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STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION  
  
TRANSCRIPT OF PROCEEDINGS  
  
Evidentiary Hearing  
March 7th, 2018  
Jefferson City, Missouri  
Volume 17

In The Matter Of )  
Missouri-American Water )  
Company's Request For ) File No.  
Authority To Implement ) WR-2017-0285, et al.  
General Rate Increase For )  
Water And Sewer Service )  
Provided In Missouri Service) Areas )

KIM S. BURTON, Presiding  
REGULATORY LAW JUDGE

DANIEL Y. HALL, Chairman,  
WILLIAM P. KENNEY,  
MAIDA J. COLEMAN,  
COMMISSIONERS

REPORTED BY:  
AMANDA N. FARRAR, CCR  
ALARIS LITIGATION SERVICES

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1 PROCEEDINGS

2 (The hearing commenced at 8:40 a.m.)

3 JUDGE BURTON: Good morning, everyone.  
4 Today is March 7th, 2018, and let's go ahead and  
5 resume the hearing and go back on the record.

6 At this point I just want to indicate, I  
7 believe we still have the entries of appearance on  
8 record from the other parties that were filed either  
9 yesterday or the day before.

10 Mr. Steinmeier, I believe that you,  
11 though, are new as of today. Does the court  
12 reporter have your appearance for the City of  
13 St. Joseph, Missouri?

14 MR. STEINMEIER: She does, Your Honor.  
15 Thank you.

16 MR. LUMLEY: And, Your Honor, I would be  
17 new, too, and I'll get her one at a break.

18 JUDGE BURTON: Division of Energy has  
19 indicated that they will not be here this morning  
20 for the consolidation issues, but if we do happen to  
21 make it to the customer charge and the commodity  
22 charge issue this afternoon, I think they'll be  
23 entering their appearance at that time because  
24 they'll be new.

25 So, my understanding is we will begin

1 with the opening statements for the parties on the  
2 consolidation, single tariff pricing, district  
3 impacts, and offset mechanism issues, and we are  
4 going to begin, I believe, with Missouri-American.  
5 Mr. England.

6 MR. ENGLAND: Thank you, Your Honor.  
7 Judge, Commissioners, good morning. May  
8 it please the Commission:

9 I'm Trip England. I'm representing the  
10 water company. I guess first, before I begin my  
11 opening, I'll note that prior to the hearing we  
12 marked an exhibit that the Company and Staff have  
13 worked on. For lack of a better description, I  
14 would call it a rate comparison schedule showing the  
15 impacts of the proposed revenue requirement  
16 stipulated amount on the various classes of  
17 customers depending on the rate design that's  
18 chosen. Now, I need to qualify that. Since it's a  
19 Company-Staff effort, it just compares the Staff's  
20 position, which as you probably know, is to sort of  
21 maintain the existing three districts; or the  
22 Company's position, which is to consolidate to one  
23 district. In addition, there is an issue to be  
24 heard later in the process relating to the customer  
25 charge. Staff's position is to maintain the

1 existing customer charges. The Company has a  
2 proposal to reduce those in order to facilitate its  
3 conversion from quarterly to monthly billing in the  
4 St. Louis district.

5 So, when you overlay or intermix all of  
6 this, there's sort of four scenarios. There's  
7 maintain three districts, maintain existing customer  
8 charge. Consolidate all districts, maintain  
9 existing customer charge. Maintain three districts,  
10 lower customer charge. Consolidate all districts,  
11 lower customer charge. And they all have varying  
12 impacts as this 11-page exhibit will demonstrate.

13 Our first witness is Mr. Jenkins. He's  
14 conservant with that exhibit and can probably answer  
15 questions on there better than I can, but when I'm  
16 through here, I'd be happy to answer to the best of  
17 my ability.

18 In Missouri-American's last rate case  
19 the Commission authorized the consolidation of  
20 approximately 19 districts into three districts or  
21 zones based on the Staff's recommendation in that  
22 case. The Commission stated that the needs of the  
23 customers must be met no matter where they happen to  
24 live or how recently the Company's infrastructure in  
25 the area was installed or replaced. The Commission

1 found that consolidated pricing will share the costs  
2 of providing needed services among a larger group of  
3 customers making the cost of service more affordable  
4 for all. The Commission also noted that  
5 consolidation will limit rate shock when new  
6 infrastructure must be installed in the district  
7 with a small population, and that consolidation will  
8 promote or facilitate the acquisition of small  
9 troubled systems.

10 The Commission acknowledged that while  
11 consolidation averages rates and that in the short  
12 term some customers may pay more or some will pay  
13 less, over the long term the effects of  
14 consolidation will even out across the state.

15 As the Commission is aware, its decision  
16 was appealed in the last case and the Missouri Court  
17 of Appeals issued its decision affirming the  
18 Commission's consolidation efforts in all respects.  
19 The court found that the Commission had the lawful  
20 authority to consolidate rates and that the  
21 Commission's plan in that case was reasonable based  
22 upon the record before it.

23 The Commission also signaled in its last  
24 case an interest in looking at full consolidation or  
25 what's sometimes called single tariff pricing,



1 calling it an attractive option and inviting the  
2 parties to examine single tariff pricing in  
3 Missouri-American's next rate case.

4 Well, this is that next rate case and  
5 Missouri-American has proposed full consolidation of  
6 its three districts in this case. Specifically, the  
7 Company initially proposed its single statewide rate  
8 for its residential, small commercial and industrial  
9 customers and public -- excuse me, other public  
10 authorities, all of which are grouped in its rate A  
11 classification. Initially, the Company proposed two  
12 rates for its rate B customers, which are sale for  
13 resale, Mr. Dority's clients, the public water  
14 supply districts would fall into that  
15 classification; and rate J, large industrial, which  
16 I believe Mr. Mills' customers -- or excuse me,  
17 clients would fall into that rate classification.

18 The Company proposed two rates: one for  
19 district one, which is the St. Louis area or zone;  
20 and another rate for districts two and three. At  
21 the time they filed the rate case because they felt  
22 like moving to a statewide rate at that time based  
23 on a \$369 million revenue requirement was a bit of a  
24 jump and, so, they proposed this two-rate structure  
25 to implement full consolidation in the rate B and

1 rate J classifications as a gradual step to get  
2 there.

3 As the Commission is aware, we now have  
4 a stipulation on revenue requirement at  
5 \$318 million, approximately 50 million less than the  
6 filed case, and the Company feels that with that  
7 reduction in revenue requirement that it is not as  
8 large a step to consolidate rate J and rate B on a  
9 full -- on a statewide basis. So, that's what you  
10 will see in the exhibit that we've handed out.

11 In short, Missouri-American believes  
12 that the reasons the Commission articulated in favor  
13 of its decision to consolidate Missouri-American's  
14 19 districts into three districts in the last case  
15 remain valid today and support a move to full  
16 consolidation in this case.

17 I want to take a moment now to talk a  
18 little bit about Staff's proposal as well as what  
19 has been called the coalition cities' proposal.  
20 Staff has proposed to maintain the existing three  
21 districts primarily because the Commission just  
22 approved consolidation in Missouri-American's last  
23 rate case and Staff believes that the -- one of the  
24 basic principles of rate design is stability.  
25 Constantly changing rate design does not allow for

1 stability and would lead to greater customer  
2 confusion and dissatisfaction. Well, rates are  
3 going to change in this case as a result of the  
4 revenue requirement stipulation regardless of the  
5 rate design the Commission chooses, and Company  
6 believes there will be no more or no less customer  
7 confusion or dissatisfaction whether the rates  
8 remain on three districts or they're fully  
9 consolidated.

10 Other parties who oppose the Company's  
11 proposal to fully consolidate rates argue that  
12 consolidated rates violate the principle of setting  
13 rates based on cost. These arguments are the same  
14 ones that were raised in the Company's last rate  
15 case in which this Commission found unpersuasive.  
16 One of the reasons the Commission noted is that most  
17 of the costs of this company in providing service to  
18 its customers are very similar from district to  
19 district and, therefore, a large portion of  
20 Missouri-American statewide costs have to be  
21 allocated to districts and that allocation process  
22 is more of an art than a science.

23 More importantly, the court of appeals  
24 affirmed the Commission's finding and went on to  
25 say, quote, True cost of service is not required in

1 the making of rates, end quote.

2 The parties, again, in this case  
3 speculate that consolidate -- consolidation, excuse  
4 me, will provide the company with an incentive to  
5 overspend. The court of appeals also addressed this  
6 contention. It characterized this argument as,  
7 quote, Merely speculative, end quote, and finding no  
8 evidence in the record before the Commission to  
9 support the argument that Missouri-American will  
10 engage in unnecessary investment or that the  
11 requirement to file a five-year capital expenditure  
12 plan will be ineffective. I would suggest to you  
13 that the evidence in this case is the same as in the  
14 last case. Arguments regarding and concerns  
15 regarding overspending are merely speculative. The  
16 company is filing the five-year plan. In fact, just  
17 filed its second five-year plan, I believe, this  
18 February.

19 Finally, there is a group of cities who  
20 have been referred to as the coalition cities. I  
21 believe their makeup is St. Joseph, Warrensburg, and  
22 Jefferson City, Missouri. They have proposed that  
23 the Commission revert back to the eight-district  
24 rate structure that existed prior to Company's last  
25 rate case.

1           First, such a proposal is, in the  
2 Company's opinion and we believe in the Commission's  
3 opinion based on the last case, bad public policy  
4 and not in the best interest of Missouri-American's  
5 customers.

6           Second, there is absolutely no evidence  
7 in this case on which costs and, therefore, rates  
8 could be set on an eight-district basis.

9           Third and finally, the eight districts  
10 referenced by the cities were established in 2011,  
11 the rate case that the company had in 2011, and as  
12 the Commission is well aware, Missouri-American has  
13 acquired over 12 water districts since that time and  
14 the cities provide no solution or proposal on how to  
15 set rates for those acquisitions or those  
16 after-acquired properties from the point in time  
17 when they established rates on an eight-district  
18 basis.

19           The coalition cities also propose an  
20 alternative if the Commission decides to maintain  
21 the three districts that currently exist or move to  
22 full consolidation, and they refer to this as an  
23 offset mechanism, presumably a rate additive or  
24 credit or both to compensate those cities for plant  
25 investments that have been made in their service

1 territory since 2000. In essence, this offset  
2 appears to be a roundabout or backdoor way to  
3 establish district specific rates and is -- or at  
4 least the argument against their position would be  
5 the same whether it's an offset mechanism or  
6 district-specific rates. The Company believes it is  
7 neither equitable nor workable to apply this offset  
8 mechanism. For example, it appears to only apply to  
9 the coalition cities and, more importantly, these  
10 cities offer no specifics on how to quantify or  
11 apply this mechanism. In fact, the coalition cities  
12 recognize their lack of specificity and propose in  
13 this case that the Commission establish a working  
14 group or a collaborative process to determine how  
15 this offset mechanism would work.

16 I submit that the Commission should  
17 decline the cities' invitation or request to return  
18 district-specific pricing or engage in this  
19 collaborative. A better course of action, in the  
20 Company's opinion, is that the Commission take this  
21 opportunity in this case to take the final step and  
22 move to fully consolidated pricing.

23 Thank you. And if you have any  
24 questions, I'd be happy to answer.

25 CHAIRMAN HALL: I have perhaps just one

1 and this might be better directed towards one of  
2 your witnesses and if that's the case I'm, of  
3 course, okay with that, but is there -- is there a  
4 national trend in this area?

5 MR. ENGLAND: I'm going to let the  
6 witness answer that, Your Honor. I think  
7 Mr. Jenkins is better prepared to answer that and I  
8 prefer that he do it. He's certainly more familiar  
9 particularly with the American system as it impacts  
10 other states. My focus is just Missouri.

11 CHAIRMAN HALL: Thank you.

12 COMMISSIONER KENNEY: Good morning.

13 MR. ENGLAND: Good morning.

14 COMMISSIONER KENNEY: We all know that  
15 the Company did not propose any inclining block  
16 rates, but do I read this correctly that on  
17 consolidation and changing the fixed costs under  
18 districts one and two and three that all low-usage  
19 customers will be paying less and that the -- every  
20 customer will pay more as you continue to use more,  
21 a higher percentage?

22 MR. ENGLAND: Are you referring to a  
23 specific scenario there?

24 COMMISSIONER KENNEY: Well, just like  
25 district one, two, and three if we do consolidated

1 pricing and we change to the fixed cost, it appears  
2 that in all districts low-income use -- or low usage  
3 actually has a decrease and high usage pay a higher  
4 percentage as you continue to go. Is that correct?

5 MR. ENGLAND: Yes. I think I  
6 understand -- yes, I think I understand your  
7 question.

8 COMMISSIONER KENNEY: Yeah. So, I mean,  
9 the way I look at this, the way that this proposal  
10 is, it does incline the expense the more -- the  
11 higher percentage a customer's going to pay, the  
12 higher increase than they're currently paying by  
13 higher usage?

14 MR. ENGLAND: In a -- I guess in a  
15 manner of speaking, yes. We still have a single  
16 volumetric rate.

17 COMMISSIONER KENNEY: I understand that.

18 MR. ENGLAND: But you're right, because  
19 of the lower fixed charge, more costs are being  
20 shifted to volumetric.

21 COMMISSIONER KENNEY: To volumetric.  
22 So, the more usage, the higher cost, kind of like an  
23 inclining adjustment? You're supposed to say yes.  
24 I'm helping you.

25 MR. ENGLAND: I'm also looking at the



1 Chairman sitting right next to you. I don't want to  
2 get myself in any more trouble than I've already  
3 gotten myself into in this case. So, I like what  
4 you're saying, but I like what Chairman Hall's  
5 saying, too.

6 COMMISSIONER KENNEY: We're both just  
7 one vote.

8 MR. ENGLAND: I'm just here to make  
9 everybody happy and I'm doing a really bad job of  
10 it.

11 COMMISSIONER KENNEY: Thank you.

12 JUDGE BURTON: Could you tell what the  
13 average monthly usage charge is -- or usage is for  
14 residential customers in different districts?

15 MR. ENGLAND: Yes, but it varies by  
16 district. We've always -- I think internally the  
17 company has always kind of looked at 5,000 gallons a  
18 month as kind of a representative amount,  
19 particularly for residential customers.

20 JUDGE BURTON: Thank you.

21 MR. ENGLAND: You bet. Thank you.

22 MS. KLAUS: May it please the

23 Commission:

24 Good morning, Mr. Chairman,

25 Commissioners, Judge. My name is Alexandra Klaus.

1 I'm here today on behalf of Staff on the issue of  
2 consolidated pricing with respect to single tariff  
3 pricing, current zonal pricing and district-specific  
4 pricing. I'm also here regarding some additional  
5 springing issues that will come up should the  
6 Commission decide to maintain the current existing  
7 district structure or further consolidate to one  
8 district.

9 The parties have worked hard to define  
10 these issues and have set out four questions. I'll  
11 address Staff's position on these questions in turn,  
12 but first some quick background on why we're here  
13 addressing this issue today.

14 Prior to the last rate case,  
15 Missouri-American had several service systems that  
16 were divided up into seven large independent  
17 districts and then there was district eight which  
18 was lumped together with lots of other districts and  
19 had more rate breakdowns within it. In the last  
20 rate case these districts were consolidated to the  
21 three districts that we currently have. In the  
22 report and order in that last rate case the parties  
23 were directed to examine the issue of single tariff  
24 pricing. You heard from Mr. England that there are  
25 parties with varying positions on this.

1                   In this case and based on the parties'  
2 testimony and position statements, Staff has  
3 proposed and two other parties have agreed to  
4 maintain the current three-district structure.  
5 Three parties have recommended a single tariff  
6 pricing structure and the coalition of cities has  
7 recommended going back to an eight-district concept.

8                   As previously advertised, we're here  
9 today examining four questions as set forth by the  
10 parties on their amended list of issues. First,  
11 should the Commission keep the current water  
12 district structure, adopt single tariff pricing, or  
13 return to eight districts? Second, if the  
14 Commission does order consolidated tariffs, should  
15 it also order the implementation of the coalition  
16 city offset mechanism? Third, if the Commission  
17 adopts either Missouri-American's or Staff's  
18 proposal, should the Commission establish a working  
19 group or a collaborative process to determine a rate  
20 offset for cities that have borne their costs since  
21 2000? Fourth and finally, if the Commission adopts  
22 either Missouri-American or Staff's proposal, should  
23 the Commission establish a working group or a  
24 collaborative process to explore capital expenditure  
25 tracking mechanisms?

1           As to the first question of whether the  
2 Commission should keep the current district  
3 structure, further consolidate, or revert back to  
4 eight, Staff's position is that the Commission  
5 should keep the current structure. This is because  
6 the current three-district structure has been  
7 effective for approximately 18 months. It has the  
8 benefits of both district-specific pricing and  
9 single tariff pricing approaches. It's manageable  
10 from an operations and a regulatory perspective. It  
11 reduces the difficulty that can come with developing  
12 rates on a more district-specific basis, and it may  
13 mitigate rate shock while helping to keep focus on  
14 the utility investing prudently.

15           The next questions were offered by the  
16 coalition cities and they work from the assumption  
17 that the Commission will maintain the existing  
18 structure or will further consolidate. So, the  
19 parties' answers to these questions stem from that  
20 hypothetical if this, then that scenario. Staff  
21 does not have an official position with respect to  
22 the offset mechanism or to the question of  
23 establishing a working group or a collaborative  
24 process.

25           As to the question of capital

1 expenditure tracking mechanisms, Staff recommends  
2 that the Company continue to file its yearly  
3 five-year capital budget. I hasten to add that  
4 Staff would participate in the group or process  
5 should that be established by the Commission.

6 Here with me today to answer more  
7 specific questions that you may have is Jim Busch.  
8 We appreciate your consideration of Staff's position  
9 on this issue, and I'll do my best to answer any  
10 questions you might have.

11 CHAIRMAN HALL: No questions. Thank  
12 you.

13 MS. KLAUS: Thank you.

14 COMMISSIONER KENNEY: No questions.  
15 Thank you.

16 JUDGE BURTON: Thank you.

17 MS. KLAUS: Thank you.

18 MR. SMITH: Judge, Commissioners, good  
19 morning.

20 The Commission must determine just and  
21 reasonable rates. That is what the law requires.  
22 To fashion just and reasonable rates the Commission  
23 must decide how much revenue is appropriate for the  
24 utility, the Commission must figure out how to  
25 recover the revenue from its customers. That

1 process is called rate design. Whenever the  
2 Commission designs rates, there's some winners and  
3 some losers.

4 In Missouri-American Water's last rate  
5 case, the Commission designed rates as follows: The  
6 Commission ordered three districts. District one  
7 includes St. Louis; Mexico, Missouri; Jefferson  
8 City; Anna Meadows; Redfield; Lake Caramel; Jaxson  
9 Estates; and Wardsville. District two includes  
10 St. Joseph, Platte County, and Brunswick. District  
11 three includes Joplin, Stonebridge, Warrensburg,  
12 White Branch, Lake Taneycomo, and for the sake of  
13 time, a variety of others.

14 In this case, OPC and Staff are strongly  
15 aligned to keep the current three-district  
16 structure. OPC represents all customers, the  
17 winners, the losers of rate design.

18 For many years there's been a system of  
19 picking winners and losers. You could call it cost  
20 causation or, as I call it, the you break it, you  
21 buy it philosophy. Under cost causation, those who  
22 lose cause the greatest cost, while those who win  
23 cause the least cost. I think you heard in the  
24 Company's opening statement on the subject of usage  
25 that usage varies by district.

1           The Company's proposal to go to a single  
2   tariff would abandon the principle of cost causation  
3   and cause rates that are unduly preferential to the  
4   Company. If the Commission's goal is socialization  
5   of costs, a skeptical mind might wonder where does  
6   the line stop? Where does the line start? For  
7   example, industrial intervenors do not want to share  
8   the cost of residential lead service line  
9   replacements, if the Commission approves the  
10  program. They wish to be shielded through such  
11  costs by virtue of cost causation principles.  
12  Again, OPC questions where is the line.

13           Previously in talking about winners and  
14  losers, I want to emphasize one rather large victim.  
15  The name of that victim is the St. Louis ratepayer.  
16  He or she will unduly suffer, whereas other  
17  customers will receive undue preference. Why do I  
18  say the St. Louis ratepayer would suffer harm?  
19  84 percent of 400,000-plus Missouri-American Water  
20  customers reside in district one. That's where  
21  St. Louis is, and the majority of those customers  
22  live in the St. Louis area. By reclassifying  
23  different localities into a single rate class in the  
24  previous -- in the previous WR-2015 I think it's  
25  0351 case or, in other words, Missouri-American

1 Water's last rate case, St. Louis County customers  
2 absorbed other customers from other locations like  
3 Jefferson City. In short, customers of St. Louis  
4 County wrote a check to the Company that paid a  
5 portion of the cost to serve Jefferson City, but  
6 that's not the only way that captive customers of  
7 St. Louis County have suffered.

8 St. Louis County customers pay a  
9 surcharge on top of the Commission-ordered rates.  
10 St. Louis County customers exclusively pay an  
11 infrastructure system replacement charge or an ISRS.  
12 The ISRS has been in effect for 15 years. It was  
13 enacted in 2003. Only one area of Missouri-American  
14 Water footprint has an ISRS. The surcharge could be  
15 as high as 10 percent of the company-wide revenues  
16 and the ISRS surcharge benefits customer -- the  
17 St. Louis County customers exclusively. In other  
18 words, St. Louis County has been forced to pay its  
19 way and has been a model citizen for cost causation.  
20 Single tariff would not socialize away the ISRS, 15  
21 years of infrastructure costs.

22 Yesterday and the day before we learned  
23 another way that St. Louis County residents may  
24 suffer. Although, OPC has abundant evidence to  
25 doubt the Company's health claims, if lead service



1 lines are, indeed, as harmful as the Company claims  
2 them to be, the Company's come-to-Jesus moment  
3 arrived a little late. The Company plans to replace  
4 lead service lines as it replaces mains. However,  
5 because an ISRS encourages St. Louis County to  
6 replace mains at their own expense for the last 15  
7 years, those same customers would be at the very  
8 bottom of the priority list. Those customers may  
9 wait up to a decade. OPC thinks it might be more  
10 than a decade. And although, the Company -- or I'm  
11 sorry. Although, St. Louis County customers will be  
12 last in line, all the while they'll be subsidizing  
13 the rest of the state while the rest of the state's  
14 customers get their lead service lines replaced.  
15 That doesn't seem very fair. That doesn't seem very  
16 equitable.

17                   Also, especially if you consider in  
18 St. Louis there are huge discrepancy -- sorry,  
19 discrepancies in the socioeconomics. Rate  
20 consolidation is harming those folks. That means  
21 Ferguson, Pagedale, Jennings, Normandy, inner ring  
22 suburbs, those are the ones bearing the cost.

23                   Further, those customers aren't causing  
24 water usage. You just heard from the Company's  
25 counsel that water usage varies. And those

1 customers aren't causing water usage in other parts  
2 of the state, but they would be paying for it.

3 Another winner is the Company, both in  
4 the short run and the long run. The Company will be  
5 able to gold-plate as it's sometimes called.  
6 They'll be able to engage in an expensive and an  
7 aggressive growth strategy through investments,  
8 through acquisitions, all the while masking those  
9 costs by socializing them. That means the Company  
10 will be incentivized to expand beyond, in OPC's  
11 opinion, the optimal level of capital investment.

12 OPC respectfully suggests that in the  
13 long run all of Missouri-American's customers would  
14 be the losers. Albeit, they may be losers in a more  
15 incremental way.

16 OPC is also worried, related to the  
17 issue of gold-plating, that there are problems of  
18 asymmetric information and transparency. I think  
19 yesterday or the day before we heard Staff witness  
20 Jim Merciel say he hadn't seen a main replacement  
21 program since the 1990s.

22 Also in the prior case with  
23 Missouri-American Water, at the 11th hour we  
24 discovered faulty meters. Again, transparency is a  
25 worry that OPC has.

1           Beyond winners and losers, single tariff  
2   for water is meaningfully distinguishable from  
3   single tariff for electric or for gas. Unlike gas,  
4   unlike electricity, water is costly to transport.  
5   For one, it is heavy. It is capital intensive to  
6   transport hundreds of miles. That doesn't exist.  
7   Jefferson City customers aren't being transported  
8   water from St. Louis. St. Louis customers aren't  
9   being transported water from Jefferson City.  
10   However, in the electric, the electric side,  
11   Jefferson City customers, in theory, could be  
12   receiving generation from anywhere in the MISO  
13   footprint. MISO stands for the Midcontinent  
14   Independent System Operator, and combines many  
15   transmission systems across the United States. It  
16   stretches all the way up to Manitoba, Canada.  
17   Indeed, electricity is much cheaper to transport.  
18           Jefferson City customers wouldn't  
19   benefit from a water treatment plant in, say, the  
20   western part of Missouri. Therefore, it would make  
21   less sense for that customer who does not receive  
22   the benefit to have to share in the cost because he  
23   or she would not receive that benefit.  
24           For all of these reasons, OPC requests  
25   an order supporting the current rate design of three

1 zones. Thank you.

2 JUDGE BURTON: Thank you.

3 MR. DORITY: Good morning. May it  
4 please the Commission:

5 For the record, my name is Larry DORITY.  
6 And Jim Fischer and I, once again, represent Public  
7 Water Supply District Nos. 1 and 2 of Andrew County  
8 in this matter.

9 Two years ago I sought to provide you  
10 with a historical perspective of how these public  
11 water supply districts have been impacted over the  
12 years in terms of rate volatility and my remarks  
13 were characterized as a helpful history lesson.  
14 Since four of you were present, I won't repeat that  
15 lesson to the detail before. However, for  
16 Commissioner Silvey's benefit and Judge Burton's, I  
17 would like to provide a brief reminder. I think  
18 it's important to offer a quick overview of the  
19 clients that we're representing in this matter.

20 These not-for-profit public districts  
21 serve rural customers in areas outside of  
22 St. Joseph, Missouri, but within the former  
23 St. Joseph water district of Missouri-American, the  
24 district that serves as the anchor district for the  
25 existing hybrid district No. 2. Although, they are

1 among the Company's larger customers, averaging 12  
2 to 16 million gallons of water per month, as  
3 wholesale customers they are in reality only  
4 representatives of their rural customers since any  
5 increase in the cost of service they must eventually  
6 pass on to their customers. Their entire water  
7 supply comes from Missouri-American. They are not  
8 standby users. Their need for water and usage is  
9 24/7 throughout the year.

10 As I noted in 2016, the water districts  
11 support and appreciate the class cost of service  
12 main adjustment for the sale for resale customers in  
13 the St. Joseph service area, which continues to be a  
14 part in both the Company and the Staff class cost of  
15 service studies. This is an appropriate recognition  
16 that the sale for resale customer class is connected  
17 directly to the transmission system and does not  
18 receive any benefit from the smaller distribution  
19 mains. We maintain our own trunk lines from the  
20 points of connection throughout our districts as  
21 well as the distribution lines, which are  
22 approximately 400 miles for Andrew 1 and about  
23 300 miles for Andrew 2.

24 Previously, I highlighted the major  
25 policy shift that occurred back in 2000. It's been

1 referenced here this morning. A time when we were  
2 trying to persuade the Commission to hold the course  
3 on single tariff pricing. At the time the new  
4 St. Joseph water treatment plant was being placed in  
5 rate base. Now, given Monday's admonition, I'm  
6 almost reluctant to bring her name up, but back then  
7 we, along with the City of St. Joseph, sponsored the  
8 live testimony of Dr. Janice Beecher, who had  
9 recently completed a major public policy study of  
10 the single tariff issue, which was sponsored by both  
11 NARUC and the United States Environmental Protection  
12 Agency. We suggested that her study provided an  
13 objective discussion of both the advantages and the  
14 disadvantages of single tariff pricing from a former  
15 regulator's perspective.

16 We acknowledge that there is an  
17 understandable desire among regulatory agencies to  
18 keep your public policy options open, but it's also  
19 important to recognize that some public policies  
20 just don't work if continuity is not maintained over  
21 the years. We stress the issue was among those  
22 public policies where consistency must be maintained  
23 if the benefits are to be achieved and if it's going  
24 to be fair to all concerned. We pointed out that if  
25 the Commission does not choose to stay the course

1 over the long term, there will be substantial  
2 inequities depending on where each district happens  
3 to be in the construction cycle. We talked about  
4 fairness and equity in the process.

5           Nevertheless, that Commission's 3-2  
6 decision going to district-specific pricing and  
7 embarking upon inner class shifts within the  
8 St. Joseph district increased our water district  
9 rates by over 250 percent above the previously  
10 approved rates.

11           The dissenting opinions of Commissioners  
12 Murray and Drainer discuss the ensuing rate shock  
13 associated with these 267 percent increases. As I  
14 noted, those rate increases were unprecedented in  
15 sheer magnitude and extremely difficult for our  
16 customers to understand, but district-specific  
17 pricing was ultimately upheld.

18           So, fast-forward to 2016. Again, we  
19 asked this Commission to at least stay the course  
20 with a pricing policy that had been adopted for this  
21 particular Company. However, Staff proposed its  
22 hybrid consolidation model, advocating that now is  
23 the perfect time to consolidate rates when no one  
24 district is likely to experience rate shock. If the  
25 Commission were to wait until one district was on

1 the verge of experiencing rate shock, then the  
2 outcry from the other districts would be very vocal  
3 and the movement towards consolidation would be  
4 harder to justify. Thus, consolidating rates now is  
5 an opportune time. Translation, waiting until the  
6 Platte County water treatment facility comes online  
7 will be a much harder sell.

8 In adopting the three district proposal,  
9 the Commission nevertheless noted that full single  
10 tariff pricing is an attractive option, but since  
11 none of the parties proposed that option during the  
12 case, it was not fully considered by the parties.  
13 Because of lack of scrutiny, the option has many  
14 unknowns and the Commission is not willing to take  
15 that leap at that time.

16 Most importantly, this Commission  
17 acknowledged that the Commission may need to take  
18 that leap in Missouri-American's next rate case as  
19 it likely will be facing the prospect of a major new  
20 capital construction project in the Platte County  
21 district, a district that will have difficulty  
22 affording a major capital expense. For that reason,  
23 as referenced earlier, the Commission will expect  
24 the parties to examine single tariff pricing in its  
25 next case.



1           In that context, the public water supply  
2 districts stand before you, once again, asking that  
3 you stay the course to the movement to single tariff  
4 pricing. In its prior report and order this  
5 Commission clearly understood that, and I quote,  
6 Consolidation is not without risk. It averages  
7 rates and inevitably some customers will pay more  
8 than they pay now and some will pay less. At least  
9 in the short term that may be seen by some as  
10 unfair, but over the long term, the effects of  
11 consolidation will even out across the state. It is  
12 not reasonable to keep patching the current group of  
13 rate districts to deal with a needed, but  
14 unaffordable infrastructure repairs and improvements  
15 as they occur, end quote.

16           Accordingly, our expert witness, Donald  
17 Johnstone advocates that the continued movement to a  
18 company-wide consolidated rate would produce a rate  
19 that better reflects the cost as defined in the  
20 historical context of the water districts and will  
21 also reflect the above referenced policy and  
22 consideration set forth in that prior report and  
23 order.

24           As Mr. England previously explained,  
25 while the Company initially proposed rates for rate

1 B, sale for resale customers in district one, versus  
2 a combined rate for the district two and three, the  
3 Company's witness in rebuttal testimony responded,  
4 and I quote, I agree that for full consolidation the  
5 rate B volumetric rate should be equivalent across  
6 all current districts. The Company is not opposed  
7 to full consolidation of the rate B volumetric rate  
8 as opposed by Mr. Johnstone, end quote.

9 Of course, that would also conform to  
10 the policy consideration explained in the  
11 Commission's last report and order -- I'm sorry, not  
12 the report and order, but rather the order regarding  
13 joint request for clarification that was issued back  
14 in 2016 regarding the implementation of rate A, that  
15 structure in the new districts two and three. And I  
16 quote, The Commission clarifies that it intended to  
17 establish uniform customer water rates across the  
18 state to the greatest degree possible. Therefore,  
19 it intended to adopt the Missouri-American's  
20 proposal to apply the St. Louis Metro rate structure  
21 statewide.

22 In conclusion, we respectfully request  
23 that you adopt the single tariff pricing proposal  
24 and resulting rates that are fully supported by the  
25 record in this matter. Thank you very much for your

1 patience.

2 CHAIRMAN HALL: No questions. Thank  
3 you.

4 COMMISSIONER KENNEY: Thank you.

5 JUDGE BURTON: Thank you.

6 MR. MILLS: Good morning. May it please  
7 the Commission:

8 Lewis Mills on behalf of the Missouri  
9 Industrial Energy Consumers.

10 Like the Staff and like the Public  
11 Counsel, the Missouri Industrial Energy Consumers  
12 urge the Commission to maintain the position that it  
13 took in the last case and continue with the  
14 three-district pricing model for several reasons. I  
15 think that one of the -- and I'm not really going to  
16 say anything new. So, I'm going to try to be very  
17 brief. I'm going to -- I'm going to say the same  
18 things that the Staff and Public Counsel did.

19 But I think the most important  
20 consideration is that it balances the sort of  
21 competing interests of trying to correctly assign  
22 costs to the cost causers and trying to even out  
23 very lumpy and sometimes very expensive capital  
24 investments. So, you can -- if you go to one  
25 extreme with the eight district here, you're staying

1 very true to the cost causation principles. If you  
2 go to the other extreme and you go to consolidated  
3 pricing, you're doing a good service to try to even  
4 out costs over a greater body of customers. We  
5 think that the three-district pricing model  
6 appropriately balances those two extremes, gets much  
7 of the benefit of the two principles that I just  
8 enunciated without the extreme detriment by going to  
9 one extreme or the other.

10           And while I understand that why the  
11 Company would want it for administrative ease and  
12 that certainly is attractive, I don't think that's a  
13 particularly compelling answer. I mean, if you  
14 wanted to make easy rates, you would simply charge  
15 one fixed charge for every customer no matter what  
16 their usage, no matter what their customer class.  
17 You just say everybody across the state, you pay 100  
18 bucks a month and then it's really easy, but that  
19 does not do anything for cost causation. I think  
20 that one of the bedrock principles that public  
21 utility regulators around the country have followed  
22 since utilities began to be regulated 100 years ago  
23 is that it is appropriate to try to as accurately as  
24 possible and in keeping other consideration like  
25 rate shock and things like that in mind, as

1 accurately as possible you try to have costs  
2 assigned to the cost causer. And I think if you go  
3 to single tariff pricing, you go way too far away  
4 from that bedrock principle.

5           And probably less important than that  
6 reason, I think -- I think there is merit to the  
7 idea of consistency and predictability. As long as  
8 I can remember, there have been this sort of  
9 push-pull between district-specific and  
10 consolidating pricing for Missouri-American. I  
11 think in the last case the Commission finally was  
12 able to strike a balance between those. And like  
13 the Staff, I think it's, you know, it's been 18  
14 months. It has not been a long time, but so far it  
15 seems to be working. I don't see any compelling  
16 need to make a move one way or the other away from  
17 that compromise.

18           So, I think for all of those reasons the  
19 Commission should stay the course with the move that  
20 it made in the last case and continue with the three  
21 districts. And I'd be happy to answer any  
22 questions.

23           CHAIRMAN HALL: No questions. Thank  
24 you.

25           JUDGE BURTON: Thank you.

1 MR. COFFMAN: May it please the  
2 Commission:

3 John Coffman, Consumers Council of  
4 Missouri. I'll try to also be brief, but this issue  
5 is very important to the Consumers Council of  
6 Missouri. We strongly oppose the idea of uniform  
7 pricing or single tariff pricing because the massive  
8 cross subsidies it would cause are just not, not  
9 fair. I think a little bit of subsidy for purpose  
10 of administration is fine, but here with water  
11 systems that have completely different types of  
12 systems and completely disparate mile per customer  
13 ratios, I think that you have to recognize those  
14 differences.

15 Just earlier I think you saw an example  
16 of some of the confusion that will still persist and  
17 I think difficulty for consumers to understand  
18 usage. Average monthly usage varies wildly amongst  
19 these different cities. So, if you have a rate case  
20 on uniform rates and consumers are told this is the  
21 average increase, that might be widely different  
22 than their experience even under the same rates.

23 Although, we favor district-specific  
24 pricing, like you might see, we are content to if  
25 the Commission would just persist with the current

1 compromise. We see it as actually a pretty good  
2 compromise, the regional. The districts are grouped  
3 together generally by the type of water, whether  
4 they're river treatment or well systems. There is  
5 some logic behind it, but to go all the way would  
6 cause undue hardship, particularly in the St. Louis  
7 and St. Charles areas where rates would really --  
8 and as OPC has pointed out, St. Louis is already  
9 suffering from the ISRS surcharge and from the  
10 potential move from quarterly to monthly bills and  
11 that interaction with the customer charge will  
12 particularly hurt low-usage customers.

13                   So, as far as whether this is a  
14 predominant policy, Mr. Chairman, you asked about  
15 the, you know, other states. I don't think that  
16 this is a predominant model. Though, here and there  
17 it has been adopted. Wherever it is brought up, it  
18 leads to considerable public controversy and not --  
19 and even those few states that have gone to a  
20 uniform system, the controversy continues  
21 afterwards. I'm familiar with the Florida move in  
22 the 1990s back when this was also a hot issue. I  
23 think the Arizona, the Arizona debate is starting up  
24 again. But multiple parties and multiple  
25 controversy and I just don't think it's worth it.

1 If the concern is helping out with small water  
2 districts, I am very sympathetic to that idea, but I  
3 think there are other solutions otherwise that  
4 incentivizing the acquisition of troubled small  
5 water systems can be accomplished in a much more  
6 targeted and effective way.

7 And as to the question of gold-plating,  
8 of decreasing the incentive to be cost efficient, I  
9 think it's real and over the years I've seen the  
10 effects even with this particular company. I think  
11 that it may have been best said two decades ago when  
12 we were having the debates around leading up to the  
13 2000 case where Lee Curtis made the analogy of the  
14 steak and lobster analogy. In other words, when a  
15 group goes out to dinner, and I've certainly  
16 experienced this and I've been the beneficiary and  
17 the victim of this, where everyone decides to split  
18 the bill, have a nice dinner and it's easier on the  
19 waiter or waitress to simply split the bill up  
20 evenly. Well, the problem is that if that's known  
21 beforehand, some folks order up. They have a fancy  
22 bottle of wine, they order the steak or lobster, and  
23 everyone winds up paying more.

24 So, I think it's just common sense and I  
25 think being the more responsible way to go is



1 recognizing these districts here. We're content  
2 with the current regional system. Thank you.

3 COMMISSIONER KENNEY: Thank you.

4 CHAIRMAN HALL: Yeah. Actually, I have  
5 one question.

6 MR. MILLS: Yes.

7 CHAIRMAN HALL: So, don't you believe  
8 that the -- I'm specifically referring to the  
9 gold-plating concept, which I don't particularly  
10 adhere to, but doesn't that assume that the  
11 Commission doesn't have a prudence review over each  
12 expenditure?

13 MR. MILLS: Prudence reviews don't give  
14 me as much comfort as the built-in incentive to be  
15 cost efficient. Prudence reviews rarely wind up in  
16 finding a disallowance even when there is some  
17 evidence. I think that the after-the-fact, I  
18 think -- I mean, perhaps you have a different view,  
19 but my experience is that commissions apply a high  
20 standard actually, whether they say it or not. The  
21 burden to prove imprudence is rather high and it's  
22 after the fact, and the much more effective way to  
23 keep rates reasonable is having a system whereby the  
24 utility has some stake in it and --

25 CHAIRMAN HALL: Explain to me how

1 district-specific pricing gives the utility a larger  
2 stake in it?

3 MR. MILLS: Well, they are limited at  
4 least by, I guess, rate shock or by how much they  
5 might increase rates in a particular area. You also  
6 have the local officials and the local businesses  
7 and community more invested in whether or not they  
8 decide to take on a large project and what we saw --

9 CHAIRMAN HALL: Do you have any evidence  
10 or any scholarship that supports that, that concept?  
11 Because, I mean, I understand your restaurant model,  
12 but that's not generally how we set rates here.

13 MR. MILLS: We don't --

14 CHAIRMAN HALL: So, is there -- is there  
15 analysis either specific to this company or is there  
16 scholarship out there that supports that concept?

17 MR. MILLS: I believe that there are  
18 pieces scholarly or otherwise expert opinions that  
19 we might be able to cite for you.

20 CHAIRMAN HALL: Well, I'd be interested  
21 in seeing that. Thank you.

22 MR. MILLS: Thank you.

23 JUDGE BURTON: City of St. Joseph.

24 MR. STEINMEIER: Mr. Chairman, members  
25 of the Commission, Judge Burton, members of the

1 viewing audience. I am Bill Steinmeier and I  
2 represent the City of St. Joseph, Missouri in this  
3 case.

4 St. Joseph is a historic town. The home  
5 of the Pony Express and the place where Jesse James  
6 met his demise. Even as St. Louis was gateway to  
7 the west, St. Joseph was the last supply point on  
8 the Missouri River for those headed to the Oregon  
9 territory in the mid-1800s. It was the furthest  
10 west one could get by railroad until sometime after  
11 the Civil War. Today St. Joseph is the county seat  
12 of Buchanan County and has a total population of  
13 76,000 with a per capita personal income of about  
14 \$37,000.

15 Missouri-American Water Company has  
16 provided water service in St. Joseph for many years.  
17 Until the 1980s or 90s St. Joseph and Joplin were  
18 the only Missouri-American properties in the state.  
19 Over time Missouri-American purchased Missouri  
20 Cities Water Company, St. Louis County Water  
21 Company, Capitol City Water company and other  
22 properties to greatly expand their Missouri  
23 presence.

24 During historic Missouri and Mississippi  
25 River floods of 1993, the Missouri American Water

1 Company treatment plant in St. Joseph was completely  
2 flooded, causing it to shut down for four days.  
3 Prior to that, high water conditions near the site  
4 had actually required chemicals and personnel to be  
5 boated into the plant. The flood exceeded the  
6 previous high water level in St. Joseph set in 1881  
7 by 5 1/2 feet. Parts of the treatment plant were  
8 more than 100 years old and had been modified and  
9 renovated many times. Drawing its water supply from  
10 the Missouri River made the plant susceptible to  
11 disruptions at times by either high water or low  
12 water levels.

13 Many of us vividly remember the flood of  
14 1993. Somewhere at home I have videotape that I  
15 took of some people rowing a boat down McCarty  
16 Street between the Capitol Plaza Hotel and the  
17 Truman Building.

18 Missouri-American had been in the  
19 planning process for a new St. Joseph treatment  
20 plant or a major upgrade to the existing plant for  
21 sometime before the 1993 floods. The flood of '93  
22 helped the company decide on its preferred option  
23 and accelerated the timing of upgrading the  
24 St. Joseph treatment plant. The new treatment plant  
25 built by Missouri-American was in an entirely

1 different location out of and well above the  
2 floodplain. A new groundwater supply source was  
3 also developed. The new plant went into service on  
4 April 30th, 1999. The cost of the new St. Joseph  
5 treatment plant, approximately \$70 million, were the  
6 main subject of the Missouri-American Water Company  
7 rate case in the year 2000.

8           The Commission found and concluded that  
9 the Company had exercised due diligence and that the  
10 decision to build the new treatment plant was  
11 prudent. The most hotly-contested issue in the 2000  
12 rate case was rate design. During the 1990s, as you  
13 know, the Public Service Commission had taken steps  
14 to move the rates of Missouri-American Water Company  
15 toward single tariff pricing. Although, full STP  
16 had never been entirely attained. But in the year  
17 2000 the Commission decided that the cost of the new  
18 St. Joseph water treatment plant should be borne  
19 entirely by the citizens of St. Joseph and the water  
20 districts that surrounded St. Joseph. The  
21 Commission decided that district specific pricing,  
22 not single tariff pricing was the proper rate design  
23 for the Company, and the water rate increases for  
24 the people of St. Joseph in the magnitude of 80  
25 percent to 268 percent were just and reasonable, and

1 the people of St. Joseph paid the full costs of  
2 their own water service from Missouri-American after  
3 rate increases between 80 percent and 268 percent.

4 Then in 2015 the Commission, at the  
5 urging of Staff, decided to make the people of  
6 St. Joseph also share in the costs of two  
7 higher-cost Missouri-American service areas,  
8 Brunswick and Platte County. So, once again, the  
9 people of St. Joseph were handed the bill, but this  
10 time for costs entirely outside their own service  
11 area. As part of Missouri-American rate district  
12 two, St. Joseph is currently the deep pocket for  
13 Brunswick and Platte County.

14 Now in this case Missouri-American wants  
15 the people of St. Joseph to help subsidize all other  
16 Missouri-American customers, and Staff wants  
17 St. Joseph to pay most of the cost of the new Platte  
18 County water treatment plant by keeping the three  
19 existing rate districts in place. According to  
20 company witness Jenkins, the new Platte County  
21 treatment plant would cost each district two  
22 customer about \$10 more a month. Thus, St. Joseph  
23 customers will have paid their own way for their  
24 1999 treatment plant for the last 18 years with no  
25 subsidies from other Missouri-American customers,

1 but are now to be asked to pay even more in order to  
2 pay for the Platte County treatment plant.

3                   Instead of doing that, the City of  
4 St. Joseph urges the Commission to revert to the  
5 eight rate districts that existed before  
6 Missouri-American's last rate case. That rate  
7 design was not pure district-specific pricing, but a  
8 hybrid that kept the older historic rate districts  
9 in place, while creating a consolidated district for  
10 the rest. That rate design makes each of the seven  
11 largest districts responsible for their own capital  
12 costs, and protects customers from being forced to  
13 subsidize the capital costs of the other districts.  
14 It recognized the legal and regulatory principles of  
15 cost causation and used and useful. Utility  
16 customers should be charged rates based on assets  
17 that are used and useful in providing utility  
18 service to those customers, and utility costs should  
19 be borne by the customers who cause those costs.

20                   Mr. Michael McGarry, Sr., the expert  
21 witness who will appear on behalf of the coalition  
22 cities of St. Joseph, Jefferson City, and  
23 Warrensburg in this case, explains those principles  
24 in his direct, rebuttal, and surrebuttal testimony.

25                   Ratepayers in the coalition cities have

1 already borne the substantial costs of capital  
2 investments in their service areas. These customers  
3 should not now be burdened with also having to pay  
4 for infrastructure in other parts of the state as  
5 proposed by Missouri-American and Staff.

6 I must mention that in my opinion the  
7 Company has unnecessarily confused this issue by its  
8 choice of terminology in this case. It is clearly  
9 proposing uniform statewide or single tariff  
10 pricing, but calling it consolidated tariff pricing.  
11 This adds confusion and obfuscation to the record.  
12 The term consolidated tariff pricing means some  
13 hybrid rate design between single tariff pricing and  
14 district-specific pricing. Consolidated tariff  
15 pricing is how the court of appeals last year  
16 described Staff's proposal adopted by the Commission  
17 in the last rate case, differentiating it from  
18 single tariff pricing and district-specific pricing,  
19 but Missouri-American appropriated the term  
20 consolidated tariff pricing after the court of  
21 appeals affirmed the Commission's legal authority to  
22 approve consolidated tariff pricing.  
23 Missouri-American's use of the term consolidated in  
24 this case is misleading and confusing. I would call  
25 it spin.



1           If the Commission in this case adopts  
2 either Company's or Staff's rate design, it is the  
3 position of the coalition cities that it should also  
4 order the Company to engage in a collaborative or  
5 workshop proceeding to formulate and calculate a  
6 rate offset mechanism to mitigate the effects on  
7 customers in the coalition cities of having to pay  
8 for capital investments in other distant service  
9 areas, having already paid their own way without  
10 subsidies from other service areas.

11           Mr. McGarry proposes such a rate offset  
12 mechanism and proposes that a collaborative or  
13 workshop be established and ordered by the  
14 Commission to calculate it in order to more closely  
15 and effectively monitor Missouri-American's capital  
16 projects. Mr. McGarry also proposes that the  
17 Commission order a capital expenditure tracking  
18 mechanism to be established. Again, he recommends  
19 that a collaborative or working group process be  
20 established by the Commission and led by the Staff  
21 to study the issue and file a recommendation prior  
22 to the Company's next rate case.

23           Thank you very much.

24           COMMISSIONER KENNEY: Thank you.

25           CHAIRMAN HALL: No questions. Thank

1 you.

2 JUDGE BURTON: Thank you.

3 MR. LUMLEY: Good morning. Carl Lumley,  
4 representing the City of Warrensburg in this matter.

5 We understand that the train left the  
6 station. We were standing at the station when the  
7 order came out, see the train going, and the  
8 Commission announced the direction it was taking the  
9 train. We're not oblivious to these things, and we  
10 understand that these are probably the most weighty  
11 discretionary matters that this Commission is  
12 entrusted with. So, we're not saying you can't do  
13 this, you know, it's illegal. You know, we're  
14 talking about fair and reasonable and the  
15 Commission's discretion. And ultimately, all we can  
16 really ask is that you be fully informed when you  
17 make your decision in this case.

18 And to that end, we joined in sponsoring  
19 Mr. McGarry's testimony, which lets you ask yourself  
20 the question did we do the right thing? You know,  
21 this is probably your last chance to look back and  
22 make sure and convince yourselves one way or the  
23 other did you do the right thing. Staff is saying,  
24 you know, slow the train down. Company's saying  
25 keep going to the destination you went out. So, the

1 record lets you look at all the facts and decide  
2 probably once and for all what's the right thing to  
3 do.

4 To that end, we're encouraged that the  
5 exhibit that was handed out this morning and will  
6 get into the record gives you most of the  
7 information you need to understand the potential  
8 rate impacts of your decision. What you don't have  
9 and what we would encourage you to ask for and  
10 direct is that Staff and the Company also provide  
11 you the same information from the eight-district  
12 perspective so that you can be fully informed as you  
13 make your decision, because we're ultimately asking  
14 you to be as fair as you can, and we understand you  
15 have to take into account all relevant factors, you  
16 know, using the legal standard.

17 But to put the case in context, you  
18 know, the Commission's file reflects that this was  
19 announced to the public as a request for a 25  
20 percent rate increase. Now you're being presented  
21 with a stipulation that's about half of that asked,  
22 you know, maybe rounded up a 15 percent rate  
23 increase. So, when you look at the rate impact  
24 information, we would ask that you take that context  
25 in mind, you know, why would a customer expect to

1 get a 33 percent rate increase in a case that's a 15  
2 percent rate increase case, why should they expect  
3 to get a 50 percent rate increase? Those are the  
4 questions to ask yourself as you ultimately weigh,  
5 you know, what the right thing to do in this case.

6 And you've heard from the other opening  
7 statements, you know, the winners and losers of  
8 various, you know, prior Commission decisions and  
9 that's ultimately the problem that we all face is  
10 that if you make a jump in a new direction, the  
11 timing of that jump is important. Cities like  
12 Warrensburg that have been bearing their own cost  
13 for a long time suddenly have to take on new costs  
14 in other districts, and Mr. Steinmeier went into  
15 some detail about the impacts to St. Joseph about  
16 that. And that's why we think at the very least it  
17 would be worthwhile and to the Commission's benefit  
18 to require the parties to work in a collaborative  
19 way to see if there's some ways of making a better  
20 transition, you know, making it a little more fair.  
21 It's not a matter of backing up into a district-wide  
22 or district-specific pricing in a different way as  
23 Mr. England suggested, but a way of making sure that  
24 the transition is fair.

25 So, at the end of the day we respect the

1 Commission's discretion and we're just asking you to  
2 be fully informed and to be as fair as you can be.

3 Thank you.

4 JUDGE BURTON: Thank you.

5 MS. BELL: May it please the Commission:

6 I'm Stephanie Bell on behalf of the City  
7 of Joplin. While we tend to wade into the public  
8 policy arguments here and we've heard a lot of those  
9 arguments expressed by the parties, I think it's an  
10 important reminder to just remember that the rates  
11 you set are paid by real every day people and people  
12 like the residents of Joplin.

13 The residents in Joplin paid around \$13  
14 in 2004 for 4,000 gallons of water and now, less  
15 than 15 years later, for the same water are being  
16 asked to pay nearly triple, around \$37 a month. So,  
17 annually that's a jump from \$150 to \$450. So, as we  
18 talk about rate design and how those rates are set  
19 and what's equitable, specifically the citizens in  
20 Joplin have seen huge increases in their rates.  
21 Having just seen the rate impacts which I think were  
22 offered today, I think we saw something similar last  
23 week. Joplin would like to see the Commission  
24 complete the transition to consolidated pricing.  
25 Still, Joplin does support the offset mechanism

1 proposed by coalition cities.

2 Joplin's story is similar to  
3 St. Joseph's as you heard the history from  
4 Mr. Steinmeier. Joplin did get a new water plant in  
5 2007. So, under district-specific pricing Joplin  
6 saw a 64 percent increase in the 2007 rate case and  
7 a 24 percent increase in the 2008 rate case. And  
8 so, the residents of some communities like Joplin  
9 and St. Joe have already borne the cost of  
10 significant upgrades. And so, the offset mechanism  
11 would make a transition to consolidated pricing more  
12 fair for those who have already borne that cost and  
13 were not able to spread those costs of upgrades to  
14 others in the past.

15 And I think, you know, the offset  
16 mechanism has been talked, you know, like a  
17 conversion to district-specific pricing. I think  
18 actually it gets more to the consistency argument  
19 that you heard from Mr. Dority earlier. And so, if  
20 you imagine we were at single tariff in 2000,  
21 imagine a system where we were on single  
22 consolidated pricing throughout. And so, the real  
23 unfairness in swinging back and forth between the  
24 two systems, you know, it just depends on where you  
25 were in the construction cycle. And so, the offset

1 mechanism is essentially to create a world where you  
2 had single tariff the whole time and it eliminates  
3 that unfairness that was caused simply by the  
4 inconsistency in policy.

5 COMMISSIONER KENNEY: Thank you.

6 CHAIRMAN HALL: No questions. Thank  
7 you.

8 JUDGE BURTON: Thank you.

9 MR. BEDNAR: Good morning,  
10 Commissioners, Judge. May it please the Commission:

11 My name's Joe Bednar and along with  
12 Mr. Wenzel, Spencer Fane, we represent the City of  
13 Riverside who has intervened on behalf of themselves  
14 and the Platte County Water District. The Platte  
15 County Water District is near one of the remaining  
16 outliers highlighted in the court of appeals  
17 decision after the order that this Commission issued  
18 in 2016.

19 The real purpose of the City of  
20 Riverside is to talk about the impact of all this on  
21 the residents. The elected officials of Riverside  
22 understand, as many of the members of this  
23 Commission know as former elected representatives or  
24 working for elected representatives, it keeps you in  
25 touch with what is on the mind of the people. And,

1 you know, all of us lawyers have clients and those  
2 clients, we have an obligation to represent those  
3 clients, but as the elected official representing  
4 those representatives, they can't just pick this  
5 neighborhood over that neighborhood. They've got to  
6 figure out what is in the community interest, what  
7 is in the public interest, and that's what you-all  
8 are doing today as the Public Service Commission.

9           And your job is more complicated than  
10 elected officials because right now you're  
11 representing all three branches of government. Some  
12 days you're the executive branch, some days you're  
13 the judicial branch, and some days you're the  
14 legislative branch. And the purpose of that is  
15 people a long time ago decided, look, when we get  
16 into these complicated areas of dealing with the  
17 basic human needs of this state, we need to have and  
18 delegate to a Commission the authority to make those  
19 big policy decisions, and that's probably the most  
20 difficult decision for anybody to make is those  
21 policy decisions because you've seen the impact of  
22 that this morning. We're talking about, well, what  
23 did the Commission do in 2000, what did they do in  
24 1960, what did they do in 1930.

25           What do we learn from history? What we



1 learn from history is this: District specific  
2 doesn't work. It hasn't worked from a private  
3 capital standpoint because all of those companies  
4 have gotten bought out. Capital Cities, Missouri  
5 Cities, St. Louis County, all those were district  
6 specific. They didn't work. They couldn't survive.  
7 Who saved them? Missouri-American Water. Now,  
8 that's kind of weird, isn't it, for our customer to  
9 look at the big company as not the evil darkness.

10 There's issues we may have disagreements  
11 on and I prefer that at some point the cities  
12 coalesce to focus on those issues that we may have  
13 on cost of capital, but the reality is this  
14 Commission made the decision to move towards  
15 consolidation. And if we get into the words of  
16 consolidation versus single tariff, I don't consider  
17 that spin. We have been on a track of consolidation  
18 since these smaller companies like Missouri Cities  
19 were bought up. It's a continued consolidation to  
20 try to bring equity to delivery of a basic service  
21 and that's water. The idea that we get into trying  
22 to decide what the actual cost is, that's the but  
23 for test, who leaves? Business. We know that as a  
24 but for test that if we rely on district specific,  
25 that will fail. It's been failed through the

1 economic experiment of the private sector already.

2 Socialization of cost. We are  
3 socializing costs across the board on a number of  
4 areas, but how do we create equity for that retired  
5 couple that's under that 3,000 or under the 5,000?  
6 They're the only people that don't get to resell  
7 their water.

8 Industrial, commercial, that's an area  
9 I'd like to focus on in the future. Can they carry  
10 a heavier burden?

11 Inclining block rates, that may work.  
12 Our city's interested in exploring that, potentially  
13 being a pilot project if we can talk to the other  
14 mayors. We see there could be benefits to that.

15 But to revert back to eight districts  
16 would be a huge mistake because history has already  
17 taught us that is not the way to go, and it's just  
18 not words, it's just not policy. Look at the  
19 numbers. What was handed out to you this morning,  
20 if you turn to the second page. I'm concerned when  
21 we start trying to paint one city as a victim over  
22 the other city, but I will gladly trade St. Louis's  
23 victimization for Riverside's when we look at  
24 current rates. Clearly, the City of Riverside even  
25 before the last -- but for the last consolidation of

1 three districts, we'd have a much higher rate,  
2 probably almost double what we have now.

3 But you can see this in that upper  
4 right-hand box. It really paints the picture of the  
5 value of consolidation of all of the districts into  
6 one district for the residential customers, that  
7 they will have a real balance going forward not only  
8 to recover future capital costs, but also for those  
9 outlier districts. And we know from the legislature  
10 they've already issued where they are. They want to  
11 look at those districts that are 8,000 or below in  
12 customers, specifically said they can be  
13 consolidated into larger districts. What we've done  
14 in district three is consolidated a lot of other  
15 districts that are small, but those people still  
16 need the service. And you-all have to decide what's  
17 the most effective and efficient way to do that.

18 I know that there are cities that are  
19 concerned about the cost of infrastructure in  
20 St. Louis in the future, can be a huge number. We  
21 have costs right now in Platte County. Dispersing  
22 those costs and trying to share those in a more  
23 equitable way, which I think these numbers do, what  
24 the Company's proposed, do share in a more equitable  
25 manner across the board, is the way the Commission

1 should continue if we want to give relief to true  
2 residential ratepayer.

3 And that's where Mayor Rose has been.  
4 And Mayor Rose has been a leader in the district  
5 both not only in water, but in all areas. And to  
6 that extent she understands that the sharing of  
7 those costs are important. Riverside, obviously,  
8 shares a number of other things with other  
9 communities, other resources that they have. I know  
10 that mayor feels in the same manner and she's  
11 strongly supportive of the consolidated tariff as  
12 well.

13 So, again, they're thinking big and  
14 thinking broader than just their own backyard and we  
15 believe that truly it's in the best interest of all  
16 residential, true residential ratepayers, true  
17 residential ratepayers to go to this consolidated  
18 district. You made the decision in your last case  
19 that that was the direction to head towards, to take  
20 the volatility out. For all those reasons that you  
21 cited in your previous order, I urge you to continue  
22 in that direction and bring more equity across the  
23 board to all areas of the state.

24 Thank you. Any questions?

25 COMMISSIONER KENNEY: No, thank you.

1 JUDGE BURTON: How does the City of  
2 Riverside feel about the proposed offset mechanism?

3 MR. BEDNAR: I met with them last night  
4 and the Company was able to provide us some numbers  
5 and some information, and the board and the Mayor  
6 are willing to participate in that as a pilot  
7 project. Mayor Rose is meeting with the other  
8 mayors, which is the mayor of Platte City, mayor of  
9 Parkville, and I'm not sure, there's supposed to be  
10 two other potential -- three other mayors, at  
11 10 o'clock. So, I was going to get on the phone  
12 with them. Explain to them a little bit what the  
13 purpose would be in the pilot project. But they  
14 expressed a willingness because, again, while those  
15 high users would pay a little more, the seniors and  
16 the low users get a significant reduction, which the  
17 board and the mayor -- and there's a mix on the  
18 board from young families that are going to be  
19 higher users and retired members on the board of  
20 alderman. So, it's a nice little -- quite frankly,  
21 I wasn't sure how they were going to react, Judge.  
22 It was unanimous that they would be willing to  
23 participate if the Commission sought that.

24 Now, they also conditioned that on  
25 single tariff because that's a huge difference. If

1 we don't have single tariff, they would not be  
2 willing to because the numbers then are pretty cost  
3 prohibitive already and you can see examples of that  
4 kind of in the block. So, that's all conditioned,  
5 too, on the other mayors, but the City of Riverside  
6 itself would be, if we get single tariff, to  
7 participate in a pilot. The difficulty there is  
8 because we're part of Platte County Water District,  
9 we want the assurances that the other mayors are  
10 also on board and responsive to their constituents.

11 JUDGE BURTON: Thank you.

12 MR. DORITY: Judge, if I may briefly  
13 interject --

14 CHAIRMAN HALL: I'm confused a second.  
15 I thought your question was about the offset  
16 mechanism, not the inclining block rates.

17 MR. BEDNAR: Oh, I'm sorry. I got it.

18 The offset, we actually raised the  
19 offset last time in the last case. And so, you  
20 know, obviously, we weren't a part of the coalition  
21 cities for obvious reasons that they wanted to go  
22 with a more split district. We're always in favor  
23 of equity. So, with an offset mechanism, we think  
24 the collaborative would be a fine idea. We'd be  
25 happy to participate in that. We know there's

1 issues out there and it's always drilling down the  
2 details, but if there's an equitable way to do that  
3 that would make sense, we would be very supportive  
4 of it.

5 JUDGE BURTON: Thank you.

6 COMMISSIONER KENNEY: Mr. Bednar.

7 MR. BEDNAR: Yes.

8 COMMISSIONER KENNEY: I was talking to  
9 my adviser last night, and the reason I didn't ask  
10 you the question is because you answered it. My  
11 question to you was going to be: Did you talk to  
12 the mayors about a pilot program regarding inclining  
13 block rates if we were to do a single tariff?

14 MR. BEDNAR: Yes.

15 COMMISSIONER KENNEY: And so, your  
16 answer is?

17 MR. BEDNAR: Yes. The board and the  
18 Mayor of Riverside would be willing and the Mayor is  
19 checking with the other mayors.

20 COMMISSIONER KENNEY: You're going to  
21 talk to them this afternoon?

22 MR. BEDNAR: This morning at 10 o'clock.

23 COMMISSIONER KENNEY: All right. Thank  
24 you.

25 JUDGE BURTON: I believe that this

1 concludes the opening statements. Why don't we take  
2 a brief recess and we'll come back on the record at  
3 around 10:15.

4 (A brief recess was taken.)

5 JUDGE BURTON: Let's go ahead and go on  
6 the record.

7 And, Mr. England, I believe you were  
8 ready to call your first witness.

9 MR. ENGLAND: I am, Your Honor, but  
10 before I do that, if now's an appropriate time, I'd  
11 like to offer the exhibit we distributed earlier  
12 this morning, which I believe has been marked as  
13 Staff's Exhibit 136, and even though it's a Staff  
14 exhibit, it's one that both the Company and the  
15 Staff have worked on and like to support it.

16 JUDGE BURTON: I've identified this as  
17 MAWC-Staff joint rate comparison schedule for  
18 Exhibit 136. It has been offered. Are there any  
19 objections?

20 Seeing none. Exhibit 136 is admitted.

21 (MAWC-Staff's Joint Exhibit No. 136 was  
22 admitted into evidence.)

23 MR. ENGLAND: Thank you.

24 The witness I'd like to call first is  
25 Mr. James Jenkins, and I believe he's already taken



1 the witness stand.

2 JUDGE BURTON: And, Mr. Jenkins, you  
3 were already sworn in. So, I'll just remind you  
4 that you're still under oath.

5 THE WITNESS: Yes.

6 JAMES JENKINS,  
7 having been called as a witness herein, having been  
8 first duly sworn, was examined and testified as  
9 follows:

10 DIRECT EXAMINATION

11 BY MR. ENGLAND

12 Q. Mr. Jenkins, all of your prepared  
13 testimony has been previously offered and accepted  
14 into the record. Have you noticed any corrections  
15 or revisions that need to be made since that was  
16 taken into that -- taken into the record?

17 A. No.

18 MR. ENGLAND: Okay. Thank you. I have  
19 no other questions and would tender the witness for  
20 cross-examination. Thank you.

21 JUDGE BURTON: Mr. Dority, I believe  
22 that you were first.

23 MR. DORITY: Thank you, Judge.

24

25

1 CROSS-EXAMINATION

2 BY MR. DORITY

3 Q. Good morning, Mr. Jenkins.

4 A. Good morning.

5 Q. Just a quick question regarding Exhibit  
6 136 that was just referenced by Mr. England. Do you  
7 have that with you?

8 A. I do.

9 Q. I just wanted to confirm that when I  
10 look at the consolidated column in rate B, which is  
11 the sale for resale, that the numbers that are  
12 referenced on Exhibit 136 for this rate B class  
13 would represent all three of the districts combined.  
14 Is that the correct understanding?

15 A. Yes.

16 MR. DORITY: Thank you. That's all I  
17 have.

18 Thank you, Judge.

19 JUDGE BURTON: Thank you.

20 Mr. Mills.

21 MR. MILLS: No questions.

22 JUDGE BURTON: Mr. Bednar.

23 MR. BEDNAR: No questions.

24 JUDGE BURTON: City of St. Joseph.

25 MR. STEINMEIER: No questions, Your

1 Honor.

2 JUDGE BURTON: Warrensburg.

3 MR. LUMLEY: No questions.

4 JUDGE BURTON: Joplin.

5 MS. BELL: No questions.

6 JUDGE BURTON: Consumers Council.

7 MR. COFFMAN: No questions.

8 JUDGE BURTON: Staff.

9 MS. KLAUS: No questions.

10 JUDGE BURTON: Office of Public Counsel.

11 MR. SMITH: No questions.

12 JUDGE BURTON: Questions from the bench.

13 CHAIRMAN HALL: Yes.

14 QUESTIONS BY CHAIRMAN HALL:

15 Q. Good morning.

16 A. Good morning.

17 Q. I have a couple of questions about  
18 consolidated pricing, but before getting into those,  
19 I want to talk about a couple -- a question about a  
20 couple other issues I want to get to first. First  
21 is the lead service line replacement program.

22 A. Yes.

23 Q. And my question for you is this: If the  
24 Company -- if the Commission were to determine that  
25 it was appropriate to give the Company a return of

1 its investment, but not a return on its investment,  
2 and the Company -- and the Commission were to adopt  
3 Staff's ten-year amortization proposal, is there a  
4 policy rationale for putting -- carrying costs as  
5 the long-term debt as opposed to the short-term debt  
6 from the Company's perspective?

7 A. There is a policy rationale in terms of,  
8 you know, over a ten-year period to not only include  
9 the debt, but also we've got related equity cost as  
10 well. So, I wouldn't limit my policy return on just  
11 to a long-term debt rate.

12 Q. Do you know what the company's long-term  
13 debt rate is?

14 A. Not -- we could get that for you and  
15 it's in the record, but I don't have it with me.

16 Q. Yeah. I think -- I think the record  
17 reflects 5.24. Does that sound right to you?

18 A. I can accept that, subject to check.

19 Q. So, could you -- could you explain to me  
20 your prior answer about why simply doing the  
21 long-term debt is not as sufficient or is not the  
22 appropriate rate to put on the --

23 A. Yes.

24 Q. -- on the amortization?

25 A. Yes. Once you get beyond a, you know,

1 one-year recovery, any short-term debt that we're  
2 carrying, we have to finance that with both debt and  
3 equity. That's how the, you know, utility model  
4 works. And so, a carrying cost includes both debt  
5 and equity. And if you were going to amortize a  
6 cost over ten years, we would go ten years without  
7 our full cost of capital in the loss of an equity  
8 return and it's not something we'd support.

9 **Q. Okay. Turning to inclining block rates**  
10 **just for a brief moment and I want to -- I want to**  
11 **understand a couple of things. If inclining block**  
12 **rates were designed appropriately, if information**  
13 **was available and they were designed appropriately,**  
14 **there would be no effect on revenues; is that**  
15 **correct?**

16 A. The impact on revenues, which is our  
17 biggest concern, is that if they're designed, we  
18 should see some reduction in use.

19 **Q. But if they're properly designed, that**  
20 **would take that into account?**

21 A. In the proper design do you mean  
22 including a revenue stabilization mechanism --

23 **Q. No, I do not.**

24 A. -- or a tracker?

25 **Q. Not the -- and I understand the**

1     **Company's position that it may not be possible**  
2     **either at this juncture or ever to properly design**  
3     **inclining block rates, but my question is: If it is**  
4     **possible to do so, that would have no effect on**  
5     **revenues; isn't that correct?**

6             A.     If you could measure the elasticity of  
7     demand and actually put a measurement to that  
8     through the first year of new rates.

9             **Q.     Which a lot of academics and industry**  
10     **consultants have done or at least attempted to do?**

11            A.     I'm not aware in the water industry.

12            **Q.     Okay.**

13            A.     That doesn't mean there's not some out  
14     there.

15            **Q.     All right. So, finish your answer to**  
16     **the question.**

17            A.     When we speak to inclining block rates  
18     and driving conservation or water efficiency, you  
19     know, that's something that we do have in two states  
20     in the American system, both California and New  
21     York, and both of those states because of the  
22     challenge of what we just discussed, really  
23     measuring elasticity and putting a number, a number  
24     to it, is the reason in those states that we embrace  
25     is we have this revenue stabilization mechanism or

1 revenue tracker that then, you know, allows us to  
2 maintain our revenues and not be adversely impacted.

3 **Q. I'm still -- and maybe this is more**  
4 **academic than practical, but if the blocks were**  
5 **designed appropriately with what data is available,**  
6 **wouldn't there be no revenue impact? Isn't that the**  
7 **point?**

8 A. I'm not sure you can get there, but I  
9 think that's some of the education that we need  
10 going forward.

11 **Q. So, would there -- so, then putting that**  
12 **issue aside for a moment. There would be some**  
13 **reduction in costs as a result of that structure,**  
14 **would there not, if it did result in some**  
15 **conservation?**

16 A. Yes. I mean, basically the energy water  
17 nexus in terms of if less power was used to deliver  
18 water, then less energy would be required to be  
19 expanded and on a long-term basis we could pass  
20 those savings back to our customers.

21 **Q. And so, it's not just energy. It's also**  
22 **everything related to the treatment and delivery of**  
23 **water from chemicals on down the line?**

24 A. Yes.

25 **Q. And all of those cost savings would**

1     **inure to the benefit of ratepayers?**

2             A.     In the long term, but yes.

3             **Q.     All right.  Now, turning to the subject**  
4     **that you actually came up here to prepare to discuss**  
5     **and that's the consolidated tariff pricing.  Could**  
6     **you explain to me how this proposal would aid in**  
7     **dealing with small troubled water systems, water and**  
8     **sewer systems?**

9             A.     Yes.  You know, one, spreading, you  
10    know, increased capital costs to address aging  
11    infrastructure as well as emerging water quality  
12    issues that all, you know, water utilities are  
13    impacted by.  When you consolidate that across a  
14    larger system such as Missouri-American, it makes  
15    rates more affordable.  And I put some examples in  
16    my testimony, at least one with respect to some  
17    smaller systems to just kind of measure the impact.  
18    It's much, you know, easier to address those public  
19    policy issues from the water quality perspective.

20             And then also we get a little bit of a  
21    benefit itself.  So, if you think about  
22    Missouri-American, since 2012 the last four or five  
23    smaller systems that we've added, we've been able to  
24    add those without adding any customers -- or any  
25    employees.  Sorry.  Any employees.  So, if you think



1 about it, even though this is small systems, we're  
2 still able to spread our fixed costs and our  
3 overhead costs around on the captive customers to a  
4 certain extent. So, I think that's a win-win.

5 **Q. There was some discussion in Public**  
6 **Counsel's opening and there's also some written**  
7 **testimony to this effect as well about the possible**  
8 **unfairness of single tariff pricing particularly as**  
9 **it relates to St. Louis ratepayers, St. Louis County**  
10 **ratepayers in that they have an ISRS on the books**  
11 **and they are -- they're paying for depreciation on**  
12 **capital investment in their -- within St. Louis**  
13 **County prior to the next rate case. Whereas, that's**  
14 **not the case throughout the rest of the state. Can**  
15 **you explain to me how single tariff pricing does not**  
16 **adversely impact St. Louis County with particular**  
17 **focus on the ISRS?**

18 **A.** With respect to St. Louis County and the  
19 ISRS mechanism, the costs and the carrying costs on  
20 those capital investments in between rate cases are  
21 included and recovered to the ISRS mechanism, but  
22 when we come in for new rates the unamortized  
23 balance is in our cost structure and at that point  
24 then those costs under single tariff pricing would  
25 be shared across the entire state.

1           Q.    So, at the next rate case those  
2 depreciation expenses get socialized, but before the  
3 rate case they are not?

4           A.    Correct.

5           Q.    Before the next rate case, they would be  
6 borne specifically by St. Louis County residents?

7           A.    Yes, correct.

8           Q.    And so, there would be a portion of the  
9 total depreciation that would be paid exclusively by  
10 St. Louis County and then the rest socialized; is  
11 that correct?

12          A.    That's correct.

13          Q.    So, how is that fair to residents in  
14 St. Louis County if they have to pay a portion of  
15 their own depreciation exclusively and then  
16 everything else gets shared, theirs and everyone  
17 else's at some point? I mean, I think I have a  
18 suggestion for an answer, but I'm curious as to...

19          A.    You know, I think it, you know, involves  
20 timing as well. So, you know, the properties  
21 outside of St. Louis County with respect to capital  
22 investment that's going to get included in the next  
23 rate filing will also be at its depreciated balance  
24 and at that time it will be included in rates and  
25 socialized across the entire state.

1           **Q. Well, isn't there -- isn't there also an**  
2 **argument that the residents of St. Louis County are**  
3 **getting the advantage -- well, with the ISRS there**  
4 **is an incentive for the Company to spend more money**  
5 **within St. Louis County, to invest more in St. Louis**  
6 **County and, so, if those costs get socialized out,**  
7 **then St. Louis County residents are reaping the**  
8 **benefit of the additional investment in St. Louis**  
9 **County? Is that true?**

10           **A. St. Louis County would be reaping a**  
11 **benefit for additional investment in terms of that**  
12 **capital -- in terms of capital attraction. So,**  
13 **certainly the infrastructure mechanism is a capital**  
14 **attraction vehicle, but I would say and I think that**  
15 **was talked about, our witness, Company witness**  
16 **Aiton, is that we are focused on our properties**  
17 **outside of St. Louis County and really trying to**  
18 **address this hundred-plus-year replacement cycle and**  
19 **begin to address that from a statewide perspective**  
20 **as well.**

21           **Q. Okay. Both St. Joe and Joplin and**  
22 **others are critical of the single tariff pricing**  
23 **because they don't want to socialize the costs of**  
24 **capital projects statewide when they haven't -- when**  
25 **they were not socialized at least for a portion of**

1 the depreciation of projects within their territory.  
2 Is that a fair description of the situation? Not  
3 whether you agree or not. I just want to make sure  
4 my --

5 A. Yeah, that's my -- that's my  
6 understanding of St. Joe.

7 Q. That's not your understanding for  
8 Joplin?

9 A. Well, based on the opening statement, I  
10 felt that I heard that Joplin was saying they were  
11 supportive of consolidated pricing, but maybe I  
12 misunderstood.

13 Q. Well, let me ask -- let me ask this:  
14 So, in Joplin my understanding is that there was a  
15 treatment facility put in place in 2007?

16 A. Correct.

17 Q. Do you have any idea roughly what the  
18 depreciation life is of a treatment center like  
19 that?

20 A. It's going to be anywhere from probably  
21 40 to 50 years.

22 Q. So, under single tariff pricing, the  
23 depreciation on that facility, i.e. the cost of that  
24 facility, would be socialized from 2018 until, if  
25 it's 50 years, until 2057?

1 A. Correct.

2 Q. So, there would -- there would be -- the  
3 lion's share -- difficult to do math on the fly like  
4 that.

5 A. Right.

6 Q. Empathize with you folks having to do it  
7 there.

8 The vast majority of the cost of that  
9 facility under single tariff pricing would be  
10 socialized, only a small portion would have been  
11 borne directly by the residents of Joplin or that  
12 specific district; is that correct?

13 A. That's correct.

14 Q. And would you say that that's an  
15 important concept that maybe some of the parties in  
16 this case have been ignoring? That when they say  
17 that they've paid for their facility already, they  
18 really haven't? I mean, they haven't paid for it  
19 until the depreciation life of that capital asset is  
20 over?

21 A. Yeah, I would agree with that, and also  
22 in other districts there's been capital investment  
23 made, whether that's in the St. Louis County  
24 district or St. Charles. There's always this cycle  
25 of capital that is taking place, you know, pick your

1 time period, 10 years, 15 years, 100 years. There's  
2 always been that cycle of capital and lumpiness,  
3 which is really one of the main reasons for looking  
4 at a policy perspective on consolidated pricing.

5 **Q. What is your objection to the offset**  
6 **mechanism?**

7 A. One is really have not been able to  
8 understand it, and one of our witnesses later had  
9 asked for her to look at it, Company witness  
10 Heppenstall, but it's very cumbersome. It requires  
11 a separate collaborative group to work outside this  
12 process to try to agree on how this would work. And  
13 ultimately, in terms of looking across the American  
14 system is we've got consolidated pricing in 11 of  
15 our 14 states and never once has an issue like this  
16 been brought up or ordered that I'm aware of and I  
17 follow that pretty closely. So, I just -- I just  
18 don't think it will work.

19 **Q. Would you take the position that it**  
20 **would essentially defeat the whole purpose of**  
21 **consolidated pricing?**

22 A. I would. Really, it's a way to go back  
23 to district-specific pricing.

24 **Q. You mentioned just a moment ago that 11**  
25 **of the 14 states that American Water has**

1 **subsidiaries in has single tariff pricing? Is that**  
2 **correct or did I misunderstand?**

3 A. Yeah. We have -- one of the things with  
4 definitions, single tariff pricing and consolidated  
5 pricing are used interchangeably and, you know, with  
6 the American system and water industry in general if  
7 you think about it, when you have consolidated rates  
8 and you have acquisitions that take place, not every  
9 Commission or the facts and circumstances dictate  
10 allow you to immediately roll those rates into a  
11 consolidated rate cycle. So, you know, even in a  
12 state like Pennsylvania we may have, let's say, five  
13 to eight open acquisitions in the Commission and the  
14 way that that's addressed is that doesn't get  
15 consolidated into a next subsequent rate case. So,  
16 that's the reason we try to work with that term  
17 single tariff pricing versus consolidated rates.

18 We actually have three, three states  
19 that are single tariff pricing. Kentucky, Iowa,  
20 Maryland just pure single tariff pricing at this  
21 moment because there's no outstanding acquisitions.  
22 And then the others are different versions of that  
23 consolidation, whether it consolidates the  
24 residential class all the way through residential,  
25 nonresidential, sale for resale, industrial.

1           **Q.    Is there a national trend in this area**  
2           **from your perspective?**

3           A.    I'd absolutely contend there is and I  
4           think it's been -- that movement has been going for  
5           some time and especially in the last five to ten  
6           years.  Our latest company that was brought forward  
7           with the single tariff pricing was Iowa a couple  
8           years ago.  And in the states that we don't have  
9           consolidated pricing, we've got open rate cases in  
10          our California operation and our New Jersey  
11          operation, and those are large issues in those cases  
12          about a movement -- at least our recommendation to  
13          go to consolidated pricing.  The third one is  
14          Hawaii, which is less than 5,000 customers and we  
15          just -- it's all sewer and we haven't been in a  
16          Hawaii rate case for three to four years.

17          **Q.    Has NARUC issued any kind of resolution**  
18          **on this topic that you're aware of?**

19          A.    I am.  And there's been a couple NARUC  
20          resolutions that has encouraged, you know,  
21          regulatory bodies such as yourself to look at it and  
22          as a way to address, you know, many of the issues.  
23          One is helping with including or integrating, you  
24          know, small systems that have, you know, challenging  
25          operations, as this is a reasonable way to address



1 those kind of problems from a public policy  
2 perspective.

3 **Q. At agenda later today the Commission's**  
4 **going to be taking up a couple of proposed rules.**  
5 **One of which will be designed to incentivize**  
6 **acquisition of troubled systems, and then the second**  
7 **was to allow essentially some kind of environmental**  
8 **surcharge to allow troubled systems to collect funds**  
9 **in advance of capital projects in order to fix**  
10 **environmental issues, and I strongly believe that**  
11 **those are two approaches that are valuable to**  
12 **addressing this issue. But do you believe that**  
13 **single tariff pricing is the best way out there to**  
14 **handle that particular issue?**

15 A. I do because --

16 **Q. And why do you think that?**

17 A. Well, it really allows us to, you know,  
18 capture the economies of scale of a larger system  
19 such as Missouri-American in this state and allows  
20 us to price the commodity across the state at a  
21 similar level and I just think it works to be able  
22 to -- like I said before, I think it's a win-win.  
23 It's certainly a win for the customers of the small  
24 distressed system to help with the challenges that  
25 they have, and in the long term I think it's a win

1 for a company as large as Missouri-American as well  
2 because we can absorb those facilities and we can  
3 begin to use, you know, all the resources at our  
4 disposal and continue to spread those costs across a  
5 larger customer base.

6 CHAIRMAN HALL: Thank you. I have no  
7 further questions.

8 COMMISSIONER KENNEY: No questions.  
9 Thank you.

10 QUESTIONS BY COMMISSIONER COLEMAN:

11 Q. Good morning.

12 A. Good morning.

13 Q. So, the Chairman started a question, but  
14 I don't think I got an answer and it was relative to  
15 the monthly billing and, so, my question about that  
16 is since this came up so often in going to monthly  
17 billing in St. Louis County area. Wouldn't that  
18 increase the administrative costs of  
19 Missouri-American Water, which in turn would  
20 increase the bills of the customers?

21 A. One of the thing -- one of the items in  
22 this rate filing is we've -- we're starting to use  
23 technology and the technology is referred to as  
24 automated meter intelligence, AMI, that we're  
25 deploying in St. Louis County and what that allows

1 us to do is to basically read meters remotely and  
2 the employees that are -- that normally read the  
3 meters manually, we're going to be able to just  
4 deploy them in other activities of the business.  
5 And so, those costs that typically one thinks about  
6 increasing administration costs, having to hire  
7 additional labor to actually read meters on a  
8 monthly basis, we're going to be able to not incur  
9 those additional costs. And more importantly, begin  
10 to address issues like in St. Louis County whenever  
11 you've got a 90-day bill cycle and a customer has a  
12 leak on one of their service lines and they're not  
13 aware of it within that 90 days and maybe it extends  
14 to two of those 90-day cycles and pretty soon it's  
15 180 days of leaking, whether it's a water line, a  
16 leaking bathroom fixture, and results in a high  
17 bill. So, that's really where we're trying to go  
18 with this. And one of the issues in this case from  
19 a rate design perspective is allowing us to use that  
20 technology and begin to convert our St. Louis County  
21 customers to monthly billing, and if you look at  
22 some of the quarterly bills now, you know, it could  
23 get up to, you know, whether it's \$80 a quarter,  
24 \$100 a quarter, that's a, you know, a significant  
25 bill for customers, and we just think that from a

1 long-term customer's perspective, they can manage  
2 their bills and if we could get them to a monthly,  
3 monthly reading.

4 **Q. So, you brought up reassigning staff**  
5 **since they won't be out reading meters. Give me an**  
6 **idea of what you mean by that.**

7 A. Yeah. Well, they're going to be out  
8 with valve turning and looking at our valve  
9 maintenance program and other type of maintenance  
10 activities that we believe are, you know, critical  
11 for the operation of utility company.

12 **Q. Will the customers have an opportunity**  
13 **to opt out of the use of the smart meters?**

14 A. I believe they will and if I'm not  
15 right, we'll correct that.

16 **Q. So, looking at going to smart meters,**  
17 **being able to read this from the inside instead of**  
18 **outside, that doesn't address the issue surrounding**  
19 **cost of postage, that type of stuff, if you're doing**  
20 **monthly billing. I'm trying to find out where --**  
21 **are we looking at costs only going down if you're**  
22 **looking at smart meters or what -- where does the**  
23 **money go that you're going to now end up sending out**  
24 **bills 12 times a year instead of four?**

25 A. There will be increased postage in terms

1 of -- in terms of having monthly billing to the  
2 extent mail is used as the way bills are paid.  
3 We've also got, you know, some percentage of  
4 customers that pay online bill payment. So, the  
5 postage isn't as big of an expense as it used to be,  
6 but yes, there will be an increased postage expense  
7 by going to monthly.

8 **Q. Has there been an estimated -- any**  
9 **estimate of what those costs might increase to?**

10 A. I don't recall. I mean, we provide  
11 those estimates in our rate filing, but I don't  
12 recall.

13 **Q. And in case you're not the person to**  
14 **answer -- hold on one moment. If I don't write that**  
15 **down, I won't remember to check into it later.**

16 So, a couple other things, if you have  
17 the ability to answer this. Can you give me some  
18 kind of idea as to what type of vetting is done when  
19 it comes to your contractors to go out and work on  
20 water mains and other issues? There were a lot of  
21 water main breaks throughout Missouri in your  
22 customer area. Particularly, St. Louis County had,  
23 you know, hundreds of water main breaks and there  
24 has been lots of complaints about the contractors.  
25 **What's the vetting process your Company has?**

1           A.    That question's best directed to  
2   somebody else within the Company.  We do --

3           **Q.    You got an idea who?**

4           A.    Our witness in the case was Bruce Aiton.

5           **Q.    Oh, yeah.  I remember when Mr. Aiton was**  
6   **here.**

7           COMMISSIONER COLEMAN:  I think that's  
8   good then for right now.  Thank you.

9           THE WITNESS:  Thank you.

10          FURTHER QUESTIONS BY CHAIRMAN HALL:

11           **Q.    I'm sorry.  I do have one more.  In the**  
12   **Commission's last order for Missouri-American rate**  
13   **case and in your testimony you noted this language**  
14   **where the Commission wrote based upon testimony in**  
15   **that case that Missouri-American's annual cost to**  
16   **serve a residential customer is fairly consistent**  
17   **across existing districts?**

18           A.    Yes.

19           **Q.    Is that still the case?**

20           A.    Yes.  We looked at that as part of the  
21   proposed settlement at 318 million and it's still  
22   around four- to five-hundred dollars between the  
23   different districts, and Connie Heppenstall could  
24   address that specifically, but I believe it's still  
25   the case.

1 CHAIRMAN HALL: Okay. Thank you.

2 QUESTIONS BY JUDGE BURTON:

3 Q. I have a few questions for you.

4 Does the Company offer paperless  
5 billing?

6 A. We do.

7 Q. Do you know approximately what  
8 percentage of your customers residentially speaking  
9 use that service?

10 A. I do not.

11 Q. Would that impact the postage expense  
12 for the Company?

13 A. That would impact the postage expense.

14 Q. Now, would the Company's witnesses  
15 Heppenstall or LaGrand be able to perhaps answer any  
16 questions that Commissioner Coleman had concerning  
17 the contractors who performed the repair work or  
18 their qualifications or is it just Mr. Aiton?

19 A. I need to confer with them to see if  
20 they can do it.

21 Q. Okay. Could you describe a little bit  
22 of what sort of capital improvements have occurred  
23 in Platte County recently? Has there been a major  
24 improvement project?

25 A. Yes. We've put in a \$30 million water

1 treatment plant in Platte County.

2 **Q. And when did that plant become operable?**

3 A. Approximately -- certainly prior to  
4 12/31/2017. I'm not sure the exact date.

5 **Q. After the last rate case, though?**

6 A. Yes. After the last rate case, yes.

7 **Q. And there's been discussion that the**  
8 **Company has started, I believe they've already filed**  
9 **in February their second annual five-year capital**  
10 **improvement --**

11 A. Yes.

12 **Q. -- project plan?**

13 **Would you expect any difference in the**  
14 **Company's projected plans for improvements in a**  
15 **consolidated tariff or a single tariff pricing**  
16 **method versus the three district? Will that have**  
17 **any impact?**

18 A. No. As the -- one of the things that we  
19 look at in terms of planning, we certainly take into  
20 account affordability, but the overriding driver of  
21 our capital plan is the level of investment that we  
22 need to make in terms of meeting our, you know,  
23 ongoing service needs.

24 **Q. Safe and adequate service?**

25 A. Safe and adequate service. So, I'd say



1 generally no.

2 JUDGE BURTON: Okay. All right. Thank  
3 you.

4 Any recross based on bench questions?  
5 I'm just going through the list first. So, Public  
6 Water Supply Districts and MIEC and City of  
7 Riverside.

8 MR. SMITH: OPC, too, depending on  
9 what's asked.

10 JUDGE BURTON: Mr. Steinmeier.

11 MR. STEINMEIER: Thank you, Your Honor.

12 CROSS-EXAMINATION

13 BY MR. STEINMEIER

14 **Q. Mr. Jenkins, forgive me for not being**  
15 **primarily an audible learner. Would you, please,**  
16 **repeat your answer to the Chairman as to which**  
17 **states have implemented single tariff pricing for**  
18 **American Water Works affiliates?**

19 A. Yes. In terms of American Water  
20 affiliates we operate in 14 jurisdictions. 11 of  
21 our 14 have consolidated pricing. And as I was  
22 describing to the Chairman, the definition between  
23 single tariff is often used interchangeably with  
24 consolidated pricing and one of the challenges with  
25 respect to a single tariff price, and which means

1 one tariff, is that in the water industry  
2 specifically we're always -- we're always  
3 integrating smaller systems for various public  
4 policy reasons into our rate structures. So, you  
5 can often have multiple tariffs that are waiting  
6 till the next subsequent rate filing before they're  
7 actually consolidated and moved into that tariff  
8 rate. But in terms of pure single tariff pricing,  
9 as I mentioned to the Chairman, Kentucky, Iowa, and  
10 Maryland.

11 Q. Thank you. I only got Iowa written  
12 down.

13 On the subject of the St. Joseph  
14 treatment plant, online in 1999, recognized in rates  
15 in 2000. Of course, we understand and appreciate  
16 consistent with the Chairman's questions that the  
17 plant is not fully depreciated, but from 2000 when  
18 it was first recognized in rates through or into  
19 2016 when the last rate case went into effect  
20 creating three districts, is it not true that all  
21 costs that were billed to be paid related to the  
22 St. Joseph treatment plant were paid by St. Joseph  
23 customers during that time period?

24 A. Yes.

25 Q. And from 2016 through the present all

1 costs billed by Missouri-American related to that  
2 St. Joseph treatment plant are being paid by  
3 district two customers?

4 A. Yes.

5 MR. STEINMEIER: Thank you.

6 No further questions, Your Honor.

7 JUDGE BURTON: Any of the other cities?  
8 Staff.

9 MR. WESTEN: Thank you, Judge.

10 RE CROSS-EXAMINATION

11 BY MR. WESTEN

12 Q. Mr. Jenkins, do you recall a question by  
13 the Chairman about lead service lines and he asked  
14 about the Company's impression about what kinds of  
15 costs or values ought to be carried or returned to  
16 the Company from the installation of those service  
17 lines? Do you recall those questions?

18 A. I do.

19 Q. And correct me if I'm wrong. I think  
20 I'm paraphrasing, but I believe you said at least  
21 about the installation that the Company would prefer  
22 to see a return on their equity investment on the  
23 work done on those lines. Is that a fair paraphrase  
24 of your response to that?

25 A. We would prefer to see a return on our

1 entire cost of capital, which includes both debt and  
2 equity.

3 Q. Which includes both debt and equity.

4 And just to clarify, the lines that  
5 Missouri-American would install, those would be not  
6 owned by the Company after the installation; isn't  
7 that correct?

8 A. That's right. Part of our restoration  
9 costs.

10 Q. Thank you.

11 Now move on to the issue at hand. Do  
12 you recall commenting that the Company is more  
13 incented to purchase small water and sewer systems  
14 with single tariff pricing?

15 A. Yes.

16 Q. And prior to the 2015 rate case, which  
17 was decided in 2016, the Company had the  
18 eight-district set up, correct?

19 A. Correct.

20 Q. And the Company made acquisitions of  
21 small water and sewer systems during that time,  
22 didn't it?

23 A. It did.

24 Q. And during the three-district  
25 arrangement that has existed over the past 18 or so

1 months, Missouri-American has also acquired some  
2 small water and sewer, some quite small water and  
3 sewer systems; is that right?

4 A. Yeah. Since about 2012 probably average  
5 about two-and-a-half systems a year.

6 MR. WESTEN: All right. That's all my  
7 questions. Thank you.

8 JUDGE BURTON: Public Counsel.

9 MR. SMITH: Yes. Thank you, Judge.

10 RE-CROSS-EXAMINATION

11 BY MR. SMITH

12 Q. Do you recall some questions from  
13 Commissioner Coleman about postage?

14 A. I do.

15 Q. And you couldn't come up with an exact  
16 number?

17 A. That's correct.

18 Q. Would it be fair to say, all other  
19 things being equal, postage will be roughly three  
20 times higher since it will be monthly rather than  
21 quarterly?

22 A. I'm not sure -- when you get into that  
23 kind of details of that calculation, you get into  
24 bulk billing and, so, I don't think I could draw  
25 that conclusion. And plus, if we really need to get

1 to that answer, I think somebody else could be  
2 better prepared to answer it.

3 Q. Would you agree that under a quarterly  
4 billing system there are four bills sent a year?

5 A. I would.

6 Q. Would you agree under a monthly billing  
7 system there are 12 bills a year?

8 A. I would.

9 Q. And would you agree that on an annual  
10 basis that's about three times more?

11 A. I would, but when you price --

12 Q. Thank you.

13 A. Okay.

14 Q. You also spoke about AMI deployment.  
15 Isn't it true that the Company is in early stages of  
16 AMI deployment?

17 A. That's correct.

18 Q. And wouldn't AMI deployment in addition  
19 to the alleged cost savings also cost money to  
20 install the new AMI meters?

21 A. It would.

22 Q. There's some questions related to small  
23 water systems. Do you recall those?

24 A. I do.

25 Q. And are you aware that on today's agenda

1     **there's going to be a discussion about a rule for a**  
2     **rate base adjustment to encourage larger companies**  
3     **such as Missouri-American Water to acquire small**  
4     **systems?**

5             A.     I just learned about it today in cross.

6             Q.     **Well, with the very limited knowledge**  
7     **you have, if the Company did get single tariff,**  
8     **would the Company recommend the Commission rescind**  
9     **or not enact such a rule?**

10            A.     I don't have an opinion because I  
11     haven't read the rule that's going to be before the  
12     Commission.

13            Q.     **You talked with the Chairman and I think**  
14     **Mr. Steinmeier about single tariff pricing versus**  
15     **consolidated tariff pricing. Do you recall that?**

16            A.     I do.

17            Q.     **And you listed out some states that have**  
18     **single tariff pricing, correct?**

19            A.     I do.

20            Q.     **And were those states Kentucky, Iowa,**  
21     **and Maryland?**

22            A.     Yes.

23            Q.     **How does the size of those compare to**  
24     **Missouri-American Water?**

25            A.     Each of those are smaller.

1           **Q.    Much smaller?**

2           A.    I would say.  Depends on how you define  
3 much, but they're definitely smaller.

4           **Q.    And so, to give single tariff pricing**  
5 **for Missouri it would be unprecedented in terms of**  
6 **the size?**

7           A.    No, because we've also got consolidated  
8 pricing in Pennsylvania and --

9           **Q.    Well, I'm sorry.**

10          A.    -- and Illinois.

11          **Q.    Mr. Jenkins, I don't mean to quibble,**  
12 **but I'm asking about single tariff.**

13          A.    One tariff?

14          **Q.    Yes, one tariff.**

15          A.    Repeat the question.

16          **Q.    Okay.  So, based on the size of the**  
17 **other American Water affiliates, to give**  
18 **Missouri-American water a single tariff, wouldn't**  
19 **that essentially be unprecedented in terms of the**  
20 **scale?**

21          A.    I don't know if I'd go unprecedented.  
22 It would be -- in terms of including all customer  
23 classes, definitely Missouri is much larger than  
24 Kentucky and Iowa and Maryland.

25          **Q.    There was some discussion earlier about,**



1 I believe with the bench, about providing safe and  
2 adequate service to Missouri-American customers. Do  
3 you recall that?

4 A. I do.

5 Q. Do you believe that Missouri-American  
6 Water Company has provided safe and adequate service  
7 for the last decade?

8 A. I do.

9 Q. And during that last decade did  
10 Missouri-American Water Company have a single  
11 tariff? Yes or no?

12 A. I think -- yes.

13 Q. I'm sorry. Missouri-American Water had  
14 a single tariff during the last decade?

15 A. I do. I think they had it for a short  
16 time prior to 2000.

17 Q. Well, I'm sorry. I asked about the last  
18 decade. Are you referring to two or three decades  
19 ago?

20 A. Perhaps.

21 Q. Okay.

22 A. When you've lived one decade, what's a  
23 couple more, right?

24 Q. There were also some discussions about  
25 cost causation. Do you recall those?

1 A. Yes.

2 Q. And, in fact, I think in your testimony  
3 you referred to the cost causation argument is a  
4 legitimate concern. Do you recall that?

5 A. No.

6 Q. Okay. Well, to be fair, I think you  
7 called it the only legitimate concern.

8 A. Okay.

9 Q. Is that a better --

10 A. Well, just if you can help me where it's  
11 at in my testimony, I'd appreciate it.

12 Q. I believe it would be your rebuttal  
13 testimony. It would be towards the beginning and I  
14 have the line number 8 and 9 written, but I do not  
15 have the page number, so...

16 JUDGE BURTON: Mr. Smith, I just want to  
17 be clear, you're referring to Exhibit 20?

18 MR. SMITH: I'm referring to the  
19 rebuttal testimony of Mr. Jenkins. I don't have a  
20 copy of the Company's exhibit list in front of me.

21 JUDGE BURTON: Okay. So, that would  
22 be -- that should be correct. That's the rate  
23 design January 24th filing.

24 MR. ENGLAND: Yes, I believe you're  
25 correct, but there are two rebuttal testimonies.

1 There's one on revenue requirement and one on rate  
2 design.

3 JUDGE BURTON: That's what I want to  
4 clarify.

5 MR. SMITH: The rate design.

6 MR. ENGLAND: And I think you're  
7 correct, Judge. It's 120.

8 Excuse me, Judge. I misspoke. It's  
9 Exhibit 20. There's no 1 in front of it.

10 JUDGE BURTON: Exhibit 20.

11 **Q. (By Mr. Smith) All right. So, we'd be**  
12 **at page 9, thanks to Mr. Westen. And you see line 8**  
13 **that discusses your opinion?**

14 A. Yes. Thank you.

15 **Q. Okay. Does that refresh your**  
16 **recollection?**

17 A. It does.

18 **Q. Okay. So, you do think cost causation**  
19 **is, quote, a legitimate concern?**

20 A. Yes.

21 MR. SMITH: Okay. Thank you. No  
22 further questions.

23 JUDGE BURTON: Redirect.

24 MR. ENGLAND: Thank you, Your Honor.

25

1 REDIRECT EXAMINATION

2 BY MR. ENGLAND

3 Q. Mr. Jenkins, maybe working my way  
4 backwards from Mr. Smith's questions to maybe some  
5 from the bench.

6 I believe you were in the middle of an  
7 answer regarding the Pennsylvania situation, but  
8 were unable to finish. Would you fill that out or  
9 complete that answer, please.

10 A. Yes. Pennsylvania is the state that's  
11 had consolidated pricing across the state for many  
12 years, and one of the things that we've seen with  
13 Pennsylvania, for example, in terms of acquisitions  
14 and integrating small troubled systems, if you look  
15 at the last five years with Pennsylvania, you're  
16 seeing acquisitions that more or less double to  
17 triple the acquisitions for small troubled systems  
18 that Missouri-American acquires and that was the  
19 point I was working to get out.

20 Q. In the past your experience in Missouri,  
21 has it been fairly common when Missouri-American  
22 acquires a small system to acquire that tariff for a  
23 period of time before it's integrated into, perhaps,  
24 a larger tariff or a more consolidated tariff?

25 A. Yes.

1 Q. And even if the Company were to get full  
2 single tariff pricing in this proceeding, it's  
3 possible that in the future if Missouri-American  
4 were to acquire another small system, that it may  
5 for a period of time have two tariffs in effect; is  
6 that right?

7 A. That's correct.

8 Q. But the vast majority of the service  
9 area and customers would be served under a single  
10 tariff?

11 A. That's correct.

12 Q. Okay. And despite Public Counsel's  
13 concerns for Missouri-American's privatization  
14 efforts, are there other companies besides American  
15 Water Works that are looking to acquire small water  
16 and sewer systems?

17 A. There are.

18 Q. With respect to the postage expense  
19 tripling when you move from quarterly billing to  
20 monthly billing, does that take into effect the  
21 prevalence or existence of e-billing?

22 A. No.

23 Q. So, you can't say for sure that our  
24 postage expense will triple by moving to monthly  
25 billing, correct?

1           A.     Correct.

2           **Q.     With respect to -- following up, this**  
3 **was I believe questions from Commissioner Coleman.**  
4 **Does the Company offer a budget billing program for**  
5 **its customers?**

6           A.     Yes.

7           **Q.     Can you explain that, please?**

8           A.     The process with budget billing is  
9 you're allowed to go back. An estimate's made on  
10 usage at price over a prior 12-month period and then  
11 that's built into what the monthly, monthly billing  
12 amount is on a budget billing basis for the  
13 customer.

14           **Q.     And is budget billing offered to**  
15 **quarterly billed customers?**

16           A.     I assume it is, but I'm not sure.

17           **Q.     If it's not offered to quarterly**  
18 **customers, moving them to a monthly billing would be**  
19 **a -- would make that available to them --**

20           A.     Correct.

21           **Q.     -- that they currently don't have,**  
22 **correct?**

23                   **And finally, with respect to the**  
24 **discussion you had with Chairman Hall regarding**  
25 **ISRS. The Company is constrained on where they can**

1     **implement ISRS by statute. Is that your**  
2     **understanding?**

3             A.     That's correct.

4             **Q.     Would it prefer to have that ISRS on a**  
5     **statewide basis, if possible?**

6             A.     We would.

7             MR. ENGLAND: Thank you, sir. No other  
8     questions.

9             JUDGE BURTON: Thank you. You're  
10    excused.

11            The time is currently 11:13, but I'm  
12    hopeful that we can at least get some more  
13    accomplished if Missouri-American wants to call its  
14    next witness.

15            MR. ENGLAND: I believe our next witness  
16    is Connie Heppenstall, please.

17            JUDGE BURTON: Please raise your right  
18    hand.

19            (The witness was sworn.)

20            JUDGE BURTON: You may be seated.

21            MR. ENGLAND: Judge, could we go off the  
22    record for just a second, please? I've got a  
23    housekeeping matter.

24            JUDGE BURTON: Yes. Hold on a second.

25            (A discussion was held off the record.)

1 JUDGE BURTON: All right. Mr. England,  
2 you may resume.

3 MR. ENGLAND: Thank you, Judge.

4 CONSTANCE HEPPENSTALL,  
5 having been called as a witness herein, having been  
6 first duly sworn, was examined and testified as  
7 follows:

8 DIRECT EXAMINATION

9 BY MR. ENGLAND

10 Q. Would you, please, state your name for  
11 the record, please.

12 A. Constance Heppenstall.

13 Q. And by whom are you employed and in what  
14 Capacity?

15 A. I'm employed by Gannett Fleming  
16 Valuation and Rate Consultants, LLC, and I'm a  
17 project manager.

18 Q. And have you been retained by the  
19 Missouri-American Water Company to prepare and  
20 submit certain testimony and exhibits in this case?

21 A. Yes, I have.

22 Q. Turning your attention to a document  
23 that has been marked for purposes of identification  
24 as Company Exhibit or MAWC Exhibit 15 and entitled  
25 direct testimony of Constance E. Heppenstall. Are



1     **you familiar with that --**

2             A.     Yes, I am.

3             Q.     -- that document?

4                     Did you prepare that or cause that to be  
5 **prepared under your direction?**

6             A.     I did.

7             Q.     All right. Do you have any corrections  
8 **to that testimony other than the table of contents**  
9 **that we discussed earlier?**

10            A.     I do not.

11            Q.     Thank you.

12                    With respect to second document entitled  
13 **rebuttal testimony, cost of service, rate design of**  
14 **Constance E. Heppenstall and marked for purpose of**  
15 **identification as Company Exhibit 16, are you**  
16 **familiar with that docket --**

17            A.     Yes, I am.

18            Q.     -- or document? Excuse me.

19                    And was that prepared by you or under  
20 **your direct supervision?**

21            A.     Yes, it was.

22            Q.     And any other corrections or revisions  
23 **to that testimony other than the table of contents?**

24            A.     No.

25            Q.     With respect to Exhibit No. 17 entitled

1 surrebuttal testimony of Constance E. Heppenstall,  
2 are you familiar with that document?

3 A. Yes, I am.

4 Q. And was that prepared by you or under  
5 your direct supervision?

6 A. Yes, it was.

7 Q. Are there any changes or corrections  
8 that you need to make to that testimony other than  
9 the table of contents?

10 A. No.

11 Q. If I were to ask you the questions  
12 appearing on all three pieces of testimony that  
13 you've caused to be prepared and filed, as well as  
14 the exhibits, are they -- are the answers contained  
15 in there and the information contained in there true  
16 and correct to the best of your information,  
17 knowledge, and belief?

18 A. Yes, they are.

19 Q. Thank you.

20 MR. ENGLAND: I would now offer Company  
21 Exhibits 15, 16, and 17, and tender the witness for  
22 cross-examination, please.

23 JUDGE BURTON: Thank you. Exhibits 15,  
24 16, and 17 have been offered. Are there any  
25 objections?

1           Seeing none. Exhibits 15, 16, and 17  
2   are admitted.

3           (MAWC's Exhibits 15, 16, and 17 were  
4   admitted into evidence.)

5           JUDGE BURTON: And I believe we will  
6   begin with the cross-examination of the Public Water  
7   Supply District.

8           MR. DORITY: Yes. Thank you, Judge.

9                           CROSS-EXAMINATION

10          BY MR. DORITY

11                   **Q. Good morning, Ms. Heppenstall.**

12                   A. Good morning.

13                   **Q. My name is Larry DORITY and I'm**  
14   **representing the Public Water Supply Districts No. 1**  
15   **and 2 of Andrew County.**

16                   And since I quoted your testimony during  
17   my opening statement I wanted to, as a courtesy,  
18   give you the opportunity to confirm it. Exhibit 17,  
19   which is your surrebuttal testimony as referenced by  
20   Mr. England, contains the statement that the Company  
21   is not opposed to full consolidation of the rate B  
22   volumetric rate as proposed by Mr. Johnstone.  
23   That's at page 4. And it's my understanding in  
24   discussing with Mr. Jenkins that that company  
25   position is now embedded in the handout that's been

1 designated Exhibit 136. And is that still the  
2 Company's position today?

3 A. Yes, it is.

4 Q. Thank you.

5 MR. DORITY: That's all I have.

6 JUDGE BURTON: Thank you.

7 Mr. Mills.

8 CROSS-EXAMINATION

9 BY MR. MILLS

10 Q. Just very briefly in terms of sort of  
11 the general purposes that guide your cost of service  
12 study that you talk about in your direct testimony.  
13 Would you agree that to the extent possible if the  
14 goal is to most closely apportion costs to the cost  
15 causers, when you can is it better to directly  
16 allocate costs -- I mean directly assign costs to  
17 customer classes than to allocate them?

18 A. When you can, yes, I would agree.

19 Q. And is that -- is that principle  
20 constant across cost of service applications?

21 A. Please explain your question.

22 Q. Well, would that -- would that apply to  
23 allocations between customer classes as well as to  
24 allocations among different districts?

25 A. Well, on different districts that would

1 be -- then you would do a full cost of service study  
2 from each district. Correct?

3 Q. Uh-huh.

4 A. Right. But in a consolidated cost of  
5 service you would really just do it by class.

6 Q. All right. So, in terms of allocating  
7 costs between classes, regardless of whether it's  
8 between districts, assignment is better if you can  
9 do it?

10 A. If you can do it.

11 MR. MILLS: That's all the questions I  
12 have. Thank you.

13 JUDGE BURTON: Mr. Bednar, did you have  
14 any questions?

15 MR. BEDNAR: No, Judge.

16 JUDGE BURTON: Mr. Steinmeier.

17 MR. STEINMEIER: No questions, Your  
18 Honor. Thank you.

19 JUDGE BURTON: Joplin.

20 Consumers Council.

21 MR. COFFMAN: Yes. Just one.

22 CROSS-EXAMINATION

23 BY MR. COFFMAN

24 Q. Just to confirm that if this Commission  
25 further consolidates the districts and its rate

1 **design in this case, the customers from St. Louis**  
2 **County will be paying more as a result of that**  
3 **consolidation?**

4 A. In the current rate design and in Staff  
5 Exhibit 136, their volumetric rate, yes, would be --  
6 would be higher.

7 Q. **And given the fact that their costs are**  
8 **significantly lower in St. Louis County, can you**  
9 **envision any time when that would ever change? That**  
10 **is whereby St. Louis would not be a subsidizer as**  
11 **opposed to a subsidizee?**

12 A. The value of consolidated pricing is  
13 that over time as different capital projects are  
14 done through all the different districts, this  
15 should all level out and I think we've talked about  
16 that earlier today.

17 Q. **And how would we know if it was leveled**  
18 **out if we aren't -- if in any cost of service study**  
19 **those differences are ignored?**

20 A. Going forward, if we are in consolidated  
21 pricing, we would only be one cost of service study  
22 for the whole Missouri-American system.

23 Q. **And so, how would you know if it has**  
24 **evened out and that St. Louis rates -- St. Louis**  
25 **County customers are not providing a massive subsidy**

1     **to other districts?**

2             A.     I'm not sure you would know, but would  
3     you know going back for any district of what their  
4     benefits are? I think what you know is that the  
5     classes, the consolidated classes are paying their  
6     cost of service as it is. But you're right, the  
7     tracking would not be there.

8             **Q.     And having been very familiar with these**  
9     **numbers and done -- and examined studies, is there**  
10    **any doubt in your mind that the St. Louis County**  
11    **water district has a cheaper cost of service than**  
12    **the other districts?**

13            A.     By -- no. You are correct.

14            MR. COFFMAN: That's all I have. Thank  
15    you.

16            THE WITNESS: Thank you.

17            JUDGE BURTON: Staff.

18            MR. WESTEN: No questions.

19            JUDGE BURTON: Mr. Smith.

20            MR. SMITH: No questions. Thank you.

21            JUDGE BURTON: Commission.

22    QUESTIONS BY CHAIRMAN HALL:

23            **Q.     Good morning.**

24            A.     Good morning.

25            **Q.     I want to ask a couple of questions**

1 first about inclining block rates, and turning to  
2 page 18 of your direct testimony where on line 2 you  
3 state that the price of water is relatively  
4 inelastic; is that correct?

5 A. That is correct.

6 Q. And that is your position?

7 A. Yes, it is.

8 Q. If that is true, then implementation of  
9 inclining block rates should not have much effect on  
10 consumption; is that correct?

11 A. I said relatively inelastic.

12 Q. So, it should have relatively no effect?

13 A. It should have a small -- it should have  
14 a small effect.

15 Q. A small effect. So, therefore, it  
16 should be relatively easy -- again, using your word  
17 relatively. It should be relatively easy to craft  
18 those blocks in such a way that it would not have  
19 much of an effect on revenue; is that correct?

20 A. That's where I had some questions of the  
21 discussion earlier today with Mr. Jenkins. It would  
22 have an effect on revenue.

23 Q. But I'm going to use your word,  
24 relatively inelastic. So, it should have relatively  
25 little effect on revenues?



1           A.    When I -- I want to back up a little bit  
2   and talk about elasticity.  Lack of elasticity --  
3   when I say there's lack of elasticity, when you talk  
4   about pricing elasticity, if a price of an item goes  
5   up 100 percent, a very elastic reaction would be  
6   consumption would go down 100 percent.  Less elastic  
7   is the price goes up by 100 percent, your  
8   consumption would only go down by, say, 10 percent.  
9   That's relatively inelastic.

10           **Q.    So, are you saying that 10 percent is**  
11 **how elastic the demand curve is for water?**

12           A.    I don't think that has actually been  
13   proven.  We were talking earlier today that there  
14   has been a lot of research on that and it does vary  
15   in the articles that I have read --

16           **Q.    Okay.**

17           A.    -- and using that as an example.

18           **Q.    Okay.  But you would agree that because**  
19 **the price of water is relatively inelastic, there**  
20 **would be relatively little effect on revenues from**  
21 **implementation of inclining block rates?**

22           A.    That would be correct, but it would be  
23   hard to quantify.

24           **Q.    Yeah, I understand that.**

25           A.    Understand.

1           **Q.    Then turning to lead service line**  
2 **replacement for a moment before turning to**  
3 **consolidated pricing.  On page 16 of your rebuttal**  
4 **you describe the allocation that the Company is**  
5 **advocating and that is based on factor 9?**

6           A.    Yes.

7           **Q.    May need to get a little remedial for me**  
8 **here and I apologize for that, but can you explain**  
9 **to me how that compares to MIEC's position on the**  
10 **issue?**

11          A.    MIEC's position of not wanting to pay --  
12 be allocated any?

13          **Q.    I believe that's correct.**

14          A.    I'm not clear on --

15          **Q.    I believe MIEC's position, and it can**  
16 **obviously be corrected by those in the room and**  
17 **obviously by the record itself, but is that it**  
18 **should be allocated exclusively to residential**  
19 **classes.**

20                MR. MILLS:  Mr. Chairman, would you like  
21 me to clarify that now?

22                CHAIRMAN HALL:  Sure.

23                MR. MILLS:  Because that is not actually  
24 our position.  Our position is that the cost of lead  
25 service lines should be directly assigned to the

1 classes in which those lead service lines serve. So  
2 that if there are lead service lines in the  
3 industrial class, the cost of replacing those gets  
4 directly assigned to industrial. If they're service  
5 lines in the residential class, those costs get  
6 directly assigned to the residential class --

7 CHAIRMAN HALL: Thank you.

8 MR. MILLS: -- rather than allocated.

9 CHAIRMAN HALL: And I appreciate you  
10 correcting me.

11 **Q. (By Chairman Hall) So, how does -- from**  
12 **a dollars perspective, do you know how that approach**  
13 **compares to allocating it based upon factor 9, which**  
14 **is the Company's position?**

15 A. I do not know that.

16 CHAIRMAN HALL: Does MIEC have a witness  
17 that can answer that question?

18 MR. MILLS: Yes. Our witness Brian  
19 Collins will be appearing by phone tomorrow  
20 afternoon and you can certainly ask him that  
21 question.

22 **Q. (By Chairman Hall) From a policy**  
23 **perspective do you have a view as to which approach**  
24 **is more appropriate?**

25 A. We were -- I was just asked that

1 question, whether direct assignment is better than  
2 using an allocator, and we discussed that it is if  
3 it's -- if it's possible to know exactly how those  
4 assets --

5 **Q. Well, I took those questions to be more**  
6 **general. I didn't interpret them to be specific to**  
7 **this issue.**

8 A. I did.

9 **Q. Well, and you may have been correct.**  
10 **So, I'm sorry. So, what's your answer**  
11 **again?**

12 A. My answer is: If it's possible to  
13 directly assign, it's better, but if it's -- but if  
14 you're doing -- and this would be a better question  
15 for the Company, is if they're able to track those  
16 expenses by class.

17 **Q. Okay. Were you in the hearing room when**  
18 **Mr. Jenkins was on the stand and I asked him whether**  
19 **or not it is still accurate and still the Company's**  
20 **position that the financial cost to serve a**  
21 **residential customer is relatively similar across**  
22 **the state?**

23 A. Yes, I was.

24 **Q. And I think he indicated that you might**  
25 **have a little more insight on that.**

1           A.     In my rebuttal testimony, I believe,  
2     page 14, I showed an analysis of the annual cost for  
3     each district, which was in response to what was  
4     shown in the prior case by my colleague, Mr. Paul  
5     Herbert. This shows that the costs are fairly  
6     consistent between the districts and this is based  
7     on the filed case. So, everything would be just  
8     ratcheted down based on the stipulated amount.

9           **Q.     Did any of the parties take issue with**  
10    **that calculation?**

11          A.     They did not.

12          **Q.     Do you know what portion of the annual**  
13    **cost is directly attributable to serving a**  
14    **particular customer, i.e. treatment of water versus**  
15    **an expense that is allocated to customers, but is**  
16    **actually statewide such as regulatory affairs or**  
17    **finance or some of the other things that you**  
18    **identified in your written testimony as being**  
19    **overhead that's allocated?**

20          A.     And could you start with the beginning  
21    of the question? Sorry.

22          **Q.     Okay. And I'm not sure there is an**  
23    **answer to this question, but I'm trying to**  
24    **understand. There are certain costs that are**  
25    **clearly directly related to the cost of serving a**

1 particular customer, the chemicals that are used in  
2 a treatment facility for water that that consumer  
3 uses and that is a cost that is directly  
4 attributable to that customer, goes into the  
5 variable cost.

6 A. Right.

7 Q. But then there are some costs that are  
8 allocated statewide such as the call center, for  
9 example, and that's actually, I guess -- maybe  
10 that's beyond Missouri. I can't remember at this  
11 point, but that's a cost that's allocated. And so,  
12 I'm wondering when you have the annual cost if you  
13 have any idea as to how much of that is an allocated  
14 expense that is felt statewide versus a cost that is  
15 specific to serving an individual customer?

16 A. No. You can't.

17 Q. Can you try?

18 A. Well, you know, my cost of service study  
19 is broken out by source of supply, treatment,  
20 pumping, transmission distribution and then customer  
21 cost and administrative cost. So, if you're talking  
22 about more the corporate overhead, a lot of that is  
23 in the administrative cost in a management fee. So,  
24 yes, you could -- you could break out those numbers  
25 by transmission distribution, by those high -- you

1 know, on every line item. I allocate them, but I do  
2 allocate them based on all the consumption for  
3 every -- for the residential class. You know, I do  
4 my own allocation for that. Each individual  
5 customer, of course, has an individual cost of  
6 service. If you live right by the treatment plant.  
7 You don't take advantage of storage facilities, you  
8 don't really need your water pumped. Every  
9 individual in a water system would have an  
10 individual cost of service, but we do a broad cost  
11 of service because that's just not possible to give  
12 everybody an individual rate and that's why you  
13 do -- that's why you do a cost of service overall by  
14 class.

15 **Q. Let me just briefly return to the**  
16 **concept of allocating the cost related to the lead**  
17 **service line replacement program. The Company is**  
18 **advocating that those costs get socialized**  
19 **throughout the state, that they not be borne either**  
20 **specifically by the customer who is getting the lead**  
21 **service line replacement or a district or a smaller**  
22 **district, and my question for you is: If we're**  
23 **going -- if we end up socializing those costs, isn't**  
24 **there an argument consistent with that raised by**  
25 **Public Counsel that those costs should be borne by**

1 **all rate classes and not based upon the**  
2 **characteristics of a particular class?**

3 A. The service line costs are allocated  
4 based on the number of service lines multiplied by a  
5 relative factor based on the size and then it's  
6 allocated by class, and that is how I would  
7 recommend allocating service line expense across the  
8 entire district. I'm not sure if I'm answering your  
9 question.

10 Q. Well, I understand that position. I'm  
11 just wondering, I mean, if we're going to socialize  
12 those costs, why don't we socialize those costs? I  
13 mean, if as a society, as a Commission as a  
14 reflection of society we are making a determination  
15 that these lead service lines are bad for the health  
16 of our citizens and we are going to -- and we're  
17 going to have ratepayers in Mexico and Joplin and  
18 Warrensburg pay for the lead service line  
19 replacement in St. Louis County, why are we stopping  
20 at that? Why don't we go ahead and socialize it all  
21 the way and have all ratepayers pay it?

22 A. Well, that would be more of a  
23 philosophical decision rather than a cost of  
24 service, mathematical decision.

25 CHAIRMAN HALL: Okay. Thank you.



1 COMMISSIONER KENNEY: No questions.

2 JUDGE BURTON: Any recross-examination?

3 MR. BEDNAR: Riverside.

4 JUDGE BURTON: Riverside.

5 RECROSS-EXAMINATION

6 BY MR. BEDNAR

7 **Q. So, ma'am, you would agree then --**

8 JUDGE BURTON: Mr. Bednar, would you use  
9 your microphone.

10 MR. BEDNAR: Oh, I'm sorry.

11 **Q. (By Mr. Bednar) Based on your last**  
12 **response then, you'd agree that the Commission has**  
13 **the power to implement policy that is in the**  
14 **interest of equity across all of the people that are**  
15 **served by Missouri-American, correct?**

16 A. Correct.

17 MR. BEDNAR: Thank you.

18 JUDGE BURTON: Staff.

19 Mr. Smith.

20 MR. SMITH: No questions.

21 JUDGE BURTON: Redirect.

22 MR. ENGLAND: None, Your Honor.

23 JUDGE BURTON: Well, it is currently  
24 11:38 and since we do have agenda day -- agenda  
25 today, why don't we go ahead and recess until 1:30.

1 (A lunch recess was taken.)

2 JUDGE BURTON: Okay. We're going to go  
3 ahead and go back on the record.

4 And just for some housekeeping issues.  
5 I have down that we are going to have Mr. Busch,  
6 Mr. Marke and Mr. Johnstone testify today and then  
7 we will at that end -- at the end of their  
8 testimony, we're going to add on Ms. Norton to  
9 testify to answer some questions that the Commission  
10 had concerning some service and contractors  
11 selection process.

12 So, at this time, unless we have  
13 anything else procedural that needs to be addressed  
14 before we resume taking testimony, seeing nothing,  
15 let's go ahead and begin with Staff's witness  
16 Mr. Busch.

17 MS. KLAUS: Thank you, Your Honor.  
18 We'll call Jim Busch.

19 JUDGE BURTON: Please raise your right  
20 hand.

21 JAMES BUSCH,  
22 having been called as a witness herein, having been  
23 first duly sworn, was examined and testified as  
24 follows:

25 JUDGE BURTON: You may be seated.

1 DIRECT EXAMINATION

2 BY MS. KLAUS

3 Q. Good afternoon.

4 A. Good afternoon.

5 Q. Will you, please, state and spell your  
6 name for the record.

7 A. My name is James A. Busch. Busch is  
8 spelled B-U-S-C-H.

9 Q. By whom are you employed and in what  
10 capacity?

11 A. I'm employed by the Missouri Public  
12 Service Commission and I am the manager of the water  
13 and sewer department.

14 Q. And are you the same James or Jim Busch  
15 who contributed to the report on class cost of  
16 service and rate design, which has been marked as  
17 Staff Exhibit 104?

18 A. Yes.

19 Q. Are you the same Jim Busch who caused to  
20 be prepared certain testimonies which have been  
21 marked as Staff Exhibits 116 which is rebuttal  
22 testimony, and 121 which is surrebuttal testimony?

23 A. Yes.

24 Q. Do you have any changes or corrections  
25 to those pieces of testimonies?

1 A. I have one correction.

2 Q. **And can you tell me about that, please?**

3 A. Sure. It's in my rebuttal testimony.

4 It is on page 17, line 20. When I was talking about  
5 counties I accidentally wrote Warrant County and it  
6 should be Warren County.

7 Q. **Warren County?**

8 A. Yes.

9 Q. **With that change, is your testimony true  
10 and correct to the best of your belief and  
11 knowledge?**

12 A. Yes.

13 Q. **If I asked you those same questions  
14 today, would you give me the same answers?**

15 A. Yes.

16 MS. KLAUS: At this time I would offer  
17 Staff Exhibits 104, 116, and 121.

18 JUDGE BURTON: Exhibits 104, 116, and  
19 121 have been offered. Are there any objections?

20 MR. ENGLAND: No objection.

21 JUDGE BURTON: Seeing none. They're  
22 admitted.

23 (Staff's Exhibits 104, 116, and 121 were  
24 admitted into evidence.)

25 MS. KLAUS: And I tender the witness for

1 cross-exam.

2 JUDGE BURTON: Thank you.

3 And I believe we can start with  
4 Mr. Mills.

5 MR. MILLS: No questions.

6 JUDGE BURTON: Consumers Council.

7 MR. COFFMAN: No questions.

8 JUDGE BURTON: Public Counsel.

9 MR. SMITH: Thank you, Judge.

10 CROSS-EXAMINATION

11 BY MR. SMITH

12 Q. Mr. Busch, in your, slash, the Staff's  
13 class cost of service report, there's some  
14 discussion of a five-year plan. Can you explain  
15 what that is? I believe it's page 13.

16 A. I don't believe it's page 13, is it,  
17 because that looks like sewer operations.

18 Q. That's right. Sorry.

19 A. Is it the same -- I'm assuming it's the  
20 same five-year plan that was approved by the  
21 Commission in the last case. Is that what you're  
22 referring to?

23 Q. Yes.

24 A. Yes. In the last case when Staff  
25 proposed to move to the three district approach that

1 the Commission approved, one of the items that Staff  
2 recommended as well was the Company to provide a  
3 five-year capital plan every year so that the  
4 parties could review it, to look at their  
5 expenditures plan, to see how it changes from year  
6 to year and one of the reasons for it, as has been  
7 expressed today, is the potential that with a more  
8 consolidated approach the Company may overinvest.

9 **Q. And excuse me. I had meant page 13 of**  
10 **your rebuttal.**

11 A. Okay.

12 **Q. I apologize.**

13 **As I understand Staff's position, Staff**  
14 **would like to see more data from that plan or**  
15 **more --**

16 A. Staff's position is that continues.

17 **Q. Okay.**

18 A. Like I said, we would like to see that  
19 continue and, as was mentioned earlier, the Company  
20 has provided the 2018 capital plan. Unfortunately,  
21 we've been a little busy with this proceeding to  
22 really delve into that too much.

23 **Q. Also in your rebuttal testimony on page**  
24 **15, lines 7 through 11 you talk about incentives to**  
25 **purchase small underperforming utilities. Can you**

1 **explain that?**

2 A. Can I explain my answer to -- or my  
3 response to Mr. Jenkins' direct testimony?

4 **Q. Yes, please.**

5 A. If I remember correctly from reading  
6 Mr. Jenkins' testimony, and I think he mentioned it  
7 today in his oral testimony, that the single tariff  
8 pricing or consolidated pricing provides the Company  
9 with better incentives to purchase small  
10 underperforming utilities. We agree that when you  
11 spread out those costs from a smaller system to a  
12 larger system, you can potentially lower the costs  
13 and if you do some sort of consolidated pricing  
14 mechanism, those would spread those -- would lower  
15 the rates. But Missouri-American has been and, as  
16 was mentioned earlier, very active in acquiring  
17 small water and sewer utilities since 2011, 2012  
18 time frame, if not even earlier than that. So, even  
19 without the consolidated pricing, the Company has  
20 been relatively aggressive in purchasing small water  
21 and sewer systems.

22 MR. SMITH: Thank you. No further  
23 questions.

24 JUDGE BURTON: The City of Joplin.  
25 Do you have an extra copy?

1 MS. BELL: I think I just handed them  
2 out.

3 Thank you very much.

4 CROSS-EXAMINATION

5 BY MS. BELL

6 Q. Good afternoon, Mr. Busch. I've handed  
7 you what's been marked Joplin Exhibit 400. Do you  
8 recognize that document?

9 A. It looks like it is a canceled tariff  
10 for the Joplin, Missouri and vicinity service area  
11 of Missouri-American water. It looks like it was  
12 issued in 2004, effective in 2004, canceled in 2007.

13 Q. And so, I think we were -- we heard  
14 today that the Company sometimes uses 5,000 as an  
15 average for an average user. I've done some math on  
16 4,000 gallons. So, using this exhibit, can you tell  
17 me approximately how much someone who used 4,000  
18 gallons in Joplin would pay?

19 A. Can I get out a calculator?

20 Q. Yes, you can. But just to be clear, so,  
21 there the customer charge would be \$7.08 on a  
22 residential customer; is that correct?

23 A. That is correct.

24 Q. And then you would add the volumetric  
25 charge?



1           A.     You would add however many volumes they  
2     use, you would multiply that times the volumetric  
3     charge.

4           **Q.     Okay.  So, I think we would be dealing**  
5     **with \$7.08 plus about \$6.46, does that look correct**  
6     **to you?**

7           A.     You said 4,000 gallons?

8           **Q.     Uh-huh.**

9           A.     That would be about \$6.46.

10          **Q.     So, we're totaling 13.54, is that your**  
11     **calculation?**

12          A.     That's my calculation.

13          **Q.     Okay.  And so, do you have Exhibit 136**  
14     **in front of you as well, the exhibit that was**  
15     **provided this morning?**

16          A.     I do.

17          **Q.     And so, today for 4,000 gallons, under**  
18     **the Staff's proposal, I think if you flip to page**  
19     **number 5, a Joplin customer at 4,000 gallons would**  
20     **be paying what's the proposal?**

21          A.     Under Staff's proposal we maintain the  
22     three districts and we do not change the commodity  
23     rate, the customer using 4,000 gallons would pay a  
24     monthly bill of 37.22.

25          **Q.     And that's under column C, correct?**

1           A.    Yes.

2           Q.    Okay.  And that's an increase of  
3   22.9 percent?

4           A.    Over?

5           Q.    Over current rates.

6           A.    Yes.

7           Q.    Yes.  Okay.

8                   And the 22.9 percent is actually a  
9   percentage that includes the fixed charge; is that  
10   correct?

11          A.    That is correct.

12          Q.    And you would agree that this doesn't  
13   reflect -- or that the fixed charge under this  
14   scenario when you're looking at column C and E,  
15   there's no change in the fixed charge, correct?

16          A.    That is correct.

17          Q.    Okay.  So, that whole increase bears out  
18   in the volumetric charge; is that correct?

19          A.    That is correct.

20          Q.    Okay.  So, if you were to calculate the  
21   increase in volumetric charge on Joplin customers,  
22   are you looking -- is it fair to say it's in the  
23   realm of 45 percent?

24          A.    That sounds appropriate.

25          Q.    And so, if you're still on Exhibit 136

1 and you're looking at the various districts, you  
2 testified that Joplin will see an increase of  
3 22.9 percent, but that's not the same increase  
4 across the other districts for customers using 4,000  
5 gallons of water. Is that your understanding?

6 A. You mean other districts, districts one  
7 and two?

8 Q. Correct.

9 A. That is correct.

10 Q. So, if we flip back to, let's see,  
11 page -- I want to get my page numbers right here --  
12 page 2, the same customers in district one would be  
13 getting an 8.9 percent increase?

14 A. That is correct.

15 Q. And in district two, if we flip to page  
16 4, the same customers will be getting a 17.4 percent  
17 increase?

18 A. That is correct.

19 Q. And so, district two is where Platte  
20 County is, correct?

21 A. Platte County is in district two, yes.

22 Q. And Platte is the district, the area  
23 that expects a big capital investment or I guess  
24 they're getting a new water plant, correct?

25 A. Riverside has a new water facility that

1 went into effect and will be built in rates, yes.

2 **Q. But their increase in this case is**  
3 **actually lower than district three; is that correct?**

4 A. The volumetric rate for residential --  
5 the impacts that we just talked about for  
6 residential customer, that is correct.

7 **Q. And so, is it fair to say that the**  
8 **district three has the largest increase among all**  
9 **districts for residential?**

10 A. I think that is correct.

11 **Q. And is it fair to say that increase, the**  
12 **reason why that increase is so large is due to**  
13 **billing determinates?**

14 A. I think that is one reason why. Looking  
15 back at information, last night I was looking at our  
16 cost of service study, which was agreed to use,  
17 there was a higher increase to the class A and  
18 residential especially in district three. So, that  
19 could have been because in previous rate cases as we  
20 would determine rates and determine class cost of  
21 service there might have been some inner class  
22 shifts in previous rates that was allowing those  
23 residential customers to be paying lower than their  
24 cost of service, and in this case it looks like  
25 we're going up to their cost of service. So, that

1 could be another reason why.

2 **Q. Do you know how much of the shift was**  
3 **due to this shifting costs versus just changing**  
4 **billing determinates?**

5 A. No. I did not have enough time to do  
6 that.

7 **Q. But it's fair to say that the billing**  
8 **determinates used showed lower usage in Joplin and**  
9 **that is why Joplin is seeing a bigger increase in**  
10 **their volumetric rate?**

11 A. I think overall billing determinates  
12 that are being utilized to develop rates are lower  
13 than what they were.

14 **Q. So, is it fair to say then it's a lesson**  
15 **for customers if you use less, then you end up**  
16 **paying more?**

17 A. In my opinion, as consumers use less,  
18 then they're going to end up paying higher rates in  
19 the future.

20 **Q. And they will have a higher share of the**  
21 **overall increase?**

22 A. I don't know if I can quite go to that  
23 level, but I definitely agree that as you -- as  
24 usage is less and if it's mostly on the residential  
25 side, then I could agree with that statement.

1 MS. BELL: No further questions.

2 JUDGE BURTON: Warrensburg.

3 St. Joe.

4 MR. STEINMEIER: Thank you, Your Honor.

5 CROSS-EXAMINATION

6 BY MR. STEINMEIER

7 Q. Mr. Busch, what is the final cost, to  
8 the best of your knowledge, of the new Platte County  
9 treatment plant?

10 A. I thought that I heard that the final  
11 cost, and somebody else could verify if I'm wrong,  
12 but I was under the impression it was around  
13 \$75 million.

14 JUDGE BURTON: Mr. Steinmeier, I know  
15 you're sitting at a table that doesn't have a  
16 microphone. Would it be possible for you to step up  
17 to the podium?

18 MR. STEINMEIER: Thank the good Lord,  
19 yes, I can. I'd be happy to.

20 A. And that's my -- that's my recollection.  
21 I could be wrong. I don't remember. I think  
22 Mr. Jenkins had a smaller number that he mentioned  
23 earlier today, so...

24 DR. MARKE: We'll look it up.

25 THE WITNESS: Will you? Thank you.

1           **Q. (By Mr. Steinmeier) And is it true that**  
2 **under the current three district rate design model**  
3 **St. Joseph customers would pay the largest share of**  
4 **the cost of the new Platte County treatment plant?**

5           A. With district two --

6           **Q. As is.**

7           A. -- as it's currently with Brunswick and  
8 Platte County and St. Joseph and with the remaining  
9 part of the St. Joseph plant that has not been  
10 depreciated that is still being paid for by all  
11 those customers, I don't know that I would say that  
12 they're paying the majority of it. I would agree  
13 that because they are the larger district that those  
14 consumers are probably paying -- that some of those  
15 costs are being shifted over to St. Joseph.

16           **Q. And there are more customers in**  
17 **St. Joseph?**

18           A. There are more customers in St. Joseph,  
19 that is correct.

20           **Q. Than either of the other parts of**  
21 **district two as currently --**

22           A. Absolutely.

23           **Q. Therefore, as a class St. Joseph**  
24 **customers will be paying more of those costs than**  
25 **Brunswick customers or Platte County customers in**

1     **the aggregate?**

2             A.     I think that's correct.

3             **Q.     And if the Commission were to revert to**  
4     **the pre-2016 rate design with eight districts with**  
5     **St. Joseph and Platte County being separate**  
6     **districts, St. Joseph customers would not have any**  
7     **of the Platte County treatment plant recognized in**  
8     **their rates; isn't that right?**

9             A.     That is true. I agree.

10            MR. STEINMEIER: Thank you. No further  
11 questions.

12            JUDGE BURTON: Riverside.

13            MR. WENZEL: No.

14            JUDGE BURTON: The Public Water Supply  
15 Districts.

16            MR. DORITY: No, thank you.

17            JUDGE BURTON: Missouri-American.

18            MR. ENGLAND: Thank you, Your Honor.  
19 Just a couple of questions.

20    CROSS-EXAMINATION

21     BY MR. ENGLAND

22             **Q.     Mr. Busch, were you here for my opening?**

23             A.     I was.

24             **Q.     Next question. Did you listen?**

25             A.     Sure.



1 Q. You may be the only one.

2 Do you agree with me that the eight  
3 district rate design was set in approximately 2011?

4 A. I believe that is correct, yes.

5 Q. And since that time, let's say from 2011  
6 to the 2016 case, Missouri-American had acquired  
7 approximately 10 or 11 additional districts, right?

8 A. They did acquire more districts, yes.

9 Q. At least at the time that the Commission  
10 consolidated the districts in their last rate case,  
11 as I recall, there were 19 districts that were  
12 consolidated into three that you proposed, right?

13 A. There were the seven big districts.  
14 District eight I think had two, four, six, seven,  
15 and then I think there was a couple others that were  
16 added onto it. So, anywhere from 15 to 20.

17 Q. And since 2016 we've added a few more  
18 for purposes of this, correct?

19 A. That is correct.

20 Q. So, if you were to go back to the eight  
21 districts, we'd have some acquisitions that are  
22 unaccounted for in that eight district  
23 configuration, right?

24 A. That is correct.

25 Q. I think you may have misspoke or maybe

1     **didn't understand the question or maybe I just**  
2     **didn't hear it right. Did you say that you thought**  
3     **the Platte County treatment plant cost \$75 million?**

4             A.     That was a number that stuck in my head.  
5     I apologize if that's the wrong number.

6             **Q.     Do you recall the cost of the St. Joseph**  
7     **treatment plant back in 2000?**

8             A.     No, I do not.

9             **Q.     Okay. I thought maybe 75 million would**  
10    **stick in your head from that.**

11            A.     Maybe that's where I'm getting the  
12    75 million from. It could be. And if it is, please  
13    correct me because I cannot remember what the  
14    actual.

15            **Q.     That's all right.**

16            MR. ENGLAND: No further questions.  
17    Thank you.

18            JUDGE BURTON: Questions from the bench.

19            CHAIRMAN HALL: Yeah.

20    QUESTIONS BY CHAIRMAN HALL:

21            **Q.     Good afternoon.**

22            A.     Good afternoon, Chairman.

23            **Q.     Did you review Ms. Heppenstall's**  
24    **testimony?**

25            A.     I did read her testimony.

1           **Q.    Could you turn to her rebuttal?**

2           A.    I do not have her rebuttal with me,  
3 Chairman.  If somebody can hand it to me.  
4           Thanks.

5           **Q.    Her rebuttal at pages 13 to 14.**

6           A.    I'm on page 13.

7           **Q.    At the bottom she says that she**  
8 **performed an analysis of the annual cost per**  
9 **residential customer for each district versus the**  
10 **consolidated district and found that the cost is**  
11 **relatively similar for the residential class despite**  
12 **the lack of a connection, and then on page 14 she**  
13 **has a chart that purports to show the relative**  
14 **similarity.  Do you see that?**

15          A.    Yes, sir.

16          **Q.    What is your reaction to that, if you**  
17 **have one?**

18          A.    I think that it's probably a relatively  
19 accurate portrayal.  If you would -- you know, on  
20 the annual cost.  If you look at the rates that come  
21 out of a three-district approach, they're going to  
22 be slightly different, but not way off.  So, to look  
23 at an annual cost on this type of analysis that  
24 Ms. Heppenstall did, I think it's a fair assessment.

25          **Q.    And is that an argument in support of**

1 single tariff pricing, maybe not a dispositive  
2 argument, but is it an argument in support?

3 A. Yes, it is an argument for it.

4 Q. What is your -- what is your  
5 counterargument?

6 A. Well, my counterargument is you compare  
7 districts two to district three at \$628 annually  
8 versus \$511, that's \$117 is a relatively pretty good  
9 differential between two similarly-situated  
10 consumers. So, keeping those districts separated I  
11 think is -- would be my counter to that.

12 Q. In the report on class cost of service  
13 and rate design --

14 A. Yes, sir.

15 Q. -- on page 10, which is a portion that  
16 you sponsored, I believe.

17 A. I believe you are correct.

18 Q. Yeah. You describe certain costs that  
19 can be assigned directly to each district and then  
20 certain corporate costs that must be allocated to  
21 each district based upon certain allocation factors.  
22 Is that -- and I'm on lines 23 and 24 of page 10.

23 A. Yes.

24 Q. Okay. This kind of gets to the -- to my  
25 questions for -- I can't pronounce her name

1     **correctly.**

2             A.     Ms. Heppenstall.

3             **Q.     Ms. Heppenstall.  I was trying to**  
4     **understand is there -- if you look at the per**  
5     **customer cost, is there -- is there a way to take**  
6     **these two components into account so that -- so that**  
7     **you have a better understanding of the costs**  
8     **directly attributable to serving a particular**  
9     **customer versus the costs that are experienced**  
10    **statewide and then allocated based upon various**  
11    **factors?**

12            A.     So, just to clarify, Chairman.  You're  
13    talking about not just a particular customer, but a  
14    customer, like, in St. Joseph versus a customer in  
15    Joplin?

16            **Q.     Yes.**

17            A.     Right.  So, that whole class.  I  
18    believe, and we have not done this, but I believe  
19    you can look at the certain cost, as was talked  
20    about, the Riverside plant, the St. Joe plant, those  
21    would be costs that are going to be directly  
22    assignable to a particular district and I think  
23    those you can -- you can pull those out of a -- out  
24    of an accounting schedule out of a class cost of  
25    service study.  And then the other costs, as you

1 pointed out and Ms. Heppenstall pointed out, the  
2 salaries and customer call centers, I think you  
3 could look at those as being allocated to the  
4 various district. So, it would take a little bit of  
5 work, but I think you can do that.

6 **Q. Do you know roughly what percentage of a**  
7 **customer's annual cost would be related to those**  
8 **factors directly attributable to serving that**  
9 **customer, and what percentage would be a statewide**  
10 **expense that is allocated?**

11 A. I do not know. I'd have to -- I'd have  
12 to take time to do that calculation and I'd have to  
13 work with our auditors to get that information.

14 **Q. Is that a relevant inquiry? Maybe it's**  
15 **not. Maybe I'm barking up the wrong tree here, but**  
16 **is that -- is that a relevant inquiry in terms of**  
17 **determining or taking into account when trying to**  
18 **determine whether or not single tariff pricing makes**  
19 **sense? Because if a lion's share of the costs to**  
20 **serve are, in fact, statewide costs that are just**  
21 **allocated based upon various factors as opposed to**  
22 **specifically serving a ratepayer, it would seem to**  
23 **me to be an argument towards single, single tariff**  
24 **pricing.**

25 A. It's a very good argument and sitting

1 here I wish I would have thought of that to have  
2 that information for you. So, I think it's not a  
3 bad way of looking at how much of the costs can be  
4 directly assigned versus how much of them are  
5 corporate costs that have to be allocated to all  
6 customers.

7 **Q. Let me switch gears just for a second**  
8 **concerning lead service line replacement. What**  
9 **is -- what is Staff's position as to how those costs**  
10 **should be allocated, if you know?**

11 A. I don't think we took a position  
12 particularly in this case. We have been talking  
13 about it and my initial thought, and I think Staff  
14 agrees, that directly assigning them to the  
15 appropriate class, more in line with what Mr. Mills  
16 said MIEC's position is, is I think the best way to  
17 do it, if possible. You're taking the -- replacing  
18 lead service lines from residential, then it's a  
19 residential issue. If it's taking it from  
20 commercials, it should be commercial class. If  
21 there's any for industrials, then that should be  
22 spread along the industrial class. I think that  
23 is -- that would be the best way to do it.

24 If that information is unavailable, I  
25 looked at factor 9 that Ms. Heppenstall pointed out

1 and that is a service allocator, which then  
2 allocates costs based upon relative number of  
3 service lines and, so, I think that would probably  
4 be my second best choice.

5 **Q. Do you think that there is an argument**  
6 **that those costs should be socialized and paid for**  
7 **by all ratepayers?**

8 A. There is a definite argument that that  
9 is another appropriate means to do that since you  
10 can make the argument that removing those lead lines  
11 is a benefit to society as a whole and sharing those  
12 costs. There is an argument you can make for that.

13 CHAIRMAN HALL: I have no further  
14 questions. Thank you.

15 COMMISSIONER KENNEY: No questions.

16 QUESTIONS FROM JUDGE BURTON:

17 **Q. Briefly following up a little bit about**  
18 **the lead service line. Are you familiar with the**  
19 **projects that were completed as part of the AO case?**

20 A. Generally.

21 **Q. Were they all residential lines?**

22 A. I do not know.

23 JUDGE BURTON: Okay. Any recross from  
24 Public Counsel?

25 MR. SMITH: No, thank you.



1 JUDGE BURTON: City of Joplin.

2 MS. BELL: No. Just that I would offer  
3 Exhibit 400.

4 JUDGE BURTON: City of Joplin has  
5 offered Exhibit 400. Are there any objections?

6 Seeing none. It's admitted into the  
7 record.

8 (Joplin's Exhibit 400 was admitted into  
9 evidence.)

10 JUDGE BURTON: City of St. Joseph, any  
11 recross?

12 MR. STEINMEIER: I'm sorry, Your Honor.  
13 I didn't hear you.

14 JUDGE BURTON: Any recross-examination?

15 MR. STEINMEIER: Oh, no, thank you.

16 JUDGE BURTON: Public Water Supply  
17 District.

18 MR. DORITY: No questions.

19 JUDGE BURTON: Missouri-American.

20 MR. ENGLAND: No questions. Thank you.

21 MR. MILLS: Judge.

22 JUDGE BURTON: Oh, I'm sorry. I  
23 apologize, Mr. Mills.

24 MR. MILLS: Just very briefly.

25

1 RECCROSS-EXAMINATION

2 BY MR. MILLS

3 Q. Mr. Busch, would you not agree that  
4 there is a public and societal benefit to the  
5 provision, the widely spread provision of potable  
6 drinking water?

7 A. Yes.

8 Q. And would you agree that there's a  
9 societal benefit to the provision of sewer service  
10 across a wide portion of the population?

11 A. Yes.

12 Q. So, could you not make an argument that  
13 both of those types of costs should be socialized in  
14 their entirety?

15 A. You can make that argument as well.

16 MR. MILLS: That's all I have. Thank  
17 you.

18 JUDGE BURTON: Missouri-American.

19 MR. ENGLAND: Oh, no. Thank you.

20 JUDGE BURTON: Redirect.

21 MR. WESTEN: Just one question, Judge.

22 REDIRECT EXAMINATION

23 BY MR. WESTEN

24 Q. Mr. Busch, good afternoon.

25 A. Good afternoon.

1           **Q. Does the amount of the Parkville plant,**  
2 **that total cost, does 30 million sound like the**  
3 **correct number?**

4           A. Sure, if you say it is. I honestly  
5 cannot remember as we sit here today. So, I will  
6 take my counsel's word that it's \$30 million.

7           **Q. I appreciate that, Mr. Busch. Thank you**  
8 **very much.**

9           MR. WESTEN: No further questions.

10          JUDGE BURTON: Thank you. You may be  
11 excused.

12          I believe Dr. Marke is next.

13          And just to remind you, you were  
14 previously sworn in and you are still under oath.

15                               GEOFF MARKE,  
16 having been called as a witness herein, having been  
17 first duly sworn, was examined and testified as  
18 follows:

19                               DIRECT EXAMINATION

20          BY MR. SMITH

21           **Q. Dr. Marke, good afternoon.**

22           A. Good afternoon.

23           **Q. Have the answers to your testimony**  
24 **changed in any material way since our last -- the**  
25 **last couple of days?**

1           A.    No, they have not.

2           MR. SMITH:  I believe Dr. Marke's  
3   testimonial exhibits have already been offered and  
4   received.  I will go ahead and tender him for  
5   cross-examination.

6           JUDGE BURTON:  Mr. Coffman.

7           MR. COFFMAN:  Yeah, I think I have a  
8   couple of questions.

9                            CROSS-EXAMINATION

10          BY MR. COFFMAN

11                **Q.    I assume that in your -- the preparation**  
12   **of your testimony on this subject you looked around**  
13   **at some other jurisdictions; is that true?**

14           A.    That is true.

15                **Q.    And did you look specifically at the**  
16   **jurisdictions that have been cited by the utility**  
17   **company as having consolidated rates?**

18           A.    Yes, I have.

19                **Q.    So, would you agree with their**  
20   **representation that 11 of 14 of their states have**  
21   **consolidated rates?**

22           A.    I would not agree with the  
23   representation of that, no.

24                **Q.    Is that because the characterization of**  
25   **consolidated means -- doesn't mean the same thing as**

1 **uniform rates?**

2 A. Yes.

3 **Q. Or complete consolidation?**

4 A. Yes.

5 **Q. Okay. How many -- in your review how**  
6 **many other American Water Works states have uniform**  
7 **tariff rates across their...?**

8 A. So, that's a good question. You know,  
9 as sort of a sanity check, I went back and looked at  
10 American Water's 10-K, which was filed in early  
11 February, and on page 6 of their 10-K they've got a  
12 list of regulatory practices across their different  
13 jurisdictions. For consolidated tariffs, and the  
14 key here is the nomenclature. When we say  
15 consolidated versus single tariff they mean  
16 different things. We have consolidated tariffs  
17 today in Missouri and Missouri, in fact, is one of  
18 the states that's listed of -- I believe Mr. Jenkins  
19 said 11 states. According to their 10-K, it's ten  
20 states, but Missouri is one of the states listed as  
21 a consolidated state.

22 **Q. Can I stop you for a minute?**

23 A. Sure.

24 **Q. When you say that Missouri is one of**  
25 **those, are you saying one of the ten states or one**

1 of the 11 states?

2 A. One of the ten states, that's correct.

3 Q. So, you say that -- so, in your review  
4 ten of the 14 states have some type of consolidation  
5 and Missouri is one of those because of the regional  
6 compromise that was reached in the last case?

7 A. Right. And I think when we say states,  
8 that can be a little misleading as well. If you  
9 look at just the relative size of the number of  
10 customers in each state. So, Missouri has the third  
11 most customers of any American Water subsidiary.  
12 The three states that were referenced, Maryland,  
13 Kentucky, Iowa, these are very, very small systems.  
14 So, for Iowa, for example, when we say, well, Iowa  
15 has single tariff pricing, well, single tariff  
16 pricing in Iowa is Davenport. It's one city. Okay?  
17 We can make that representation where it's single  
18 tariff. And actually, Iowa's probably not the best  
19 example because it actually extends a little bit  
20 farther to include one more system, but even the  
21 distance between the one more system, and the name  
22 escapes me at the moment, and Davenport is shorter  
23 than the distance between St. Louis and Jefferson  
24 City.

25 So, what we have right here today --

1 and, you know, I think this was a big position for  
2 Public Counsel because we were the big proponents of  
3 single tariff pricing in the last case and that's  
4 not our position in this case. We agree with Staff.  
5 We were wrong. That the zonal makes sense for a  
6 number of reasons, and we do want to have an  
7 opportunity to give it a chance to work and we think  
8 it is working, and it is essentially consolidated  
9 pricing. I mean, it's getting the best of both  
10 worlds that are out there.

11 But to your initial point, Mr. Coffman,  
12 it is very different and what I would do is just  
13 look at Google images, look at what's the map in  
14 Kentucky, what's the map of American Water in  
15 Illinois, what's -- well, Illinois is not the one  
16 that was cited. I guess, Iowa, Kentucky, and  
17 Maryland. And what you'll see is more to what  
18 Mr. Jenkins was talking about, which is it's  
19 consolidated pricing. It's a zonal price that  
20 captures some of the benefits that are up for debate  
21 here.

22 **Q. Can I stop you for a minute and ask you**  
23 **in your review of those other states that have some**  
24 **consolidation, were you able to dig down and look at**  
25 **the district-specific costs to tell whether any of**

1     **those consolidated situations would have as much of**  
2     **an impact as consolidation would have on St. Louis**  
3     **County in this case?**

4             A.     I mean, St. Louis County in this case  
5     is, unfortunately, really being negatively hit,  
6     probably more so than any other district and in part  
7     because they have that ISRS. So, when other, you  
8     know, districts come up here and they represent,  
9     well, we have this sort of increase and we've borne  
10    these costs, St. Louis County has been bearing a  
11    surcharge increase on a biannual basis 15 years.  
12    St. Louis County has been subsidizing in the sense  
13    Jefferson City and Mexico since the last rate case  
14    and now what's on the table is for St. Louis City --  
15    or St. Louis County to subsidize the rest of the  
16    state. That becomes acutely problematic when you  
17    start talking about the lead lines, but so --

18            **Q.     And when you say that St. Louis is being**  
19     **adversely, you're referring to the utility's**  
20     **proposal --**

21            A.     That's correct.

22            **Q.     -- for rate design in this case?**

23            A.     Yes.

24            **Q.     Were there any other aspects where**  
25     **St. Louis was receiving disproportionate impact**



1 **other than the ISRS and perhaps lead line**  
2 **replacement?**

3 A. One of -- it's an issue that's going to  
4 be discussed later today, but it is over the  
5 customer charge as well.

6 **Q. And that's the interaction with this**  
7 **issue --**

8 A. That is correct.

9 **Q. -- and the fixed charge?**

10 A. Earlier I think in Mr. England's  
11 presentation he represented this is the Company's  
12 consolidated approach with a lower customer charge  
13 and I think that's -- it's actually an incorrect  
14 statement because when we say a lower customer  
15 charge, he's really talking about 10 percent or  
16 15 percent of the population. That other 80 percent  
17 is St. Louis County and they're going to be  
18 receiving a higher customer charge.

19 **Q. So we'll get to debate that later?**

20 A. That's right.

21 **Q. Okay. So that the record's clear, of**  
22 **the states that you reviewed that were American**  
23 **Water Works states, how many of them had completely**  
24 **uniform tariff rates?**

25 A. There isn't any state that would look

1 like Missouri with what the Company's proposing.  
2 This would be an unprecedented single tariff state  
3 of this size where you have so much distance  
4 between, say, St. Louis and St. Joseph. I want to  
5 say it's in my testimony in my direct where I  
6 actually do a Google map and I say, you know, this  
7 is the distance between St. Louis and St. Joseph,  
8 and it's actually shorter distance between -- it's a  
9 shorter distance between St. Louis and Davenport, a  
10 shorter distance between St. Louis and Memphis, it's  
11 a shorter distance between St. Louis and Iowa City  
12 than it is between St. Louis and St. Joseph.

13 MR. COFFMAN: That's all I have. I just  
14 wanted to clarify that. Thank you.

15 THE WITNESS: Thank you.

16 JUDGE BURTON: City of Joplin.

17 MR. STEINMEIER: No questions.

18 JUDGE BURTON: Oh, Joplin first.

19 CROSS-EXAMINATION

20 BY MS. BELL

21 Q. Good afternoon, Mr. Marke.

22 You were present when I questioned

23 Mr. Busch, correct?

24 A. That's correct.

25 Q. So, if we're looking at Exhibit 136.

1 A. Yes.

2 Q. And you were just talking about, I  
3 think, the increase to St. Louis. The increase to  
4 district one for 4,000 gallons, if you stick to the  
5 Staff's proposal, would be 8.9 percent. Would you  
6 agree?

7 A. Yes.

8 Q. Okay. And again, the increase on Joplin  
9 is in the realm of 22 percent; is that correct?

10 A. That is correct.

11 Q. And is it your understanding that Joplin  
12 bears the largest increase because of the billing  
13 determinates?

14 A. I would agree with Mr. Busch. I would  
15 say that's the largest, you know, factor that's  
16 spurring that increase.

17 MS. BELL: No further questions.

18 JUDGE BURTON: Thank you.

19 City of Warrensburg.

20 MR. LUMLEY: No questions.

21 JUDGE BURTON: Mr. Steinmeier.

22 MR. STEINMEIER: No questions, Your  
23 Honor.

24 JUDGE BURTON: Riverside.

25 MR. WENZEL: No, Your Honor.

1 JUDGE BURTON: Staff.

2 MR. WESTEN: None. Thank you.

3 JUDGE BURTON: MIEC.

4 MR. MILLS: No questions.

5 JUDGE BURTON: Public Water Supply  
6 Districts.

7 MR. DORITY: No, thank you, Judge.

8 JUDGE BURTON: Missouri-American.

9 MR. ENGLAND: No questions, Your Honor.

10 JUDGE BURTON: Questions from the bench.

11 QUESTIONS BY CHAIRMAN HALL:

12 Q. Good afternoon.

13 A. Good afternoon.

14 Q. Were you in the hearing room during my  
15 inquiry of Mr. Jenkins?

16 A. I was.

17 Q. One of the things I asked him about was  
18 the fairness of single tariff pricing as it relates  
19 to St. Louis County with regards to the ISRS, that  
20 moving forward if we have single tariff pricing, the  
21 residents of the -- of St. Louis County would pay  
22 exclusively the depreciation for projects in their  
23 district until the next rate case and then that  
24 depreciation would be socialized or would be spread  
25 out throughout the state; is that correct?

1 A. That's correct.

2 **Q. How big of a concern is that for you?**

3 A. It is a concern. It's a concern because  
4 I think the chances of American Water coming in  
5 before they have to renew their ISRS is probably  
6 fairly slim. So, we probably won't see them again  
7 in a rate case for another three years under the  
8 best of circumstances, and I don't mean that as a  
9 negative thing. You guys can stay away. But for  
10 St. Louis that's problematic. And I think we've  
11 made it clear, too, that our big concern here is the  
12 lead line issue in terms of that, too. We've got 15  
13 years of mains that we passed over.

14 **Q. Well, that's a separate issue.**

15 A. Sure.

16 **Q. And I was going to ask about that.**

17 A. Okay.

18 **Q. So, continue on just exclusively the**  
19 **ISRS issue.**

20 A. That's a concern, you know, whether that  
21 would spur, you know, further action to expand an  
22 ISRS down the street or something. I don't know if  
23 that would do that, but it is a concern that  
24 essentially St. Louis is going to be paying the  
25 surcharge as well as all the other costs that we

1 would be socializing from the other districts.

2 **Q. So, is there also an argument that**  
3 **because of the ISRS Missouri-American might invest**  
4 **more heavily in St. Louis County with such**  
5 **investment after the next rate case being paid for**  
6 **by the rest of the state and so that it might**  
7 **balance out to some extent?**

8 A. And I can understand where you're coming  
9 from from that perspective, but I would pause for  
10 two points. And I think Mr. Jenkins' response to  
11 that was that the Company plans on spending money  
12 outside of St. Louis. That's a priority for them.  
13 The second part of that is if we're saying that  
14 St. Louis is getting a benefit because for spending  
15 the stuff that they're causing, I would agree, and  
16 that's the argument for district-specific pricing.  
17 That's the argument for the zonal pricing. I think  
18 is what we have right now is that those that are  
19 causing the cost are bearing the cost. So, let's  
20 continue to replace those mains in St. Louis and  
21 we'll have St. Louis citizens pay for that. I think  
22 that's sort of the compact that was agreed upon.

23 **Q. What was OPC's position on the**  
24 **eight-district structure in the last rate case?**

25 A. Our position was to maintain the eight

1 districts as is.

2 Q. And was one of the arguments that there  
3 would be overspending by the Company if the  
4 Commission moved to three districts?

5 A. That was one of our arguments, yes.

6 Q. Do you have any evidence that there was  
7 overspending?

8 A. So, I don't like to use our resources as  
9 an excuse, you know, the size of our office, but I  
10 would point to two things. One, and we did raise  
11 this in testimony, was the Mueller meter  
12 investigation, which has since remained absent and  
13 silent in this case, but the Staff was ordered to go  
14 ahead and do an investigation. They came up with  
15 several findings with that that there was  
16 overspending that wasn't prudently incurred.

17 In this case alone there were -- how we  
18 divided our resources ultimately was probably less  
19 than optimal. We probably spent an inordinate  
20 amount of time writing about a future test year that  
21 never came to fruition, but there were other issues.  
22 We have a Company that was proposing, for lack of a  
23 better word, what I would say is an anchor. Let's  
24 propose, you know, a future test year, let's do AMI  
25 meters, let's do cloud computing, let's do -- let's

1 throw everything out there and then let's move back  
2 on that, right, through negotiations, through  
3 whatever. You get to a point where you give the  
4 impression that we've gained success because we're  
5 no longer having that issue, but we're -- right now,  
6 for example, because of I think we're essentially  
7 locked in with AMI meters. I think there's an  
8 argument to be made. We don't have AMI meters for  
9 Ameren Missouri. Why all the sudden we've got AMI  
10 meters in St. Louis County and to the best of my  
11 knowledge I couldn't find any, any utility where  
12 there had been a cost-benefit study for just solely  
13 AMI water meters, but that's not even a contested  
14 issue right now.

15 So, really to your point, Chairman, my  
16 concern with that is this: I think there's a sanity  
17 check for utilities when it comes to rate shock. I  
18 mean, at a certain point there's only so much that  
19 can be absorbed by any given, you know, customer  
20 during a rate increase. Right now, I mean, as I  
21 look at it, the Company is getting just about  
22 everything that they're asking for. My concern is  
23 that in a couple years, in three years, in four  
24 years the price of water is going to be very, very  
25 expensive. In moving forward, I think that's why



1 it's important that we are transparent and we do  
2 these plans and try to flush this out as best as  
3 possible.

4 **Q. Would OPC recommend additional reporting**  
5 **on capital expenditure so as to prevent or to at**  
6 **least make transparent any overinvestment?**

7 A. Yes. And I would point to states that  
8 have moved towards consolidated pricing, that have  
9 adopted that very form, the Pennsylvania's, the  
10 Indiana's that have annual reporting, that have the  
11 details. In part was one of the examples I gave  
12 with that lead line where we actually could point to  
13 this is their plan, this is what they're going to  
14 do, and that's sort of a sanity check for advocates,  
15 for regulators. I mean, absent that we're taking  
16 the utility essentially at their best word. Well,  
17 that's part of our plan. Well, we're doing that.  
18 If it's not on paper, if it's not something I can  
19 point to, I really don't feel like I have much of a  
20 case in terms of prudence in raising that in future  
21 issues in front of the Commission.

22 **Q. Let me ask you a couple questions about**  
23 **lead service line replacement.**

24 **If the Commission were to determine that**  
25 **it was appropriate to allow the Company to get a**

1 return on the investment -- I'm sorry, get a return  
2 of that investment, but not a return on that  
3 investment and we were to determine that a ten-year  
4 amortization period was appropriate, do you have any  
5 policy wisdom for us, for the Commission with  
6 regards to what kind of carrying costs we should put  
7 on that amount, whether it should be the short term,  
8 which is a little under 1 percent, or whether it  
9 should be a long-term cost of debt, somewhere around  
10 5.24 I believe, which would at least from my  
11 perspective make sure that the Company is held  
12 harmless?

13 A. I don't think I can. I don't think I --  
14 I don't think I'm the witness for that. I mean, I  
15 know in our AO case we suggested short-term debt,  
16 but I'm not sure how the dynamics of that have  
17 changed.

18 MR. SMITH: Chairman, we could address  
19 that in our briefs, if you'd appreciate that.

20 CHAIRMAN HALL: Okay. I'd appreciate  
21 that.

22 I have no further questions. Thank you.

23 QUESTIONS BY COMMISSIONER KENNEY:

24 Q. Good afternoon, Dr. Marke.

25 A. Good afternoon.

1           Q.    Can you tell me why -- what's the  
2    **difference from 2016 when you supported single**  
3    **tariff in that case and you don't support it in this**  
4    **case? I mean, because I've heard you give a lot of**  
5    **answers about rate shock and things, and I'm just**  
6    **curious what makes a difference in this case.**

7           A.    You know, I always say two things about  
8    water. I say it's my safety, that, you know, we're  
9    always going to need water. Right? That's always  
10   going to be an issue. The other one I say is I  
11   never feel good about the outcome. I just never  
12   feel good because we're paying for things that have  
13   largely been ignored or, you know, passed over in  
14   time. And there are policy cases to be made for  
15   absorbing some of the rate shock and I think that's  
16   what the zones do. You have strong anchors there.  
17   When we made these arguments for district-specific  
18   pricing in the last case, from a pure economic  
19   standpoint I could sit there and sleep with myself  
20   at night by saying, you know what, it's cost  
21   causation, there's a direct link with that and we  
22   could sit there and support it.

23                    We've made similar arguments and I've  
24   lost a lot of arguments on the electric side for  
25   that --

1           **Q. All right. I don't think -- maybe what**  
2 **benefits did you see as a single tariff in the last**  
3 **case that you don't see as a single tariff in this**  
4 **case?**

5           A. Well, okay. So, we never and still  
6 don't support single tariff. Consolidated tariff,  
7 the benefits that I see are administrative ease and,  
8 for a lack of better term, we don't have the  
9 records. There is no data to go back and  
10 retrospectively say eight districts. So, for me to  
11 put my energy and sit there and to hash out and to  
12 go through the Company's files and say no, this is  
13 how -- we need to go back to these single districts,  
14 that boat's sailed essentially. So, at best what I  
15 can do is maintain where we're at and not regressing  
16 further.

17           **Q. Okay. Well, what was OPC's position in**  
18 **the latest Hillcrest case with Josiah Cox and his**  
19 **group, what was -- and then there's Indian Hills**  
20 **after that.**

21           A. Right.

22           **Q. And both of them were about a 12 percent**  
23 **return, both of them probably in excess of**  
24 **200 percent rate increase, and we all know why,**  
25 **because those systems were not taken care of and to**

1 me that's real rate shock. So, what was OPC's  
2 position in those cases?

3 A. I think we agreed with you. That is  
4 real rate shock.

5 Q. No. I know that, but what was your  
6 position on the case overall, like the last one,  
7 Indian Hills? Do you recall?

8 A. I'm getting tongue-tied because I'm not  
9 sure what you mean by what our position was  
10 specifically.

11 Q. Well, what was your position as far as  
12 the approval or -- I know on the amounts, the rate  
13 base, the percentages, the interest you recovered.  
14 I thought that OPC was not --

15 A. That it was excessive.

16 Q. Everything was excessive?

17 A. Yes.

18 Q. Well, do you think it would be a benefit  
19 if we had a single tariff or a consolidated tariff?  
20 Would it benefit all of these small water and sewer  
21 cases that we deal with that have this tremendous  
22 rate shock?

23 A. I think what you have right now enables  
24 that. I really do. I think the zones allow the  
25 Company and it allows them to absorb those

1 distressed systems.

2 Q. Yeah. But like, you know, we just  
3 approved one here recently.

4 A. With Wardsville.

5 Q. And actually, it might not have -- with  
6 Christian County with 49 units and they did purchase  
7 that and it goes into district three.

8 A. Right.

9 Q. So, I understand that. But if we did  
10 have a single tariff, wouldn't that take care of a  
11 lot of the Indian Hills and the Hillcrests down the  
12 line?

13 A. I think it comes at a greater expense in  
14 terms of all of the other disadvantages. So, what  
15 you're doing here is you're weighing the pros and  
16 cons. Right?

17 Q. So, there are disadvantages to?

18 A. I think in the long run, in the long run  
19 it will increase costs to all ratepayers as a result  
20 of that. I absolutely do.

21 Q. It will increase costs to all ratepayers  
22 more than it would one district?

23 A. Over the long term. I mean, at the end  
24 of the day, yes.

25 Q. How?

1           A.    So, right now -- and I go back to  
2    St. Louis and this is the example.  So, St. Louis  
3    pays a surcharge, St. Louis pays for itself.  
4    St. Louis in the last rate case is now paying for  
5    Jefferson City, it's now paying for Mexico.  
6    St. Louis is now potentially going to be paying for  
7    Joplin and for St. Joe.  For any future distressed  
8    system St. Louis is going to be paying for that.

9           **Q.    And everybody else will pay for**  
10   **St. Louis's problems?**

11           A.    If -- again, the big issue here comes  
12    down to -- well, our issue comes down with lead  
13    line, but if you want to say over a long enough  
14    span, then St. Louis -- at some point St. Louis will  
15    have to get their water plant's covered.

16           **Q.    Let's say replacing their mains.  They**  
17   **get an ISRS, they still true it up at the end of**  
18   **three years when they come back or however we do it.**  
19   **It's still going to eventually have other ratepayers**  
20   **are going to encompass those costs.  I don't**  
21   **disagree it may be unbalanced.**

22           A.    So, I would also say it's an inner  
23    generational issue.  By the time those St. Louis  
24    ratepayers would actually see the benefit  
25    potentially of single tariff, they'll probably be

1 deceased.

2 Q. Right.

3 A. So, yes. I mean, over a long enough  
4 span.

5 Q. There's a lot of millennials in  
6 St. Louis, too?

7 A. That is true.

8 Q. More and more of them move to the city.

9 COMMISSIONER KENNEY: Okay. Thank you.

10 THE WITNESS: Okay.

11 QUESTIONS BY COMMISSIONER COLEMAN:

12 Q. Dr. Marke, earlier I inquired of  
13 Mr. Jenkins regarding monthly billing relative to  
14 St. Louis County and the goal there to go to monthly  
15 billing, and also a few minutes ago when you were  
16 talking with the Chairman smart meters were  
17 mentioned quite a bit, and I'm trying to remember  
18 exactly when we talked about smart meters if  
19 Mr. Jenkins agreed that residents, customers would  
20 have an opportunity to opt out. I'm kind of  
21 remembering if it was that or if it was the monthly  
22 billing part of it. But either way, I'd like to  
23 know where OPC stands on those two issues, please.

24 A. Well, these are good questions, and I  
25 was unsure of Mr. Jenkins' response. I think I



1 actually looked over to my counsel and asked whether  
2 that opt out is what they were offering or not.

3 Our position on AMI meters was we were  
4 against it and we did -- we reached out to a number  
5 of states, in particular Connecticut. We had a lot  
6 of discussions with the state of Connecticut about  
7 AMI deployment or potential AMI deployment for a  
8 water company. And we also reached out to  
9 California and California is, I'm sure you're aware,  
10 there is a water crisis in California and very  
11 progressive energy policy, and one of the ways that  
12 they were trying to reduce costs was to have AMI  
13 deployment marry the electric company. So, it would  
14 be, you know, PG&E and the water company, right,  
15 having those same sort of costs. That's not the  
16 case here.

17 What we couldn't find was we couldn't  
18 find any cost-benefit studies for a water AMI. For  
19 electric there is a strong argument that the price  
20 of electricity is different at different times of  
21 the day. That argument is much tougher to make on  
22 the water side. The real benefit for water is the  
23 leak detection, which is what the Company put  
24 forward, and that very well might be a benefit, but  
25 absent any evidence to support that one way or the

1 other, I think we're just -- we're largely guessing.  
2 What gives me pause probably more than anything,  
3 Commissioner, in terms of meters is we just went  
4 through that meter issue two years ago where we had  
5 30,000 meters that weren't working, that weren't  
6 right. Right? And now we're putting on AMI. It's  
7 difficult to keep track of, I mean, at this point.  
8 So, absent knowing what benefit I'm getting out of  
9 AMI meters outside of being able to bill somebody on  
10 a monthly basis as opposed to quarterly basis, I  
11 don't know if that justifies the cost.

12 COMMISSIONER COLEMAN: I think I'm good  
13 now, for right now. Thank you, Dr. Marke.

14 JUDGE BURTON: Any recross by Joplin?  
15 St. Joe.  
16 Staff.

17 MR. WESTEN: I have one question.

18 RECROSS-EXAMINATION

19 BY MR. WESTEN

20 **Q. Dr. Marke, are you familiar with -- I**  
21 **have to be careful there because this is a currently**  
22 **filed complaint. I don't want to influence any**  
23 **parties, but I just want to ask if you are familiar**  
24 **with WC-2018-0110 and the case and the facts in that**  
25 **case?**

1 A. No.

2 MR. WESTEN: Okay. No further  
3 questions.

4 JUDGE BURTON: MIEC.

5 MR. MILLS: Just briefly.

6 RECROSS-EXAMINATION

7 BY MR. MILLS

8 Q. Dr. Marke, you had some questions from  
9 Commissioner Kenney about the acquisition of small  
10 troubled water and sewer companies. Are you aware  
11 of any such systems that Missouri-American declined  
12 to acquire under the current three-zone rate  
13 structure solely because they don't have single  
14 tariff pricing?

15 A. I have -- I know of none.

16 MR. MILLS: That's all I have. Thank  
17 you.

18 JUDGE BURTON: Mr. Dority.

19 MR. DORITY: Yes, thank you. Just one.

20 RECROSS-EXAMINATION

21 BY MR. DORITY

22 Q. Good afternoon, Dr. Marke.

23 A. Good afternoon.

24 Q. I believe in responding to a question  
25 from Chairman Hall you characterized that a benefit

1 of the zonal approach is that those that are causing  
2 the costs are bearing the costs. Can you explain to  
3 me how the customers in the St. Joseph service area  
4 caused the costs of the new Platte County facility,  
5 a plant that was started during the  
6 district-specific pricing regime?

7 A. They didn't.

8 MR. DORITY: Okay.

9 JUDGE BURTON: Missouri-American.

10 MR. ENGLAND: No questions. Thank you.

11 JUDGE BURTON: You can be excused.

12 THE WITNESS: Thank you.

13 MR. SMITH: I have --

14 JUDGE BURTON: Oh, I'm sorry. I  
15 apologize.

16 MR. SMITH: Real brief redirect. I  
17 won't take long.

18 REDIRECT EXAMINATION

19 BY MR. SMITH

20 Q. There were some questions as between  
21 Commissioner Kenney and I think Consumers Council  
22 where there was some confusion about OPC's position  
23 in the last rate case. I think -- I think perhaps  
24 it was said that our position was single tariff in  
25 the last case. And what was our position in the

1 **last rate case?**

2 A. Our position was not single tariff. Our  
3 position was district-specific pricing.

4 **Q. Okay.**

5 A. Our position in this case is  
6 consolidated pricing. We've never supported single  
7 district -- or single tariff.

8 **Q. And with the ten states that were**  
9 **discussed --**

10 A. Yes.

11 **Q. -- there was reference to a 10-K. Can**  
12 **you explain what that is?**

13 A. It's a required SEC filing and it's also  
14 available on the American Water corporation's web  
15 page as well as other public filings.

16 **Q. And so, that's your source for the ten**  
17 **states who have consolidated pricing?**

18 A. It is. There's other American Water  
19 information that's available online that can  
20 reference that.

21 MR. SMITH: Okay. Thank you. No  
22 further questions.

23 JUDGE BURTON: All right. Thank you.  
24 Now you are excused.

25 THE WITNESS: All right.

1 JUDGE BURTON: And I believe,  
2 Mr. Dority, Mr. Johnstone is next.

3 DONALD JOHNSTONE,  
4 having been called as a witness herein, having been  
5 first duly sworn, was examined and testified as  
6 follows:

7 DIRECT EXAMINATION

8 BY MR. DORITY

9 Q. Could you, please, state and spell your  
10 name for the court reporter.

11 A. Donald Johnstone, J-O-H-N-S-T-O-N-E.

12 Q. Mr. Johnstone, by whom are you employed  
13 and in what capacity?

14 A. I am employed by Competitive Energy  
15 Dynamics, LLC. It's a sole member LLC.

16 Q. And on whose behalf are you appearing in  
17 this proceeding?

18 A. Andrew County Public Water Supply  
19 Districts Nos. 1 and 2.

20 Q. Did you cause to be prepared and filed  
21 in this case rebuttal testimony that has been  
22 previously marked as Exhibit 675?

23 A. Yes.

24 Q. And do you have any changes or  
25 corrections to that testimony?

1           A.    I would propose to delete one question  
2    and answer.   Beginning on page 7, line 12 there is a  
3    question.   The answer continues through page 8, line  
4    2, and that would be deleted in its entirety.

5           **Q.    With that change, if I were to ask you**  
6    **the questions contained in Exhibit 675 this**  
7    **afternoon, would your answers be the same?**

8           A.    Yes.

9           **Q.    And are those answers true and correct**  
10   **to the best of your knowledge, information, and**  
11   **belief?**

12          A.    Yes.

13                 MR. DORITY:   Your Honor, I have also had  
14    marked as Exhibit 676 the actual red line testimony  
15    that would show the deletion of the Q. and A. that  
16    Mr. Johnstone referenced and if it's all right with  
17    the bench, I would go ahead and offer both Exhibit  
18    675 and 676 into evidence and tender Mr. Johnstone  
19    for cross-examination.

20                 JUDGE BURTON:   All right.   Exhibit 675  
21    which is the rebuttal testimony of Donald Johnstone,  
22    and 676 which is the red-lined version that redacts  
23    the question and answer portion from page 7 to page  
24    8 that he just referenced have been offered.   Are  
25    there any objections?

1                   Seeing none. They are admitted.

2                   (PWSD's Exhibits 675 and 676 were  
3 admitted into evidence.)

4                   MR. DORITY: Thank you.

5                   JUDGE BURTON: Mr. Steinmeier, do you  
6 have any questions?

7                   MR. STEINMEIER: I do not, Your Honor.  
8 Thank you.

9                   JUDGE BURTON: Joplin.

10                  MS. BELL: No questions.

11                  JUDGE BURTON: Office of Public  
12 Counsel -- oh, I apologize. Riverside.

13                  MR. WENZEL: No, Your Honor.

14                  JUDGE BURTON: Office of Public Counsel.

15                  MR. SMITH: Yes, briefly. Thanks.

16                                CROSS-EXAMINATION

17                  BY MR. SMITH

18                                **Q. In your testimony, I just want it to be**  
19 **clear, is the recommendation for consolidated rates**  
20 **exclusively for the sale for resale class?**

21                                A. Yes.

22                  MR. SMITH: Okay. Thank you. No  
23 further questions.

24                  JUDGE BURTON: Staff.

25                  MS. KLAUS: No questions, Judge.



1 JUDGE BURTON: MIEC.

2 MR. MILLS: No questions.

3 JUDGE BURTON: Missouri-American.

4 MR. ENGLAND: No questions, Your Honor.

5 JUDGE BURTON: Any questions from the  
6 bench?

7 CHAIRMAN HALL: No questions. Thank  
8 you.

9 COMMISSIONER KENNEY: No questions.  
10 Thank you.

11 JUDGE BURTON: All right. Thank you,  
12 sir. You are excused.

13 THE WITNESS: You're welcome. Thank  
14 you.

15 JUDGE BURTON: At this point we're going  
16 to take a recess and I'm going to ask that we come  
17 back around 3:30 on the record to hear the testimony  
18 from Ms. Norton on some questions we had about the  
19 contractor that came up today. We are not going to  
20 be getting to the issues of the customer charge.  
21 Those issues are going to be scheduled for tomorrow.  
22 So, at this point we are going to conclude taking  
23 any testimony, but are there any procedural issues  
24 that we need to address while we're on the record?

25 MR. LUMLEY: Judge, I would just be

1 asked -- ask to be excused from the remainder of the  
2 hearing.

3 JUDGE BURTON: That's fine.

4 MR. STEINMEIER: And, Your Honor, I want  
5 to clarify, I believe it's clear among counsel at  
6 least, that there is still rate design testimony to  
7 be taken tomorrow and that Mr. McGarry is scheduled  
8 to testify by telephone at 1:30.

9 JUDGE BURTON: That's correct. We will  
10 continue with his testimony and Mr. Collins'  
11 testimony after 1 o'clock, and I will talk to both  
12 counsels for those witnesses afterwards to arrange  
13 the calling in number and share that information  
14 with you.

15 MR. STEINMEIER: Great.

16 JUDGE BURTON: Is there anything else  
17 that we need to address on the record?

18 MR. ENGLAND: Judge, are we going to  
19 address the inclining block rate pilot proposal that  
20 I mentioned earlier?

21 JUDGE BURTON: We would be delighted to,  
22 if you have something to present or any comments to  
23 make.

24 MR. ENGLAND: We have an exhibit and,  
25 you know, presentation. It's more kind of a give

1 and take, I guess, with the Commission to see if  
2 this is something that meets their interests.

3 JUDGE BURTON: Would you like to hand  
4 out an exhibit for us to consider?

5 MR. ENGLAND: I can, yes, if I can  
6 remember where I put it.

7 JUDGE BURTON: Do we need to take a  
8 brief recess or do you have the material here?

9 MR. ENGLAND: I've got it right here.

10 JUDGE BURTON: Mr. England, correct me  
11 if I'm wrong, but I believe this would be Exhibit  
12 41.

13 MR. ENGLAND: Let me check, please.  
14 Sounds about right.

15 I believe you're correct, 41.

16 JUDGE BURTON: So, we're going to mark  
17 this, everyone, I don't know if you heard, as  
18 Exhibit 41.

19 MR. ENGLAND: Would you like a little  
20 explanation?

21 JUDGE BURTON: That would be great.

22 MR. ENGLAND: Are we going to break and  
23 come back at 3:30?

24 JUDGE BURTON: Well, Commissioner  
25 Coleman had to step away for a doctor's appointment

1 and that's why I was wanting a break until she got  
2 back, but this would be fine.

3 MR. ENGLAND: So, we have some time  
4 until then. Okay.

5 JUDGE BURTON: Yes.

6 MR. ENGLAND: The handout that you  
7 received, I guess our Exhibit 41, presents four  
8 scenarios. Essentially, the same scenarios that we  
9 had in the rate comparison exhibit between our rate  
10 design and Staff's. Scenario one is maintain three  
11 districts, keep the customer charge where it is.  
12 Scenario two is consolidate districts and keep the  
13 customer charge where it is. Scenario three is  
14 maintain three districts, change the customer  
15 charge, lower it. Well, Mr. Marke was correct,  
16 lower the monthly. The quarterly, the impact on  
17 quarterly customers would actually be an increase.  
18 Scenario four is consolidate districts and, again,  
19 change the customer charge.

20 What we have is a proposal for the  
21 Mexico district. The block rate design that you see  
22 is similar to what Ms. Heppenstall had in her  
23 testimony for Joplin. Her analysis leads her to  
24 conclude that at about 3,000 gallons a month you're  
25 going to capture about 50 percent of the consumption

1 not just in the Joplin district, but that seems to  
2 hold true for most of our other districts if I  
3 understand her correctly. So, that's one break  
4 point. Then the next 7,000 gallons up to 10,000  
5 will be the second rate point and then anything over  
6 10,000 gallons would be the last rate point. The  
7 rates are increased roughly, or not roughly, but  
8 they're increased 20 percent in each step. So, rate  
9 block two would be 20 percent higher than rate block  
10 one, rate block three would be 20 percent higher  
11 than rate block two.

12 Page 1 shows the breakdown in  
13 consumption by those groupings as well as revenues.  
14 Page 2 then gets to sort of a bill comparison or  
15 analysis.

16 And we added an analysis of 15,000. My  
17 recollection is we did that because that was  
18 consistent with part of the request from Chairman  
19 Hall. I think he had asked for some information  
20 earlier on at 5, 10, and 15,000, so we added 15,000  
21 in there as well.

22 One of the reasons that we -- well,  
23 there's several reasons that we chose the Mexico  
24 district, self-contained district. We heard from  
25 two retired mayors in Mexico wanting to or at least

1 expressing concern about the low usage customers and  
2 folks on fixed income. So, this would -- those  
3 using lower amounts of water would actually see a  
4 decrease. So, we thought that would -- that would  
5 be beneficial.

6 We intend to or we would intend to run  
7 this in conjunction with the collaboration that we  
8 have in the stipulation and, obviously, study this  
9 as the responses that we get or the consumption  
10 changes that occur over time.

11 Lastly, I may be missing something, but  
12 lastly that I can think of is that we would also  
13 propose a tracker. So, if we undercollect, we true  
14 back up to the revenue that we're trying to achieve  
15 and, conversely, some people think we might  
16 overcollect. We would refund or credit back the  
17 overage.

18 CHAIRMAN HALL: First of all, I  
19 appreciate the Company's effort along with all the  
20 other parties to put this proposal before the  
21 Commission. So, that's second question -- or first  
22 question is this is a proposal from the Company and  
23 Staff; is that correct? Staff is joining in this  
24 proposal.

25 MR. ENGLAND: Yes, Chairman, we are

1 joining in this proposal.

2 CHAIRMAN HALL: Okay. Are there any  
3 parties that are opposing this proposal?

4 MR. SMITH: I think OPC would prefer not  
5 to have the tracker portion of the proposal, but  
6 aside from that we're generally supportive.

7 MR. WESTEN: The only party that,  
8 Chairman -- I'm sorry, Chairman. Yes. I'm sorry.  
9 There he is. Mr. Poston is here. Thank you.

10 MR. POSTON: Yeah, I want to say we're  
11 still looking at it. We do have some concerns with  
12 the blocks. We're concerned that the second block  
13 may be capturing large families that wouldn't --  
14 that would pull in some of that nondiscretionary  
15 use. And so, through email, all the other parties  
16 were here, we sent some proposals, some questions  
17 about this. So, we're hoping to work together with  
18 the parties on this to see if we can come up with  
19 something we can agree with, but at this point we're  
20 not completely on board with this proposal.

21 CHAIRMAN HALL: With the mechanics of  
22 the proposal, but not --

23 MR. POSTON: That's correct. We don't  
24 think we have an issue with Mexico as the chosen  
25 pilot. It's just, yeah, more mechanics and, like I

1 said, the blocks.

2 MR. MILLS: MIEC would echo Public  
3 Counsel's comments about the tracker. I don't -- I  
4 don't -- typically trackers have been used for truly  
5 extraordinary changes in costs that are  
6 unanticipated and outside of the company control. I  
7 don't think this raises that level. And the MIEC  
8 has always sort of opposed the trivialization of the  
9 tracker concept and I think this would be something  
10 like that. I just don't think the costs are  
11 significant enough to warrant the imposition of a  
12 tracker.

13 MR. COFFMAN: Consumers Council would  
14 also concur in that concern. We would rather that  
15 there be a more concerted effort to make sure that  
16 there are not too many tiers and it's not too  
17 dramatic and we're not catching unintended folks in  
18 a rate shock situation, rather than set up a  
19 mechanism that just insulates the utility from --  
20 it's not our -- it's not our belief or philosophy  
21 that utility regulation is designed to prevent the  
22 utility from having any potential adverse impact and  
23 I think it's contrary to cost of service regulation.  
24 So, we definitely have an opposition to that tracker  
25 concept or make whole concept or whatever. You



1 know, we would rather -- you know, as with all  
2 rates, if you can get them, get them close to right,  
3 there shouldn't be a need for that.

4 MR. MILLS: And just to be clear. I'm  
5 not saying that I opposed this proposal. I would  
6 prefer this proposal if it did not have a tracker in  
7 it.

8 MR. ENGLAND: And to be clear. Our  
9 proposal is a two-way tracker. It's not a one-way  
10 tracker.

11 CHAIRMAN HALL: Well, let me ask about  
12 how the tracker would work. Particularly, if we  
13 went to single tariff pricing, would Mexico  
14 essentially be outside of that single tariff?

15 MR. ENGLAND: I think so, Your Honor. I  
16 think this would be -- these rates or whatever rates  
17 we agree to and consumption levels would be embodied  
18 in a separate rate sheet in our tariff book.

19 CHAIRMAN HALL: And then would the  
20 tracker essentially compare the rates, the amounts  
21 paid by Mexico ratepayers under that tariff to what  
22 they would be in its absence?

23 MR. ENGLAND: I think I know how it  
24 works, but I better check with the technical people  
25 before I... Hold on, please.

1                   Would it be all right if Mr. Jenkins  
2                   answers that question?

3                   CHAIRMAN HALL: It's always okay when  
4                   Mr. Jenkins answers a question.

5                   MR. ENGLAND: Plus, I'd like to keep my  
6                   job, if you don't mind.

7                   CHAIRMAN HALL: I would support that.

8                   MR. JENKINS: What we would do is track  
9                   the actual --

10                  CHAIRMAN HALL: I'm sorry. Hang on one  
11                  second.

12                  Judge, does this need to be on the  
13                  record?

14                  JUDGE BURTON: We do have -- for  
15                  instance, Commissioner Rupp might be listening in,  
16                  if you want to have testimony or questions about  
17                  this, but otherwise.

18                  CHAIRMAN HALL: However you want to  
19                  handle it. It's fine.

20                  MR. JENKINS: What we would do is track  
21                  the volumes that are being estimated within each of  
22                  the inclining blocks. So, we've got a bill  
23                  analysis. We've got customers using under normal  
24                  conditioning -- conditions supposed to use X amount  
25                  of water and we've got that priced at the inclining

1 block rates. So, we'll compare what actually takes  
2 place with what was set in the Commission's order  
3 and that difference plus or minus would go into  
4 either a regulatory liability account if we  
5 overcollected or regulatory asset account if we  
6 undercollected and then we'd accumulate that, no  
7 carrying charge on it. We'd accumulate that and  
8 address that in the next rate case.

9 CHAIRMAN HALL: So, at the next rate  
10 case we could take those moneys and either reimburse  
11 that same class of ratepayers in that geographic  
12 area or increase their rate in order to cover that  
13 underrecovery?

14 MR. JENKINS: Correct.

15 CHAIRMAN HALL: Are these designed to be  
16 revenue neutral? In other words, is the intent of  
17 these charges to bring in the same amount of  
18 revenues that would come in in the absence of the  
19 inclining block?

20 MR. JENKINS: Yes.

21 CHAIRMAN HALL: And what did you assume  
22 for elasticity?

23 MR. JENKINS: Nothing.

24 CHAIRMAN HALL: Okay. So, you're -- and  
25 I'm not being in any way critical.

1 MR. JENKINS: Right.

2 CHAIRMAN HALL: So, you're assuming that  
3 there -- that there will be no conservation as a  
4 result of these inclining blocks?

5 MR. JENKINS: Correct. We've not  
6 attempted to measure that.

7 CHAIRMAN HALL: And that would,  
8 obviously, be one of the things that we could learn  
9 from this pilot --

10 MR. JENKINS: That's right.

11 CHAIRMAN HALL: -- that we could  
12 possibly apply on an ongoing basis?

13 MR. JENKINS: Yes.

14 CHAIRMAN HALL: And I don't know if this  
15 is a question for you or for someone else with the  
16 Company, but is there a proposal -- if the  
17 Commission does agree that this pilot should be  
18 implemented or something like it, how would -- how  
19 would you make sure that customers are aware of  
20 the -- of the inclining block rate structure?

21 MR. ENGLAND: Come on down.

22 MS. NORTON: Good afternoon. If we were  
23 to implement something like this, it would be  
24 important that we communicated with our customers in  
25 the Mexico district. And so, we would develop a

1 communications program where we would use  
2 multifaceted media, direct letters to the customers,  
3 we would do bill inserts. We would do that kind of  
4 a communication program to let them know. We would  
5 probably, honestly, go in and offer to have a public  
6 meeting to talk through what this would mean to  
7 their community and how it would help the low-income  
8 customers and try to do as much outreach as we  
9 possibly can. We want to make sure that this  
10 doesn't alienate the Mexico community from  
11 Missouri-American. We don't want them to take this  
12 poorly because other communities have said  
13 absolutely not, they don't want to do this. They  
14 don't think it's a good thing for their community.  
15 So, we just want to make sure that we would do that  
16 in the most positive way as possible and as thorough  
17 as we possibly could.

18 CHAIRMAN HALL: Would part of that  
19 program possibly include some kind of shadow  
20 billing.

21 MS. NORTON: Shadow billing sounds  
22 wonderful. We've discussed that and we just -- we  
23 just don't think we have the capability to do that  
24 and to do it well. And so, rather than agree to do  
25 something that I think we might do poorly, I would

1 rather not agree to shadow billing. I just don't  
2 think we can do that.

3 CHAIRMAN HALL: Okay. Thank you.

4 Another question. I'm not sure who this  
5 should be directed to, but the first block of 3,000  
6 gallons, what is the average consumption in Mexico?

7 MR. ENGLAND: We have that information.  
8 Just a second.

9 MR. MARKE: It's a little over 3,000.

10 MR. ENGLAND: 3,520 gallons a month.

11 CHAIRMAN HALL: Is the average --

12 MR. ENGLAND: Average.

13 CHAIRMAN HALL: -- consumption for a  
14 residential ratepayer?

15 MR. ENGLAND: Yes. And for 2017.

16 COMMISSIONER KENNEY: That's an average  
17 for all ratepayers or the 50 percent?

18 MR. ENGLAND: That would be all  
19 residential ratepayers in Mexico, average monthly.

20 MR. MARKE: And just to be clear. I  
21 don't think at the moment we know whether that's the  
22 mean or the median average, so...

23 JUDGE BURTON: Has Public Counsel looked  
24 into that or have any other parties?

25 MR. ENGLAND: I'm told it's the mean.

1 MR. MARKE: It is the mean, okay. One  
2 of the questions we had earlier.

3 CHAIRMAN HALL: Well, I'll say that I  
4 think this is a very intriguing proposal. I  
5 don't -- I'm not -- so, I really appreciate the  
6 effort that went into putting this -- putting this  
7 together. I'm not sure what the next step is  
8 whether -- Commissioner, do you have anything you  
9 want to add?

10 COMMISSIONER KENNEY: Your deal.

11 JUDGE BURTON: Why don't we go ahead and  
12 consider this because -- oh, Mr. Steinmeier, did you  
13 have something to say?

14 MR. STEINMEIER: Sometimes I just can't  
15 help myself from chiming in. So, I'm chiming in on  
16 the tracker issue just to say that from St. Joseph's  
17 perspective, this is a -- this is a very unique cost  
18 item we're talking about and nobody really knows  
19 exactly how it's going to turn out. The tracker  
20 that's been proposed by the Company goes both ways.  
21 So, it protects both customers and the Company. And  
22 we would not object to a tracker mechanism.

23 JUDGE BURTON: Thank you.

24 MR. ENGLAND: If we called the tracker a  
25 pilot program, too, would that work?

1 JUDGE BURTON: I think Mr. Mills has a  
2 comment about that.

3 MR. MILLS: Well, no. Actually, I have  
4 a much more substantive comment.

5 I mean, I think to the extent that you  
6 inform customers in Mexico about this program and  
7 you tell them that there's going to be a tracker and  
8 then at the end of the program if they use more  
9 they're going to get a refund, if they use less  
10 they're going to get billed later, I think that sort  
11 of undermines the usefulness of having a pilot  
12 program. If they know that at the end of the day  
13 their bills are going to be adjusted so that their  
14 change in behavior makes no difference to the amount  
15 of money they're paying, then I don't know that  
16 we're really gaining a lot through the  
17 implementation of a pilot program.

18 CHAIRMAN HALL: Well, that's not true  
19 because the individual ratepayer would see a  
20 reduction in his or her bill as a result of  
21 inclining block rates if they conserve. It would be  
22 the entire class of ratepayers that would possibly  
23 have to make up the difference. So, it's not the  
24 individual ratepayer that gets it both ways.

25 MR. MILLS: That's very possibly true.



1                   JUDGE BURTON: We have this marked as  
2 Exhibit 41, but I would like to just go ahead and  
3 have it considered for the parties and by the rest  
4 of the Commission overnight and offer it to the  
5 Commission tomorrow. So, while we're dealing with  
6 the customer charge issues tomorrow, I would say  
7 let's go ahead and address any questions the  
8 Commission might have over this proposal.

9                   CHAIRMAN HALL: So, one of the  
10 questions. If the Commission decides that it is  
11 interested in this, in this proposal and the parties  
12 coalesce around it, does it become an additional  
13 provision in the stipulation, does it become an  
14 additional stipulation, or what's the procedural  
15 next step?

16                  MR. WESTEN: I think we would view it as  
17 part of the stipulation. If we had to do an  
18 addendum to the proposed stipulation, it would work  
19 that way. At the very least, it must work in  
20 conjunction with the collaborative because part of  
21 the value of the collaborative is actually being  
22 able to evaluate this realtime information from the  
23 pilot program.

24                  CHAIRMAN HALL: Okay.

25                  MR. MILLS: I'm not sure that that's the

1 final answer. I think we'll have to talk about that  
2 some, because the MIEC was a signatory to the  
3 original stipulation and agreement. If we're  
4 talking about an addendum that implements a tracker,  
5 while we may not oppose it, we may not want to be a  
6 signatory. We may simply want to be silent and let  
7 it go into effect without our signature.

8 JUDGE BURTON: So, it could possibly be  
9 a separate agreement?

10 MR. MILLS: My gut reaction is that  
11 would be preferable, but I think we'll have to talk  
12 through that question.

13 CHAIRMAN HALL: That's fair enough.

14 JUDGE BURTON: Do you -- oh, I'm sorry,  
15 Mr. Coffman.

16 MR. COFFMAN: I mean, my fear is that  
17 adding a so-called tracker to this undermines the  
18 bargain that was reached in the stipulation and, you  
19 know, Consumers Council of Missouri was not a  
20 signatory, but we would have -- if that is part of  
21 the deal here, it may mean that customers are  
22 subjected to something that we thought that they  
23 wouldn't have under the stipulation and might have  
24 to consider whether or not we are not objecting to  
25 it. Just to be clear.

1 JUDGE BURTON: And when will Consumers  
2 Council have an answer on whether or not it is  
3 objecting?

4 MR. COFFMAN: Well, it kind of depends  
5 on what the details are of this pilot program  
6 which...

7 JUDGE BURTON: I understand that right  
8 now we don't have any formal proposal. This is just  
9 an option to give ideas to the Commission, and I  
10 understand that the parties need to get together and  
11 especially their technical experts to review this  
12 and consider options. So, hopefully we'll be able  
13 to use portions of today and tomorrow to address  
14 those issues as well.

15 With that being said, I know it's 3:03  
16 now, but let's go ahead and take a recess until  
17 let's make it 3:45 and then we'll come back to hear  
18 the final testimony for today. All right. Thank  
19 you, everyone.

20 (A short recess was taken.)

21 JUDGE BURTON: Let's go ahead and go  
22 back on the record, and I believe at this time  
23 Missouri-American was going to call its witness.

24 MR. ENGLAND: We are, Your Honor.  
25 Cheryl Norton.

1 (The witness was sworn in.)

2 MR. ENGLAND: Your Honor, I do not have  
3 copies. I didn't realize Ms. Norton was going to be  
4 taking the stand today. I could have her identify  
5 the testimony she filed or I can just make her  
6 available for the questions from the bench as I  
7 understand this is really the purpose of her  
8 appearance.

9 JUDGE BURTON: I'm fine with just  
10 answering questions from the bench, if that's okay  
11 with the other parties.

12 MR. ENGLAND: Okay.

13 JUDGE BURTON: And I'll just go ahead  
14 and begin, Ms. Norton, and we'll give an opportunity  
15 for any cross-examination from the parties after  
16 questions from the bench.

17 CHERYL NORTON,  
18 having been called as a witness herein, having been  
19 first duly sworn, was examined and testified as  
20 follows:

21 QUESTIONS BY JUDGE BURTON:

22 Q. I believe you were here earlier today?

23 A. I was.

24 Q. And did you hear the questions that  
25 Commissioner Coleman had concerning the selection of

1 **contractors for work?**

2 A. Yes, I did.

3 COMMISSIONER KENNEY: Don't you think I  
4 should enlighten the Chairman up here, I should ask  
5 something about lead service lines?

6 JUDGE BURTON: I think we would be  
7 remiss if you did not ask the questions.

8 Commissioner Coleman, did you want to  
9 ask some questions?

10 QUESTIONS BY COMMISSIONER COLEMAN:

11 Q. **Good afternoon, Ms. Norton.**

12 **So, let's start with lead service lines**  
13 **so that we can make sure we've covered all the**  
14 **bases.**

15 A. Absolutely.

16 Q. **While we were doing local public**  
17 **hearings, at least in the St. Louis area, I know**  
18 **that the chairman was particularly interested in**  
19 **that and I think his answers -- he got answers to**  
20 **questions that he was asking was had anyone ever had**  
21 **any issues with lead and each time I think that he**  
22 **got a response, but is there anything you'd like to**  
23 **add to that concern that the -- that the chairman**  
24 **had about lead lines?**

25 A. Just lead lines in general?

1           **Q.    Yeah.**

2           A.    I would just say that as a water utility  
3 we see the importance at this point of removing  
4 those lead lines. We've known for years and years  
5 that we had lead lines throughout our distribution  
6 systems all across the United States. Not just in  
7 American Water, but in utilities all over the place.  
8 It was the mode of operation at some point, but once  
9 we realized the impact that those lead service lines  
10 could have if they were disturbed on the lead levels  
11 in the water -- and even though we do lead and  
12 copper testing on a routine basis according to the  
13 regulations and those samples always come back clean  
14 and we've had no issues in Missouri-American with  
15 our lead and copper testing. What we didn't realize  
16 is that when you disturb those lines, that those  
17 levels spike at that point, and the lead and copper  
18 samples are just collected at one point in time.  
19 So, it's just a snapshot. And we want to make sure  
20 that that exposure is eliminated completely from our  
21 customers' homes when it makes sense to do that. We  
22 understand there's a large cost to do it and that's  
23 why we're trying to do it in conjunction with our  
24 main replacement projects right now to try to  
25 minimize that cost as much as possible and minimize

1 the disruption for our customers as much as  
2 possible. And we also realize that many of our  
3 customers, which we heard at public hearings, can  
4 barely afford to make ends meet and, so, paying all  
5 their bills is really hard and to expect them to be  
6 able to even pay a low-interest loan would be very  
7 challenging for many of them that live in situations  
8 where they would have lead service lines. So, we  
9 just think it's a very important thing to do.

10 **Q. Thank you.**

11 **So, one of the questions I had earlier**  
12 **and I didn't think to ask Mr. Aiton yesterday --**

13 **A. Uh-huh.**

14 **Q. -- is regarding the process**  
15 **Missouri-American Water uses for vetting**  
16 **contractors. During the public hearings that came**  
17 **up quite often with the unhappiness that many**  
18 **customers had regarding the lack of good work or**  
19 **expeditious work. And so, would you, please, talk**  
20 **about that vetting process and how you -- who you**  
21 **use in general.**

22 **A. Yes. I'd be happy to do that. I think**  
23 **many of those concerns came up in the Florissant**  
24 **area public hearing about the quality of the**  
25 **contractors at that point. And so, the process that**

1 we go through to vet our contractors is the first  
2 piece and the second piece is how do we manage them  
3 after we bring them on. And so, I want to talk a  
4 little bit about both of those, if that's okay.

5 So, to vet the contractors we look at  
6 many different aspects. We start with their health  
7 and safety record. So, we track them in a program  
8 that's a nationwide program to make sure that they  
9 work safely both for our customers' benefit and we  
10 want to make sure that those contractors are  
11 following all the same safety rules that American  
12 Water employees are expected to follow. So, safety  
13 is important.

14 We also look at the experience of that  
15 contractor. We evaluate how long they've been in  
16 business, what kind of references they may have.  
17 What kind of experience we have with them. We've  
18 been in business a long time and, so, our employees  
19 have a lot of experience working with different  
20 contractors. They know who does good work and who  
21 doesn't. And so, we depend on that to some extent  
22 as well.

23 We look at diversity. So, we have a  
24 diversity target of around 20 percent. That's where  
25 we've been kind of hovering at this point. We're



1 trying to make sure that we're bringing in diverse  
2 contractors as well as part of the qualifications  
3 that we ask for through the process.

4 And price, of course, is important in  
5 that because we want to make sure that we get the  
6 best price that we can so that we can keep our  
7 expenses as low as possible.

8 And so, that's pretty much how we vet  
9 them and then once we bring a contractor on, we have  
10 inspectors that go to all those job sites when our  
11 contractors are working and in most cases, if  
12 they're just installing pipe, we have an inspector  
13 that's there all of the time.

14 In January, which I think is probably --  
15 it's absolutely the most challenging time that we've  
16 had as Missouri-American during winter months for  
17 main breaks. In St. Louis County we had about 1,206  
18 to be exact main breaks in the month of January that  
19 our crews and then we brought in a lot of contractor  
20 crews to try to help address that main break issue  
21 in January and we were having these public hearings  
22 right at the very end of January and, so, people had  
23 seen a lot of our workers and a lot of contractors  
24 out fixing main breaks through that time period.  
25 And there were -- some of the comments I think that

1 came up had to do with mud and gravel and things  
2 left over from those main breaks, and it did take  
3 some time to get that cleaned up, I will agree with  
4 that. But even through that process of bringing  
5 those contractors in to help us get those breaks  
6 fixed as quickly as we possibly could, we still had  
7 inspectors that were going out and overseeing these  
8 contractors. We met with the contractors every day  
9 to make sure that they understood what jobs they  
10 were doing, understood what the expectations were  
11 and that we had a good feel for how their work was  
12 going.

13           And, you know, unfortunately, we can't  
14 be there every second of every day to make sure that  
15 our contractors or our employees are doing  
16 everything exactly the right way, but we feel like  
17 we have very good oversight, we vet them thoroughly,  
18 and feel very confident. We're going to continue to  
19 use contractors and we need to make sure that  
20 they're doing a great job for us.

21           So, if we get a complaint on a  
22 contractor, we investigate that. We've had  
23 contractors that we've released because of either  
24 customer complaints or because of safety issues or  
25 quality of work and it's not very common that we

1 have to do that, but we have at times done that, or  
2 we've asked them to release specific crews, that we  
3 don't want specific crews working on our jobs  
4 anymore.

5 Q. Well, you brought up a few things  
6 relative to the mud, the gravel, the things that  
7 were there, but a couple of the other complaints  
8 that I heard were in particular about the length of  
9 time that it took to repair the streets afterwards  
10 and the really bad attitudes that these contractors  
11 had. Now, to the Company's credit, no one who did  
12 complain blamed your actual employees for being rude  
13 and having a bad attitude, but they -- but there  
14 were more than a couple people who talked about the  
15 contractors. Maybe it's because they aren't  
16 American Water employees that they felt they can  
17 have a bad attitude. But if you're in the future, I  
18 guess, vetting these people, well, are evaluating  
19 their work -- I'm glad to hear that that's part of  
20 the process on any types of complaints that you've  
21 had.

22 Talk to me a little bit about the length  
23 of time to do the street repairs. That was brought  
24 up often.

25 A. Yeah. I don't know the specific

1 examples and, so, that makes it hard for me to  
2 address any specific things. What I can tell you in  
3 general is that we do let the ground settle. In the  
4 wintertime we can't get asphalt. So, unless it's a  
5 concrete repair, we can't do that kind of repair, so  
6 we may put a cold patch on it just to, like,  
7 temporarily patch it and then we'll come back when  
8 the asphalt plants open up when the weather gets  
9 warmer. So, that can impact the timing. And I can  
10 tell you that in January, February time frame it was  
11 a matter of there just was so much work, so many  
12 sites that needed to be repaired that we patched  
13 them to where we thought they were safe and we've  
14 gone back and tried to work through that, but I  
15 don't know for sure, but I would guess that there  
16 are still places that we're working to restore and,  
17 again, that's using some of our own internal forces  
18 and using as many contractors as we could.

19 **Q. With the 1,206 breaks you mentioned a**  
20 **moment ago, also speak to the lack of notification**  
21 **that numerous people also complained about.**

22 A. In some cases when there's an emergency  
23 main break that could be causing damage or anything  
24 like that, our crews are just going to go out and  
25 simply shut off the water to stop the flow. And so,

1 in those cases customers, customers would not be  
2 notified that the water was going to be shut off in  
3 advance. And we try to use a system, it's a reverse  
4 call-out system called Code Red where we call  
5 customers whenever we're going to do planned work or  
6 if we have an area where they have a boil order.  
7 And we actually have learned a lot from that January  
8 time frame and, so, we're in the process of training  
9 a lot more people to do that process so that we can  
10 make more call-outs. But yes, it was the volume of  
11 breaks in January that made it impossible to notify  
12 all customers the water was going to be shut off,  
13 and a lot of that has to do with timing.

14 **Q. Does American Water have any type of**  
15 **relationship with municipalities that run their own**  
16 **water supplies? Because, for instance, you know, I**  
17 **live in St. Louis City. I didn't hear about one**  
18 **water main break --**

19 A. Right.

20 **Q. -- in St. Louis City, but I heard**  
21 **personally about 200 in St. Louis County. What's**  
22 **the city doing differently than you-all?**

23 A. There are many, many factors that go  
24 into having those main breaks and part of it is the  
25 age of the system, and I think that the age of the

1 system in the county is a little bit unique. The  
2 city may actually be older, the city pipes may  
3 actually be older, but the era of the pipe that was  
4 utilized in St. Louis County is actually more of a  
5 problem because it's what they refer to as spun  
6 cast, that's the material that it was made out of  
7 and the process that was used, and it's not very  
8 good pipe. So, the soil is very corrosive. And so,  
9 between the pipe not being great quality and the  
10 corrosiveness of the soil that causes them to break  
11 at a shorter time frame than maybe some of the city  
12 pipes, which are probably cast iron, much better  
13 quality than that.

14 I also believe that because the number  
15 of people in the city, the population has gone down  
16 a little bit in the city of St. Louis and, so,  
17 they're not pumping water at the same kinds of  
18 pressures that we do in St. Louis County. We have a  
19 lot more people and the pressure in the system can  
20 also cause main breaks. So, the changes in the  
21 water temperatures, all those things go into causing  
22 main breaks and I think it's partly the age or the  
23 time period of our system, as well as the pressures  
24 that caused us to have more main breaks when those  
25 water temperatures dropped below 35 degrees.

1           Q.     Since you're on the stand, I've got a  
2     couple of other questions that are popping up from  
3     my notes, and one being can you give me any  
4     enlightenment regarding the Company's perspective on  
5     going from the quarterly to the monthly billing in  
6     the St. Louis area.

7           A.     Yeah, I'd be happy to do that. The  
8     reason that we proposed to go from quarterly to  
9     monthly billing is that we want to make sure that  
10    those bills are routine and that they're affordable  
11    for people to pay and we think that as more  
12    infrastructure needs to be replaced and as rates  
13    continue to rise, no matter what kind of a  
14    trajectory that takes, we think that monthly is  
15    going to be easier for the customers to pay that  
16    monthly bill, that smaller monthly bill, than it is  
17    for them to pay a quarterly bill.

18                   In addition to that, you know, I think  
19    the question was asked of Mr. Jenkins earlier could  
20    we do budget billing for quarterly customers. We  
21    cannot. Our system will not allow us to do budget  
22    billing for quarterly customers, but you can if  
23    you're a monthly customer. So, we think that there  
24    are lots of benefits to that monthly billing, and  
25    not the least of which is that if you wait all

1 quarter to get a bill and then you've had a leak or  
2 you've had an issue, you get a huge bill at the end  
3 of a quarter, where if you have that monthly price  
4 signal, it helps you kind of know more about your  
5 usage and what's going on with your water than if  
6 you have to wait that entire quarter. So, by  
7 installing AMI, which is the advanced metering  
8 infrastructure, we're able to see customers' usage a  
9 lot more frequently than what we have in the past.  
10 So, typically we get a monthly read or a quarterly  
11 read and that's all we can see, but with this AMI  
12 program we actually can look at hourly reads. So,  
13 if a customer has an issue, for example, we've sent  
14 out a lot of letters to customers who've had usage  
15 for three days in a row without the usage stopping  
16 at all and, so, we send the letter and say we think  
17 you might have a leak. And so, those customers,  
18 many of them have responded and said, thank you, I  
19 found this leak and, you know, their usage went way  
20 down. In some cases it's very dramatic. So, by  
21 installing AMI we can not have to go out and read  
22 those meters every time. It's a safety issue for  
23 our employees because you wouldn't believe how many  
24 people get injured reading meters every day. They  
25 walk about 9 miles a day. So, you have all



1 varieties of injuries. They've been exposed to  
2 gunshot. They've been bitten by dogs. All kinds of  
3 twisted ankles, fallen, things like that. So, it's  
4 a safety issue as well, and that all kind of plays  
5 into the picture of being able to go to monthly  
6 billing and provide that ability for our customers.

7 **Q. There will be, of course, a significant**  
8 **uptick in charges I would think for the Company or**  
9 **cost for the Company to install these smart meters.**  
10 **How do you -- what's your goals relative to how**  
11 **you're going to offset those costs?**

12 A. The actual increase in cost isn't as  
13 much as you might think because we're not replacing  
14 the entire meter. We're replacing the reading  
15 device that's attached to the meter. So, we have to  
16 replace our meters every 15 years because it's  
17 referred to as a length of service. That's the  
18 amount of time frame that we believe meters are  
19 really good for and that they're accurate. And so,  
20 every 15 years we change meters. So, through this  
21 process, if that meter's not close to being at 15  
22 years, it's not within a couple of years of that,  
23 we're leaving the meter in place and just changing  
24 the reading device, and the reading device is not  
25 any more expensive than the AMR meter device that

1 we've had in the past. So, the cost, there is  
2 incremental cost in the data collection unit. So, a  
3 little bit more there, but overall it's not as  
4 costly as you might think and we're not doing a  
5 full-on replacement. We're only replacing certain  
6 components of the system. So, we can justify that  
7 by redeploying those employees to do other work that  
8 needs to be done to make sure that we're maintaining  
9 our system at kind of an optimum level, and that we  
10 can give those customers that additional  
11 information. And as we have conversations about  
12 inclining blocks and things like that, I think it's  
13 important that we start to move in a direction where  
14 we can give our customers as much information as  
15 possible.

16 **Q. So, by moving those meter readers, I'll**  
17 **use that term, from having to read those meters as**  
18 **often or only as necessary and looking at finding**  
19 **different things for them to do within the Company,**  
20 **you're not foreseeing any need for reduction in your**  
21 **force of employees?**

22 **A.** Not at this point. We have about 16  
23 meter readers that we're parsing off little by  
24 little into other positions into the business and  
25 we're moving them into things like maintenance and

1 valve turning, hydrant inspections, all those kinds  
2 of things and keeping, keeping them busy. So, we  
3 don't anticipate any layoffs or reduction in force.

4 **Q. In the St. Louis area and St. Louis**  
5 **County do you have any idea how many you employ that**  
6 **read the meters?**

7 A. About 16.

8 **Q. Just 16?**

9 A. Uh-huh.

10 **Q. Okay.**

11 A. Because they only do it on a quarterly  
12 basis.

13 COMMISSIONER COLEMAN: All right. Thank  
14 you.

15 That's all the questions I had, Judge.

16 COMMISSIONER KENNEY: I have no  
17 questions. Thank you very much.

18 FURTHER QUESTIONS BY JUDGE BURTON:

19 **Q. Would you just explain the Code Red**  
20 **system?**

21 A. The Code Red system, if a customer  
22 provides us contact information, they can provide us  
23 a cell phone number or they can provide us an email  
24 address or a home phone number, and then they can  
25 choose the way they want us to communicate with them

1 in an emergency situation or for informational  
2 purposes. It can be a text message, an email or a  
3 phone call or they can get all three if that's what  
4 they choose to do. So, if we have a situation where  
5 we want to reach our customers about a particular  
6 issue, we can draw a line on a map, a circle on a  
7 map to include whatever customers we want to  
8 include. We can do it by ZIP code. There's some  
9 flexibility there. Then we do what we refer to as a  
10 call-out, but it could be a text or an email and the  
11 prerecorded message or the keyed in message will go  
12 out to those customers as a call or a text.

13 **Q. What percentage of your residential**  
14 **customers have signed up for the Code Red system?**

15 A. We did -- when we had all the issues in  
16 January -- you never know if you have great  
17 information because we don't necessarily -- we'll  
18 take whatever phone number we have on file, so when  
19 they set up their account. So, they don't have to  
20 physically ask to be part of it. We make them part  
21 of it with whatever phone number we have, but they  
22 do have an option to make it be text or whatever  
23 they want, if they choose to do that. I don't know  
24 how many people have come in voluntarily and done  
25 that.

1                   But in January just in St. Louis County  
2 we did a call-out and we hit about 83 percent of our  
3 customer base actually got the call or the text  
4 message or the email, which we thought was  
5 tremendous. It was much better than we expected.  
6 But that's just in our St. Louis district.

7                   JUDGE BURTON: Thank you.

8                   Is there any recross or  
9 cross-examination based off of the questions from  
10 the Commission? Mr. Smith.

11                   CROSS-EXAMINATION

12                   BY MR. SMITH

13                   **Q. Do you recall questions from**  
14 **Commissioner Coleman about AMI and AMR technology?**

15                   A. Yes.

16                   **Q. Do you consider AMR technology to be a**  
17 **smart device?**

18                   A. I don't know if it's referred to as a  
19 smart device or not.

20                   **Q. Do you consider AMI to be a smart**  
21 **device?**

22                   A. Yes.

23                   **Q. Can AMR do remote reading?**

24                   A. AMR is more of a drive-by system.

25                   **Q. Okay. So --**

1           A.     So, it's as remote as not having to get  
2     out and walk around.

3           **Q.     And so, there's no dogs being attack**  
4     **dogs?**

5           A.     Correct.

6           **Q.     Is the Company replacing AMR units with**  
7     **AMI units?**

8           A.     Yes.    In St. Louis County.

9           **Q.     I understand through these AMI units if**  
10    **the Company believes there's a leak they send by**  
11    **postage or snail mail a letter; is that correct?**

12          A.     I believe that's the process.  I'm not  
13    sure what the exact process is, but that would be my  
14    guess.  We have the customer's premises address and,  
15    so, that's where we would send the letter to.

16          **Q.     Do you know if the majority of the**  
17    **Missouri-American Water workers who are doing the**  
18    **repair work, whether they're independent contractors**  
19    **or whether they're employees?**

20          A.     I'm sorry.  Which repair work are you  
21    referring to?

22          **Q.     The work that was discussed with**  
23    **Commissioner Coleman.**

24          A.     Typically, the majority of the employees  
25    doing that work would be American Water employees.

1 In situations like in January we had a combination  
2 of both American Water and contractors doing that  
3 work.

4 Q. And do the independent contractors  
5 certify or have a contract that they will meet  
6 Missouri-American Water standards and those are  
7 spelled out?

8 A. Yes.

9 Q. There was also some discussion about  
10 lead service line. Do you recall that?

11 A. Yes.

12 Q. You're not a corporate representative  
13 such that your testimony would bind American Water  
14 Works, are you?

15 A. I'm not sure what that question means.

16 Q. Let me rephrase it because I used some  
17 legalities. Do you believe that you speak on behalf  
18 of Missouri-American Water or do you believe that  
19 you speak on behalf of American Water?

20 A. I work for Missouri-American Water.

21 Q. Okay. So, you're not speaking on behalf  
22 of American Water Works?

23 A. I am not.

24 Q. So, I think you had said once we  
25 realized lead levels that could be resulting from

1 lines that were disturbed, there was a decision to  
2 change positions. Do you recall that?

3 A. Yes, yes.

4 Q. And that decision, was that American  
5 Water's decision or was that Missouri-American  
6 Water's decision?

7 A. We often collaborate with our experts  
8 within American Water. We feel like that's a real  
9 benefit of being part of a larger organization. And  
10 so, yes, that would have been a joint collaborative  
11 decision within American Water and Missouri-American  
12 was right along in that process.

13 Q. And American Water is a fairly large  
14 corporation?

15 A. Yes.

16 Q. And so, for all these decades one of the  
17 largest and best run utilities, if not the largest  
18 in the United States, didn't realize that  
19 construction work that would disturb a lead service  
20 line, you know, might cause some lead leaching for a  
21 short period of time?

22 A. It depends on how you define short  
23 period of time. But yes, I would say that we did  
24 not know the impact of disturbing those lines until  
25 more recently.



1           **Q.    And when you say "we," of course, you're**  
2           **only speaking on behalf of Missouri-American Water?**

3           A.    I would say as part of that  
4           collaborative it was American Water and  
5           Missouri-American Water that realized that at that  
6           point.

7                   MR. SMITH:   Okay.   Thank you.   No  
8           further questions.

9                   JUDGE BURTON:   Staff.  
10                   I'm just scanning here.  
11           Missouri-American.

12                   MR. ENGLAND:   No questions, Your Honor.

13                   JUDGE BURTON:   All right.   Well, thank  
14           you very much and you are excused.

15                   And I believe that will conclude the  
16           testimony and hearing for today, and unless the  
17           parties indicate otherwise, I will see everyone  
18           bright and early at 8:30 tomorrow morning when we  
19           will resume testimony on the customer charge,  
20           commodity charge, and in the afternoon hear the  
21           testimony from witnesses Collins and McGarry from  
22           the telephone.   Is that correct?

23                   MR. ENGLAND:   May I make a shot at  
24           trying to start a little later?   First of all, we  
25           had a discussion during the break that I think

1 there's no interest on the part of the parties to  
2 cross-examine Mr. McGarry. So, we might be able to  
3 release him.

4 MR. STEINMEIER: I'm not sure we have  
5 that firmly from Staff yet.

6 MR. WESTEN: I have not been able to  
7 fully confirm that, but my commitment is to let you  
8 know either this evening or first thing tomorrow.

9 MR. MILLS: And I think the same is true  
10 for Collins. There are certainly not going to be a  
11 lot of questions from the parties on Mr. Collins,  
12 but there may be some from Staff.

13 JUDGE BURTON: What time would the  
14 parties like to start tomorrow? We can -- I will  
15 talk to the Commissioners to see, because I believe  
16 we have Mr. McGarry and Mr. Collins scheduled for  
17 the afternoon anyhow, so if we don't expect any  
18 questioning.

19 MR. ENGLAND: I would have suggested  
20 9:00.

21 MR. STEINMEIER: I was sitting here  
22 suggesting 9:30 or 10:00 and was told not to push my  
23 luck.

24 JUDGE BURTON: That would be a little  
25 pushy, pushy. So, why don't we say 9 o'clock. All

1 right. Thank you everyone.

2 (The hearing was adjourned at 4:30 p.m.)

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25

1	I N D E X	
2		PAGE
3	CONSOLIDATION/SINGLE TARIFF PRICING/DISTRICT	
4	IMPACTS/OFFSET MECHANISM	
5	Opening Statement by Mr. England	541
6	Opening Statement by Ms. Klaus	553
7	Opening Statement by Mr. Smith	556
8	Opening Statement by Mr. Dority	563
9	Opening Statement by Mr. Mills	570
10	Opening Statement by Mr. Coffman	573
11	Opening Statement by Mr. Steinmeier	577
12	Opening Statement by Mr. Lumley	585
13	Opening Statement by Ms. Bell	588
14	Opening Statement by Mr. Bednar	590
15	MAWC'S EVIDENCE	
16	JAMES JENKINS	
17	Direct Examination by Mr. England	600
18	Recross-Examination by Mr. Dority	601
19	Questions by Chairman Hall	602
20	Questions by Commissioner Coleman	617
21	Further Questions by Chairman Hall	621
22	Questions by Judge Burton	622
23	Recross-Examination by Mr. Steinmeier	624
24	Recross-Examination by Mr. Westen	626
25	Recross-Examination by Mr. Smith	628

1	I N D E X C O N T I N U E D	
2		PAGE
3	Redirect Examination by Mr. England	635
4	CONSTANCE HEPPENSTALL	
5	Direct Examination by Mr. England	639
6	Cross-Examination by Mr. Dority	642
7	Cross-Examination by Mr. Mills	643
8	Cross-Examination by Mr. Coffman	644
9	Questions by Chairman Hall	646
10	Recross-Examination by Mr. Bednar	656
11	STAFF'S EVIDENCE	
12	JAMES BUSCH	
13	Direct Examination by Ms. Klaus	658
14	Cross-Examination by Mr. Smith	660
15	Cross-Examination by Ms. Bell	663
16	Cross-Examination by Mr. Steinmeier	669
17	Cross-Examination by Mr. England	671
18	Questions by Chairman Hall	673
19	Questions by Judge Burton	679
20	Recross-Examination by Mr. Mills	681
21	Redirect Examination by Mr. Westen	681
22	OPC'S EVIDENCE	
23	GEOFF MARKE	
24	Direct Examination by Mr. Smith	682
25	Cross-Examination by Mr. Coffman	683

1	I N D E X C O N T I N U E D	
2		PAGE
3	Cross-Examination by Ms. Bell	689
4	Questions by Chairman Hall	691
5	Questions by Commissioner Kenney	697
6	Questions by Commissioner Coleman	703
7	Recross-Examination by Mr. Westen	705
8	Recross-Examination by Mr. Mills	706
9	Recross-Examination by Mr. Dority	706
10	Redirect Examination by Mr. Smith	707
11	PUBLIC WATER SUPPLY DISTRICT'S EVIDENCE	
12	DONALD JOHNSTONE	
13	Direct Examination by Mr. Dority	709
14	Cross-Examination by Mr. Smith	711
15	MAWC'S FURTHER EVIDENCE	
16	CHERYL NORTON	
17	Questions by Judge Burton	731
18	Questions by Commissioner Coleman	732
19	Further Questions by Judge Burton	746
20	Cross-Examination by Mr. Smith	748
21		
22		
23		
24		
25		

1	INDEX OF EXHIBITS	
2		ADMITTED
3		
4	MAWC's EXHIBIT 15 Direct Testimony of Constance Heppenstall	642
5	MAWC's EXHIBIT 16 Rebuttal Testimony of Constance Heppenstall	642
6		
7	MAWC's EXHIBIT 17 Surrebuttal Testimony of Constance Heppenstall	642
8	Staff's EXHIBIT 104 Staff Report on Class Cost of Service and Rate Design	659
9		
10	Staff's EXHIBIT 116 Rebuttal Testimony of James Busch	659
11		
12	Staff's EXHIBIT 121 Surrebuttal Testimony of James Busch	659
13	Staff's EXHIBIT 136 Joint Rate Comparison Schedule	599
14		
15	Joplin's EXHIBIT 400 Canceled Tariff for Joplin Service Area of MAWC	680
16	PWSD's EXHIBIT 675 Rebuttal Testimony of Donald Johnstone	711
17		
18	PWSD's EXHIBIT 676 Red-lined Version of the Rebuttal Testimony of Donald Johnstone	711
19		
20		
21	(The exhibits were retained by the Missouri Public Service Commission.)	
22		
23		
24		
25		

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CERTIFICATE OF REPORTER

I, Amanda N. Farrar, a Certified Court Reporter for the State of Missouri, do hereby certify that the witnesses whose testimony appears in the foregoing transcript were duly sworn; the testimony of said witnesses was taken by me to the best of my ability and thereafter reduced to typewriting by me; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this hearing was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

*Amanda Farrar*

\_\_\_\_\_  
Certified Court Reporter



**EVIDENTIARY HEARING - Vol. 17 3/7/2018**

<b>A</b>	<b>accidentally</b> 659:5	<b>active</b> 662:16	<b>adhere</b> 576:10	568:17 696:14
<b>a.m</b> 540:2	<b>accomplished</b> 575:5 638:13	<b>activities</b> 618:4 619:10	<b>adjourned</b> 754:2	<b>advocating</b> 566:22 649:5 654:18
<b>abandon</b> 558:2	<b>account</b> 586:15 604:20	<b>actual</b> 592:22 673:14 710:14 721:9 738:12 744:12	<b>adjusted</b> 727:13	<b>affairs</b> 652:16
<b>ability</b> 542:17 620:17 744:6 759:8	623:20 676:6 677:17 722:4 722:5 747:19	<b>add</b> 556:3 607:24 657:8 663:24 664:1 726:9 732:23	<b>adjustment</b> 551:23 564:12 630:2	<b>affiliates</b> 624:18 624:20 631:17
<b>able</b> 561:5,6 572:12 577:19 589:13 596:4 607:23 608:2 613:7 616:21 618:3,8 619:17 622:15 651:15 686:24 705:9 728:22 730:12 734:6 743:8 744:5 753:2,6	<b>accounting</b> 676:24	<b>acutely</b> 687:16	<b>administration</b> 573:10 618:6	<b>affirmed</b> 546:24 583:21
<b>absence</b> 720:22 722:18	<b>accumulate</b> 722:6,7	<b>adding</b> 607:24 729:17	<b>administrative</b> 571:11 617:18 653:21,23 699:7	<b>affirming</b> 543:17
<b>absent</b> 694:12 696:15 704:25 705:8	<b>accurate</b> 651:19 674:19 744:19	<b>addition</b> 541:23 629:18 742:18	<b>admitted</b> 599:20,22 642:2,4 659:22,24 680:6,8 711:1 711:3 758:2	<b>afford</b> 734:4
<b>absolutely</b> 548:6 615:3 670:22 701:20 724:13 732:15 736:15	<b>accurately</b> 571:23 572:1	<b>addendum</b> 728:18 729:4	<b>admonition</b> 565:5	<b>affordability</b> 623:20
<b>absorb</b> 617:2 700:25	<b>achieve</b> 717:14	<b>address</b> 553:11 607:10,18 610:18,19 615:22,25 618:10 619:18 621:24 697:18 712:24 713:17 713:19 722:8 728:7 730:13 736:20 739:2 746:24 749:14	<b>adopt</b> 554:12 569:19,23 603:2	<b>affording</b> 567:22
<b>absorbed</b> 559:2 695:19	<b>achieved</b> 565:23	<b>additive</b> 548:23	<b>adopted</b> 566:20 574:17 583:16 696:9	<b>after-acquired</b> 548:16
<b>absorbing</b> 698:15	<b>acknowledge</b> 565:16	<b>address</b> 553:11 607:10,18 610:18,19 615:22,25 618:10 619:18 621:24 697:18 712:24 713:17 713:19 722:8 728:7 730:13 736:20 739:2 746:24 749:14	<b>adopting</b> 567:8	<b>after-the-fact</b> 576:17
<b>abundant</b> 559:24	<b>acknowledged</b> 543:10 567:17	<b>addressee</b> 547:5 614:14 657:13	<b>adopts</b> 554:17 554:21 584:1	<b>afternoon</b> 540:22 598:21 650:20 658:3 658:4 663:6 673:21,22 681:24,25 682:21,22 689:21 691:12 691:13 697:24 697:25 706:22,23 710:7 723:22 732:11 752:20 753:17
<b>academic</b> 606:4	<b>acquire</b> 630:3 635:22 636:4 636:15 672:8 706:12	<b>addressing</b> 553:13 616:12	<b>advance</b> 616:9 740:3	<b>age</b> 740:25,25 741:22
<b>academics</b> 605:9	<b>acquired</b> 548:13 628:1 672:6	<b>adds</b> 583:11	<b>advanced</b> 743:7	<b>agencies</b> 565:17
<b>accelerated</b> 579:23	<b>acquires</b> 635:18 635:22	<b>adequate</b> 623:24,25 632:2,6	<b>advantage</b> 610:3 654:7	<b>Agency</b> 565:12
<b>accept</b> 603:18	<b>acquiring</b> 662:16		<b>advantages</b> 565:13	<b>agenda</b> 616:3 629:25 656:24,24
<b>accepted</b> 600:13	<b>acquisition</b> 543:8 575:4 616:6 706:9		<b>adversely</b> 606:2 608:16 687:19	<b>aggregate</b> 671:1
	<b>acquisitions</b> 548:15 561:8 614:8,13,21 627:20 635:13,16,17 672:21		<b>advised</b> 554:8	
	<b>action</b> 549:19 692:21 759:11 759:15		<b>adviser</b> 598:9	
			<b>advocates</b>	

EVIDENTIARY HEARING - Vol. 17 3/7/2018

<p><b>aggressive</b> 561:7 662:20 <b>aging</b> 607:10 <b>ago</b> 563:9 571:22 575:11 591:15 613:24 615:8 632:19 703:15 705:4 739:20 <b>agree</b> 569:4 611:3 612:21 613:12 629:3 629:6,9 643:13,18 648:18 656:7 656:12 662:10 665:12 668:23,25 670:12 671:9 672:2 681:3,8 683:19,22 686:4 690:6 690:14 693:15 718:19 720:17 723:17 724:24 725:1 737:3 <b>agreed</b> 554:3 667:16 693:22 700:3 703:19 <b>agreement</b> 729:3,9 <b>agrees</b> 678:14 <b>ahead</b> 540:4 599:5 655:20 656:25 657:3 657:15 683:4 694:14 710:17 726:11 728:2,7 730:16,21 731:13 <b>aid</b> 607:6 <b>Aiton</b> 610:16 621:4,5 622:18 734:12 <b>al</b> 536:12 <b>ALARIS</b> 536:23</p>	<p><b>Albeit</b> 561:14 <b>alderman</b> 596:20 <b>Alexandra</b> 552:25 <b>alienate</b> 724:10 <b>aligned</b> 557:15 <b>alleged</b> 629:19 <b>allocate</b> 643:16 643:17 654:1 654:2 <b>allocated</b> 546:21 649:12 649:18 650:8 652:15,19 653:8,11,13 655:3,6 675:20 676:10 677:3 677:10,21 678:5,10 <b>allocates</b> 679:2 <b>allocating</b> 644:6 650:13 654:16 655:7 <b>allocation</b> 546:21 649:4 654:4 675:21 <b>allocations</b> 643:23,24 <b>allocator</b> 651:2 679:1 <b>allow</b> 545:25 614:10 616:7,8 696:25 700:24 742:21 <b>allowed</b> 637:9 <b>allowing</b> 618:19 667:22 <b>allows</b> 606:1 616:17,19 617:25 700:25 <b>alternative</b> 548:20 <b>Amanda</b></p>	<p>536:22 759:3 <b>amended</b> 554:10 <b>Ameren</b> 695:9 <b>American</b> 550:9 578:25 605:20 613:13 613:25 614:6 624:18,19 631:17 636:14 684:6,10 685:11 686:14 688:22 692:4 708:14,18 733:7 735:11 738:16 740:14 749:25 750:2 750:13,19,22 751:4,8,11,13 752:4 <b>AMI</b> 617:24 629:14,16,18 629:20 694:24 695:7 695:8,9,13 704:3,7,7,12 704:18 705:6 705:9 743:7,11 743:21 748:14 748:20 749:7 749:9 <b>amortization</b> 603:3,24 697:4 <b>amortize</b> 604:5 <b>amount</b> 541:16 552:18 637:12 652:8 682:1 694:20 697:7 721:24 722:17 727:14 744:18 <b>amounts</b> 700:12 717:3 720:20 <b>AMR</b> 744:25 748:14,16,23 748:24 749:6</p>	<p><b>analogy</b> 575:13 575:14 <b>analysis</b> 577:15 652:2 674:8 674:23 715:23 716:15,16 721:23 <b>anchor</b> 563:24 694:23 <b>anchors</b> 698:16 <b>Andrew</b> 538:3 563:7 564:22 564:23 642:15 709:18 <b>ankles</b> 744:3 <b>Anna</b> 557:8 <b>announced</b> 585:8 586:19 <b>annual</b> 621:15 623:9 629:9 652:2,12 653:12 674:8 674:20,23 677:7 696:10 <b>annually</b> 588:17 675:7 <b>answer</b> 542:14 542:16 549:24 550:6 550:7 556:6 556:9 571:13 572:21 598:16 603:20 605:15 609:18 617:14 620:14 620:17 622:15 624:16 629:1 629:2 635:7,9 650:17 651:10 651:12 652:23 657:9 662:2 710:2,3,23 729:1 730:2 <b>answered</b> 598:10 <b>answering</b> 655:8 731:10</p>	<p><b>answers</b> 555:19 641:14 659:14 682:23 698:5 710:7,9 721:2 721:4 732:19 732:19 <b>anticipate</b> 746:3 <b>anybody</b> 591:20 <b>anymore</b> 738:4 <b>AO</b> 679:19 697:15 <b>apologize</b> 649:8 661:12 673:5 680:23 707:15 711:12 <b>appealed</b> 543:16 <b>appeals</b> 543:17 546:23 547:5 583:15,21 590:16 <b>appear</b> 582:21 <b>appearance</b> 540:7,12,23 731:8 <b>APPEARANC...</b> 537:1 538:1 539:1 <b>appearing</b> 641:12 650:19 709:16 <b>appears</b> 549:2 549:8 551:1 759:5 <b>applications</b> 643:20 <b>apply</b> 549:7,8,11 569:20 576:19 643:22 723:12 <b>appointment</b> 714:25 <b>apportion</b> 643:14</p>
---	--	--	--	---

EVIDENTIARY HEARING - Vol. 17 3/7/2018

<p><b>appreciate</b> 556:8 564:11 625:15 633:11 650:9 682:7 697:19,20 717:19 726:5</p> <p><b>approach</b> 650:12,23 660:25 661:8 674:21 688:12 707:1</p> <p><b>approaches</b> 555:9 616:11</p> <p><b>appropriate</b> 556:23 564:15 571:23 599:10 602:25 603:22 650:24 665:24 678:15 679:9 696:25 697:4</p> <p><b>appropriated</b> 583:19</p> <p><b>appropriately</b> 571:6 604:12 604:13 606:5</p> <p><b>approval</b> 700:12</p> <p><b>approve</b> 583:22</p> <p><b>approved</b> 545:22 566:10 660:20 661:1 701:3</p> <p><b>approves</b> 558:9</p> <p><b>approximately</b> 542:20 545:5 555:7 564:22 580:5 622:7 623:3 663:17 672:3,7</p> <p><b>April</b> 580:4</p> <p><b>area</b> 542:25</p>	<p>544:19 550:4 558:22 559:13 564:13 577:5 581:11 593:8 615:1 617:17 620:22 636:9 663:10 666:22 707:3 722:12 732:17 734:24 740:6 742:6 746:4 758:15</p> <p><b>areas</b> 536:14</p> <p>563:21 574:7 581:7 583:2 584:9,10 591:16 593:4 595:5,23</p> <p><b>argue</b> 546:11</p> <p><b>argument</b> 547:6,9 549:4 589:18 610:2 633:3 654:24 674:25 675:2 675:2,3 677:23,25 679:5,8,10,12 681:12,15 693:2,16,17 695:8 704:19 704:21</p> <p><b>arguments</b> 546:13 547:14 588:8,9 694:2,5 698:17,23,24</p> <p><b>Arizona</b> 574:23 574:23</p> <p><b>arrange</b> 713:12</p> <p><b>arrangement</b> 627:25</p> <p><b>arrived</b> 560:3</p> <p><b>art</b> 546:22</p> <p><b>articles</b> 648:15</p> <p><b>articulated</b> 545:12</p> <p><b>aside</b> 606:12</p>	<p>718:6</p> <p><b>asked</b> 566:19 574:14 582:1 586:21 588:16 613:9 624:9 626:13 632:17 650:25 651:18 659:13 691:17 704:1 713:1 716:19 738:2 742:19</p> <p><b>asking</b> 568:2 586:13 588:1 631:12 695:22 732:20</p> <p><b>aspects</b> 687:24 735:6</p> <p><b>asphalt</b> 739:4,8</p> <p><b>assessment</b> 674:24</p> <p><b>asset</b> 612:19 722:5</p> <p><b>assets</b> 582:16 651:4</p> <p><b>assign</b> 570:21 643:16 651:13</p> <p><b>assignable</b> 676:22</p> <p><b>assigned</b> 572:2 649:25 650:4 650:6 675:19 678:4</p> <p><b>assigning</b> 678:14</p> <p><b>assignment</b> 644:8 651:1</p> <p><b>associated</b> 566:13</p> <p><b>assume</b> 576:10 637:16 683:11 722:21</p> <p><b>assuming</b> 660:19 723:2</p> <p><b>assumption</b> 555:16</p> <p><b>assurances</b> 597:9</p>	<p><b>asymmetric</b> 561:18</p> <p><b>attached</b> 744:15</p> <p><b>attack</b> 749:3</p> <p><b>attained</b> 580:16</p> <p><b>attempted</b> 605:10 723:6</p> <p><b>attention</b> 639:22</p> <p><b>attitude</b> 738:13 738:17</p> <p><b>attitudes</b> 738:10</p> <p><b>attorney</b> 759:13</p> <p><b>attraction</b> 610:12,14</p> <p><b>attractive</b> 544:1 567:10 571:12</p> <p><b>attributable</b> 652:13 653:4 676:8 677:8</p> <p><b>audible</b> 624:15</p> <p><b>audience</b> 578:1</p> <p><b>auditors</b> 677:13</p> <p><b>authorities</b> 544:10</p> <p><b>authority</b> 536:12 543:20 583:21 591:18</p> <p><b>authorized</b> 542:19</p> <p><b>automated</b> 617:24</p> <p><b>available</b> 604:13 606:5 637:19 708:14 708:19 731:6</p> <p><b>Avenue</b> 537:5</p> <p><b>average</b> 552:13 573:18,21 628:4 663:15 663:15 725:6 725:11,12,16,19 725:22</p> <p><b>averages</b> 543:11 568:6</p> <p><b>averaging</b></p>	<p>564:1</p> <p><b>aware</b> 543:15 545:3 548:12 605:11 613:16 615:18 618:13 629:25 704:9 706:10 723:19</p> <hr/> <p style="text-align: center;"><b>B</b></p> <hr/> <p><b>B</b> 537:12 544:12 544:25 545:8 569:1,5,7 601:10,12 642:21</p> <p><b>B-U-S-C-H</b> 658:8</p> <p><b>back</b> 540:5 547:23 554:7 555:3 564:25 565:6 569:13 574:22 585:21 589:23 593:15 599:2 606:20 613:22 637:9 646:3 648:1 657:3 666:10 667:15 672:20 673:7 684:9 695:1 699:9,13 702:1,18 712:17 714:23 715:2 717:14 717:16 730:17 730:22 733:13 739:7,14</p> <p><b>backdoor</b> 549:2</p> <p><b>background</b> 553:12</p> <p><b>backing</b> 587:21</p> <p><b>backwards</b> 635:4</p> <p><b>backyard</b> 595:14</p>
---	--	--	---	--

EVIDENTIARY HEARING - Vol. 17 3/7/2018

<p><b>bad</b> 548:3 552:9 655:15 678:3 738:10 738:13,17 <b>balance</b> 572:12 594:7 608:23 609:23 693:7 <b>balances</b> 570:20 571:6 <b>barely</b> 734:4 <b>bargain</b> 729:18 <b>barking</b> 677:15 <b>base</b> 565:5 617:5 630:2 700:13 748:3 <b>based</b> 542:21 543:21 544:22 546:13 548:3 554:1 582:16 611:9 621:14 624:4 631:16 649:5 650:13 652:6,8 654:2 655:1,4 655:5 656:11 675:21 676:10 677:21 679:2 748:9 <b>bases</b> 732:14 <b>basic</b> 545:24 591:17 592:20 <b>basically</b> 606:16 618:1 <b>basis</b> 545:9 548:8,18 555:12 606:19 618:8 629:10 637:12 638:5 687:11 705:10 705:10 723:12 733:12 746:12 <b>bathroom</b> 618:16 <b>bearing</b> 560:22 587:12 687:10 693:19 707:2</p>	<p><b>bears</b> 665:17 690:12 <b>Bednar</b> 537:21 590:9,11 596:3 597:17 598:6,7,14,17 598:22 601:22,23 644:13,15 656:3,6,8,10 656:11,17 755:14 756:10 <b>bedrock</b> 571:20 572:4 <b>Beecher</b> 565:8 <b>began</b> 571:22 <b>beginning</b> 633:13 652:20 710:2 <b>behalf</b> 553:1 570:8 582:21 588:6 590:13 709:16 750:17 750:19,21 752:2 <b>behavior</b> 727:14 <b>belief</b> 641:17 659:10 710:11 719:20 <b>believe</b> 540:7 540:10 541:4 544:16 547:17 547:21 548:2 576:7 577:17 595:15 598:25 599:7 599:12,25 600:21 616:10 616:12 619:10 619:14 621:24 623:8 626:20 632:1,5 633:12,24 635:6 637:3 638:15 642:5 649:13,15 652:1 660:3</p>	<p>660:15,16 672:4 675:16 675:17 676:18 676:18 682:12 683:2 684:18 697:10 706:24 709:1 713:5 714:11,15 730:22 731:22 741:14 743:23 744:18 749:12 750:17 750:18 752:15 753:15 <b>believes</b> 545:11 545:23 546:6 549:6 749:10 <b>Bell</b> 538:10 588:5,6 602:5 663:1,5 669:1 680:2 689:20 690:17 711:10 755:13 756:15 757:3 <b>Bemiston</b> 538:19 <b>bench</b> 602:12 624:4 632:1 635:5 673:18 691:10 710:17 712:6 731:6,10 731:16 <b>beneficial</b> 717:5 <b>beneficiary</b> 575:16 <b>benefit</b> 562:19 562:22,23 563:16 564:18 571:7 587:17 607:1,21 610:8 610:11 679:11 681:4,9 693:14 700:18 700:20 702:24 704:22,24</p>	<p>705:8 706:25 735:9 751:9 <b>benefits</b> 555:8 559:16 565:23 593:14 646:4 686:20 699:2 699:7 742:24 <b>best</b> 542:16 548:4 556:9 575:11 595:15 616:13 621:1 641:16 659:10 669:8 678:16 678:23 679:4 685:18 686:9 692:8 695:10 696:2,16 699:14 710:10 736:6 751:17 759:8 <b>bet</b> 552:21 <b>better</b> 541:13 542:15 549:19 550:1,7 568:19 587:19 629:2 633:9 643:15 644:8 651:1,13,14 662:9 676:7 694:23 699:8 720:24 741:12 748:5 <b>beyond</b> 561:10 562:1 603:25 653:10 <b>biannual</b> 687:11 <b>big</b> 591:19 592:9 595:13 620:5 666:23 672:13 686:1 686:2 692:2 692:11 702:11 <b>bigger</b> 668:9 <b>biggest</b> 604:17 <b>bill</b> 575:18,19 578:1 581:9</p>	<p>618:11,17,25 620:4 664:24 705:9 716:14 721:22 724:3 727:20 742:16 742:16,17 743:1,2 <b>billed</b> 625:21 626:1 637:15 727:10 <b>billing</b> 542:3 617:15,17 618:21 619:20 620:1 622:5 628:24 629:4 629:6 636:19 636:20,25 637:4,8,11,12 637:14,18 667:13 668:4 668:7,11 690:12 703:13 703:15,22 724:20,21 725:1 742:5,9 742:20,22,24 744:6 <b>bills</b> 574:10 617:20 618:22 619:2,24 620:2 629:4 629:7 727:13 734:5 742:10 <b>bind</b> 750:13 <b>bit</b> 544:23 545:18 573:9 596:12 607:20 622:21 648:1 677:4 679:17 685:19 703:17 735:4 738:22 741:1,16 745:3 <b>bitten</b> 744:2 <b>blamed</b> 738:12 <b>block</b> 550:15 593:11 597:4</p>
--	---	---	--	--

EVIDENTIARY HEARING - Vol. 17 3/7/2018

597:16 598:13 604:9,11 605:3,17 647:1,9 648:21 713:19 715:21 716:9,9 716:10,11 718:12 722:1 722:19 723:20 725:5 727:21 <b>blocks</b> 606:4 647:18 718:12 719:1 721:22 723:4 745:12 <b>board</b> 593:3 594:25 595:23 596:5 596:17,18,19 597:10 598:17 718:20 <b>boat</b> 579:15 <b>boat's</b> 699:14 <b>boated</b> 579:5 <b>bodies</b> 615:21 <b>body</b> 571:4 <b>boil</b> 740:6 <b>Bolivar</b> 537:17 <b>book</b> 720:18 <b>books</b> 608:10 <b>borne</b> 554:20 580:18 582:19 583:1 589:9 589:12 609:6 612:11 654:19 654:25 687:9 <b>bottle</b> 575:22 <b>bottom</b> 560:8 674:7 <b>bought</b> 592:4 592:19 <b>Boulevard</b> 537:13 <b>box</b> 594:4 <b>branch</b> 557:12 591:12,13,14 <b>branches</b> 591:11	<b>break</b> 540:17 557:20 653:24 714:22 715:1 716:3 736:20 739:23 740:18 741:10 752:25 <b>breakdown</b> 716:12 <b>breakdowns</b> 553:19 <b>breaks</b> 620:21 620:23 736:17,18,24 737:2,5 739:19 740:11 740:24 741:20,22,24 <b>Brian</b> 650:18 <b>brief</b> 563:17 570:17 573:4 599:2,4 604:10 707:16 714:8 <b>briefly</b> 597:12 643:10 654:15 679:17 680:24 706:5 711:15 <b>briefs</b> 697:19 <b>bright</b> 752:18 <b>bring</b> 565:6 592:20 595:22 722:17 735:3 736:9 <b>bringing</b> 736:1 737:4 <b>broad</b> 654:10 <b>broader</b> 595:14 <b>broken</b> 653:19 <b>brought</b> 574:17 613:16 615:6 619:4 736:19 738:5,23 <b>Bruce</b> 621:4 <b>Brunswick</b>	557:10 581:8 581:13 670:7 670:25 <b>Buchanan</b> 578:12 <b>bucks</b> 571:18 <b>budget</b> 556:3 637:4,8,12,14 742:20,21 <b>build</b> 580:10 <b>Building</b> 579:17 <b>built</b> 579:25 637:11 667:1 <b>built-in</b> 576:14 <b>bulk</b> 628:24 <b>burden</b> 576:21 593:10 <b>burdened</b> 583:3 <b>Burton</b> 536:17 540:3,18 552:12,20 556:16 563:2 570:5 572:25 577:23,25 585:2 588:4 590:8 596:1 597:11 598:5 598:25 599:5 599:16 600:2 600:21 601:19 601:22,24 602:2,4,6,8 602:10,12 622:2 624:2 624:10 626:7 628:8 633:16 633:21 634:3 634:10,23 638:9,17,20 638:24 639:1 641:23 642:5 643:6 644:13 644:16,19 646:17,19,21 656:2,4,8,18 656:21,23	657:2,19,25 659:18,21 660:2,6,8 662:24 669:2 669:14 671:12 671:14,17 673:18 679:16 679:23 680:1 680:4,10,14,16 680:19,22 681:18,20 682:10 683:6 689:16,18 690:18,21,24 691:1,3,5,8,10 705:14 706:4 706:18 707:9 707:11,14 708:23 709:1 710:20 711:5,9 711:11,14,24 712:1,3,5,11,15 713:3,9,16,21 714:3,7,10,16 714:21,24 715:5 721:14 725:23 726:11 726:23 727:1 728:1 729:8,14 730:1,7,21 731:9,13,21 732:6 746:18 748:7 752:9 752:13 753:13 753:24 755:22 756:19 757:17 757:19 <b>Burton's</b> 563:16 <b>Busch</b> 556:7 657:5,16,18,21 658:7,7,14,19 660:12 663:6 669:7 671:22 681:3,24 682:7 689:23 690:14 756:12	758:10,12 <b>business</b> 592:23 618:4 735:16,18 745:24 <b>businesses</b> 577:6 <b>busy</b> 661:21 746:2 <b>buy</b> 557:21 <hr/> <b>C</b> <hr/> <b>C</b> 540:1 664:25 665:14 756:1 757:1 <b>calculate</b> 584:5 584:14 665:20 <b>calculation</b> 628:23 652:10 664:11 664:12 677:12 <b>calculator</b> 663:19 <b>California</b> 605:20 615:10 704:9 704:9,10 <b>call</b> 541:14 557:19,20 583:24 599:8 599:24 638:13 653:8 657:18 677:2 730:23 740:4 747:3,12 748:3 <b>call-out</b> 740:4 747:10 748:2 <b>call-outs</b> 740:10 <b>called</b> 543:25 545:19 557:1 561:5 600:7 633:7 639:5 657:22 682:16 709:4 726:24 731:18
---	---	--	---	---

EVIDENTIARY HEARING - Vol. 17 3/7/2018

740:4 calling 544:1 583:10 713:13 Canada 562:16 canceled 663:9 663:12 758:15 capability 724:23 capacity 639:14 658:10 709:13 capita 578:13 capital 547:11 554:24 555:25 556:3 561:11 562:5 567:20,22 570:23 582:11 582:13 583:1 584:8,15,17 592:3,4,13 594:8 604:7 607:10 608:12 608:20 609:21 610:12 610:12,13,24 612:19,22,25 613:2 616:9 622:22 623:9 623:21 627:1 645:13 661:3 661:20 666:23 696:5 Capitol 537:5 578:21 579:16 captive 559:6 608:3 capture 616:18 715:25 captures 686:20 capturing 718:13 Caramel 557:8 care 699:25 701:10 careful 705:21 Carl 538:18	585:3 carried 626:15 carry 593:9 carrying 603:4 604:2,4 608:19 697:6 722:7 case 542:18,22 543:16,21,24 544:3,4,6,21 545:6,14,16 545:23 546:3 546:15 547:2 547:13,14,25 548:3,7,11 549:13,21 550:2 552:3 553:14,20,22 554:1 557:5 557:14 558:25 559:1 561:22 567:12 567:18,25 570:13 572:11 572:20 573:19 575:13 578:3 580:7 580:12 581:14 582:6,23 583:8,17,24 584:1,22 585:17 586:17 587:1,2,5 589:6,7 595:18 597:19 608:13,14 609:1,3,5 612:16 614:15 615:16 618:18 620:13 621:4 621:13,15,19 621:25 623:5 623:6 625:19 627:16 639:20 645:1 652:4,7 660:21,24	667:2,24 672:6,10 678:12 679:19 685:6 686:3 686:4 687:3,4 687:13,22 691:23 692:7 693:5,24 694:13,17 696:20 697:15 698:3 698:4,6,18 699:3,4,18 700:6 702:4 704:16 705:24,25 707:23,25 708:1,5 709:21 722:8 722:10 cases 608:20 615:9,11 667:19 698:14 700:2,21 736:11 739:22 740:1 743:20 cast 741:6,12 catching 719:17 causation 557:20,21 558:2,11 559:19 571:1 571:19 582:15 632:25 633:3 634:18 698:21 cause 557:22 557:23 558:3 573:8 574:6 582:19 640:4 709:20 741:20 751:20 caused 590:3 641:13 658:19 707:4 741:24 causer 572:2 causers 570:22 643:15	causes 741:10 causing 560:23 561:1 579:2 693:15,19 707:1 739:23 741:21 CCR 536:22 cell 746:23 center 611:18 653:8 centers 677:2 certain 608:4 639:20 652:24 658:20 675:18,20,21 676:19 695:18 745:5 certainly 550:8 571:12 575:15 610:13 616:23 623:3,19 650:20 753:10 CERTIFICATE 759:1 Certified 759:3 759:19 certify 750:5 759:5 chairman 536:18 549:25 550:11 552:1,4,24 556:11 570:2 572:23 574:14 576:4,7,25 577:9,14,20 577:24 584:25 590:6 597:14 602:13 602:14 617:6 617:13 621:10 622:1 624:16 624:22 625:9 626:13 630:13 637:24	646:22 649:20,22 650:7,9,11,16 650:22 655:25 673:19,20,22 674:3 676:12 679:13 691:11 695:15 697:18 697:20 703:16 706:25 712:7 716:18 717:18 717:25 718:2,8 718:8,21 720:11,19 721:3,7,10,18 722:9,15,21 722:24 723:2 723:7,11,14 724:18 725:3 725:11,13 726:3 727:18 728:9,24 729:13 732:4 732:18,23 755:19,21 756:9,18 757:4 Chairman's 625:16 challenge 605:22 challenges 616:24 624:24 challenging 615:24 734:7 736:15 chance 585:21 686:7 chances 692:4 change 546:3 551:1 645:9 659:9 664:22 665:15 710:5 715:14,19
---	---	--	--	--

EVIDENTIARY HEARING - Vol. 17 3/7/2018

727:14 744:20 751:2 <b>changed</b> 682:24 697:17 <b>changes</b> 641:7 658:24 661:5 709:24 717:10 719:5 741:20 <b>changing</b> 545:25 550:17 668:3 744:23 <b>characteristics</b> 655:2 <b>characterizati ...</b> 683:24 <b>characterized</b> 547:6 563:13 706:25 <b>charge</b> 540:21 540:22 541:25 542:8 542:9,10,11 551:19 552:13 559:11 571:14 571:15 574:11 663:21,25 664:3 665:9 665:13,15,18 665:21 688:5 688:9,12,15,18 712:20 715:11 715:13,15,19 722:7 728:6 752:19,20 <b>charged</b> 582:16 <b>charges</b> 542:1 722:17 744:8 <b>Charles</b> 574:7 612:24 <b>chart</b> 674:13 <b>cheaper</b> 562:17 646:11 <b>check</b> 559:4 603:18 620:15 684:9 695:17	696:14 714:13 720:24 <b>checking</b> 598:19 <b>chemicals</b> 579:4 606:23 653:1 <b>Cheryl</b> 730:25 731:17 757:16 <b>chiming</b> 726:15 726:15 <b>choice</b> 583:8 679:4 <b>choose</b> 565:25 746:25 747:4 747:23 <b>chooses</b> 546:5 <b>chose</b> 716:23 <b>chosen</b> 541:18 718:24 <b>Christian</b> 701:6 <b>circle</b> 747:6 <b>circumstances</b> 614:9 692:8 <b>cite</b> 577:19 <b>cited</b> 595:21 683:16 686:16 <b>cities</b> 547:19,20 548:10,14,19 548:24 549:9 549:10,11 554:6,20 555:16 573:19 578:20 582:22,25 584:3,7 587:11 589:1 592:4,5 592:11,18 594:18 597:21 626:7 <b>cities'</b> 545:19 549:17 <b>citizen</b> 559:19 <b>citizens</b> 580:19 588:19 655:16 693:21 <b>city</b> 536:8	537:5,18,20 537:22 538:7 538:9,11,13,15 538:17,24 539:8 540:12 547:22 554:16 557:8 559:3,5 562:7 562:9,11,18 565:7 577:23 578:2,21 582:3,22 585:4 588:6 590:12,19 593:21,22,24 596:1,8 597:5 601:24 624:6 662:24 680:1 680:4,10 685:16,24 687:13,14 689:11,16 690:19 702:5 703:8 740:17 740:20,22 741:2,2,11,15 741:16 <b>city's</b> 593:12 <b>Civil</b> 578:11 <b>claims</b> 559:25 560:1 <b>clarification</b> 569:13 <b>clarifies</b> 569:16 <b>clarify</b> 627:4 634:4 649:21 676:12 689:14 713:5 <b>class</b> 558:23 564:11,14,16 566:7 571:16 601:12 614:24 644:5 650:3 650:5,6 651:16 654:3 654:14 655:2 655:6 658:15	660:13 667:17 667:20,21 670:23 674:11 675:12 676:17 676:24 678:15,20,22 711:20 722:11 727:22 758:8 <b>classes</b> 541:16 631:23 643:17 643:23 644:7 646:5,5 649:19 650:1 655:1 <b>classification</b> 544:11,15,17 <b>classifications</b> 545:1 <b>clean</b> 733:13 <b>cleaned</b> 737:3 <b>clear</b> 633:17 649:14 663:20 688:21 692:11 711:19 713:5 720:4,8 725:20 729:25 <b>clearly</b> 568:5 583:8 593:24 652:25 <b>clients</b> 544:13 544:17 563:19 591:1,2,3 <b>close</b> 720:2 744:21 <b>closely</b> 584:14 613:17 643:14 <b>cloud</b> 694:25 <b>clumley@chg ...</b> 538:20 <b>coalesce</b> 592:12 728:12 <b>coalition</b> 545:19 547:20 548:19 549:9 549:11 554:6	554:15 555:16 582:21,25 584:3,7 589:1 597:20 <b>code</b> 740:4 746:19,21 747:8,14 <b>Coffman</b> 537:12 573:1,3 602:7 644:21,23 646:14 660:7 683:6,7,10 686:11 689:13 719:13 729:15 729:16 730:4 755:10 756:8 756:25 <b>cold</b> 739:6 <b>Coleman</b> 536:19 617:10 621:7 622:16 628:13 637:3 703:11 705:12 714:25 731:25 732:8,10 746:13 748:14 749:23 755:20 757:6 757:18 <b>collaborate</b> 751:7 <b>collaboration</b> 717:7 <b>collaborative</b> 549:14,19 554:19,24 555:23 584:4 584:12,19 587:18 597:24 613:11 728:20,21 751:10 752:4 <b>colleague</b> 652:4 <b>collect</b> 616:8 <b>collected</b> 733:18
---	--	---	--	---

EVIDENTIARY HEARING - Vol. 17 3/7/2018

collection 745:2	678:20	656:12 657:9	<b>Commissioners</b> 536:20 541:7	560:1,3,10
<b>Collins</b> 650:19	<b>Commission</b> 536:2 539:3,7	658:12 660:21	552:25	561:3,4,9
752:21 753:10	541:8 542:19	661:1 671:3	556:18 566:11	564:14 566:21
753:11,16	542:22,25	672:9 694:4	590:10 753:15	568:25 569:6
<b>Collins'</b> 713:10	543:4,10,15,19	696:21,24	<b>commissions</b> 576:19	571:11 575:10
<b>column</b> 601:10	543:23 545:3	697:5 714:1	<b>commitment</b> 753:7	577:15 578:15
664:25	545:12,21	717:21 723:17	<b>commodity</b> 540:21 616:20	578:20,21,21
665:14	546:5,15,16	728:4,5,8,10	664:22	579:1,22
<b>combination</b> 750:1	547:8,23	730:9 748:10	752:20	580:6,9,14,23
<b>combined</b> 569:2 601:13	548:12,20	758:22	<b>common</b> 575:24	581:20 583:7
<b>combines</b> 562:14	549:13,16,20	<b>Commission's</b> 543:18,21	635:21	584:4 586:10
<b>come</b> 553:5	552:23 553:6	546:24 548:2	737:25	592:9 596:4
555:11 599:2	554:11,14,16,18	558:4 566:5	<b>communicate</b> 746:25	599:14
608:22	554:21,23	569:11 583:21	<b>communicated</b> 723:24	602:24,25
628:15	555:2,4,17	585:15 586:18	<b>communication</b> 724:4	603:2 610:4
674:20 687:8	556:5,20,22	587:17 588:1	<b>communicati ...</b> 724:1	610:15 613:9
702:18 712:16	556:24 557:2	616:3 621:12	<b>communities</b> 589:8 595:9	615:6 617:1
714:23 718:18	557:5,6	722:2	724:12	619:11 620:25
722:18 723:21	558:9 563:4	<b>Commission- ...</b> 559:9	<b>community</b> 577:7 591:6	621:2 622:4
730:17 733:13	565:2,25	<b>Commissioner</b> 550:12,14,24	724:7,10,14	622:12 623:8
739:7 747:24	566:19,25	551:8,17,21	<b>compact</b> 693:22	626:16,21
<b>come-to-Jesus</b> 560:2	567:9,14,16,17	552:6,11	<b>companies</b> 592:3,18	627:6,12,17
<b>comes</b> 564:7	567:23 568:5	556:14 563:16	630:2 636:14	627:20
567:6 620:19	569:16 570:7	570:4 576:3	706:10	629:15 630:7
695:17 701:13	570:12 572:11	584:24 590:5	<b>company</b> 537:2	630:8 632:6
702:11,12	572:19 573:2	595:25 598:6	537:7 541:10	632:10 636:1
<b>comfort</b> 576:14	573:25 576:11	598:8,15,20	541:12 542:1	637:4,25
<b>coming</b> 692:4	577:25 580:8	598:23 617:8	544:7,11,18	639:19,24
693:8	580:13,17,21	617:10 621:7	545:6 546:5	640:15 641:20
<b>commenced</b> 540:2	581:4 582:4	622:16 628:13	546:17 547:4	642:20,24
<b>comment</b> 727:2	583:16 584:1	637:3 656:1	547:16 548:11	649:4 651:15
727:4	584:14,17,20	679:15	549:6 550:15	654:17 661:2
<b>commenting</b> 627:12	585:8,11	697:23 703:9	552:17 556:2	661:8,19
<b>comments</b> 713:22 719:3	587:8 588:5	703:11 705:3	558:4 559:4	662:8,19
736:25	588:23	705:12 706:9		663:14 683:17
<b>commercial</b> 544:8 593:8	590:10,17,23	707:21 712:9		693:11 694:3
678:20	591:8,18,23	714:24 721:15		694:22
<b>commercials</b>	592:14	725:16 726:8		695:21
	596:23	726:10 731:25		696:25 697:11
	602:24 603:2	732:3,8,10		700:25 704:8
	614:9,13	746:13,16		704:13,14,23
	621:14 630:8	748:14 749:23		717:22 719:6
	630:12	755:20 757:5		723:16
	644:24	757:6,18		726:20,21
	646:21 655:13			744:8,9
				745:19 749:6
				749:10



EVIDENTIARY HEARING - Vol. 17 3/7/2018

<b>company's</b> 536:12 541:22 542:24 546:10,14 547:24 548:2 549:20 557:24 558:1 559:25 560:2 560:24 564:1 569:3 584:2 584:22 585:24 594:24 603:6 603:12 605:1 622:14 623:14 626:14 633:20 643:2 650:14 651:19 688:11 689:1 699:12 717:19 738:11 742:4	<b>complaint</b> 705:22 737:21	718:11 734:23	674:12	550:25 553:2
<b>Company-Staff</b> 541:19	<b>complaints</b> 620:24 737:24 738:7 738:20	<b>concerted</b> 719:15	<b>Connie</b> 621:23 638:16	553:20 554:14 568:18 571:2 582:9
<b>company-wide</b> 559:15 568:18	<b>complete</b> 588:24 635:9 684:3	<b>conclude</b> 712:22 715:24 752:15	<b>cons</b> 701:16	583:10,12,14 583:20,22,23 588:24 589:11 589:22 594:13,14 595:11,17
<b>compare</b> 630:23 675:6 720:20 722:1	<b>completed</b> 565:9 679:19	<b>concluded</b> 580:8	<b>conservant</b> 542:14	588:24 589:11 589:22 594:13,14 595:11,17
<b>compares</b> 541:19 649:9 650:13	<b>completely</b> 573:11,12 579:1 688:23 718:20 733:20	<b>concludes</b> 599:1	<b>conserve</b> 727:21	601:10 602:18 607:5 611:11 613:4,14,21 614:4,7,11,15 614:17 615:9 615:13 623:15 624:21,24 625:7 630:15 631:7 635:11 635:24 644:4 645:12,20 646:5 649:3 661:8 662:8 662:13,19 672:10,12 674:10 683:17 683:21,25 684:13,15,16 684:21 686:8 686:19 687:1 688:12 696:8 699:6 700:19 708:6,17 711:19
<b>comparison</b> 541:14 599:17 715:9 716:14 758:13	<b>complicated</b> 591:9,16	<b>conclusion</b> 569:22 628:25	<b>consider</b> 560:17 592:16 714:4 726:12 729:24 730:12 748:16 748:20	614:17 615:9 615:13 623:15 624:21,24 625:7 630:15 631:7 635:11 635:24 644:4 645:12,20 646:5 649:3 661:8 662:8 662:13,19 672:10,12 674:10 683:17 683:21,25 684:13,15,16 684:21 686:8 686:19 687:1 688:12 696:8 699:6 700:19 708:6,17 711:19
<b>compelling</b> 571:13 572:15	<b>components</b> 676:6 745:6	<b>conditioned</b> 596:24 597:4	<b>considerable</b> 574:18	662:13,19 672:10,12 674:10 683:17 683:21,25 684:13,15,16 684:21 686:8 686:19 687:1 688:12 696:8 699:6 700:19 708:6,17 711:19
<b>compensate</b> 548:24	<b>compromise</b> 572:17 574:1,2 685:6	<b>conditioning</b> 721:24	<b>consideration</b> 556:8 568:22 569:10 570:20 571:24	662:13,19 672:10,12 674:10 683:17 683:21,25 684:13,15,16 684:21 686:8 686:19 687:1 688:12 696:8 699:6 700:19 708:6,17 711:19
<b>competing</b> 570:21	<b>computing</b> 694:25	<b>conditions</b> 579:3 721:24	<b>considered</b> 567:12 728:3	662:13,19 672:10,12 674:10 683:17 683:21,25 684:13,15,16 684:21 686:8 686:19 687:1 688:12 696:8 699:6 700:19 708:6,17 711:19
<b>Competitive</b> 709:14	<b>concept</b> 554:7 576:9 577:10 577:16 612:15 654:16 719:9 719:25,25	<b>confer</b> 622:19	<b>consistency</b> 565:22 572:7 589:18	662:13,19 672:10,12 674:10 683:17 683:21,25 684:13,15,16 684:21 686:8 686:19 687:1 688:12 696:8 699:6 700:19 708:6,17 711:19
<b>complain</b> 738:12	<b>concern</b> 575:1 604:17 633:4 633:7 634:19 692:2,3,3,11 692:20,23 695:16,22 717:1 719:14 732:23	<b>confident</b> 737:18	<b>consistent</b> 621:16 625:16 652:6 654:24 716:18	662:13,19 672:10,12 674:10 683:17 683:21,25 684:13,15,16 684:21 686:8 686:19 687:1 688:12 696:8 699:6 700:19 708:6,17 711:19
<b>complained</b> 739:21	<b>concerned</b> 565:24 593:20 594:19 718:12	<b>configuration</b> 672:23	<b>consolidate</b> 541:22 542:8 542:10 543:20 545:8 545:13 546:11 547:3 553:7 555:3,18 566:23 607:13 715:12 715:18	662:13,19 672:10,12 674:10 683:17 683:21,25 684:13,15,16 684:21 686:8 686:19 687:1 688:12 696:8 699:6 700:19 708:6,17 711:19
	<b>concerning</b> 622:16 657:10 678:8 731:25	<b>confusing</b> 583:24	<b>consolidated</b> 543:1 546:9 546:12 549:22	662:13,19 672:10,12 674:10 683:17 683:21,25 684:13,15,16 684:21 686:8 686:19 687:1 688:12 696:8 699:6 700:19 708:6,17 711:19
	<b>concerns</b> 547:14 636:13	<b>confusion</b> 546:2,7 573:16 583:11 707:22		662:13,19 672:10,12 674:10 683:17 683:21,25 684:13,15,16 684:21 686:8 686:19 687:1 688:12 696:8 699:6 700:19 708:6,17 711:19
		<b>conjunction</b> 717:7 728:20 733:23		662:13,19 672:10,12 674:10 683:17 683:21,25 684:13,15,16 684:21 686:8 686:19 687:1 688:12 696:8 699:6 700:19 708:6,17 711:19
		<b>connected</b> 564:16		662:13,19 672:10,12 674:10 683:17 683:21,25 684:13,15,16 684:21 686:8 686:19 687:1 688:12 696:8 699:6 700:19 708:6,17 711:19
		<b>Connecticut</b> 704:5,6		662:13,19 672:10,12 674:10 683:17 683:21,25 684:13,15,16 684:21 686:8 686:19 687:1 688:12 696:8 699:6 700:19 708:6,17 711:19
		<b>connection</b> 564:20		662:13,19 672:10,12 674:10 683:17 683:21,25 684:13,15,16 684:21 686:8 686:19 687:1 688:12 696:8 699:6 700:19 708:6,17 711:19

EVIDENTIARY HEARING - Vol. 17 3/7/2018

550:17	717:9 720:17	735:5,10,20	634:7 636:7,11	<b>corrosive</b> 741:8
560:20	725:6,13	736:2,11,23	636:25 637:1	<b>corrosiveness</b>
566:22 567:3	<b>contact</b> 746:22	737:5,8,8,15	637:20,22	741:10
568:6,11	<b>contained</b>	737:19,23	638:3 641:16	<b>cost</b> 543:3
569:4,7	641:14,15	738:10,15	644:2 646:13	546:13,25
592:15,16,17	710:6	739:18 749:18	647:4,5,10,19	551:1,22
592:19	<b>contains</b>	750:2,4	648:22	557:19,21,22
593:25 594:5	642:20	<b>contrary</b> 719:23	649:13 651:9	557:23 558:2
614:23 642:21	<b>contend</b> 615:3	<b>contributed</b>	656:15,16	558:8,11
645:3 684:3	<b>content</b> 573:24	658:15	659:10	559:5,19
685:4 686:24	576:1	<b>control</b> 719:6	663:22,23	560:22
687:2	<b>contention</b>	<b>controversy</b>	664:5,25	562:22 564:5
<b>CONSOLIDA...</b>	547:6	574:18,20,25	665:10,11,15	564:11,14
755:3	<b>contents</b> 640:8	<b>conversations</b>	665:16,18,19	568:19
<b>Constance</b>	640:23 641:9	745:11	666:8,9,14,18	570:22 571:1
639:4,12,25	<b>contested</b>	<b>conversely</b>	666:20,24	571:19 572:2
640:14 641:1	695:13	717:15	667:3,6,10	575:8 576:15
756:4 758:4,5	<b>context</b> 568:1	<b>conversion</b>	670:19 671:2	580:4,17
758:7	568:20	542:3 589:17	672:4,18,19	581:17,21
<b>constant</b>	586:17,24	<b>convert</b> 618:20	672:24 673:13	582:15 587:12
643:20	<b>continue</b>	<b>convince</b>	675:17 682:3	589:9,12
<b>Constantly</b>	550:20 551:4	585:22	685:2 687:21	592:13,22
545:25	556:2 570:13	<b>COOPER</b> 537:3	688:8 689:23	593:2 594:19
<b>constituents</b>	572:20 595:1	<b>copies</b> 731:3	689:24 690:9	597:2 603:9
597:10	595:21 617:4	<b>copper</b> 733:12	690:10 691:25	604:4,6,7
<b>constrained</b>	661:19 692:18	733:15,17	692:1 710:9	606:25
637:25	693:20 713:10	<b>copy</b> 633:20	713:9 714:10	608:23 611:23
<b>construction</b>	737:18 742:13	662:25	714:15 715:15	612:8 619:19
566:3 567:20	<b>continued</b>	<b>corporate</b>	717:23 718:23	621:15 627:1
589:25 751:19	538:1 539:1	653:22	722:14 723:5	629:19,19
<b>consultants</b>	568:17 592:19	675:20 678:5	749:5,11	632:25 633:3
605:10 639:16	<b>continues</b>	750:12	752:22	634:18 640:13
<b>consumer</b>	564:13	<b>corporation</b>	<b>corrected</b>	643:11,14,20
653:2	574:20 661:16	751:14	649:16	644:1,4
<b>consumers</b>	710:3	<b>corporation's</b>	<b>correcting</b>	645:18,21
537:11,16	<b>continuity</b>	708:14	650:10	646:6,11
570:9,11	565:20	<b>correct</b> 551:4	<b>correction</b>	649:24 650:3
573:3,5,17,20	<b>contract</b> 750:5	601:14 604:15	659:1	651:20 652:2
602:6 644:20	<b>contractor</b>	605:5 609:4	<b>corrections</b>	652:13,25
660:6 668:17	712:19 735:15	609:7,11,12	600:14 640:7	653:3,5,11,12
670:14 675:10	736:9,19	611:16 612:1,12	640:22 641:7	653:14,18,21
707:21 719:13	737:22	612:13 614:2	658:24	653:21,23
729:19 730:1	<b>contractors</b>	619:15 626:19	709:25	654:5,10,10,13
<b>consumption</b>	620:19,24	627:7,18,19	<b>correctly</b>	654:16
647:10 648:6	622:17 657:10	628:17 629:17	550:16 570:21	655:23
648:8 654:2	732:1 734:16	630:18	662:5 676:1	658:15 660:13
715:25 716:13	734:25 735:1	633:22,25	716:3	667:16,20,24

EVIDENTIARY HEARING - Vol. 17 3/7/2018

667:25 669:7 669:11 670:4 673:3,6 674:8 674:10,20,23 675:12 676:5 676:19,24 677:7 682:2 693:19,19 697:9 698:20 705:11 719:23 726:17 733:22 733:25 744:9 744:12 745:1,2 758:8 <b>cost-benefit</b> 695:12 704:18 <b>costly</b> 562:4 745:4 <b>costs</b> 543:1 546:17,20 548:7 550:17 551:19 554:20 558:5,11 559:21 561:9 570:22 571:4 572:1 581:1,6 581:10 582:12 582:13,18,19 583:1 587:13 589:13 593:3 594:8,21,22 595:7 603:4 606:13 607:10 608:2,3,19,19 608:24 610:6 610:23 617:4 617:18 618:5,6 618:9 619:21 620:9 625:21 626:1,15 627:9 643:14 643:16,16 644:7 645:7 650:5 652:5 652:24 653:7 654:18,23,25 655:3,12,12	662:11,12 668:3 670:15 670:24 675:18,20 676:7,9,21,25 677:19,20 678:3,5,9 679:2,6,12 681:13 686:25 687:10 692:25 697:6 701:19,21 702:20 704:12,15 707:2,2,4 719:5,10 744:11 <b>Council</b> 537:11 573:3,5 602:6 644:20 660:6 707:21 719:13 729:19 730:2 <b>counsel</b> 538:21 538:23 560:25 570:11 570:18 602:10 628:8 654:25 660:8 679:24 686:2 704:1 711:12,14 713:5 725:23 759:9 759:13 <b>counsel's</b> 608:6 636:12 682:6 719:3 <b>counsels</b> 713:12 <b>counter</b> 675:11 <b>counterargu...</b> 675:5,6 <b>counties</b> 659:5 <b>country</b> 571:21 <b>county</b> 538:3 557:10 559:1 559:4,7,8,10 559:17,18,23 560:5,11 563:7 567:6	567:20 578:11 578:12,20 581:8,13,18,20 582:2 590:14 590:15 592:5 594:21 597:8 608:9,13,16,18 609:6,10,14,21 610:2,5,6,7,9 610:10,17 612:23 617:17 617:25 618:10 618:20 620:22 622:23 623:1 642:15 645:2 645:8,25 646:10 655:19 659:5,6,7 666:20,21 669:8 670:4,8 670:25 671:5 671:7 673:3 687:3,4,10,12 687:15 688:17 691:19,21 693:4 695:10 701:6 703:14 707:4 709:18 736:17 740:21 741:1,4,18 746:5 748:1 749:8 <b>couple</b> 593:5 602:17,19,20 604:11 615:7 615:19 616:4 620:16 632:23 646:25 671:19 672:15 682:25 683:8 695:23 696:22 738:7 738:14 742:2 744:22 <b>course</b> 549:19	550:3 565:2 565:25 566:19 568:3 569:9 572:19 625:15 654:5 736:4 744:7 752:1 <b>court</b> 540:11 543:16,19 546:23 547:5 583:15,20 590:16 709:10 759:3,19 <b>courtesy</b> 642:17 <b>cover</b> 722:12 <b>covered</b> 702:15 732:13 <b>Cox</b> 699:18 <b>craft</b> 647:17 <b>Craig</b> 537:9 <b>create</b> 590:1 593:4 <b>creating</b> 582:9 625:20 <b>credit</b> 548:24 717:16 738:11 <b>crews</b> 736:19 736:20 738:2 738:3 739:24 <b>crisis</b> 704:10 <b>critical</b> 610:22 619:10 722:25 <b>cross</b> 573:8 630:5 <b>cross-exam</b> 660:1 <b>cross-examin ...</b> 600:20 601:1 624:12 641:22 642:6,9 643:8 644:22 660:10 663:4 669:5 671:20 683:5,9 689:19 710:19 711:16 731:15 748:9,11	756:6,7,8,14 756:15,16,17 756:25 757:3 757:14,20 <b>cross-examine</b> 753:2 <b>cumbersome</b> 613:10 <b>curious</b> 609:18 698:6 <b>current</b> 553:3,6 554:4,11 555:2,5,6 557:15 562:25 568:12 569:6 573:25 576:2 593:24 645:4 665:5 670:2 706:12 <b>currently</b> 548:21 551:12 553:21 581:12 637:21 638:11 656:23 670:7 670:21 705:21 <b>Curtis</b> 575:13 <b>curve</b> 648:11 <b>customer</b> 540:21 541:24 542:1,7,9,10,11 546:1,6 550:20 559:16 562:21 564:16 569:17 571:15,16 573:12 574:11 581:22 586:25 592:8 617:5 618:11 620:22 621:16 631:22 637:13 643:17,23 651:21 652:14 653:1,4,15,20 654:5,20 663:21,22
---	---	---	--	--

EVIDENTIARY HEARING - Vol. 17 3/7/2018

664:19,23 667:6 674:9 676:5,9,13,14 676:14 677:2 677:9 688:5 688:12,14,18 695:19 712:20 715:11,13,14,19 728:6 737:24 742:23 743:13 746:21 748:3 752:19 <b>customer's</b> 551:11 619:1 677:7 749:14 <b>customers</b> 541:17 542:23 543:3,12 544:9,12,16 546:18 548:5 550:19 552:14 552:19 556:25 557:16 558:17 558:20,21 559:1,2,3,6,8 559:10,17 560:7,8,11,14 560:23 561:1 561:13 562:7 562:8,11,18 563:21 564:1 564:3,4,6,12 566:16 568:7 569:1 571:4 574:12 581:16 581:23,25 582:12,16,18 582:19 583:2 584:7 594:6 594:12 606:20 607:24 608:3 615:14 616:23 617:20 618:21 618:25 619:12 620:4 622:8	625:23 626:3 632:2 636:9 637:5,15,18 645:1,25 652:15 665:21 666:4,12,16 667:23 668:15 670:3 670:11,16,18 670:24,25,25 671:6 678:6 685:10,11 703:19 707:3 715:17 717:1 721:23 723:19 723:24 724:2 724:8 726:21 727:6 729:21 734:1,3,18 740:1,1,5,12 742:15,20,22 743:14,17 744:6 745:10 745:14 747:5 747:7,12,14 <b>customers'</b> 733:21 735:9 743:8 <b>cycle</b> 566:3 589:25 610:18 612:24 613:2 614:11 618:11 <b>cycles</b> 618:14 <hr/> <b>D</b> <b>D</b> 538:14 540:1 755:1 756:1,1 757:1,1 <b>damage</b> 739:23 <b>DANIEL</b> 536:18 <b>darkness</b> 592:9 <b>data</b> 606:5 661:14 699:9 745:2 <b>date</b> 623:4 <b>Davenport</b> 685:16,22	689:9 <b>day</b> 540:9 559:22 561:19 587:25 588:11 656:24 701:24 704:21 727:12 737:8 737:14 743:24 743:25 <b>days</b> 579:2 591:12,12,13 618:13,15 682:25 743:15 <b>dcooper@bry...</b> 537:6 <b>deal</b> 568:13 700:21 726:10 729:21 <b>dealing</b> 591:16 607:7 664:4 728:5 <b>DEAN</b> 537:3 <b>debate</b> 574:23 686:20 688:19 <b>debates</b> 575:12 <b>debt</b> 603:5,5,9 603:11,13,21 604:1,2,4 627:1,3 697:9 697:15 <b>decade</b> 560:9 560:10 632:7 632:9,14,18 632:22 <b>decades</b> 575:11 632:18 751:16 <b>deceased</b> 703:1 <b>decide</b> 553:6 556:23 577:8 579:22 586:1 592:22 594:16 <b>decided</b> 580:17 580:21 581:5 591:15 627:17	<b>decides</b> 548:20 575:17 728:10 <b>decision</b> 543:15 543:17 545:13 566:6 580:10 585:17 586:8 586:13 590:17 591:20 592:14 595:18 655:23,24 751:1,4,5,6,11 <b>decisions</b> 587:8 591:19 591:21 <b>decline</b> 549:17 <b>declined</b> 706:11 <b>decrease</b> 551:3 717:4 <b>decreasing</b> 575:8 <b>deep</b> 581:12 <b>defeat</b> 613:20 <b>define</b> 553:9 631:2 751:22 <b>defined</b> 568:19 <b>definite</b> 679:8 <b>definitely</b> 631:3 631:23 668:23 719:24 <b>definition</b> 624:22 <b>definitions</b> 614:4 <b>degree</b> 569:18 <b>degrees</b> 741:25 <b>delegate</b> 591:18 <b>delete</b> 710:1 <b>deleted</b> 710:4 <b>deletion</b> 710:15 <b>delighted</b> 713:21 <b>deliver</b> 606:17 <b>delivery</b> 592:20 606:22 <b>delve</b> 661:22	<b>demand</b> 605:7 648:11 <b>demise</b> 578:6 <b>demonstrate</b> 542:12 <b>department</b> 658:13 <b>depend</b> 735:21 <b>depending</b> 541:17 566:2 624:8 <b>depends</b> 589:24 631:2 730:4 751:22 <b>deploy</b> 618:4 <b>deploying</b> 617:25 <b>deployment</b> 629:14,16,18 704:7,7,13 <b>depreciated</b> 609:23 625:17 670:10 <b>depreciation</b> 608:11 609:2 609:9,15 611:1 611:18,23 612:19 691:22 691:24 <b>describe</b> 622:21 649:4 675:18 <b>described</b> 583:16 <b>describing</b> 624:22 <b>description</b> 541:13 611:2 <b>design</b> 541:17 545:24,25 546:5 557:1 557:17 562:25 580:12,22 582:7,10 583:13 584:2 588:18 604:21
---	---	--	--	--

EVIDENTIARY HEARING - Vol. 17 3/7/2018

605:2 618:19 633:23 634:2 634:5 640:13 645:1,4 658:16 670:2 671:4 672:3 675:13 687:22 713:6 715:10,21 758:9 <b>designated</b> 643:1 <b>designed</b> 557:5 604:12,13,17 604:19 606:5 616:5 719:21 722:15 <b>designs</b> 557:2 <b>desire</b> 565:17 <b>despite</b> 636:12 674:11 <b>destination</b> 585:25 <b>detail</b> 563:15 587:15 <b>details</b> 598:2 628:23 696:11 730:5 <b>detection</b> 704:23 <b>determinates</b> 667:13 668:4 668:8,11 690:13 <b>determination</b> 655:14 <b>determine</b> 549:14 554:19 556:20 602:24 667:20,20 677:18 696:24 697:3 <b>determining</b> 677:17 <b>detriment</b> 571:8 <b>develop</b> 668:12	723:25 <b>developed</b> 580:3 <b>developing</b> 555:11 <b>device</b> 744:15 744:24,24,25 748:17,19,21 <b>dictate</b> 614:9 <b>difference</b> 596:25 623:13 698:2 698:6 722:3 727:14,23 <b>differences</b> 573:14 645:19 <b>different</b> 552:14 558:23 573:11 573:19,21 576:18 580:1 587:22 614:22 621:23 643:24,25 645:13,14 674:22 684:12,16 686:12 704:20,20 735:6,19 745:19 <b>differential</b> 675:9 <b>differentiating</b> 583:17 <b>differently</b> 740:22 <b>difficult</b> 566:15 591:20 612:3 705:7 <b>difficulty</b> 555:11 567:21 573:17 597:7 <b>dig</b> 686:24 <b>diligence</b> 580:9 <b>dinner</b> 575:15 575:18 <b>direct</b> 582:24	586:10 600:10 639:8 639:25 640:20 641:5 643:12 647:2 651:1 658:1 662:3 682:19 689:5 698:21 709:7 724:2 755:17 756:5 756:13,24 757:13 758:4 <b>directed</b> 550:1 553:23 621:1 725:5 <b>direction</b> 585:8 587:10 595:19 595:22 640:5 745:13 <b>directly</b> 564:17 612:11 643:15 643:16 649:25 650:4 650:6 651:13 652:13,25 653:3 675:19 676:8,21 677:8 678:4 678:14 <b>disadvantages</b> 565:14 701:14 701:17 <b>disagree</b> 702:21 <b>disagreements</b> 592:10 <b>disallowance</b> 576:16 <b>discovered</b> 561:24 <b>discrepancies</b> 560:19 <b>discrepancy</b> 560:18 <b>discretion</b> 585:15 588:1 <b>discretionary</b>	585:11 <b>discuss</b> 566:12 607:4 <b>discussed</b> 605:22 640:9 651:2 688:4 708:9 724:22 749:22 <b>discusses</b> 634:13 <b>discussing</b> 642:24 <b>discussion</b> 565:13 608:5 623:7 630:1 631:25 637:24 638:25 647:21 660:14 750:9 752:25 <b>discussions</b> 632:24 704:6 <b>disparate</b> 573:12 <b>Dispersing</b> 594:21 <b>disposal</b> 617:4 <b>dispositive</b> 675:1 <b>disproportion ...</b> 687:25 <b>disruption</b> 734:1 <b>disruptions</b> 579:11 <b>dissatisfaction</b> 546:2,7 <b>dissenting</b> 566:11 <b>distance</b> 685:21 685:23 689:3 689:7,8,9,10 689:11 <b>distant</b> 584:8 <b>distinguishable</b> 562:2 <b>distressed</b> 616:24 701:1	702:7 <b>distributed</b> 599:11 <b>distribution</b> 564:18,21 653:20,25 733:5 <b>district</b> 538:2 541:2,23 542:4 543:6 544:19 546:18 546:19 549:3 550:25 552:16 553:7 553:8,17 554:12 555:2 557:6,9,10,25 558:20 563:7 563:23,24,24 563:25 566:2 566:8,8,24 566:25 567:8 567:21,21 569:1,2 570:25 580:21 581:11 581:21 582:9 590:14,15 592:1,5,24 594:6,14 595:4,18 597:8,22 612:12,24 623:16 626:3 642:7 644:2 646:3,11 652:3 654:21 654:22 655:8 660:25 666:12,15,19 666:21,22 667:3,8,18 670:2,5,13,21 672:3,14,22 674:9,10 675:7,19,21 676:22 677:4
--	---	--	---	---

EVIDENTIARY HEARING - Vol. 17 3/7/2018

680:17 687:6 690:4 691:23 701:7,22 708:7 715:21 716:1,24,24 723:25 748:6 <b>DISTRICT'S</b> 757:11 <b>district-specific</b> 549:6,18 553:3 555:8 555:12 566:6 566:16 572:9 573:23 577:1 582:7 583:14 583:18 587:22 589:5 589:17 613:23 686:25 693:16 698:17 707:6 708:3 <b>district-wide</b> 587:21 <b>districts</b> 541:21 542:7,8,9,10 542:20,20 544:6,14,20 545:14,14,21 546:8,21 548:9,13,21 550:18 551:2 552:14 553:17 553:18,20,21 554:13 557:6 563:11,20 564:10,20 567:2 568:2 568:13,20 569:6,15 572:21 574:2 575:2 576:1 580:20 581:19 582:5,8,11,13 587:14 593:15 594:1,5,9,11,13 594:15 601:13 612:22 621:17	621:23 624:6 625:20 642:14 643:24,25 644:8,25 645:14 646:1 646:12 652:6 664:22 666:1 666:4,6,6 667:9 671:4,6 671:15 672:7,8 672:10,11,13,21 675:7,10 687:8 691:6 693:1 694:1,4 699:10,13 709:19 715:11 715:12,14,18 716:2 <b>disturb</b> 733:16 751:19 <b>disturbed</b> 733:10 751:1 <b>disturbing</b> 751:24 <b>diverse</b> 736:1 <b>diversity</b> 735:23,24 <b>divided</b> 553:16 694:18 <b>Division</b> 540:18 <b>docket</b> 640:16 <b>doctor's</b> 714:25 <b>document</b> 639:22 640:3 640:12,18 641:2 663:8 <b>dogs</b> 744:2 749:3,4 <b>doing</b> 552:9 571:3 582:3 591:8 603:20 619:19 651:14 696:17 701:15 732:16 737:10 737:15,20 740:22 745:4	749:17,25 750:2 <b>dollars</b> 621:22 650:12 <b>Donald</b> 568:16 709:3,11 710:21 757:12 758:16,18 <b>Dority</b> 538:5 563:3,5 589:19 597:12 600:21,23 601:2,16 642:8,10,13 643:5 671:16 680:18 691:7 706:18,19,21 707:8 709:2,8 710:13 711:4 755:8,18 756:6 757:9 757:13 <b>Dority's</b> 544:13 <b>double</b> 594:2 635:16 <b>doubt</b> 559:25 646:10 <b>Dr</b> 565:8 669:24 682:12,21 683:2 697:24 703:12 705:13 705:20 706:8 706:22 <b>Drainer</b> 566:12 <b>dramatic</b> 719:17 743:20 <b>draw</b> 628:24 747:6 <b>Drawing</b> 579:9 <b>drilling</b> 598:1 <b>drinking</b> 681:6 <b>Drive</b> 538:15 <b>drive-by</b> 748:24 <b>driver</b> 623:20 <b>driving</b> 605:18 <b>dropped</b> 741:25	<b>due</b> 580:9 667:12 668:3 <b>duly</b> 600:8 639:6 657:23 682:17 709:5 731:19 759:6 <b>dynamics</b> 697:16 709:15 <hr/> <b>E</b> <hr/> <b>E</b> 538:11 540:1,1 639:25 640:14 641:1 665:14 755:1 756:1,1 757:1,1 <b>e-billing</b> 636:21 <b>earlier</b> 567:23 573:15 589:19 599:11 631:25 640:9 645:16 647:21 648:13 661:19 662:16 662:18 669:23 688:10 703:12 713:20 716:20 726:2 731:22 734:11 742:19 <b>early</b> 629:15 684:10 752:18 <b>ease</b> 571:11 699:7 <b>easier</b> 575:18 607:18 742:15 <b>East</b> 537:5,22 <b>easy</b> 571:14,18 647:16,17 <b>echo</b> 719:2 <b>economic</b> 593:1 698:18 <b>economies</b> 616:18 <b>education</b> 606:9 <b>effect</b> 559:12 604:14 605:4 608:7 625:19	636:5,20 647:9,12,14,15 647:19,22,25 648:20 667:1 729:7 <b>effective</b> 555:7 575:6 576:22 594:17 663:12 <b>effectively</b> 584:15 <b>effects</b> 543:13 568:10 575:10 584:6 <b>efficiency</b> 605:18 <b>efficient</b> 575:8 576:15 594:17 <b>effort</b> 541:19 717:19 719:15 726:6 <b>efforts</b> 543:18 636:14 <b>eight</b> 548:9 553:17 554:13 555:4 570:25 582:5 593:15 614:13 671:4 672:2,14,20 672:22 693:25 699:10 <b>eight-district</b> 547:23 548:8 548:17 554:7 586:11 627:18 693:24 <b>either</b> 540:8 554:17,22 577:15 579:11 584:2 605:2 654:19 670:20 703:22 722:4 722:10 737:23 753:8 <b>elastic</b> 648:5,6 648:11
--	---	--	--	--

EVIDENTIARY HEARING - Vol. 17 3/7/2018

<p><b>elasticity</b> 605:6 605:23 648:2 648:2,3,4 722:22 <b>elected</b> 590:21 590:23,24 591:3,10 <b>electric</b> 562:3 562:10,10 698:24 704:13,19 <b>electricity</b> 562:4,17 704:20 <b>eliminated</b> 733:20 <b>eliminates</b> 590:2 <b>else's</b> 609:17 <b>email</b> 718:15 746:23 747:2 747:10 748:4 <b>embarking</b> 566:7 <b>embedded</b> 642:25 <b>embodied</b> 720:17 <b>embrace</b> 605:24 <b>emergency</b> 739:22 747:1 <b>emerging</b> 607:11 <b>Empathize</b> 612:6 <b>emphasize</b> 558:14 <b>employ</b> 746:5 <b>employed</b> 639:13,15 658:9,11 709:12,14 759:10,13 <b>employee</b> 759:12 <b>employees</b></p>	<p>607:25,25 618:2 735:12 735:18 737:15 738:12,16 743:23 745:7 745:21 749:19 749:24,25 <b>enables</b> 700:23 <b>enact</b> 630:9 <b>enacted</b> 559:13 <b>encompass</b> 702:20 <b>encourage</b> 586:9 630:2 <b>encouraged</b> 586:4 615:20 <b>encourages</b> 560:5 <b>ends</b> 734:4 <b>energy</b> 537:15 540:18 570:9 570:11 606:16 606:18,21 699:11 704:11 709:14 <b>engage</b> 547:10 549:18 561:6 584:4 <b>England</b> 537:4 541:5,6,9 550:5,13,22 551:5,14,18,25 552:8,15,21 553:24 568:24 587:23 599:7 599:9,23 600:11,18 601:6 633:24 634:6,24 635:2 638:7 638:15,21 639:1,3,9 641:20 642:20 656:22 659:20 671:18</p>	<p>671:21 673:16 680:20 681:19 691:9 707:10 712:4 713:18 713:24 714:5,9 714:10,13,19 714:22 715:3,6 717:25 720:8 720:15,23 721:5 723:21 725:7,10,12,15 725:18,25 726:24 730:24 731:2 731:12 752:12 752:23 753:19 755:5 755:17 756:3 756:5,17 <b>England's</b> 688:10 <b>enlighten</b> 732:4 <b>enlightenment</b> 742:4 <b>ensuing</b> 566:12 <b>entering</b> 540:23 <b>entire</b> 564:6 608:25 609:25 627:1 655:8 727:22 743:6 744:14 <b>entirely</b> 579:25 580:16,19 581:10 <b>entirety</b> 681:14 710:4 <b>entitled</b> 639:24 640:12,25 <b>entries</b> 540:7 <b>entrusted</b> 585:12 <b>enunciated</b> 571:8 <b>environmental</b> 565:11 616:7 616:10</p>	<p><b>envision</b> 645:9 <b>equal</b> 628:19 <b>equitable</b> 549:7 560:16 588:19 594:23,24 598:2 <b>equity</b> 566:4 592:20 593:4 595:22 597:23 603:9 604:3,5,7 626:22 627:2 627:3 656:14 <b>equivalent</b> 569:5 <b>era</b> 741:3 <b>escapes</b> 685:22 <b>especially</b> 560:17 615:5 667:18 730:11 <b>essence</b> 549:1 <b>essentially</b> 590:1 613:20 616:7 631:19 686:8 692:24 695:6 696:16 699:14 715:8 720:14,20 <b>establish</b> 549:3 549:13 554:18 554:23 569:17 <b>established</b> 548:10,17 556:5 584:13 584:18,20 <b>establishing</b> 555:23 <b>Estates</b> 557:9 <b>estimate</b> 620:9 <b>estimate's</b> 637:9 <b>estimated</b> 620:8 721:21 <b>estimates</b> 620:11</p>	<p><b>et</b> 536:12 <b>evaluate</b> 728:22 735:15 <b>evaluating</b> 738:18 <b>evened</b> 645:24 <b>evening</b> 753:8 <b>evenly</b> 575:20 <b>eventually</b> 564:5 702:19 <b>everybody</b> 552:9 571:17 654:12 702:9 <b>evidence</b> 547:8 547:13 548:6 559:24 576:17 577:9 599:22 642:4 659:24 680:9 694:6 704:25 710:18 711:3 755:15 756:11 756:22 757:11 757:15 <b>Evidentiary</b> 536:6 <b>evil</b> 592:9 <b>exact</b> 623:4 628:15 736:18 749:13 <b>exactly</b> 651:3 703:18 726:19 737:16 <b>Examination</b> 600:10 635:1 639:8 658:1 681:22 682:19 707:18 709:7 755:17 756:3 756:5,13,21 756:24 757:10 757:13 <b>examine</b> 544:2 553:23 567:24 <b>examined</b></p>
---	---	---	--	--

EVIDENTIARY HEARING - Vol. 17 3/7/2018

600:8 639:6 646:9 657:23 682:17 709:5 731:19 <b>examining</b> 554:9 <b>example</b> 549:8 558:7 573:15 635:13 648:17 653:9 685:14 685:19 695:6 702:2 743:13 <b>examples</b> 597:3 607:15 696:11 739:1 <b>exceeded</b> 579:5 <b>excess</b> 699:23 <b>excessive</b> 700:15,16 <b>exclusively</b> 559:10,17 609:9,15 649:18 691:22 692:18 711:20 <b>excuse</b> 544:9 544:16 547:3 634:8 640:18 661:9 694:9 <b>excused</b> 638:10 682:11 707:11 708:24 712:12 713:1 752:14 <b>executive</b> 591:12 <b>exercised</b> 580:9 <b>exhibit</b> 541:12 542:12,14 545:10 586:5 599:11,13,14,18 599:20,21 601:5,12 633:17,20 634:9,10 639:24,24 640:15,25	642:18 643:1 645:5 658:17 663:7,16 664:13,14 665:25 680:3 680:5,8 689:25 709:22 710:6 710:14,17,20 713:24 714:4 714:11,18 715:7 715:9 728:2 758:3,5,6,8,10 758:11,13,14,16 758:17 <b>exhibits</b> 639:20 641:14,21,23 642:1,3 658:21 659:17 659:18,23 683:3 711:2 758:1,21 <b>exist</b> 548:21 562:6 <b>existed</b> 547:24 582:5 627:25 <b>existence</b> 636:21 <b>existing</b> 541:21 542:1,7,9 545:20 553:6 555:17 563:25 579:20 581:19 621:17 <b>expand</b> 561:10 578:22 692:21 <b>expanded</b> 606:19 <b>expect</b> 567:23 586:25 587:2 623:13 734:5 753:17 <b>expectations</b> 737:10 <b>expected</b>	735:12 748:5 <b>expects</b> 666:23 <b>expeditious</b> 734:19 <b>expenditure</b> 547:11 554:24 556:1 576:12 584:17 696:5 <b>expenditures</b> 661:5 <b>expense</b> 551:10 560:6 567:22 620:5,6 622:11,13 636:18,24 652:15 653:14 655:7 677:10 701:13 <b>expenses</b> 609:2 651:16 736:7 <b>expensive</b> 561:6 570:23 695:25 744:25 <b>experience</b> 566:24 573:22 576:19 635:20 735:14,17,19 <b>experienced</b> 575:16 676:9 <b>experiencing</b> 567:1 <b>experiment</b> 593:1 <b>expert</b> 568:16 577:18 582:20 <b>experts</b> 730:11 751:7 <b>explain</b> 576:25 596:12 603:19 607:6 608:15 637:7 643:21 649:8 660:14	662:1,2 707:2 708:12 746:19 <b>explained</b> 568:24 569:10 <b>explains</b> 582:23 <b>explanation</b> 714:20 <b>explore</b> 554:24 <b>exploring</b> 593:12 <b>exposed</b> 744:1 <b>exposure</b> 733:20 <b>Express</b> 578:5 <b>expressed</b> 588:9 596:14 661:7 <b>expressing</b> 717:1 <b>extends</b> 618:13 685:19 <b>extent</b> 595:6 608:4 620:2 643:13 693:7 727:5 735:21 <b>extra</b> 662:25 <b>extraordinary</b> 719:5 <b>extreme</b> 570:25 571:2 571:8,9 <b>extremely</b> 566:15 <b>extremes</b> 571:6	707:4 <b>facing</b> 567:19 <b>fact</b> 547:16 549:11 576:22 633:2 645:7 677:20 684:17 <b>factor</b> 649:5 650:13 655:5 678:25 690:15 <b>factors</b> 586:15 675:21 676:11 677:8,21 740:23 <b>facts</b> 586:1 614:9 705:24 <b>fail</b> 592:25 <b>failed</b> 592:25 <b>fair</b> 560:15 565:24 573:9 585:14 586:14 587:20,24 588:2 589:12 609:13 611:2 626:23 628:18 633:6 665:22 667:7 667:11 668:7 668:14 674:24 729:13 <b>fairly</b> 621:16 635:21 652:5 692:6 751:13 <b>fairness</b> 566:4 691:18 <b>fall</b> 544:14,17 <b>fallen</b> 744:3 <b>familiar</b> 550:8 574:21 640:1 640:16 641:2 646:8 679:18 705:20,23 <b>families</b> 596:18 718:13 <b>fancy</b> 575:21 <b>Fane</b> 590:12 <b>far</b> 572:3,14
<b>F</b>				
			<b>face</b> 587:9 <b>facilitate</b> 542:2 543:8 <b>facilities</b> 617:2 654:7 <b>facility</b> 567:6 611:15,23,24 612:9,17 653:2 666:25	



EVIDENTIARY HEARING - Vol. 17 3/7/2018

<b>Farrar</b> 536:22 759:3	<b>filings</b> 708:15	621:22	682:18 709:6	<b>frequently</b>
<b>farther</b> 685:20	<b>fill</b> 635:8	<b>five-year</b> 547:11	731:20	743:9
<b>fashion</b> 556:22	<b>final</b> 549:21	547:16,17	<b>footprint</b> 559:14	<b>front</b> 633:20
<b>fast-forward</b>	669:7,10	556:3 623:9	562:13	634:9 664:14
566:18	729:1 730:18	660:14,20	<b>force</b> 745:21	696:21
<b>faulty</b> 561:24	<b>finally</b> 547:19	661:3	746:3	<b>fruition</b> 694:21
<b>favor</b> 545:12	548:9 554:21	<b>fix</b> 616:9	<b>forced</b> 559:18	<b>full</b> 543:24
573:23	572:11 637:23	<b>fixed</b> 550:17	582:12	544:5,25
597:22	<b>finance</b> 604:2	551:1,19 571:15	<b>forces</b> 739:17	545:9,15
<b>fear</b> 729:16	652:17	608:2 665:9	<b>foregoing</b>	548:22 567:9
<b>February</b>	<b>financial</b> 651:20	665:13,15	759:6	569:4,7
547:18 623:9	<b>financially</b>	688:9 717:2	<b>foreseeing</b>	580:15 581:1
684:11 739:10	759:14	737:6	745:20	604:7 636:1
<b>fee</b> 653:23	<b>find</b> 619:20	<b>fixing</b> 736:24	<b>forgive</b> 624:14	642:21 644:1
<b>feel</b> 596:2	695:11 704:17	<b>fixture</b> 618:16	<b>form</b> 696:9	<b>full-on</b> 745:5
696:19 698:11	704:18	<b>Fleming</b> 639:15	<b>formal</b> 730:8	<b>fully</b> 546:8,11
698:12 737:11	<b>finding</b> 546:24	<b>flexibility</b> 747:9	<b>former</b> 563:22	549:22
737:16,18	547:7 576:16	<b>flip</b> 664:18	565:14	567:12
751:8	745:18	666:10,15	590:23	569:24
<b>feels</b> 545:6	<b>findings</b> 694:15	<b>flood</b> 579:5,13	<b>formulate</b>	585:16 586:12
595:10	<b>fine</b> 573:10	579:21	584:5	588:2 625:17
<b>feet</b> 579:7	597:24 713:3	<b>flooded</b> 579:2	<b>forth</b> 554:9	753:7
<b>felt</b> 544:21	715:2 721:19	<b>floodplain</b>	568:22	<b>funds</b> 616:8
611:10 653:14	731:9	580:2	589:23	<b>further</b> 553:7
738:16	<b>finish</b> 605:15	<b>floods</b> 578:25	<b>forward</b> 594:7	555:3,18
<b>Ferguson</b>	635:8	579:21	606:10 615:6	560:23 617:7
560:21	<b>firmly</b> 753:5	<b>Florida</b> 574:21	645:20	621:10 626:6
<b>figure</b> 556:24	<b>first</b> 541:10	<b>Florissant</b>	691:20	634:22
591:6	542:13 548:1	734:23	695:25	644:25
<b>file</b> 536:12	553:12 554:10	<b>flow</b> 739:25	704:24	662:22 669:1
547:11 556:2	555:1 599:8	<b>flush</b> 696:2	<b>found</b> 543:1,19	671:10 673:16
584:21 586:18	599:24 600:8	<b>fly</b> 612:3	546:15 580:8	679:13 682:9
747:18	600:22	<b>focus</b> 550:10	674:10 743:19	690:17 692:21
<b>filed</b> 540:8	602:20,20	555:13 592:12	<b>four</b> 542:6	697:22
544:21 545:6	605:8 624:5	593:9 608:17	553:10 554:9	699:16 706:2
547:17 623:8	625:18 639:6	<b>focused</b> 610:16	563:14 579:2	708:22 711:23
641:13 652:7	647:1 657:23	<b>folks</b> 560:20	607:22 615:16	746:18 752:8
684:10	682:17 689:18	575:21 612:6	619:24 629:4	755:21 757:15
705:22	709:5 717:18	717:2 719:17	672:14	757:19 759:12
709:20 731:5	717:21 725:5	<b>follow</b> 613:17	695:23 715:7	<b>furthest</b> 578:9
<b>files</b> 699:12	731:19 735:1	735:12	715:18	<b>future</b> 593:9
<b>filing</b> 547:16	752:24 753:8	<b>followed</b> 571:21	<b>four-</b> 621:22	594:8,20
609:23	<b>Fischer</b> 563:6	<b>following</b> 637:2	<b>Fourth</b> 554:21	636:3 668:19
617:22 620:11	<b>five</b> 607:22	679:17 735:11	<b>frame</b> 662:18	694:20,24
625:6 633:23	614:12 615:5	<b>follows</b> 557:5	739:10 740:8	696:20 702:7
708:13	635:15	600:9 639:7	741:11 744:18	738:17
	<b>five-hundred</b>	657:24	<b>frankly</b> 596:20	

EVIDENTIARY HEARING - Vol. 17 3/7/2018

<b>G</b>	745:10,14	570:15,16,17	552:24	580:2
<b>G</b> 540:1	<b>given</b> 565:5	570:17 571:8	556:18 563:3	<b>group</b> 543:2
<b>gained</b> 695:4	645:7 695:19	585:7,25	570:6 571:3	547:19 549:14
<b>gaining</b> 727:16	<b>gives</b> 577:1	594:7 596:11	574:1 585:3	554:19,23
<b>gallons</b> 552:17	586:6 705:2	596:18,21	590:9 601:3,4	555:23 556:4
564:2 588:14	<b>glad</b> 738:19	598:11,20	602:15,16	568:12 575:15
663:16,18	<b>gladly</b> 593:22	604:5 606:10	617:11,12 621:8	584:19 613:11
664:7,17,19,23	<b>go</b> 540:4,5	609:22 611:20	642:11,12	699:19
666:5 690:4	551:4 558:1	615:4 616:4	646:23,24	<b>grouped</b> 544:10
715:24 716:4,6	570:24 571:2	617:16 618:3,8	658:3,4 663:6	574:2
725:6,10	571:2 572:2,3	619:7,16,21,23	669:18 673:21	<b>groupings</b>
<b>Gannett</b> 639:15	574:5 575:25	620:7 624:5	673:22 675:8	716:13
<b>gas</b> 562:3,3	593:17 595:17	630:1,11	677:25	<b>growth</b> 561:7
<b>gateway</b> 578:6	597:21 599:5	645:20 646:3	681:24,25	<b>guess</b> 541:10
<b>gears</b> 678:7	599:5 604:6	647:23	682:21,22	551:14 577:4
<b>general</b> 536:13	613:22 615:13	654:23 655:11	684:8 689:21	653:9 666:23
614:6 643:11	618:17 619:23	655:16,17	691:12,13	686:16 714:1
651:6 732:25	620:19 631:21	657:2,5,8	697:24,25	715:7 738:18
734:21 739:3	637:9 638:21	667:25	698:11,12	739:15 749:14
<b>generally</b> 574:3	648:6,8	668:18 674:21	703:24	<b>guessing</b> 705:1
577:12 624:1	655:20	676:21 688:3	705:12	<b>guide</b> 643:11
679:20 718:6	656:25 657:2	688:17 692:16	706:22,23	<b>gunshot</b> 744:2
<b>generation</b>	657:3,15	692:24	723:22 724:14	<b>gut</b> 729:10
562:12	668:22	695:24	732:11 734:18	<b>guys</b> 692:9
<b>generational</b>	672:20 683:4	696:13 698:9	735:20 737:11	
702:23	694:13 699:9	698:10 702:6	737:17 741:8	<b>H</b>
<b>GEOFF</b> 682:15	699:12,13	702:8,19,20	744:19	<b>half</b> 586:21
756:23	702:1 703:14	712:15,16,19,21	<b>Google</b> 686:13	<b>Hall</b> 536:18
<b>geographic</b>	710:17 722:3	712:22 713:18	689:6	549:25 550:11
722:11	724:5 726:11	714:16,22	<b>gotten</b> 552:3	556:11 570:2
<b>getting</b> 602:18	728:2,7 729:7	715:25 726:19	592:4	572:23 576:4
610:3 654:20	730:16,21,21	727:7,9,10,13	<b>government</b>	576:7,25
666:13,16,24	731:13 735:1	730:23 731:3	591:11	577:9,14,20
673:11 686:9	736:10 739:24	737:7,12,18	<b>gradual</b> 545:1	584:25 590:6
693:14 695:21	740:23 741:21	739:24 740:2	<b>gravel</b> 737:1	597:14 602:13
700:8 705:8	742:8 743:21	740:5,12	738:6	602:14 617:6
712:20	744:5 747:11	742:5,15	<b>great</b> 713:15	621:10 622:1
<b>give</b> 576:13	<b>goal</b> 558:4	743:5 744:11	714:21 737:20	637:24
595:1 602:25	643:14 703:14	753:10	741:9 747:16	646:22
619:5 620:17	<b>goals</b> 744:10	<b>gold-plate</b>	<b>greater</b> 546:1	649:22 650:7
631:4,17	<b>goes</b> 575:15	561:5	571:4 701:13	650:9,11,16,22
642:18 654:11	648:4,7 653:4	<b>gold-plating</b>	<b>greatest</b>	655:25
659:14 686:7	701:7 726:20	561:17 575:7	557:22	673:19,20
695:3 698:4	<b>going</b> 541:4	576:9	569:18	679:13 691:11
713:25 730:9	546:3 550:5	<b>good</b> 540:3	<b>greatly</b> 578:22	697:20
731:14 742:3	551:11 554:7	541:7 550:12	<b>ground</b> 739:3	706:25 712:7
	565:23 566:6	550:13	<b>groundwater</b>	716:19 717:18

EVIDENTIARY HEARING - Vol. 17 3/7/2018

718:2,21 720:11,19 721:3,7,10,18 722:9,15,21 722:24 723:2 723:7,11,14 724:18 725:3 725:11,13 726:3 727:18 728:9,24 729:13 755:19 755:21 756:9 756:18 757:4 <b>Hall's</b> 552:4 <b>hand</b> 627:11 638:18 657:20 674:3 714:3 <b>handed</b> 545:10 581:9 586:5 593:19 663:1 663:6 <b>handle</b> 616:14 721:19 <b>handout</b> 642:25 715:6 <b>Hang</b> 721:10 <b>happen</b> 540:20 542:23 <b>happens</b> 566:2 <b>happy</b> 542:16 549:24 552:9 572:21 597:25 669:19 734:22 742:7 <b>hard</b> 553:9 648:23 734:5 739:1 <b>harder</b> 567:4,7 <b>hardship</b> 574:6 <b>harm</b> 558:18 <b>harmful</b> 560:1 <b>harming</b> 560:20 <b>harmless</b> 697:12	<b>hash</b> 699:11 <b>hasten</b> 556:3 <b>Hawaii</b> 615:14 615:16 <b>head</b> 595:19 673:4,10 <b>headed</b> 578:8 <b>health</b> 559:25 655:15 735:6 <b>hear</b> 673:2 680:13 712:17 730:17 731:24 738:19 740:17 752:20 <b>heard</b> 541:24 553:24 557:23 560:24 561:19 587:6 588:8 589:3,19 611:10 663:13 669:10 698:4 714:17 716:24 734:3 738:8 740:20 <b>hearing</b> 536:6 540:2,5 541:11 651:17 691:14 713:2 734:24 752:16 754:2 759:11 <b>hearings</b> 732:17 734:3,16 736:21 <b>heavier</b> 593:10 <b>heavily</b> 693:4 <b>heavy</b> 562:5 <b>held</b> 638:25 697:11 <b>help</b> 581:15 616:24 633:10 724:7 726:15 736:20 737:5 <b>helped</b> 579:22 <b>helpful</b> 563:13 <b>helping</b> 551:24 555:13 575:1	615:23 <b>helps</b> 743:4 <b>Heppenstall</b> 613:10 621:23 622:15 638:16 639:4,12,25 640:14 641:1 642:11 674:24 676:2,3 677:1 678:25 715:22 756:4 758:4,5,7 <b>Heppenstall's</b> 673:23 <b>Herbert</b> 652:5 <b>high</b> 537:22 538:11 551:3 559:15 576:19 576:21 579:3 579:6,11 596:15 618:16 653:25 <b>higher</b> 550:21 551:3,11,12,13 551:22 594:1 596:19 628:20 645:6 667:17 668:18 668:20 688:18 716:9 716:10 <b>higher-cost</b> 581:7 <b>highlighted</b> 564:24 590:16 <b>Hillcrest</b> 699:18 <b>Hillcrests</b> 701:11 <b>Hills</b> 699:19 700:7 701:11 <b>hire</b> 618:6 <b>historic</b> 578:4 578:24 582:8 <b>historical</b> 563:10 568:20 <b>history</b> 563:13	589:3 591:25 592:1 593:16 <b>hit</b> 687:5 748:2 <b>hold</b> 565:2 620:14 638:24 716:2 720:25 <b>home</b> 578:4 579:14 746:24 <b>homes</b> 733:21 <b>honestly</b> 682:4 724:5 <b>Honor</b> 540:14 540:16 541:6 550:6 599:9 602:1 624:11 626:6 634:24 644:18 656:22 657:17 669:4 671:18 680:12 690:23,25 691:9 710:13 711:7,13 712:4 713:4 720:15 730:24 731:2 752:12 <b>hopeful</b> 638:12 <b>hopefully</b> 730:12 <b>hoping</b> 718:17 <b>hot</b> 574:22 <b>Hotel</b> 579:16 <b>hotly-contest...</b> 580:11 <b>hour</b> 561:23 <b>hourly</b> 743:12 <b>housekeeping</b> 638:23 657:4 <b>hovering</b> 735:25 <b>huge</b> 560:18 588:20 593:16 594:20 596:25 743:2 <b>human</b> 591:17	<b>hundred-plus...</b> 610:18 <b>hundreds</b> 562:6 620:23 <b>hurt</b> 574:12 <b>hybrid</b> 563:25 566:22 582:8 583:13 <b>hydrant</b> 746:1 <b>hypothetical</b> 555:20 <hr/> <b>I</b> <hr/> <b>i.e</b> 611:23 652:14 <b>idea</b> 572:7 573:6 575:2 592:21 597:24 611:17 619:6 620:18 621:3 653:13 746:5 <b>ideas</b> 730:9 <b>identification</b> 639:23 640:15 <b>identified</b> 599:16 652:18 <b>identify</b> 731:4 <b>ignored</b> 645:19 698:13 <b>ignoring</b> 612:16 <b>illegal</b> 585:13 <b>Illinois</b> 631:10 686:15,15 <b>images</b> 686:13 <b>imagine</b> 589:20,21 <b>immediately</b> 614:10 <b>impact</b> 586:23 590:20 591:21 604:16 606:6 607:17 608:16 622:11,13 623:17 687:2 687:25 715:16
--	---	--	---	---

EVIDENTIARY HEARING - Vol. 17 3/7/2018

719:22 733:9 739:9 751:24 <b>impacted</b> 563:11 606:2 607:13 <b>impacts</b> 541:3 541:15 542:12 550:9 586:8 587:15 588:21 667:5 <b>IMPACTS/OF ...</b> 755:4 <b>implement</b> 536:12 544:25 638:1 656:13 723:23 <b>implementati ...</b> 554:15 569:14 647:8 648:21 727:17 <b>implemented</b> 624:17 723:18 <b>implements</b> 729:4 <b>importance</b> 733:3 <b>important</b> 563:18 565:19 570:19 572:5 573:5 587:11 588:10 595:7 612:15 696:1 723:24 734:9 735:13 736:4 745:13 <b>importantly</b> 546:23 549:9 567:16 618:9 <b>imposition</b> 719:11 <b>impossible</b> 740:11 <b>impression</b> 626:14 669:12 695:4 <b>improvement</b>	622:24 623:10 <b>improvements</b> 568:14 622:22 623:14 <b>imprudence</b> 576:21 <b>incented</b> 627:13 <b>incentive</b> 547:4 575:8 576:14 610:4 <b>incentives</b> 661:24 662:9 <b>incentivize</b> 616:5 <b>incentivized</b> 561:10 <b>incentivizing</b> 575:4 <b>incline</b> 551:10 <b>inclining</b> 550:15 551:23 593:11 597:16 598:12 604:9,11 605:3,17 647:1,9 648:21 713:19 721:22,25 722:19 723:4 723:20 727:21 745:12 <b>include</b> 603:8 685:20 724:19 747:7 747:8 <b>included</b> 608:21 609:22,24 <b>includes</b> 557:7 557:9,11 604:4 627:1,3 665:9 <b>including</b> 604:22 615:23 631:22 <b>income</b> 578:13	717:2 <b>inconsistency</b> 590:4 <b>incorrect</b> 688:13 <b>increase</b> 536:13 551:12 564:5 573:21 577:5 586:20,23 587:1,2,3 589:6,7 617:18,20 620:9 665:2 665:17,21 666:2,3,13,17 667:2,8,11,12 667:17 668:9 668:21 687:9 687:11 690:3 690:3,8,12,16 695:20 699:24 701:19 701:21 715:17 722:12 744:12 <b>increased</b> 566:8 607:10 619:25 620:6 716:7,8 <b>increases</b> 566:13,14 580:23 581:3 588:20 <b>increasing</b> 618:6 <b>incremental</b> 561:15 745:2 <b>incur</b> 618:8 <b>incurred</b> 694:16 <b>independent</b> 553:16 562:14 749:18 750:4 <b>INDEX</b> 758:1 <b>Indian</b> 699:19 700:7 701:11 <b>Indiana's</b> 696:10 <b>indicate</b> 540:6	752:17 <b>indicated</b> 540:19 651:24 <b>individual</b> 653:15 654:4 654:5,9,10,12 727:19,24 <b>industrial</b> 537:15 544:8 544:15 558:7 570:9,11 593:8 614:25 650:3,4 678:22 <b>industrials</b> 678:21 <b>industry</b> 605:9 605:11 614:6 625:1 <b>ineffective</b> 547:12 <b>inelastic</b> 647:4 647:11,24 648:9,19 <b>inequities</b> 566:2 <b>inevitably</b> 568:7 <b>influence</b> 705:22 <b>inform</b> 727:6 <b>information</b> 561:18 586:7 586:11,24 596:5 604:12 641:15,16 667:15 677:13 678:2,24 708:19 710:10 713:13 716:19 725:7 728:22 745:11,14 746:22 747:17 <b>informational</b> 747:1 <b>informed</b> 585:16 586:12	588:2 <b>infrastructure</b> 542:24 543:6 559:11,21 568:14 583:4 594:19 607:11 610:13 742:12 743:8 <b>initial</b> 678:13 686:11 <b>initially</b> 544:7,11 568:25 <b>injured</b> 743:24 <b>injuries</b> 744:1 <b>inner</b> 560:21 566:7 667:21 702:22 <b>inordinate</b> 694:19 <b>inquired</b> 703:12 <b>inquiry</b> 677:14 677:16 691:15 <b>inserts</b> 724:3 <b>inside</b> 619:17 <b>insight</b> 651:25 <b>inspections</b> 746:1 <b>inspector</b> 736:12 <b>inspectors</b> 736:10 737:7 <b>install</b> 627:5 629:20 744:9 <b>installation</b> 626:16,21 627:6 <b>installed</b> 542:25 543:6 <b>installing</b> 736:12 743:7 743:21 <b>instance</b> 721:15 740:16 <b>insulates</b> 719:19 <b>integrated</b> 635:23 <b>integrating</b>
--	--	--	--	---

EVIDENTIARY HEARING - Vol. 17 3/7/2018

615:23 625:3 635:14 <b>intelligence</b> 617:24 <b>intend</b> 717:6,6 <b>intended</b> 569:16,19 <b>intensive</b> 562:5 <b>intent</b> 722:16 <b>interaction</b> 574:11 688:6 <b>interchangea...</b> 614:5 624:23 <b>interest</b> 543:24 548:4 591:6,7 595:15 656:14 700:13 753:1 <b>interested</b> 577:20 593:12 728:11 732:18 759:14 <b>interests</b> 570:21 714:2 <b>interject</b> 597:13 <b>intermix</b> 542:5 <b>internal</b> 739:17 <b>internally</b> 552:16 <b>interpret</b> 651:6 <b>intervened</b> 590:13 <b>intervenors</b> 558:7 <b>intriguing</b> 726:4 <b>inure</b> 607:1 <b>invest</b> 610:5 693:3 <b>invested</b> 577:7 <b>investigate</b> 737:22 <b>investigation</b> 694:12,14 <b>investing</b> 555:14 <b>investment</b> 547:10 561:11 603:1,1 608:12	609:22 610:8 610:11 612:22 623:21 626:22 666:23 693:5 697:1,2,3 <b>investments</b> 548:25 561:7 570:24 583:2 584:8 608:20 <b>invitation</b> 549:17 <b>inviting</b> 544:1 <b>involves</b> 609:19 <b>Iowa</b> 614:19 615:7 625:9,11 630:20 631:24 685:13 685:14,14,16 686:16 689:11 <b>Iowa's</b> 685:18 <b>iron</b> 741:12 <b>ISRS</b> 559:11,12 559:14,16,20 560:5 574:9 608:10,17,19 608:21 610:3 637:25 638:1 638:4 687:7 688:1 691:19 692:5,19,22 693:3 702:17 <b>issue</b> 540:22 541:23 553:1 553:13,23 556:9 561:17 565:10,21 573:4 574:22 580:11 583:7 584:21 606:12 613:15 616:12 616:14 619:18 627:11 649:10 651:7 652:9 678:19 688:3 688:7 692:12 692:14,19	695:5,14 698:10 702:11 702:12,23 705:4 718:24 726:16 736:20 743:2 743:13,22 744:4 747:6 <b>issued</b> 543:17 569:13 590:17 594:10 615:17 663:12 <b>issues</b> 540:20 541:3 553:5 553:10 554:10 592:10,12 598:1 602:20 607:12,19 615:11,22 616:10 618:10 618:18 620:20 657:4 694:21 696:21 703:23 712:20,21,23 728:6 730:14 732:21 733:14 737:24 747:15 <b>item</b> 648:4 654:1 726:18 <b>items</b> 617:21 661:1	758:12 <b>Janice</b> 565:8 <b>January</b> 633:23 736:14,18,21 736:22 739:10 740:7 740:11 747:16 748:1 750:1 <b>Jaxson</b> 557:8 <b>jbednar@spe...</b> 537:23 <b>Jefferson</b> 536:8 537:5,18,22 538:7,11,15,24 539:8 547:22 557:7 559:3,5 562:7,9,11,18 582:22 685:23 687:13 702:5 <b>Jenkins</b> 542:13 550:7 581:20 599:25 600:2 600:6,12 601:3 624:14 626:12 631:11 633:19 635:3 642:24 647:21 651:18 669:22 684:18 686:18 691:15 703:13 703:19 721:1,4 721:8,20 722:14,20,23 723:1,5,10,13 742:19 755:16 <b>Jenkins'</b> 662:3 662:6 693:10 703:25 <b>Jennings</b> 560:21 <b>Jersey</b> 615:10 <b>Jesse</b> 578:5 <b>Jim</b> 556:7 561:20 563:6 657:18 658:14	658:19 <b>job</b> 552:9 591:9 721:6 736:10 737:20 <b>jobs</b> 737:9 738:3 <b>Joe</b> 589:9 590:11 610:21 611:6 669:3 676:20 702:7 705:15 <b>John</b> 537:12 573:3 <b>john@johncof...</b> 537:14 <b>Johnstone</b> 568:17 569:8 642:22 657:6 709:2,3,11,12 710:16,18,21 757:12 758:16 758:18 <b>joined</b> 585:18 <b>joining</b> 717:23 718:1 <b>joint</b> 569:13 599:17,21 751:10 758:13 <b>Joplin</b> 538:9 557:11 578:17 588:7,12,13 588:20,23,25 589:4,5,8 602:4 610:21 611:8,10,14 612:11 644:19 655:17 662:24 663:7 663:10,18 664:19 665:21 666:2 668:8 668:9 676:15 680:1,4 689:16,18 690:8,11 702:7 705:14 711:9 715:23
---	---	--	---	---

EVIDENTIARY HEARING - Vol. 17 3/7/2018

<b>Joplin's</b> 589:2 680:8 758:14	602:12 622:2 624:2,10	730:7,21 731:9 731:13,21	706:9 707:21 712:9 725:16	592:23 594:9 594:18 595:9
<b>Joseph</b> 537:21 538:13 540:13 547:21 557:10 563:22,23 564:13 565:4 565:7 566:8 577:23 578:2 578:4,7,11,16 578:17 579:1,6 579:19,24 580:4,18,19 580:20,24 581:1,6,9,12,15 581:17,22 582:4,22 587:15 601:24 625:13,22,22 626:2 670:3 670:8,9,15,17 670:18,23 671:5,6 673:6 676:14 680:10 689:4,7,12 707:3	626:7,9 628:8,9 633:16,21 634:3,7,8,10 634:23 638:9 638:17,20,21 638:24 639:1 639:3 641:23 642:5,8 643:6 644:13,15,16 644:19 646:17 646:19,21 656:2,4,8,18 656:21,23 657:2,19,25 659:18,21 660:2,6,8,9 662:24 669:2 669:14 671:12 671:14,17 673:18 679:16 679:23 680:1 680:4,10,14,16 680:19,21,22 681:18,20,21 682:10 683:6 689:16,18 690:18,21,24 691:1,3,5,7,8 691:10 705:14 706:4,18 707:9,11,14 708:23 709:1 710:20 711:5,9 711:11,14,24,25 712:1,3,5,11,15 712:25 713:3,9 713:16,18,21 714:3,7,10,16 714:21,24 715:5 721:12 721:14 725:23 726:11,23 727:1 728:1 729:8,14 730:1	746:18 748:7 752:9,13 753:13,24 755:22 756:19 757:17 757:19 <b>judicial</b> 591:13 <b>jump</b> 544:24 587:10,11 588:17 <b>juncture</b> 605:2 <b>jurisdictions</b> 624:20 683:13,16 684:13 <b>justifies</b> 705:11 <b>justify</b> 567:4 745:6	726:10 732:3 746:16 757:5 <b>Kentucky</b> 614:19 625:9 630:20 631:24 685:13 686:14,16 <b>kept</b> 582:8 <b>key</b> 684:14 <b>keyed</b> 747:11 <b>KIM</b> 536:17 <b>kind</b> 551:22 552:17,18 592:8 597:4 607:17 615:17 616:1,7 620:18 628:23 675:24 697:6 703:20 713:25 724:3 724:19 730:4 735:16,17,25 739:5 742:13 743:4 744:4 745:9 <b>kinds</b> 626:14 741:17 744:2 746:1 <b>Klaus</b> 539:6 552:22,25 556:13,17 602:9 657:17 658:2 659:16 659:25 711:25 755:6 756:13 <b>know</b> 541:20 550:14 572:13 574:15 580:13 585:13,13,20 585:24 586:16,18,22 586:25 587:5 587:7,8,20 589:15,16,24 590:23 591:1	597:20,25 603:8,12,25 604:3 605:19 606:1 607:9 607:10,12,18 609:19,19,20 612:25 614:5 614:11 615:20 615:22,24,24 616:17 617:3 618:22,23,24 619:10 620:3 620:23 622:7 623:22 631:21 645:17,23 646:2,3,4 650:12,15 651:3 652:12 653:18 654:1 654:3 668:2 668:22 669:14 670:11 674:19 677:6 677:11 678:10 679:22 684:8 686:1 687:8 689:6 690:15 692:20,21,22 694:9,24 695:19 697:15 698:7,8,13,20 699:24 700:5 700:12 701:2 703:23 704:14 705:11 706:15 713:25 714:17 720:1,1,23 723:14 724:4 725:21 727:12 727:15 729:19 730:15 732:17 735:20 737:13 738:25 739:15 740:16 742:18 743:4,19
<b>Joseph's</b> 589:3 726:16	673:18 679:16 679:23 680:1 680:4,10,14,16 680:19,21,22 681:18,20,21 682:10 683:6 689:16,18 690:18,21,24 691:1,3,5,7,8 691:10 705:14 706:4,18 707:9,11,14 708:23 709:1 710:20 711:5,9 711:11,14,24,25 712:1,3,5,11,15 712:25 713:3,9 713:16,18,21 714:3,7,10,16 714:21,24 715:5 721:12 721:14 725:23 726:11,23 727:1 728:1 729:8,14 730:1	<b>keep</b> 554:11 555:2,5,13 557:15 565:18 568:12 576:23 585:25 705:7 715:11,12 721:5 736:6 <b>keeping</b> 571:24 581:18 675:10 746:2,2 <b>keeps</b> 590:24 <b>KEITH</b> 537:21 <b>Kenney</b> 536:19 550:12,14,24 551:8,17,21 552:6,11 556:14 570:4 576:3 584:24 590:5 595:25 598:6,8,15,20 598:23 617:8 656:1 679:15 697:23 703:9	<b>K</b> <b>keep</b> 554:11 555:2,5,13 557:15 565:18 568:12 576:23 585:25 705:7 715:11,12 721:5 736:6 <b>keeping</b> 571:24 581:18 675:10 746:2,2 <b>keeps</b> 590:24 <b>KEITH</b> 537:21 <b>Kenney</b> 536:19 550:12,14,24 551:8,17,21 552:6,11 556:14 570:4 576:3 584:24 590:5 595:25 598:6,8,15,20 598:23 617:8 656:1 679:15 697:23 703:9	592:23 594:9 594:18 595:9 597:20,25 603:8,12,25 604:3 605:19 606:1 607:9 607:10,12,18 609:19,19,20 612:25 614:5 614:11 615:20 615:22,24,24 616:17 617:3 618:22,23,24 619:10 620:3 620:23 622:7 623:22 631:21 645:17,23 646:2,3,4 650:12,15 651:3 652:12 653:18 654:1 654:3 668:2 668:22 669:14 670:11 674:19 677:6 677:11 678:10 679:22 684:8 686:1 687:8 689:6 690:15 692:20,21,22 694:9,24 695:19 697:15 698:7,8,13,20 699:24 700:5 700:12 701:2 703:23 704:14 705:11 706:15 713:25 714:17 720:1,1,23 723:14 724:4 725:21 727:12 727:15 729:19 730:15 732:17 735:20 737:13 738:25 739:15 740:16 742:18 743:4,19
<b>Josiah</b> 699:18	673:18 679:16 679:23 680:1 680:4,10,14,16 680:19,21,22 681:18,20,21 682:10 683:6 689:16,18 690:18,21,24 691:1,3,5,7,8 691:10 705:14 706:4,18 707:9,11,14 708:23 709:1 710:20 711:5,9 711:11,14,24,25 712:1,3,5,11,15 712:25 713:3,9 713:16,18,21 714:3,7,10,16 714:21,24 715:5 721:12 721:14 725:23 726:11,23 727:1 728:1 729:8,14 730:1	<b>judicial</b> 591:13 <b>jump</b> 544:24 587:10,11 588:17 <b>juncture</b> 605:2 <b>jurisdictions</b> 624:20 683:13,16 684:13 <b>justifies</b> 705:11 <b>justify</b> 567:4 745:6	706:9 707:21 712:9 725:16 726:10 732:3 746:16 757:5 <b>Kentucky</b> 614:19 625:9 630:20 631:24 685:13 686:14,16 <b>kept</b> 582:8 <b>key</b> 684:14 <b>keyed</b> 747:11 <b>KIM</b> 536:17 <b>kind</b> 551:22 552:17,18 592:8 597:4 607:17 615:17 616:1,7 620:18 628:23 675:24 697:6 703:20 713:25 724:3 724:19 730:4 735:16,17,25 739:5 742:13 743:4 744:4 745:9 <b>kinds</b> 626:14 741:17 744:2 746:1 <b>Klaus</b> 539:6 552:22,25 556:13,17 602:9 657:17 658:2 659:16 659:25 711:25 755:6 756:13 <b>know</b> 541:20 550:14 572:13 574:15 580:13 585:13,13,20 585:24 586:16,18,22 586:25 587:5 587:7,8,20 589:15,16,24 590:23 591:1	592:23 594:9 594:18 595:9 597:20,25 603:8,12,25 604:3 605:19 606:1 607:9 607:10,12,18 609:19,19,20 612:25 614:5 614:11 615:20 615:22,24,24 616:17 617:3 618:22,23,24 619:10 620:3 620:23 622:7 623:22 631:21 645:17,23 646:2,3,4 650:12,15 651:3 652:12 653:18 654:1 654:3 668:2 668:22 669:14 670:11 674:19 677:6 677:11 678:10 679:22 684:8 686:1 687:8 689:6 690:15 692:20,21,22 694:9,24 695:19 697:15 698:7,8,13,20 699:24 700:5 700:12 701:2 703:23 704:14 705:11 706:15 713:25 714:17 720:1,1,23 723:14 724:4 725:21 727:12 727:15 729:19 730:15 732:17 735:20 737:13 738:25 739:15 740:16 742:18 743:4,19
<b>Judge</b> 536:17 540:3,18 541:7 552:12 552:20,25 556:16,18 563:2,16 570:5 572:25 577:23,25 585:2 588:4 590:8,10 596:1,21 597:11,12 598:5,25 599:5,16 600:2,21,23 601:18,19,22 601:24 602:2 602:4,6,8,10	673:18 679:16 679:23 680:1 680:4,10,14,16 680:19,21,22 681:18,20,21 682:10 683:6 689:16,18 690:18,21,24 691:1,3,5,7,8 691:10 705:14 706:4,18 707:9,11,14 708:23 709:1 710:20 711:5,9 711:11,14,24,25 712:1,3,5,11,15 712:25 713:3,9 713:16,18,21 714:3,7,10,16 714:21,24 715:5 721:12 721:14 725:23 726:11,23 727:1 728:1 729:8,14 730:1	<b>keep</b> 554:11 555:2,5,13 557:15 565:18 568:12 576:23 585:25 705:7 715:11,12 721:5 736:6 <b>keeping</b> 571:24 581:18 675:10 746:2,2 <b>keeps</b> 590:24 <b>KEITH</b> 537:21 <b>Kenney</b> 536:19 550:12,14,24 551:8,17,21 552:6,11 556:14 570:4 576:3 584:24 590:5 595:25 598:6,8,15,20 598:23 617:8 656:1 679:15 697:23 703:9	<b>K</b> <b>keep</b> 554:11 555:2,5,13 557:15 565:18 568:12 576:23 585:25 705:7 715:11,12 721:5 736:6 <b>keeping</b> 571:24 581:18 675:10 746:2,2 <b>keeps</b> 590:24 <b>KEITH</b> 537:21 <b>Kenney</b> 536:19 550:12,14,24 551:8,17,21 552:6,11 556:14 570:4 576:3 584:24 590:5 595:25 598:6,8,15,20 598:23 617:8 656:1 679:15 697:23 703:9	592:23 594:9 594:18 595:9 597:20,25 603:8,12,25 604:3 605:19 606:1 607:9 607:10,12,18 609:19,19,20 612:25 614:5 614:11 615:20 615:22,24,24 616:17 617:3 618:22,23,24 619:10 620:3 620:23 622:7 623:22 631:21 645:17,23 646:2,3,4 650:12,15 651:3 652:12 653:18 654:1 654:3 668:2 668:22 669:14 670:11 674:19 677:6 677:11 678:10 679:22 684:8 686:1 687:8 689:6 690:15 692:20,21,22 694:9,24 695:19 697:15 698:7,8,13,20 699:24 700:5 700:12 701:2 703:23 704:14 705:11 706:15 713:25 714:17 720:1,1,23 723:14 724:4 725:21 727:12 727:15 729:19 730:15 732:17 735:20 737:13 738:25 739:15 740:16 742:18 743:4,19

EVIDENTIARY HEARING - Vol. 17 3/7/2018

747:16,23 748:18 749:16 751:20,24 753:8 knowing 705:8 knowledge 630:6 641:17 659:11 669:8 695:11 710:10 known 575:20 733:4 knows 726:18	751:17,17 Larry 538:5 563:5 642:13 lastly 717:11,12 late 560:3 latest 615:6 699:18 law 536:17 556:21 lawful 543:19 lawyers 591:1 layoffs 746:3 leaching 751:20 lead 546:1 558:8 559:25 560:4,14 602:21 626:13 649:1,24 650:1,2 654:16,20 655:15,18 678:8,18 679:10,18 687:17 688:1 692:12 696:12 696:23 702:12 732:5 732:12,21,24 732:25 733:4 733:5,9,10,11 733:15,17 734:8 750:10 750:25 751:19 751:20 leader 595:4 leading 575:12 leads 574:18 715:23 leak 618:12 704:23 743:1 743:17,19 749:10 leaking 618:15 618:16 leap 567:15,18 learn 591:25 592:1 723:8	learned 559:22 630:5 740:7 learner 624:15 leaves 592:23 leaving 744:23 led 584:20 Lee 575:13 left 585:5 737:2 legal 582:14 583:21 586:16 legalities 750:17 legislative 591:14 legislature 594:9 legitimate 633:4,7 634:19 length 738:8,22 744:17 lesson 563:13 563:15 668:14 let's 540:4 599:5 614:12 657:15 666:10 672:5 693:19 694:23,24,25 694:25,25 695:1 702:16 728:7 730:16 730:17,21 732:12 letter 743:16 749:11,15 letters 724:2 743:14 level 561:11 579:6 616:21 623:21 645:15 668:23 719:7 745:9 leveled 645:17 levels 579:12 720:17 733:10 733:17 750:25 Lewis 537:17	570:8 lewis.mills@b ... 537:18 LEXI 539:6 liability 722:4 life 611:18 612:19 limit 543:5 603:10 limited 577:3 630:6 line 558:6,6,8 558:12 560:12 602:21 606:23 618:15 633:14 634:12 647:2 649:1 654:1,17,21 655:3,7,18 659:4 678:8 678:15 679:18 688:1 692:12 696:12,23 701:12 702:13 710:2,3,14 747:6 750:10 751:20 lines 560:1,4,14 564:19,21 618:12 626:13 626:17,23 627:4 649:25 650:1,2,5 655:4,15 661:24 675:22 678:18 679:3 679:10,21 687:17 732:5 732:12,24,25 733:4,5,9,16 734:8 751:1,24 link 698:21 lion's 612:3 677:19 list 554:10 560:8 624:5 633:20	684:12 listed 630:17 684:18,20 listen 671:24 listening 721:15 LITIGATION 536:23 little 545:18 560:3 573:9 587:20 596:12,15,20 607:20 622:21 647:25 648:1 648:20 649:7 651:25 661:21 677:4 679:17 685:8,19 697:8 714:19 725:9 735:4 738:22 741:1 741:16 745:3 745:23,24 752:24 753:24 live 542:24 558:22 565:8 654:6 734:7 740:17 lived 632:22 LLC 639:16 709:15,15 loan 734:6 lobster 575:14 575:22 local 577:6,6 732:16 localities 558:23 location 580:1 locations 559:2 locked 695:7 logic 574:5 long 543:13 561:4,13 566:1 568:10 572:7 572:14 587:13
--	--	--	---	--

L

EVIDENTIARY HEARING - Vol. 17 3/7/2018

591:15 607:2 616:25 701:18 701:18,23 702:13 703:3 707:17 735:15 735:18 <b>long-term</b> 603:5,11,12,21 606:19 619:1 697:9 <b>longer</b> 695:5 <b>look</b> 551:9 585:21 586:1 586:23 591:15 592:9 593:18 593:23 594:11 601:10 613:9 615:21 618:21 623:19 635:14 661:4 664:5 669:24 674:20,22 676:4,19 677:3 683:15 685:9 686:13 686:13,24 688:25 695:21 735:5 735:14,23 743:12 <b>looked</b> 552:17 621:20 678:25 683:12 684:9 704:1 725:23 <b>looking</b> 543:24 551:25 613:3 613:13 619:8 619:16,21,22 636:15 665:14 665:22 666:1 667:14,15 678:3 689:25 718:11 745:18 <b>looks</b> 660:17 663:9,11 667:24	<b>Lord</b> 669:18 <b>lose</b> 557:22 <b>losers</b> 557:3,17 557:19 558:14 561:14,14 562:1 587:7 <b>loss</b> 604:7 <b>lost</b> 698:24 <b>lot</b> 588:8 594:14 605:9 620:20 648:14 653:22 698:4 698:24 701:11 703:5 704:5 727:16 735:19 736:19,23,23 740:7,9,13 741:19 743:9 743:14 753:11 <b>lots</b> 553:18 620:24 742:24 <b>Louis</b> 537:9,13 538:19 542:4 544:19 557:7 558:15,18,21 558:22 559:1 559:3,7,8,10 559:17,18,23 560:5,11,18 562:8,8 569:20 574:6 574:8 578:6 578:20 592:5 594:20 608:9 608:9,12,16,18 609:6,10,14,21 610:2,5,5,7,8 610:10,17 612:23 617:17 617:25 618:10 618:20 620:22 645:1 645:8,10,24 645:24 646:10 655:19	685:23 687:2 687:4,10,12,14 687:15,18,25 688:17 689:4 689:7,9,10,11 689:12 690:3 691:19,21 692:10,24 693:4,12,14 693:20,21 695:10 702:2 702:2,3,4,6,8 702:14,14,23 703:6,14 732:17 736:17 740:17,20,21 741:4,16,18 742:6 746:4,4 748:1,6 749:8 <b>Louis's</b> 593:22 702:10 <b>low</b> 551:2 579:11 596:16 717:1 736:7 <b>low-income</b> 551:2 724:7 <b>low-interest</b> 734:6 <b>low-usage</b> 550:18 574:12 <b>lower</b> 542:10,11 551:19 645:8 662:12,14 667:3,23 668:8,12 688:12,14 715:15,16 717:3 <b>luck</b> 753:23 <b>LUFT</b> 537:8 <b>Lumley</b> 538:18 540:16 585:3 585:3 602:3 690:20 712:25 755:12 <b>lumped</b> 553:18 <b>lumpiness</b>	613:2 <b>lumpy</b> 570:23 <b>lunch</b> 657:1 <b>lwdority@spri...</b> 538:8 <hr/> <b>M</b> <hr/> <b>ma'am</b> 656:7 <b>Madison</b> 538:6 538:23 539:7 <b>magnitude</b> 566:15 580:24 <b>MAIDA</b> 536:19 <b>mail</b> 620:2 749:11 <b>main</b> 561:20 564:12 580:6 613:3 620:21 620:23 733:24 736:17 736:18,20,24 737:2 739:23 740:18,24 741:20,22,24 <b>mains</b> 560:4,6 564:19 620:20 692:13 693:20 702:16 <b>maintain</b> 541:21 541:25 542:7 542:7,8,9 545:20 548:20 553:6 554:4 555:17 564:19 570:12 606:2 664:21 693:25 699:15 715:10 715:14 <b>maintained</b> 565:20,22 <b>maintaining</b> 745:8 <b>maintenance</b>	619:9,9 745:25 <b>major</b> 564:24 565:9 567:19 567:22 579:20 622:23 <b>majority</b> 558:21 612:8 636:8 670:12 749:16 749:24 <b>makeup</b> 547:21 <b>making</b> 543:3 547:1 587:19 587:20,23 655:14 <b>manage</b> 619:1 735:2 <b>manageable</b> 555:9 <b>management</b> 653:23 <b>manager</b> 639:17 658:12 <b>Manitoba</b> 562:16 <b>manner</b> 551:15 594:25 595:10 <b>manually</b> 618:3 <b>map</b> 686:13,14 689:6 747:6,7 <b>March</b> 536:7 540:4 <b>mark</b> 714:16 <b>Marke</b> 657:6 669:24 682:12,15,21 689:21 697:24 703:12 705:13 705:20 706:8 706:22 715:15 725:9,20 726:1 756:23 <b>Marke's</b> 683:2 <b>marked</b> 541:12
---	--	---	---	--



EVIDENTIARY HEARING - Vol. 17 3/7/2018

599:12	<b>McCarty</b> 579:15	549:5,8,11,15	694:11 705:4	<b>millennials</b>
639:23	<b>McGarry</b>	554:16	744:14,15,23	703:5
640:14 658:16	582:20 584:11	555:22 584:6	744:25 745:16	<b>million</b> 544:23
658:21 663:7	584:16 713:7	584:12,18	745:23	545:5,5
709:22 710:14	752:21 753:2	588:25	<b>meter's</b> 744:21	564:2 580:5
728:1	753:16	589:10,16	<b>metering</b> 743:7	621:21 622:25
<b>marry</b> 704:13	<b>McGarry's</b>	590:1 596:2	<b>meters</b> 561:24	669:13 673:3
<b>Maryland</b>	585:19	597:16,23	618:1,3,7	673:9,12
614:20 625:10	<b>Meadows</b>	604:22	619:5,13,16,22	682:2,6
630:21 631:24	557:8	605:25	629:20	<b>Mills</b> 537:17
685:12 686:17	<b>mean</b> 551:8	608:19,21	694:25 695:7	570:6,8 576:6
<b>masking</b> 561:8	571:13 576:18	610:13 613:6	695:8,10,13	576:13 577:3
<b>massive</b> 573:7	577:11 604:21	662:14 719:19	703:16,18	577:13,17,22
645:25	605:13 606:16	726:22 755:4	704:3 705:3,5	601:20,21
<b>material</b> 682:24	609:17 612:18	<b>mechanisms</b>	705:9 743:22	643:7,9 644:11
714:8 741:6	619:6 620:10	554:25 556:1	743:24 744:9	649:20,23
<b>math</b> 612:3	631:11 643:16	<b>media</b> 724:2	744:16,18,20	650:8,18
663:15	655:11,13	<b>median</b> 725:22	745:17 746:6	660:4,5
<b>mathematical</b>	666:6 683:25	<b>meet</b> 734:4	<b>method</b> 623:16	678:15 680:21
655:24	684:15 686:9	750:5	<b>Metro</b> 569:20	680:23,24
<b>matter</b> 536:11	687:4 692:8	<b>meeting</b> 596:7	<b>Mexico</b> 557:7	681:2,16 691:4
542:23 563:8	695:18,20	623:22 724:6	655:17 687:13	706:5,7,16
563:19	696:15 697:14	<b>meets</b> 714:2	702:5 715:21	712:2 719:2
569:25 571:15	698:4 700:9	<b>member</b> 709:15	716:23,25	720:4 727:1,3
571:16 585:4	701:23 703:3	<b>members</b>	718:24 720:13	727:25
587:21	705:7 724:6	577:24,25	720:21	728:25
638:23 739:11	725:22,25	590:22	723:25	729:10 753:9
742:13	726:1 727:5	596:19	724:10 725:6	755:9 756:7
<b>matters</b> 585:11	729:16,21	<b>Memphis</b>	725:19 727:6	756:20 757:8
<b>MAWC</b> 639:24	<b>meaningfully</b>	689:10	<b>Michael</b> 582:20	<b>Mills'</b> 544:16
758:15	562:2	<b>mention</b> 583:6	<b>microphone</b>	<b>mind</b> 558:5
<b>MAWC's</b> 642:3	<b>means</b> 560:20	<b>mentioned</b>	656:9 669:16	571:25
755:15 757:15	561:9 583:12	613:24 625:9	<b>mid-1800s</b>	586:25
758:3,5,6	624:25 679:9	661:19 662:6	578:9	590:25
<b>MAWC-Staff</b>	683:25	662:16	<b>Midcontinent</b>	646:10 721:6
599:17	750:15	669:22	562:13	<b>minimize</b>
<b>MAWC-Staff's</b>	<b>meant</b> 661:9	703:17 713:20	<b>middle</b> 635:6	733:25,25
599:21	<b>measure</b> 605:6	739:19	<b>MIEC</b> 624:6	<b>minus</b> 722:3
<b>mayor</b> 595:3,4	607:17 723:6	<b>Merciél</b> 561:20	650:16 691:3	<b>minute</b> 684:22
595:10 596:5	<b>measurement</b>	<b>merely</b> 547:7,15	706:4 712:1	686:22
596:7,8,8,17	605:7	<b>merit</b> 572:6	719:2,7 729:2	<b>minutes</b> 703:15
598:18,18	<b>measuring</b>	<b>message</b> 747:2	<b>MIEC's</b> 649:9,11	<b>misleading</b>
<b>mayors</b> 593:14	605:23	747:11,11 748:4	649:15 678:16	583:24 685:8
596:8,10	<b>mechanics</b>	<b>met</b> 542:23	<b>mile</b> 573:12	<b>MISO</b> 562:12,13
597:5,9	718:21,25	578:6 596:3	<b>miles</b> 562:6	<b>missing</b> 717:11
598:12,19	<b>mechanism</b>	737:8	564:22,23	<b>Mississippi</b>
716:25	541:3 548:23	<b>meter</b> 617:24	743:25	578:24

EVIDENTIARY HEARING - Vol. 17 3/7/2018

<p><b>Missouri</b> 536:1 536:8,14 537:5,9,11,13 537:15,18,20 537:22 538:7 538:9,11,13,15 538:17,19,24 539:2,7,8 540:13 543:16 547:22 550:10 557:7 562:20 563:22 570:8 570:11 573:4 573:6 578:2,8 578:19,22,24 578:25 579:10 592:4 592:18 620:21 631:5,23 635:20 653:10 658:11 663:10 684:17 684:17,20,24 685:5,10 689:1 695:9 729:19 758:21 759:4</p> <p><b>Missouri-Ame ...</b> 536:11 537:2,7 541:4 544:5 545:11 546:20 547:9 548:12 553:15 554:22 557:4 558:19,25 559:13 561:23 563:23 564:7 572:10 578:15 578:18,19 579:18,25 580:6,14 581:2,7,11,14 581:16,25 583:5,19 592:7 607:14 607:22 616:19</p>	<p>617:1,19 621:12 626:1 627:5 628:1 630:3 630:24 631:18 632:2,5,10,13 635:18,21 636:3 638:13 639:19 645:22 656:15 662:15 663:11 671:17 672:6 680:19 681:18 691:8 693:3 706:11 707:9 712:3 724:11 730:23 733:14 734:15 736:16 749:17 750:6,18,20 751:5,11 752:2 752:5,11</p> <p><b>Missouri-Ame ...</b> 542:18 544:3 545:13,22 548:4 554:17 561:13 567:18 569:19 582:6 583:23 584:15 621:15 636:13</p> <p><b>misspoke</b> 634:8 672:25</p> <p><b>mistake</b> 593:16</p> <p><b>misunderstand</b> 614:2</p> <p><b>misunderstood</b> 611:12</p> <p><b>mitigate</b> 555:13 584:6</p> <p><b>mix</b> 596:17</p> <p><b>mode</b> 733:8</p> <p><b>model</b> 559:19 566:22 570:14 571:5 574:16 577:11 604:3 670:2</p> <p><b>modified</b> 579:8</p>	<p><b>moment</b> 545:17 560:2 604:10 606:12 613:24 614:21 620:14 649:2 685:22 725:21 739:20</p> <p><b>Monday's</b> 565:5</p> <p><b>money</b> 610:4 619:23 629:19 693:11 727:15</p> <p><b>moneys</b> 722:10</p> <p><b>monitor</b> 584:15</p> <p><b>month</b> 552:18 564:2 571:18 581:22 588:16 715:24 725:10 736:18</p> <p><b>monthly</b> 542:3 552:13 573:18 574:10 617:15 617:16 618:8 618:21 619:2,3 619:20 620:1 620:7 628:20 629:6 636:20 636:24 637:11 637:11,18 664:24 703:13,14,21 705:10 715:16 725:19 742:5 742:9,14,16,16 742:23,24 743:3,10 744:5</p> <p><b>months</b> 555:7 572:14 628:1 736:16</p> <p><b>morning</b> 540:3 540:19 541:7 550:12,13 552:24 556:19 563:3 565:1 570:6 585:3 586:5</p>	<p>590:9 591:22 593:19 598:22 599:12 601:3 601:4 602:15 602:16 617:11 617:12 642:11 642:12 646:23,24 664:15 752:18</p> <p><b>move</b> 545:15 548:21 549:22 572:16,19 574:10,21 580:14 592:14 627:11 636:19 660:25 695:1 703:8 745:13</p> <p><b>moved</b> 625:7 694:4 696:8</p> <p><b>movement</b> 567:3 568:3 568:17 615:4 615:12</p> <p><b>moving</b> 544:22 636:24 637:18 691:20 695:25 745:16,25</p> <p><b>mud</b> 737:1 738:6</p> <p><b>Mueller</b> 694:11</p> <p><b>multifaceted</b> 724:2</p> <p><b>multiple</b> 574:24 574:24 625:5</p> <p><b>multiplied</b> 655:4</p> <p><b>multiply</b> 664:2</p> <p><b>municipalities</b> 740:15</p> <p><b>Murray</b> 566:12</p> <hr/> <p style="text-align: center;"><b>N</b></p> <hr/> <p><b>N</b> 536:22 540:1 755:1 756:1,1,1</p>	<p>757:1,1,1 759:3 <b>name</b> 552:25 558:15 563:5 565:6 639:10 642:13 658:6 658:7 675:25 685:21 709:10</p> <p><b>name's</b> 590:11</p> <p><b>NARUC</b> 565:11 615:17,19</p> <p><b>national</b> 550:4 615:1</p> <p><b>nationwide</b> 735:8</p> <p><b>near</b> 579:3 590:15</p> <p><b>nearly</b> 588:16</p> <p><b>necessarily</b> 747:17</p> <p><b>necessary</b> 745:18</p> <p><b>need</b> 541:18 564:8 567:17 572:16 586:7 591:17 594:16 600:15 606:9 622:19 623:22 628:25 641:8 649:7 654:8 698:9 699:13 712:24 713:17 714:7 720:3 721:12 730:10 737:19 745:20</p> <p><b>needed</b> 543:2 568:13 739:12</p> <p><b>needs</b> 542:22 591:17 623:23 657:13 742:12 745:8</p> <p><b>negative</b> 692:9</p> <p><b>negatively</b> 687:5</p> <p><b>negotiations</b> 695:2</p> <p><b>neighborhood</b></p>
--	--	--	---	---

EVIDENTIARY HEARING - Vol. 17 3/7/2018

591:5,5 neither 549:7 759:9 neutral 722:16 never 580:16 613:15 694:21 698:11,11 699:5 708:6 747:16 nevertheless 566:5 567:9 new 540:11,17 540:24 543:5 565:3 567:19 569:15 570:16 579:19,24 580:2,3,4,10 580:17 581:17 581:20 587:10 587:13 589:4 605:8,20 608:22 615:10 629:20 666:24,25 669:8 670:4 707:4 nexus 606:17 nice 575:18 596:20 night 596:3 598:9 667:15 698:20 nomenclature 684:14 nondiscretion ... 718:14 nonresidential 614:25 normal 721:23 normally 618:2 Normandy 560:21 Norton 657:8 712:18 723:22 724:21 730:25 731:3 731:14,17	732:11 757:16 Nos 538:3 563:7 709:19 not-for-profit 563:20 note 541:11 noted 543:4 546:16 564:10 566:14 567:9 621:13 notes 742:3 noticed 600:14 notification 739:20 notified 740:2 notify 740:11 now's 599:10 number 593:3 594:20 595:8 605:23,23 628:16 633:14 633:15 655:4 664:19 669:22 673:4 673:5 679:2 682:3 685:9 686:6 704:4 713:13 741:14 746:23,24 747:18,21 numbers 593:19 594:23 596:4 597:2 601:11 646:9 653:24 666:11 numerous 739:21  <hr/> <b>O</b> <hr/> <b>O</b> 540:1 756:1 757:1 o'clock 596:11 598:22 713:11 753:25 oath 600:4 682:14	obfuscation 583:11 object 726:22 objecting 729:24 730:3 objection 613:5 659:20 objections 599:19 641:25 659:19 680:5 710:25 objective 565:13 obligation 591:2 oblivious 585:9 obvious 597:21 obviously 595:7 597:20 649:16,17 717:8 723:8 occur 568:15 717:10 occurred 564:25 622:22 offer 549:10 563:18 599:11 622:4 637:4 641:20 659:16 680:2 710:17 724:5 728:4 offered 555:15 588:22 599:18 600:13 637:14,17 641:24 659:19 680:5 683:3 710:24 offering 704:2 office 538:21 538:23 602:10 694:9 711:11,14 official 555:21 591:3 officials 577:6	590:21 591:10 offset 541:3 548:23 549:1 549:5,7,15 554:16,20 555:22 584:6 584:11 588:25 589:10,15,25 596:2 597:15 597:18,19,23 613:5 744:11 oh 597:17 621:5 656:10 680:15 680:22 681:19 689:18 707:14 711:12 726:12 729:14 okay 550:3 600:18 604:9 605:12 610:21 622:1,21 624:2 629:13 631:16 632:21 633:6,8,21 634:15,18,21 636:12 648:16 648:18 651:17 652:22 655:25 657:2 661:11,17 664:4,13 665:2,7,17,20 673:9 675:24 679:23 684:5 685:16 688:21 690:8 692:17 697:20 699:5 699:17 703:9 703:10 706:2 707:8 708:4 708:21 711:22 715:4 718:2 721:3 722:24 725:3 726:1 728:24 731:10 731:12 735:4 746:10	748:25 750:21 752:7 old 579:8 older 582:8 741:2,3 once 563:6 568:2 581:8 586:2 603:25 613:15 733:8 736:9 750:24 one-way 720:9 one-year 604:1 ones 546:14 560:22 ongoing 623:23 723:12 online 567:6 620:4 625:14 708:19 OPC 557:14,16 558:12 559:24 560:9 561:12,16,25 562:24 574:8 624:8 696:4 700:14 703:23 718:4 OPC's 561:10 693:23 699:17 700:1 707:22 756:22 open 565:18 614:13 615:9 739:8 opening 541:1,11 557:24 587:6 599:1 608:6 611:9 642:17 671:22 755:5 755:6,7,8,9,10 755:11,12,13,14 operable 623:2 operate 624:20 operation 615:10,11
--	---	--	--	---

EVIDENTIARY HEARING - Vol. 17 3/7/2018

operations 555:10 615:25 660:17	584:14,17 585:7 590:17 595:21 616:9 621:12 722:2 722:12 740:6	737:7	622:4	567:11,12,24
<b>Operator</b> 562:14	<b>ordered</b> 557:6 584:13 613:16 694:13	<b>oversight</b> 737:17	<b>paraphrase</b> 626:23	574:24 587:18 588:9 612:15
<b>opinion</b> 548:2,3 549:20 561:11 583:6 630:10 634:13 668:17	<b>Oregon</b> 578:8	<b>overspend</b> 547:5	<b>paraphrasing</b> 626:20	652:9 661:4 705:23
<b>opinions</b> 566:11 577:18	<b>organization</b> 751:9	<b>overspending</b> 547:15 694:3 694:7,16	<b>Parkville</b> 596:9 682:1	717:20 718:3 718:15,18
<b>opportune</b> 567:5	<b>original</b> 729:3	<b>overview</b> 563:18	<b>parsing</b> 745:23	725:24 728:3 728:11 730:10
<b>opportunity</b> 549:21 619:12 642:18 686:7 703:20 731:14	<b>ought</b> 626:15	<b>owned</b> 627:6	<b>part</b> 562:20 564:14 581:11 597:8,20 621:20 627:8 670:9 679:19 687:6 693:13 696:11,17 703:22 716:18 724:18 728:17 728:20 729:20 736:2 738:19 740:24 747:20,20 751:9 752:3 753:1	752:17 753:1 753:11,14 759:10,13
<b>oppose</b> 546:10 573:6 729:5	<b>outcome</b> 698:11 759:15	<b>P</b>	<b>participate</b> 556:4 596:6 596:23 597:7 597:25	<b>parties'</b> 554:1 555:19
<b>opposed</b> 569:6 569:8 603:5 642:21 645:11 677:21 705:10 719:8 720:5	<b>outcry</b> 567:2	<b>P</b> 536:19 537:21 540:1	<b>particular</b> 566:21 575:10 577:5 608:16 616:14 652:14 653:1 655:2 676:8,13,22 704:5 738:8 747:5	<b>partly</b> 741:22
<b>opposing</b> 718:3	<b>outlier</b> 594:9	<b>p.m</b> 754:2	<b>particularly</b> 550:9 552:19 571:13 574:6 574:12 576:9 608:8 620:22 678:12 720:12 732:18	<b>parts</b> 561:1 579:7 583:4 670:20
<b>opposition</b> 719:24	<b>outliers</b> 590:16	<b>page</b> 593:20 633:15 634:12 642:23 647:2 649:3 652:2 659:4 660:15 660:16 661:9 661:23 664:18 666:11,11,12,15 674:6,12 675:15,22 684:11 708:15 710:2,3,23,23 716:12,14 755:2 756:2 757:2	<b>party</b> 718:7	<b>pass</b> 564:6 606:19
<b>opt</b> 619:13 703:20 704:2	<b>outreach</b> 724:8	<b>Pagedale</b> 560:21	<b>passed</b> 692:13 698:13	<b>patch</b> 739:6,7 <b>patched</b> 739:12
<b>optimal</b> 561:11 694:19	<b>outside</b> 563:21 581:10 609:21 610:17 613:11 619:18 693:12 705:9 719:6 720:14	<b>pages</b> 674:5	<b>patching</b> 568:12	<b>patience</b> 570:1
<b>optimum</b> 745:9	<b>overall</b> 654:13 668:11,21 700:6 745:3	<b>paid</b> 559:4 581:1,23 584:9 588:11 588:13 609:9 612:17,18 620:2 625:21 625:22 626:2 670:10 679:6 693:5 720:21	<b>Paul</b> 652:4	<b>pause</b> 693:9 705:2
<b>option</b> 544:1 567:10,11,13 579:22 730:9 747:22	<b>overcollect</b> 717:16	<b>paint</b> 593:21	<b>pay</b> 543:12,12 550:20 551:3 551:11 559:8 559:10,18 568:7,8,8 571:17 581:17 582:1,2 583:3 584:7 588:16 596:15 609:14 620:4 649:11 655:18,21 663:18 664:23 670:3 691:21 693:21 702:9 734:6	
<b>options</b> 565:18 730:12	<b>overcollected</b> 722:5	<b>paper</b> 696:18		
<b>oral</b> 662:7	<b>overhead</b> 608:3 652:19 653:22	<b>paperless</b>		
<b>order</b> 542:2 553:22 554:14,15 562:25 568:4 568:23 569:11 569:12,12 575:21,22 582:1 584:4	<b>overinvest</b> 661:8			
	<b>overinvestment</b> 696:6			
	<b>overlay</b> 542:5			
	<b>overnight</b> 728:4			
	<b>overriding</b> 623:20			
	<b>overseeing</b>			

EVIDENTIARY HEARING - Vol. 17 3/7/2018

742:11,15,17 <b>paying</b> 550:19 551:12 561:2 575:23 608:11 645:2 646:5 664:20 667:23 668:16,18 670:12,14,24 692:24 698:12 702:4 702:5,6,8 727:15 734:4 <b>payment</b> 620:4 <b>PAYNE</b> 539:6 <b>pays</b> 702:3,3 <b>Pennsylvania</b> 614:12 631:8 635:7,10,13,15 <b>Pennsylvania's</b> 696:9 <b>people</b> 579:15 580:24 581:1 581:5,9,15 588:11,11 590:25 591:15 593:6 594:15 656:14 717:15 720:24 736:22 738:14 738:18 739:21 740:9 741:15 741:19 742:11 743:24 747:24 <b>percent</b> 558:19 559:15 566:9 566:13 580:25,25 581:3,3 586:20,22 587:1,2,3 589:6,7 648:5 648:6,7,8,10 665:3,8,23 666:3,13,16 688:15,16,16	690:5,9 697:8 699:22 699:24 715:25 716:8 716:9,10 725:17 735:24 748:2 <b>percentage</b> 550:21 551:4 551:11 620:3 622:8 665:9 677:6,9 747:13 <b>percentages</b> 700:13 <b>perfect</b> 566:23 <b>performed</b> 622:17 674:8 <b>period</b> 603:8 613:1 625:23 635:23 636:5 637:10 697:4 736:24 741:23 751:21,23 <b>persist</b> 573:16 573:25 <b>person</b> 620:13 <b>personal</b> 578:13 <b>personally</b> 740:21 <b>personnel</b> 579:4 <b>perspective</b> 555:10 563:10 565:15 586:12 603:6 607:19 610:19 613:4 615:2 616:2 618:19 619:1 650:12,23 693:9 697:11 726:17 742:4 <b>persuade</b> 565:2 <b>PG&amp;E</b> 704:14 <b>philosophical</b> 655:23	<b>philosophy</b> 557:21 719:20 <b>phone</b> 596:11 650:19 746:23,24 747:3,18,21 <b>physically</b> 747:20 <b>pick</b> 591:4 612:25 <b>picking</b> 557:19 <b>picture</b> 594:4 744:5 <b>piece</b> 735:2,2 <b>pieces</b> 577:18 641:12 658:25 <b>pilot</b> 593:13 596:6,13 597:7 598:12 713:19 718:25 723:9,17 726:25 727:11 727:17 728:23 730:5 <b>pipe</b> 736:12 741:3,8,9 <b>pipes</b> 741:2,12 <b>place</b> 578:5 581:19 582:9 611:15 612:25 614:8 722:2 733:7 744:23 <b>placed</b> 565:4 <b>places</b> 739:16 <b>plan</b> 543:21 547:12,16,17 623:12,21 660:14,20 661:3,5,14,20 696:13,17 <b>planned</b> 740:5 <b>planning</b> 579:19 623:19 <b>plans</b> 560:3 623:14 693:11 696:2 <b>plant</b> 548:24	562:19 565:4 579:1,5,7,10 579:20,20,24 579:24 580:3 580:5,10,18 581:18,21,24 582:2 589:4 623:1,2 625:14,17,22 626:2 654:6 666:24 669:9 670:4,9 671:7 673:3,7 676:20,20 682:1 707:5 <b>plant's</b> 702:15 <b>plants</b> 739:8 <b>Platte</b> 557:10 567:6,20 581:8,13,17,20 582:2 590:14 590:14 594:21 596:8 597:8 622:23 623:1 666:19,21,22 669:8 670:4,8 670:25 671:5 671:7 673:3 707:4 <b>plays</b> 744:4 <b>Plaza</b> 579:16 <b>please</b> 541:8 552:22 563:4 570:6 573:1 588:5 590:10 624:15 635:9 637:7 638:16 638:17,22 639:10,11 641:22 643:21 657:19 658:5 659:2 662:4 673:12 703:23 709:9 714:13 720:25 734:19 <b>plus</b> 628:25	664:5 721:5 722:3 <b>pocket</b> 581:12 <b>podium</b> 669:17 <b>point</b> 540:6 548:16 578:7 592:11 606:7 608:23 609:17 635:19 653:11 686:11 694:10 695:3 695:15,18 696:7,12,19 702:14 705:7 712:15,22 716:4,5,6 718:19 733:3,8 733:17,18 734:25 735:25 745:22 752:6 <b>pointed</b> 565:24 574:8 677:1,1 678:25 <b>points</b> 564:20 693:10 <b>policies</b> 565:19 565:22 <b>policy</b> 548:3 564:25 565:9 565:18 566:20 568:21 569:10 574:14 588:8 590:4 591:19 591:21 593:18 603:4,7,10 607:19 613:4 616:1 625:4 650:22 656:13 697:5 698:14 704:11 <b>Pony</b> 578:5 <b>poorly</b> 724:12 724:25 <b>popping</b> 742:2 <b>population</b>
---	---	---	---	--

EVIDENTIARY HEARING - Vol. 17 3/7/2018

543:7 578:12 681:10 688:16 741:15 <b>portion</b> 546:19 559:5 609:8 609:14 610:25 612:10 652:12 675:15 681:10 710:23 718:5 <b>portions</b> 730:13 <b>portrayal</b> 674:19 <b>position</b> 541:20 541:22,25 549:4 553:11 554:2 555:4 555:21 556:8 570:12 584:3 605:1 613:19 642:25 643:2 647:6 649:9 649:11,15,24 649:24 650:14 651:20 655:10 661:13 661:16 678:9 678:11,16 686:1,4 693:23,25 699:17 700:2 700:6,9,11 704:3 707:22 707:24,25 708:2,3,5 <b>positions</b> 553:25 745:24 751:2 <b>positive</b> 724:16 <b>possible</b> 569:18 571:24 572:1 605:1,4 608:7 636:3 638:5 643:13 651:3 651:12 654:11 669:16 678:17 696:3 724:16 733:25 734:2	736:7 745:15 <b>possibly</b> 723:12 724:9,17,19 727:22,25 729:8 737:6 <b>postage</b> 619:19 619:25 620:5 620:6 622:11 622:13 628:13 628:19 636:18 636:24 749:11 <b>Poston</b> 718:9,10 718:23 <b>potable</b> 681:5 <b>potential</b> 574:10 586:7 596:10 661:7 704:7 719:22 <b>potentially</b> 593:12 662:12 702:6,25 <b>power</b> 606:17 656:13 <b>practical</b> 606:4 <b>practices</b> 684:12 <b>pre-2016</b> 671:4 <b>predictability</b> 572:7 <b>predominant</b> 574:14,16 <b>prefer</b> 550:8 592:11 626:21 626:25 638:4 718:4 720:6 <b>preferable</b> 729:11 <b>preference</b> 558:17 <b>preferential</b> 558:3 <b>preferred</b> 579:22 <b>premises</b> 749:14 <b>preparation</b> 683:11	<b>prepare</b> 607:4 639:19 640:4 <b>prepared</b> 550:7 600:12 629:2 640:5,19 641:4,13 658:20 709:20 <b>prerecorded</b> 747:11 <b>presence</b> 578:23 <b>present</b> 563:14 625:25 689:22 713:22 <b>presentation</b> 688:11 713:25 <b>presented</b> 586:20 <b>presents</b> 715:7 <b>Presiding</b> 536:17 <b>pressure</b> 741:19 <b>pressures</b> 741:18,23 <b>presumably</b> 548:23 <b>pretty</b> 574:1 597:2 613:17 618:14 675:8 736:8 <b>prevalence</b> 636:21 <b>prevent</b> 696:5 719:21 <b>previous</b> 558:24,24 579:6 595:21 667:19,22 <b>previously</b> 554:8 558:13 564:24 566:9 568:24 600:13 682:14 709:22 <b>price</b> 616:20	624:25 629:11 637:10 647:3 648:4,7,19 686:19 695:24 704:19 736:4 736:6 743:3 <b>priced</b> 721:25 <b>pricing</b> 541:2 543:1,25 544:2 549:18 549:22 551:1 553:2,3,3,4 553:24 554:6 554:12 555:8 555:9 565:3 565:14 566:6 566:17,20 567:10,24 568:4 569:23 570:14 571:3 571:5 572:3 572:10 573:7 573:7,24 577:1 580:15 580:21,22 582:7 583:10 583:10,12,13 583:14,15,18 583:18,20,22 587:22 588:24 589:5 589:11,17,22 602:18 607:5 608:8,15,24 610:22 611:11 611:22 612:9 613:4,14,21,23 614:1,4,5,17,19 614:20 615:7 615:9,13 616:13 623:15 624:17,21,24 625:8 627:14 630:14,15,18 631:4,8 635:11 636:2 645:12	645:21 648:4 649:3 662:8 662:8,13,19 675:1 677:18 677:24 685:15,16 686:3,9,19 691:18,20 693:16,17 696:8 698:18 706:14 707:6 708:3,6,17 720:13 <b>PRICING/DIS ...</b> 755:3 <b>primarily</b> 545:21 624:15 <b>principle</b> 546:12 558:2 572:4 643:19 <b>principles</b> 545:24 558:11 571:1,7,20 582:14,23 <b>prior</b> 541:11 547:24 553:14 561:22 568:4,22 579:3 584:21 587:8 603:20 608:13 623:3 627:16 632:16 637:10 652:4 <b>priority</b> 560:8 693:12 <b>private</b> 592:2 593:1 <b>privatization</b> 636:13 <b>probably</b> 541:20 542:14 572:5 585:10 585:21 586:2 591:19 594:2 611:20 628:4 670:14 674:18 679:3 685:18
--	---	---	--	--

EVIDENTIARY HEARING - Vol. 17 3/7/2018

687:6 692:5 692:6 694:18 694:19 699:23 702:25 705:2 724:5 736:14 741:12 <b>problem</b> 575:20 587:9 741:5 <b>problematic</b> 687:16 692:10 <b>problems</b> 561:17 616:1 702:10 <b>procedural</b> 657:13 712:23 728:14 <b>proceeding</b> 584:5 636:2 661:21 709:17 <b>PROCEEDINGS</b> 536:4 <b>process</b> 541:24 546:21 549:14 554:19,24 555:24 556:4 557:1 566:4 579:19 584:19 613:12 620:25 637:8 657:11 734:14,20,25 736:3 737:4 738:20 740:8 740:9 741:7 744:21 749:12 749:13 751:12 <b>produce</b> 568:18 <b>program</b> 558:10 561:21 598:12 602:21 619:9 637:4 654:17 724:1,4,19 726:25 727:6 727:8,12,17 728:23 730:5 735:7,8	743:12 <b>progressive</b> 704:11 <b>prohibitive</b> 597:3 <b>project</b> 567:20 577:8 593:13 596:7,13 622:24 623:12 639:17 <b>projected</b> 623:14 <b>projects</b> 584:16 610:24 611:1 616:9 645:13 679:19 691:22 733:24 <b>promote</b> 543:8 <b>pronounce</b> 675:25 <b>proper</b> 580:22 604:21 <b>properly</b> 604:19 605:2 <b>properties</b> 548:16 578:18 578:22 609:20 610:16 <b>proponents</b> 686:2 <b>proposal</b> 542:2 545:18,19 546:11 548:1 548:14 551:9 554:18,22 558:1 567:8 569:20,23 583:16 603:3 607:6 664:18 664:20,21 687:20 690:5 713:19 715:20 717:20,22,24 718:1,3,5,20 718:22 720:5 720:6,9	723:16 726:4 728:8,11 730:8 <b>proposals</b> 718:16 <b>propose</b> 548:19 549:12 550:15 694:24 710:1 717:13 <b>proposed</b> 541:15 544:5 544:7,11,18,24 545:20 547:22 554:3 566:21 567:11 568:25 583:5 589:1 594:24 596:2 616:4 621:21 642:22 660:25 672:12 726:20 728:18 742:8 <b>proposes</b> 584:11,12,16 <b>proposing</b> 583:9 689:1 694:22 <b>pros</b> 701:15 <b>prospect</b> 567:19 <b>Protection</b> 565:11 <b>protects</b> 582:12 726:21 <b>prove</b> 576:21 <b>proven</b> 648:13 <b>provide</b> 547:4 548:14 563:9 563:17 586:10 596:4 620:10 661:2 744:6 746:22,23 <b>provided</b> 536:14 565:12 578:16 632:6 661:20 664:15	<b>provides</b> 662:8 746:22 <b>providing</b> 543:2 546:17 582:17 632:1 645:25 <b>provision</b> 681:5 681:5,9 728:13 <b>prudence</b> 576:11,13,15 <b>prudency</b> 696:20 <b>prudent</b> 580:11 <b>prudently</b> 555:14 694:16 <b>public</b> 536:2 538:2,21,23 539:2,7 544:9 544:9,13 548:3 563:6 563:10,20 565:9,18,19 565:22 568:1 570:10,18 571:20 574:18 580:13 586:19 588:7 591:7,8 602:10 607:18 608:5 616:1 624:5 625:3 628:8 636:12 642:6,14 654:25 658:11 660:8 671:14 679:24 680:16 681:4 686:2 691:5 708:15 709:18 711:11,14 719:2 724:5 725:23 732:16 734:3 734:16,24 736:21 757:11 758:21 <b>pull</b> 676:23 718:14	<b>pumped</b> 654:8 <b>pumping</b> 653:20 741:17 <b>purchase</b> 627:13 661:25 662:9 701:6 <b>purchased</b> 578:19 <b>purchasing</b> 662:20 <b>pure</b> 582:7 614:20 625:8 698:18 <b>purports</b> 674:13 <b>purpose</b> 573:9 590:19 591:14 596:13 613:20 640:14 731:7 <b>purposes</b> 639:23 643:11 672:18 747:2 <b>push</b> 753:22 <b>push-pull</b> 572:9 <b>pushy</b> 753:25 753:25 <b>put</b> 586:17 603:22 605:7 607:15 611:15 622:25 697:6 699:11 704:23 714:6 717:20 739:6 <b>putting</b> 603:4 605:23 606:11 705:6 726:6,6 <b>PWSD's</b> 711:2 758:16,17
<b>Q</b>				
<b>qualifications</b> 622:18 736:2				
<b>qualify</b> 541:18				
<b>quality</b> 607:11 607:19 734:24 737:25 741:9 741:13				
<b>quantify</b> 549:10				

EVIDENTIARY HEARING - Vol. 17 3/7/2018

648:23 <b>quarter</b> 618:23 618:24 743:1,3 743:6 <b>quarterly</b> 542:3 574:10 618:22 628:21 629:3 636:19 637:15 637:17 705:10 715:16,17 742:5,8,17,20 742:22 743:10 746:11 <b>question</b> 551:7 555:1,22,25 575:7 576:5 585:20 597:15 598:10 598:11 601:5 602:19,23 605:3,16 617:13,15 626:12 631:15 643:21 650:17 650:21 651:1 651:14 652:21 652:23 654:22 655:9 671:24 673:1 681:21 684:8 705:17 706:24 710:1 710:3,23 717:21,22 721:2,4 723:15 725:4 729:12 742:19 750:15 <b>question's</b> 621:1 <b>questioned</b> 689:22 <b>questioning</b> 753:18 <b>questions</b> 542:15 549:24 553:10,11 554:9 555:15	555:19 556:7 556:10,11,14 558:12 570:2 572:22,23 584:25 587:4 590:6 595:24 600:19 601:21 601:23,25 602:3,5,7,9,11 602:12,14,17 617:7,8,10 621:10 622:2 622:3,16 624:4 625:16 626:6,17 628:7,12 629:22 634:22 635:4 637:3 638:8 641:11 644:11 644:14,17 646:18,20,22 646:25 647:20 651:5 656:1,20 657:9 659:13 660:5,7 662:23 669:1 671:11,19 673:16,18,20 675:25 679:14,15,16 680:18,20 682:9 683:8 689:17 690:17 690:20,22 691:4,9,10,11 696:22 697:22,23 703:11,24 706:3,8 707:10,20 708:22 710:6 711:6,10,23,25 712:2,4,5,7,9 712:18 718:16 721:16 726:2	728:7,10 731:6 731:10,16,21 731:24 732:7 732:9,10,20 734:11 742:2 746:15,17,18 748:9,13 752:8,12 753:11 755:19 755:20,21,22 756:9,18,19 757:4,5,6,17 757:18,19 <b>quibble</b> 631:11 <b>quick</b> 553:12 563:18 601:5 <b>quickly</b> 737:6 <b>quite</b> 596:20 628:2 668:22 703:17 734:17 <b>quote</b> 546:25 547:1,7,7 568:5,15 569:4,8,16 634:19 <b>quoted</b> 642:16 <hr/> <b>R</b> <b>R</b> 537:4 540:1 <b>railroad</b> 578:10 <b>raise</b> 638:17 657:19 694:10 <b>raised</b> 546:14 597:18 654:24 <b>raises</b> 719:7 <b>raising</b> 696:20 <b>rarely</b> 576:15 <b>ratcheted</b> 652:8 <b>rate</b> 536:13 541:14,17 542:18 543:5 544:3,4,7,10 544:12,15,17 544:20,21,22 544:25 545:1	545:8,8,23,24 545:25 546:5 546:14 547:24,25 548:11,23 551:16 553:14 553:19,20,22 554:19 555:13 557:1,4,17 558:23 559:1 560:19 562:25 563:12 565:5 566:12,14,24 567:1,18 568:13,18,18 568:25 569:2 569:5,5,7,7,14 569:20 571:25 573:19 577:4 580:7 580:12,12,22 580:23 581:3 581:11,19 582:5,6,6,8 582:10 583:13 583:17 584:2 584:6,11,22 586:8,20,22 586:23 587:1 587:2,3 588:18,21 589:6,7 594:1 599:17 601:10 601:12 603:11 603:13,22 608:13,20 609:1,3,5,23 614:11,15 615:9 615:16 617:22 618:19 620:11 621:12 623:5 623:6 625:4 625:6,8,19 627:16 630:2 633:22 634:1 634:5 639:16	640:13 642:21 642:22 644:25 645:4 645:5 654:12 655:1 658:16 664:23 667:4 667:19 668:10 670:2 671:4 672:3,10 675:13 687:13 687:22 691:23 692:7 693:5,24 695:17,20 698:5,15 699:24 700:1 700:4,12,22 702:4 706:12 707:23 708:1 713:6,19 715:9 715:9,21 716:5 716:6,8,9,10,11 719:18 720:18 722:8,9,12 723:20 758:8 758:13 <b>ratepayer</b> 558:15,18 595:2 677:22 725:14 727:19 727:24 <b>ratepayers</b> 582:25 595:16,17 607:1 608:9 608:10 655:17 655:21 679:7 701:19,21 702:19,24 720:21 722:11 725:17,19 727:22 <b>rates</b> 543:11,20 544:12,18 546:2,7,11,12 546:13 547:1 548:7,15,17
--	---	--	---	---



EVIDENTIARY HEARING - Vol. 17 3/7/2018

549:3,6	<b>read</b> 550:16	610:10	715:7	735:7
550:16 555:12	618:1,2,7	<b>reason</b> 567:22	<b>receiving</b>	<b>record's</b> 688:21
556:21,22	619:17 630:11	572:6 598:9	562:12	<b>records</b> 699:9
557:2,5 558:3	648:15	605:24 614:16	687:25	<b>recover</b> 556:25
559:9 566:9	673:25 743:10	667:12,14	688:18	594:8
566:10,23	743:11,21	668:1 742:8	<b>recess</b> 599:2,4	<b>recovered</b>
567:4 568:7	745:17 746:6	<b>reasonable</b>	656:25 657:1	608:21 700:13
568:25	<b>readers</b> 745:16	543:21 556:21	712:16 714:8	<b>recovery</b> 604:1
569:17,24	745:23	556:22	730:16,20	<b>recross</b> 624:4
571:14 573:20	<b>reading</b> 619:3,5	568:12	<b>reclassifying</b>	679:23 680:11
573:22 574:7	662:5 743:24	576:23	558:22	705:14 748:8
576:23 577:5	744:14,24,24	580:25	<b>recognition</b>	<b>recross-exam ...</b>
577:12 580:14	748:23	585:14 615:25	564:15	626:10 628:10
582:16 588:10	<b>reads</b> 743:12	<b>reasons</b> 545:12	<b>recognize</b>	656:2,5
588:18,20	<b>ready</b> 599:8	546:16	549:12 565:19	680:14 681:1
593:11,24	<b>real</b> 575:9	562:24	573:13 663:8	705:18 706:6
597:16 598:13	588:11 589:22	570:14 572:18	<b>recognized</b>	706:20
604:9,12	590:19 594:7	595:20	582:14 625:14	755:18,23,24
605:3,8,17	700:1,4	597:21 613:3	625:18 671:7	755:25
607:15	704:22	625:4 661:6	<b>recognizing</b>	756:10,20
608:22	707:16 751:8	686:6 716:22	576:1	757:7,8,9
609:24 614:7	<b>reality</b> 564:3	716:23	<b>recollection</b>	<b>red</b> 710:14
614:10,17	592:13	<b>reassigning</b>	634:16	740:4 746:19
625:14,18	<b>realize</b> 731:3	619:4	669:20 716:17	746:21 747:14
645:24 647:1	733:15 734:2	<b>rebuttal</b> 569:3	<b>recommend</b>	<b>red-lined</b>
647:9 648:21	751:18	582:24	630:8 655:7	710:22 758:18
662:15 665:5	<b>realized</b> 733:9	633:12,19,25	696:4	<b>redacts</b> 710:22
667:1,20,22	750:25 752:5	640:13 649:3	<b>recommenda...</b>	<b>redeploying</b>
668:12,18	<b>really</b> 552:9	652:1 658:21	542:21 584:21	745:7
671:8 674:20	570:15 571:18	659:3 661:10	615:12 711:19	<b>Redfield</b> 557:8
683:17,21	574:7 585:16	661:23 674:1	<b>recommended</b>	<b>redirect</b> 634:23
684:1,7	594:4 605:22	674:2,5	554:5,7 661:2	635:1 656:21
688:24 711:19	610:17 612:18	709:21 710:21	<b>recommends</b>	681:20,22
716:7 720:2,16	613:3,7,22	758:5,10,16,18	556:1 584:18	707:16,18
720:16,20	616:17 618:17	<b>recall</b> 620:10,12	<b>record</b> 540:5,8	756:3,21
722:1 727:21	628:25 644:5	626:12,17	543:22 547:8	757:10
742:12	654:8 661:22	627:12 628:12	563:5 569:25	<b>reduce</b> 542:2
<b>rationale</b> 603:4	687:5 688:15	629:23	583:11 586:1,6	704:12
603:7	695:15 696:19	630:15 632:3	599:2,6	<b>reduced</b> 759:8
<b>ratios</b> 573:13	700:24 726:5	632:25 633:4	600:14,16	<b>reduces</b> 555:11
<b>reach</b> 747:5	726:18 727:16	672:11 673:6	603:15,16	<b>reduction</b>
<b>reached</b> 685:6	731:7 734:5	700:7 748:13	638:22,25	545:7 596:16
704:4,8	738:10 744:19	750:10 751:2	639:11 649:17	604:18 606:13
729:18	<b>realm</b> 665:23	<b>receive</b> 558:17	657:3 658:6	727:20
<b>react</b> 596:21	690:9	562:21,23	680:7 712:17	745:20 746:3
<b>reaction</b> 648:5	<b>realtime</b> 728:22	564:18	712:24 713:17	<b>refer</b> 548:22
674:16 729:10	<b>reaping</b> 610:7	<b>received</b> 683:4	721:13 730:22	741:5 747:9

EVIDENTIARY HEARING - Vol. 17 3/7/2018

reference 708:11,20	571:22	relief 595:1	replaced 542:25	585:4 591:3,11 642:14
referenced 548:10 565:1 567:23 568:21 601:6 601:12 642:19 685:12 710:16 710:24	regulation 719:21,23	reluctant 565:6	560:14 742:12	represents 557:16
references 735:16	regulations 733:13	rely 592:24	replacement 559:11 561:20	request 536:12 549:17 569:13 569:22 586:19 716:18
referred 547:20 617:23 633:3 744:17 748:18	regulator's 565:15	remain 545:15 546:8	602:21 610:18 649:2 654:17 654:21 655:19 678:8 688:2 696:23 733:24 745:5	requests 562:24
referring 550:22 576:8 632:18 633:17 633:18 660:22 687:19 749:21	regulators 571:21 696:15	remained 694:12	678:8 688:2 696:23 733:24 745:5	require 587:18
reflect 568:21 665:13	regulatory 536:17 555:10 565:17 582:14 615:21 652:16 684:12 722:4 722:5	remaining 590:15 670:8	replacements 558:9	required 546:25 579:4 606:18 708:13
reflection 655:14	reimburse 722:10	remarks 563:12	replaces 560:4	requirement 541:15 544:23 545:4,7 546:4 547:11 634:1
reflects 568:19 586:18 603:17	related 561:16 603:9 606:22 625:21 626:1 629:22 652:25 654:16 677:7 759:10	remember 572:8 579:13 588:10 620:15 621:5 653:10 662:5 669:21 673:13 682:5 703:17 714:6	replacing 650:3 678:17 702:16 744:13 744:14 745:5 749:6	requires 556:21 613:10
refresh 634:15	relates 608:9 691:18	remembering 703:21	report 553:22 568:4,22 569:11,12 658:15 660:13 675:12 758:8	resale 544:13 564:12,16 569:1 601:11 614:25 711:20
refund 717:16 727:9	relating 541:24	remind 600:3 682:13	REPORTED 536:22	rescind 630:8
regarding 547:14,15 553:4 569:12 569:14 598:12 601:5 635:7 637:24 703:13 734:14,18 742:4	relationship 740:15	reminder 563:17 588:10	reporter 540:12 709:10 759:1 759:4,19	research 648:14
regardless 546:4 644:7	relative 617:14 655:5 674:13 679:2 685:9 703:13 738:6 744:10 759:12	remiss 732:7	reporting 696:4 696:10	resell 593:6
regards 691:19 697:6	relatively 647:3 647:11,12,16,17 647:17,24,24 648:9,19,20 651:21 662:20 674:11,18 675:8	remote 748:23 749:1	represent 563:6 578:2 590:12 591:2 601:13 687:8	reside 558:20
regime 707:6	released 737:23	remotely 618:1	representation 683:20,23 685:17	residential 544:8 552:14 552:19 558:8 594:6 595:2 595:16,16,17 614:24,24 621:16 649:18 650:5,6 651:21 654:3 663:22 667:4 667:6,9,23 668:24 674:9 674:11 678:18 678:19 679:21 725:14,19 747:13
regional 574:2 576:2 685:5	release 738:2 753:3	repaired 739:12 738:23	representative 552:18 750:12	residentially 622:8
regressing 699:15	released 737:23	repeat 563:14 624:16 631:15	representativ ... 564:4 590:23 590:24 591:4	
regulated 699:15	relevant 586:15 677:14,16	rephrase 750:16	represented 688:11	
		replace 560:3 560:6 693:20 744:16	representing 541:9 563:19	

EVIDENTIARY HEARING - Vol. 17 3/7/2018

residential 667:18	693:6 728:3	reverse 740:3	710:16,20	rule 630:1,9,11
residents 559:23	restaurant 577:11	revert 547:23	712:11 714:9,14	rules 616:4
588:12,13	restoration 627:8	555:3 582:4	720:2 721:1	735:11
589:8 590:21	restore 739:16	593:15 671:3	723:1,10 730:7	run 561:4,4,13
609:6,13	result 546:3	661:4 673:23	730:18 733:24	701:18,18
610:2,7 612:11	606:13,14	684:5 685:3	736:22 737:16	717:6 740:15
691:21 703:19	645:2 701:19	686:23 730:11	740:19 746:13	751:17
resolution 615:17	723:4 727:20	reviewed	751:12 752:13	Rupp 721:15
resolutions 615:20	resulting 569:24	688:22	754:1	rural 563:21
resources 595:9 617:3	750:25	reviews 576:13	right-hand 594:4	564:4
694:8,18	results 618:16	576:15	ring 560:21	RYAN 538:22
respect 553:2	resume 540:5	revisions 600:15	rise 742:13	ryan.smith@d... 538:24
555:21	639:2 657:14	640:22	risk 568:6	
587:25	752:19	right 551:18	river 574:4	<b>S</b>
607:16 608:18	retained 639:18	552:1 585:20	578:8,25	S 536:17 538:10
609:21	758:21	585:23 586:2	579:10	538:19 540:1
624:25	retired 593:4	587:5 591:10	Riverside 537:20	safe 623:24,25
636:18 637:2	596:19 716:25	594:21	590:13,20,21	632:1,6
637:23	retrospectively 699:10	598:23	593:24 595:7	739:13
640:12,25	return 549:17	603:17 605:15	596:2 597:5	safely 735:9
respectfully 561:12 569:22	699:10	607:3 612:5	598:18 624:7	safety 698:8
respects 543:18	return 549:17	619:15 621:8	656:3,4	735:7,11,12
responded 569:3 743:18	554:13	624:2 627:8	666:25 671:12	737:24
responding 706:24	602:25 603:1	628:3,6	676:20	743:22 744:4
response 626:24 652:3	603:10 604:8	632:23 634:11	690:24 711:12	sailed 699:14
656:12 662:3	626:22,25	636:6 638:17	Riverside's 593:23	sake 557:12
693:10	654:15 697:1,1	639:1 640:7	Road 537:9	salaries 677:2
703:25	697:2 699:23	644:4,6 646:6	roll 614:10	sale 544:12
732:22	returned 626:15	653:6 654:6	room 649:16	564:12,16
responses 717:9	revenue 541:15	657:19 660:18	651:17 691:14	569:1 601:11
responsible 575:25 582:11	544:23 545:4	666:11 671:8	Rose 595:3,4	614:25 711:20
responsive 597:10	545:7 546:4	672:7,12,23	596:7	samples 733:13
rest 560:13,13	556:23,25	673:2,15	roughly 611:17	733:18
582:10 608:14	604:22	676:17 685:7	628:19 677:6	sanity 684:9
609:10 687:15	605:25 606:1	685:25	716:7,7	695:16 696:14
	606:6 634:1	688:20	roundabout 549:2	saved 592:7
	647:19,22	693:18 695:2	rounded 586:22	savings 606:20
	717:14 722:16	695:5,14,20	routine 733:12	606:25
	revenues 559:15 604:14	698:9 699:1	742:10	629:19
	604:16 605:5	699:21	row 743:15	saw 573:15
	606:2 647:25	700:23 701:8	rowing 579:15	577:8 588:22
	648:20 716:13	701:16 702:1	rude 738:12	589:6
	722:18	703:2 704:14		saying 552:4,5
		705:6,6,13		585:12,23,24
		708:23,25		611:10 648:10
				684:25

EVIDENTIARY HEARING - Vol. 17 3/7/2018

693:13	573:24 574:1	<b>separated</b>	678:18 679:1,3	609:16
698:20 720:5	585:7 587:19	675:10	679:18 681:9	<b>shares</b> 595:8
<b>says</b> 674:7	588:23	<b>serve</b> 559:5	696:23 707:3	<b>sharing</b> 595:6
<b>sbell@bbdlc.c ...</b>	593:14 594:3	563:21 621:16	719:23 732:5	679:11
538:12	597:3 604:18	650:1 651:20	732:12 733:9	<b>sheer</b> 566:15
<b>scale</b> 616:18	622:19	677:20	734:8 744:17	<b>sheet</b> 720:18
631:20	626:22,25	<b>served</b> 636:9	750:10 751:19	<b>shielded</b>
<b>scanning</b>	634:12 661:5	656:15	758:8,15,22	558:10
752:10	661:14,18	<b>serves</b> 563:24	<b>services</b>	<b>shift</b> 564:25
<b>scenario</b>	666:2,10	<b>service</b> 536:2	536:23 543:2	668:2
550:23	674:14 686:17	536:13,14	<b>serving</b> 652:13	<b>shifted</b> 551:20
555:20	692:6 699:2	539:3,7 543:3	652:25	670:15
665:14 715:10	699:3,7	546:17,25	653:15 676:8	<b>shifting</b> 668:3
715:12,13,18	702:24 714:1	548:25	677:8,22	<b>shifts</b> 566:7
<b>scenarios</b>	715:21 717:3	553:15 558:8	<b>set</b> 548:8,15	667:22
542:6 715:8,8	718:18 727:19	559:25 560:4	553:10 554:9	<b>shock</b> 543:5
<b>schedule</b> 541:14	733:3 743:8,11	560:14 564:5	568:22	555:13 566:12
599:17	752:17 753:15	564:11,13,15	577:12 579:6	566:24 567:1
676:24 758:13	<b>seeing</b> 577:21	571:3 578:16	588:11,18	571:25 577:4
<b>scheduled</b>	599:20	580:3,13	627:18 672:3	695:17 698:5
712:21 713:7	635:16 642:1	581:2,7,10	719:18 722:2	698:15 700:1
753:16	657:14 659:21	582:18 583:2	747:19	700:4,22
<b>scholarly</b>	668:9 680:6	584:8,10	<b>setting</b> 546:12	719:18
577:18	711:1	591:8 592:20	<b>settle</b> 739:3	<b>short</b> 543:11
<b>scholarship</b>	<b>seen</b> 561:20	594:16 602:21	<b>settlement</b>	545:11 559:3
577:10,16	568:9 575:9	618:12 622:9	621:21	561:4 568:9
<b>science</b> 546:22	588:20,21	623:23,24,25	<b>seven</b> 553:16	632:15 697:7
<b>scrutiny</b> 567:13	591:21 635:12	626:13,16	582:10 672:13	730:20 751:21
<b>seat</b> 578:11	736:23	632:2,6	672:14	751:22
<b>seated</b> 638:20	<b>selection</b> 657:11	636:8 640:13	<b>sewer</b> 536:13	<b>short-term</b>
657:25	731:25	643:11,20	607:8 615:15	603:5 604:1
<b>SEC</b> 708:13	<b>self-contained</b>	644:1,5	627:13,21	697:15
<b>second</b> 547:17	716:24	645:18,21	628:2,3	<b>shorter</b> 685:22
548:6 554:13	<b>sell</b> 567:7	646:6,11 649:1	636:16 658:13	689:8,9,10,11
593:20	<b>send</b> 743:16	649:25 650:1	660:17 662:17	741:11
597:14 616:6	749:10,15	650:2,4	662:21 681:9	<b>shot</b> 752:23
623:9 638:22	<b>sending</b> 619:23	653:18 654:6	700:20	<b>show</b> 674:13
638:24	<b>seniors</b> 596:15	654:10,11,13,17	706:10	710:15
640:12 678:7	<b>sense</b> 562:21	654:21 655:3	<b>shadow</b> 724:19	<b>showed</b> 652:2
679:4 693:13	575:24 598:3	655:4,7,15,18	724:21 725:1	668:8
716:5 717:21	677:19 686:5	655:24	<b>share</b> 543:1	<b>showing</b> 541:14
718:12 721:11	687:12 733:21	657:10 658:12	558:7 562:22	<b>shown</b> 652:4
725:8 735:2	<b>sent</b> 629:4	658:16 660:13	581:6 594:22	<b>shows</b> 652:5
737:14	718:16 743:13	663:10 667:16	594:24 612:3	716:12
<b>sector</b> 593:1	<b>separate</b> 613:11	667:21,24,25	668:20 670:3	<b>shut</b> 579:2
<b>see</b> 545:10	671:5 692:14	675:12	677:19 713:13	739:25 740:2
572:15	720:18 729:9	676:25 678:8	<b>shared</b> 608:25	740:12

EVIDENTIARY HEARING - Vol. 17 3/7/2018

side 562:10 668:25 698:24 704:22 signal 743:4 signaled 543:23 signatory 729:2 729:6,20 signature 729:7 signed 747:14 significant 589:10 596:16 618:24 719:11 744:7 significantly 645:8 silent 694:13 729:6 Silvey's 563:16 similar 546:18 588:22 589:2 616:21 651:21 674:11 698:23 715:22 similarity 674:14 similarly-situa ... 675:9 simply 571:14 575:19 590:3 603:20 729:6 739:25 single 541:2 543:25 544:2 544:7 551:15 553:2,23 554:5,12 555:9 558:1 558:23 559:20 562:1 562:3 565:3 565:10,14 567:9,24 568:3 569:23 572:3 573:7 580:15,22	583:9,13,18 589:20,21 590:2 592:16 596:25 597:1 597:6 598:13 608:8,15,24 610:22 611:22 612:9 614:1,4 614:17,19,20 615:7 616:13 623:15 624:17 624:23,25 625:8 627:14 630:7,14,18 631:4,12,18 632:10,14 636:2,9 662:7 675:1 677:18 677:23,23 684:15 685:15 685:15,17 686:3 689:2 691:18,20 698:2 699:2 699:3,6,13 700:19 701:10 702:25 706:13 707:24 708:2,6,7 720:13,14 sir 638:7 674:15 675:14 712:12 sit 682:5 698:19,22 699:11 site 579:3 sites 736:10 739:12 sitting 552:1 669:15 677:25 753:21 situation 611:2 635:7 719:18 747:1,4 situations 687:1 734:7 750:1 six 672:14	size 630:23 631:6,16 655:5 685:9 689:3 694:9 skeptical 558:5 slash 660:12 sleep 698:19 slightly 674:22 slim 692:6 slow 585:24 small 543:7,8 544:8 575:1,4 594:15 607:7 608:1 612:10 615:24 616:23 627:13,21 628:2,2 629:22 630:3 635:14,17,22 636:4,15 647:13,14,15 661:25 662:9 662:17,20 685:13 700:20 706:9 smaller 564:18 592:18 607:17 607:23 625:3 630:25 631:1 631:3 654:21 662:11 669:22 742:16 smart 619:13,16 619:22 703:16 703:18 744:9 748:17,19,20 Smith 538:22 556:18 602:11 624:8 628:9 628:11 633:16 633:18 634:5 634:11,21 646:19,20 656:19,20 660:9,11 662:22 679:25	682:20 683:2 697:18 707:13 707:16,19 708:21 711:15 711:17,22 718:4 748:10 748:12 752:7 755:7,25 756:14,24 757:10,14,20 Smith's 635:4 snail 749:11 snapshot 733:19 so-called 729:17 socialization 558:4 593:2 socialize 559:20 610:23 655:11 655:12,20 socialized 609:2,10,25 610:6,25 611:24 612:10 654:18 679:6 681:13 691:24 socializing 561:9 593:3 654:23 693:1 societal 681:4,9 society 655:13 655:14 679:11 socioeconom ... 560:19 soil 741:8,10 sole 709:15 solely 695:12 706:13 solution 548:14 solutions 575:3 somebody 621:2 629:1 669:11 674:3 705:9 soon 618:14	sorry 560:11,18 569:11 597:17 607:25 621:11 631:9 632:13 632:17 651:10 652:21 656:10 660:18 680:12 680:22 697:1 707:14 718:8,8 721:10 729:14 749:20 sort 541:20 542:6 570:20 572:8 622:22 643:10 662:13 684:9 687:9 693:22 696:14 704:15 716:14 719:8 727:10 sought 563:9 596:23 sound 603:17 682:2 sounds 665:24 714:14 724:21 source 580:2 653:19 708:16 span 702:14 703:4 speak 605:17 739:20 750:17,19 speaking 551:15 622:8 750:21 752:2 specific 549:3 550:23 556:7 577:15 580:21 592:1,6,24 612:12 651:6 653:15 738:2 738:3,25 739:2 specifically 544:6 576:8 588:19 594:12
---	---	--	---	--

EVIDENTIARY HEARING - Vol. 17 3/7/2018

609:6 621:24	544:19 547:21	687:4,10,12,14	694:13 705:16	<b>state</b> 536:1
625:2 654:20	557:7,10	687:15,18,25	711:24 717:23	543:14 560:13
677:22	558:15,18,21	688:17 689:4	717:23 752:9	561:2 568:11
683:15 700:10	558:22 559:1	689:4,7,7,9,10	753:5,12	569:18 571:17
<b>specificity</b>	559:3,7,8,10	689:11,12,12	758:8	578:18 583:4
549:12	559:17,18,23	690:3 691:19	<b>Staff's</b> 541:19	591:17 595:23
<b>specifics</b>	560:5,11,18	691:21 692:10	541:25 542:21	608:14,25
549:10	562:8,8	692:24 693:4	545:18 553:11	609:25 614:12
<b>speculate</b>	563:22,23	693:12,14,20	554:17,22	616:19,20
547:3	564:13 565:4	693:21 695:10	555:4 556:8	635:10,11
<b>speculative</b>	565:7 566:8	702:2,2,3,4,6	583:16 584:2	639:10 647:3
547:7,15	569:20 574:6	702:7,8,10,14	599:13 603:3	651:22 654:19
<b>spell</b> 658:5	574:7,8	702:14,23	657:15	658:5 684:21
709:9	577:23 578:2	703:6,14	659:23	685:10 687:16
<b>spelled</b> 658:8	578:4,6,7,11,16	705:15 707:3	660:12 661:13	688:25 689:2
750:7	578:17,20	726:16 732:17	661:16 664:18	691:25 693:6
<b>Spencer</b> 590:12	579:1,6,19,24	736:17 740:17	664:21 678:9	704:6 709:9
<b>spend</b> 610:4	580:4,18,19	740:20,21	690:5 715:10	759:4
<b>spending</b>	580:20,24	741:4,16,18	756:11 758:8	<b>state's</b> 560:13
693:11,14	581:1,6,9,12,15	742:6 746:4,4	758:10,11,13	<b>stated</b> 542:22
<b>spent</b> 694:19	581:17,22	748:1,6 749:8	<b>stages</b> 629:15	<b>statement</b>
<b>spike</b> 733:17	582:4,22	<b>stability</b> 545:24	<b>stake</b> 576:24	557:24 611:9
<b>spin</b> 583:25	587:15 589:3	546:1	577:2	642:17,20
592:17	589:9 592:5	<b>stabilization</b>	<b>stand</b> 568:2	668:25
<b>split</b> 575:17,19	593:22	604:22	600:1 651:18	688:14 755:5
597:22	594:20	605:25	731:4 742:1	755:6,7,8,9,10
<b>spoke</b> 629:14	601:24 608:9	<b>staff</b> 539:2	<b>standard</b>	755:11,12,13,14
<b>sponsored</b>	608:9,12,16,18	541:12 545:20	576:20	<b>statements</b>
565:7,10	609:6,10,14,21	545:23 553:1	586:16	541:1 554:2
675:16	610:2,5,5,7,8	554:2 555:20	<b>standards</b>	587:7 599:1
<b>sponsoring</b>	610:10,17,21	556:1,4	750:6	<b>states</b> 550:10
585:18	611:6 612:23	557:14 561:19	<b>standby</b> 564:8	562:15 565:11
<b>spread</b> 589:13	612:24 617:17	564:14 566:21	<b>standing</b> 585:6	574:15,19
608:2 617:4	617:25 618:10	570:10,18	<b>standpoint</b>	605:19,21,24
662:11,14	618:20	572:13 581:5	592:3 698:19	613:15,25
678:22 681:5	620:22	581:16 583:5	<b>stands</b> 562:13	614:18 615:8
691:24	625:13,22,22	584:20	703:23	624:17 630:17
<b>spreading</b>	626:2 645:1,8	585:23	<b>start</b> 558:6	630:20
607:9	645:10,24,24	586:10 599:13	593:21	683:20 684:6
<b>springing</b> 553:5	646:10 655:19	599:15 602:8	652:20 660:3	684:18,19,20
<b>spun</b> 741:5	669:3 670:3,8	619:4 626:8	687:17 732:12	684:20,25
<b>spur</b> 692:21	670:9,15,17,18	645:4 646:17	735:6 745:13	685:1,2,4,7,12
<b>spurring</b> 690:16	670:23 671:5	656:18 658:17	752:24 753:14	686:23
<b>Sr</b> 582:20	671:6 673:6	658:21 659:17	<b>started</b> 617:13	688:22,23
<b>St</b> 537:9,13	676:14,20	660:24 661:1	623:8 707:5	696:7 704:5
538:13,19	680:10	661:13 678:13	<b>starting</b> 574:23	708:8,17
540:13 542:4	685:23 687:2	686:4 691:1	617:22	733:6 751:18

EVIDENTIARY HEARING - Vol. 17 3/7/2018

<b>statewide</b> 544:7,22 545:9 546:20 569:21 583:9 610:19,24 638:5 652:16 653:8,14 676:10 677:9 677:20	545:4 546:4 586:21 717:8 728:13,14,17 728:18 729:3 729:18,23	<b>studies</b> 564:15 646:9 704:18	587:13	595:11 598:3 611:11 718:6
<b>station</b> 585:6,6	<b>Stonebridge</b> 557:11	<b>study</b> 565:9,12 584:21 643:12 644:1 645:18 645:21 653:18 667:16 676:25 695:12 717:8	<b>suffer</b> 558:16,18 559:24	<b>supports</b> 577:10 577:16
<b>statute</b> 638:1	<b>stop</b> 558:6 684:22 686:22 739:25	<b>stuff</b> 619:19 693:15	<b>suffered</b> 559:7	<b>supposed</b> 551:23 596:9 721:24
<b>stay</b> 565:25 566:19 568:3 572:19 692:9	<b>stopping</b> 655:19 743:15	<b>subject</b> 557:24 580:6 603:18 607:3 625:13 683:12	<b>suffering</b> 574:9	<b>surcharge</b> 559:9,14,16 574:9 616:8 687:11 692:25 702:3
<b>staying</b> 570:25	<b>storage</b> 654:7	<b>subjected</b> 729:22	<b>sufficient</b> 603:21	<b>sure</b> 585:22 587:23 596:9 596:21 606:8 611:3 623:4 628:22 636:23 637:16 646:2 649:22 652:22 655:8 659:3 671:25 682:4 684:23 692:15 697:11 697:16 700:9 704:9 719:15 723:19 724:9 724:15 725:4 726:7 728:25 732:13 733:19 735:8,10 736:1 736:5 737:9 737:14,19 739:15 742:9 745:8 749:13 750:15 753:4
<b>steak</b> 575:14,22	<b>story</b> 589:2	<b>submit</b> 549:16 639:20	<b>suggest</b> 547:12	<b>suggesting</b> 753:22
<b>Steinmeier</b> 538:14 540:10 540:14 577:24 578:1 587:14 589:4 601:25 624:10,11,13 626:5 630:14 644:16,17 669:4,6,14,18 670:1 671:10 680:12,15 689:17 690:21 690:22 711:5 711:7 713:4,15 726:12,14 753:4,21 755:11,23 756:16	<b>STP</b> 580:15	<b>subsequent</b> 614:15 625:6	<b>suggested</b> 565:12 587:23 697:15 753:19	<b>suggestion</b> 609:18
<b>stem</b> 555:19	<b>strategy</b> 561:7	<b>subsidies</b> 573:8 581:25 584:10	<b>suggests</b> 561:12	<b>Suite</b> 537:17 538:6,11,19,23 539:7
<b>step</b> 545:1,8 549:21 669:16 714:25 716:8 726:7 728:15	<b>street</b> 537:17,22 538:11,23 539:7 579:16 692:22 738:23	<b>subsidiary</b> 614:1 685:11	<b>supervision</b> 640:20 641:5	<b>supplies</b> 740:16
<b>Stephanie</b> 538:10 588:6	<b>streets</b> 738:9	<b>subsidize</b> 581:15 582:13 687:15	<b>supply</b> 538:2 544:14 563:7 563:11 564:7 568:1 578:7 579:9 580:2 624:6 642:7 642:14 653:19 671:14 680:16 691:5 709:18 757:11	<b>support</b> 545:15 547:9 564:11 588:25 599:15 604:8 674:25 675:2 698:3,22 699:6 704:25 721:7
<b>steps</b> 580:13	<b>stress</b> 565:21 562:16	<b>subsidizer</b> 645:10	<b>supported</b> 569:24 698:2 708:6	<b>surrounding</b> 619:18
<b>stick</b> 673:10 690:4	<b>stretches</b> 572:12	<b>subsidizing</b> 560:12 687:12	<b>supporting</b> 562:25	<b>surrounding</b> 619:18
<b>stipulated</b> 541:16 652:8	<b>strike</b> 572:12	<b>subsidy</b> 573:9 645:25	<b>supportive</b>	<b>survive</b> 592:6
<b>stipulation</b>	<b>strong</b> 698:16 704:19	<b>substantial</b> 566:1 583:1		<b>susceptible</b>
	<b>strongly</b> 557:14 573:6 595:11 616:10	<b>substantive</b> 727:4		
	<b>structure</b> 544:24 547:24 553:7 554:4,6,12 555:3,5,6,18 557:16 569:15 569:20 606:13 608:23 693:24 706:13 723:20	<b>suburbs</b> 560:22		
	<b>structures</b> 625:4	<b>success</b> 695:4 <b>sudden</b> 695:9 <b>suddenly</b>		
	<b>stuck</b> 673:4			

EVIDENTIARY HEARING - Vol. 17 3/7/2018

579:10 <b>swinging</b> 589:23 <b>switch</b> 678:7 <b>sworn</b> 600:3,8 638:19 639:6 657:23 682:14,17 709:5 731:1,19 759:6 <b>sympathetic</b> 575:2 <b>system</b> 550:9 557:18 559:11 562:14 564:17 574:20 576:2 576:23 589:21 605:20 607:14 613:14 614:6 616:18 616:24 629:4 629:7 635:22 636:4 645:22 654:9 662:11 662:12 685:20,21 702:8 740:3,4 740:25 741:1 741:19,23 742:21 745:6 745:9 746:20 746:21 747:14 748:24 <b>systems</b> 543:9 553:15 562:15 573:11,12 574:4 575:5 589:24 607:7 607:8,17,23 608:1 615:24 616:6,8 625:3 627:13,21 628:3,5 629:23 630:4 635:14,17 636:16 662:21	685:13 699:25 701:1 706:11 733:6 <hr/> <b>T</b> T 756:1 757:1 <b>table</b> 640:8,23 641:9 669:15 687:14 <b>take</b> 545:17 549:20,21 567:14,17 577:8 586:15 586:24 587:13 595:19 599:1 604:20 613:19 614:8 623:19 636:20 652:9 654:7 676:5 677:4,12 682:6 701:10 707:17 712:16 714:1,7 722:10 724:11 730:16 737:2 747:18 <b>taken</b> 580:13 599:4,25 600:16,16 657:1 699:25 713:7 730:20 759:7,11 <b>takes</b> 722:1 742:14 <b>talk</b> 545:17 588:18 590:20 593:13 598:11 598:21 602:19 643:12 648:2 648:3 661:24 713:11 724:6 729:1,11 734:19 735:3 738:22 753:15 <b>talked</b> 566:3 589:16 610:15	630:13 645:15 667:5 676:19 703:18 738:14 <b>talking</b> 558:13 585:14 591:22 598:8 648:13 653:21 659:4 676:13 678:12 686:18 687:17 688:15 690:2 703:16 726:18 729:4 <b>Taneycomo</b> 557:12 <b>target</b> 735:24 <b>targeted</b> 575:6 <b>tariff</b> 541:2 543:25 544:2 553:2,23 554:5,12 555:9 558:2 559:20 562:1 562:3 565:3 565:10,14 567:10,24 568:3 569:23 572:3 573:7 580:15,22 583:9,10,12,13 583:14,18,20 583:22 589:20 590:2 592:16 595:11 596:25 597:1 597:6 598:13 607:5 608:8 608:15,24 610:22 611:22 612:9 614:1,4 614:17,19,20 615:7 616:13 623:15,15 624:17,23,25 625:1,7,8 627:14 630:7 630:14,15,18 631:4,12,13,14	631:18 632:11 632:14 635:22,24,24 636:2,10 662:7 663:9 675:1 677:18 677:23 684:7 684:15 685:15 685:15,18 686:3 688:24 689:2 691:18 691:20 698:3 699:2,3,6,6 700:19,19 701:10 702:25 706:14 707:24 708:2,7 720:13,14,18 720:21 755:3 758:15 <b>tariffs</b> 554:14 625:5 636:5 684:13,16 <b>taught</b> 593:17 <b>technical</b> 720:24 730:11 <b>technology</b> 617:23,23 618:20 748:14 748:16 <b>telephone</b> 713:8 752:22 <b>tell</b> 552:12 659:2 663:16 686:25 698:1 727:7 739:2 739:10 <b>temperatures</b> 741:21,25 <b>temporarily</b> 739:7 <b>ten</b> 604:6,6 615:5 684:19 684:25 685:2 685:4 708:8 708:16 <b>ten-year</b> 603:3	603:8 697:3 <b>tend</b> 588:7 <b>tender</b> 600:19 641:21 659:25 683:4 710:18 <b>term</b> 543:12,13 566:1 568:9 568:10 583:12 583:19,23 607:2 614:16 616:25 697:7 699:8 701:23 745:17 <b>terminology</b> 583:8 <b>terms</b> 563:12 603:7 606:17 610:11,12 613:13 619:25 620:1 623:19 623:22 624:19 625:8 631:5,19,22 635:13 643:10 644:6 677:16 692:12 696:20 701:14 705:3 <b>territory</b> 549:1 578:9 611:1 <b>test</b> 592:23,24 694:20,24 <b>testified</b> 600:8 639:6 657:23 666:2 682:17 709:5 731:19 <b>testify</b> 657:6,9 713:8 <b>testimonial</b> 683:3 <b>testimonies</b> 633:25 658:20,25 <b>testimony</b> 554:2 565:8 569:3 582:24 585:19 600:13
--	---	---	--	---



EVIDENTIARY HEARING - Vol. 17 3/7/2018

621:13,14	595:24,25	674:4 711:15	610:14 613:18	729:1,11 732:3
633:2,11,13,19	597:11 598:5	<b>theirs</b> 609:16	614:7 615:4	732:6,19,21
639:20,25	598:23	<b>theory</b> 562:11	616:16,21,22	734:9,12,22
640:8,13,23	599:23	<b>thereto</b> 759:13	616:25 617:14	736:14,25
641:1,8,12	600:18,20,23	<b>thing</b> 585:20	618:25 621:7	740:25
642:16,19	601:16,18,19	585:23 586:2	626:19	741:22 742:11
643:12 647:2	617:6,9 621:8	587:5 617:21	628:24 629:1	742:14,18,23
652:1,18	621:9 622:1	683:25 692:9	630:13 632:12	743:16 744:8
657:8,14	624:2,11	724:14 734:9	632:15 633:2	744:13 745:4
658:22,22	625:11 626:5	753:8	633:6 634:6	745:12
659:3,9	626:9 627:10	<b>things</b> 570:18	634:18 645:15	750:24
661:23 662:3	628:7,9	571:25 585:9	646:4 648:12	752:25 753:9
662:6,7	629:12 634:14	595:8 604:11	651:24 662:6	<b>thinking</b> 595:13
673:24,25	634:21,24	614:3 620:16	663:1,13	595:14
682:23	638:7,9 639:3	623:18 628:19	664:4,18	<b>thinks</b> 560:9
683:12 689:5	640:11 641:19	635:12 652:17	667:10,14	618:5
694:11 709:21	641:23 642:8	684:16 691:17	668:11 669:21	<b>third</b> 548:9
709:25 710:14	643:4,6	694:10 698:5	671:2 672:14	554:16 615:13
710:21 711:18	644:12,18	698:7,12	672:15,25	685:10
712:17,23	646:14,16,20	723:8 737:1	674:18,24	<b>thorough</b>
713:6,10,11	650:7 655:25	738:5,6 739:2	675:11 676:22	724:16
715:23 721:16	656:17 657:17	741:21 744:3	677:2,5 678:2	<b>thoroughly</b>
730:18 731:5	660:2,9	745:12,19,25	678:11,13,16	737:17
750:13 752:16	662:22 663:3	746:2	678:22 679:3	<b>thought</b> 597:15
752:19,21	669:4,18,25	<b>think</b> 540:22	679:5 683:7	669:10 673:2
758:4,5,7,10	671:10,16,18	550:6 551:5,6	685:7 686:1,7	673:9 678:1,13
758:12,16,18	673:17 679:14	552:16	688:10,13	700:14 717:4
759:5,7	679:25	557:23	690:3 692:4	729:22
<b>testing</b> 733:12	680:15,20	558:24 561:18	692:10 693:10	739:13 748:4
733:15	681:16,19	563:17 570:15	693:17,21	<b>three</b> 541:21
<b>text</b> 747:2,10,12	682:7,10	570:19 571:5	695:6,7,16,25	542:7,9,20
747:22 748:3	689:14,15	571:12,19	697:13,13,14	544:6,20
<b>thank</b> 540:15	690:18 691:2	572:2,6,6,11	698:15 699:1	545:14,20
541:6 549:23	691:7 697:22	572:13,18	700:3,18,23	546:8 548:21
550:11 552:11	703:9 705:13	573:9,13,15,17	700:24 701:13	550:18,25
552:20,21	706:16,19	574:15,23,25	701:18 703:25	553:21 554:5
556:11,13,15,16	707:10,12	575:3,9,10,24	705:1,12	557:6,11
556:17 563:1	708:21,23	575:25 576:17	707:21,23,23	562:25 567:8
563:2 569:25	711:4,8,22	576:18 587:16	716:19 717:12	569:2,15
570:2,4,5	712:7,10,11,13	588:9,21,22	717:15 718:4	572:20 581:18
572:23,25	718:9 725:3	589:15,17	718:24 719:7,9	591:11 594:1,14
576:2,3	726:23	594:23	719:10,23	596:10 601:13
577:21,22	730:18 734:10	597:23	720:15,16,23	614:18,18
584:23,24,25	743:18 746:13	603:16,16	724:14,23,25	615:16 623:16
585:2 588:3	746:17 748:7	606:9 607:21	725:2,21	625:20
588:4 590:5	752:7,13 754:1	607:25 608:4	726:4 727:1,5	628:19 629:10
590:6,8	<b>thanks</b> 634:12	609:17,19	727:10 728:16	632:18 641:12

EVIDENTIARY HEARING - Vol. 17 3/7/2018

660:25	735:18 736:13	<b>top</b> 559:9	562:6,17	717:13 727:18
664:22 667:3	736:15,24	<b>topic</b> 615:18	<b>transported</b>	727:25 753:9
667:8,18	737:3 738:9	<b>total</b> 578:12	562:7,9	<b>truly</b> 595:15
670:2 672:12	738:23 739:10	609:9 682:2	<b>treatment</b>	719:4
675:7 685:12	740:8 741:11	<b>totaling</b> 664:10	562:19 565:4	<b>Truman</b> 579:17
692:7 694:4	741:23 743:22	<b>touch</b> 590:25	567:6 574:4	<b>trunk</b> 564:19
695:23 701:7	744:18 751:21	<b>tougher</b> 704:21	579:1,7,19,24	<b>try</b> 570:16 571:3
702:18 715:10	751:23 753:13	<b>Tower</b> 538:15	579:24 580:5	571:23 572:1
715:13,14	<b>times</b> 579:9,11	<b>town</b> 578:4	580:10,18	573:4 592:20
716:10 743:15	619:24	<b>track</b> 592:17	581:18,21,24	613:12 614:16
747:3	628:20	651:15 705:7	582:2 606:22	653:17 696:2
<b>three-district</b>	629:10 664:2	721:8,20	611:15,18 623:1	724:8 733:24
554:4 555:6	704:20 738:1	735:7	625:14,22	736:20 740:3
557:15 570:14	<b>timing</b> 579:23	<b>tracker</b> 604:24	626:2 652:14	<b>trying</b> 565:2
571:5 627:24	587:11 609:20	606:1 717:13	653:2,19	570:21,22
674:21	739:9 740:13	718:5 719:3,9	654:6 669:9	592:21 593:21
<b>three-zone</b>	<b>TIMOTHY</b>	719:12,24	670:4 671:7	594:22 610:17
706:12	537:8	720:6,9,10,12	673:3,7	618:17 619:20
<b>throw</b> 695:1	<b>today</b> 540:4,11	720:20	<b>tree</b> 677:15	652:23 676:3
<b>tiers</b> 719:16	545:15 553:1	726:16,19,22	<b>tremendous</b>	677:17 703:17
<b>till</b> 625:6	553:13 554:9	726:24 727:7	700:21 748:5	704:12 717:14
<b>tim.luft@amw...</b>	556:6 578:11	729:4,17	<b>trend</b> 550:4	733:23 736:1
537:10	588:22 591:8	<b>trackers</b> 719:4	615:1	752:24
<b>time</b> 540:23	616:3 630:5	<b>tracking</b>	<b>tried</b> 739:14	<b>turn</b> 553:11
544:21,22	643:2 645:16	554:25 556:1	<b>Trip</b> 541:9	593:20 617:19
548:13,16	647:21 648:13	584:17 646:7	<b>triple</b> 588:16	674:1 726:19
557:13 565:1	656:25 657:6	<b>trade</b> 593:22	635:17	<b>turning</b> 604:9
565:3 566:23	659:14 661:7	<b>train</b> 585:5,7,9	636:24	607:3 619:8
567:5,15	662:7 663:14	585:24	<b>tripling</b> 636:19	639:22 647:1
572:14 578:19	664:17	<b>training</b> 740:8	<b>trivialization</b>	649:1,2 746:1
581:10 587:13	669:23 682:5	<b>trajectory</b>	719:8	<b>Tuxedo</b> 537:13
590:2 591:15	684:17	742:14	<b>trouble</b> 552:2	<b>twisted</b> 744:3
597:19 599:10	685:25 688:4	<b>transcript</b> 536:4	<b>troubled</b> 543:9	<b>two</b> 544:11,18
609:24 613:1	712:19 730:13	759:6	575:4 607:7	544:20
615:5 625:23	730:18 731:4	<b>transition</b>	616:6,8	550:18,25
627:21 632:16	731:22 752:16	587:20,24	635:14,17	554:3 557:9
635:23 636:5	<b>today's</b> 629:25	588:24 589:11	706:10	563:9 569:2
638:11 645:9	<b>told</b> 573:20	<b>Translation</b>	<b>true</b> 546:25	569:15 571:6
645:13 657:12	725:25	567:5	571:1 595:1,16	571:7 575:11
659:16 662:18	753:22	<b>transmission</b>	595:16 610:9	581:6,12,21
668:5 672:5	<b>tomorrow</b>	562:15 564:17	625:20	589:24
672:9 677:12	650:19 712:21	653:20,25	629:15 641:15	596:10 605:19
694:20	713:7 728:5,6	<b>transparency</b>	647:8 659:9	616:11 618:14
698:14	730:13 752:18	561:18,24	670:1 671:9	626:3 632:18
702:23 715:3	753:8,14	<b>transparent</b>	683:13,14	633:25 636:5
717:10 730:22	<b>tongue-tied</b>	696:1,6	702:17 703:7	666:7,15,19,21
732:21 733:18	700:8	<b>transport</b> 562:4	710:9 716:2	670:5,21

EVIDENTIARY HEARING - Vol. 17 3/7/2018

672:14 675:7 675:9 676:6 693:10 694:10 698:7 703:23 705:4 715:12 716:9,11,25 <b>two-and-a-half</b> 628:5 <b>two-rate</b> 544:24 <b>two-way</b> 720:9 <b>type</b> 574:3 619:9,19 620:18 674:23 685:4 740:14 <b>types</b> 573:11 681:13 738:20 <b>typewriting</b> 759:9 <b>typically</b> 618:5 719:4 743:10 749:24	<b>unbalanced</b> 702:21 <b>undercollect</b> 717:13 <b>undercollected</b> 722:6 <b>undermines</b> 727:11 729:17 <b>underperform...</b> 661:25 662:10 <b>underrecovery</b> 722:13 <b>understand</b> 551:6,6,17 566:16 571:10 573:17 577:11 585:5,10 586:7,14 590:22 604:11 604:25 613:8 625:15 648:24,25 652:24 655:10 661:13 673:1 676:4 693:8 701:9 716:3 730:7,10 731:7 733:22 749:9 <b>understanda ...</b> 565:17 <b>understanding</b> 540:25 601:14 611:6,7,14 638:2 642:23 666:5 676:7 690:11 <b>understands</b> 595:6 <b>understood</b> 568:5 737:9 737:10 <b>undue</b> 558:17 574:6 <b>unduly</b> 558:3,16 <b>unfair</b> 568:10 <b>unfairness</b>	589:23 590:3 608:8 <b>unfortunately</b> 661:20 687:5 737:13 <b>unhappiness</b> 734:17 <b>uniform</b> 569:17 573:6,20 574:20 583:9 684:1,6 688:24 <b>unintended</b> 719:17 <b>unique</b> 726:17 741:1 <b>unit</b> 745:2 <b>United</b> 562:15 565:11 733:6 751:18 <b>units</b> 701:6 749:6,7,9 <b>unknowns</b> 567:14 <b>unnecessarily</b> 583:7 <b>unnecessary</b> 547:10 <b>unpersuasive</b> 546:15 <b>unprecedented</b> 566:14 631:5 631:19,21 689:2 <b>unsure</b> 703:25 <b>upgrade</b> 579:20 <b>upgrades</b> 589:10,13 <b>upgrading</b> 579:23 <b>upheld</b> 566:17 <b>upper</b> 594:3 <b>uptick</b> 744:8 <b>urge</b> 570:12 595:21 <b>urges</b> 582:4	<b>urging</b> 581:5 <b>usage</b> 551:2,3 551:13,22 552:13,13 557:24,25 560:24,25 561:1 564:8 571:16 573:18 573:18 637:10 668:8,24 717:1 743:5,8,14,15 743:19 <b>use</b> 550:20 551:2 583:23 604:18 617:3 617:22 618:19 619:13 622:9 647:23 656:8 664:2 667:16 668:15,17 694:8 718:15 721:24 724:1 727:8,9 730:13 734:21 737:19 740:3 745:17 <b>useful</b> 582:15,17 <b>usefulness</b> 727:11 <b>user</b> 663:15 <b>users</b> 564:8 596:15,16,19 <b>uses</b> 653:3 663:14 734:15 <b>utilities</b> 571:22 607:12 661:25 662:10,17 695:17 733:7 751:17 <b>utility</b> 555:14 556:24 571:21 576:24 577:1 582:15,17,18 604:3 619:11 683:16 695:11 696:16 719:19 719:21,22	733:2 <b>utility's</b> 687:19 <b>utilized</b> 668:12 741:4 <hr/> <b>V</b> <hr/> <b>valid</b> 545:15 <b>valuable</b> 616:11 <b>Valuation</b> 639:16 <b>value</b> 594:5 645:12 728:21 <b>values</b> 626:15 <b>valve</b> 619:8,8 746:1 <b>variable</b> 653:5 <b>varies</b> 552:15 557:25 560:25 573:18 <b>varieties</b> 744:1 <b>variety</b> 557:13 <b>various</b> 541:16 587:8 625:3 666:1 676:10 677:4,21 <b>vary</b> 648:14 <b>varying</b> 542:11 553:25 <b>vast</b> 612:8 636:8 <b>vehicle</b> 610:14 <b>verge</b> 567:1 <b>verify</b> 669:11 <b>version</b> 710:22 758:18 <b>versions</b> 614:22 <b>versus</b> 569:1 592:16 614:17 623:16 630:14 652:14 653:14 668:3 674:9 675:8 676:9 676:14 678:4 684:15 <b>vet</b> 735:1,5 736:8 737:17
<hr/> <b>U</b> <hr/> <b>U</b> 756:1 757:1 <b>Uh-huh</b> 644:3 664:8 734:13 746:9 <b>ultimately</b> 566:17 585:15 586:13 587:4 587:9 613:13 694:18 <b>unable</b> 635:8 <b>unaccounted</b> 672:22 <b>unaffordable</b> 568:14 <b>unamortized</b> 608:22 <b>unanimous</b> 596:22 <b>unanticipated</b> 719:6 <b>unavailable</b> 678:24				

EVIDENTIARY HEARING - Vol. 17 3/7/2018

<b>vetting</b> 620:18 620:25 734:15,20 738:18	<b>walk</b> 743:25 749:2	<b>water</b> 536:11,13 537:2,7 538:2 541:10 544:13 548:13 554:11 558:19 559:14 560:24,25 561:1,23 562:2,4,8,9 562:19 563:7 563:11,23 564:2,6,8,10 565:4 566:8 567:6 568:1 568:20 569:17 573:10 574:3 575:1,5 578:15,16,20 578:20,21,25 579:3,6,9,11 579:12 580:6 580:14,18,19 580:23 581:2 581:18 588:14 588:15 589:4 590:14,15 592:7,21 593:7 595:5 597:8 605:11 605:18 606:16 606:18,23 607:7,7,11,12 607:19 613:25 614:6 617:19 618:15 620:20 620:21,23 622:25 624:6 624:18,19 625:1 627:13 627:21 628:2 628:2 629:23 630:3,24 631:17,18 632:6,10,13 636:15,15 639:19 642:6 642:14 646:11 647:3 648:11	648:19 652:14 653:2 654:8 654:9 658:12 662:17,20 663:11 666:5 666:24,25 671:14 680:16 681:6 684:6 685:11 686:14 688:23 691:5 692:4 695:13 695:24 698:8 698:9 700:20 702:15 704:8 704:10,14,18 704:22,22 706:10 708:14 708:18 709:18 717:3 721:25 733:2,7,11 734:15 735:12 738:16 739:25 740:2,12,14,16 740:18 741:17 741:21,25 743:5 749:17 749:25 750:2 750:6,13,18,19 750:20,22 751:8,11,13 752:2,4,5 757:11	594:23,25 598:2 613:22 614:14,24 615:22,25 616:13 620:2 635:3 647:18 655:21 674:22 676:5 678:3,16,23 682:24 703:22 704:25 722:25 724:16 728:19 737:16 743:19 746:25 <b>ways</b> 587:19 704:11 726:20 727:24 <b>WC-2018-0110</b> 705:24 <b>wds@wdspc...</b> 538:16 <b>we'll</b> 599:2 619:15 657:18 669:24 688:19 693:21 722:1 729:1,11 730:12,17 731:14 739:7 747:17 <b>we're</b> 552:6 553:12 554:8 563:19 576:1 585:9,12,13 586:4,13 588:1 591:22 597:8,22 604:1 608:1 617:22,24 618:3,8,17 625:2,2 654:22 655:11 655:16 657:2 657:8 664:10 667:25 689:25
<b>vicinity</b> 663:10	<b>want</b> 540:6 545:17 552:1 558:7,14 571:11 594:10 595:1 597:9 602:19,20 604:10,10 610:23 611:3 633:16 634:3 646:25 648:1 666:11 686:6 689:4 702:13 705:22,23 711:18 713:4 718:10 721:16 721:18 724:9 724:11,13,15 726:9 729:5,6 732:8 733:19 735:3,10 736:5 738:3 742:9 746:25 747:5,7,23			
<b>victim</b> 558:14,15 575:17 593:21	<b>wanted</b> 571:14 597:21 601:9 642:17 689:14			
<b>victimization</b> 593:23	<b>wanting</b> 649:11 715:1 716:25			
<b>videotape</b> 579:14	<b>wants</b> 581:14,16 638:13			
<b>view</b> 576:18 650:23 728:16	<b>War</b> 578:11			
<b>viewing</b> 578:1	<b>Wardsville</b> 557:9 701:4			
<b>violate</b> 546:12	<b>warmer</b> 739:9			
<b>virtue</b> 558:11	<b>warrant</b> 659:5 719:11			
<b>vividly</b> 579:13	<b>Warren</b> 659:6,7			
<b>vocal</b> 567:2	<b>Warrensburg</b> 538:17 547:21 557:11 582:23 585:4 587:12 602:2 655:18 669:2 690:19			
<b>volatility</b> 563:12 595:20	<b>wasn't</b> 596:21 694:16			
<b>volume</b> 536:9 740:10				
<b>volumes</b> 664:1 721:21				
<b>volumetric</b> 551:16,20,21 569:5,7 642:22 645:5 663:24 664:2 665:18,21 667:4 668:10				
<b>voluntarily</b> 747:24				
<b>vote</b> 552:7				
<b>W</b>				
<b>W</b> 537:4,8 538:5 <b>wade</b> 588:7 <b>wait</b> 560:9 566:25 742:25 743:6 <b>waiter</b> 575:19 <b>waiting</b> 567:5 625:5 <b>waitress</b> 575:19				

EVIDENTIARY HEARING - Vol. 17 3/7/2018

693:13 695:4 695:5,6 696:15,17 698:8,12 699:15 705:1,1 705:6 712:15 712:24 714:16 717:14 718:6 718:10,12,17,19 719:17 726:18 727:16 728:5 729:3 733:23 735:25 736:1 737:18 739:16 740:5,8 743:8 744:13,14,23 745:4,5,8,23 745:25 <b>we've</b> 545:10 552:16 588:8 594:13 603:9 607:23,23 613:14 615:9 617:22 620:3 622:25 631:7 635:12 645:15 661:21 672:17 687:9 692:10 692:12 695:4 695:9 698:23 708:6 721:22 721:23,25 723:5 724:22 732:13 733:4 733:14 735:17 735:25 736:15 737:22 737:23 738:2 739:13 743:13 745:1 <b>weather</b> 739:8 <b>web</b> 708:14 <b>week</b> 588:23 <b>weigh</b> 587:4 <b>weighing</b> 701:15 <b>weighty</b> 585:10 <b>weird</b> 592:8	<b>welcome</b> 712:13 <b>went</b> 546:24 580:3 585:25 587:14 625:19 667:1 684:9 705:3 720:13 726:6 743:19 <b>Wenzel</b> 537:21 590:12 671:13 690:25 711:13 <b>weren't</b> 597:20 705:5,5 <b>west</b> 578:7,10 <b>Westen</b> 539:5 626:9,11 628:6 634:12 646:18 681:21 681:23 682:9 691:2 705:17 705:19 706:2 718:7 728:16 753:6 755:24 756:21 757:7 <b>western</b> 562:20 <b>White</b> 557:12 <b>WHITNEY</b> 539:6 <b>who've</b> 743:14 <b>wholesale</b> 564:3 <b>wide</b> 681:10 <b>widely</b> 573:21 681:5 <b>wildly</b> 573:18 <b>WILLIAM</b> 536:19 538:14 <b>willing</b> 567:14 596:6,22 597:2 598:18 <b>willingness</b> 596:14 <b>win</b> 557:22 616:23,25 <b>win-win</b> 608:4 616:22 <b>wind</b> 576:15	<b>winds</b> 575:23 <b>wine</b> 575:22 <b>winner</b> 561:3 <b>winners</b> 557:2 557:17,19 558:13 562:1 587:7 <b>winter</b> 736:16 <b>wintertime</b> 739:4 <b>wisdom</b> 697:5 <b>wish</b> 558:10 678:1 <b>witness</b> 542:13 550:6 561:19 568:16 569:3 581:20 582:21 599:8,24 600:1,5,7,19 610:15,15 613:9 621:4,9 638:14,15,19 639:5 641:21 646:16 650:16 650:18 657:15 657:22 659:25 669:25 682:16 689:15 697:14 703:10 707:12 708:25 709:4 712:13 730:23 731:1,18 <b>witnesses</b> 550:2 613:8 622:14 713:12 752:21 759:5 759:7 <b>wonder</b> 558:5 <b>wonderful</b> 724:22 <b>wondering</b> 653:12 655:11 <b>word</b> 647:16,23 682:6 694:23 696:16	<b>words</b> 558:25 559:18 575:14 592:15 593:18 722:16 <b>work</b> 549:15 555:16 565:20 587:18 592:2 592:6 593:11 613:11,12,18 614:16 620:19 622:17 626:23 677:5 677:13 686:7 718:17 720:12 726:25 728:18,19 732:1 734:18 734:19 735:9 735:20 737:11 737:25 738:19 739:11,14 740:5 745:7 749:18,20,22 749:25 750:3 750:20 751:19 <b>workable</b> 549:7 <b>worked</b> 541:13 553:9 592:2 599:15 <b>workers</b> 736:23 749:17 <b>working</b> 549:13 554:18,23 555:23 572:15 584:19 590:24 635:3 635:19 686:8 705:5 735:19 736:11 738:3 739:16 <b>works</b> 604:4 616:21 624:18 636:15 684:6 688:23 720:24 750:14,22	<b>workshop</b> 584:5,13 <b>world</b> 590:1 <b>worlds</b> 686:10 <b>worried</b> 561:16 <b>worry</b> 561:25 <b>worth</b> 574:25 <b>worthwhile</b> 587:17 <b>wouldn't</b> 562:18 603:10 606:6 617:17 629:18 631:18 701:10 718:13 729:23 743:23 <b>WR-2015</b> 558:24 <b>WR-2017-0285</b> 536:12 <b>write</b> 620:14 <b>writing</b> 694:20 <b>written</b> 608:6 625:11 633:14 652:18 <b>wrong</b> 626:19 669:11,21 673:5 677:15 686:5 714:11 <b>wrote</b> 559:4 621:14 659:5 <hr/> <b>X</b> <hr/> <b>X</b> 721:24 755:1 756:1 757:1 <hr/> <b>Y</b> <hr/> <b>Y</b> 536:18 <b>yeah</b> 551:8 576:4 603:16 611:5 612:21 614:3 619:7 621:5 628:4 648:24 673:19 675:18 683:7 701:2 718:10,25 733:1 738:25
--	---	---	---	---

EVIDENTIARY HEARING - Vol. 17 3/7/2018

742:7	<b>0351</b> 558:25	<b>12</b> 548:13 564:1	<b>17</b> 536:9	673:7
<b>year</b> 564:9		619:24 629:7	640:25 641:21	<b>2003</b> 559:13
580:7,16	<u>1</u>	699:22 710:2	641:24 642:1	<b>2004</b> 588:14
583:15 605:8	<b>1</b> 538:3 563:7	<b>12-month</b>	642:3,18	663:12,12
619:24 628:5	564:22 634:9	637:10	659:4 758:6	<b>2007</b> 589:5,6
629:4,7 661:3	642:14 697:8	<b>12/31/2017</b>	<b>17.4</b> 666:16	611:15 663:12
661:5,6	709:19 713:11	623:4	<b>18</b> 555:7 572:13	<b>2008</b> 589:7
694:20,24	716:12	<b>120</b> 634:7	581:24	<b>2011</b> 548:10,11
<b>yearly</b> 556:2	<b>1,206</b> 736:17	<b>121</b> 658:22	627:25 647:2	662:17 672:3
<b>years</b> 557:18	739:19	659:17,19,23	<b>180</b> 618:15	672:5
559:12,21	<b>1/2</b> 579:7	758:11	<b>1881</b> 579:6	<b>2012</b> 607:22
560:7 563:9	<b>1:30</b> 656:25	<b>13</b> 588:13	<b>19</b> 542:20	628:4 662:17
563:12 565:21	713:8	660:15,16	545:14 672:11	<b>2015</b> 581:4
571:22 575:9	<b>10</b> 559:15	661:9 674:5,6	<b>1930</b> 591:24	627:16
578:16 579:8	581:22 596:11	<b>13.54</b> 664:10	<b>1960</b> 591:24	<b>2016</b> 564:10
581:24 588:15	598:22 613:1	<b>130</b> 538:19	<b>1980s</b> 578:17	566:18 569:14
604:6,6 611:21	648:8,10	<b>136</b> 599:13,18	<b>1990s</b> 561:21	590:18 625:19
611:25 613:1,1,1	672:7 675:15	599:20,21	574:22	625:25
615:6,8,16	675:22	601:6,12 643:1	580:12	627:17 672:6
635:12,15	688:15 716:20	645:5 664:13	<b>1993</b> 578:25	672:17 698:2
687:11 692:7	<b>10-K</b> 684:10,11	665:25	579:14,21	<b>2017</b> 725:15
692:13	684:19 708:11	689:25	<b>1999</b> 580:4	<b>2018</b> 536:7
695:23,23,24	<b>10,000</b> 716:4,6	758:13	581:24 625:14	540:4 611:24
702:18 705:4	<b>10:00</b> 753:22	<b>14</b> 613:15,25		661:20
733:4,4	<b>10:15</b> 599:3	624:20,21	<u>2</u>	<b>2031</b> 538:15
744:16,20,22	<b>100</b> 571:17,22	652:2 674:5	<b>2</b> 538:3 563:7	<b>2057</b> 611:25
744:22	579:8 613:1	674:12	563:25	<b>22</b> 690:9
<b>yesterday</b>	618:24 648:5	683:20 685:4	564:23	<b>22.9</b> 665:3,8
540:9 559:22	648:6,7	<b>15</b> 559:12,20	642:15 647:2	666:3
561:19 734:12	<b>101</b> 537:17	560:6 586:22	666:12 709:19	<b>221</b> 537:17
<b>York</b> 605:21	538:6	587:1 588:15	710:4 716:14	<b>23</b> 675:22
<b>you-all</b> 591:7	<b>104</b> 658:17	613:1 639:24	<b>20</b> 633:17	<b>24</b> 589:7
594:16	659:17,18,23	641:21,23	634:9,10	675:22
740:22	758:8	642:1,3	659:4 672:16	<b>24/7</b> 564:9
<b>young</b> 596:18	<b>11</b> 613:14,24	661:24 672:16	716:8,9,10	<b>24th</b> 633:23
	624:20	687:11 688:16	735:24	<b>25</b> 586:19
<u>Z</u>	661:24 672:7	692:12 744:16	<b>200</b> 538:19,23	<b>250</b> 566:9
<b>ZIP</b> 747:8	683:20	744:20,21	539:7 699:24	<b>267</b> 566:13
<b>zonal</b> 553:3	684:19 685:1	758:3	740:21	<b>268</b> 580:25
686:5,19	<b>11-page</b> 542:12	<b>15,000</b> 716:16	<b>2000</b> 549:1	581:3
693:17 707:1	<b>11:13</b> 638:11	716:20,20	554:21	
<b>zone</b> 544:19	<b>11:38</b> 656:24	<b>150</b> 588:17	564:25	<u>3</u>
<b>zones</b> 542:21	<b>116</b> 658:21	<b>16</b> 564:2 640:15	575:13 580:7	<b>3-2</b> 566:5
563:1 698:16	659:17,18,23	641:21,24	580:11,17	<b>3,000</b> 593:5
700:24	758:10	642:1,3 649:3	589:20	715:24 725:5
	<b>117</b> 675:8	745:22 746:7	591:23 625:15	725:9
<u>O</u>	<b>11th</b> 561:23	746:8 758:5	625:17 632:16	<b>3,520</b> 725:10

EVIDENTIARY HEARING - Vol. 17 3/7/2018

3:03 730:15	593:5 615:14	538:11	673:3,9,12
3:30 712:17	663:14	65102 537:5	76,000 578:13
714:23	5.24 603:17	538:24 539:8	7th 536:7 540:4
3:45 730:17	697:10	65109 538:15	<hr/>
30 622:25	50 545:5 587:3	656 756:10	8
682:2,6	611:21,25	658 756:13	8 633:14 634:12
30,000 705:5	715:25 725:17	659 758:8,10,11	710:3,24
300 564:23	511 675:8	660 756:14	8,000 594:11
301 538:11	541 755:5	663 756:15	8.9 666:13
304 537:22	553 755:6	669 756:16	690:5
308 538:11	556 755:7	671 756:17	8:30 752:18
30th 580:4	563 755:8	673 756:18	8:40 540:2
312 537:5	570 755:9	675 709:22	80 580:24
318 545:5	573 755:10	710:6,18,20	581:3 618:23
621:21	577 755:11	711:2 758:16	688:16
33 587:1	585 755:12	676 710:14,18	800 539:7
35 741:25	588 755:13	710:22 711:2	83 748:2
369 544:23	590 755:14	758:17	84 558:19
37 588:16	599 758:13	679 756:19	871 537:13
37,000 578:14	<hr/>	680 758:14	<hr/>
37.22 664:24	6	681 756:20,21	9
<hr/>	6 684:11	682 756:24	9 633:14 634:12
4	6.46 664:5,9	683 756:25	649:5 650:13
4 642:23	600 755:17	689 757:3	678:25
666:16	601 755:18	691 757:4	743:25
4,000 588:14	602 755:19	697 757:5	753:25
663:16,17	617 755:20	<hr/>	9:00 753:20
664:7,17,19,23	621 755:21	7	9:30 753:22
666:4 690:4	622 755:22	7 661:24 710:2	90 618:13
4:30 754:2	624 755:23	710:23	90-day 618:11,14
40 611:21	626 755:24	7,000 716:4	90s 578:17
400 538:6	628 675:7	7.08 663:21	93 579:21
564:22 663:7	755:25	664:5	
680:3,5,8	63105 538:19	70 580:5	
758:14	63119 537:13	703 757:6	
400,000-plus	63141 537:9	705 757:7	
558:19	635 756:3	706 757:8,9	
41 714:12,15,18	639 756:5	707 757:10	
715:7 728:2	64 589:6	709 757:13	
45 665:23	642 756:6	711 757:14	
450 588:17	758:3,5,6	758:16,17	
49 701:6	643 756:7	727 537:9	
<hr/>	644 756:8	731 757:17	
5	646 756:9	732 757:18	
5 579:7 664:19	650 538:23	746 757:19	
716:20	65101 537:18	748 757:20	
5,000 552:17	537:22 538:7	75 669:13	