it attempts to
5 assign costs to the cost causer and recover the
6 costs from, and is not that principle classic
7 public utility rate design?

8 A. I believe that that was the traditional
9 method.

10 Q. Right. And so the newer method, the more
11 modern version, if you will, departure from the
12 traditional, is, in fact, STP for this kind of a
13 non-interconnected system; is that correct?

14 A. Yeah. STP is a relatively new
15 phenomenon.

16 MR. CURTIS: Thank you. I have nothing
17 further.

18 JUDGE THOMPSON: Thank you, Mr. Curtis.
19 Mr. Deutsch?

20 MR. DEUTSCH: Thank you, your Honor.

21 RECROSS-EXAMINATION BY MR. DEUTSCH:

22 Q. Following up on a question by Commissioner
23 Drainer, I just wanted to get a clarification. It
24 sounded to me from your description of your rate
25 design and its effect, at least as you have laid it

1 out on a percentage basis, and I think you also
2 have indicated a revenue requirement from each
3 district, it sounds like many of the districts are
4 sought to achieve their cost of service, that is
5 that when you earlier testified about the Office of
6 Public Counsel's position being to continue to move
7 towards DSP, that some of the facilities, including
8 St. Joe and Parkville and Mexico and others were
9 being moved toward and would achieve their cost of
10 service; is that what your testimony was?

11 A. I believe my testimony was that we were
12 trying to move towards DSP.

13 Q. Now, which of the cities that you have
14 included in this rate design will achieve their
15 cost of service and when?

16 A. In this proceeding it is our design that
17 the City of Warrensburg would reach their cost of
18 service, and the City of St. Joseph would reach
19 their cost of service.

20 Q. What about Parkville?

21 A. They would not reach their cost of
22 service.

23 Q. Where will they be, below their cost of
24 service, above their cost of service?

25 A. They will be below their cost of service.

1 Q. And what about Mexico?

2 A. They will be below.

3 Q. Below their cost of service?

4 A. Yes, sir.

5 Q. Isn't it true from the -- and

6 additionally, that the way that your rate design is

7 set up, St. Charles and Joplin will be permanently

8 above their cost of service?

9 A. As far as this rate case is concerned.

10 Q. So you have your rate design results in

11 two of the districts getting to cost of service,

12 two of the districts being permanently above cost

13 of service, and the rest of the districts being

14 permanently below cost of service?

15 A. For this rate case.

16 Q. And that is what you have described as

17 movement towards DSP?

18 A. Correct. Because they are moving closer

19 to the DSP than they would under a single-tariff

20 pricing.

21 Q. So it's a comparative move to DSP?

22 A. Yes.

23 Q. Is a move that is different than

24 single-tariff pricing, which makes no effort

25 whatsoever to get the cost of service?

1 A. Yes.

2 MR. DEUTSCH: I have no further questions.

3 JUDGE THOMPSON: Thank you, Mr. Deutsch.

4 Mr. Fischer?

5 MR. FISCHER: Thank you, your Honor.

6 RE CROSS-EXAMINATION BY MR. FISCHER:

7 Q. Just following up on a couple questions

8 Commissioner Simmons was asking you about.

9 District specific pricing and STP has a

10 policy which are more extreme. Do you remember

11 that question?

12 A. Yes.

13 Q. Mr. Busch, do you think that single-tariff

14 pricing is a here today, gone tomorrow kind of rate

15 policy?

16 A. I don't believe that, no.

17 Q. Okay. There is an element of consistency

18 that needs to be in a public policy whether it's

19 single-tariff pricing or district-specific pricing;

20 is that your feeling?

21 A. It is one of the factors that needs to be

22 considered when developing.

23 Q. You were also asked some questions

24 regarding the public hearings. You were also at

25 the St. Joseph local hearing; is that right?

1 A. That is correct, sir.

2 Q. Did you have a different impression from
3 your attendance of that hearing regarding whether
4 people had a different feeling about single-tariff
5 pricing at that local hearing?

6 A. The majority of the people at the
7 St. Joseph hearing were definitely in support of
8 STP. But there were people who came up from
9 Parkville, I think, who did raise some concerns.

10 Q. Was it your understanding that those
11 consumers really understood the single-tariff
12 pricing versus district specific, or were they
13 reacting to a 54 percent increase in rates?

14 A. Which customers? I'm sorry.

15 Q. St. Joe.

16 A. The St. Joseph customers who were for
17 single-tariff pricing?

18 Q. Well, generally. The folks that you heard
19 from.

20 A. I'm sorry. I lost what your question was.

21 Q. My real question was, wasn't it true that
22 most folks were just reacting to, we don't want to
23 pay 54 percent increase in our rates?

24 A. They were upset about the rate increase,
25 and I did hear some people say, you know, that they

1 were under the impression that STP is it's our
2 attempt. I think that's a fair -- not everybody,
3 but some of the people.

4 Q. Was it your impression that anyone
5 understood that they might get 122 percent increase
6 in rates if there was district-specific pricing?

7 MR. CONRAD: Objection. Speculation.

8 MR. FISCHER: I'll withdraw the question.

9 Your Honor, I think I'd like to end my
10 recross, but reserve the opportunity to talk with
11 Mr. Busch some more when the exhibit is prepared,
12 if that would be all right?

13 JUDGE THOMPSON: I think that's all right.

14 Mr. Zobrist?

15 RE CROSS-EXAMINATION BY MR. ZOBRIST:

16 Q. Mr. Busch, just briefly. To clarify what
17 she said, at the St. Joseph local public hearing
18 speakers there who addressed the issue of rate
19 design uniformly endorsed the use of single-tariff
20 pricing; is that correct?

21 A. The people who stood up and testified
22 there?

23 Q. Right. Who addressed the issue of rate
24 design, as we know it, they all spoke in favor to
25 single-tariff pricing?

1 A. Most of them. There were, like I said, a
2 couple people showed from the City of Parkville who
3 did have some concerns with going back to -- they
4 wanted -- they weren't necessarily in favor.

5 Q. And is it true that the representative of
6 the Chamber of Commerce who stated that he
7 represented approximately 1200 businesses in the
8 St. Joseph area, they also endorsed the concept of
9 single-tariff pricing?

10 MR. CONRAD: Your Honor, with all respect
11 to counsel, who was also at the St. Joseph hearing,
12 I was, and this witness was, and at least two
13 Commissioners on the panel were, what we're
14 apparently trying to argue about is -- the purpose
15 of cross-examination, as I understand it, is to
16 test the witness's perceptions about relevant
17 material in the case. While it is no question
18 relevant what the people who testified at the
19 public hearing in St. Joe had to say, Mr. Busch's
20 perceptions of what they had to say is not relevant
21 in the face of what their actual statements under
22 oath are. And therefore, I think this line of
23 questioning with respect to this witness has
24 nothing to do with his expertise as an economist
25 nor his testimony laid before the Commission. The

1 record at the public hearing stands for what the
2 record at the public hearing stands for.

3 JUDGE THOMPSON: Response, Mr. Zobrist?

4 MR. ZOBRIST: Well, Judge Thompson, my
5 question was in response to Commissioner Simmons's
6 question. Commissioner Simmons was not at the
7 St. Joseph public hearing. It also goes to the
8 testimony that Mr. Busch gave that pertained to
9 customer reaction. Those are the two purposes
10 behind my question.

11 MR. CONRAD: And, your Honor, Commissioner
12 Simmons, I'm sure, is well aware of the statutory
13 requirement that he is to either read that
14 testimony or read the briefs from the parties
15 citing that in view of his absence from that
16 hearing. That's the requirement. And this
17 approach as Mr. Busch glosses on it one way or the
18 other, frankly has no relevance to it.

19 JUDGE THOMPSON: Mr. Coffman?

20 MR. COFFMAN: Your Honor, I believe I
21 support Mr. Conrad's objection. The record of the
22 St. Joseph public hearing will be clear, and I do
23 believe there were St. Joseph customers that have
24 testified on the record that they favored DSP. I'm
25 not sure if Mr. Busch was present for every bit of

1 the testimony. I knew he was talking with other
2 consumers in the back of the room. And I join in
3 Mr. Conrad's objection to this line of questioning,
4 because we do have a record about what was
5 testified in St. Joseph.

6 MR. CONRAD: And if, your Honor, please,
7 it is my recollection that a substantial more
8 significant issue to the people that testified at
9 St. Joseph, particularly members of the public as
10 to the people who were representing industries, was
11 water quality.

12 MR. ZOBRIST: Is that an objection,
13 Mr. Conrad?

14 MR. CONRAD: Well, counsel, you're able to
15 characterize how people have testified. I feel
16 free to do so myself.

17 MR. ZOBRIST: Well, not during my
18 questioning.

19 MR. CONRAD: So I'll move to strike yours,
20 and you can move to strike mine, and then we can go
21 wherever you would like.

22 JUDGE THOMPSON: Has everybody had a
23 chance to weigh in, because I would like to
24 eventually rule on this.

25 Could I please have the question of

1 Mr. Zobrist read to me? Given the objections, you
2 might want to go back about 15 or 20 minutes.

3 Mr. Zobrist, do you recall your question?

4 MR. ZOBRIST: I recall my question. I'll
5 ask it again.

6 JUDGE THOMPSON: Could you?

7 MR. ZOBRIST: Essentially, my question was
8 to ask Mr. Busch if he recalled that Mr. Low, who
9 represented the St. Joseph Chamber of Commerce and
10 1,200 businesses, generally endorsed the concept of
11 single-tariff pricing.

12 JUDGE THOMPSON: I am going to sustain the
13 objection. Please proceed.

14 MR. ZOBRIST: Then I will move to strike
15 Mr. Curtis's questions concerning the St. Charles
16 public hearing, and ask that his question in
17 response to Mr. Busch be stricken on the same basis
18 that my question was stricken.

19 MR. CURTIS: My response would be too
20 late.

21 JUDGE THOMPSON: And my response would be
22 too late.

23 Please proceed.

24 MR. ZOBRIST: No further questions.

25 JUDGE THOMPSON: Thank you, Mr. Zobrist.

1 Mr. England?

2 MR. ENGLAND: Thank you.

3 RE CROSS-EXAMINATION BY MR. ENGLAND:

4 Q. If as Mr. Curtis characterized

5 district-specific pricing as the more traditional

6 or classic rate design for a non-integrated

7 multi-district water company, that certainly is not

8 the case for this Company for at least the last 10

9 years, is it Mr. Busch?

10 A. For this Company?

11 Q. Correct.

12 A. I would say maybe -- no. I wouldn't say

13 that for the last 10 years.

14 Q. I thought we discussed this yesterday, and

15 you could not come up with any case in the '90s

16 where rates for this Company has been set on a

17 district-specific cost?

18 A. That is correct, sir. I think that

19 discussion dealt with Missouri Cities and not

20 Missouri American.

21 Q. Okay. So at least five of the seven

22 districts have not had their rates set on

23 district-specific costs?

24 A. Not on strict district or not on strict

25 STP either.

1 Q. And if district-specific pricing is the
2 more classic rate design for a non-integrated multi
3 district water company, then that would run
4 contrary, or at least that would seem to be
5 contrary to the conclusions drawn by Ms. Beecher in
6 her report of the nation-wide trend towards
7 single-tariff pricing, correct?

8 A. I believe she said that the trend is
9 moving towards, but it does not necessarily say
10 that the traditional method is not DSP.

11 Q. Certainly of the states that have
12 addressed the issue, far greater number have
13 endorsed STP than DSP, correct?

14 A. According to her survey, I believe.

15 Q. Vice Chair Drainer had asked you some
16 questions about your rate design overlaying, if you
17 will, or utilizing a higher revenue requirement?

18 A. Yes.

19 Q. And assume for purposes of my question
20 that the Company's revenue requirement is adopted?

21 A. Okay.

22 Q. My recollection or my understanding of
23 your initial testimony was that you were proposing
24 a 10 percent increase in Joplin customer rates
25 under that scenario, correct?

1 A. Under the original numbers that we
2 originally had in the original filing of the direct
3 testimony.

4 Q. So is it safe to assume that if you have
5 to assume a higher revenue requirement than that
6 Public Counsel has proposed in this case, that it
7 is very likely you will endorse or recommend an
8 increase of some sort to Joplin customer's rates?

9 A. No. Because there have been since that
10 direct all three parties have agreed to certain
11 issues that have lowered that revenue requirement
12 not as, obviously, as much as our -- what we
13 proposed in our rebuttal. And when you come back
14 and add those factors in, it doesn't -- it's not
15 the same as what her direct testimony is. There's
16 a difference.

17 Q. Well, your direct testimony was based on
18 an additional revenue requirement, if you will, of
19 \$16 million which was the company's filing?

20 A. Uh-huh.

21 Q. Yours, as I understand, is based on an
22 approximate \$6 million additional revenue
23 requirement? Staff is somewhere in between?

24 A. Yes.

25 Q. It just seemed reasonable to me that the

1 closer you get back to \$16 million that to be
2 consistent with your initial rate design, you would
3 have to look at some sort of increase on the Joplin
4 customers, not necessarily in the neighborhood of
5 10 percent, but something. Would that be correct?

6 A. I believe that from our move from
7 rebuttal -- from direct to rebuttal there was -- I
8 think we accepted the district allocations as
9 proposed by Staff, and so that may have caused them
10 to change, you know, what was done in our direct to
11 what was done in the rebuttal. So there may be
12 other factors that would not allow that the exact
13 same results from the direct to the rebuttal.

14 Q. I thought you said that the costs
15 allocated to districts other than St. Joseph really
16 haven't changed much in this case from the
17 beginning?

18 A. As in the way our cost -- our cost study
19 was done may not change from our direct -- from our
20 direct to our rebuttal, and that may have affected
21 them, the results. We're not using what we first
22 developed in or direct. We've adopted what the
23 Staff did. That's why there's a change in the
24 revenues for each district.

25 Q. Let me make sure I understand. We're

1 talking about the cost allocations among districts,
2 not among classes?

3 A. Yes, sir.

4 Q. Okay. My understanding is, you have
5 accepted Staff's cost allocations among districts
6 from the get-go?

7 A. We did not propose that in our direct
8 testimony. We changed that in our rebuttal
9 testimony, and so that could address why in our
10 direct there was -- it would have shown an increase
11 to Joplin, but then now it does not.

12 Q. So at one point in time you had done your
13 own cost allocation among districts; is that
14 correct?

15 A. Ms. Hu did. I did not do that.

16 Q. And apparently that allocated more cost to
17 the Joplin district?

18 A. It would appear that way.

19 MR. ENGLAND: Thank you, sir. No other
20 questions.

21 JUDGE THOMPSON: Thank you, Mr. England.

22 Mr. Coffman, redirect?

23 MR. COFFMAN: Thank you.

24 REDIRECT EXAMINATION BY MR. COFFMAN:

25 Q. I'm going to work backwards here for a

1 little bit in response to questions on recross and
2 questions from the Bench.

3 In response to Mr. England's question
4 about Joplin under your district shift
5 recommendations, under any revenue requirement
6 wouldn't the St. -- or wouldn't the Joplin district
7 receive somewhere between zero and 10 percent under
8 any revenue requirement?

9 A. Are you talking about our rate design?

10 Q. Yes.

11 A. Our goal was without knowing exactly what
12 the final district allocations were going to be at
13 that time that was written, that we were going to
14 try to limit Joplin to it, no more than a
15 10 percent, if the cost would have shown that they
16 deserved less than the 10 percent.

17 Q. You were asked questions from Commissioner
18 Simmons regarding what the public has understood
19 about the Commission's adoption of a rate design,
20 and you had stated that you understood that some --
21 that the public has been told that the Commission
22 has approved single-tariff pricing?

23 A. Yes. In the past it has been accepted.

24 Q. And by that you mean that the rates
25 approved in the last case were based on a

1 single-tariff basis?

2 A. That is my belief.

3 Q. Do you understand what the Commission has
4 stated about its policy in that, in the report and
5 order of the last rate case?

6 A. As far as my understanding, they have not
7 adopted it as the policy, and they were going to
8 look at it.

9 Q. And prior to '97, has this Commission ever
10 approved a totally uniformed single-tariff pricing
11 rate design for this Company?

12 A. I believe in the '95 they had adopted
13 something that would move them extremely towards
14 single-tariff pricing.

15 Q. But was that a totally uniformed
16 single-tariff pricing rate design?

17 A. I think it eventually got to a
18 single-tariff pricing. There was some phase-ins.

19 Q. Were the tariffs approved in WR-95-205
20 totally uniform for all districts?

21 A. I don't believe they were totally uniform
22 in all districts.

23 Q. Was there a non-unanimous stipulation
24 approved in that case?

25 A. I believe there was.

1 Q. Which contained some language about what
2 would be proposed in the subsequent rate case by
3 the water company?

4 A. I believe so.

5 Q. Do you recall what that language said?

6 A. I believe it asked for the Company to file
7 their rates in a single -- in a single-tariff mode
8 in the '97 case, in the next rate case.

9 Q. Did that non-unanimous stipulation and
10 agreement commit any other party to what rate
11 design it would be recommending in the subsequent
12 case?

13 A. I don't think it committed anybody for the
14 company to filing it that way.

15 Q. And what did Public Counsel recommend in
16 that subsequent case, WR-97-237?

17 A. It's my recollection that Public Counsel
18 recommended district specific or something in
19 between, something near district specific.

20 Q. And you have reviewed several of the
21 Commission's orders for Missouri American and with
22 regard to five of the districts Missouri Cities'
23 Water Company over the past 10 years or more?

24 A. I have reviewed them.

25 Q. Approximately how many rate cases have

1 there been that addressed this rate design issue
2 for Missouri Cities and Missouri American Water
3 Company?

4 A. Seven to ten. I don't remember the exact
5 number. I don't remember the exact years.

6 Q. Did Public Counsel make rate design
7 recommendations in each of those cases that you
8 reviewed?

9 A. I believe there was some recommendation on
10 rate design from Public Counsel.

11 Q. Did Public Counsel recommend in any of
12 those cases, a totally district-specific pricing
13 scheme?

14 A. Depending on how far back you go. Most of
15 them, I would say, no, more compromise.

16 Q. Has Public Counsel ever recommended a
17 single-tariff pricing scheme?

18 A. Not to my knowledge.

19 Q. For this Company?

20 A. To my knowledge, no.

21 Q. Has the Public Counsel's recommendation in
22 the past few cases for this Company, could it be
23 fairly characterized as a compromise between the
24 two extremes of DSP and STP?

25 A. I would say that they've been somewhere in

1 between.

2 Q. And prior to the last rate case,
3 WR-97-237, has the Commission approved -- let me
4 strike that. I'm going to move on.

5 Mr. Busch, you were asked a series of
6 questions by Mr. Fischer in cross-examination
7 regarding the handout that was made available by
8 the Office of Public Counsel to the public, and the
9 fact that at the last minute there had been a page
10 of that handout taken out. I'm not sure that you
11 were able to give a clear explanation of exactly
12 the circumstances of that. Could you explain why
13 the second sheet of that handout was removed?

14 A. As I recall, we were preparing for the
15 St. Joseph public hearing intending to hand out the
16 handout that we handed out in the other public
17 hearings that have been in this case. And we were
18 told from people who were moving to Warrensburg
19 that same day, that there was an error on the
20 second sheet, and it dealt when -- and it went to
21 the bottom where it was dealing with the specific
22 district.

23 Q. And, in fact, it was the page that was
24 intended for the Joplin handout, correct?

25 A. It referenced -- the bottom of it

1 referenced the Joplin district, and so we were
2 trying to --

3 Q. And was your concern that the public not
4 be given inaccurate information of the Public
5 Counsel handout?

6 A. We were concerned if they saw that
7 statement that said you would be getting no
8 increase, they would be confused by them not
9 getting -- there was a graph that showed an
10 increase and the words said there would be no
11 increase.

12 Q. So that wouldn't have been accurate?

13 A. No.

14 Q. When exactly did you learn about the error
15 in the handout?

16 A. I learned about it maybe 10 or 15 minutes
17 before it was supposed to start, right as I was
18 walking in the door.

19 Q. How did you learn about that?

20 A. I believe my counsel told me.

21 Q. Were you led to believe that there was
22 also an error in the handout that was prepared for
23 the Warrensburg area in the --

24 A. That was my understanding.

25 Q. -- public hearing?

1 And it was your understanding that that
2 page had to be removed from the Warrensburg handout
3 that same day as well prior to the Warrensburg
4 public hearing?

5 A. Yes, that is my understanding.

6 Q. And the rate design that the Office of
7 Public Counsel recommended for Warrensburg would be
8 a rate design that would be more favorable to the
9 residents of Warrensburg than the companies or than
10 a single-tariff pricing rate design would be?

11 A. Yes. I believe that's -- yeah.

12 MR. COFFMAN: I'd like to mark something
13 as an exhibit.

14 JUDGE THOMPSON: Please. This is will be
15 No. 76, and how do you describe it?

16 MR. COFFMAN: This is Warrensburg --
17 Office of Public Counsel's handout, Warrensburg
18 public hearing.

19 (EXHIBIT NO. 76 WAS MARKED FOR
20 IDENTIFICATION BY THE REPORTER.)

21 JUDGE THOMPSON: Please proceed.

22 BY MR. COFFMAN:

23 Q. Do you recognize what I've handed you,
24 Mr. Busch?

25 A. This looks like a copy of the handout that

1 we had prepared for the Warrensburg public
2 hearing.

3 Q. And it doesn't include the second page
4 with the description of rate design policy, does
5 it?

6 A. No, it does not.

7 Q. Is this your understanding that this is
8 the copy that was handed out at the Warrensburg
9 public hearing?

10 A. That is my understanding.

11 Q. You didn't actually have any -- you didn't
12 actually draft any of the language in this handout,
13 did you?

14 A. My participation in this handout was to
15 create the draft that was attached to the last page
16 and to assist in handing them out at the public
17 hearings I attended.

18 Q. So you did prepare the charts that were
19 attached to the handouts for all five public
20 hearings?

21 A. Yes, I did prepare those charts.

22 Q. And for that matter, is it typically part
23 of your responsibilities as an employee of the
24 Office of Public Counsel to attend local public
25 hearings?

1 A. I would say that is -- that is a good part
2 of our job to go to the public hearings.

3 Q. The Office of Public Counsel doesn't have
4 any information, officer or any public relation of
5 the department?

6 A. No, we don't have anybody with that job
7 title.

8 Q. Did you attend the local public hearing in
9 Mexico?

10 A. No, I did not attend the Mexico public
11 hearing.

12 Q. Okay. Did you review the handout that was
13 prepared for the local public hearing in Mexico
14 prior to that?

15 A. I created the graph. I'm sure I looked at
16 what was written. I don't remember exactly reading
17 it.

18 MR. COFFMAN: Request permission to
19 approach.

20 JUDGE THOMPSON: You may approach.

21 MR. COFFMAN: I'm going to hand you
22 another handout, and I'd like to have that marked
23 as well as, your Honor.

24 JUDGE THOMPSON: All right. How would you
25 describe this one?

1 MR. COFFMAN: This would be Office of
2 Public Counsel handout, Mexico public hearing.

3 JUDGE THOMPSON: Okay.

4 (EXHIBIT NO. 77 WAS MARKED FOR
5 IDENTIFICATION BY THE REPORTER.)
6 BY MR. COFFMAN:

7 Q. Do you recognize what I've handed you,
8 Mr. Busch?

9 A. It looks to be a copy of the Mexico public
10 hearing, similar to the other public hearings.

11 Q. And on page 2 of that document, does it
12 include a description of Public Counsel's rate
13 design recommendation?

14 A. The top of it says, What is Public
15 Counsel's rate design recommendation.

16 Q. Was similar language intended to be
17 included in the handouts of each local public
18 hearing in this case?

19 A. I believe it was our intent to include
20 this page in every public hearing we went to.

21 Q. And with the exception of the Warrensburg
22 public hearing and the St. Joseph public hearing
23 where an error was noticed at the last minute,
24 these handouts were available with the second page
25 attached?

1 A. That page was attached in the St. Charles,
2 I believe and the Joplin of the two I attended.

3 Q. And in the Mexico area, in general would
4 the ratepayers of Mexico benefit more from a
5 single-tariff pricing rate design recommendation or
6 the Office of Public Counsel's rate design
7 recommendation? In other words, would the rates
8 for most Mexico consumers be lower under a
9 single-tariff pricing rate design or under Public
10 Counsel's proposed rate design?

11 A. I would say it would be very close with
12 the way we developed the rate design. Probably a
13 little bit better off under ours, but not much.

14 Q. All other factors being equal?

15 A. Yes.

16 MR. COFFMAN: I'll move Exhibits 76 and 77
17 into the record at this point.

18 JUDGE THOMPSON: Any objections to the
19 receipt of Exhibits 76 and 77?

20 MR. FISCHER: Your Honor?

21 JUDGE THOMPSON: Mr. Fischer?

22 MR. FISCHER: I have no objection to the
23 inclusion of Exhibits 76 and 77 provided that the
24 Public Counsel would also provide the two sheets
25 that were removed from Exhibit 76 and the one that

1 was introduced in St. Joseph so that we can see
2 what the information was that was taken out of that
3 document.

4 MR. COFFMAN: Your Honor, I don't believe
5 the pages that have been torn out are available. I
6 believe they have been thrown away. I'm not
7 positive, but I don't think that we would be able
8 to produce those pages.

9 MR. FISCHER: Your Honor, I would ask that
10 at the most for them to check with the computer
11 disks that produced this if they would be able to
12 reproduce that.

13 JUDGE THOMPSON: Well, Mr. Fischer, is the
14 gravamina of your objection that the exhibits are
15 somehow misleading if the pages that were removed
16 are not also included in the record?

17 MR. FISCHER: Yes, your Honor.

18 JUDGE THOMPSON: And they are misleading
19 in what way? Given I understand the testimony to
20 be that the distributed copy did not, in fact,
21 include those pages.

22 MR. FISCHER: Yes, your Honor. And the
23 reason they were taken out, is my understanding,
24 was because there were references that were in
25 error related to Joplin, I believe, and it's my

1 understanding that -- I don't know for sure -- but
2 apparently the reference may have been that there
3 had been a 10 percent increase in Joplin that had
4 gone to zero, and for some reason that -- I don't
5 understand what the error was related to Joplin and
6 why it would be needed to be taken out in the
7 St. Joseph hearing. But I feel for the exhibit to
8 be complete and to give a full picture, we need to
9 understand what the exhibit was that was going to
10 be distributed and then taken out.

11 JUDGE THOMPSON: Mr. Coffman?

12 MR. COFFMAN: Your Honor, these exhibits
13 reflect actually what was handed out at these
14 public hearings. I can ask Mr. Busch what was
15 included in the pages torn out, if he recalls. We
16 can get into that, but these exhibits merely
17 reflect what was actually distributed to the
18 public.

19 JUDGE THOMPSON: I'm going to overrule the
20 objection and permit these exhibits to come in. No
21 one else has any objection? Hearing none, Exhibits
22 76 and 77 are received and made a part of the the
23 record of this proceeding.

24 (EXHIBIT NOS. 76 AND 77 WERE RECEIVED INTO
25 EVIDENCE AND MADE A PART OF THE RECORD.)

1 JUDGE THOMPSON: However, I will, if
2 Mr. Fischer desires the Office of Public Counsel to
3 review its records to determine whether those pages
4 can be recovered or reproduced or if they exist in
5 any form, I will permit him to request you to do
6 that search and to produce them, if he would like
7 that, so that he will have the opportunity to put
8 those pages in himself, if he would like to.

9 MR. FISCHER: For the record, your Honor,
10 I'd make that request.

11 MR. ZOBRIST: I would join in that
12 request, your Honor.

13 JUDGE THOMPSON: Thank you, Mr. Zobrist.

14 And given -- I think if you could report
15 back to us by Friday as to whether or not you have
16 been able to find those. Would that be acceptable,
17 Mr. Coffman? Are you able to do that by then?

18 MR. COFFMAN: Yes. We'll attempt.

19 JUDGE THOMPSON: Thank you very much.

20 BY MR. COFFMAN:

21 Q. Mr. Busch, the pages that were removed at
22 the Warrensburg and St. Joseph public hearings,
23 would have been inaccurate for what reason?

24 A. It's my understanding that it referred to
25 the last -- I think it was the last paragraph, I'm

1 not for sure. I didn't read the page that we were
2 ripping out, didn't prepare it and I believe it was
3 told that it referred to the Joplin, at the Joplin
4 public hearing, we said that it was a zero increase
5 and that --

6 Q. Didn't the language say that your district
7 would receive no increase?

8 MR. ZOBRIST: Your Honor, I object. Lack
9 of foundation. The witness said he didn't read it,
10 he didn't prepare it. There's no basis for him to
11 answer the question.

12 JUDGE THOMPSON: Thank you, Mr. Zobrist.

13 Mr. Coffman, do you have a response to
14 that objection?

15 MR. COFFMAN: Yes. Mr. Fischer and
16 Mr. Zobrist's questions have implied that there has
17 been some intent on the part of Office of Public
18 Counsel to conceal information from the public, and
19 I simply asked the latitude to explore this issue
20 and clear up exactly what happened.

21 JUDGE THOMPSON: Well, I'm going to
22 sustain the objection, because I believe it's
23 abundantly clear that the witness lacks personal
24 knowledge by which to provide the answers you're
25 seeking.

1 MR. COFFMAN: Fair enough.

2 BY MR. COFFMAN:

3 Q. Mr. Busch, was there not discussion during
4 the question and answer period prior to the
5 St. Joseph public hearing where Public Counsel's
6 rate design recommendation was discussed?

7 A. I believe there was some discussion about
8 it.

9 Q. Did you personally discuss with consumers
10 at that public hearing what Public Counsel's rate
11 design recommendation was?

12 A. On an informal basis throughout the
13 hearing, I would talk to people and explain to them
14 what we were doing.

15 Q. Was there any effort on your part to
16 conceal what Public Counsel's rate design
17 recommendation was?

18 A. No.

19 Q. Were you forthright with members of the
20 St. Joseph public that Public Counsel was not
21 recommending a single-tariff pricing --

22 A. Yes.

23 Q. -- rate design?

24 Are you aware that Public Counsel
25 requested the public hearings that were held in the

1 various districts in this case?

2 A. I believe that's what our office did.

3 Q. Are you aware of any contact that the
4 Office of Public Counsel had with reporters from
5 the City of St. Joseph area?

6 A. I believe reporters have been calling our
7 office from most districts.

8 Q. Have you seen copies of any newspaper
9 articles from the St. Joseph News Press regarding
10 Public Counsel's rate design recommendation in this
11 case?

12 A. Yes. I recall a newspaper article.

13 Q. On what page of that newspaper was that
14 article?

15 A. I don't remember what page it was on.

16 Q. Do you accept it was the front page?

17 MR. ENGLAND: Objection.

18 JUDGE THOMPSON: Objection sustained.

19 BY MR. COFFMAN:

20 Q. Are you aware of any letters and phone
21 calls that Public Counsel has participated in with
22 members of the St. Joseph area regarding Public
23 Counsel's rate design recommendation in this case?

24 A. I believe there's been some informal
25 contacts.

1 Q. You have reviewed the past few rate cases
2 for Missouri American Water Company, correct?

3 A. I have reviewed the past few, yes.

4 Q. Including the most recent or the last rate
5 case for this Company WR-97-237?

6 A. I reviewed it, yes.

7 Q. Did you notice in there that Public
8 Counsel had requested public hearings in that case?

9 A. Yes.

10 Q. Okay. Did you review the transcript of
11 those public hearings?

12 A. I did not review the transcripts of the
13 public hearings.

14 Q. Did you understand from your -- do you
15 understand from reviewing those cases that Public
16 Counsel had had contact with reporters from the
17 St. Joseph area in that case?

18 MR. ENGLAND: Objection. Relevancy.

19 JUDGE THOMPSON: Mr. Coffman?

20 MR. COFFMAN: Again, Mr. Fischer,
21 Mr. Zobrist have implied that Public Counsel has
22 not fairly or fully disclosed its rate design
23 recommendation to the public in the City of
24 St. Joseph. I believe Mr. Busch has knowledge of
25 our office's efforts in that area, and I believe

1 it's important that we clear up exactly what Public
2 Counsel has done to inform the consumers in the
3 City of St. Joseph of --

4 JUDGE THOMPSON: I can understand your
5 concern with that issue. However, I believe
6 Mr. England has raised a very valid question as to
7 the relevance of this issue in this line of
8 questioning to this case and to the issues that the
9 Commission must determine.

10 MR. ENGLAND: Well, and in particular what
11 went on in prior cases, I think what I understand
12 Mr. Coffman reacting to is what's transpired in
13 this case. I don't think there's been any comments
14 or suggestions that something happened in prior
15 cases is my relevance.

16 MR. COFFMAN: Mr. Fisher's questioning
17 implies that Public Counsel has not been forthright
18 to the public in the City of St. Joseph, and he
19 specifically referred to statements from the Water
20 Company in 1997 that the addition of a new water
21 treatment plant would result in approximately 30 to
22 35 percent increase. I believe our office
23 responded to that publicly, and I believe Mr. Busch
24 has knowledge of that.

25 JUDGE THOMPSON: Well, again, what is the

1 relevance of that to the issues which the
2 Commission must determine in this case?

3 MR. COFFMAN: Well, it's a direct
4 result -- well, it's directly within the scope of
5 Mr. Fisher's line of questioning in which --

6 JUDGE THOMPSON: I understand that. What
7 is the relevance to the issues which the Commission
8 must determine in this case?

9 MR. COFFMAN: The credibility of this
10 witness and my office with regard to its rate --
11 its rate design recommendation. There have been
12 questions from the Bench regarding what our office
13 knows about its -- about what the public perceives
14 rate design to be and what would be fair given the
15 public sentiment on this issue.

16 JUDGE THOMPSON: Well, I have permitted
17 the parties to explore this issue at great length,
18 and I am very sensitive to the importance of your
19 perception of what has been raised to your office.
20 However, I personally do not believe it is relevant
21 to the issues before the Commission. And given the
22 amount of time it's been invested and the many,
23 many, many things that remain to be covered in this
24 proceeding, I frankly, would like to see this line
25 of questioning put to bed.

1 MR. COFFMAN: Well, your Honor --

2 JUDGE THOMPSON: What I would do,
3 Mr. Coffman, is I will do this: I will permit you
4 to make a motion to supplement your testimony with
5 that of some witness who has personal knowledge of
6 what was contained in those items, and why they
7 were removed, and you may make that motion and
8 everyone will have their opportunity to respond to
9 the motion, and we will go from there.

10 As for this moment, we are going to take a
11 10-minute recess, and when we return, we will see
12 whether we have anymore redirect that we need to
13 cover with this witness before we move on to
14 something else.

15 And I have a number of things that I would
16 like to bring up just before we leave for the
17 recess.

18 First all, Mr. England?

19 MR. ENGLAND: Yes, sir.

20 JUDGE THOMPSON: Are you going to have a
21 witness, do you anticipate witnesses who will
22 explain to me who these numerous other public
23 authority customers are that this Company
24 services?

25 MR. ENGLAND: We will endeavor to find

1 one, your Honor.

2 JUDGE THOMPSON: Thank you. I appreciate
3 that. Secondly, Mr. England, will you have a
4 witness who'll give me a number for the
5 improvements in St. Joseph?

6 MR. ENGLAND: Yes, sir. Let me, if I may
7 clarify?

8 JUDGE THOMPSON: You may.

9 MR. ENGLAND: I believe Mr. Busch was
10 correct, Mr. Amman has investment numbers in his
11 direct testimony, which was prepared around the
12 middle of October. Those in large measure -- or
13 some in large measure included budgeted numbers,
14 actual numbers as of the true-up date, which was
15 April 30th of this year, will be anticipated to be
16 in our true-up testimony to be filed on the 15th.

17 JUDGE THOMPSON: Great. Thank you.

18 Finally, almost finally, today is the
19 8th. We have a full day today. We have a day
20 tomorrow. We have two days next week, the 15th and
21 the 16th. I have captured four days the following
22 week the 19, 20, 21 and 22, but counsel is only
23 learning of these days very late and, frankly, we
24 may not be able to use them, because other things
25 may have been scheduled, witnesses may not be

1 available, counsel may be committed to being
2 somewhere else. And then we have four days the
3 week after that the, 26, 27, 28 and 29.

4 Now, we have to complete this case really
5 and for all practical purposes by the 29th, by the
6 end of the day on the 29th. Because if we have to
7 come back after that, I can't tell you offhand when
8 the earliest date we could do so would be.

9 Mr. Conrad?

10 MR. CONRAD: Just to -- the second set of
11 dates you had was the 26 through 29?

12 JUDGE THOMPSON: I believe that's the
13 true-up week.

14 MR. CONRAD: Yeah.

15 JUDGE THOMPSON: So we've got the true-up
16 to do then, plus anything we haven't finished from
17 the case in chief. And we are moving at a glacial
18 pace, and I am concerned because I'm going to have
19 to write this decision, and we will need a record
20 to do that with.

21 MR. CONRAD: Just very quickly, your
22 Honor, I appreciate you capturing the dates of the
23 19, 20, 21 and 22 for us, but I would respectfully
24 like to advise the Bench that at least this
25 counsel, I have no knowledge of others, is actually

1 out of the country on those dates.

2 JUDGE THOMPSON: And that's exactly the
3 problem that I anticipated. So I would like
4 everyone to, please, think about their questions
5 and try to pare them down to the ones that are
6 essential to move this Commission to the resolution
7 of the issues which it must resolve. There are
8 many fascinating things we could explore, but let's
9 try to limit it to the ones we have to do. Okay?

10 Mr. Curtis?

11 MR. CURTIS: Can I bring to your attention
12 something you can pass on to the other
13 Commissioners, a sequence of witness adjustment
14 we're making?

15 JUDGE THOMPSON: Certainly.

16 MR. CURTIS: I believe I've talked with
17 counsel and everyone is in agreement that we would
18 like to bring Mr. Harwig on the stand right after
19 Mr. Hubbs to ensure that he is on today. We think
20 our planning is reasonable in that regard, but one
21 never knows.

22 MR. FRANSON: Your Honor, I don't believe
23 that Staff had been informed of that.

24 MR. CURTIS: I apologize. I thought I
25 had.

1 JUDGE THOMPSON: Why don't you guys
2 discuss that during the recess, okay, and present
3 me with something that everybody knows about.

4 Finally, today we are going to recess at
5 3:30, and this is unavoidable, but there you are.
6 Thank you very much.

7 (A RECESS WAS TAKEN.)

8 JUDGE THOMPSON: Mr. Coffman, do you have
9 any further redirect of Mr. Busch?

10 MR. COFFMAN: Yes, I do.

11 JUDGE THOMPSON: Please proceed.

12 BY MR. COFFMAN:

13 Q. Mr. Busch, you were asked why it was
14 reasonable under your rate design for St. Joseph to
15 pay its cost of service when you weren't
16 recommending that other districts pay their cost of
17 service?

18 A. Yes.

19 Q. You were able to fully explain your answer
20 to that question?

21 A. Was I able to fully?

22 Q. Yeah.

23 A. The reason that we're doing -- that we
24 agreed to move strictly to this cost of service for
25 the St. Joseph Plant was because of the magnitude

1 of the increase in St. Joe when if we would go to
2 share those revenues in the districts of Joplin,
3 St. Charles and Warrensburg, we thought that that
4 would be an excessive burden to those districts.

5 Q. Okay. I don't know if you can remember
6 this far back, but Mr. Franson asked you some
7 questions yesterday --

8 A. I believe he asked me some questions.

9 Q. -- that referred to schedules in your
10 direct and rebuttal testimony. Specifically JAE2
11 to your direct testimony and schedule JABR1 to your
12 rebuttal testimony. Do you recall that line of
13 questioning?

14 A. I believe so.

15 Q. Just so the record is clear, on what
16 revenue requirement was your schedule JAB2 based
17 upon?

18 A. That is based on what the Company had
19 originally filed in their case, Company's revenue
20 requirement.

21 Q. And what revenue requirement was the
22 schedule JABR1 as to your rebuttal testimony based
23 upon?

24 A. That was based upon our revenue
25 requirement.

1 Q. By our you mean the Office of Public
2 Counsel?

3 A. Office of Public Counsel's.

4 Q. Okay. Is it true that under Public
5 Counsel's rate design recommendation on a
6 percentage basis, Joplin would be paying more
7 closely to its cost of service than current rates
8 reflect?

9 A. That is my understanding.

10 Q. Mr. Franson asked you some questions about
11 who benefits from the recommendation to shift
12 towards the class cost of service study halfway in
13 Public Counsel's recommendation, do you recall that
14 series of questions?

15 A. Yes.

16 Q. Would resident -- would residential
17 consumers pay more if public -- if the Commission
18 goes all the way to our class cost of service or
19 only halfway to our class cost of service?

20 A. Due to the movement of the halfway
21 movement the fact that our residential class cost
22 of service shows a bigger increase than if they
23 went straight to it, they would get a bigger
24 decrease than by going halfway that we
25 recommended.

1 Q. The more movement towards Public Counsel's
2 class cost of service study, the greater the
3 reduction in residential rates?

4 A. Correct.

5 Q. Is that true for all districts?

6 A. I believe that is true for all districts.

7 Q. So is recommending a movement of only one
8 half towards the cost of service study, a practice
9 that -- or a policy of the Office of Public Counsel
10 in other cases?

11 A. I believe that's been Public Counsel's
12 recommendation in past cases.

13 Q. You were asked some questions earlier by
14 Vice Chair Drainer regarding phase-ins and
15 specifically how Public Counsel's phase-in
16 recommendation decreases after a certain number of
17 years?

18 A. Yes.

19 Q. Are you familiar with -- are you qualified
20 to testify regarding the accounting justifications
21 and effects of that phase-in?

22 A. I'm not fully qualified to do the
23 accounting. Mr. Trippensee could better fully
24 answer that question.

25 Q. Does Mr. Trippensee's testimony address

1 the issues related to why our phase-in
2 recommendation increased and then decreased in
3 certain districts?

4 A. I believe his testimony acknowledges those
5 facts.

6 Q. You were also asked a question by Judge
7 Thompson regarding the accounting issues related to
8 phase-ins. Does Mr. Trippensee's testimony address
9 those issues?

10 A. I believe it does.

11 MR. COFFMAN: I believe I have no further
12 questions.

13 JUDGE THOMPSON: Thank you, Mr. Coffman.
14 Will we be seeing Mr. Busch again in this
15 proceeding?

16 MR. COFFMAN: If necessary. We will be
17 submitting the schedule requested by Commissioner
18 Drainer. I believe it's nearly complete, if not,
19 complete. We will submit that. It will be the
20 work product of our entire rate design team.

21 JUDGE THOMPSON: I see.

22 MR. COFFMAN: Although Mr. Trippensee is
23 still unavailable as of the moment, we do have a
24 member of our office who supervised the entire rate
25 design recommendation preparation from our office,

1 and that would be Ms. Barbara Meisenheimer. If the
2 Commission wishes, we would be more than happy to
3 provide her today or at some later date to explain
4 the big picture and entire effect of both the class
5 shifts and district shifts and the phase-in and
6 their inter-relationship. There are certain
7 assumptions that are made under our schedule, and
8 she could appropriately address all or any of the
9 other three witnesses. Of course, Mr. Trippensee
10 wouldn't be available himself until next week.

11 JUDGE THOMPSON: Very well.

12 You may step down, sir. Thank you.

13 And who are we going to hear from next?

14 MR. FRANSON: I believe we will hear from
15 Mr. Randy Hubbs, your Honor. Then, I believe the
16 suggestion was made that he be immediately followed
17 by Mr. Harwig, and then we would move on to
18 Mr. Rackers.

19 JUDGE THOMPSON: Is that acceptable to
20 everyone that Mr. Harwig follow Mr. Hubbs? Was
21 that worked out during the break?

22 MR. FRANSON: I believe it was, your
23 Honor.

24 JUDGE THOMPSON: Okay. It's certainly all
25 right with me.

1 MR. CONRAD: Your Honor, one housekeeping
2 matter while we are on the record.
3 JUDGE THOMPSON: Yes, sir?
4 MR. CONRAD: Yesterday, I believe
5 Mr. England tendered, subject to review, the
6 Exhibit 72?
7 JUDGE THOMPSON: Yes, sir.
8 MR. CONRAD: I would respectfully inform
9 in advance that we had an opportunity to review
10 that exhibit, and we have no objection to it.
11 JUDGE THOMPSON: I appreciate that,
12 Mr. Conrad.
13 Has everyone else had an opportunity to
14 review Exhibit No. 72?
15 MR. CURTIS: Trip, do you have an extra
16 copy?
17 MR. ENGLAND: I've got my own copy.
18 MR. DEUTSCH: Your Honor, Joplin reviewed
19 it, and we don't have any objection either.
20 JUDGE THOMPSON: Thank you, Mr. Deutsch.
21 MR. FRANSON: Your Honor, if I may inquire
22 just for the benefit of the parties, would you
23 remind us what Exhibit 72 is?
24 JUDGE THOMPSON: Exhibit 72 is the
25 late-filed exhibit requested by Commissioner

1 Drainer and prepared by the Company.

2 MR. FRANSON: No objection.

3 JUDGE THOMPSON: And I am going to receive
4 this into the record unless someone has an
5 objection. Hearing no objection, Exhibit No. 72 is
6 received and made a part of the record of this
7 proceeding.

8 (EXHIBIT NO. 72 WAS RECEIVED INTO EVIDENCE
9 AND MADE A PART OF THE RECORD.)

10 (WITNESS SWORN.)

11 JUDGE THOMPSON: Please take your seat and
12 spell your name for the reporter, if you would,
13 sir.

14 THE WITNESS: Wendell Hubbs,
15 W-e-n-d-e-l-l, Hubbs, H-u-b-b-s.

16 JUDGE THOMPSON: Please proceed,
17 Mr. Franson.

18 MR. FRANSON: Thank you, your Honor.

19 DIRECT EXAMINATION BY MR. FRANSON:

20 Q. Sir, would you please state your name and
21 business address for the record?

22 A. My name is Wendell Hubbs. My business
23 address is P.O. Box 360, Jefferson City, Missouri
24 65102.

25 Q. And by who are you employed and in what

1 capacity, sir?

2 A. I'm employed by the Missouri Public
3 Service Commission as the assistant manager of
4 rates in the water and sewer department.

5 Q. Sir, did you prepare testimony for this
6 hearing?

7 A. Yes, I did.

8 Q. Have those previously been marked as
9 Exhibits specifically 40 through 43? Would you
10 know about that?

11 A. No, I don't.

12 MR. FRANSON: Okay. Your Honor, I believe
13 these exhibits for Mr. Hubbs have been previously
14 marked as Exhibits 40 through 43.

15 JUDGE THOMPSON: That is correct.

16 MR. FRANSON: May I approach the witness,
17 your Honor?

18 JUDGE THOMPSON: You may approach.

19 BY MR. FRANSON:

20 Q. Mr. Hubbs, I'm going to hand you what's
21 been previously marked as Exhibit No. 40, could you
22 state what that is?

23 A. That is my direct testimony.

24 Q. And let me hand you Exhibit No. 41, could
25 you state what that is?

1 A. That is my supplemental direct testimony.

2 Q. I'm going to hand you Exhibit 42, could

3 you state what that is?

4 A. That is my rebuttal testimony and the

5 schedules to my rebuttal testimony.

6 Q. Both of those items constitute

7 Exhibit No 42?

8 A. Again, I wasn't here when you marked them.

9 Q. But those are one thing, your rebuttal

10 testimony and your schedules to that?

11 A. Yes.

12 Q. Okay. And I hand you Exhibit 43, what is

13 that?

14 A. That is my surrebuttal testimony.

15 Q. Okay. Did you prepare Exhibits 40 to

16 through 43?

17 A. Yes, I did.

18 Q. And if you were asked those questions here

19 again today, would your answers be the same?

20 A. I do have a few corrections.

21 Q. Okay. Could you state what those

22 corrections or additions to your testimony are?

23 A. In my rebuttal testimony in the testimony

24 section, not the --

25 JUDGE THOMPSON: This would be Exhibit

1 42?

2 THE WITNESS: That's correct. The first
3 portion of Exhibit 42.

4 JUDGE THOMPSON: Please proceed.

5 THE WITNESS: Your Honor, I hate to slow
6 things down, but I forgot my glasses. Could I go
7 get my glasses?

8 MR. FISCHER: Do you want mine?

9 THE WITNESS: Are they reading glasses?

10 JUDGE THOMPSON: You may go get your
11 glasses.

12 MR. FISCHER: I may have to have them back
13 when you cross.

14 THE WITNESS: I can see. We may have to
15 pass them back and forth.

16 BY MR. FRANSON:

17 Q. Mr. Hubbs, do those glasses work for you?

18 A. Yes, they do. On page 14, line 16.

19 Q. Is this of your rebuttal testimony?

20 A. That is correct.

21 Q. Okay. That line reads, Economy scale
22 adjustment for the extra capacity related cost of
23 service. That should state instead of extra, it
24 should state "base", b-a-s-e. On page 15 of the
25 rebuttal testimony, line 20. The words "by one

1 half" should not be there. Should be stricken.

2 Q. And Mr. Hubbs, do you have any other
3 corrections?

4 A. Yes. On page 16 to the surrebuttal
5 testimony, page -- excuse me -- line 2 where it
6 states, Extra in that line, should also state
7 "base".

8 MR. CONRAD: I'm sorry. Did you say
9 surrebuttal, sir?

10 THE WITNESS: No. Rebuttal, sir.

11 BY MR. FRANSON:

12 Q. And that is page 6?

13 A. Page 16.

14 JUDGE THOMPSON: What line, sir?

15 THE WITNESS: Line 2.

16 JUDGE THOMPSON: Remove what?

17 THE WITNESS: Change "extra" to "base".

18 JUDGE THOMPSON: Okay.

19 BY MR. FRANSON:

20 Q. Mr. Hubbs, did you have any other
21 corrections?

22 A. I believe I had one correction to the
23 surrebuttal testimony, Exhibit 43.

24 Q. And what page would that correction be on?

25 A. Page 2.

1 Q. Could you state what that correction is,
2 Mr. Hubbs?

3 A. That correction, I think, would be easier
4 for me to explain that my supplemental direct had
5 some amount of phase-in dollars, which I was not
6 aware of when I developed that. I thought that it
7 was without the phase-in, a portion of that St. Joe
8 plant.

9 Q. And does that change a particular part of
10 your testimony in your surrebuttal, Exhibit 43 on
11 page 2?

12 A. It will change the answer with regard to
13 anywhere that I refer specifically to that, and the
14 main reason that I bring this up is for information
15 for the Commission so they don't get confused
16 anyplace where I did happen to speak to my
17 supplemental direct not containing any portion of
18 the St. Joe plant.

19 Q. Not containing what, sir?

20 A. A portion of the St. Joseph treatment
21 plant.

22 Q. You're aware of any specific place in your
23 surrebuttal testimony that this change would need
24 to be made?

25 A. No.

1 Q. Sir, other than the corrections you have
2 made, are there any other corrections to your
3 testimony?

4 A. No.

5 Q. As part of your preparation in this case
6 and part of the items that you submitted -- if I
7 may approach the witness, your Honor?

8 JUDGE THOMPSON: You may approach.

9 BY MR. FRANSON:

10 Q. I'm going to hand you what's been marked
11 as Exhibit No. 55. Could you look at that,
12 please. What is that?

13 A. It's Staff accounting schedules.

14 Q. Did you have any participation in the
15 preparation of the Staff accounting schedules?

16 A. Could you ask me that again, please?

17 Q. Did you prepare or participate in the
18 preparation of any part of the Staff accounting
19 schedules?

20 A. In some portions regarding revenue
21 generation, yes.

22 Q. Could you state which parts of Exhibit 55
23 of those would be?

24 A. I have not looked at this specifically.

25 MR. FRANSON: No further questions

1 regarding that.

2 Your Honor, at this time I offer Exhibits
3 40 through 43 and tender the witness for
4 cross-examination.

5 JUDGE THOMPSON: Do I hear any objections
6 to the receipt of Exhibits 40, 41, 42 as corrected
7 and 43 as corrected? Hearing no objections, those
8 exhibits are received and made a part of the record
9 of this proceeding.

10 (EXHIBIT NOS. 40, 41, 42 AND 43 WERE
11 RECEIVED INTO EVIDENCE AND MADE A PART OF THE
12 RECORD.)

13 JUDGE THOMPSON: Mr. Coffman,
14 cross-examination?

15 MR. COFFMAN: Thank you.

16 CROSS-EXAMINATION BY MR. COFFMAN:

17 Q. Good morning, Mr. Hubbs.

18 A. Good morning.

19 Q. Do you believe that in designing rates
20 that there are factors that need to be considered
21 in addition to the cost of service study?

22 A. Yes, sir.

23 Q. Okay. What are those other considerations
24 or factors?

25 A. Whatever the Commission feels like. They

1 are usually political, economic, social factors.

2 Q. Okay.

3 A. Just various factors under those main

4 categories.

5 Q. And it's your understanding that those

6 considerations are appropriate in determining just

7 and reasonable rates?

8 A. They are used to determine rates approved

9 by the Commission, so I would say that they are --

10 Commission feels they are appropriate.

11 Q. In your original cost of service study,

12 that study indicated that the residential class in

13 all districts but Joplin were paying above their

14 cost of service; is that true?

15 A. I'll have to check.

16 Q. Okay.

17 A. You're talking about the one I filed with

18 the supplemental direct?

19 Q. Yes.

20 A. And your question again? I'm sorry.

21 Q. If I understand it correctly, and I may

22 not, in your original study, the results indicated

23 that the residential class in every district but

24 Joplin were paying above their cost of service?

25 A. I think I can answer that as, yes.

1 Q. And was that the result of your study
2 after you updated your study?

3 A. After I updated my study for -- you mean
4 as compared to my rebuttal?

5 Q. Yeah. Is that still today a valid
6 conclusion of your cost of service analysis?

7 A. I will have to go back and check each one.

8 Q. Okay.

9 A. Yes, that is true.

10 Q. Thank you. So your updated study does not
11 show that the residential class in Joplin pays
12 above its cost of service or does it?

13 A. That the residential class --

14 Q. The residential class in Joplin.

15 A. Pays more than its cost of service now
16 that allocated pursuant to DSP on my study.

17 Q. That's my question.

18 A. And I thought I just answered it.

19 Q. The answer is yes?

20 A. Yes.

21 Q. Okay. Let me direct you to your
22 surrebuttal testimony now, which I believe has been
23 marked as Exhibit 43.

24 MR. FRANSON: Where was that direction?

25 I'm sorry.

1 MR. COFFMAN: Page 7, lines 15 to 16.

2 BY MR. COFFMAN:

3 Q. Could you please read the sentence from
4 your surrebuttal testimony that carries over from
5 line 15 to 16?

6 A. In the base extra capacity method is
7 designed to allocate capacity costs based on the
8 relative peak demands of the users.

9 Q. Is it your understanding, Mr. Hubbs, that
10 the purpose and intention of the base extra
11 capacity method is to allocate capacity costs based
12 solely on the relative peak demands of the users?

13 A. No.

14 Q. Let me direct you then to the next page,
15 page 8 of your surrebuttal testimony and lines 16
16 through 18. Perhaps I should -- I'll read this
17 time, and tell me if I'm reading this correctly
18 from lines 13 through 18.

19 Question, On page 10 of her rebuttal
20 testimony, Ms. Hu states that the base extra
21 capacity method is a pure peak responsibility
22 allocation. Do you agree with this statement?

23 Answer, No, I do not. The cost
24 allocations to low-load factor customers, i.e.
25 Residential consumers, would result in a slightly

1 greater allocation of capacity-related costs, than
2 would result from a pure peak responsibility
3 allocation. That's the end of the quote.

4 Now, do I understand from this quote that
5 your base extra capacity method would allocate a
6 slightly greater portion of the capacity-related
7 costs? In other words, more costs to residential
8 consumers than would a pure peak responsibility
9 allocator?

10 A. It depends on which pure peak
11 responsibility allocator that you're speaking to.
12 Ms. Hu used average day. The systems are built to
13 also provide maximum hour peaks. If you're talking
14 about maximum hours, it will be less than that. If
15 you're talking about Ms. Hu's maximum day, there is
16 a chance that it can be on either side based on the
17 weightings that are accomplished with the
18 percentages of allocation of each class.

19 Q. Would you have a concern if you discovered
20 that your study produced an allocator which
21 allocated more cost to the residential class than a
22 peak demand allocator?

23 A. Which peak demand allocator are you
24 speaking to?

25 Q. Well, any peak?

1 A. If it was more than maximum, I'd say there
2 is a mathematical error in the maximum hour. If
3 it's more than maximum day, no.

4 Q. So it would indicate a mathematical error
5 if more costs were being allocated to the
6 residential class than would a peak day demand
7 allocator or a peak hour demand allocator?

8 A. I'm sorry. You're going to have to repeat
9 that.

10 Q. Okay. I'm trying to understand your
11 answer to your last question. Would it indicate to
12 you a mathematical error if your study produced an
13 allocator allocating more costs to the residential
14 class than any peak demand allocator might allocate
15 to the residential class?

16 A. Again, if you're talking about max hour, I
17 would be concerned. If max day, I am not
18 concerned.

19 Q. So that wouldn't surprise you? That might
20 not be a mathematical error if it --

21 A. That's correct.

22 Q. Under the max day?

23 A. Under the max day. Under the max hour, it
24 would definitely be an error somewhere.

25 Q. And how are you certain that that would be

1 an error under --

2 A. Under the max hour is because that would
3 be -- that's a maximum portion -- that would be the
4 maximum allocation ratio. The maximum hour is
5 considerably higher than the max day.

6 Q. Do you believe that your base extra
7 capacity allocator allocated more costs to the
8 St. Charles residential consumers than a pure
9 non-coincident peak method would have?

10 A. Could you repeat that again, please?

11 Q. Yeah. Sir, do you believe that your base
12 extra capacity allocator allocated more costs to
13 the St. Charles residential consumers than a pure
14 non-coincident method would have allocated to those
15 St. Charles residents?

16 A. I'm not sure. And when you're talking
17 about non-coincidental peak, are you speaking of
18 max day or max hour?

19 Q. Either.

20 A. Well, I have not done -- I did not
21 allocate by -- I allocated pursuant to the base
22 extra capacity method. I did not develop peak
23 allocators.

24 Q. You did not develop any non-coincident
25 peak methods to compare your method against?

1 A. No. Huh-uh.

2 Q. Okay. So you would not be able to testify

3 about whether your allocators produced greater or

4 less than any non-coincidental peak method might

5 under any given revenue?

6 A. No, that's not what my study did. It

7 wasn't appropriate.

8 MR. COFFMAN: In the interest of speeding

9 things along, I will end my questioning of this

10 witness.

11 JUDGE THOMPSON: Thank you, Mr. Coffman.

12 MR. COFFMAN: I was just trying to help.

13 JUDGE THOMPSON: You're showing true

14 social responsibility.

15 Mr. Conrad?

16 CROSS-EXAMINATION BY MR. CONRAD:

17 Q. Good morning, Mr. Hubbs.

18 A. Good morning, Mr. Conrad.

19 Q. Let me first, sir, turn you -- ask you to

20 turn -- I won't turn you -- I'll ask you to turn to

21 your rebuttal, page 3 in lines 9 through 11. Let

22 me know when you're there.

23 A. I am there, sir.

24 Q. Could you agree that another difference

25 between DSP and STP, as we've talked about in this

1 case, is the allocation of revenues to districts?

2 A. You're asking me with regard to my
3 statement here whether something else -- I'm unsure
4 of the question. I'm sorry.

5 Q. Well, I thought you were comparing there
6 generally, and perhaps my reference is too
7 precise. We're talking about at the top of that
8 page you presented the Commission with a scenario,
9 one of the main issues, DSP and STP and so on. And
10 you, elsewhere throughout your testimony, talked
11 about some differences. Is another one of the
12 differences just how they allocate revenues between
13 districts?

14 A. That is the main whether or not they
15 allocate by district or allocate by a toll company.

16 Q. Before I ask it, I'm going to check my
17 reference here for the next one so we won't bounce
18 around.

19 This would be, sir, to your rebuttal, that
20 would be for the record, Exhibit 42, on page 4.
21 And the material really that begins at the top of
22 that page and carries through line 9. With me so
23 far?

24 A. Yes.

25 Q. Okay. I take it that your testimony

1 there, and I think there in that section
2 specifically and elsewhere indicates that the
3 minimization of subsidies is the proper goal,
4 correct?

5 A. Yes.

6 Q. By using the phrase there, and I believe
7 it's actually on lines 5 and 6, some level of
8 subsidization. Do you see that phrase?

9 A. Yes.

10 Q. By using that phrase you're not intending
11 to suggest, are you, that the same level of
12 subsidization exists in each case, are you?

13 A. No. The subsidizations will be different.

14 Q. Now, would you agree with me that an STP
15 study that is done on a class basis would have to
16 average or otherwise ignore or deal with the
17 differences in production and distribution costs
18 that would vary as between districts with different
19 water sources and treatment requirements?

20 A. Yes.

21 Q. Would you also agree that with a DSP
22 study, the subsidies that would remain if the class
23 costs were properly developed, would be those
24 reflecting individual customer-by-customer cost
25 differences within a given class, correct?

1 A. I'm sorry, sir. Could I have you repeat
2 that?

3 Q. I'll do the best I can.

4 Would you agree with me that in a DSP cost
5 study, the subsidies that would remain if the class
6 costs were properly developed, would be those
7 reflecting individual customer-by-customer cost
8 differences within a given class?

9 A. Yes.

10 Q. Would you also agree with me in a case of
11 an STP class study, the classes that you would be
12 working with would be larger than in a case of a
13 DSP study?

14 A. Yes.

15 Q. And would you agree that in the case of
16 STP class study, the larger class would have at
17 least a higher likelihood of representing a more
18 diverse group?

19 A. Yes.

20 Q. So if you were on the other hand dealing
21 with a smaller group, Mr. Hubbs, it is less likely
22 that there would be fewer customers on what I might
23 call the edges of the class boundary?

24 A. Yes.

25 Q. Cut out as we go here. Be patient with

1 me.

2 Let me ask you, Mr. Hubbs, and I'm sorry
3 to bounce you around, but it's kind of how we
4 approach the issue here, back to your surrebuttal
5 on page 4, lines 3 through 18, there's a full
6 question and answer there. I'll just give you a
7 second to look at that. Are you there, sir?

8 A. Yes, I am. And I am reviewing it.

9 Q. I'm sorry. You needed your glasses. I
10 need mine to see you, but I don't need mine to see
11 my questions.

12 A. Yes, sir.

13 Q. Your recommendation is there and starts at
14 line 15 and carries through the end of that
15 paragraph, right?

16 A. Yes, sir.

17 Q. And you're intending to recognize an
18 impact of the implementation of rates on a DSP
19 basis as they would effect Brunswick. That's what
20 you're discussing?

21 A. That is correct, sir.

22 Q. I take it to mean by implementation, that
23 you're indicating that the Commission should go to
24 a DSP cost of service for Brunswick?

25 A. To something different than a DSP.

1 Q. Well, I wanted to distinguish between the
2 establishment of a goal and the time frame over
3 which that goal is achieved. Your recommendation
4 here is to move Brunswick to a DSP cost of service,
5 correct?

6 A. That is the ultimate goal.

7 Q. But you have not proposed doing that in
8 one fell swoop?

9 A. In this case, that's correct.

10 Q. Could you quantify in rough numbers, sir,
11 the impacts on the Brunswick situation that would
12 be caused by a full DSP cost achieve or --

13 A. 175.

14 Q. -- bringing them to DSP in one movement?

15 A. \$175,000. That's an approximate figure.

16 Q. Sorry, Mr. Hubbs, to bounce you back and
17 forth. I think I'm going back to rebuttal. And
18 let me direct you now to the top page 12 of your
19 rebuttal, lines 14 through 16.

20 Do you see there the phrase, The
21 Commission should not adopt the position. It will
22 continue the undue subsidization, but should go to
23 cost of service?

24 A. Yes.

25 Q. And you're saying there in your rebuttal,

1 if I understand it, that the Commission should move
2 to cost of service in the various districts?

3 A. That's correct.

4 Q. But your answer to the Brunswick situation
5 back on page 4 of your surrebuttal, in roughly
6 \$175,000 that you identify is to select out Joplin,
7 and move Joplin's rates to the level that would
8 exceed what your DSP study would indicate, correct?

9 A. That's correct.

10 Q. Is there some -- Mr. Hubbs, is there some
11 connection in your perception of this between the
12 people in Joplin and Brunswick that would justify
13 Joplin paying \$175,000 to the cost for Brunswick?

14 A. Just the short-term impacts for
15 gradualism.

16 Q. Let's say in that circumstance that the
17 Joplin option were removed, and along with that
18 option also was removed the ability to shift the
19 \$175,000 that we talked about for Brunswick to
20 other districts. What would your recommendation be
21 in that hypothetical?

22 A. Whatever phase-in -- the final cost of
23 service ought to be reached at some point in time
24 with some other phase-in taking in gradualism or
25 whatever principle.

1 Q. So you would agree then in that case that
2 a phase-in of the movement in Brunswick would also
3 be an option the Commission could choose, as well
4 as shifting those costs to Joplin?
5 A. Yes, sir.
6 Q. Now, while we're on that point, Mr. Hubbs,
7 what percentage increase in rates would you believe
8 is reasonable under a phase-in as a general
9 proposition?
10 A. I did not testify to that, sir.
11 Mr. Rackers is the one that --
12 Q. So I should --
13 A. -- is phasing in. I suggest that you ask
14 him the questions regarding the phase-in.
15 Q. Would you turn please then to page 5 of
16 your surrebuttal, lines 13 through 14, and I wanted
17 to draw your attention to the phrase "value of
18 service" there in those couple of lines.
19 A. Now, am I on rebuttal or surrebuttal?
20 Q. I'm sorry. If I said rebuttal, I
21 apologize. Surrebuttal, Exhibit 43, page 5.
22 JUDGE THOMPSON: What line, Mr. Conrad?
23 MR. CONRAD: 13 through 14, your Honor.
24 JUDGE THOMPSON: Thank you.
25 THE WITNESS: Yes, sir.

1 BY MR. CONRAD:

2 Q. Okay. In value -- well, strike that.

3 Have you seen the phrase "value of
4 service" before in your experience in ratemaking?

5 A. Yes, sir.

6 Q. In your understanding, what does that
7 phrase mean?

8 A. Completely different things to just about
9 everybody.

10 Q. What does it mean to you, sir?

11 A. The value of service is assignments of
12 importance on delivery of the final product. And
13 to me it means that whether or not -- my
14 interpretation is kind of limited compared to most,
15 but mine is water services being provided. It's
16 being provided both places and there is a value for
17 that, and that value, some people feel that it
18 should have the same value when you're pricing, and
19 some people feel that it shouldn't, so . . .

20 Q. Now, would I be incorrect in
21 characterizing the phrase "value of service" that
22 sometimes being used in a context of charging what
23 the market will bear?

24 A. I think that that would probably -- in a
25 non-regulated field is probably true.

1 Q. And, in fact, we don't use that concept to
2 set rates for regulated utilities, do we?

3 A. I believe that in some utilities' fields
4 that they still recognize value of service.

5 Q. Well, I'd agree with you that some time
6 ago, particularly in the telephone area. Do you
7 recall that when we used to have what was called
8 value of service pricing?

9 A. Yes, sir.

10 Q. And when that was approached, it was
11 approached on the perspective that that particular
12 component that the telephone company is offering
13 would be priced at a level that would maximize the
14 revenue. Do you recall that phrase?

15 A. That's exactly what I was speaking to was
16 the telephone example.

17 Q. But in other contexts that could be
18 translated out to charge what the market would
19 bear, right?

20 A. Yes.

21 Q. Now, one area of disagreement between you
22 and Mr. Harwig is what I'll call for a shorthand
23 12-inch division. Okay?

24 A. Yes, sir.

25 Q. Mr. Harwig indicates that a division

1 should be recognized between mains larger than 12
2 inch than those that are smaller. And I take it
3 that you disagree with that?

4 A. That's true, I disagree with that.

5 Q. Let's take just a quick look at that for a
6 few moments, Mr. Hubbs. Your schedule WRH2-1 for
7 Joplin, I believe in --

8 A. In the rebuttal?

9 Q. I believe that is part of your rebuttal or
10 was part one of the attachments there.

11 JUDGE THOMPSON: 2-1?

12 MR. CONRAD: Yes, sir.

13 JUDGE THOMPSON: For which city?

14 MR. CONRAD: For Joplin, your Honor.

15 JUDGE THOMPSON: Thank you.

16 BY MR. CONRAD:

17 Q. And I'm having trouble finding it myself
18 here at the moment, but I believe Joplin is the
19 second packet, and this sheet would be the
20 second -- second sheet really in the packet.

21 Are we there, Mr. Hubbs?

22 A. Yes, sir.

23 Q. Would you agree that under your proposal,
24 only resale and private fire would receive rate
25 increases, and all other classes, as well as the

1 system in Joplin, would receive an overall
2 decrease?

3 A. That's correct, sir.

4 Q. Now, let me ask you to turn to the
5 corresponding schedule for Mexico, which I believe
6 is the next packet.

7 And, your Honor, please we're again
8 referring to the rebuttal.

9 JUDGE THOMPSON: I understand.

10 MR. CONRAD: All right, sir.

11 JUDGE THOMPSON: And that increase is
12 column I; is that not correct, Mr. Conrad?

13 MR. CONRAD: Yes.

14 JUDGE THOMPSON: Thank you.

15 BY MR. CONRAD:

16 Q. Let me turn back to 2-1 on Joplin, and
17 I'll ask the witness that just so it's clear.

18 Mr. Hubbs, if you bear with us, if you
19 could flip back to the Joplin one, when I asked you
20 that question, you were drawn to and looked at the
21 numbers in column I?

22 A. That is correct.

23 Q. And the question I had about the other
24 public -- excuse me -- the sales, resale and
25 private buyer was referring to the fact that those

1 two were positive numbers in that column and the
2 others were negative, as well as the numbers at the
3 very bottom being at inept reduction for that
4 Joplin system, right?

5 A. Yes, sir.

6 Q. By the way while the topic is before me,
7 do you know who other public authorities typically
8 are?

9 A. City hall, city utilities, street
10 department, school districts, municipal facilities,
11 such as pools and arenas, and state and federal
12 buildings.

13 Q. Thank you.

14 Let's go back to the 2.1 WRH 2-1 exhibit
15 for Mexico. And, again, when looking at column I,
16 the system increase there is about 83 percent
17 rounded, correct?

18 A. That's correct, sir.

19 Q. And in that same column, the industrial
20 customers would be receiving approximately 136
21 percent increase, right?

22 A. That's correct.

23 Q. Resale approximately 197, so far so good?

24 A. That's correct.

25 Q. And lastly let me direct you to the

1 corresponding exhibit for St. Joseph --
2 corresponding page rather. Are you there?
3 A. Yes, sir, I am.
4 Q. The proforma operating revenues there that
5 you are suggesting would represent about an 88
6 percent increase, again rounded?
7 A. Yes.
8 Q. 87.43. Sales for resale 269 percent
9 rounded?
10 A. That's correct.
11 Q. Industrial 199.5, rounded 200 percent?
12 A. That's correct.
13 Q. What accounts for that?
14 A. The differential between the rates that
15 were in effect --
16 Q. Yes, sir.
17 A. -- and the ones that are proposed?
18 Q. Yes, sir.
19 A. That's what accounts for them.
20 Q. So it's just the differential between.
21 Would you agree then that the movement with respect
22 to those classes is the opposite of the current
23 rate design for Missouri American?
24 A. It is definitely different.
25 Q. While we're on St. Joe, let me ask you to

1 flip a little further back in the packet to WRH
2 5-2?

3 A. Yes, sir.

4 Q. And also put your -- put a finger or a
5 thumb there and flip a couple more pages back to
6 5-4.

7 A. Yes, sir.

8 Q. Would you agree with me that your proposed
9 industrial rates in St. Joseph are significantly
10 greater than your proposed residential rates?

11 A. Are you talking about just the usage
12 rates?

13 Q. Right.

14 A. The average rate is quite a bit less.

15 Q. Well, I understand, but --

16 A. But the rates that are being -- if you're
17 just looking at the usage area rates, yes, they
18 are.

19 JUDGE THOMPSON: Are we looking at the
20 bold numbers at the bottom?

21 MR. CONRAD: That's what I was trying to
22 direct his attention.

23 BY MR. CONRAD:

24 Q. Those are the usage rates, the ones that
25 you have in bold?

1 A. That's correct.

2 JUDGE THOMPSON: Thank you.

3 BY MR. CONRAD:

4 Q. Would you agree with me that that would
5 appear at least to go against the general
6 proposition that the unit cost to serve a
7 larger-use customer such as industrial, is less
8 than the unit cost to serve the residential?

9 A. No. In total the cost per unit for
10 industrial is less than. I think that's shown on
11 schedule 4.

12 Q. Schedule 4. Help me out, which
13 schedule 4?

14 A. I'm looking for it now.

15 JUDGE THOMPSON: Are you talking about
16 schedule WRH 4 for St. Joseph district?

17 THE WITNESS: Yes, I am.

18 The average cost per unit to the
19 industrial as shown on this on cost per ccf basis.
20 They have \$2.06, and for residential is about
21 \$3.40.

22 BY MR. CONRAD:

23 Q. And that represents your inclusion and
24 calculation of either the customer charge and meter
25 charge, however it's characterized?

1 A. Yes, sir.

2 Q. If that's so, how do you produce the
3 revenues that you do?

4 A. I price out the billing determinants, the
5 usage for the class and the revenues associated
6 with the customer charges.

7 Q. But at least with respect to the
8 comparison that I had pointed you to on WRH 5-2 and
9 5.4, we are seeing commodity rates for industrials
10 that are higher, correct?

11 A. That's true.

12 Q. And in your experience which has more
13 impacts on a large-volume user, a commodity
14 increase or an increase in the customer charge?

15 A. The commodity usually has more.

16 Q. Now, staying with the St. Joe packet for a
17 moment, Mr. Hubbs, flip on through, and I think to
18 WRH 16-2.

19 JUDGE THOMPSON: Again, for St. Joseph?

20 MR. CONRAD: Yes, sir. And I'm sorry if I
21 didn't say that.

22 JUDGE THOMPSON: That's all right.

23 THE WITNESS: Yes, sir.

24 BY MR. CONRAD:

25 Q. Tell me just very quickly what's that page

1 supposed to represent.

2 A. That's the allocation factors, as far as
3 the average, daily and maximum day extra capacity.

4 Q. Did you use the same allocation factors in
5 your studies for all the other districts?

6 A. For this, yes, I believe I did or unless
7 you're talking about the next-day base
8 relationships down at the bottom?

9 Q. No. I'm talking about the allocation
10 factors for residential, commercial, industrial,
11 OPA and water utilities?

12 A. Okay.

13 Q. In the column allocation factor kind of in
14 the middle of the page to the right?

15 A. No.

16 Q. You did not?

17 A. No. That allocation factor is based on
18 the specific usage, average daily consumption. For
19 each class they would be different for each.

20 Q. Is there a sheet corresponding to 16-2 for
21 each of the districts?

22 A. Yes, sir, it has. It is not in the
23 testimony.

24 Q. Oh, it's not here in what you filed?

25 A. That's true.

1 Q. So this was the only -- this 16-2 for
2 St. Joseph was the only one of these that you put
3 in your packet?

4 A. That's correct.

5 Q. All right. Let me ask you now, Mr. Hubbs,
6 to go back to your surrebuttal, page 10, Exhibit
7 43, and starting at that page on line 18 and
8 turning over to the top of the following page, you
9 indicate that you did not have information to
10 perform a detailed analysis of the usage of the
11 system by industrial and sales for resale classes;
12 is that correct?

13 A. That is correct, sir.

14 Q. And that information deficit extended also
15 to cost detail about the portions of the
16 transmission and distribution systems used by those
17 two classes, also correct?

18 A. That is correct, sir.

19 Q. If you had such information, would you be
20 able to perform such studies?

21 A. Yes. That's only a portion of what I was
22 going to do. I was going to look into segregating
23 into two different classes, industrial classes.

24 Q. And when I take the implication of your
25 statement there at the bottom of 10 and appearing

1 on to 11, that the reason that you didn't do that
2 was because the information wasn't made available?

3 A. Because I did not have it. I did not
4 specifically recognize this problem until later on.

5 Q. Would you agree with me that the most
6 likely source of that information would be the
7 utility?

8 A. Yes, sir.

9 Q. Now, Mr. Harwig in his testimony
10 referenced some studies coming from Illinois,
11 Indiana, West Virginia that he contended supported
12 the 12-inch distinction?

13 A. Yes, sir.

14 Q. Did you have an opportunity to review
15 those studies?

16 A. No, sir. They weren't appropriate.

17 Q. I'm sorry?

18 A. They weren't appropriate.

19 Q. They weren't appropriated?

20 A. Appropriate.

21 Q. Appropriate?

22 A. Uh-huh.

23 Q. You didn't review them, right?

24 A. That's correct.

25 Q. But you made the decision that they

1 weren't appropriate?

2 A. Yes, I did.

3 Q. Would you agree with me that if those
4 studies had been sponsored by the utilities
5 themselves, that they would have some, at least
6 informative value to the issues in those cases?

7 A. Yes.

8 Q. And you have indicated before that the
9 utility would be the likely source of the type of
10 information that you didn't have, right?

11 A. Of the kind of information that I would
12 have asked for, yes.

13 Q. That you did not have --

14 A. Yes.

15 Q. -- at the bottom of page 10, top of page
16 11?

17 Would it surprise you to know that
18 utilities in those three cases had actually
19 sponsored those studies?

20 A. No, sir. It may be true on their systems,
21 I think it be served by 12-inch meters, but that's
22 not true here.

23 Q. But you're willing to accept that in those
24 studies that they did recognize a distinction?

25 A. I don't know. I haven't seen those

1 studies.

2 Q. Would you like to look at them?

3 A. Not particularly.

4 Q. Since you have already determined that
5 they are inappropriate?

6 A. Well, the facts in this case are
7 completely different than that.

8 Q. I see. So if I understand then your
9 testimony, it's your disagreement about the 12-inch
10 distinction and the 12-inch division isn't so much
11 related to a matter of principle, it's just that
12 you haven't been shown the data in this case that
13 you believe would support that conclusion?

14 A. No. I also -- and for instance, I'm
15 looking at Brunswick. There are no transmission
16 lines there, and there are industrial customers, so
17 I know that they are using distribution system.
18 Absent some -- what I consider valid allocation of
19 some cost ought to be allocated to them.

20 Q. Would you agree with me that all
21 residential, small commercials use the distribution
22 system of smaller mains?

23 A. Yes.

24 Q. Would you also agree with me that not all
25 industrial customers and wholesale customers could

1 be adequately served by the system in the smaller
2 mains?

3 A. That's true, not all of them could.

4 Q. Would subsidies among customers in the
5 industrial class be minimized if the distribution's
6 mains costs were allocated only to the customers in
7 the class that uses them?

8 A. I'm sorry. You're going to have to repeat
9 that.

10 Q. I'll do my best.

11 Would subsidies among customers in the
12 industrial class be minimized if distribution mains
13 costs were allocated only to the customers in that
14 class who use those distributions?

15 A. I'm sorry. I really don't understand the
16 question.

17 Q. What part of the question are you not able
18 to understand, Mr. Hubbs?

19 A. I'm not sure exactly what kind of
20 relationship that your question may have on -- with
21 regard to --

22 Q. I'll try to focus you, I guess,
23 intraclass, because in other parts of your
24 testimony you've talked about minimization
25 subsidies as a goal, I think we've agreed on that?

1 A. Yes, sir.

2 Q. And you have also talked about the
3 remaining differences would be customers within a
4 class, so an intraclass type of intracustomer, if
5 you will, intraclass subsidization. In an ideal
6 world, I think I take your testimony to be that we
7 could eliminate that if we had a rate schedule for
8 every individual customer, right?

9 A. Correct.

10 Q. But that's not practical, and I think we
11 all agree with you. So in that context and kind of
12 thinking along that line, would subsidies among
13 customers in the industrial class be minimized if
14 distribution mains costs were allocated only to the
15 customers in that class who make use of those
16 distribution mains?

17 A. Yes.

18 MR. CONRAD: Thank you. That's all.

19 JUDGE THOMPSON: Thank you, Mr. Conrad.

20 Mr. Curtis?

21 CROSS-EXAMINATION BY MR. CURTIS:

22 Q. Good morning, Mr. Hubbs.

23 A. Mr. Curtis.

24 Q. In this case I see Staff is recommending
25 that the Commission adopt DSP as the rate designed

1 for this Company and that it be phased in over a
2 five-year period; is that correct?

3 A. That's correct.

4 Q. Now, in past rate cases involving Missouri
5 American, Staff has taken a position that movement
6 towards STP would be a recommended policy; is that
7 correct?

8 A. To my knowledge, that's correct, uh-huh.

9 Q. So this constitutes a change for Staff?

10 A. That's correct.

11 Q. And I'm sure this was not done without a
12 great deal of thought and soul searching. Can you
13 tell me why, some of the major reasons why the
14 Staff thought it needed to change its approach in
15 this case?

16 A. Mainly because of the impact of the
17 St. Joe plant along with the political and economic
18 considerations of the districts. Basically, I
19 pretty much always felt that the closer you can get
20 to the cost causer, the better that that allocation
21 is.

22 Q. No Staff has recognized and others have
23 organized that DSP and STP can be a valid cost
24 recovery methodology for public utilities such as
25 Missouri American; is that correct?

1 A. That's correct.

2 Q. And I think you have also indicated that
3 both DSP and STP contain elements of subsidization;
4 is that correct?

5 A. That's correct.

6 Q. And you're not claiming that the efficacy
7 (phonetic sp) of DSP disavow or do not acknowledge
8 that some subsidization occurs within a DSP
9 methodology, are you?

10 A. I have not seen any testimony to that.

11 Q. Right. And the example that I've heard
12 used is certainly there is subsidization within DSP
13 if you are charging a residential customer whose
14 house is located 200 feet from the water plant the
15 same rate as you charged another residential
16 customer whose house is five miles from the plant?

17 A. That's true.

18 Q. I mean, obviously there are different
19 costs to serve those two different customers?

20 A. Yes, sir.

21 Q. And thus, to the extent that they are all
22 under the same residential class of tariff, they
23 are charged the same. Would you agree that that
24 sort of uniform rate or average rate is appropriate
25 and indeed classic and traditional public utility

1 economics for an integrated system?

2 A. There have been differentials to that like
3 zone pricing. To take into consideration that I
4 said most of the trends that I'm aware of, have
5 gone away from some pricing, capture those
6 differences and probably go more to just by rate
7 classification -- hopefully homogenous rate
8 classification.

9 Q. Now, would you agree with me that when we
10 have a situation involving subsidization that it
11 necessarily means that one group or one party is
12 gaining a preference while another group is perhaps
13 disadvantaged? Is that inherent in the concept of
14 subsidization?

15 A. It's inherent in ratemaking with classes.

16 Q. And, you know, the fact that one group is
17 being preferenced and another group is being
18 disadvantaged is not necessarily wrong or unlawful,
19 is it?

20 A. I don't know about the unlawful, but I
21 know that the Commission determines what is undue
22 and what isn't --

23 Q. Yeah.

24 A. -- in this context.

25 Q. Undue or unreasonable?

1 A. Or unreasonable.

2 Q. Now, you indicated that one of the major
3 reasons that the Staff chain has changed its
4 position to DSP is the obvious impact of a large
5 plant at St. Joe being spread across the other
6 districts. And the figure, I think we've heard
7 most currently is if the Company were to gain its
8 full revenue requirement, that will be under an STP
9 spread approximately a 50 percent increase across
10 the board to the other districts, the other six
11 districts; is that correct?

12 A. That's correct.

13 Q. Now, do you find that level of -- and that
14 would be a subsidy, would it not, the other
15 districts would be paying to St. Joe if that plan
16 were put into effect? Would you agree with me?

17 A. Different subsidy levels in different
18 areas, yes.

19 Q. Okay.

20 A. In other words, for example, in Mexico if
21 you do district specific, what they're paying would
22 be higher than what they pay under STP. So it's
23 relative to the specific district subsidization
24 under each particular one.

25 Q. Let's take a look at St. Charles, a

1 district where I represent clients. In
2 St. Charles, would not STP be requiring
3 approximately a 40 percent, 40 maybe to 45 percent
4 increase, purely attributable to the St. Joe plant?

5 A. I can't answer that. There are too many
6 factors. We're moving from rates that were not
7 designed to recover costs and that are different.
8 There may be rate design and other factors
9 associated with the existing rates that I couldn't
10 put a percentage. I agree that what causes the
11 change in rates has been basically -- in STP has
12 been basically the St. Joe plant, if that helps.

13 Q. In Staff's recommendation that the
14 Commission adopt formally DSP rate design and move
15 towards that over a five-year phase-in, is there
16 recognition by the Staff that this should be a
17 permanent shift for the condition, that this is the
18 best in the long term for a district composed of
19 multi-districtly and multi-size as is Missouri
20 American?

21 A. I don't believe that anybody's testimony
22 spoke to the permanence of it.

23 Q. In calling for a five-year phase-in,
24 you're at least recommending that the Commission
25 stay the course under DSP for five years at least,

1 right?

2 A. Right, I am.

3 Q. Do you agree with me that STP might work
4 for a water system configured of reasonably-sized
5 districts, reasonably similar in size districts?

6 A. Maybe or maybe not. I think it might
7 be -- I think what's more important is the relative
8 cost per customer.

9 Q. Well, let me add that to it. If you had
10 relatively-sized districts, similarly-sized
11 districts, and the operating characteristics and
12 the cost characteristics of each district were
13 reasonably similar, that would be a good situation
14 to use STP?

15 A. Is it more justified than those?

16 Q. More justified. Thank you.

17 And thus, the subsidies the districts
18 would be paying each other under this hypothetical
19 of similarly sized and similar operating
20 characteristics and similar costs to the water
21 districts, would mean that the subsidies that the
22 districts would be paying from time to time might
23 be more relatively small and certainly more
24 temporary, would you agree with that?

25 A. Yes. The only -- under STP. The only way

1 that you actually consider there's subsidies, this
2 comparison with DSP, with that recognition that
3 these are DSP, STP subsidies, I'd say, yes.

4 Q. Right. And haven't you also recognized, I
5 believe in your testimony, that with the addition
6 of the St. Joe plant, the subsidies that the other
7 districts would be paying to pay for St. Joe under
8 STP would not be temporary?

9 A. Could you ask that again, please? I'm
10 sorry.

11 Q. Didn't you indicate in your testimony or
12 recognized in your testimony that if STP were the
13 pricing model to use with a new St. Joe plant, that
14 the subsidies of the other districts, such as
15 Joplin or Warrensburg or St. Charles would be
16 paying to cover the St. Joe plant would not be
17 temporary?

18 A. No. I don't believe I put that in my
19 testimony.

20 Q. Do you agree with Mr. Harwig's testimony
21 where he recognized -- where he points out that the
22 subsidies required from those three districts that
23 I mentioned might continue for quite some time?

24 A. They will continue for quite some time, I
25 believe.

1 Q. And it's hard to say when they would end,
2 if they ever would end, do you agree?

3 A. At some -- that's right, it's hard to
4 say. At some point in time there's probably --
5 something is going to have to replace a treatment
6 plant or a main is going to have to be replaced,
7 but there's no plans by the Company to do that, and
8 I sure don't know.

9 Q. That's fine. At page 5 of your
10 surrebuttal at the bottom of the page, line 15, you
11 address Mr. Stout's suggestion that under DSP that
12 it would be -- rate changes would be confusing, I
13 believe the question says, and that there would be
14 over 30 rate schedules for Missouri American. Do
15 you see that?

16 A. Yes, sir.

17 Q. And I think you heard probably testimony
18 from others that suggested that it would be as many
19 as 42 scheduled --

20 A. Yes, sir.

21 Q. -- for tariffs? Six different classes of
22 customers times seven districts. My question is
23 today, Mr. Hubbs, are Missouri American tariffs for
24 the six classes of customers identical for all
25 seven districts?

1 A. Yes. That's part of the problem.

2 Q. And so under DSP there would, in fact, be
3 a separate schedule for each district that would be
4 different from the other districts?

5 A. That is correct. Each district would have
6 a residential, commercial, et cetera.

7 Q. Is this an unduly burdensome task for the
8 POC Staff in handling these kinds of tariffs?

9 A. No.

10 Q. It is not.

11 You have heard also the recommendation
12 made by Mr. Harwig and Mr. Landon, that in addition
13 to recommending the Commission adopt DSP for this
14 Company, that the Commission require the Company to
15 whenever it is planning a major plant addition in
16 one of the districts, it would be 20 percent or
17 more of that existing rate base in the district,
18 that the Company be required to meet with those
19 ratepayers in some formal proceeding and discuss
20 with them the alternatives and the reasons for the
21 new plant or whatever the new major addition is.
22 You did hear that recommendation?

23 A. I've heard inferences to it, yes. Uh-huh.

24 Q. What do you think of that as a
25 recommendation of the Commission in conjunction

1 with adopting DSP?

2 A. I think they will make a decision on
3 whether to do it or not.

4 Q. Is that something you could endorse?

5 A. I don't feel strongly either way about
6 it. I think that most of the companies will let --
7 where they had major additions, anyone with any
8 sense will go ahead and do that anyway, contact the
9 leaders and let them know what's going to go on.
10 And I think the Company has done that in this case.

11 Q. I think the one area of disagreement that
12 you have with Mr. Harwig, and maybe you and
13 Mr. Busch was that both of them suggested that a
14 feature of DSP is that it builds in some fiscal
15 accountability to the Company and as it relates to
16 the district. Do you recall that? You didn't feel
17 that that was a very strong feature of DSP, did
18 you?

19 A. Could you point me to the testimony on
20 that, sir? I'm not --

21 Q. You know, I don't have it. I just -- let
22 me just ask you.

23 A. I don't believe that I addressed it.

24 Q. Do you believe that DSP as Dr. Beecher had
25 indicated in her report, that it was one of the

1 reasons in support, the people decided as being in
2 support of DSP?

3 A. It is a reason that is listed for fiscal
4 responsibility.

5 Q. Do you think it is a valid reason?

6 A. I think it's irrelative, but, yes, I think
7 it could affect whether or not it --

8 Q. Whether it always will, but --

9 A. Yes.

10 Q. -- in some cases it could prove
11 beneficial?

12 A. Yes.

13 MR. CURTIS: Okay. Thank you. I don't
14 believe I have anything further.

15 JUDGE THOMPSON: Thank you, Mr. Curtis.

16 Mr. Deutsch?

17 CROSS-EXAMINATION BY MR. DEUTSCH:

18 Q. Hello, Mr. Hubbs.

19 A. Mr. Deutsch.

20 Q. I was real hopeful that I wouldn't have
21 any questions for you until I was absolutely
22 shocked on your testimony on cross-examination by
23 Mr. Conrad to find out that after a long period of
24 endorsement of DSP you seemed to have departed from
25 that, I see on page 4 of your surrebuttal

1 testimony. Could we go back to that for a moment?

2 A. Yes, sir.

3 Q. Now, as was pointed out -- by the way, do
4 you have the date that you filed this surrebuttal
5 testimony? Do you know when that was?

6 A. May the 25th.

7 Q. May the what?

8 A. The 25th.

9 Q. That was sometime after the public hearing
10 in Joplin on May 18, right?

11 A. I can't remember the exact date of
12 Joplin. I wasn't there.

13 Q. Yeah. It was a good thing. Explain to
14 me, if you will, and I think I'm understanding it,
15 but you talk about a commodity charge, and
16 Brunswick and Joplin are supposed to, as I
17 understand it, share the cost of commodity charges
18 for Brunswick as developed by you in your schedules
19 over a certain amount. I think the highest
20 commodity rate, I assume in the district, is what
21 Brunswick will be limited to, and Joplin picks up
22 the tab for what's left over; is that right?

23 A. Yes. Uh-huh.

24 Q. Is that accurate?

25 A. That's correct, sir.

1 Q. Could you tell me what the commodity
2 charges are that we're talking about and what that
3 will do to the price in Joplin?

4 A. Mexico was the highest residential rate.
5 The other highest rates were from the St. Joseph
6 district.

7 Q. So is this a commodity rate by class or is
8 it a --

9 A. Yes, sir.

10 Q. Okay. So you run down the list or search
11 around for the highest commodity prices existing in
12 the district for the various classes, and then
13 limit the Brunswick district to paying those
14 commodity prices by class?

15 A. Yes, sir. I priced down in the billing
16 determinants and generated the rates.

17 Q. And in Brunswick, could you tell me -- I
18 think I noted in one of the schedules, and I will
19 confess, I don't really understand the schedules --
20 but it seemed to me there about a \$9 figure used
21 for what Brunswick should be at. I didn't have a
22 chance to check and find out all of the other ones,
23 but you say that this will come up to cost Joplin
24 about \$175,000?

25 A. That's correct.

1 Q. So if somewhere, somehow Brunswick came up
2 with \$175,000, you wouldn't have to charge that to
3 the citizens of Joplin; is that right?

4 A. That's correct.

5 Q. And as Mr. Conrad mentioned, there is a --
6 and I think you agreed, the phase-in of the
7 commodity aspects of this, I suppose, to Brunswick
8 is also a possibility?

9 A. Yes, sir.

10 Q. Are there other ways in which -- other
11 than to charge this to Joplin, that Brunswick can
12 receive that kind of subsidy or relief other than a
13 phase-in or charging it to Joplin?

14 A. Various ways.

15 Q. Did you consider a number of ways in which
16 to solve this problem for Brunswick?

17 A. No, sir.

18 Q. Isn't it true that you simply considered
19 the option of charging it to Joplin?

20 A. No, sir.

21 Q. What else did you consider other than the
22 option of just charging it to Joplin?

23 A. I also considered having the Company eat
24 the costs associated with such a high-level
25 investment.

1 Q. So you pick the Company over my friends in
2 Joplin?

3 A. It was determined by the Staff that there
4 wasn't any prudency arguments regarding that, that
5 level of plan, therefore we decided to go with
6 Joplin.

7 Q. You decided it wasn't prudent to charge it
8 to the Company?

9 A. Decided that there was no prudency
10 arguments regarding the plant, and that it would
11 not be appropriate for me to short them from
12 earning their rate of return.

13 Q. You mean the Staff had no prudency
14 argument against the plant in St. Joe?

15 A. In Brunswick.

16 Q. In Brunswick?

17 A. We're talking about district specific,
18 yes.

19 Q. Oh. So those were the two considerations
20 that were given by the Staff, was to either have
21 the Company absorb Brunswick's plan or to have the
22 City of Joplin absorb it, and you picked Joplin.
23 Did you consider a phase-in possibility? You
24 already have a five-year phase-in going on anyway?

25 A. That phase-in is still there.

1 Q. When will Joplin -- how long will Joplin
2 be paying the subsidy to their friends in
3 Brunswick?

4 A. Until sometime after the next rate
5 proceeding.

6 Q. Do you know when that might be?

7 A. No, I do not.

8 Q. Will that be in my lifetime?

9 A. You're really expecting an answer?

10 Q. Well, you know more about these things
11 than I do. Maybe that's next year, maybe that's
12 next month, maybe that's in the next century. I'm
13 trying to get your expert opinion on when you think
14 the Company might see their way clear to condign.

15 And are you saying that if the Company
16 comes in in two years with another rate request,
17 that Joplin will definitely get out of paying its
18 subsidy?

19 A. No. I thought you were speaking to when
20 you were going to croak?

21 Q. Okay. Rather than considering how long
22 I'm going to live, I would prefer to look at how
23 long it might be until the Company would request a
24 rate increase or have a rate proceeding?

25 A. And I have no idea, sir.

1 MR. DEUTSCH: Okay. Well, thank you,
2 Mr. Hubbs. I'll have tell my friends in Joplin
3 about this, but thank you very much for your
4 efforts on the rest of the case.
5 THE WITNESS: Thank you.
6 MR. DEUTSCH: I have no further questions,
7 your Honor.
8 JUDGE THOMPSON: Thank you, Mr. Deutsch.
9 Mr. Fischer?
10 MR. FISCHER: Your Honor, before I begin
11 my cross-examination, could we go off the record so
12 I can steal the glasses of the witness?
13 JUDGE THOMPSON: Please proceed.
14 THE WITNESS: Should I go and get mine,
15 sir?
16 JUDGE THOMPSON: Why don't you. Let's
17 take 10 minutes, because the reporter probably
18 needs a break anyway.
19 (A RECESS WAS TAKEN.)
20 JUDGE THOMPSON: Mr. Fischer?
21 MR. FISCHER: Thank you.
22 CROSS-EXAMINATION BY MR. FISCHER:
23 Q. Mr. Hubbs, did you get your glasses?
24 A. Yes, sir, I did.
25 Q. Very good. As you know, I represent four

1 public water supply districts around the St. Joe
2 area, and I had just a few questions. I'm going to
3 try to make them very brief.

4 You have been in your current position in
5 the water and sewer department since January of
6 '98; is that right?

7 A. That is correct, sir.

8 Q. And you now report to Mr. Dale Johansen,
9 who is the director of the department?

10 A. That is correct.

11 Q. And Mr. Johansen reports to Mr. Wes
12 Henderson, who a few years ago had a job similar to
13 yours; is that correct?

14 A. That's correct, sir.

15 Q. And is it true that Mr. Henderson on
16 behalf of the Commission Staff has testified in
17 past cases in favor of single-tariff pricing?

18 A. Yes.

19 Q. Okay. Do you agree with this statement
20 that single-tariff pricing is a not a here today,
21 gone tomorrow kind of rate design?

22 A. Yes.

23 Q. Okay. Would you also agree that it's
24 really not fair or proper to have single-tariff
25 pricing in one case, then go back to district

1 specific in the next, and then go to single-tariff
2 pricing again in the third?

3 A. I don't think that's wise policy.

4 Q. And are the reasons for that aimed at the
5 impact it would have on customers if you oscillated
6 a policy like that?

7 A. Yes.

8 Q. As I understand your rebuttal testimony,
9 you believe that single-tariff pricing is a
10 legitimate tool used to regulate multi-system water
11 utilities; is that right?

12 A. Yes.

13 Q. On page 7 of your rebuttal, you also point
14 out that most electric companies, with which I'm
15 familiar, use a STP approach to ratemaking. It's
16 my understanding that the local telephone industry
17 also uses STP approach to ratemaking. The natural
18 gas industry of Missouri is different in that STP
19 is used for all costs associated with the cost of
20 service except the actual cost of gas; is that
21 right?

22 A. Yes. There are some differences in
23 natural gas.

24 Q. The cost of gas is usually recovered
25 through a PGA?

1 A. Well, there's a couple companies that have
2 district specific pricing for district
3 transmission, distribution facilities.

4 Q. Would it be safe for me to conclude that
5 you philosophically don't have a problem with the
6 use of single-tariff pricing in an appropriate
7 circumstance?

8 A. That's true.

9 Q. In fact, the Commission has used this tool
10 for years as it's regulated the various utilities
11 under its jurisdiction; is that right?

12 A. The ones that I'm familiar with, yes.

13 Q. Would you agree that if we reviewed the
14 rate structures of the electric, natural gas and
15 telephone companies under the Commission's
16 jurisdiction, we'd be hard pressed to find many
17 examples of companies that serve more than one
18 community that use community-specific pricing in
19 Missouri?

20 A. Yes.

21 Q. On page 4 of your surrebuttal testimony
22 you state, What my direct testimony does show is
23 the effect of district-specific pricing as on rates
24 as compared to single-tariff pricing; is that
25 right?

1 A. Yes.

2 Q. You stated that you were relatively
3 certain that no other party in this case would
4 present such a scenario; is that right?

5 A. That's correct.

6 Q. And there are you saying the
7 district-specific cost study scenario?

8 A. That's correct.

9 Q. Would it be correct to conclude from your
10 testimony that you felt it was important for the
11 Commissioners to understand the real impact of a
12 decision to revert to district-specific pricing on
13 customer rates if that's what they decided to do in
14 this case?

15 A. I think it was imperative that they had
16 that study before them.

17 Q. And on page 8 of your rebuttal you
18 state -- and this is on lines 9 and 10, if you want
19 to check -- Again, customer pressure appears to be
20 calling for DSP instead of STP; is that correct?
21 It's on page 8, line 9 dash through 10?

22 A. Yes.

23 Q. Are you suggesting there, Mr. Hubbs, that
24 customer pressure primaries like Warrensburg,
25 Joplin, St. Charles and other intervenors opposed

1 to STP was a factor in the Staff's decision to
2 support DSP in this case?

3 A. I'm sorry. Could you repeat the
4 question?

5 Q. Yes. I'm asking you whether the
6 opposition to STP from some of the intervenors like
7 Warrensburg, Joplin and the other intervenors
8 opposed to STP was a factor that you took into
9 account when you decided to favor district-specific
10 pricing in this case?

11 A. I would say that that's -- I was aware of
12 it and --

13 Q. Took it into account?

14 A. Yes.

15 Q. Now, am I correct that your various
16 schedules attached to your rebuttal testimony,
17 particularly those that were entitled revenue
18 analysis are designed to show the total revenue
19 percentage increase that would be required if the
20 Commission adopted district-specific pricing, as
21 well as the results of the Staff's cost of service
22 study?

23 A. Yes. What is in there right now is what
24 was filed by the Commission Accounting Staff for a
25 cost of service level, which has -- I think just

1 had estimates, some portions of cost that were
2 agreed to in the prehearing, and did not contain
3 Mr. Merciel's adjustment, but at that point in
4 time, yes.

5 Q. And I recognize it's not to the Nth
6 degree, but you got pretty good numbers here on
7 what the impacts would be if the Commission adopts
8 district-specific pricing and your class cost of
9 service study results?

10 A. They would be representative.

11 Q. And I think Mr. Conrad already went over
12 with you to some extent the St. Joseph impacts that
13 are contained on schedule WRH 2-1; is that right?

14 A. Of my rebuttal testimony?

15 Q. Of your rebuttal testimony.

16 A. Yes.

17 Q. The one that I'm particularly concerned
18 about is the sales for resale class where there
19 could be a 268 percent increase for that class in
20 the St. Joseph area; is that right?

21 A. Yes, sir.

22 Q. Now, in your rebuttal testimony on page 4,
23 you agree with Mr. Stout that your proposed rates
24 are, quote, beyond the bounds of gradualism; is
25 that right?

1 A. That's correct.

2 Q. Would you agree that an increase of 268
3 percent for my clients, the public water supply
4 districts around St. Joseph, would also be beyond
5 the grounds -- or excuse me -- beyond the bounds of
6 gradualism?

7 A. Yes. The initial implementation of that
8 would be beyond the bounds of gradualism.

9 Q. And that would also be true in the
10 Brunswick area for a 478 percent increase for the
11 sales for resale class?

12 A. Yes, sir.

13 Q. Now, I understand you're not the Staff
14 witness on the phase-in plan, but can you tell me
15 whether it's the Staff's intention that at the end
16 of the five year phase-in plan, that my clients
17 would have a total increase of at least that 268
18 percent increase?

19 A. That's my understanding of what
20 Mr. Rackers is going to do.

21 Q. Okay. And are you suggesting that we take
22 one-fifth of that increase each year as we move
23 that direction?

24 A. I'm sorry. You will have to speak to
25 Mr. Rackers about the implementation.

1 Q. Do you know what the impact on the
2 St. Joseph water districts at the end of the first
3 year phase-in would be under your rate design
4 proposals?

5 A. That is the only one I know.

6 Q. Okay. What would that be?

7 A. I do not have it with me. I just
8 developed it last night.

9 Q. Okay. Well, if I took 20 percent,
10 one-fifth of that, would I be in the ballpark?

11 A. It's approximately, I think 26 percent.

12 Q. 26 percent of the total movement?

13 A. That's correct. I think there's a
14 differential because of carrying costs. Again,
15 this is speculation. Mr. Rackers will be able to
16 answer that.

17 Q. Okay. I'm not very good in math, but it
18 looks like if I took just 25 percent of that
19 increase, we'd be talking about a 67 percent
20 increase for my clients; does that sound about
21 right?

22 A. That's probably in the ballpark.

23 MR. FISCHER: I think in the interest of
24 time, that's all I have, your Honor.

25 JUDGE THOMPSON: Thank you, Mr. Fisher.

1 Mr. Zobrist?

2 CROSS-EXAMINATION BY MR. ZOBRIST:

3 Q. Mr. Hubbs, just a few questions. I
4 represent the City of St. Joseph. On your rebuttal
5 on page 9, on line 14, you state that you believe
6 that a major goal of ratemaking is to have the cost
7 causer be the cost to payer; is that correct?

8 A. That's correct.

9 Q. Do you also believe that there are other
10 major goals of ratemaking such as affordability?

11 A. The other factors -- there are other
12 factors and affordability is under the economic
13 considerations of one of the principles, yes.

14 Q. And what are the other factors that you
15 believe are goals of ratemaking?

16 A. Well, if you're talking about the goal of
17 ratemaking, the initial -- what I consider the
18 initial push, is to use a method to assign to a
19 class -- to the specific classes of the cost
20 associated with it. After that any deviation from
21 that is for social economics gradualism, whatever
22 needs to be made by the Commission based on their
23 perceptions.

24 Q. And those, in your opinion, are all
25 appropriate policymaking goals to consider as part

1 of ratemaking?

2 A. I don't think that I necessarily think
3 that they are appropriate, but in reality they are
4 what is used.

5 Q. That is what this Commission and
6 Commissions all over the country have used in
7 setting rates, correct?

8 A. Yes, sir.

9 Q. In your testimony you also indicate that
10 the cost causer concept has never been taken down
11 to the individual customer, is that correct, in the
12 preparation --

13 A. In totality, no. In a lot of the -- like
14 I was -- when I was responding to Mr. Conrad
15 earlier, there are some times and in some cases in
16 Missouri where individual customers have individual
17 rates in electric and gas, and that's one of the
18 things that I was hoping to be able to do in this
19 case.

20 Q. Well, for example, in the electric area,
21 there are special contracts that this Commission
22 has permitted certain industrial customers to enter
23 into with the utilities?

24 A. Yes. That's exactly what I was speaking
25 to.

1 Q. And is it true that there are also in
2 other -- in the context of other utilities tariffs
3 that have been developed and approved by the
4 Commission for lifeline rates and economic
5 development rates?

6 A. Economic development rates, I know.
7 Lifeline, I am really not familiar with lifeline.

8 Q. And generally, I think as you indicated in
9 your testimony, there is already some measure of
10 rate averaging in that customers are within a class
11 are not charged the true cost of serving them on an
12 individual basis, it's on a class-specific basis?

13 A. Yes, sir.

14 Q. You mentioned in response to one of
15 Mr. Curtis's questions, that the reason for the
16 change of Staff's position from a single-tariff
17 pricing recommendation to a shift to a
18 district-specific pricing had to do with political
19 considerations; is that correct?

20 A. Yes.

21 Q. When you say political considerations,
22 tell me what you mean specifically.

23 A. As an example when I was speaking with
24 Mr. Fischer, my perception of the uproar on some
25 districts paying the cost associated with

1 St. Joseph.

2 Q. Well, has there been any effort by any
3 elected representatives who had sponsored
4 legislation in this past session to influence the
5 opinion of Staff that you know of?

6 A. None that I know of.

7 Q. On either side of the question?

8 A. That's correct.

9 Q. Just briefly in closing, on the issue of
10 fiscal discipline, in your rebuttal at page 11, am
11 I correct that you disagreed with Mr. Harwig that
12 fiscal discipline was not undermined by a
13 single-tariff pricing methodology?

14 A. In this case, yes.

15 Q. So you did not see that as a reason that
16 would either influence your recommendation in this
17 case to district specific or to stay with
18 single-tariff pricing?

19 A. Yes.

20 Q. Have you read Dr. Beecher's testimony that
21 did deal briefly with the issue of fiscal
22 discipline or over investment?

23 A. Yes. It's been awhile since I've read it.

24 MR. ZOBRIST: May I approach the witness
25 just briefly?

1 JUDGE THOMPSON: You may approach.

2 BY MR. ZOBRIST:

3 Q. Let me show you what has been marked as
4 schedule JB 2, on page 58, which is the section
5 entitled, Arguments against single-tariff pricing,
6 in that it lists them there in a series of boxes.
7 Do you see that Mr. Hubbs?

8 A. Yes, I do.

9 Q. Now, Dr. Beecher has listed in decreasing
10 order of mentions she calls it by Commission Staff
11 indicating reasons or arguments against
12 single-tariff pricing, is that correct, that she
13 listed the reasons in decreasing order?

14 A. Yes. The book states that's --

15 JUDGE THOMPSON: What page are we on,
16 Mr. Zobrist? I'm sorry.

17 MR. ZOBRIST: Page 58, your Honor.

18 JUDGE THOMPSON: Thank you.

19 BY MR. ZOBRIST:

20 Q. And what is the reason that's listed dead
21 last?

22 A. Encourages over investment and
23 infrastructure.

24 Q. And does it indicate how many of the
25 responders gave that as a reason against

1 single-tariff pricing?

2 A. Yes, it does.

3 Q. And how many?

4 A. 1 out of 21.

5 MR. ZOBRIST: Okay. Thank you.

6 Nothing further, your Honor.

7 JUDGE THOMPSON: Thank you, Mr. Zobrist.

8 Mr. England.

9 MR. ENGLAND: Thank you, your Honor.

10 CROSS-EXAMINATION BY MR. ENGLAND:

11 Q. Good morning, Mr. Hubbs.

12 A. Good morning, sir.

13 Q. In your discussion with Mr. Conrad, I

14 believe -- and I think maybe also with

15 Mr. Curtis -- you discussed the subsidization

16 between customers within a class within a district,

17 and one of them used the example of the customer

18 who lived 200 feet from the plant, and another one

19 who lived approximately five miles away. Do you

20 recall that discussion?

21 A. Yes, sir.

22 Q. And I think you acknowledged that there

23 would be some subsidization as you have used the

24 term between customers in the same class in the

25 same district, correct?

1 A. That's correct.

2 Q. Is it possible that that subsidization

3 would be no greater than or no less than the

4 subsidization that may occur between two different

5 customers in two different districts served by the

6 same company?

7 A. Yes.

8 Q. You had indicated that one of the main

9 reasons Staff had changed its position in this case

10 from single-tariff pricing to district-specific

11 pricing was, I believe, the impact of the

12 St. Joseph plant on the cost of service of this

13 Company, correct?

14 A. That's correct.

15 Q. And I assume it's because of the large

16 impact of the St. Joseph plant on the cost of

17 service, correct?

18 A. That's correct.

19 Q. If I read everyone's, including your own,

20 district cost analyses correctly, even with the

21 St. Joseph plant in service, the impact on

22 St. Joseph's cost of service relative to the other

23 districts isn't as great as Brunswick is and has

24 been for a number of years; is that correct?

25 A. That is correct.

1 Q. Why wouldn't you have gone to
2 district-specific pricing sooner than because the
3 Brunswick costs certainly had a far greater impact,
4 relatively speaking, than the St. Joe cost?

5 A. The relative differentials with the
6 exception of Brunswick weren't as out of line as
7 they are with the St. Joseph, the tremendous
8 increase in cost of the St. Joseph plant.

9 Q. I think I understand your question (sic),
10 but can you explain or give me an example, maybe?

11 A. Brunswick under district specific
12 generates in comparison what STP generates even
13 without the St. Joseph plant, an exorbitant amount
14 of cost assigned to it. And almost three times
15 more than any other district because of the level
16 of investment that the Company has put in that
17 district.

18 With regard to the other districts, I
19 think what came out of the rate design case that we
20 did, that there was something like a 10 percent
21 different -- total differential and assignable cost
22 from the cost of service for the other six
23 districts, maximum swing from the STP level. So
24 does that help?

25 Q. Yeah, I think so. Maybe I can

1 characterize it this way: That the impact of the
2 differential between cost and revenues of Brunswick
3 doesn't have the degree of impact on the total
4 company, that the difference between cost and
5 revenues in St. Joseph does in this case?

6 A. Yes. I believe that's --

7 Q. Okay. But it leads me to another question
8 that I'd like to ask you and that is, to the extent
9 in the future, whenever that may be, that the
10 St. Joe -- the impact of the St. Joseph plant has
11 lessened through depreciation, that the impact
12 vis-a-vis the other districts -- or excuse me --
13 the differential vis-a-vis the other districts has
14 decreased also because of increased investments in
15 other districts. Do you see a time when Staff may
16 go back to supporting or recommending a
17 single-tariff pricing philosophy?

18 A. I do not know about that. Anything is
19 possible.

20 Q. I guess it would be fair to say that
21 you're not ruling that out, are you, at this point
22 in time?

23 A. No.

24 Q. I think I heard you say earlier that if I
25 wanted -- well, whoever the questioner was before

1 me -- but if I wanted to get into the specifics of
2 your phase-in, I need to do that with Mr. Rackers?

3 A. Yes, sir.

4 Q. Is it fair to say that -- and I know you
5 have got a lot of information attached to your
6 testimony -- but nowhere do you have a schedule of
7 phase-in rates that would show the impact of
8 Mr. Rackers' phase-in proposal on rates over the
9 five-year period?

10 A. No, sir, I don't.

11 Q. Did I also hear you say that the only one
12 you have been working on was St. Joe, and that was
13 last night?

14 A. Yes. Uh-huh. I had been working on it
15 before this, but I was having trouble, and he
16 straightened me out.

17 Q. And in response to the question from
18 Mr. Fischer, did you indicate that the first year
19 under the plan you're working on for St. Joe under
20 the first year phase-in for the water districts in
21 St. Joe, it would be a 67 percent increase?

22 A. That was to his class. Basically it's a
23 total revenue requirement, it's approximately
24 26 percent, I believe. But his class being
25 allocated 268 percent, 26 percent of that would be

1 78 percent.

2 Q. Okay. 26 percent to the district in its
3 entirety?

4 A. That's correct.

5 Q. 67 percent to that particular class of
6 water district sales for resale?

7 A. That's correct.

8 Q. And obviously some other classes would
9 receive less than 26 to come up with that 26
10 percent average?

11 A. That's correct.

12 Q. Okay. Are there any other classes that
13 receive a first year phase-in impact greater than
14 the 67 percent that you have tentatively calculated
15 for St. Joe water districts?

16 A. No, sir. Not in St. Joe, if that's what
17 we're still speaking to.

18 Q. Yes. My understanding is you haven't done
19 any phase-in analyses for any of the other
20 districts?

21 A. That's correct.

22 Q. If you know, when were rates set for these
23 various districts? When was the last time --
24 excuse me -- rates were set for these various
25 districts based on district-specific cost as we've

1 discussed in this case?

2 A. I do not know.

3 Q. Do you have any reason to believe that
4 it's been anything less than 10 years?

5 A. I know that they had phased-in STP on some
6 portion of -- I think it was Missouri Cities, and I
7 do not know the time period that that took. So I'm
8 not sure exactly how long it's been since anybody
9 has had DSP rates or even if they have.

10 Q. I'd like for you to assume that in the
11 future we have full district-specific pricing, and
12 I want you to further assume that costs will
13 increase in some districts, but not necessarily
14 all. And my question is, do you anticipate the
15 Company filing a rate case for only those districts
16 where costs have increased in order to recover
17 that?

18 A. I don't know whether you will or not.

19 Q. Then let me give you a different example.
20 Let's assume that in the future we're under full
21 district-specific pricing, and costs have decreased
22 in some of the districts, but not necessarily all.
23 Would it be Staff's intent to perform an earnings
24 review for those districts where they suspect costs
25 have gone down and earnings may be excessive?

1 A. Based on what I've seen in the past, I
2 think that we would probably look at that as a
3 total company -- on a total company basis if we're
4 going to do an audit.

5 Q. Well, why would you do that if you're just
6 concerned with district-specific costs?

7 A. Because there will be no way to make the
8 determination in allocations to make the specific
9 determinations that you're talking about. We'll
10 have to do the major allocations of your common and
11 joint plan to come up with any determination of
12 over earnings or under earnings.

13 Q. There are certainly no rules or
14 requirements that a multi-district utility file
15 rate cases for all or something less than its
16 districts, would you agree with me?

17 A. I'm not aware of any.

18 Q. That it's really up to the utility's
19 discretion, correct?

20 A. I'm not aware of any restrictions.

21 Q. And conversely, there's no rule or
22 regulation of this Commission that would prohibit
23 Staff or any other party from filing a complaint
24 against all or some of those districts?

25 A. I'm not an attorney, but I'm aware of no

1 restrictions.

2 Q. With respect to the allocation of costs
3 among districts, to the extent that the Company
4 uses tax exempt financing, that is, less expensive
5 than conventional debt financing, to finance a
6 particular project like the St. Joseph plant, would
7 you think it would be reasonable to allocate that
8 lower cost of debt to that particular district
9 where the debt was utilized to install that plant?

10 A. I did not make the district-specific
11 allocations and would refer you to Mr. Gibbs of the
12 Staff.

13 Q. Well, does that make sense to you as a
14 rate-design person, one who, I think, does look at
15 cost allocations in the design of rates?

16 A. Could you ask me the question again?

17 Q. Sure. If tax exempt lower cost debt is
18 used to finance a particular project in a specific
19 district, would it not be appropriate to assign
20 those lower costs of debt to that district rather
21 than an overall cost of capital?

22 A. If you have district specific. There's
23 some validity to that whether or not the Commission
24 would decide on that or whether they would decide
25 overall cost of capital.

1 Q. Would you agree with me that there's
2 always going to be debate about how to allocate the
3 joint and common costs of the Company?

4 A. Yes.

5 MR. ENGLAND: Thank you, sir. I have no
6 other questions.

7 JUDGE THOMPSON: Thank you, Mr. England.

8 We will take the noon break at this time.
9 In view of the early recess this afternoon, we will
10 take a one-hour lunch break, so I'll see you back
11 here at one o'clock.

12 MR. ENGLAND: I'd like to visit with the
13 parties before they break for lunch, if I can?

14 JUDGE THOMPSON: You can do anything you
15 want.

16 MR. ENGLAND: To talk about scheduling
17 before they fly the coop.

18 (A LUNCH BREAK WAS TAKEN.)

19 JUDGE THOMPSON: These are late-filed
20 exhibits, Mr. Coffman?

21 MR. COFFMAN: Yes. We have plenty more
22 and we also have --

23 JUDGE THOMPSON: I count five. I think I
24 need one more.

25 MR. COFFMAN: Okay.

1 JUDGE THOMPSON: Thank you. And have you
2 given these to counsel?

3 MR. COFFMAN: Yes, I have. And there are
4 three copies there for the court reporter, if we
5 could have it marked.

6 JUDGE THOMPSON: This will be Exhibit
7 No. 78, and we will not consider the admission of
8 it until tomorrow in order to give everyone a
9 chance to review it with your expert.

10 MR. COFFMAN: 78?

11 JUDGE THOMPSON: Exhibit No. 78.

12 (EXHIBIT NO. 78 WAS MARKED FOR
13 IDENTIFICATION BY THE REPORTER.)

14 MR. COFFMAN: If I might explain things.
15 I believe we have responded to Vice Chair Drainer's
16 request in this exhibit, and it has each of the
17 seven districts in a separately stapled packet with
18 workpapers attached to it. This was the work of
19 the experts in the three different areas of rate
20 design in this case showing class shifts, district
21 shifts and phase-in. You will see one caveat or
22 asterisk there on the St. Joseph district. There
23 is -- if any qualifications we needed to make and
24 that was the interrelationship between the phase-in
25 and the class shifts, that's explained there.

1 Barb Meisenheimer from our office
2 supervised the coordination of these three parts
3 here. And as I said earlier, we would be happy to
4 make her available sometime if the Commission
5 wanted to ask her questions in Mr. Trippensee's
6 absence, but otherwise all three of our other
7 witnesses will be also available to answer
8 questions on this document.

9 JUDGE THOMPSON: Thank you, Mr. Coffman.
10 Did you say that working papers are attached?

11 MR. COFFMAN: Yes.

12 JUDGE THOMPSON: Thank you, Mr. Coffman.
13 Now, then we have Mr. Hubbs -- did you have
14 something?

15 CHAIR LUMPE: I need to ask Mr. Coffman a
16 question.

17 JUDGE THOMPSON: Yes, ma'am.

18 CHAIR LUMPE: I noticed on this,
19 Mr. Coffman, am I correct, that the customer charge
20 is not increased in your proposals?

21 MR. COFFMAN: Yes.

22 CHAIR LUMPE: So when I had asked the
23 other day for something that what would it be if
24 there was no increase to customer charge, I would
25 find that on here from you?

1 MR. COFFMAN: Yes.

2 CHAIR LUMPE: Thank you.

3 JUDGE THOMPSON: Mr. England?

4 MR. ENGLAND: That's a nice segway into a

5 late-filed exhibit that I believe Chair Lumpe had

6 asked us to prepare. I have copies of our analysis

7 with only a 10 percent increase in the customer

8 service charge, and a no increase in customer

9 service charge. And if you would like to mark

10 those at this time, I'd be happy to --

11 JUDGE THOMPSON: Please.

12 MR. ENGLAND: -- distribute them as well.

13 JUDGE THOMPSON: This will be Exhibit

14 No. 79. And how would you describe this?

15 MR. ENGLAND: This will be the -- I guess

16 the Company's analysis -- comparative analysis of

17 rates under the 10 percent increase to customer

18 service charges.

19 JUDGE THOMPSON: Great. Thank you. And

20 once again, we will not consider the receipt of

21 this exhibit into the record until tomorrow so that

22 all the parties have an opportunity to review them

23 with their experts and formulate any objections

24 they might have. This will be Exhibit 79.

25 (EXHIBIT NO 79 WAS MARKED FOR

1 IDENTIFICATION BY THE REPORTER.)

2 JUDGE THOMPSON: Mr. Coffman?

3 MR. COFFMAN: Yes. While we're marking

4 exhibits, I have another item to mark.

5 MR. ENGLAND: Can we -- before Mr. Coffman

6 inserts it, I have got the second analysis, which

7 is the zero increase or have you already marked

8 his?

9 JUDGE THOMPSON: No, I haven't marked

10 his. Why don't you bring your second one up, and

11 we'll make that 80.

12 JUDGE THOMPSON: First one was it

13 10 percent, Mr. England?

14 MR. ENGLAND: Correct.

15 JUDGE THOMPSON: So this is the zero

16 percent?

17 MR. ENGLAND: Yes.

18 JUDGE THOMPSON: Very well. This will be

19 Exhibit 80.

20 (EXHIBIT NO. 80 WAS MARKED FOR

21 IDENTIFICATION BY THE REPORTER.)

22 JUDGE THOMPSON: And what is this, the

23 missing page?

24 MR. COFFMAN: Yes.

25 JUDGE THOMPSON: I guess what I'm asking

1 is, this is the page that is identical at both of
2 the public hearings?

3 MR. COFFMAN: No. St. Joseph.

4 JUDGE THOMPSON: This is the St. Joseph
5 missing page?

6 MR. COFFMAN: Yes. This is the page that
7 Mr. Fischer wanted as the page that had to be torn
8 out at the last minute.

9 JUDGE THOMPSON: But only at the
10 St. Joseph?

11 MR. COFFMAN: Yes. If you'll notice, the
12 first sentence on the last paragraph states that,
13 Under Public Counsel's recommendation, the water
14 rates in the St. Joseph area would remain the
15 same. That's clearly inaccurate. We didn't want
16 inaccurate information going out and that's why --

17 JUDGE THOMPSON: Did you give three of
18 these to the reporter?

19 MR. COFFMAN: Yes.

20 JUDGE THOMPSON: This is Exhibit 81, the
21 St. Joseph missing page.

22 (EXHIBIT NO. 81 WAS MARKED FOR
23 IDENTIFICATION BY THE REPORTER.)

24 JUDGE THOMPSON: Does anyone else have
25 anything they would like to mark?

1 MR. ENGLAND: Your Honor?

2 JUDGE THOMPSON: Yes, sir?

3 MR. ENGLAND: Can I inquire of Public

4 Counsel on their 78? My understanding is, and I

5 think I heard John say, that there was no increase

6 in the customer charge in their exhibit?

7 JUDGE THOMPSON: I believe that was his

8 response to Chair Lumpe.

9 MR. COFFMAN: That's the first assumption

10 listed on each page.

11 MR. ENGLAND: And for my own information

12 is the -- does the St. Joseph district section,

13 whatever you want to call it here, the top one,

14 does the -- where it says, Staff revenue

15 requirement OPC's final rate, middle column, does

16 that reflect first year phase-in or total revenue

17 requirement or rates after phase-ins and

18 phase-downs?

19 MR. COFFMAN: As we understood the

20 request, we were to show the rates after the final

21 phase-in.

22 COMMISSIONER DRAINER: So it would be

23 phase-in and phase-downs, correct?

24 MR. COFFMAN: Yes. All phase adjustments

25 up and down.

1 MR. ENGLAND: Thank you.

2 JUDGE THOMPSON: Are we ready now for
3 questions from the Bench for Mr. Hubbs?

4 In that case, Chair Lumpe?

5 QUESTIONS BY CHAIR LUMPE:

6 Q. Mr. Hubbs, do I read your testimony
7 correctly that you very much focus on the cost
8 causer, that that is sort of a writing philosophy
9 behind your position?

10 A. Yes, ma'am.

11 Q. Would you agree that there are various
12 common costs, whatever they may be, that bring
13 efficiencies and that should be distributed on a --
14 in order to get those efficiencies?

15 A. Yes. Those common costs have been
16 allocated to districts.

17 Q. All right. So that is part of -- you do
18 agree with there are various common costs that are
19 distributed to the districts?

20 A. Yes. Our accounting staff did that. What
21 I did was take those costs, allocated costs, those
22 common costs that they had allocated to districts
23 and then spread it to the classes.

24 Q. All right. Would you point me to -- are
25 there specific schedules in your schedules here

1 that would show me what you have considered to be
2 the common costs? Would you do --

3 A. No, ma'am. It would be in the accounting
4 records, is where they would be.

5 Q. Not in any of these -- not in this
6 schedule?

7 A. That's correct. I took the total costs
8 allocated per district and just put it by class. I
9 believe Mr. Gibbs is probably the one --

10 Q. That might show me schedules where these
11 are the various items that are common costs?

12 A. That's correct.

13 Q. All right.

14 A. They may be in some of the accounting
15 schedules that have been filed already. I am not
16 sure, because I did not look at specifically on
17 what everything was filed.

18 Q. Would he be the one I would also ask
19 whether he had any differences with Mr. Stout's set
20 of common costs?

21 A. Yes, ma'am.

22 Q. Okay. So you allocated the common costs,
23 and then you looked at district specific costs,
24 would you tell -- no?

25 A. No. I took the allocated district costs,

1 which include the direct costs and the allocated
2 costs, and I took that total amount to the district
3 and then spread it among the classes within that
4 district.

5 Q. Would you tell me what you included in
6 that first set?

7 A. I included that the cost of service that
8 accounting had filed and given me.

9 Q. So you basically just took numbers from
10 accounting, put them together and came up with the
11 costs --

12 A. Then I spread it to the classes.

13 Q. Cost of district and then spread it to the
14 classes?

15 A. Yes, ma'am.

16 Q. Okay. And you are recommending a phase-in
17 also?

18 A. That's Mr. Rackers who --

19 Q. That's Mr. Rackers.

20 A. -- who speaks to the specific phase-in.

21 What my testimony basically does is give the
22 Commission a district-specific allocation to the
23 classes of those costs.

24 Q. All right. So if I wanted to discuss the
25 common costs, I should talk to Mr. Gibbs. If I

1 want to discuss the phase-in, I should talk to
2 Mr. Rackers, right?

3 A. I believe that's true. Mr. Rackers may --
4 yes, that's true.

5 CHAIR LUMPE: Thank you, Mr. Hubbs.

6 JUDGE THOMPSON: Thank you, Chair Lumpe.

7 Vice Chair Drainer?

8 QUESTIONS BY COMMISSIONER DRAINER:

9 Q. Good afternoon.

10 A. Good afternoon.

11 Q. First let me compliment you on the very
12 extensive schedule that you put together, and I
13 basically am referring to your schedules to your
14 rebuttal testimony and --

15 A. Thank you.

16 Q. -- I believe they are a wealth of
17 information by district and on rates. And I want
18 to make sure that I understand some of these
19 schedules. So I would like to start with the
20 Brunswick district, which would be the first group
21 or district that you analyzed. On your schedule
22 2-1, to clear up a question we had this morning,
23 you have it broken down by the classes. And can I
24 ask, are these the current classes of the water
25 company? Do they have it broken out by

1 residential, commercial, industrial?

2 A. No, they do not. They have a single
3 tariff, which applies to all classes and to all
4 districts.

5 Q. So because of the class cost of service
6 study, it's being broken out into the six classes?

7 A. Yes, ma'am.

8 Q. And so to answer a question we had this
9 morning, could you tell us what is considered other
10 public authority classes?

11 A. Yes, ma'am, I can. Other public
12 authorities includes city hall, city utilities,
13 street departments, school districts, municipal
14 facilities like pools and arenas and state and
15 federal facilities, office buildings, prisons.

16 Q. Very good. Thank you very much.

17 Now, with respect to your rate design, if
18 I were to go back to your schedule 3 on Brunswick,
19 and I still am on the same rebuttal schedules.

20 A. Yes, ma'am.

21 Q. Would these rates be the rates that would
22 be in place based on your late design proposal?

23 A. Yes. That's with the estimated amount of
24 the St. Joe and with the adjustments that occurred
25 during the prehearing conference, and this does not

1 incorporate the reduction supported by Mr. Merciel.

2 Q. Only the access?

3 A. That's right. So these need to be
4 trued-up, but it ought to be pretty representative
5 of where we will be.

6 Q. What was the -- your revenue requirement
7 that you based it on, approximately?

8 A. For the Brunswick district?

9 Q. For these rates. In total. You say it's
10 not the true-up, so is it very close to the
11 Company's original revenue requirement?

12 A. That is correct. Without the reduction
13 proposed by Mr. Merciel.

14 Q. And that would be what the other parties
15 have given me the same revenue requirement that you
16 used, so theirs wouldn't have that true-up in it
17 either?

18 A. That's correct.

19 Q. It is your position that this Commission
20 should adopt the policy of cost causer ratepayer if
21 a class of service for an area generates a certain
22 rate cost, they should have to -- the ratepayer
23 should have to recover that?

24 A. I think that's been the primary drive
25 now. In ratemaking, the Commission has in the past

1 and all Commissions that I'm familiar with, taken
2 into other considerations and modified because of
3 customer impacts, political influence, other
4 influences.

5 Q. But your proposal here is basically based
6 on that policy or philosophy?

7 A. That's correct.

8 Q. So if we were to adopt your rate design
9 proposal for Brunswick, to get back to the
10 schedule, for a user of 6,000 gallons a month, they
11 would go from \$17.66 to \$62.32?

12 A. Yes, ma'am.

13 Q. Do you think that would be a just and
14 reasonable rate for the customers to pay?

15 A. It recovers the cost that is being
16 incurred by the Company to provide service to.

17 Q. I understand that. If you lived in
18 Brunswick and you currently were paying \$17.67 a
19 month, and you received a bill for \$62.32 a month,
20 do you believe that you would think that was a just
21 and reasonable rate?

22 A. No, ma'am. I would be very upset.

23 Q. Thank you. Now, I need to understand
24 about the four blocks of service that are currently
25 in place. Despite the class, if they use a certain

1 volume, they pay that rate per unit of water
2 whether it's gallons or ccfs depending on the
3 district.

4 Is your proposal still going to have the
5 four blocks?

6 A. Yes, it is. It will maintain the
7 declining balance, the declining block methodology.

8 Q. Because, I guess I got confused the other
9 day, because I thought I heard somebody say you
10 would only have one block?

11 A. They misspoke.

12 Q. Did you hear that?

13 A. Yes. And they corrected that from a
14 question from our counsel.

15 Q. Okay. Well, I appreciate knowing that.
16 So you will still have the four blocks. And if we
17 were to look at --

18 A. The residential customers themselves will
19 never reach the second block.

20 Q. Right. Is that one point -- is that
21 1,900,000 gallons in the second block? Now that I
22 have someone on the stand that can tell me that.
23 Let me tell you what I had, and you correct me if
24 I'm wrong, please. I had that the first block
25 really goes up to the first 100 M gallons, so I'm

1 assuming that goes up to 100,000 gallons; is that
2 correct?

3 A. I'll have to -- I do not have anything in
4 front of me. I've got it in ccfs.

5 JUDGE THOMPSON: Can you say what you're
6 looking at for the record?

7 COMMISSIONER DRAINER: My notes. I'm
8 sorry.

9 BY COMMISSIONER DRAINER:

10 Q. But it is in one of the testimony.

11 A. One second. I think I may have it. Yes.
12 If you look on Brunswick schedule WRH 2-6 up to my
13 rebuttal testimony --

14 Q. And the schedules that we were just
15 looking at?

16 A. That's correct.

17 Q. Please give me the schedule again, 2-6?

18 A. I tell you, since we're talking about --

19 Q. There it is.

20 A. -- residential, probably 2-4 would be the
21 best.

22 Q. Great. So is the first block, is that
23 100,000 where it has 100 M gallons, are we talking
24 100,000?

25 A. Yes. Uh-huh.

1 Q. So the second block, which we would not
2 expect a residential ratepayer to ever -- we're
3 getting to almost 2,000,000 gallons of water,
4 correct?

5 A. Yes.

6 Q. All right. So under your proposal and the
7 four blocks will have different rates depending on
8 the class?

9 A. Yes.

10 Q. And it will also depend on the district?

11 A. Yes.

12 Q. Okay. So can you tell me -- because I'm
13 looking at the 2-4, where you have industrial
14 customer charges, can you tell me where the average
15 industrial customer amount of load they use or does
16 it differ?

17 A. It dramatically differs because of the
18 dramatically different sizes of the -- of that type
19 of customer. We're talking about customers -- some
20 industrial customers serve from 5-inch meters and
21 up to some served by 8-inch meters, and they are
22 taken on an average of those two is probably not
23 representative of either one of their usage or
24 impacts.

25 Q. Can you tell me with respect to your rate

1 design, the percentage increase in the blocks, is
2 it a higher percentage increase in the blocks for
3 commercial or industrial or the other public
4 authorities?

5 A. If I understand your question, the
6 relationships in all the blocks remain the same as
7 far as the rate determination. The specific rates
8 that are developed --

9 Q. Right.

10 A. -- are going to be different in each one
11 because of the characteristics that are different
12 in each of the classes. That's the only way that I
13 know that you can recover a specific cost of
14 service.

15 Q. Okay. So what I can expect in looking at
16 Brunswick, for example, is the commercial
17 customers, and 2-3 when I look at the blocks, their
18 charges are higher, and if I look at 2-4 for the
19 industrial and --

20 A. They will all be different because they --
21 there is no set relationship. The only
22 relationship is that I designed rates to recover
23 the total cost of service.

24 Q. Okay. So your rate design would call for
25 a tariff with multiple rates? It would be by

1 district, and then it would be by multiple rates of
2 a different block depending on the class of
3 customer?

4 A. That's correct. That's the only way that
5 I knew to recover the cost of service from the
6 specific classes.

7 Q. Okay. I asked you about Brunswick, and
8 what would happen to the rates, but this is the
9 final rate impact. When you went through after you
10 ran your schedule threes for each of the districts,
11 and you could look at based on usage and look at
12 basic rate what an average ratepayer pays, did you
13 not think there needed to be any adjustment for a
14 district that would have an impact that could be
15 that significant such as Brunswick's that goes from
16 \$17.67 to \$62.32?

17 A. Yes, ma'am. I knew that you-all would be
18 looking at that.

19 Q. Well, what did you -- but you still
20 support that as the rate design we should accept?

21 A. That's been tempered with phase-in, but if
22 the goal of the Commission is to have the consumer
23 pay the cost that he is incurring then, yes.
24 Absent him paying it, someone else is going to pay
25 it.

1 Q. Well, have you been given any direction
2 from this Commission that it was their goal that
3 you file your testimony to have each district pay?
4 A. District specific, no, ma'am.
5 Q. So your testimony is Staff's position of
6 what the Commission should do?
7 A. Yes, ma'am. It's a recommendation.
8 Q. And Staff has moved off of single-tariff
9 pricing to district-specific pricing?
10 A. That's correct.
11 Q. And it is your position that although you
12 would note that Brunswick had over 200 percent
13 increase for its customers, that that was
14 acceptable, and would even though you yourself said
15 you don't believe that would be a just and
16 reasonable rate?
17 A. Yes.
18 Q. Okay. Do you believe there's any value in
19 having a rate design with the alternative that
20 there be the surcharge on a district such as
21 St. Joseph that has a large capital expenditure?
22 A. I do not know what -- there's validity to
23 anything that can temper some of these major
24 impacts. When you start tempering the impacts, you
25 change subsidizations. And after considering

1 everything, I think that the Commission -- all of
2 this impacts the Commission's input, what I
3 consider a lose, lose situation anyway. With
4 regard to the tremendous amount of increase that
5 has impacted this Company both on STP and
6 district-specific basis. So however -- being
7 somewhere in between straight STP or straight
8 district specific, I think is reasonable to
9 consider.

10 Q. So the alternative proposal that the
11 Commission was given by Missouri American Water
12 Company that showed a surcharge that placed the
13 financial responsibility more on St. Joe and yet
14 did not weigh as heavily on the other districts,
15 you would find that reasonable?

16 A. I personally do not think so.

17 Q. You do not think that's reasonable.
18 Okay. Tell me why.

19 A. I've always felt like personally that the
20 cost causer should pay the cost associated with it,
21 with providing the service. I know that that is
22 not what is affected in many rates. Again, I am
23 torn when I hear -- when I go to these public
24 hearings and hear people on fixed incomes scream
25 also. We're going to have a major increase. I

1 really don't know what's fair and equitable,
2 because I'm torn both ways, just as I'm sure that
3 you are on a lot of this.

4 COMMISSIONER DRAINER: Okay. Well, I
5 appreciate your answers and your thoughts. Thank
6 you very much.

7 JUDGE THOMPSON: Thank you, Vice Chair
8 Drainer.

9 Commissioner Murray?

10 COMMISSIONER MURRAY: Thank you.

11 QUESTIONS BY COMMISSIONER MURRAY:

12 Q. I think Vice Chair Drainer asked most of
13 the questions that I had for you. I do still have
14 a couple, though.

15 And one of them is that, why would it not
16 be more equitable to just do an across-the-board
17 increase for the various customer classes rather
18 than make this a class cost of service adjustment
19 that you recommended?

20 A. Most of the arguments that are for and
21 against that are whether or not you have statewide
22 rates or whether you have district-specific rates
23 which --

24 Q. Excuse me. I'm talking about the customer
25 classes within each district. I'm not talking

1 about single-tariff pricing versus district
2 specific.

3 A. I'm sorry. Could you ask me again, then?
4 I'm sorry.

5 Q. Yes. In terms of the various classes of
6 customers, why would it not be more equitable to
7 just do an across-the-board increase rather than
8 the class cost of service adjustments that you
9 proposed?

10 A. The class cost of service and adjustments
11 that I proposed are from the currently existing
12 rates. The currently existing rates do not reclip
13 or recover in any proportion that's reflected by
14 the results of my study. In other words, the rates
15 that are currently in there are collecting
16 completely different --

17 Q. For each class?

18 A. -- for each class.

19 Q. So the tables that you have put together
20 for class cost of service are not changing those
21 percentages between the classes in any way?

22 A. They are just designed to recover the
23 allocated dollars directly to that. Now, I do have
24 a schedule, schedule 4 on Brunswick WHR 4. And on
25 this schedule, I attempted to show -- if you look

1 at -- I converted them all to ccfs so you could
2 have a comparison by --

3 Q. I'm sorry. I'm not sure what schedule
4 you're on.

5 A. I'm sorry. It's WRH 4 in Brunswick.

6 Q. I just show up to 3 in Brunswick.

7 A. Is this rebuttal testimony?

8 A. No. I'm in the wrong -- I'm in direct.

9 JUDGE THOMPSON: Actually, Mr. Hubbs, it's
10 in the schedules to your rebuttal testimony?

11 THE WITNESS: Yes, it is. I'm sorry.

12 JUDGE THOMPSON: It's on the second
13 rebuttal testimony.

14 THE WITNESS: Yes.

15 BY COMMISSIONER MURRAY:

16 Q. I'll get there in a minute. I'm there
17 now. Thank you.

18 A. And on that, the far right-hand column in
19 each of the districts will contain the cost per ccf
20 of the proposed rates, and I also have the cost per
21 ccf of the old rates. And when -- basically what
22 this does, is take the total cost of service for
23 each class and divide by the number of sales, unit
24 sales to give you some relationship.

25 Q. So you are not changing the current

1 relationship between the classes in your
2 calculation?

3 A. Yes. In every case I'm changing it.

4 Q. And why are you doing that?

5 A. Because that's the only way I can recover
6 the allocated cost of service, is the relationships
7 from the -- from my study, the results of my study
8 are not in the same relationships that are
9 currently in rates, so there's going to be a
10 difference.

11 Q. And your allocations are designed to
12 recover the costs from the classes that are causing
13 the costs; is that true?

14 A. That's correct.

15 Q. And how does that -- and I'm assuming that
16 it's different in every district, but if you take
17 St. Joe, for example, how does that affect the sale
18 for resale customers?

19 A. St. Joe's sale for resale customers are on
20 St. Joe's schedule WRH-6. Are you after the total
21 percentage?

22 Q. Yes.

23 A. That would be on WRH 2-1.

24 JUDGE THOMPSON: 2-1 for St. Joseph?

25 THE WITNESS: That's correct, St. Joseph

1 schedule WRH 2-1.

2 BY COMMISSIONER MURRAY:

3 Q. And that's the 268 percent increase?

4 A. Yes, ma'am.

5 Q. And is this result that creates a very
6 large percentage for some of the larger users based
7 on the fact that you weighted the increase more
8 toward volumetric use than for customer charges?

9 A. No, ma'am. That's relatively minor. Most
10 of it has to do with -- again, I do not know what
11 was incorporated in the allocations of the last
12 case that created the existing rates, but there
13 appears to be quite a bit of difference in the
14 allocation of specific portions of costs to these
15 classes from my study and what was used to develop
16 the rates in the last rate case.

17 Q. And was your study -- were the results of
18 your study altered in any way to minimize the
19 impact to any class?

20 A. Well, the only adjustment that I made was
21 to a specific demand allocator to actually reduce
22 this classes allocation of maximum day usage, so --

23 Q. When you say --

24 A. -- it was higher than this. So that's the
25 only adjustment that I made.

1 Q. So you're referring, when you say this
2 class, to sales for resale class?

3 A. Yes, ma'am.

4 Q. And there were no adjustments made to ease
5 the impact for residential customers over what
6 their true cost of service would be?

7 A. No.

8 COMMISSIONER MURRAY: I believe that's
9 all. Thank you, Mr. Hubbs.

10 JUDGE THOMPSON: Thank you, Commissioner
11 Murray.

12 Commission Schemenauer?

13 COMMISSIONER SCHEMENAUER: Thank you, your
14 Honor.

15 QUESTIONS BY COMMISSIONER SCHEMENAUER:

16 Q. Good afternoon, Mr. Hubbs.

17 A. Good afternoon.

18 Q. Just general questions I'm trying to clear
19 up in my mind. Would you turn to your schedule to
20 rebuttal testimony for Brunswick district WRH 2-2?

21 A. Yes, sir, I'm there.

22 Q. Line 49, that block over there on the
23 left, it says first one, 100 M gallons per month.
24 I understood you to tell Commissioner Drainer that
25 was million. Is that hundred?

1 A. That was 100,000. She asked if this next
2 one was 1,900,000.

3 Q. Okay. The 100, what does the M stand for?

4 A. Thousand.

5 Q. So the first 100,000 gallons per month, is
6 that \$1.95 per what, thousand gallons?

7 A. Per M gallon.

8 Q. Per M gallon. So per thousand gallons
9 it's \$1.95 currently; is that right?

10 A. Per 100 -- per M gallon, yes. Uh-huh,
11 currently.

12 Q. So if I wanted to compute the bill for a
13 Brunswick customer using 6,000 gallons, I'd modify
14 that times six and then add the 5.90 for customer
15 charge; is that correct?

16 A. That's correct.

17 Q. And I would come up with something like
18 \$17 or \$18, am I doing it right?

19 A. Yes. Uh-huh. I have a schedule, schedule
20 3.

21 Q. For Brunswick 2-3?

22 A. Schedule WRH 3 for Brunswick.

23 Q. Okay. I think that cleared that up for
24 me. And then this schedule was based on the
25 Company's rate of return requested or the Staff's

1 rate of return recommended?

2 A. This was on Staff's rate of return. I do
3 not -- I think it was on the midpoint of Staff's
4 rate of return.

5 Q. Midpoint of Staff's rate of return. And
6 it wasn't discounted or was it for the access
7 capacity deduction that Mr. Merciel has?

8 A. No.

9 Q. That did not include that?

10 A. No, sir. It was not updated at this point
11 in time.

12 Q. And I think you responded to Commissioner
13 Drainer that you thought this was just and
14 reasonable because it was the cost to provide the
15 product delivered to the customer; is that right?

16 A. Yes, sir.

17 Q. The other question I had was on your
18 rebuttal testimony on page 14. It was questions on
19 line 11 and 12, and your answers on 13, line 13.
20 You disagreed with the ratio she used to compute --

21 A. I'm sorry. I must be on the wrong one.
22 You said my rebuttal testimony?

23 Q. Rebuttal testimony, page 14.

24 A. And the line number, sir?

25 Q. The question is on line 11 --

1 A. Okay.

2 Q. -- where you discuss the testimony. Are
3 we on the same page?

4 A. Yes, sir.

5 Q. And in line 13 you answer that you
6 disagree with her method of class allocation, the
7 adjustments she makes. Is that difference in the
8 ratio she uses, is that what you're disagreeing
9 with?

10 A. In the final ratio that she developed,
11 yes, sir, that is.

12 Q. She has the ratio based on cost rather
13 than capacity?

14 A. That's correct.

15 COMMISSIONER SCHEMENAUER: That's all I
16 have. Thank you.

17 JUDGE THOMPSON: Thank you, Commissioner
18 Schemenauer.

19 Commissioner Drainer?

20 COMMISSIONER DRAINER: Yes.

21 QUESTIONS BY COMMISSIONER DRAINER:

22 Q. Mr. Hubbs, on your rebuttal schedules, I
23 was wondering why both Parkville and St. Charles on
24 your 2-1 tables, you have a number of customers in
25 industrial is 11.96 --

1 A. Ma'am, I'm sorry. You said for
2 Parkville?

3 Q. For Parkville, uh-huh. If you look in
4 Parkville schedule 2-1. I'm sorry.

5 A. Yes, ma'am, I'm there.

6 Q. Your number of customers, you have
7 industrial 11.96 and other public authority 43 and
8 three quarters customer. I was wondering why you
9 don't have homeowners?

10 A. You will need to discuss that with the
11 accounting witness. I took the billing
12 determinants that the accounting witnesses gave me,
13 and this is -- so I could generate the revenues
14 that they incorporated in their cost of service.

15 Q. So they gave the customer numbers to you?

16 A. Yes. Uh-huh.

17 Q. Did you question these numbers with them
18 at all? You just accepted them?

19 A. I accepted them.

20 Q. And you never had any discussion with them
21 why we don't have whole numbers here?

22 A. I did question that.

23 Q. And what were you told?

24 A. That they had used what the Company had
25 built in.

1 COMMISSIONER DRAINER: Okay. Thank you
2 very much.

3 COMMISSIONER SCHEMENAUER: I have one more
4 question.

5 QUESTIONS BY COMMISSIONER SCHEMENAUER:

6 Q. I'm sorry. I omitted to ask you a
7 question, Mr. Hubbs. Back on Brunswick's schedule
8 WRH 2-2, I'll make sure I'm understanding column B
9 correctly under the meters.

10 A. Yes, sir.

11 Q. Okay. The amount 18,441, that's the
12 number of gallons times 1,000 metered to those
13 customers?

14 A. Of M gallons.

15 Q. Okay. So 18,000 times 1,000, and then
16 times \$1.95 would give me a revenue of 36,000?

17 A. It's 18,000 times \$1.95 to give you that.

18 COMMISSIONER SCHEMENAUER: Okay. Thank
19 you. I wanted to make sure I was clear on that.

20 QUESTIONS BY COMMISSIONER DRAINER:

21 Q. Stay on that schedule 2-2. In Brunswick
22 the page before, there are only 407 customers, and
23 yet on your 2-2 that Commissioner Schemenauer was
24 just discussing, there are almost 5,000 meters.
25 How do 400 customers use 5,000 meters?

1 A. Talking about 4,000 for -- what those
2 meters are is actually billings. If you divide
3 that by 12, it's 407.

4 Q. Oh, okay. So that's the charge -- okay.

5 A. I'm sorry. That is an incorrect notation,
6 meters. It's actually --

7 Q. Well, that would make sense, though, if
8 you had 400 customers and 4,800, that would be 12
9 months?

10 A. I have it automatically -- do it through
11 the program, so I know that's what --

12 COMMISSIONER DRAINER: Okay. Thank you.

13 JUDGE THOMPSON: Is that water industry
14 jargon to call bills meters?

15 THE WITNESS: No, sir.

16 JUDGE THOMPSON: That was just a mistake?

17 THE WITNESS: Yes, sir.

18 JUDGE THOMPSON: Okay. Thank you. I
19 believe Mr. Commissioner Murray has a question.

20 QUESTIONS BY COMMISSIONER MURRAY:

21 Q. I think you may have attempted to answer
22 this before, and maybe I just didn't quite
23 understand, but how did you make the determination
24 as to how much of the increase to charge to the
25 customer charge, and how much of the increase to

1 place in volumetric charges?

2 A. I accepted the Company's proposal, and
3 Public Counsel did it, too. The shift in revenues
4 of customer charges is negligible with regard to
5 total cost of dollars that we're talking about
6 here.

7 Q. So the tweaking of those numbers would not
8 be a way to arrive at a more equitable treatment to
9 all customers?

10 A. It won't touch it. What it will do is,
11 just create some interclass shifts. In other
12 words, within a specific residential class --
13 within the residential class itself, if a customer
14 uses more than another customer, he will be
15 impacted if you have the shift between the customer
16 charge and usage.

17 Q. So that if you increase the customer
18 charge, those who use less, will actually pay more
19 of the increase?

20 A. That's correct.

21 COMMISSIONER MURRAY: All right. Thank
22 you.

23 JUDGE THOMPSON: Further questions from
24 the Bench?

25 QUESTIONS BY JUDGE THOMPSON:

1 Q. Mr. Hubbs, I understand there are six
2 customer classes; is that correct?

3 A. That's correct.

4 Q. And there's four blocks?

5 A. Yes, sir.

6 Q. And all four blocks are carried through
7 all six customer classes?

8 A. That's correct.

9 Q. And the blocks are the same size in each
10 customer class?

11 A. That's correct. You probably do not need
12 all of them. Just like for the residential class,
13 I think in a couple districts, some big residential
14 customers with 2-inch meters may have reached the
15 second block.

16 Q. They are unlikely to ever reach the
17 fourth?

18 A. But they are unlikely to reach it.

19 Q. Okay. Thank you.

20 With respect to Brunswick's schedule WRH 4
21 on the right side of the page where you have cost
22 in ccf, cost per ccf, my question is just, are
23 those dollar figures? You don't have dollar signs
24 on the left side of the page.

25 A. You're talking about Brunswick's schedule

1 WRH --

2 Q. WRH 4.

3 A. Oh, 4. Excuse me.

4 Q. That's all right. On the left side you

5 have cost per M gallons. On the right side you

6 have cost per ccf?

7 A. All those figures are dollars, sir.

8 Q. All those figures are dollars. Thank

9 you.

10 Now, with respect to St. Joseph's schedule

11 WRH 4, you only show ccf. Is there some reason you

12 didn't show M gallons?

13 A. Time constraints, and I had them all

14 worked out with what was charged, and I thought I

15 would just go ahead and make them to where they

16 were comparable so you could compare the districts,

17 so I converted the M gallons to ccfs just so you

18 all could see the -- compare apples to apples on

19 the impacts.

20 Q. Okay. Thank you.

21 And my last question is on the page 8 of

22 your surrebuttal at line 14. You talk about the

23 pure peak responsibility allocation.

24 A. Yes. I am there.

25 Q. Could you define that phrase?

1 A. I believe what Ms. -- I'm talking about
2 what Ms. Hu has defined it, and I believe she has
3 defined it as a max day allocator.

4 JUDGE THOMPSON: Okay. Thank you very
5 much. Any further questions from the Bench?

6 Very well, recross based on questions from
7 the Bench, Ms. Cook?

8 MS. COOK: Just a couple, your Honor.
9 Thank you.

10 RE CROSS-EXAMINATION BY MS. COOK:

11 Q. Mr. Hubbs, I believe you testified that a
12 just and reasonable rate is one under which a group
13 of customers pays its own cost, pays the cost of
14 the service that it's receiving --

15 A. Yes.

16 Q. -- is that right?

17 Would you agree with me that there are
18 other factors that need to be considered as well in
19 the determination of whether a rate is just and
20 reasonable?

21 A. There are other factors that are
22 considered.

23 Q. Do you think they should be considered?

24 A. Some of them.

25 Q. Do you think rate shock is a valid

1 consideration among those factors?

2 A. It has been --

3 Q. Okay.

4 A. -- applied.

5 Q. Go ahead. I'm sorry.

6 A. It has been applied in the past by the

7 Commission and is valid, because they have

8 determined that.

9 Q. It is valid?

10 A. Yes.

11 MS. COOK: Okay. That's all I have.

12 Thank you.

13 JUDGE THOMPSON: Thank you, Ms. Cook.

14 Mr. Conrad?

15 RECROSS-EXAMINATION BY MR. CONRAD:

16 Q. Also just a couple things. Mr. Hubbs,

17 several of the Commissioners asked you questions

18 about the Brunswick district. Do I recall

19 correctly that you had quantified the amount of the

20 subsidy that you had recommended be transferred in

21 your recommendations to Joplin to fix -- in a way

22 to fix the Brunswick situation was \$175,000?

23 A. I didn't classify it as fixing the

24 subsidy.

25 Q. That's my characterization. I'm sorry.

1 But that was the --

2 A. Yes. That has that impact to both
3 Brunswick and Joplin.

4 Q. So without taking one side or the other of
5 the Brunswick or Joplin side of that issue, at
6 least with respect to the Brunswick side, we're
7 talking about 475, 500 meter-stroke customers and
8 \$175,000?

9 A. Yes, sir.

10 Q. Now, there's been, again, some, I think,
11 questions Vice Chair Drainer asked about the cost
12 causer and cost payer, and I believe Commissioner
13 Murray did also. I understand, Mr. Hubbs, you play
14 golf once in awhile?

15 A. I play at golf.

16 Q. If I might use that analogy, would you
17 characterize a hole that is the target of the
18 golfer in your example here as the achievement of
19 the district specific cost of service for each of
20 these districts?

21 A. That is the goal that I have, yes.

22 Q. Right. And like the golfer who is,
23 perhaps, extremely fortunate, you might be able to
24 achieve that goal with only one stroke. You and I
25 probably would call that an Ace. Some others might

1 take more than one stroke, perhaps, two or three,
2 depending on the length of the hole that you had to
3 traverse. Would you agree with my analogy so far?

4 A. Yes.

5 Q. But in all of those examples, at least
6 insofar as your experience is concerned as a
7 golfer, the goal is still to get the little white
8 ball in the hole?

9 A. That's correct.

10 Q. And also Commissioner Murray asked you a
11 question about adjustments that you had made in
12 your study, and I believe she used the term -- or
13 she was asking you to clarify that no adjustments
14 had been made for residential customers, and then
15 she used the phrase -- and I think I got it down
16 correctly -- over what their true cost of service
17 is, closed quote. Do you remember that?

18 A. Yes, sir.

19 Q. Do you believe you have presented the
20 Commission in your various studies here with a true
21 cost of service?

22 A. District-specific basis, yes.

23 Q. On a district-specific basis, yes, sir.

24 Thank you.

25 JUDGE THOMPSON: Thank you, Mr. Conrad.

1 Mr. Curtis?

2 MR. CURTIS: No questions.

3 JUDGE THOMPSON: Thank you.

4 Mr. Deutsch?

5 RE CROSS-EXAMINATION BY MR. DEUTSCH:

6 Q. Just to clarify further, Commissioner
7 Drainer was asking you about the rather drastic
8 impact on Brunswick, which throughout the
9 proceeding has been the tail that's wagging this
10 dog. You did not include within your explanation
11 of the mitigation of that impact an explanation of
12 the fact that you are recommending in your
13 surrebuttal testimony at page 4 that the City of
14 Joplin be allocated access commodity charges from
15 Brunswick over the amount charged at the highest
16 commodity charges throughout the district; is that
17 correct?

18 A. That's correct, sir. I was erring in not
19 pointing that out.

20 Q. So as far as the implication that you may
21 have today, that you gave no consideration in your
22 proposals to mitigation of the rate shock which is
23 recognized for Brunswick, that was not completely
24 accurate, was it?

25 A. That's correct, sir. I also did not

1 mention the phase-in of Mr. Rackers had proposed.

2 Q. That's right. So would you revise that
3 testimony therefore to indicate that some
4 consideration has been given under your proposal
5 for district-specific pricing that does give
6 benefit to and subsidy to the citizens of
7 Brunswick?

8 A. Yes.

9 MR. DEUTSCH: That's all I have.

10 JUDGE THOMPSON: Thank you, Mr. Deutsch.

11 Mr. Fischer?

12 MR. FISCHER: Yes.

13 RECROSS-EXAMINATION BY MR. FISCHER:

14 Q. Mr. Hubbs, I just had a couple of
15 questions. You indicated that it was your opinion
16 the Public Service Commission is in a lose, lose
17 situation in this case?

18 A. Yes, sir.

19 Q. Is another way to say that is that there's
20 enough rate shock for everyone in this case?

21 A. Yes, sir.

22 Q. And that's true even if the Commission
23 adopts single-tariff pricing?

24 A. That's correct.

25 Q. I'd like to follow up on Commissioner

1 Murray's questions with regard to the St. Joseph
2 district, and I'd like to refer you to St. Joseph
3 schedule WRH 2-1.

4 A. Rebuttal?

5 Q. Rebuttal. I believe you talked with her
6 about that schedule a little bit.

7 A. Which one was that?

8 Q. It's the St. Joseph district WRH 2-1.

9 A. I'm there, sir.

10 Q. Okay. If the Commission wanted to know
11 what was the rate impact on the St. Joseph district
12 of going to just district-specific pricing and did
13 an across-the-board increase for the rate -- the
14 interrater classes themselves, would it be corrected
15 if I went down to the bottom of the column on the
16 right-hand side where it is 87 percent, 87.4 --
17 what is that 43 percent, that that would be the
18 number that would reflect just moving to
19 district-specific pricing without any changes in
20 the class cost shifts?

21 A. No.

22 Q. No. What does that number represent?

23 A. That incorporates also the cost of the
24 St. Joe plant.

25 Q. Well, I'm assuming that you're allocating

1 all of the costs to the St. Joe plant to the
2 St. Joe district in district-specific pricing; is
3 that correct?

4 A. Yes.

5 Q. Okay. And does this number -- what I'm
6 asking really is, if we're trying to isolate on the
7 effect of not having or doing an across-the-board
8 allocation to the classes and not doing the
9 interclass shifts that are inherent in your cost of
10 service study, but also assume that the Commission
11 adopted district-specific pricing between the
12 districts, would that 87 percent be the ballpark
13 for what it would be for St. Joseph?

14 A. I really don't believe so, because they
15 were overpaying -- St. Joe was overpaying their
16 cost of service before. I do not think that
17 there's anything in mind that's going to give you
18 that. If the total impact is about 120 percent,
19 for example --

20 A. Yes.

21 Q. -- if you can say that then, something
22 like -- I'm sorry. I just can't figure out any way
23 to --

24 Q. Let me see if I can walk you through it.
25 What you're saying is the actual impact of the

1 St. Joe plant may be 122 percent on St. Joe, but
2 because they have been subsidizing other
3 communities up till now, your numbers will take
4 that subsidy into account and then lowers the
5 overall impact to St. Joe --

6 A. That's correct.

7 Q. -- to bring it to cost of service from
8 where they were.

9 A. From the current rates.

10 Q. So my question was a little bit too broad,
11 but if the Commission would go to what you believe
12 is district-specific pricing on a
13 district-by-district basis, but did the within the
14 class on an across-the-board basis, that would be
15 consistent with your 87 percent increase for the
16 St. Joe district; is that true?

17 A. Yes. You can spread the cost either by on
18 a percentage basis or --

19 Q. And so whenever -- then we go up and look
20 at the sales for resale class, for example, on that
21 sheet, and there's a 268 percent increase. The
22 difference between that 268 percent and the 87
23 percent would reflect the fact that you're changing
24 the interclass shifts among the St. Joseph district
25 customers; is that right?

1 A. The interclass differentials between the
2 existing rates and --
3 Q. The average.
4 A. -- where we are at.
5 Q. Where we are at. Okay.
6 So if the Commission said, Let's flash cut
7 to district-specific pricing, St. Joe would
8 experience an 87 percent increase here and said
9 across the board, that would mean 87 percent
10 residential, 87 percent for all the other classes;
11 is that right?
12 A. If you did it that way, yes.
13 Q. And if the Commission says, Let's do that
14 and also adopt the class cost of service study
15 results of the Staff, that's where you get the
16 other changes here with the 268 percent increase to
17 sales for resale, and the other ones that are on
18 your far-right column; is that right?
19 A. Well, I don't really believe so. This
20 87 percent is the result of the class cost of
21 services.
22 Q. Okay.
23 A. Is that what you're saying?
24 Q. I'm trying to isolate it into two pieces.
25 The decision to go to district-specific pricing,

1 and then also the decision to adopt the Staff's
2 class cost of service that it results. Both of
3 those are inherent in your schedules; is that
4 right?

5 A. Yes. But --

6 Q. You disagree with part of my --

7 A. The computation of it, yes.

8 Q. What would, in your opinion, it be if the
9 Commission decides to adopt district-specific
10 pricing, but do the rest on an across-the-board
11 basis within the classes for St. Joe?

12 A. What --

13 Q. What would the rough percentage increase
14 be to St. Joe?

15 A. I haven't done that.

16 Q. Well, isn't it close to that 87 percent?

17 A. If that's what you choose to allocate.

18 Q. Yes.

19 A. If you're going to allocate the 87
20 percent, that's what it would --

21 Q. And on an across-the-board basis?

22 A. That's what you would get out of it.

23 Q. So is that not what the result would be in
24 your opinion if the Commission made that decision
25 to go to district-specific pricing on a district

1 basis, but not do it any class shifts?

2 A. Yes. Uh-huh.

3 Q. Okay. I think we're together.

4 A. That's mathematically.

5 Q. I think we're together.

6 And that's all of your other schedules.

7 If you wanted to know what the result would be for

8 the other districts, you would look at those

9 same -- the same schedule, WRH 2.1 for each of the

10 districts, and those same numbers would be

11 reflected on that; is that true?

12 A. The bottom right-hand number is the total

13 district allocated.

14 Q. Yes. I think we're together. Thank you.

15 One last question I had for you. You

16 discussed, I believe, with one of the

17 Commissioners, your schedule WRH 4 for St. Joe.

18 And there it shows the cost per ccf under the old

19 rates and the proposed rates?

20 A. Yes.

21 Q. I was confused by the last reference there

22 to the sales for resale where it shows it going

23 from \$.64 to \$2.36 on a per unit basis. My

24 calculator indicated that that was about a

25 368 percent increase on a per unit basis, and I

1 wondered why that was different than the 268
2 percent on the previous schedule?

3 A. I'd have to check the mathematics of it.

4 Q. Should they be the same or not or would
5 that reflect customer charge differences?

6 A. That's probably the averaging of the
7 customer charge is probably my guess, because I did
8 this on a total cost, plus there are other
9 miscellaneous revenues.

10 Q. So it might be that actually on a per unit
11 basis, we would be looking at a 368 percent
12 increase?

13 A. On average.

14 Q. On average?

15 A. Yeah.

16 MR. FISCHER: Okay. Thank you.

17 JUDGE THOMPSON: Thank you, Mr. Fisher.

18 Mr. Zobrist?

19 RE CROSS-EXAMINATION BY MR. ZOBRIST:

20 Q. Mr. Hubbs, I just wanted to confirm your
21 opinion which is that, while the Commission first
22 should make the determination of appropriate class
23 cost of service, they should then as the result of
24 that determination, modify the tariffs in the
25 result from that study to incorporate any other

1 decision that they would make regarding rates?

2 A. Yes, sir.

3 Q. And so that's why in this case you're not
4 recommending in the Brunswick case that all the
5 folks out there be sent each a bill for \$430 to
6 recover immediately that \$175,000 differential
7 between the current rates and the cost of service?

8 A. Yes, sir.

9 MR. ZOBRIST: Thank you. Nothing further.

10 JUDGE THOMPSON: Thank with, Mr. Zobrist.

11 Mr. England?

12 MR. ENGLAND: Thank you.

13 RECROSS-EXAMINATION BY MR. ENGLAND:

14 Q. Following up on a question or two from
15 Vice Chair Drainer, and then a clarification
16 elicited by Mr. Deutsch.

17 And turning your attention to your
18 schedule WRH 1 for Brunswick?

19 A. Yes, sir.

20 Q. Am I correct in understanding the total
21 cost of service by class for Brunswick is 428,000,
22 or am I just looking at one class here?

23 A. No. That's the total cost of service.

24 Q. And if I understand your testimony
25 correctly, you have proposed to recover

1 approximately \$175,000 less than that number
2 through the rates to be charged -- ultimately to be
3 charged to the Brunswick customers, correct?

4 A. Yes, sir.

5 Q. Okay. Now, conversely, and I've done some
6 rough and dirty calculations, you're proposing to
7 recover approximately 253,000 of that 428,000 from
8 the Brunswick customers?

9 A. The difference between the 428 and 175.

10 Q. And it's my understanding that you
11 wouldn't recover that 253,000 until year five of
12 your phase-in, correct?

13 A. That's correct.

14 Q. In other words, after five years of
15 phase-in, assuming nothing changes here, you're
16 still going to be \$175,000 short of your goal?

17 A. Yes.

18 Q. If district-specific pricing is your goal?

19 A. That's true.

20 Q. Or as Mr. Conrad might analogize, you're
21 only about 60 percent of the way to the hole, and
22 depending on your handicap, that could be one or
23 many more strokes, correct?

24 A. I'm a phase-in kind of guy.

25 MR. ENGLAND: That's what I thought.

1 Thank you, sir.

2 JUDGE THOMPSON: Are you done,

3 Mr. England?

4 MR. ENGLAND: Yes, I am. Thank you.

5 JUDGE THOMPSON: Thank you.

6 Redirect, Mr. Franson?

7 MR. FRANSON: No, your Honor.

8 JUDGE THOMPSON: Will we see Mr. Hubbs

9 again during this proceeding?

10 MR. FRANSON: I don't think it's planned.

11 COMMISSIONER DRAINER: He's saying no.

12 JUDGE THOMPSON: Well, just in case we

13 need you, Mr. Hubbs, you may step down, but I will

14 not excuse you.

15 THE WITNESS: Something tells me you know

16 where to find me.

17 JUDGE THOMPSON: Now, as we were beginning

18 the lunch recess, I believe that counsel embarked

19 on a discussion of some scheduling possibilities;

20 is that correct, Mr. England?

21 MR. ENGLAND: That is correct.

22 JUDGE THOMPSON: Did counsel arrive at any

23 conclusions?

24 MR. ENGLAND: No. We only discussed it,

25 your Honor.

1 JUDGE THOMPSON: Okay. Very good. And I
2 believe we're now going to hear from Mr. Harwig; is
3 that correct?

4 MR. CURTIS: That is correct.

5 JUDGE THOMPSON: Who will be conducting
6 the direct of Mr. Harwig? Mr. Curtis. Very well.

7 MR. ENGLAND: Your Honor, while
8 Mr. Harwig is getting his stuff together and
9 getting up to the witness stand, would now be a
10 good time to mark another late-filed exhibit? This
11 one was the one requested by Commissioner Murray of
12 Company Witness Jenkins.

13 JUDGE THOMPSON: Absolutely. This will be
14 Exhibit No. 82.

15 MR. ENGLAND: I guess you could call it
16 financial information at 12-31-99.

17 JUDGE THOMPSON: And as with the other
18 late-filed exhibits, we will give everyone an
19 opportunity to review this with their experts.
20 Tomorrow we will take up the issue of its receipt
21 into the record.

22 (EXHIBIT NO. 82 WAS MARKED FOR
23 IDENTIFICATION BY THE REPORTER.)

24 (WITNESS SWORN.)

25 JUDGE THOMPSON: Please be seated and

1 spell your name for the reporter, sir.

2 THE WITNESS: Ernie Harwig, H-a-r-w-i-g.

3 JUDGE THOMPSON: Please proceed,

4 Mr. Curtis.

5 ERNEST HARWIG, being first duly sworn, testified as

6 follows:

7 DIRECT EXAMINATION BY MR. CURTIS:

8 Q. State your name for the record, please.

9 A. Ernest Harwig.

10 Q. Are you the same Ernest Harwig who has

11 caused to be filed in this case direct testimony

12 and schedules, rebuttal testimony and schedules and

13 surrebuttal testimony and schedules, which have

14 been premarked Exhibits 57, 61 and 62?

15 A. Yes.

16 Q. Do you have any additions or corrections

17 to be made to that prefiled testimony?

18 A. I have some minor corrections. At page 3

19 of the testimony I filed on behalf of the

20 St. Joseph Industrial Water Users --

21 JUDGE THOMPSON: Could we have the exhibit

22 number?

23 BY MR. CURTIS:

24 Q. I don't believe we're working with that

25 one yet.

1 A. Excuse me.

2 Q. We're looking at 57, 61 and 62, only your
3 rate design testimony.

4 A. I'm sorry.

5 MR. FRANSON: And that's on behalf of all
6 the cities and --

7 MR. CURTIS: Yes. Cities and industrial.

8 THE WITNESS: On page 10 --

9 BY MR. CURTIS:

10 Q. Of which?

11 A. Direct testimony.

12 Q. Exhibit 57. Okay.

13 A. Yes. At line 20, column 6 should read
14 column 5.

15 JUDGE THOMPSON: What page was that, sir?

16 THE WITNESS: Page 10 of my direct
17 testimony.

18 JUDGE THOMPSON: Line, please?

19 THE WITNESS: Line 20.

20 JUDGE THOMPSON: Thank you.

21 BY MR. CURTIS:

22 Q. Do you have any other corrections to be
23 made to your direct testimony?

24 A. No.

25 Q. Do you have any corrections or additions

1 to be made to your rebuttal testimony, Exhibit 61?

2 A. No.

3 Q. And regarding your surrebuttal testimony?

4 A. No corrections.

5 Q. Okay. As corrected then is your testimony
6 as represented by these exhibits, true and correct
7 to the best of your knowledge and belief?

8 A. Yes.

9 Q. If you are asked the same questions here
10 today, would your answers be the same?

11 A. Yes.

12 MR. CURTIS: Your Honor, before I offer
13 these exhibits and tender the witness for cross, I
14 would like to have him identify Exhibits 68, 69 and
15 70, which were marked yesterday and handed out.
16 Mr. Harwig is the author of these, and I would like
17 to have this opportunity to have him identify and
18 explain those.

19 JUDGE THOMPSON: Proceed.

20 BY MR. CURTIS:

21 Q. Mr. Harwig, do you have a copy of
22 Exhibits 68, 69 and 70 with you?

23 A. Yes, I do.

24 Q. All right. Let's start first with
25 Exhibit 68. Can you identify this exhibit?

1 A. Yes. This exhibit is intended to
2 duplicate what has been marked as Exhibit 71, which
3 was prepared by the Office of Public Counsel in its
4 cross-examination of Company Witness Stout.

5 Q. And did you prepare Exhibit 68?

6 A. Yes, I did.

7 Q. You might want to pull your mike down to
8 you when you're speaking. Okay.

9 And what does it show?

10 A. It shows a comparison of the results of
11 the base extra capacity study. Given the
12 assumption that the coincident peak demand for the
13 residential class is 31.8 million gallons per day,
14 and it shows that the allocation of costs to the
15 residential class is higher than the system
16 coincident peak ratio.

17 Q. Okay. Let's move to Exhibit 69, can you
18 identify that?

19 A. Yes. This is a modification of OPC's
20 hypothetical example, and it assumes that the
21 non-coincident peak demand is identical to the
22 coincident peak demand. In other words, both
23 customer classes exert their peak on this system on
24 exactly the same day. And this shows in that
25 instance that the system coincident peak demand is

1 identical to the base and extra capacity demand.

2 Q. And this exhibit was prepared by you also?

3 A. Yes.

4 Q. Okay. Let's move to Exhibit 70, please
5 identify that.

6 A. This is a second modification of the
7 schedule prepared by Office of Public Counsel, and
8 this shows what I consider to be a more typical
9 example wherein the residential class demand is
10 coincident with the system peak demand. And it
11 shows that the base extra capacity method allocates
12 less total cost to the residential class than the
13 system coincident peak demand.

14 Q. And Exhibit 70 was also prepared by you?

15 A. Yes.

16 MR. CURTIS: Your Honor, at this time I
17 would move the introduction of Exhibits 57, 61, 62,
18 68, 69 and 70 and offer the witness -- tender the
19 witness for cross.

20 JUDGE THOMPSON: Thank you, Mr. Curtis.

21 Do I hear any objections to the receipt of
22 Exhibits 57, 61, 62, 68, 69, or 70? Hearing no
23 objections, those exhibits are received and are
24 made part of the record of this proceeding.

25 (EXHIBIT NOS. 57, 61, 62, 68, 69 AND 70

1 WERE RECEIVED INTO EVIDENCE AND MADE A PART OF THE
2 RECORD.)

3 JUDGE THOMPSON: Before we start
4 cross-examination, I want to clarify something. I
5 understand that this witness is testifying on
6 behalf of not only of the Municipal and
7 Industrials, but also the City of Joplin and
8 St. Joseph Industrials; is that correct?

9 MR. CURTIS: (Nods head.)

10 MR. CONRAD: (Nods head.)

11 JUDGE THOMPSON: Consequently there will
12 be no cross-examination by those sponsors?

13 MR. CURTIS: Correct.

14 JUDGE THOMPSON: Mr. Franson,
15 cross-examination?

16 MR. FRANSON: Thank you, your Honor.

17 CROSS-EXAMINATION BY MR. FRANSON:

18 Q. Mr. Harwig, do you have available in front
19 of you the testimony of Hong Hu, specifically
20 rebuttal testimony? Do you have that available?
21 Could you get that out, please?

22 A. Yes.

23 Q. And would you turn to page 14? And would
24 you tell me, Mr. Harwig, when you have arrived
25 there?

1 A. I have page 14.

2 Q. Could you just review lines 8 through 18
3 and footnote No. 1 at the bottom of the page?

4 A. I have.

5 Q. Okay. Sir, are you familiar with the
6 events that occurred in Austin, Texas in the early
7 and middle '90s?

8 A. Yes, I am.

9 Q. How is it that you're familiar with that?

10 A. I was retained as the rate consultant for
11 the Industrial Water Users Group, which
12 participated in this proceeding.

13 Q. Okay. What kind of proceeding was this?

14 A. It was a rate proceeding.

15 Q. And was it an adversarial or more of an
16 advisory capacity?

17 A. I participated in an advisory capacity.

18 Q. And who did you represent, I'm sorry?

19 A. The Industrial Water Users.

20 Q. And were you familiar with the study
21 referred to in footnote No. 1 on page 14 of the
22 rebuttal testimony of Ms. Hu?

23 A. No. I do not recall reviewing that report
24 as a part of my duties.

25 Q. Well, in the early '90s, was there a

1 decision reached by the City of Austin on their
2 rate design?

3 A. Yes, there was.

4 Q. And what kind of decision was that?

5 A. The City retained a consultant to perform
6 a cost of service study, and he utilized the base
7 extra capacity method, and the rates were designed
8 on that basis, and those were the rates voted on by
9 the city council.

10 Q. And was there any use made of this report
11 to your knowledge?

12 A. Not to my knowledge. The method advocated
13 in this report was not reflected in the design of
14 the rates that were ultimately approved by the city
15 council.

16 Q. And are you generally familiar with the
17 literature about base extra capacity method?

18 A. Yes.

19 Q. And have you ever seen any other
20 literature that we've heard to here which would
21 advocate the changes and modifications that
22 Ms. Hu recommends?

23 A. Not outside the context of water cases in
24 Missouri.

25 MR. FRANSON: Thank you very much. No

1 further questions, your Honor.

2 JUDGE THOMPSON: Thank you, Mr. Franson.

3 Mr. Coffman?

4 MR. COFFMAN: Yes.

5 CROSS-EXAMINATION BY MR. COFFMAN:

6 Q. Mr. Harwig, if I understood your testimony
7 earlier, just now you have not read the documented
8 footnoted on page 14 of Ms. Hu's rebuttal
9 testimony?

10 A. Only the portion quoted in her testimony.

11 Q. So you're not necessarily familiar with
12 the study presented or the methodology presented
13 there by Ellen Blumenthol?

14 A. I don't know that she advocates a
15 methodology in her quote. She just simply
16 complains about the methodology that was used.

17 Q. But you don't know what's in the report,
18 do you?

19 A. No, I don't. It was not provided to me at
20 the time, so I was unaware of it until it was
21 quoted in Ms. Hu's testimony.

22 MR. COFFMAN: That's all the questions I
23 have.

24 JUDGE THOMPSON: Thank you, Mr. Coffman.

25 Mr. Fischer?

1 CROSS-EXAMINATION BY MR. FISCHER:

2 Q. Very briefly, Mr. Harwig, on page 8 of
3 your rebuttal testimony at lines 18 through 20, you
4 state in that circumstance that it may be
5 preferable to increase rates across the board in
6 this case and make adjustments to the relationships
7 among individual class rates in subsequent rate
8 cases. Do you see that?

9 A. Yes.

10 Q. Is that your recommendation to the
11 Commission regarding interclass shifts in this
12 case?

13 A. Yes, it is.

14 Q. Okay. As I understand your testimony,
15 you're representing the St. Joe Industrials, as
16 well as some cities outside St. Joe?

17 A. That's correct.

18 Q. What is the position of the St. Joseph
19 Industrials regarding the Company's alternative
20 surcharge proposal?

21 A. They have not communicated to me one way
22 or the other.

23 Q. Don't have a position on that?

24 A. If they do, it hasn't been communicated to
25 me.

1 MR. FISCHER: Okay. That's all I have.

2 Thank you.

3 JUDGE THOMPSON: Thank you, Mr. Fischer.

4 Mr. Zobrist?

5 CROSS-EXAMINATION BY MR. ZOBRIST:

6 Q. Mr. Harwig, briefly, you represent three
7 of the 107 industrial users in the City of St. Joe;
8 is that correct?

9 A. Yes.

10 Q. Now, the 35 percent phase-in that you
11 refer to in your testimony, that is based upon
12 Dr. Morris's prudence opinions; is that correct?

13 A. Yes.

14 Q. If the Commission would reject
15 Dr. Morris's prudence testimony and accept the
16 Company's, would you continue to advocate a 35
17 percent phase-in or would that be proportionately
18 increased to represent the amounts that the Company
19 seeks to put in rate base?

20 MR. CONRAD: Your Honor, before the
21 witness answers that and in order to avoid what I
22 fear may be a confusion in the record and perhaps
23 in esteemed co-counsel, I think he is making
24 reference, if you are not, sir, to Exhibit 62,
25 which is Mr. Harwig's revenue requirement

1 testimony?

2 MR. ZOBRIST: Well, actually I was
3 referring to Exhibit 57 about the -- which talked
4 about the phase-in, and I think the direct
5 testimony speaks to the 35 percent phase-in. If
6 I'm in error, I'm certainly willing to be
7 corrected.

8 MR. CONRAD: It's my recollection that the
9 35 percent proposal was in the other testimony.
10 That's fine. I'll withdraw whatever it was. I
11 just wanted to be sure he wasn't looking at the
12 wrong sheet thinking that that had already been
13 offered.

14 JUDGE THOMPSON: Thank you, Mr. Conrad.

15 MR. CONRAD: Sorry.

16 JUDGE THOMPSON: Mr. Harwig -- or
17 Dr. Harwig -- excuse me -- do you recall the
18 question?

19 THE WITNESS: Yes.

20 JUDGE THOMPSON: And it's Mr.?

21 THE WITNESS: Mr.

22 JUDGE THOMPSON: Okay. Thank you.

23 Please answer the question, if you're
24 able.

25 THE WITNESS: I think I would recommend an

1 increase in the neighborhood of 35 percent in the
2 event that Dr. Morris's testimony was not accepted
3 by the Commission.

4 BY MR. ZOBRIST:

5 Q. And so how many years then would the
6 35 percent phase-in continue if the Company's
7 revenue requirement and rate base recommendations
8 were adopted by the Commission?

9 A. I'd have to make that calculation.

10 Q. Well, it essentially would double the
11 phase-in proposal that you have presented, I
12 believe, based upon Dr. Morris's calculations?

13 A. If you could give me a basis for why you
14 say double?

15 Q. It was my recollection was that
16 Dr. Morris's revenue requirement was roughly half
17 and maybe I'm wrong. I thought it was roughly half
18 of the Company's, in the area of 35 to 40 million.

19 Let me put it this way: Would it be true
20 that the 35 percent phase-in that you're
21 recommending, assuming Dr. Morris's calculation
22 would continue at least for another year past that,
23 if his recommendations were rejected and the
24 Company's were accepted?

25 A. It probably would, yes.

1 MR. ZOBRIST: That's all I have. Thank
2 you.

3 JUDGE THOMPSON: Thank you, Mr. Zobrist.
4 Mr. England?

5 MR. ENGLAND: Thank you.

6 CROSS-EXAMINATION BY MR. ENGLAND:

7 Q. Good afternoon, Mr. Harwig.

8 A. Good afternoon.

9 Q. And perhaps I'm confused, but I thought
10 you were proposing two different phase-ins. One
11 for the St. Joseph area based on recommendations of
12 Dr. Morris regarding prudence of the plan and
13 another phase-in that what I'll call a more typical
14 rate phase-in designed to address rate shock, if
15 you will, and that's where you were proposing no
16 more than a 35 percent increase in any one year?

17 A. That's correct. The first set of
18 testimony that I submitted in this case addressed
19 revenue requirements, and that was, of course,
20 based on Dr. Morris's phase-in plan. And
21 consistent with his recommendation for the first
22 phase of three phases, the rate increase was
23 35 percent associated with what he considered to be
24 appropriate for the first phase. And I adopted
25 that as a benchmark for the phase-in for the

1 non-St. Joseph districts.

2 Q. If I want to find out more about the
3 phase-in of the hypothetical renovated treatment
4 plant that Dr. Morris recommended in his testimony,
5 I need to pursue that with him?

6 A. Yes.

7 Q. Okay. But if I want to know or understand
8 your 35 percent phase-in plan designed to address
9 rate shock in other districts, you're the guy to
10 talk to, right?

11 A. Yes.

12 Q. I think I understand it. It sounds pretty
13 straight forward. If any district or any class
14 within a district, rather, experiences a rate
15 increase as a result of this case in access of
16 35 percent, you would cap that first year's
17 recovery at 35 percent; is that right?

18 A. Yes.

19 Q. And then you would pick up up to
20 35 percent in the next year and so forth until you
21 recover the full amount?

22 A. That's correct.

23 Q. Now, am I correct in understanding that
24 you have no carrying costs built into the revenue
25 deferral associated with any revenues that occur as

1 a result of that phase-in?

2 A. That's correct. There is no revenue
3 deferral calculation in the exhibit that I
4 submitted.

5 Q. Okay. Where is your exhibit, sir, on the
6 35 percent?

7 A. It would be schedule 5 RD attached to my
8 direct testimony.

9 Q. Okay. So under this scenario, total
10 revenue would be recovered no later than the third
11 year, correct?

12 A. For every district with the exception of
13 Brunswick, yes.

14 Q. Brunswick would need to continue for how
15 long, sir?

16 A. I would need to compute that.

17 Q. I'll take a ballpark.

18 A. Another two or three years.

19 Q. Now, you indicate that you have not
20 included any carrying costs in the revenue that
21 would be deferred after the first year?

22 A. That's correct.

23 Q. What's your rationale for that, sir?

24 A. I'm not taking the position that it's
25 improper to include carrying costs. I just didn't

1 include it in the exhibit. This was purposes for
2 illustration basically.

3 Q. Would you agree with me that it would be
4 appropriate to include some sort of carrying costs
5 with any revenues that are deferred?

6 A. Yes.

7 MR. ENGLAND: I think that's all I have,
8 if I may just check?

9 JUDGE THOMPSON: You may check. Unless
10 it's not subject to check.

11 MR. ENGLAND: Thank you, your Honor. I
12 have no further questions.

13 JUDGE THOMPSON: Thank you, Mr. England.

14 We'll take a 10-minute recess now.

15 (A RECESS WAS TAKEN.)

16 JUDGE THOMPSON: Questions from the Bench
17 of Mr. Harwig? Are we missing some lawyers? Well,
18 I guess if they are interested, they will be in.

19 Commissioner Murray -- here's Chair
20 Lumpe.

21 QUESTIONS BY CHAIR LUMPE:

22 Q. Mr. Harwig, I just have a couple of
23 questions. You are advocating district-specific
24 pricing, correct?

25 A. Yes, that's correct.

1 Q. All right. Common costs, however, before
2 of the Company that create the efficiencies that
3 would be allocated, you're not opposed to that?
4 A. Oh, no.
5 Q. All right. That that would be an
6 appropriate thing?
7 A. Yes.
8 Q. In other words, this could stand alone --
9 A. Oh, no.
10 Q. All right. Are you also advocating -- is
11 your testimony driven by cost causer or the cost
12 causer should pay?
13 A. Yes, ma'am, it is.
14 Q. The phase-in and as I understand are you
15 asking for a phase-in of all of the districts or
16 just some of the districts?
17 A. All of the districts.
18 Q. All of the districts. But on page 18 of
19 your testimony, I guess it's your direct, when you
20 mention specifically Brunswick, Mexico and
21 Parkville, are you saying that is even more
22 essential that phases should be done there?
23 A. Yes. To minimize the rate shock.
24 Q. All right. Do you have any comment on the
25 Company's position on the accounting difficulties

1 that phase-in brings about? Do you have any
2 comments on that?

3 A. No. I didn't take a position on that, and
4 I -- I just didn't take a position on that.

5 Q. All right. So you don't know whether
6 their discussions or concern about whether they can
7 do a phase-in and what they, in fact, could do, you
8 don't have a comment on that?

9 A. No, ma'am.

10 CHAIR LUMPE: All right. I think really
11 those are all my questions. Thank you.

12 JUDGE THOMPSON: Thank you, Chair Lumpe.

13 Commissioner Murray?

14 QUESTIONS BY COMMISSIONER MURRAY:

15 Q. Mr. Harwig, are you recommending that we
16 not do a class cost of service adjustment among the
17 various customer classes at this time?

18 A. Yes. And solely in view of the size of
19 the potential increases if -- well, for example,
20 I'm recommending that the first phase-in St. Joseph
21 be 35 percent consistent with Dr. Morris's
22 testimony. And to be consistent with that, I
23 recommended a cap of 35 percent in the other
24 districts, and that's about as much as I would feel
25 comfortable with. And to adjust the classes at the

1 same time could bring some of them substantially
2 above 35 percent.

3 Q. So yours would just be across the board 35
4 percent to each customer class for those districts
5 that were receiving a 35 percent increase?

6 A. Yes.

7 Q. And the phase-in for St. Joseph, did I
8 understand you to say you have not calculated the
9 length of that phase-in or --

10 A. I have not calculated it in the event that
11 the Commission finds that the plant is prudent, I
12 haven't made that calculation. But I've made a
13 calculation based on Dr. Morris's testimony, and
14 that consists of three phases.

15 COMMISSIONER MURRAY: Thank you.

16 JUDGE THOMPSON: Thank you, Commissioner
17 Murray.

18 Commissioner Schemenauer?

19 COMMISSIONER SCHEMENAUER: Thank you,
20 Judge.

21 QUESTIONS BY COMMISSIONER SCHEMENAUER:

22 Q. Good afternoon, Mr. Harwig.

23 A. Good afternoon.

24 Q. Dr. Morris's cost of service included the
25 Staff's recommendations for revenue requirement?

1 A. No. I believe Dr. Morris made his
2 calculations totally independent of Staff's revenue
3 calculations. Dr. Morris attempted to determine
4 what he considered to be the reasonable cost of
5 addressing the treatment problems at the St. Joseph
6 district.

7 Q. Okay. Then on schedule 5 RD to your
8 direct, Exhibit 57, you didn't have St. Joseph
9 listed on the annual increases, right?

10 A. No. The increases for St. Joseph are
11 shown in --

12 Q. I think you're showing 122 percent overall
13 on the schedule 4, aren't you, or 3 RD, under
14 district specific? Am I reading that right on
15 schedule 3 RD, page 1, St. Joseph increase under
16 district-specific revenue requirement 122.3
17 percent?

18 A. That would be the impact if the treatment
19 plant were recognized in rates immediately, and
20 recovered in the St. Joseph district.

21 Q. Okay. So if we were capping them at
22 35 percent, we'd have to recover this 122 percent
23 plus a carrying cost in the next four years?

24 A. That's not my proposal for St. Joseph.
25 And in my testimony I'm distinguishing St. Joseph

1 from the other six districts. In St. Joseph,
2 Dr. Morris and I are presenting a position based on
3 the fact that we believe the Company could have
4 solved its problems for a smaller investment
5 amount, and so the -- and that could have been
6 accomplished in three separate phases.

7 Q. Are you talking about prudence
8 disallowance, which we're not going to talk about
9 right now; is that correct?

10 A. Yes.

11 Q. Let me go back to 5 RD, and district
12 Brunswick, do you know when Missouri American Water
13 purchased that system from Missouri Cities?

14 A. I believe it was around 1995 or so.

15 Q. Okay. They evidently were underpaying
16 their -- they weren't paying their way in; is that
17 correct?

18 A. I honestly don't know. I wasn't a party
19 to the 1995 case.

20 Q. So who would I have to ask what -- if they
21 were paying their way when they purchased it, how
22 did it get so out of kilter? Do I have to ask
23 somebody from the Company?

24 A. I think they would have more detailed
25 information than I would, yes, sir.

1 COMMISSIONER SCHEMENAUER: Okay. Thank
2 you. That's all I have.

3 JUDGE THOMPSON: Thank you, Commissioner
4 Schemenauer.

5 Further questions from the Bench?

6 Hearing none, recross based on questions
7 from the Bench, Mr. Franson?

8 MR. FRANSON: No questions, your Honor.

9 JUDGE THOMPSON: Mr. Coffman -- or
10 Ms. Cook? Excuse me.

11 MS. COOK: No, your Honor.

12 JUDGE THOMPSON: Mr. Fischer?

13 MR. FISCHER: None, your Honor.

14 JUDGE THOMPSON: Mr. Zobrist?

15 MR. ZOBRIST: No questions.

16 JUDGE THOMPSON: Mr. England?

17 MR. ENGLAND: No, thank you.

18 JUDGE THOMPSON: Mr. Curtis, redirect?

19 MR. CURTIS: Yes.

20 REDIRECT EXAMINATION BY MR. CURTIS:

21 Q. I believe Mr. England was asking you about
22 the Brunswick increases, Mr. Harwig?

23 A. Yes.

24 Q. In your opinion, would it be acceptable
25 for the Commission to attempt to ameliorate the

1 situation on a rate shock in Brunswick that would
2 be caused by DSP application for that district?

3 A. Yes. I presented one possible alternative
4 here where the increases would be placed on
5 Brunswick at the rate of 35 percent a year on a
6 cumulative basis. Another possibility is to have
7 that absorbed by the other districts, but the
8 impact on, say, the average residential bill would
9 be fairly minimal.

10 Q. Well, we've heard the figure of \$175,000
11 that, I believe Mr. Hubbs and Staff are
12 recommending to be ameliorated from Brunswick on a
13 district specific to perhaps Joplin?

14 A. Yes.

15 Q. What you're suggesting is the Commission
16 within its ambit of discretion could make that
17 applicable across all the districts?

18 A. Yes.

19 MR. ENGLAND: Objection. Form of the
20 question. Leading. And, second, I believe we're
21 getting outside the scope of cross-examination and
22 to additional direct.

23 JUDGE THOMPSON: Mr. Curtis?

24 MR. CURTIS: No. I think Mr. England
25 asked about Brunswick and the rate shock, and I

1 think this is an attempt to -- and I believe
2 Commissioner Schemenauer did, too.

3 JUDGE THOMPSON: I believe that --
4 Mr. England?

5 MR. ENGLAND: I'm sorry. I simply asked
6 how long it would take under his 35 percent
7 proposal to recover the increased Brunswick. Now,
8 I believe I understand Mr. Harwig to be enunciating
9 or articulating another compromised position that
10 he is not here for or been disclosed in any of his
11 written testimony.

12 JUDGE THOMPSON: I believe the question is
13 within the acceptable scope. However, I will
14 sustain the form of the question objection.

15 Please rephrase your question.

16 MR. CURTIS: Thank you.

17 BY MR. CURTIS:

18 Q. Do you believe, Mr. Harwig, that it's
19 within the discretion of this Commission to look at
20 the Brunswick rate shock situation and take
21 appropriate measures which could be spread across
22 all districts?

23 A. Yes.

24 Q. Okay. And would that figure be limited to
25 175,000?

1 A. Well, the \$175,000 figure stems from
2 Mr. Hubbs's testimony.

3 Q. If, for instance, the Commission wanted to
4 make it \$200,000 in relief, they could do that?

5 A. Yes.

6 Q. Now even though that might be a subsidy,
7 would that be an acceptable subsidy even under DSP?

8 A. I think so. Brunswick is by far the
9 smallest district and perhaps, you know, should not
10 be in and of itself determinative of the overall
11 rate relief or rate design ordered in this case
12 because it is -- as I said in my testimony, it's
13 atypically small, so any rate relief granted to
14 that district would not have been an appreciable
15 impact on monthly bills.

16 Q. If the Commission were to spread a relief
17 of \$200,000 from Brunswick to the entire districts,
18 have you done a calculation to figure out what it
19 would be on an average residential bill?

20 MR. ENGLAND: Objection.

21 JUDGE THOMPSON: Objection is?

22 MR. ENGLAND: I think this is clearly new
23 testimony.

24 JUDGE THOMPSON: Mr. Curtis?

25 MR. CURTIS: We're continuing to explore

1 the Brunswick situation, which has been inquired
2 about from two sources.

3 JUDGE THOMPSON: I will permit this to go
4 on for a little bit.

5 MR. CURTIS: Thank you. And that's really
6 all it will be.

7 BY MR. CURTIS:

8 Q. Have you done that calculation?

9 A. Yes. It's roughly 10 to 12 cents a month.

10 Q. Per residential customer?

11 A. Per residential customer.

12 Q. Now, you are recommending, I believe, a
13 three-year phase-in to be capped at 35 percent for
14 those districts that might exceed 35 percent?

15 A. Yes.

16 Q. Why did you pick three years as opposed to
17 five years or a longer period?

18 A. I thought that that would reasonably
19 balance the ability to recover prudently incurred
20 expenses on the one hand with rate shock on the
21 other.

22 Q. And I believe you've already indicated
23 that while you did not include carrying costs in
24 those phase-in numbers, they would be appropriate
25 and could be added by the Commission?

1 A. Yes.

2 Q. Commissioner Schemenauer also asked you
3 regarding your phase-in for St. Joe, and let me ask
4 you where, Mr. Harwig, is that phase-in for St. Joe
5 shown in your testimony?

6 A. It's shown in my direct testimony
7 presented on behalf of St. Joseph Industrial Water
8 Users.

9 Q. And what exhibit number has that been
10 assigned, do you know? Would you accept 64?

11 A. Yes.

12 Q. And you are not here to -- Exhibit 64 has
13 not yet been identified by you in your testimony
14 here?

15 A. That's correct.

16 Q. That will be later identified and defended
17 by you --

18 A. Yes.

19 Q. -- later in these proceedings?

20 A. Yes.

21 MR. CURTIS: Thank you. I have nothing
22 further.

23 JUDGE THOMPSON: Thank you, Mr. Curtis.

24 I believe we will be hearing from you
25 again, Mr. Harwig. You may step down.

1 Who is the next witness?

2 MR. FRANSON: Steve Rackers, your Honor.

3 JUDGE THOMPSON: Mr. Rackers?

4 (WITNESS SWORN.)

5 JUDGE THOMPSON: Please take your seat and

6 spell your name for the reporter, if you would,

7 sir.

8 THE WITNESS: Steven Rackers,

9 R-a-c-k-e-r-s.

10 MR. FRANSON: May it please the

11 Commission?

12 JUDGE THOMPSON: Yes, Mr. Franson, please

13 proceed.

14 MR. FRANSON: Thank you, your Honor.

15 STEVEN RACKERS, being first duly sworn, testified

16 as follows:

17 DIRECT EXAMINATION BY MR. FRANSON:

18 Q. Sir, please state your name.

19 A. Steven M. Rackers.

20 Q. Sir, how are you employed and in what

21 capacity?

22 A. I'm employed with the Missouri Public

23 Service Commission in the Accounting Department.

24 Q. Sir, did you prepare prefiled testimony in

25 this case?

1 A. Yes, I did.

2 Q. And, I believe, those have been premarked
3 as Exhibits 52, 53 and 54?

4 A. I'm not aware of the numbers, but --

5 Q. Would you accept those numbers, though?

6 A. Which is direct?

7 Q. Direct is 52, and rebuttal is 53,
8 surrebuttal is 54.

9 A. Okay.

10 Q. Did you, in fact, prepare the direct,
11 rebuttal and surrebuttal testimony?

12 A. Yes.

13 Q. Sir, do you have any corrections starting
14 with your direct testimony?

15 A. Yes, I do.

16 Q. And what would that be?

17 A. Page 12, lines 10 -- the sentence begins
18 on line 10 and ends on line 11. At the end of the
19 sentence you should add the words "on a total
20 Company basis".

21 Q. Sir, do you have any other corrections to
22 your direct testimony?

23 A. No.

24 Q. Do you have any corrections to Exhibit 53,
25 your rebuttal testimony?

1 A. No.

2 Q. Do you have any corrections to Exhibit 54,

3 your surrebuttal testimony?

4 A. Yes. Page 5, line 5.

5 Q. Yes, sir, what would the corrections be?

6 A. The word "general" should be "deferral".

7 Q. Do you have any corrections --

8 JUDGE THOMPSON: Excuse me. The word

9 general should be what?

10 THE WITNESS: Deferral.

11 JUDGE THOMPSON: Deferral. Thank you.

12 THE WITNESS: Page 6, lines 12 and 13,

13 with the words cost of service to be consistent

14 with how it's discussed on the rest of that page,

15 should be changed to revenue requirement.

16 BY MR. FRANSON:

17 Q. Do you have any other corrections in your

18 surrebuttal testimony, sir?

19 A. No.

20 Q. Okay. Are the answers in your testimony

21 true and accurate to the best of your knowledge and

22 belief?

23 A. Yes, they are.

24 Q. And if I were to ask you the same

25 questions today as are contained in your testimony,

1 would your answers be the same?

2 A. Yes, they would.

3 Q. Sir, as part of your testimony, did you
4 prepare any of the -- and are you sponsoring any of
5 the Staff accounting schedules?

6 A. Yes, I am.

7 Q. And is that listed at pages 2 and 3 of
8 your direct testimony?

9 A. Yes, it is.

10 MR. FRANSON: Your Honor, at this time I
11 offer into evidence Exhibits 52, 53 and 54, and
12 tender the witness for cross-examination.

13 JUDGE THOMPSON: Thank you, Mr. Franson.

14 Do I hear any objections to the receipt of
15 Exhibits 52, 53 and 54?

16 MR. ENGLAND: Your Honor?

17 JUDGE THOMPSON: Sir?

18 MR. ENGLAND: I don't have any objections
19 at this time, but I would only ask that consistent
20 with the way in which we handled, I believe,
21 Mr. Salser and Mr. Jenkins' testimony, who will
22 also reappear on subsequent issues, that you
23 reserve ruling on their admission until after
24 Mr. Rackers discussed his -- completed his
25 examination on all issues.

1 JUDGE THOMPSON: I see. There's more than
2 one issued covered?

3 MR. FRANSON: Actually, yes, your Honor,
4 there are. And, in fact, there's several issues,
5 and we'll only be offering Mr. Rackers at this time
6 on the phase-in issue.

7 JUDGE THOMPSON: I think to be consistent
8 that it would be best to do as Mr. England
9 suggests, and why don't you offer these exhibits
10 when you are finished with Mr. Rackers.

11 MR. FRANSON: That's fine.

12 JUDGE THOMPSON: Thank you.

13 Turning then to cross-examination,
14 Mr. Coffman?

15 MR. COFFMAN: Thank you very much.

16 CROSS-EXAMINATION BY MR. COFFMAN:

17 Q. Good afternoon, Mr. Rackers.

18 A. Good afternoon.

19 Q. There's a difference in the way in which
20 you recommend a phase-in and the way that
21 Mr. Trippensee recommends a phase-in for the Office
22 of Public Counsel?

23 A. For the St. Joseph plant.

24 Q. That's my understanding. And at least one
25 of the differences or main difference, as I

1 understand it, and you can correct me if I'm wrong,
2 that your -- well, both phase-in recommendations
3 would allow the Company a certain amortization for
4 carrying charges for the deferral of revenues that
5 would be needed in order to phase-in the revenue
6 requirement?

7 A. You would accumulate carrying charges, and
8 then they would be amortized.

9 Q. Okay. Now, your phase-in recommendation,
10 though, doesn't recognize any reduction in the
11 rates at the year in which those carrying charges
12 would actually be paid off, do they?

13 A. No. I've calculated it, but I haven't
14 recommended that.

15 Q. And what is your reason for not
16 recommending that the rates subsequently decrease
17 at the appropriate year when the carrying charges
18 have been paid off?

19 A. Well, I think I discussed that in my
20 surrebuttal testimony.

21 Q. And that one on pages 6 and 7 of your
22 surrebuttal, wouldn't it, that is Exhibit 54?

23 A. Yes.

24 Q. And is it true that you state there on
25 lines 3 through 5 that this is your recommendation

1 because you will expect the Company to continue to
2 be in a construction mode, and thus its cost of
3 service will continue to increase?

4 A. I believe that's true.

5 Q. Okay. Isn't that assuming at this point
6 that there will be certain prudence used in the
7 useful expenditures that will occur in the future?

8 A. Well, I've looked at construction budgets
9 and budgeted numbers for the future. And it
10 indicates that the Company is going to continue to
11 add plant in the St. Joseph area and other
12 districts throughout the Company, so -- and there
13 were other cost increases in expense category, so I
14 have no reason to believe that this is a declining
15 cost to the Company.

16 Q. And wouldn't these rates recognize a
17 certain amount of future plant at that year in
18 which otherwise the carrying costs would go away?

19 A. I'm not sure I understood your question.
20 The phase-ins that Mr. Trippensee and I have
21 recommended only deal with first-year cost and hold
22 that cost constant. You do bill -- you do increase
23 the cost because of the carrying charges in the
24 amortizing way, but you don't take into account
25 other plant additions or changes in cost that are

1 going to occur during those five years.

2 Q. But am I understanding your testimony
3 correctly that you are not recommending that the
4 rates then decrease in the final years because you
5 are assuming that there will be other items in the
6 cost of service to other construction items that
7 you would expect to come on line, be used and
8 useful for this Company at those future points,
9 that future time?

10 A. That's one of the reasons that I haven't
11 recommended a decrease, because I think there will
12 be additional costs that would offset the
13 reduction.

14 Q. Can you be certain that that will occur?

15 A. I feel very confident that the cost of
16 service will increase.

17 Q. You don't feel that's inconsistent with
18 the Commission's practice of only allowing rates
19 based on what's used and useful and has been
20 audited and reviewed by this Commission perhaps in
21 the past?

22 A. I think what you have just discussed is
23 appropriate for rate increases. I don't know that
24 assuming that the costs aren't going to change and
25 will not offset what possibly could be a rate

1 reduction five years from now is appropriate.

2 Q. Although you have done a phase-in in a
3 different way, would you characterize
4 Mr. Trippensee's phase-in proposal as unreasonable?

5 A. No.

6 MR. COFFMAN: All right. Well, thanks for
7 clearing that up. That's all the questions I have.

8 JUDGE THOMPSON: Thank you, Mr. Coffman.
9 Mr. Conrad?

10 MR. CONRAD: We have no questions for
11 Mr. Rackers.

12 JUDGE THOMPSON: Thank you, Mr. Conrad.
13 Mr. Curtis?

14 MR. CURTIS: None here, your Honor.

15 JUDGE THOMPSON: Thank you.

16 Mr. Deutsch?

17 MR. DEUTSCH: No questions, your honor.

18 Thank you.

19 JUDGE THOMPSON: Thank you.

20 Mr. Fischer?

21 MR. FISCHER: Yes, your Honor.

22 CROSS-EXAMINATION BY MR. FISCHER:

23 Q. Mr. Rackers, in your direct testimony on
24 page 12, at line six, you say a five-year time
25 period reduces the level of the first year rate

1 increase to a significant, but not extreme level of
2 approximately 12 percent on a total company basis
3 to Missouri American Water Company, and on a
4 stand-alone basis of the St. Joseph district. Do
5 you see that?

6 A. Yes.

7 Q. I didn't find any schedule, maybe I missed
8 them, on your rate phase-in plan that shows the
9 annual rate increases that would occur in each of
10 the five years. Is there a schedule like that
11 somewhere?

12 A. I believe that I sent a workpaper schedule
13 that shows that to all the parties.

14 Q. Okay. Refresh my memory, I may have
15 missed it, what is your first year increase
16 followed by the next four years on a percentage
17 basis?

18 A. On a total company basis, it's
19 approximately 13 percent in year one.

20 Q. And year two?

21 A. 10.

22 Q. And three?

23 A. It's 10 for the next three years.

24 Q. Okay. And you say on that line on a
25 stand-alone basis to the St. Joseph district, are

1 you suggesting there would be only a 13 percent
2 increase to the St. Joseph customers?

3 A. Actually it's 14.

4 Q. 14?

5 A. Based on the recalculation that I did.

6 Q. Okay. And would it be 10 percent the
7 remaining four years?

8 A. No. The situation we have in the St. Joe
9 district is that absent the new treatment plant,
10 you would actually have a decrease in the St. Joe
11 district of about a million and a half dollars. So
12 if you phase-in the plant and then overlay that
13 cost on the already over-earning situation that you
14 have in the district, the first year percentage
15 increase is only 14.

16 Q. What's the second year?

17 A. 30.

18 Q. 30. And what's the third year?

19 A. 26.

20 Q. 26. What's the fourth year?

21 A. 22. And then 20.

22 Q. And what's the total increase during that
23 five-year period?

24 A. Well, I have it for you in dollars. Rates
25 move from -- it's \$19 million.

1 Q. \$19 million. In percentage terms is that
2 approximately, what, over 100 percent?

3 A. Yes.

4 Q. 120 percent -- 112 percent?

5 A. I didn't develop a percentage.

6 Q. Okay. If I just add up those percentages,
7 that gives me about 112 percent. That's probably
8 not correct because there's actually more than
9 that, because of the compounding. But anyway,
10 roughly 112 percent?

11 A. Okay. I'll accept that.

12 Q. Okay. I talked with Mr. Hubbs about the
13 class cost of service shifts that Staff is
14 proposing. And he told me, whenever I was talking
15 to him about my clients, the sale for resale
16 customers, that the first year there would be a --
17 I thought I understood him to say, a 26 percent of
18 the total shift that was being suggested of a 268
19 percent increase. Can you explain why that would
20 be?

21 A. That was based on a recalculation that I
22 performed where instead of phasing in the plant and
23 then overlaying it on the rest of the revenue
24 requirements of St. Joseph, we took a total revenue
25 requirement for the district and phased that in,

1 sort of using the same phase-in methodology that
2 OPC used.

3 Q. Is that what you're suggesting to the
4 Commission on a rate design, and this other plan is
5 for revenue requirements?

6 A. Well, the plan phase-in is what I
7 performed on my direct testimony. Since that time,
8 based on discussions that I've had with Mr. Hubbs,
9 we think it would probably be easier to implement
10 if you phase-in the entire revenue requirement
11 rather than the plant on top of what's on there.
12 If you do that, then that's how you get the
13 26 percent.

14 Q. Now, is that contained in testimony
15 anywhere that I can look at?

16 A. I think I said that on my surrebuttal,
17 yes.

18 Q. Why is it 26 percent in the first year?

19 A. Well, because you're phasing in the entire
20 revenue requirement of, I believe, it's 8,700,000.
21 Now, let me look. Yes, 8,700,000 on top of rates
22 that are roughly \$10 million.

23 Q. And what would be the second year, the
24 third year, the fourth year, the fifth year under
25 that proposal?

1 A. Well, the actual increase to St. Joseph, I
2 got the schedule here is, 23 percent in year one,
3 and 23 percent throughout the five years.

4 Q. 23 for each of the five years?

5 A. Right. And in year one you're phasing in
6 approximately 26 percent of that revenue
7 requirement.

8 Q. Okay. And then as far as the interclass
9 shifts go, that's how much you would take a step
10 toward getting to the interclass shift that's
11 incorporated in the cost of service study as well?
12 For example, the clients that I represent are
13 showing a 268 percent increase, and their total
14 under Mr. Hubbs's cost of service study, 26 percent
15 of that would be done the first year, 26 -- or 23
16 percent would be done the next year?

17 A. Right. The clients you're talking about
18 are sales for resale?

19 Q. Yes.

20 A. The calculation that Mr. Hubbs and I made
21 would say that your clients would get a 70 percent
22 increase, rather than the number that you mentioned
23 before.

24 Q. 70 percent the first year?

25 A. Yes.

1 Q. And what would be the second year?

2 A. I don't know.

3 Q. But a total would be the 268 percent by
4 the time we got to the end of the five years,
5 roughly?

6 A. Yes.

7 MR. FISCHER: Thanks. That's all I have.

8 JUDGE THOMPSON: Thank you, Mr. Fischer?

9 Mr. Zobrist?

10 CROSS-EXAMINATION BY MR. ZOBRIST:

11 Q. Mr. Rackers, on page 12 of your direct
12 testimony, Mr. Fischer quoted you that line
13 beginning on line 6 where you spoke of 12 percent
14 as being a significant but not extreme level of the
15 rate increase. Do you see that, sir?

16 A. Yes.

17 Q. How would you then compare a 23 percent
18 first year rate increase to 12 percent, would that
19 be considered extreme in your opinion?

20 A. Well, although it's quite a bit higher
21 than the 23, I would still call it significant. If
22 you're interested or if your proposal is to move to
23 district-specific pricing, I'm not under the
24 illusion, I don't think anybody is, that you're
25 going to have a significant increase to certain

1 classes of customers. And I think I stated in my
2 testimony that the phase-in attempts to partially
3 mitigate that. You can't mitigate it completely.

4 Q. So your phase-in program is designed to
5 provide the Commission with Staff's opinion on what
6 they should do after they have determined the
7 appropriate class cost of service for the Company?

8 A. Correct.

9 Q. And so your effort is in part to give the
10 Commission guidance on how to modify that class
11 cost of service in order to hopefully arrive at
12 just and reasonable rates?

13 A. Well, I wouldn't characterize it that
14 way. I would say my recommendation is how to
15 mitigate the impact of going to district-specific
16 pricing from STP.

17 Q. And the object of the mitigation is to
18 avoid rate shock, correct?

19 A. Correct.

20 MR. ZOBRIST: That's all I have. Thank
21 you.

22 JUDGE THOMPSON: Thank you, Mr. Zobrist.

23 It's about time to break.

24 Do you have much, Mr. England?

25 MR. ENGLAND: Yes, I do. Well, longer

1 than the three or four minutes till the breaking
2 time. I would like to make a recommendation,
3 though, for a couple of reasons. One, I would like
4 to get on with the prudence issue as quickly as
5 possible, because we do have witnesses from out of
6 town for all sides involved.

7 Secondly, I've heard some testimony here
8 today, both from Staff witness Hubbs and now
9 Mr. Rackers, regarding some percentage increases
10 and phase-ins and I'm not sure that I've seen
11 before. And my thought would be, one, at the very
12 least I'd like to see those workpapers that Mr.
13 Rackers was referring to that were previously
14 provided to the parties. I'm sure we've got a copy
15 somewhere. I didn't see them, but I know somebody
16 on our side did, but I think we're talking about
17 some new percentages.

18 If I understand correctly, the Staff is
19 changing a little bit in the way they phase-in as
20 opposed to phasing in the plant versus phasing in
21 revenue requirement. And, frankly, I'd like to see
22 that and maybe take a little bit of time to kind of
23 digest and make sure I understand what's going on
24 so that I can have some meaningful
25 cross-examination questions of this witness.

1 My suggestion would be to allow me to
2 cross-examine him when he comes back under the
3 accounting issues later in the proceeding, and we
4 just pick up with the prudence first thing tomorrow
5 morning.

6 MR. FRANSON: Your Honor, Staff has no
7 objection to that request.

8 JUDGE THOMPSON: There may be questions
9 from the Bench that the Commissioners would like to
10 take up tomorrow morning rather than wait. So I
11 believe we will --

12 COMMISSIONER SCHEMENAUER: I have a
13 request for you, Judge?

14 JUDGE THOMPSON: Yes, sir.

15 COMMISSIONER SCHEMENAUER: Could I ask the
16 Company to provide us with a historical list of
17 rates for Brunswick from date of purchase to --

18 MR. ENGLAND: Yes.

19 COMMISSIONER SCHEMENAUER: -- to 1999
20 showing either the revenue requirement and the
21 revenue collected or the rate base and the revenue
22 collected, one or the other, just so it's
23 consistent.

24 MR. ENGLAND: I think I know what you
25 want, Commissioner. I know I can give you the

1 rates. I don't know if I can give you the
2 district-specific costs in that particular rate
3 case that would match up to those rates.

4 COMMISSIONER SCHEMENAUER: Perhaps you
5 could give me the price that Missouri American
6 Water paid for Brunswick on the purchase?

7 MR. ENGLAND: We can give you a state-wide
8 price, but I'm not sure there was a price per
9 district. All five properties were bought in one
10 transaction.

11 COMMISSIONER SCHEMENAUER: So if we don't
12 know what the revenue requirement was for the past
13 five years, how would we know what it is now? I
14 don't understand.

15 MR. ENGLAND: Well, we do keep accounts by
16 plant, by expense and what have you, and we were
17 able to identify the plant specific to Brunswick,
18 and then as Commissioner Lumpe has inquired several
19 times, we take the joint and common costs of the
20 Company and allocate that to the various
21 districts. And we can develop today a cost of
22 service for Brunswick. It changes over time. I'm
23 not sure -- and if we have it in our workpapers, we
24 will more than gladly provide it to you. I just
25 don't know if we did that particular exercise in

1 the '97 case or the '95 case. That's really what
2 we're talking about is looking at those two cases.

3 COMMISSIONER SCHEMENAUER: Actually what I
4 want to see is if this is a longstanding problem
5 with Brunswick, and if it is, why is it such an
6 immediate concern that it needs to resolve right
7 today, if they are not paying their cost of
8 service. I would just like to see what their cost
9 of service was and the revenue generated for
10 whatever period you have.

11 MR. ENGLAND: We will give you whatever
12 information we can dig out of those two cases. And
13 as I said, I think we can at least show the history
14 of the rates in the Brunswick district, and I
15 believe they have actually gone down in the last
16 two cases. But whether we can tie that into a
17 district-specific cost of service that was
18 presented in those cases, that's my only
19 hesitancy.

20 COMMISSIONER SCHEMENAUER: Okay. That
21 would be fine. Thank you.

22 JUDGE THOMPSON: Yes, sir?

23 MR. FINNEGAN: Commissioner, on that note,
24 Brunswick is part of Missouri Cities. The rates
25 were much higher before STP came in, and they have

1 been receiving a substantial reduction because of
2 STP for many, many years before Missouri American
3 purchased Missouri Cities.

4 COMMISSIONER SCHEMENAUER: Okay.

5 MR. FINNEGAN: They had much higher rates
6 at one time.

7 COMMISSIONER SCHEMENAUER: So they haven't
8 been paying their way for a very long time; is that
9 what you're telling me?

10 MR. FINNEGAN: That's correct.

11 COMMISSIONER SCHEMENAUER: If I could just
12 see in this case for Missouri American Water, what
13 the history.

14 MR. ENGLAND: In my opinion, I think it's
15 just the two rate cases, the '95 and the '97, and
16 we'll dig out that information. Whatever we have,
17 we'll get it to you.

18 COMMISSIONER SCHEMENAUER: I appreciate
19 it. Thank you.

20 JUDGE THOMPSON: Thank you Commissioner.

21 At this time we will recess until tomorrow
22 at 8 a.m. Thank you.

23 (HEARING WILL CONTINUE ON FRIDAY, JUNE 9,
24 2000 AT 8:00 A.M.)

25

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