

1 STATE OF MISSOURI
2 PUBLIC SERVICE COMMISSION
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6 TRANSCRIPT OF PROCEEDINGS

7 Hearing

8 August 14, 2007
9 Jefferson City, Missouri
Volume 14

10

11 In the Matter of)
Missouri-American Water)
12 Company's Request for)
Authority to Implement) Case No. WR-2007-0216, et al.
13 a General Rate Increase)
for Water Service)
14 Provided in Missouri)
Service Areas)

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17 HAROLD STEARLEY, Presiding,
REGULATORY LAW JUDGE
18 ROBERT M. CLAYTON, III,
LINWARD "LIN" APPLING,
19 COMMISSIONERS.

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REPORTED BY:

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PAMELA FICK, RMR, RPR, CCR #447, CSR
23 MIDWEST LITIGATION SERVICES

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FOR: Staff of the Missouri Public
Service Commission.

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

2 JUDGE STEARLEY: All right. Let's bring
3 this hearing to order. Good morning. Today's
4 Tuesday, August 14th, 2007. We are here continuing
5 our evidentiary hearing, day two, in Case
6 No. WR-2007-0216, et al., In The Matter of
7 Missouri-American Water Company's Request For
8 Authority to Implement a General Rate Increase For
9 Water Service Provided in Missouri Service Areas.

10 The court reporter this morning is Pam
11 Fick. And we will begin by taking entries of
12 appearance beginning with Missouri-American Water.

13 MR. ENGLAND: Thank you, your Honor.
14 Let the record reflect the appearance of W. R.
15 England and Dean L. Cooper on behalf of
16 Missouri-American Water Company. Our address here in
17 town is Brydon, Swearngen & England, Post Office Box
18 456, Jefferson City, Missouri 65102.

19 JUDGE STEARLEY: Thank you, Mr. England.
20 Staff of the Missouri Public Service Commission.

21 MR. THOMPSON: Good morning, your Honor.
22 Kevin A. Thompson for the Staff of the Missouri
23 Public Service Commission, Post Office Box 360,
24 Jefferson City, Missouri 65102.

25 JUDGE STEARLEY: Thank you,

1 Mr. Thompson. The Office of Public Counsel.

2 MS. BAKER: Thank you, your Honor.

3 Christina Baker, assistant Public Counsel, P.O. Box
4 2230, Jefferson City, Missouri 65102, appearing on
5 behalf of the Office of Public Counsel and the
6 ratepayers.

7 JUDGE STEARLEY: Thank you, Ms. Baker.
8 UWUA Local 335.

9 (NO RESPONSE.)

10 JUDGE STEARLEY: Okay. Let the record
11 reflect we have no appearance from UWUA. City of
12 Joplin.

13 MR. ELLINGER: Good morning, Judge.
14 Marc Ellinger, Jim Deutsch, Jane Smith of the law
15 firm of Blitz, Bardgett & Deutsch, 308 East High,
16 Suite 301, Jefferson City, Missouri, 65101, on behalf
17 of intervenor, City of Joplin.

18 JUDGE STEARLEY: Thank you,
19 Mr. Ellinger. AG Processing, Incorporated.

20 MR. CONRAD: Your Honor, by your leave,
21 let the record reflect the appearance of Stuart W.
22 Conrad, law firm of Finnegan, Conrad & Peterson, 3100
23 Broadway, Suite 1209, Kansas City, Missouri 64111.

24 JUDGE STEARLEY: Thank you, Mr. Conrad.
25 The Missouri Energy Group.

1 (NO RESPONSE.)

2 JUDGE STEARLEY: And let the record
3 reflect we have no appearance for the Missouri Energy
4 Group. City of Warrensburg, Missouri.

5 MR. FINNEGAN: Your Honor, I'm Jeremiah
6 Finnegan. I'm entering the appearance of Leland B.
7 Curtis, Curtis, Heinz, Garrett and O'Keefe, P.C., 130
8 South Bemiston, Suite 200, Clayton, Missouri 63105,
9 and Mr. Curtis could not be here. He's also
10 indicated he's waiving cross-examination.

11 JUDGE STEARLEY: All right. Thank you,
12 Mr. Finnegan. The Public Water District No. 1 of
13 DeKalb County and Water Districts 1 and 2 of Andrew
14 County.

15 MR. FISCHER: Judge, let the record
16 reflect the appearance of James M. Fischer and
17 Larry W. Dority, Fischer & Dority, P.C., 101 Madison
18 Street, Suite 400, Jefferson City, Missouri 65101,
19 appearing today on behalf of the Public Water Supply
20 Districts No. 1 and 2 of Andrew County and Public
21 Water Supply District No. 1 of DeKalb County.

22 JUDGE STEARLEY: Thank you, Mr. Fischer.
23 Missouri Industrial Energy Consumers.

24 (NO RESPONSE.)

25 JUDGE STEARLEY: And let the record

1 reflect we have no appearance from Missouri
2 Industrial Energy Consumers. City of St. Joseph,
3 Missouri.

4 MR. STEINMEIER: Thank you, your Honor.
5 Please let the record reflect the appearance of
6 William D. Steinmeier and Mary Ann Garr Young,
7 William D. Steinmeier, P.C., P. O. Box 104595,
8 Jefferson City, Missouri, 65110 on behalf of the City
9 of St. Joseph.

10 JUDGE STEARLEY: Thank you, Mr. Steinmeier.
11 The Metropolitan St. Louis Sewer District.

12 (NO RESPONSE.)

13 JUDGE STEARLEY: And let the record
14 reflect we have no appearance from the Metropolitan
15 St. Louis Sewer District. City of Jefferson.

16 MR. COMLEY: Good morning, Judge
17 Stearley. On behalf of the City of Jefferson, let
18 the record reflect the entry of Mark W. Comley,
19 Newman, Comley & Ruth, 601 Monroe Street, Suite 301,
20 Jefferson City, Missouri 65101.

21 JUDGE STEARLEY: Thank you, Mr. Comley.
22 The City of Parkville, Missouri.

23 MR. FINNEGAN: On behalf of the City of
24 Parkville, and I'd also like to add some other
25 entities that have joined us. The lake -- City of

1 Lake Waukomis, Public Water Supply District No. 6 of
2 Platte County, Park University and the National Golf
3 Club. Jeremiah Finnegan, Finnegan, Conrad &
4 Peterson, LC, 3100 Broadway, Suite 1209, Kansas City,
5 Missouri 64111.

6 JUDGE STEARLEY: Thank you again,
7 Mr. Finnegan. The Home Builders Association of
8 Greater St. Louis.

9 MR. HESS: Robert Hess of the law firm
10 Husch & Eppenger, 235 East High Street, Jefferson
11 City, Missouri 65101, for Home Builders Association
12 of St. Louis and Eastern Missouri, Inc.

13 JUDGE STEARLEY: Thank you, Mr. Hess.
14 Have I missed anyone?

15 (NO RESPONSE.)

16 JUDGE STEARLEY: Okay. Very well.
17 Initially, as per usual, I know you're all tired of
18 hearing me say this, but I need to advise you-all to
19 please turn off all cell phones, BlackBerries,
20 electronic devices which do tend to interfere with
21 our recording and webcasting. Turn them off
22 completely. Just silencing them doesn't help.

23 Today we are picking up as planned with
24 testimony of City of Joplin's witness, Ms. Jones
25 and -- is that correct?

1 MR. ELLINGER: I think that's her.

2 JUDGE STEARLEY: Or are you just
3 admitting her prefiled testimony?

4 MR. ELLINGER: Well, I think we were
5 going to start with opening statements and then go
6 into the list of witnesses that had been referenced,
7 I think with the Staff -- excuse me, with the company
8 and the Staff, and then I think Ms. Jones was gonna
9 be the last witness.

10 JUDGE STEARLEY: She's gonna be the
11 last?

12 MR. ELLINGER: That's correct.

13 JUDGE STEARLEY: Okay. We hadn't really
14 laid out the order of witnesses, so that's why I
15 wanted to clarify that. And I was gonna ask if
16 you-all wanted to have opening statements with
17 regards to these issues.

18 We also have had you-all premark your
19 exhibits and we may break momentarily here and allow
20 you to deliver all of those to our court reporter so
21 she can have them all organized. And are there any
22 other preliminary matters we need to take up before
23 we break for that?

24 MR. CONRAD: Your Honor, I don't know if
25 it's something that needs to be taken up, but just so

1 the bench and the parties are aware, Mr. Johnstone
2 who is our witness and also for the City of Parkville
3 is not here today in that he was not listed as
4 someone that the City of Joplin wished to converse
5 with. He is, however, available on comparatively
6 short notice. Should your Honor or anybody on the
7 Commission and the commissioners wish to talk to him
8 at some point in the proceeding, I can have him here
9 and he has reserved today and as far as I'm aware
10 tomorrow, so ...

11 JUDGE STEARLEY: Okay. Very good.
12 Thank you, Mr. Conrad. For the City of St. Joseph,
13 Mr. Steinmeier, I understand that you will be
14 requesting to be excused early on today; is that
15 correct?

16 MR. STEINMEIER: If it's all right with
17 you, Honor -- your Honor, I'd like to feel free to
18 come and go.

19 JUDGE STEARLEY: That's certainly all
20 right with me. I also understand for Jefferson City,
21 there's some separate issues that are being worked
22 out at this point in time, and we may be receiving a
23 separate stipulation as to those somewhere in the
24 near future; is that correct, Mr. Comley?

25 MR. COMLEY: That is correct. I think

1 it would be fair to represent to the Commission at
2 this stage the parties are getting very near to a
3 stipulation. I think part of the procedure today, I
4 would premark my testimony, and the rebuttal
5 testimony of Mr. Weeks from the company would be
6 filed. And I think the procedure would be we would
7 have no objection to Mr. Weeks' testimony.

8 And I don't know whether the company
9 would have objections to Chief Rennick's, but given
10 the nature of the stipulation at this time, or the
11 proposed stipulation, I would like to reserve
12 cross-examination in the event stipulations should
13 fail, and that would be something we would bring to
14 your attention when appropriate.

15 JUDGE STEARLEY: That's very good. In
16 fact, in terms of offering all the prefiled
17 testimony, and the Commission has no intention of
18 waiving cross-examination even if all those have come
19 in without objection at this time just in case issues
20 should arise over the next couple of days in which
21 another party or the commissioners would like to
22 cross-examine any of the witnesses who are not
23 already scheduled to testify.

24 MR. COMLEY: On a matter similar to
25 Mr. Steinmeier, I would also like the Commission to

1 allow me to come and go. We are not a party to the
2 stipulation that's under consideration this morning
3 and do not have any cross-examination for the
4 witnesses.

5 JUDGE STEARLEY: That's certainly
6 acceptable, Mr. Comley. Are there any other
7 preliminary matters we need to take up?

8 MR. ENGLAND: Yes, your Honor. We had
9 filed some time ago, I think, contemporaneous with
10 the filing of surrebuttal testimony a motion to
11 strike the testimony of union witness Ratermann.

12 JUDGE STEARLEY: Yes.

13 MR. ENGLAND: And I wondered if there
14 had been a ruling on that.

15 JUDGE STEARLEY: There has not and the
16 union has not made an appearance today. We might
17 reserve ruling till the end of the day Wednesday. If
18 they don't appear, I'll go ahead and rule on that
19 motion at that time without their input other than
20 their prefiled response to that. If they show up and
21 wish to argue that objection at that time, I can hear
22 additional argument on it.

23 MR. ENGLAND: Thank you, your Honor.

24 MR. HESS: Your Honor.

25 JUDGE STEARLEY: Yes.

1 MR. HESS: On behalf of Home Builders, I
2 would like the same arrangement City of Jefferson and
3 City of St. Joseph to leave if I may, and I may have
4 another attorney tomorrow to cover the afternoon part
5 of the hearing with an entry of appearance in that
6 case.

7 JUDGE STEARLEY: All right. Very good,
8 Mr. Hess.

9 MR. HESS: Thank you.

10 JUDGE STEARLEY: Anything else we need
11 it take up at this time? All right. We will --

12 MR. FINNEGAN: Your Honor, I'd like to
13 add myself to that list of --

14 MR. THOMPSON: Could we just all come
15 and go as we wish?

16 MR. CONRAD: I'm beginning -- I'm
17 beginning to wonder if we're gonna have anybody left.

18 JUDGE STEARLEY: Please feel free to
19 come and go as you wish.

20 However, if you are going -- during
21 the time when a witness is testifying you may
22 have foregone your right to cross-examine that
23 witness.

24 MR. FINNEGAN: Understood.

25 JUDGE STEARLEY: All right, then. We

1 will take a short intermission and I will have the
2 parties please bring your premarked evidence forward
3 to the court reporter.

4 And we will go back on the record in
5 approximately 10, 15 minutes.

6 (DISCUSSION HELD OFF THE RECORD.)

7 (STAFF EXHIBIT NOS. 1, 2, 3-HC, 3-NP, 4,
8 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17-HC,
9 17-NP, 18-HC, 18NP, 19-HC, 19-NP, 20-P, 20-NP, 21,
10 22, 23, 24, 25, 26, 27, 28, 29, OPC-1, OPC-2, OPC-3,
11 OPC-4, OPC-5, OPC-6, MIEC-1, MIEC-2, MIEC-3 AND
12 MIEC-4, JOP-1, AGP/PARKVILLE-1, AGP/PARKVILLE-2,
13 AGP/PARKVILLE-3 WERE MARKED FOR IDENTIFICATION BY THE
14 COURT REPORTER.)

15 (MAWC EXHIBITS NOS. 4-13, MAWC 14NP/14P
16 AND MAWC 15-28 WERE MARKED FOR IDENTIFICATION BY THE
17 COURT REPORTER.)

18 (JCMO-1 AND JCMO-2 WERE MARKED FOR
19 IDENTIFICATION BY THE COURT REPORTER.)

20 JUDGE STEARLEY: All right. We're going
21 back on the record. It's my understanding now that
22 the Missouri Industrial Energy Consumers would like
23 to enter an appearance.

24 MR. DOWNEY: Yes, your Honor. Edward F.
25 Downey for the Missouri Industrial Energy Consumers.

1 My address is 221 Bolivar Street, Suite 101,
2 Jefferson City, Missouri 65101.

3 JUDGE STEARLEY: Thank you, Mr. Downey.
4 And Mr. Downey, let me advise you, we are having a
5 liberal attendance policy today. We have parties who
6 are entering and leaving upon their leisure if
7 they're involved with examining witnesses. However,
8 if you're absent during the time that one of the
9 scheduled witnesses is testifying, you will be
10 considered to have waived your right to cross-examine
11 that witness.

12 MR. DOWNEY: Understood. Thank you.

13 JUDGE STEARLEY: One other brief
14 procedural matter I wanted to bring up. We had
15 expedited our schedule for suggestions regarding the
16 Nonunanimous Stip & Agreement that was filed because
17 we were obviously scrambling for hearing today, so I
18 wanted to give the parties if anyone would like the
19 opportunity for a leave to have additional time for
20 filing such suggestions, now is your time to ask.
21 Mr. Thompson?

22 MR. THOMPSON: We'd like additional
23 time, your Honor.

24 JUDGE STEARLEY: Very good.

25 MR. CONRAD: Why don't you just stretch

1 it -- stretch it out a couple days for everybody.

2 JUDGE STEARLEY: We can just -- we can
3 just set a new deadline of maybe Friday. And any
4 party who's already filed suggestions either in favor
5 or opposition, are certainly free to supplement those
6 suggestions. We're all about the due process here at
7 the Commission.

8 And hopefully, now that we've got all
9 our premarked exhibits ready to go here, we can offer
10 into evidence the prefiled testimony of the persons
11 who are not going to be testifying or as thus far
12 have not been requested to testify and see if there
13 are any objections to the admissions thereto.

14 The offering of those and receipt of
15 those at this time, however, will not finally excuse
16 those witnesses, nor will anyone be waiving
17 cross-examination of those witnesses if issues should
18 arise and any party wishes to cross-examine those
19 issues -- those witnesses. So I'll begin with MIEC.

20 MR. DOWNEY: Your Honor, the MIEC would
21 offer MIEC Exhibit 1 which is the direct testimony of
22 Mr. Mike Gorman other than on rate design. Do you
23 want them all at once?

24 JUDGE STEARLEY: We'll go ahead and take
25 them all up at once. And does everybody have a copy

1 of each other's witness list?

2 (NO RESPONSE.)

3 JUDGE STEARLEY: Okay.

4 MR. DOWNEY: And MIEC-2 which is Mike
5 Gorman direct on rate design, MIEC-3 which is Mike
6 Gorman rebuttal and MIEC-4 which is Mike Gorman's
7 surrebuttal.

8 JUDGE STEARLEY: All right. Very good.
9 Are there any objections to the offering of MIEC's
10 Exhibits 1 through 4?

11 (NO RESPONSE.)

12 JUDGE STEARLEY: Hearing none, they
13 shall be received and admitted into evidence.

14 (MIEC EXHIBIT NOS. 1 THROUGH 4 WERE
15 RECEIVED INTO EVIDENCE AND MADE A PART OF THE
16 RECORD.)

17 JUDGE STEARLEY: I will then go to the
18 Office of Public Counsel.

19 MS. BAKER: Thank you, your Honor. I
20 have the direct testimony of Barbara Meisenheimer as
21 OPC-1; the rebuttal of Barbara Meisenheimer as OPC-2;
22 surrebuttal of Barbara Meisenheimer as OPC-3; direct
23 testimony of Russell Trippensee is OPC-4; rebuttal of
24 Russell Trippensee is OPC-5; surrebuttal of Russell
25 Trippensee as OPC-6, and that completes our list.

1 JUDGE STEARLEY: All right. Thank you,
2 Ms. Baker. Are there any objections to the
3 admissions of OPC's Exhibits 1 through 6?

4 MR. CONRAD: I should have said this
5 earlier, but based on from our perspective, we don't
6 have questions for these people before you right now,
7 but just to be clear, I would -- and I understand
8 what you said, Judge, and I'm accepting that, but I
9 guess just so that it's on the record that our -- our
10 indication of no questions for those would be without
11 prejudice to what we might do should the Commission
12 decide not to -- to act on the joint recommendation.

13 JUDGE STEARLEY: All right. Very good,
14 Mr. Conrad. Right now that being a Nonunanimous
15 Stipulation according to our rules, we're treating it
16 as a joint position statement at this time. But
17 should there be any issues that we need to address,
18 we can certainly take those up.

19 MR. CONRAD: Yeah, I don't want to
20 interrupt the flow, but I think that is -- that is a
21 good point. I -- however, my client had authorized
22 me to sign it and so I think with respect to parties
23 who are signatories thereto, they are committed to
24 that -- that document and its terms, and I just -- I
25 need to make that, I guess, clear of record. I think

1 your statement, hopefully together with mine,
2 accomplishes that and we can move forward.

3 JUDGE STEARLEY: Okay. Thank you,
4 Mr. Conrad. I believe we'll have everything covered
5 there and if not, I'm sure you'll correct me which I
6 have no problem with. Moving on to AG Processing and
7 Parkville's exhibits.

8 MS. BAKER: Your Honor, was OPC's
9 exhibits --

10 JUDGE STEARLEY: Oh, I did not hear any
11 objections thereto. Sorry I got sidetracked there.
12 OPC's Exhibits 1 through 6 will be admitted and
13 received into evidence. Thank you, Ms. Baker.

14 (OPC EXHIBIT NOS. 1 THROUGH 6 WERE
15 RECEIVED INTO EVIDENCE AND MADE A PART OF THE
16 RECORD.)

17 JUDGE STEARLEY: Mr. Conrad?

18 MR. CONRAD: Yes, and on behalf of
19 intervenor AG Processing and also jointly with the
20 City of Parkville, we have premarked and given to the
21 reporter and would offer the direct, rebuttal and
22 surrebuttal of Donald E. Johnstone. Those are
23 marked, respectively, as AGP/Parkville-1, 2 and 3.

24 JUDGE STEARLEY: Any objections to the
25 admissions of AGP/Parkville-1, 2 and 3?

1 (NO RESPONSE.)

2 JUDGE STEARLEY: Hearing none, they
3 shall be received and admitted into evidence.

4 (AGP/PARKVILLE EXHIBIT NOS. 1 THROUGH 3
5 WERE RECEIVED INTO EVIDENCE AND MADE A PART OF THE
6 RECORD.)

7 JUDGE STEARLEY: And Mr. Comley, I
8 believe we're gonna reserve you offering Mr. Rennick's
9 testimony at this time; is that correct?

10 MR. COMLEY: Your Honor, I'm prepared to
11 offer that testimony into the record right now.

12 JUDGE STEARLEY: Okay. Very well.

13 MR. COMLEY: I'd like to offer the
14 testimony of Robert F. Rennick which has been
15 premarked. His direct testimony has been marked as
16 JCMO-1, his surrebuttal testimony premarked as JCMO-2
17 and I formally offer that into the record.

18 JUDGE STEARLEY: All right. Any
19 objections to the admission of JCMO-1 and 2?

20 (NO RESPONSE.)

21 JUDGE STEARLEY: Hearing none, they
22 shall be received and admitted into evidence.

23 (JCMO EXHIBIT NOS. 1 AND 2 WERE RECEIVED
24 INTO EVIDENCE AND MADE A PART OF THE RECORD.)

25 JUDGE STEARLEY: Moving on to Staff

1 witness list for those witnesses who will not be
2 being cross-examined, we can offer the remainder of
3 those, Mr. Thompson.

4 MR. THOMPSON: Thank you, your Honor.
5 That would be Staff Exhibit No. 8 which is the direct
6 testimony of Edward F. Began; Staff Exhibits 9 and 10
7 which are the direct and surrebuttal testimony of
8 John P. Cassidy; Staff Exhibits 11 and 12 which are
9 the direct and surrebuttal of Jeremy Hagemeyer; Staff
10 Exhibits 13 and 14 which are the direct testimony of
11 Greg Macias and the surrebuttal testimony of Guy
12 Gilbert.

13 Staff Exhibits 15 and 16 which are the
14 direct and surrebuttal testimony of James A. Merciel,
15 Junior; Staff Exhibits 17, 18, 19 and 20 which are
16 the direct, rebuttal, surrebuttal and true-up direct
17 testimony of David Murray, and some of those are
18 highly confidential. I haven't pointed out which
19 ones are confidential or highly confidential, but I
20 have supplied appropriate copies to the court
21 reporter.

22 Staff Exhibits 21, 22, 23 and 24 which
23 are the direct, supplemental direct, rebuttal and
24 surrebuttal of Dennis Patterson; Staff Exhibit --
25 Staff Exhibits 25, 26 and 27 which are the direct,

1 rebuttal and surrebuttal testimony of James M. Russo,
2 and I should point out that Staff Exhibit 25 is in
3 two volumes. There's a second volume which is
4 schedules. Staff Exhibits 28 and 29 which are the
5 Staff accounting schedules and Staff true-up
6 accounting schedules.

7 JUDGE STEARLEY: All right. Any
8 objections to the receipt of those --

9 MR. ELLINGER: One question for
10 clarification. With respect to Mr. Russo's
11 testimony, you said they were direct, rebuttal and
12 surrebuttal, right?

13 MR. THOMPSON: Yes. The exhibit list is
14 wrong.

15 MR. ELLINGER: Okay.

16 MR. THOMPSON: The exhibit list reflects
17 it as all three as direct.

18 MR. ELLINGER: What -- is it 25 direct,
19 26 rebuttal, 27 surrebuttal?

20 MR. THOMPSON: 25 is the direct --
21 that's -- that's exactly right.

22 JUDGE STEARLEY: Any objections to
23 Staff's offered testimony?

24 (NO RESPONSE.)

25 JUDGE STEARLEY: Hearing none, the

1 exhibits so named by Staff shall be admitted and
2 received into evidence.

3 (STAFF EXHIBIT NOS. 8 THROUGH 16, 17-HC,
4 17-NP, 18-HC, 18-NP, 19-HC, 19-NP, 20-P, 20-NP, 21
5 THROUGH 29 WERE RECEIVED INTO EVIDENCE AND MADE A
6 PART OF THE RECORD.)

7 JUDGE STEARLEY: Moving on to
8 Missouri-American.

9 MR. ENGLAND: Thank you, your Honor.
10 Missouri-American's Exhibits 1 through 3 were the
11 prepared direct rebuttal and surrebuttal testimony of
12 witness Pauline Hearne. Those have previously been
13 marked and received into evidence. At least that's
14 what my records show.

15 JUDGE STEARLEY: That's correct.

16 MR. ENGLAND: Thank you. For purposes
17 of today, then, the non -- I guess the witnesses that
18 aren't expected to be called by the City of Joplin,
19 we have Alan DeBoy's direct and rebuttal testimony
20 which would be MAWC Exhibit 4 and 5.

21 Moving on, we have the surrebuttal
22 testimony of Cindy Hebenstreit. I'm probably
23 butchering the pronunciation of her last name. That
24 is actually in rebuttal or responding to the union's
25 testimony, so while it's been marked, I would reserve

1 offering it at this time pending my motion to strike.

2 JUDGE STEARLEY: Okay. And we'll -- and
3 we'll take that up tomorrow.

4 MR. ENGLAND: Okay. The direct -- or
5 excuse me, the rebuttal and surrebuttal testimony of
6 the MAWC Paul Herbert has been marked as Exhibits 11
7 and 12. Exhibit 13 would be the direct testimony of
8 James M. Jenkins. 14, there is a nonproprietary
9 version and a proprietary version, would be
10 Mr. Jenkins' rebuttal testimony. 15 which is
11 nonproprietary would be his surrebuttal.

12 Exhibit 18 is the direct testimony of
13 witness Spanos, 19 is his rebuttal testimony.
14 Exhibits 20, 21 and 22 would be the direct, rebuttal
15 and surrebuttal of witness Spitznagel. Exhibits 23
16 and 24 would be the direct and rebuttal testimony of
17 Peter Thakadyil.

18 25, 26 and 27 are the direct testimony
19 of Greg Weeks -- excuse me, 25 is his direct
20 testimony in the rate case. 26 is his direct
21 testimony in the consolidated case, ST-2007-0443, and
22 it has been revised, which provisions were
23 distributed to the parties some time ago.

24 Exhibit 27 is Mr. Weeks' rebuttal
25 testimony, and while we've marked his surrebuttal as

1 28, it responds, as I understand, exclusively to
2 Mr. Ratermann, so I would withhold offering at this
3 time, again, pending the motion to strike.

4 So I guess I'm offering, then, at this
5 time, Missouri-American Exhibits 4, 5, 11, 12, 13,
6 14-NP and 14-P, 15, 18, 19, 20, 21, 22, 23, 24, 25,
7 26 and 27.

8 JUDGE STEARLEY: All right. Any
9 objections to the admissions of those exhibits?

10 MR. ELLINGER: Judge, with respect to
11 Mr. Weeks --

12 MR. ENGLAND: Oh.

13 MR. ELLINGER: -- we had asked him to be
14 subject to cross-examination, and I'd prefer instead
15 of -- object at this point, wait until he can be
16 tendered on the stand with respect to Exhibits --
17 what is that, 25, 6, 7 and 8 --

18 MR. ENGLAND: Correct.

19 MR. ELLINGER: -- or 25, 26 and 27.

20 MR. ENGLAND: Correct. And Judge,
21 that's -- that's fine with us. I'd forgotten we have
22 an understanding to produce Mr. Weeks, so --

23 JUDGE STEARLEY: All right. Did you
24 want to offer Exhibit 26 which involved the other
25 case, the STO-443, or do you want to just wait?

1 MR. ENGLAND: I mean, depending on
2 whether the City of Joplin -- I presume they have no
3 issue with that, so I will offer that piece of
4 testimony.

5 JUDGE STEARLEY: Okay.

6 MR. HESS: Your Honor, on behalf of Home
7 Builders, in the 443 testimony, that's on a separate
8 procedural track where we've not yet tendered our
9 surrebuttal testimony. And under the separate track,
10 we had a separate hearing scheduled for
11 cross-examination on that if that goes forward. We'd
12 just be asked to preserve any rights to cross-examine
13 or anything on Weeks as it relates to his 443
14 testimony if that goes forward at a later date.

15 JUDGE STEARLEY: Very well. Those --
16 your rights for cross-examining Mr. Weeks with regard
17 to that testimony certainly will be preserved. With
18 that caveat, are there any objections to the
19 admissions of Missouri-American's offered exhibits?

20 (NO RESPONSE.)

21 JUDGE STEARLEY: Hearing none, they
22 shall be so admitted and received into evidence.

23 (MAWC EXHIBIT NOS. 4, 5, 11, 12, 13,
24 14-NP, 14-P, 15, 18, 19, 20, 21, 22, 23, AND 24
25 THROUGH 27 WERE RECEIVED INTO EVIDENCE AND MADE A

1 PART OF THE RECORD.)

2 JUDGE STEARLEY: Now, I know our
3 procedure here, before I go on, have I got
4 everybody's now? I believe I've got everybody's
5 exhibits list for all those witnesses who are not
6 providing testimony?

7 (NO RESPONSE.)

8 JUDGE STEARLEY: Okay. I know we have
9 shifted our procedural posture here and I was gonna
10 give the parties an opportunity to offer opening
11 statements; however, I'm not sure you want to proceed
12 in the original order those were set out. So I'll
13 let the parties advise me who would like to give
14 opening statements on the issues before the
15 Commission we're taking up now and then what order
16 you'd like to do so.

17 MR. ENGLAND: I have no preference, your
18 Honor. We can go first, we can go last, we can go in
19 the middle.

20 MR. ELLINGER: And again, I think we had
21 at least an agreed-upon list. We might as well just
22 use that and go from there.

23 JUDGE STEARLEY: Okay.

24 MR. ELLINGER: The original order, I
25 think there was a list of witnesses --

1 JUDGE STEARLEY: And I have that list
2 before me. So all right, then. Unless there's any
3 other procedural matters we need to take up, we will
4 begin with opening statements starting from our
5 fire-filed list, we will begin with
6 Missouri-American, Mr. England.

7 MR. ENGLAND: Thank you, your Honor.
8 May it please the Commission, my name is Trip
9 England. I represent the applicant, Missouri-American
10 Water Company.

11 As everyone is well aware, this is a
12 rate case initiated by Missouri-American Water
13 Company. Consolidated with that was a request to
14 also implement capacity charges for its sewer
15 operations in the Cedar Hill and Warren County sewer
16 districts.

17 Previously, Missouri-American entered
18 into a stipulation with the Metropolitan Sewer
19 District which I believe settled an issue that was
20 unique and specific to MSD. That has been filed with
21 the Commission, and to my recollection no one has
22 opposed that stipulation, so I believe it can be
23 considered a unanimous stipulation. We would urge
24 approval of that stipulation. We think that's a fair
25 resolution to the issue that they raised.

1 As you heard earlier, we are working on
2 a separate stipulation with the city of Jefferson
3 City to address some of their unique and specific
4 issues and hope to have something filed in the next
5 day or two on that.

6 With respect to the remaining issues in
7 the case, primarily revenue requirement, rate design,
8 the capacity charge tariff that was consolidated with
9 this case, all of those issues have been addressed in
10 the Nonunanimous Stipulation that has been submitted
11 to the Commission.

12 While, you know, the company didn't
13 necessarily get all that it was hoping for in the
14 context of that Nonunanimous Stipulation, we
15 nevertheless, believe that that is a fair and
16 reasonable compromise of our positions as well as the
17 positions of the other parties. We recognize that
18 the City of Joplin, as is their right, has chosen not
19 to participate in that stipulation.

20 They have, through pleadings and
21 testimony with the Commission, identified, I believe,
22 four issues with which they take exception, primarily
23 related to the allocation of corporate or general
24 administrative costs to the Joplin district. We will
25 be producing witnesses to address those issues. We

1 think they have been fairly addressed in the
2 Nonunanimous Stipulation. We think after you hear
3 the testimony of our witnesses and those of Staff,
4 that the Commission will agree.

5 I would like to point out, however, in
6 the context of preparing for this hearing today and
7 in reviewing the specific objections and issues that
8 Joplin has raised with respect to the Nonunanimous
9 Stipulation, we have discovered an error in our case
10 that I believe flows through to the Staff's case, and
11 that relates to chemical expense specific to the
12 Joplin district.

13 Mr. Grubb, who is our first witness,
14 will address the specifics of that error and the
15 amount of that error, but if the Commission
16 determines that that error impacts the revenue
17 increase to be attributed to Joplin, we would propose
18 that the Commission simply deduct the amount of that
19 error from the amount of money that is being
20 allocated at Joplin in accordance with the
21 Nonunanimous Stipulation.

22 Currently, according to the terms of the
23 Nonunanimous Stipulation appendix A-1-1, the Joplin
24 district would experience a revenue increase of
25 \$4,856,240. If the Commission chooses to correct for

1 there is, in fact, no goal to discriminate against or
2 punish Joplin ratepayers. On page 2 Joplin says
3 that, "Staff's egregious behavior and the co-oping of
4 other parties through that behavior must be stopped
5 by this Commission." I don't know exactly what is so
6 egregious in preparing accounting schedules.
7 Certainly, the entire tribe of accountants and
8 auditors have to be kept under control because of
9 their goal to punish and to discriminate against the
10 Joplin ratepayers.

11 This kind of intemperate language and
12 slinging of accusations is improper, your Honor. The
13 Staff of the Commission works very hard in preparing
14 cases of this sort. It's unfortunate that the
15 numbers do not come out to the liking of every party.
16 I don't think any party enjoys a rate case except
17 perhaps the company which likes a rate increase once
18 in a while. Thank you.

19 JUDGE STEARLEY: Thank you,
20 Mr. Thompson. The Office of Public Counsel,
21 Ms. Baker.

22 MS. BAKER: Thank you. Public Counsel
23 would like to state that they support the
24 Nonunanimous Stipulation and agreement as a fair and
25 reasonable compromise of all the issues in the rate

1 case WR-2007-0216 and the companion capacity charge
2 case ST-2007-0443.

3 Public Counsel states that this
4 agreement is not unjust, unreasonable or unfair as
5 has been argued by the intervenor, City of Joplin.
6 The rate is not unjust, unreasonable or fair [sic]
7 just simply because the City of Joplin feels the
8 increase for its district is too high.

9 The basic premise behind the agreement
10 is that of a movement toward a pure district-specific
11 rate. The Joplin district is not being asked to
12 subsidize another district's rates and it would be
13 unjust, unreasonable and unfair to ask the other
14 districts to subsidize Joplin's cost.

15 Therefore, Public Counsel supports all
16 the provisions in the agreement and states that
17 through hard work and good communication, this
18 agreement stands as a fair compromise. And the
19 Public Counsel would request that the Commission
20 issue an order implementing this as a resolution in
21 the case.

22 Public Counsel also understands that
23 there has been an error in the calculation for the
24 chemical expense, and Public Counsel supports the
25 correct and true calculations. And therefore, Public

1 Counsel would support the change that has been
2 proposed by Missouri-American of the change in the
3 amount that was given to Joplin in the stipulation.
4 Thank you.

5 JUDGE STEARLEY: All right. Thank you,
6 Ms. Baker. City of Joplin, Mr. Ellinger.

7 MR. ELLINGER: May it please the
8 Commission, my name is Marc Ellinger on behalf of the
9 firm of Blitz, Bardgett & Deutsch representing the
10 intervenor, City of Joplin.

11 This case really continues the history
12 that's kind of developed in the Joplin and
13 Missouri-American water rate cases. In 1999
14 Missouri-American Water filed a rate case and Joplin
15 intervened. Ultimately, the issue that Joplin
16 presented and advocated for was district-specific
17 pricing. I think the Public Counsel has alluded to
18 district-specific pricing.

19 During that case the issue that Joplin
20 wanted was each district should stand on its own and
21 that there shouldn't be subsidies for any districts.
22 Obviously, the Commission in 2000 entered an order
23 that rejected that concept and mandated subsidies in
24 compelling Joplin to come up with those subsidies for
25 other districts.

1 That order, obviously, unjust, unfair,
2 unreasonable and discriminated and was unsupported by
3 any facts. Ultimately the Circuit Court of Cole
4 County found it was unsupported by any facts. It was
5 remanded to this Commission, the Commission found
6 that it would do nothing and claimed that it was
7 moot. Western District Court of Appeals has
8 disagreed with the Commission on that and ordered the
9 Commission to address that issue and issue a new
10 report and order. Because the rates are illegal, you
11 know, there should be some remedy crafted for Joplin.

12 We have asked the Commission in this
13 case to consolidate the 2000 case into this case.
14 That was rejected. We filed a motion for rehearing
15 on that. That motion as of today has never been
16 ruled upon by this Commission. As a result,
17 obviously, Joplin taxpayers have suffered a burden
18 going all the way back to the 2000 rate case and a
19 burden that continues today.

20 And I say it continues today because we
21 look at this rate case and we look at this proposed
22 stipulation which the parties have proposed, and
23 again, Joplin ratepayers are being discriminated
24 against. Now, why they're being discriminated
25 against, what the animus behind it is, I don't know.

1 I think the Staff is probably the only people that
2 can tell you why they want to discriminate against
3 the Joplin ratepayers. And hopefully, today we will
4 find out what that animus is.

5 But it is clear in looking at the
6 proposed stipulation, the proposed allocation of
7 expenses, that a egregious action is taken to
8 discriminate against the Joplin ratepayers. I think
9 that you will see the evidence today will bear out
10 that the actions taken by the Staff ultimately
11 adopted in this stipulation are designed to increase
12 costs upon Joplin ratepayers and therefore increase
13 rates upon Joplin ratepayers.

14 For example, Judge, in the test year,
15 the Joplin district booked about \$4.4 million in
16 profit. After the Staff was done with its allocation
17 numbers, including corporate allocation, including
18 some very questionable annualization, normalization,
19 that \$4.4 million in profit became \$300,000 in
20 profit. You know, in a stroke of a pen, literally,
21 90-plus percent of the actual profit of the Joplin
22 district disappeared.

23 Now, to be fair, other districts saw
24 their book profit reduced also. Nobody saw the
25 percentage reduction in book profit that Joplin did.

1 Even the company's original filing in advocating or
2 allocating corporate costs to not produce such an
3 egregious result upon the Joplin district.

4 The way that was done, the record will
5 reflect, was primarily through the allocation of
6 corporate costs. Those corporate costs which flow
7 from Missouri-American Water corporate department and
8 ultimately some from American Water's headquarters
9 eliminated nearly all the profit. At best, those
10 allocations are unsupported by any fact and are
11 arbitrary and capricious. At worst, they're
12 intentionally discriminatory and illegal.

13 Normalization of revenues, normalization
14 of expenses were upside down, and I think the best
15 example of that -- and I think perhaps we've now got
16 that cleared up through the company's good work in
17 coming forward and dealing with chemical statements,
18 is to show that normalization by the Staff of
19 revenues for water were reduced because the test year
20 was a heavy water usage year and the chemical expense
21 was dramatically increased.

22 Chemical expense follows water. The
23 chemicals are used to treat the water. Ultimately,
24 again, through the company's good work, I think they
25 have come up with there was a mistake made. I'm glad

1 to see the Office of Public Counsel has joined in
2 advocating for that change and not surprised that the
3 Staff has not joined in advocating for that change.
4 Again, the pattern continues. Every opportunity the
5 Staff has had, when it comes to Joplin, any type of
6 reasonable ratemaking, any type of reasonable relief
7 is rejected on a consistent basis.

8 And that goes all the way back to the
9 concept that rates ought to be fair, just and
10 reasonable and they should not discriminate on any
11 party, any rate class. If you take a look at the
12 rate increases in this case, Joplin is subjected
13 under this stipulation to a 62 percent rate increase,
14 Judge, 62 percent. The initial request by the
15 company was only for 25 percent rate increase.

16 Imagine a stipulation, imagine a
17 settlement where you come in and agree to taking a
18 250 percent rate increase. Obviously, that's a key
19 component of why we're objecting to this matter.

20 Again, district-specific pricing, a key
21 issue that has been talked about that has been
22 advocated by this Commission, the Staff and the
23 Office of Public Counsel and the stipulation again
24 contains subsidies. Some of those subsidies go
25 directly to Brunswick and to Warren County, but the

1 ultimate subsidy, again, is punishing rates upon the
2 City of Joplin and in this case St. Louis County and
3 St. Charles County receiving the benefit of that
4 punitive rates.

5 These are just a few examples of why
6 this case comes to you instead of coming up upon a
7 unanimous settlement. And let me be clear, and I
8 don't want to -- I don't want anybody to not
9 understand, we don't begrudge the company making a
10 reasonable profit.

11 Our issue now that we've discussed the
12 chemical expense, barely even touched the company's
13 bottom line. Ultimately, the issue is the
14 interdistrict allocation and the discriminatory
15 impact upon Joplin ratepayers to the benefits of
16 other districts. As I said before, in 2000 it was
17 Brunswick, it was Mexico; 2007 now it's St. Louis and
18 St. Charles County.

19 We have tried to work with the Staff on
20 this matter to no avail, and I'm reminded of the old
21 adage, "Fool me once, shame on you; fool me twice,
22 shame on me." We're not gonna be fooled again this
23 time. Ultimately, the Commission should revise the
24 revenue requirements and thus the rates that flow
25 directly from those revenue requirements for the

1 Joplin district.

2 Based upon our information, those
3 adjustments should be made. This stipulation as
4 presented to the Commission should not be approved in
5 its current form due to the manifest unfairness it
6 presents to the City of Joplin and to its ratepayers,
7 and therefore, we would urge that the stipulation not
8 be adopted and that adjustments be made to
9 appropriately allocate corporate costs to make the
10 chemical expense adjustment that's already been
11 agreed upon by the company and by the Office of
12 Public Counsel and also to ensure that the rates that
13 are applied are fair, reasonable and under this
14 Commission's statutory mandate nondiscriminatory.
15 Thank you.

16 JUDGE STEARLEY: All right. Thank you,
17 Mr. Ellinger. Opening statements City of
18 Warrensburg. Mr. Finnegan, do you have an opening
19 statement?

20 MR. FINNEGAN: Not for Warrensburg.
21 Mr. Curtis would be the one giving that, and he is
22 waiving cross-examination and has signed the
23 stipulation.

24 JUDGE STEARLEY: All right. Very good.
25 Water districts, Mr. Fischer.

1 MR. FISCHER: May it please the
2 Commission, my name is Jim Fischer and I'm
3 representing three small rural water districts around
4 the St. Joseph area that are among the largest
5 customers of Missouri-American Water Company. These
6 are not-for-profit including the subdivisions that
7 serve principally rural residential customers outside
8 St. Joseph.

9 And although the water districts are
10 among the largest customers of the company, in
11 reality, these aware districts are representatives of
12 their residential rural customers because they pass
13 along the cost of water increases to -- directly to
14 their ratepayers.

15 The water districts in this case are
16 supporting the Nonunanimous Stipulation and agreement
17 that was filed on the rate design and cost of service
18 issue, but I think you also have to understand some
19 background as you're going to be deciding this rate
20 design case.

21 As a result of the Commission's decision
22 in the 2000 Missouri-American Water rate case which
23 was WR-2000-281, the water districts' rates that I
24 represent in the St. Joseph district went up
25 approximately 239 percent. That increase was

1 unprecedented in sheer magnitude, and it's frankly
2 been very difficult for the customers out in rural
3 St. Joseph to understand it ever since.

4 The water districts continue to believe
5 that it was an unfortunate decision for the majority
6 of the Commissioners in that case to abandon
7 single-tariff pricing and go to what's now called
8 district-specific pricing. Joplin was one of the
9 primary proponents of district-specific pricing as
10 well as several other cities in this -- in this area.

11 Joplin mentioned that the company in
12 this case had proposed a 25 percent across-the-board
13 increase. Well, in that water case back in 2000, the
14 company had proposed a single-tariff pricing increase
15 of 33 percent, is my memory. Instead, because we
16 went to district-specific pricing and made some rate
17 design changes, my clients got a 239 percent
18 increase. So it's not unprecedented for suddenly at
19 the end of a case to -- for things to change.

20 In this case the water districts are
21 requesting that the Commission reconsider two aspects
22 of the rate design that was adopted in that 2000 rate
23 case. Since the water districts are essentially
24 wholesale customers, the water districts take their
25 water supplies, for the most part, directly from the

1 mains of the company. The water districts provide
2 the distribution system to their rural customers.

3 Unfortunately, in that 2000 rate case,
4 we believe too much of the distribution system was
5 allocated to the water districts and we're trying
6 to -- to mitigate that to some extent as a part of
7 this rate design stipulation.

8 But if you decide the case based upon
9 the evidence, we support the position of the company
10 witness Herbert on the proper allocation of mains and
11 distribution plan.

12 Staff and Public Counsel's methodology
13 is, as is prefiled in their testimony, we believe
14 would allocate too much of those mains and
15 distribution cost to the water districts. But as I
16 say, the stipulation and agreement has resolved that
17 issue and we're supporting that.

18 We're also concerned about the present
19 rate design in the St. Joseph district. We've made
20 substantial progress in coming to an agreement with
21 the other parties to change that rate structure to
22 make it a single block rate throughout the St. Joseph
23 district with the exception of a slightly different
24 rate structure for the industrials.

25 But under the existing rate structure

1 that is currently part of the tariffs, the water
2 districts pay about 83 percent higher rates than
3 every single part of that block rate than the
4 residential class. That needs to be changed. And if
5 you adopt the Stipulation and Agreement in this case,
6 that will be changed. We go to a single block rate
7 and it will apply to all the -- all the customers
8 with the exception of the industrials, so we're very
9 supportive of that.

10 We support the position of AG Processing
11 witness, Don Johnstone that there should be a single
12 declining block rate structure in the St. Joseph
13 district, and if you adopt the stipulation we will
14 essentially be getting to that position or very close
15 to it.

16 We've also been concerned about
17 eliminating the declining block rate structure which
18 is included in Staff's prefiled case. Now, as a part
19 of the stipulation, that will not be eliminated and
20 we believe that's the right result.

21 But Staff was proposing to increase the
22 tail block rate in the rate structure which is where
23 my clients principally take their water, about 80
24 percent, and we think that would have been a big
25 mistake and we're glad that the parties are

1 stipulating to a rate structure that makes a lot more
2 sense from a -- from a economic standpoint.

3 In summary, the water districts would
4 request that you carefully consider that Nonunanimous
5 Stipulation and Agreement that's been filed, we
6 support it. We hope you'll keep in mind that 239
7 percent increase that the water districts absorbed in
8 the 2000 rate case.

9 And while we're sympathetic to Joplin
10 whenever they're complaining that they're getting a
11 62 percent increase, we didn't get much sympathy back
12 in the 2000 case from any of the parties in this case
13 when they decided and advocated to go away from
14 single-tariff pricing which would have meant 33
15 percent increase for everybody, and instead, our
16 clients got a 239 percent increase. Thank you very
17 much.

18 JUDGE STEARLEY: Thank you, Mr. Fischer.
19 Missouri Industrial Energy Consumers, Mr. Downey.

20 MR. DOWNEY: May it please the
21 Commission, the MIEC has no opening statement other
22 than to state that it supports the Nonunanimous
23 Stipulation in this case.

24 JUDGE STEARLEY: All right. Very good.
25 Thank you, Mr. Downey. City of St. Joseph,

1 Mr. Steinmeier.

2 MR. STEINMEIER: Thank you, your Honor.

3 If it please the Commission, I simply wanted to add
4 an additional fact to the facts that Mr. Fischer has
5 just presented to the Commission, and that is that in
6 the 2000 Missouri-American Water Company rate case,
7 the -- in which the Commission moved away from
8 system-wide pricing and toward district-specific
9 pricing, the rates for the St. Louis -- St. Joseph
10 district rose approximately 70 percent.

11 And that was the case, as Mr. Fischer
12 has pointed out, where the proposal appeared to be a
13 33 percent rate increase for the citizens of the City
14 of St. Joseph, wound up with increases of at least
15 approximately 70 percent.

16 And the City of Joplin, among others,
17 strongly supported in that case that movement toward
18 district-specific pricing. Thank you.

19 JUDGE STEARLEY: Thank you,
20 Mr. Steinmeier. City of Jefferson, Mr. Comley.

21 MR. COMLEY: Thank you, Judge. City of
22 Jefferson has no opening.

23 JUDGE STEARLEY: All right. Thank you
24 very much, Mr. Comley. City of Parkville,
25 Mr. Finnegan.

1 MR. FINNEGAN: May it please the
2 Commission, on behalf of the City of Parkville and
3 also its cohorts, the City of Lake Waukomis, Public
4 Water Supply District No. 6 of Platte County, Park
5 University and the National Gulf Club, we want to
6 indicate that we strongly support the Stipulation and
7 Agreement in this case.

8 I want to point out that it was a long
9 and arduous struggle to get to it, first among the
10 noncompany parties and then with the companies. So I
11 mean, it was virtually a daily item, sometimes twice
12 a day, and we worked hard and satisfied everybody
13 with the exception of Joplin.

14 One thing I want to clarify here is, the
15 question is not really district-specific pricing
16 versus single-tariff pricing that caused the problem
17 in St. Joseph. Originally, the Commission --
18 originally, the companies were on district-specific
19 pricing and then at some point in time it shifted to
20 single-tariff pricing. And ever since it shifted,
21 the object was to get it back to district-specific
22 pricing so that each district pays its own charges
23 and so that each -- no district subsidizes another,
24 and no district is subsidized by another.

25 The major problem in the 2002 281 case

1 was A, it went to district-specific pricing and
2 St. Joseph had a mammoth plant increase investment of
3 like \$80 million. That had a problem with St. Joe.

4 The second one was the rate design.
5 Nobody expected the rate design that came out of it
6 and we've been fighting it ever since. In the last
7 case, the 2003 case, we were able to remove some of
8 the problems of that rate design that was caused by
9 Mr. Hubbs. It was not -- it was -- no one else knew
10 that would happen, all of a sudden that rate design
11 came into effect. It was -- it was a catastrophe.

12 In the last rate case, Parkville, we
13 settled and Parkville was able to get to a single
14 block charge for all the customers. Everyone --
15 well, it was a four-step block but every customer
16 paid the same because there's no definition of what
17 residential or -- there's no basis for the -- for the
18 difference between residential, industrial, sale for
19 resale in this case. Nobody knows what their usages
20 are and why they should be that way.

21 So we are now back to where we started
22 before the 2000 case, and we're happy to be back here
23 and we want to stay there. And we worked hard to get
24 a settlement that hopefully the Commission will
25 approve. So thank you.

1 JUDGE STEARLEY: Thank you,
2 Mr. Finnegan. Home Builders Association of Greater
3 St. Louis, Mr. Hess.

4 MR. HESS: May it please the Commission,
5 Home Builders Association of St. Louis and eastern
6 Missouri supports the stipulation/agreement filed on
7 August 9th. By way of background, HBA objected to
8 separate tariffs filed by Missouri-American to
9 end-point capacity charges of \$5,500 per new
10 residential sewer connection in its sewer districts
11 serving the Cedar Hill subdivision in Jefferson
12 County and the Incline subdivision in Warren County.

13 This Commission suspended those tariffs
14 and consolidated that case with the already pending
15 water and sewer rate cases. Missouri-American has
16 submitted its direct testimony concerning the
17 capacity charges, but the other parties have not yet
18 submitted rebuttal testimony or surrebuttal
19 testimony. The deadline for that testimony has been
20 suspended pending a decision on this Stipulation and
21 Agreement.

22 Under the Stipulation and Agreement,
23 Missouri-American would impose capacity charges of
24 \$1,500 per new residential sewer connection in those
25 districts. Reasonable capacity charges are important

1 to HBA. Such costs must be ultimately passed on to
2 new home buyers in the form of higher prices.
3 Disproportionate charges may discourage or
4 effectively prevent new home construction resulting
5 in loss of jobs and fewer or higher-priced homes and
6 ultimately limiting the customer base within the
7 district from which such improvement costs can be
8 recovered.

9 The Stipulation and Agreement resolves
10 the disputed legal and factual issues concerning the
11 Class B charges in a manner that the effective
12 parties have deemed an acceptable balance of
13 competing interest. HBA supports the Stipulation and
14 Agreement and respectfully requests that this
15 Commission approve it. Thank you.

16 JUDGE STEARLEY: Thank you, Mr. Hess. I
17 believe that concludes opening statements.

18 MR. CONRAD: Fine.

19 JUDGE STEARLEY: I'm sorry, Mr. Conrad.
20 Somehow I've omitted you on my list. My apologies.
21 AG Processing.

22 MR. CONRAD: Well, time will tell
23 whether you'll regret it or not. But may it please
24 the Commission, I sat and listened to some of the
25 other openings and discovered that there were issues

1 in the case that I thought had been resolved in 2000,
2 and my purpose here is not to relitigate those.

3 Counsel Fischer made reference to the
4 experience that his clients had had coming out of the
5 2000 case. It was severe. But the problem is not a
6 shift as he had characterized it. The problem, I
7 think, that got overlooked in that is what's called
8 district-specific pricing. It is mandated by
9 393.130.3. That's the law of the state.

10 Now, it may be desirable to socialize
11 costs and spread them somewhere else, but the problem
12 that we had in St. Joe was a confluence of really
13 three factors: The movement back toward what the law
14 requires is one.

15 As Mr. Finnegan mentioned, a
16 substantially very expensive water palace in Andrew
17 County that to this day is providing wonderful
18 service, although there was a considerable dispute
19 about whether that was the way to go at the time,
20 that's done, that's built and that's there.

21 But the most severe result of that case
22 was a shift in the rate design, which had been
23 introduced by the Staff advocate or rather, the Staff
24 consultant, the Staff person, engineer and
25 antidotally, he himself was surprised that the

1 Commission had gone that way.

2 Mr. Fischer mentioned that his clients
3 had something in the range of 230 or 240 percent
4 increase. Our clients had something in the range of
5 150 to 180 percent. And since that time, we have
6 been trying to work back. I would point out that
7 despite that, my client here today and my client back
8 in the 2000 case, AG Processing, agreed that
9 district-specific pricing was the correct way to go,
10 that it was wrong under the statute and it's wrong as
11 public policy to spread costs on some broad basis.

12 There's no connection between the plants
13 at all. There's no way to move water from St.
14 Joseph's water palace to St. Charles, desirable as
15 that might be. So we both endorse some of the
16 concerns that Mr. Fischer had, but the problem is not
17 moving back to where the law requires.

18 Since the 2000 case in the 0500 case and
19 this one, reflect a movement back to things as
20 they -- as they ought to be and moving away from that
21 mistaken rate design to a more enlightened one.

22 We do support, even though the
23 procedural status is a little confused given a
24 contested Nonunanimous Stipulation, we do support
25 that joint recommendation. It reflects, and some of

1 the debate that you've already heard is illustrative
2 of the fact that it represents a delicate balance.

3 In effect, you have maybe not actually
4 in the sense of a series of case filings and so on,
5 but you really have almost 11 different rate cases
6 here, and each of them has required its own analysis.
7 And that's a complicated thing to do. And we
8 recognize in putting that together that there are
9 impacts that need to be addressed. And you can't
10 move immediately back, particularly in the -- in the
11 sense of the districts that are subsidized.

12 I do also remember things slightly
13 differently in the 2000 case. There, the analysis
14 indicated that our friends in Joplin, as Mr. Deutsch
15 occasionally says, experienced no increase, but nor
16 did they experience a decrease.

17 Their complaint, I believe, is that the
18 analysis that was done indicated that their rates
19 should, on a pure district-specific basis, gone down
20 and they did not get the benefit of that reduction,
21 and that's been the spawn of part of this dispute.

22 As I mentioned, though, I think it is
23 important when we come up to a compromise situation,
24 to recognize that there's give and take. A
25 settlement like this has no mother, it has no father.

1 No one probably fully embraces it. It becomes one of
2 those things it is not so unpalatable that you want
3 to reject it from every case.

4 Nevertheless, it reflects a delicate
5 balance and there has been a lot of work. And as we
6 are occasionally forced in the position of being
7 critical of work that's done, I think it is
8 appropriate to lift up a couple of names here, Barb
9 Meisenheimer of OPC gave, I think, unstintingly of
10 her time to work through the numbers on this.

11 We have no criticism of the ability of
12 Staff to try to respond to those inquiries, and to a
13 large extent they responded to end parties from that
14 working group to put data together which was tough
15 because some of the numbers continued to move.

16 Christina Baker, who is counsel here for
17 OPC in this case, I think also deserves some kudos on
18 kind of giving some guidance at the OPC level. They
19 were instrumental in bringing this together and I
20 think that is -- is noteworthy.

21 And finally, we would simply say that
22 there are aspects of the settlement that -- or the
23 joint recommendations that we would prefer be
24 otherwise, but it is a compromise. We believe it to
25 be fair, we believe it to be a reasonable compromise.

1 We're sorry that we were unable to put something
2 together that satisfied our friends in Joplin. And
3 with that, I will conclude. Thank you.

4 JUDGE STEARLEY: Thank you very much,
5 Mr. Conrad. Are there any questions from the
6 commissioners for the attorneys before we proceed?

7 COMMISSIONER APPLING: Not at this
8 point, Judge.

9 JUDGE STEARLEY: Okay. I have one -- I
10 have one question. Mr. England has pointed out a
11 correction regarding the chemical expenses, and I
12 know we're gonna hear more in detail from Mr. Grubb
13 about that. And he's also proposed a solution in
14 terms of the deducting that on Joplin's balance
15 sheet. The correction that Mr. England proposed, is
16 that going to cause any of the parties or signatories
17 to this stipulation -- Nonunanimous Stipulation to
18 abandon the Nonunanimous Stip?

19 MR. CONRAD: No.

20 JUDGE STEARLEY: And I'm -- and I'm
21 seeing "no" there, so with that, it's the only
22 question I had at this point in time, so we will move
23 on to Missouri-American calling its first witness.

24 MR. ENGLAND: Thank you, your Honor.
25 We'll call Mr. Ed Grubb to the witness stand.

1 (The witness was sworn.)

2 JUDGE STEARLEY: Thank you. You may be
3 seated. Mr. England, you may proceed.

4 MR. ENGLAND: Thank you.

5 DIRECT EXAMINATION BY MR. ENGLAND:

6 Q. Would you state your name for the
7 record, please.

8 A. Edward J. Grubb.

9 Q. Mr. Grubb, by whom are you employed and
10 in what capacity?

11 A. I am employed by American Water Works
12 Service Company as the manager of rates and
13 regulation for the central region. I'm also the
14 assistant treasurer of Missouri-American Water.

15 Q. Have you caused to be prepared and filed
16 in this case certain pieces of prefiled testimony?
17 And I'm gonna take them one at a time here, the first
18 being Exhibit MAWC-6, your direct testimony?

19 A. That's correct.

20 Q. MAWC-7, your rebuttal testimony?

21 A. That's correct.

22 Q. MAWC-8, your true-up direct testimony?

23 A. Yes, sir.

24 Q. And MAWC-9, your surrebuttal testimony
25 and true-up rebuttal?

1 A. Correct.

2 Q. With respect to those pieces of prefiled
3 testimony, do you have any corrections or changes
4 that you need to make to the testimony at this time?

5 A. I have no changes to my testimony for
6 Exhibits 6, 7, 8 or 9, but I would like to discuss
7 the -- the chemical adjustment issue that has been
8 raised previously.

9 Q. Okay. Let me finish laying a foundation
10 for this and we'll get to that. If I were to ask you
11 the questions, then, that appear in the prefiled
12 testimony, Exhibits 6, 7, 8 and 9, would your answers
13 here today under oath be the same as appearing in
14 that prepared testimony?

15 A. Yes, they would.

16 Q. And are your answers true and correct to
17 the best of your knowledge, information and belief?

18 A. Yes, they are, Mr. England.

19 MR. ENGLAND: Thank you. I would offer
20 those exhibits at this time, your Honor.

21 JUDGE STEARLEY: All right. Are there
22 any objections to the offering of Missouri-American's
23 Exhibits 6, 7, 8 and 9?

24 (NO RESPONSE.)

25 JUDGE STEARLEY: Hearing none, they

1 shall be received and admitted into evidence.

2 (MAWC EXHIBIT NOS. 6 THROUGH 9 WERE
3 RECEIVED INTO EVIDENCE AND MADE A PART OF THE
4 RECORD.)

5 BY MR. ENGLAND:

6 Q. Mr. Grubb, turning your attention to the
7 chemical expense that you mentioned just a minute
8 ago, could you briefly describe the error that you
9 were able to uncover just in the last few days?

10 A. Yes. We -- we uncovered it late Friday,
11 and then over the weekend we spent some time, simply
12 for when you do the chemical adjustment you're taking
13 a level of water you expect to treat, you multiply it
14 by the usage per million gallons that you need to
15 treat the water, and then you multiply it then by
16 the -- you know, the price per pound that -- that the
17 chemical contracts have and the company has with the
18 chemical contractors.

19 In this instance, we found that the
20 usage per million gallons to treat the water, the
21 number of pounds for three of the 11 chemicals in the
22 Joplin district were overstated. And as a result of
23 overstating it, as a error in the spreadsheet
24 calculations, we are seeing the reduction in the
25 chemical costs in Joplin to be \$236,416.

1 Q. And do you have a copy of the
2 Nonunanimous Stipulation and Agreement in front of
3 you?

4 A. Yes, I do.

5 Q. If the Commission were to correct for
6 that error, what would you propose they do with
7 respect to the allocable revenue increase indicated
8 in that Stipulation and Agreement as far as Joplin is
9 concerned?

10 A. On appendix A-1-1, the amount of the
11 stipulated revenue increase for Joplin is 4,856,240.
12 The company will propose to reduce that by the
13 \$236,416 or for a net increase of \$4,619,824.

14 MR. ENGLAND: Thank you. Your Honor, I
15 have no other questions of the witness and would
16 tender him for cross-examination.

17 JUDGE STEARLEY: Thank you, Mr. England.
18 And before we start with cross, since we have a
19 number of parties who are not -- have not made
20 appearances today, and we have a number of parties
21 who are coming and going, as I go through my list, I
22 want to be sure and try and get everyone.

23 If I miss someone, I will trust you
24 will, as Mr. Conrad did with opening statements, flag
25 me down so that we give everyone a chance to

1 cross-examine. We will begin with Home Builders
2 Association. Mr. Hess.

3 MR. HESS: No questions, your Honor.

4 JUDGE STEARLEY: Thank you, Mr. Hess.
5 City of Jefferson, Mr. Comley?

6 MR. COMLEY: No questions, Judge.

7 JUDGE STEARLEY: City of St. Joseph,
8 Mr. Steinmeier?

9 MR. STEINMEIER: No questions, your
10 Honor.

11 JUDGE STEARLEY: Water district,
12 Mr. Fischer?

13 MR. FISCHER: No, thank you, Judge.

14 JUDGE STEARLEY: City of Joplin,
15 Mr. Ellinger?

16 MR. ELLINGER: Thank you, Judge.

17 CROSS-EXAMINATION BY MR. ELLINGER:

18 Q. Good morning, Mr. Grubb.

19 A. Good morning, sir.

20 Q. I'm Mark Ellinger with the law firm of
21 Blitz, Bardgett and Deutsch representing Joplin, and
22 I just have a few questions. I think actually your
23 testimony on the accounting already has cleared up
24 one major issue that we have been discussing.

25 A. I'm glad I could help.

1 Q. And thank you for your work in doing
2 that. I did want to -- just a couple of quick
3 clarifications on that particular issue. You said
4 that was \$236,416; is that correct?

5 A. That's correct.

6 Q. And that would reduce in the joint
7 stipulation the revenue requirement for Joplin by --
8 by that amount?

9 A. That is what the company is proposing.

10 Q. Okay. And that would show for the test
11 year, after everything is analyzed and normalized, a
12 very small decrease in the actual chemical expense
13 amount; is that correct?

14 A. Yeah, that is correct, about \$15,000,
15 Mr. Ellinger.

16 Q. And the test year, is it your
17 recollection that there was also some adjustments to
18 the revenue calculations for water used in Joplin?

19 A. Yes, I recall that.

20 Q. And were those -- those were -- those
21 adjustments were reductions, were they not?

22 A. Yeah, they were reductions, yes, and if
23 you just reduce the amount of water you say you're
24 going to treat, your chemical expense would go down.
25 But you know, there are instances where your chemical

1 price per pound could go up, so there could be some
2 offsetting, you know, factors there also.

3 Q. And that's -- and that's basically what
4 happened here is we did see a reduction in the amount
5 of water in a normal year would be treated and
6 obviously, some of the costs were slightly calculated
7 wrong. The result is the chemical expense should be
8 decreased slightly?

9 A. That's correct. It wasn't the cost --
10 the cost per pound that was calculated incorrectly,
11 it was the usage to treat the water on a per million
12 gallon basis.

13 Q. And the company's position is that that
14 adjustment ought to be made?

15 A. Yes, it is.

16 Q. Thank you. And that adjustment would
17 not affect any other district, would it?

18 A. Not based upon our proposal here today
19 to adjust the -- the Joplin stipulated rate increase.

20 Q. Well, just to make clear, this impacts
21 only Joplin; it doesn't transfer costs to another
22 district?

23 A. That's correct.

24 Q. Okay. Thank you. Let's talk a little
25 bit about corporate allocation in the ministry of

1 general expenses. Are you familiar with that topic?

2 A. Yes, I am.

3 Q. I noticed in your surrebuttal you
4 addressed it very briefly and I think you've
5 addressed in a number of the schedules that address
6 that at -- at some point in time also?

7 A. Correct -- correct.

8 Q. I notice that the primary method the
9 company used for corporate allocation is number of
10 customers?

11 A. That is correct.

12 Q. Okay. Are you familiar with the fact
13 that the Staff has not chosen to use the number of
14 customers as method of allocation -- or as a primary
15 method of corporate allocation?

16 A. You know, in looking at the Staff's
17 methodology in their schedules, we took the approach
18 of a holistic total view. I know they used a number
19 of other allocation factors. They used -- they did
20 use customers, they used payroll. I think in their
21 schedules they had some other specific allocation
22 factors.

23 When we look at it in total, the company
24 allocated about, I'm gonna say approximately 5.03
25 percent of the corporate cost of Joplin, the Staff

1 was about 5.11. So you end up getting to a
2 reasonable end result of what those, you know,
3 allocable expenses would be to the Joplin and to the
4 other districts.

5 Q. So instead of actually looking at how
6 individual costs were allocated, you simply took a
7 look at the total dollar amount to see if it was in
8 the same ball park?

9 A. Their -- their number was very
10 reasonable with ours using our allocation factors.

11 Q. Okay. The company doesn't allocate call
12 center expenses based upon payroll, does it?

13 A. We allocate call center costs based on
14 customers.

15 Q. And that would be because customers are
16 those who use the call center; is that correct?

17 A. That's the company's, you know,
18 rationale. It's a reasonable and -- way to allocate
19 those costs.

20 Q. And if a district has a lot of
21 customers, presumably they would use the call center
22 more; is that correct?

23 A. I think one could make that assumption.

24 Q. And the number of staff that a company
25 had hired -- that the company has hired in a

1 particular district, that's gonna have very little
2 impact upon the number of calls to the call center;
3 is it not?

4 A. Well, the number -- the amount of
5 payroll that a district may have as a result of, you
6 know, allocation, you know, for the call center, is a
7 function of the number of customers that it has. So
8 you know, the payroll can follow the number of
9 customers which, in that case, you know, their
10 allocation of using payroll may be very reasonable as
11 ours is using the number of customers.

12 Q. Does -- is it normal, then, for the
13 company to have, for example, a payroll that is --
14 that varies on a corporate basis by 20 percent over
15 the number of customers?

16 A. On a corporate -- I don't understand
17 your question.

18 Q. Well, let me back up here, okay? If you
19 take a look at the payroll of Joplin -- the Joplin
20 district compared to the -- to all the districts
21 combined, in other words, Missouri-American Water as
22 a whole pot, it's something over 6 percent; is that
23 correct?

24 A. Are you talking about just Joplin's
25 payroll?

1 Q. Joplin's payroll compared to all the
2 other -- the combined amount of the Missouri-American
3 Water's --

4 A. And so they represent 6 percent.

5 Q. Six percent.

6 A. Okay. So if you take Joplin's payroll
7 to the total company payroll?

8 Q. To the total amount of payroll as you
9 would allocate costs, you come up with roughly 6
10 percent. Is that your understanding of what the
11 Staff has previously testified to?

12 A. Well, I think they -- they take their --
13 they take the allocated pay -- the payroll for Joplin
14 divided by, you know, the payroll of the whole
15 company excluding the corporate, and that's the 6
16 percent I think you're talking about --

17 Q. That's correct.

18 A. -- 6 percent times the corporate
19 payroll, and that's what gets allocated to -- to --
20 Joplin.

21 Q. Well, or 6 percent times the call center
22 costs and that's what gets allocated to Joplin?

23 A. Or whatever -- whatever 6 percent they
24 apply that to, any cost.

25 Q. Right. And you said that the Joplin

1 customer base is roughly 5 percent of the total
2 Missouri-American Water customer base; is that
3 correct?

4 A. 24,000 divided by 450, I don't -- is
5 that --

6 Q. I think you previously said 5.03
7 percent, something --

8 A. No, I think you misunderstood. The 5.03
9 percent is Missouri-American's allocation of all
10 corporate costs. Using our methodology to get to
11 Joplin, Staff's was 5.1 percent as an aggregate.

12 Q. Okay. But I thought I understood you to
13 testify that 5.03 represented the customer base for
14 purposes of allocation.

15 A. No. No.

16 Q. No?

17 A. Because we use some other allocation
18 factors besides customers in our allocation factors.

19 Q. I noticed in your surrebuttal testimony,
20 I believe you referenced -- or perhaps it's your
21 direct that you reference you do use payroll to
22 allocate Workers' Comp --

23 A. Uh-huh, yes.

24 Q. -- costs?

25 A. We use vehicles to allocate

1 transportation expense.

2 Q. Okay. But you don't use payroll to
3 allocate call center costs?

4 A. Not in our allocation, no, that is
5 correct.

6 Q. And the difference between a 6 percent
7 allocation and a 5 percent allocation is roughly 20
8 percent, is it not? 18 percent something like that?

9 A. I'll trust your math.

10 Q. It is a -- is a -- is a fairly
11 substantial increase between those 2 percent
12 difference?

13 A. It is a difference, yes. I mean,
14 it's -- when you apply it to the corporate costs, it
15 produces a difference in allocation factors, yes.

16 Q. And that difference would be an
17 increased amount of allocation to Joplin?

18 A. If you use 6 percent versus 5 percent,
19 that would increase the amount that Joplin is -- is
20 allocated.

21 Q. Could you explain exactly what -- what
22 are shared services for the Commission?

23 A. If you're referring to management fees
24 for the -- for -- for the company, the shared
25 services refers to an organization up in New Jersey.

1 A number of years ago the company -- as many
2 companies were doing, they were taking their
3 financial services, their accounts payable, their
4 human resources, their purchasing and consolidating
5 them into one location to achieve economy to scale so
6 that, you know, all the services are provided to all
7 the companies of American Water in one consistent
8 economical manner.

9 Q. And that's on a nationwide basis; is
10 that correct?

11 A. That's correct.

12 Q. And how are those national shared
13 services costs allocated to each state?

14 A. They are based upon the service company
15 contract that Missouri-American has with the service
16 company. It's based upon customers.

17 Q. Okay. So those -- those costs are
18 allocated to Missouri based upon the number of
19 customers Missouri has in comparison to the number of
20 customers the corporate has in total?

21 A. Could you repeat that?

22 Q. The allocation of the shared services
23 costs are allocated to Missouri on a basis -- on a
24 ratio, for lack of a better term, of the number of
25 customers in Missouri divided by the number of total

1 customers in American Water?

2 A. That's correct.

3 Q. Okay. You do not allocate shared
4 services based upon payroll costs, do you?

5 A. The Missouri-American piece is on the
6 Missouri-American books after the allocation from
7 American Water. Then that is allocated in our
8 allocations based upon the customers.

9 Q. And so it's allocated by the national to
10 Missouri based upon customers, and it's allocated
11 from Missouri to the various districts based upon
12 customers; is that correct?

13 A. That's correct.

14 Q. What other administrative and general
15 expenses are there of the company that -- that would
16 traditionally be allocated based upon customer --
17 number of customers in a district?

18 A. We allocate items such as collection
19 agency fees, forms used in customer billing, postage,
20 rents, some telephone expenses, office and
21 administrative supplies, janitorial services, things
22 of that nature.

23 Q. And those are all allocated based upon
24 the number of customers in the district; is that
25 correct?

1 A. That's correct.

2 Q. Okay. Are those the topics that would
3 be so-called "other"? And I use that -- quotation
4 marks around that because it's a term that's been
5 thrown around, administrative and general expenses on
6 the corporate side.

7 A. I think you can -- those would be termed
8 administrative in general, yes.

9 Q. And those are not ones that are
10 traditionally itemized and broken out for terms of
11 the schedules, those are the ones that are in that
12 kind of catch-all other category?

13 A. Well, I mean, Joplin does have some of
14 those expenses of their own. I mean, like, for
15 example, I mentioned telephone, you know, Joplin has
16 telephone expenses and those charges and costs are
17 directly on -- in the accounting schedules for
18 Joplin.

19 These items here are items that are not
20 necessarily identified. They could be at the -- you
21 know, the corporate office here in St. Louis, and
22 they get allocated. They're actually recorded in a
23 corporate business unit to capture the costs so the
24 management can control them, then in a rate case
25 setting, regulatory scenario, these are allocated to

1 districts for recovery and rates.

2 Q. Right. And that's because basically
3 Missouri-American Water keeps track of its corporate
4 expenses as a corporate entity, not on a district
5 basis until a rate case?

6 A. That's correct.

7 Q. Okay. And again, those -- those
8 expenses that you just mentioned, those are all
9 allocated by the company based upon number of
10 customers?

11 A. The ones I just mentioned, that is
12 correct.

13 Q. And I presume there are corporate, and
14 by that I mean American Water, national costs that
15 are somewhat analogous to those that are allocated to
16 Missouri-American, are there not?

17 A. It depends -- you know, American Water,
18 which is the parent of Missouri-American, does not
19 allocate any costs to, you know, Missouri-American.
20 Only the service company which provides services to
21 all the regulated utilities allocates costs.

22 Q. Okay.

23 A. So for example, you have, you know --
24 you have rent expense at the -- you know, the
25 Belleville lab, then that rent expense would be part

1 of what's allocated to -- to Missouri-American.

2 Q. And those are allocated based upon
3 customers?

4 A. Customers.

5 Q. Okay. Obviously, the amount of
6 infrastructure a company has could have an impact
7 upon some corporate expense, could it not?

8 A. Existing infrastructure?

9 Q. Yes, existing infrastructure.

10 A. I don't necessarily agree with that.

11 Q. Okay. Well, let's explore that a little
12 bit. For example, isn't there a direct correlation
13 between the number of miles and the number of feet of
14 pipe and the number of customers, and therefore the
15 number of calls to call centers?

16 A. No, because the density of customers can
17 vary widely in terms of miles of main needed to serve
18 the customers. For example, the Joplin -- and I'll
19 just -- the Joplin has a project that's coming down
20 the road. Currently there are 24,000 customers in
21 Joplin, 400 miles of main. The EPA is installing
22 about 80 miles of main to serve 150 customers.

23 So in this case you have a half a mile
24 of main to serve one customer; whereas, existing, if
25 you did the math, you'd be at .0167 miles of main for

1 each customer in Joplin. So, you know, just for one
2 issue that's coming up down the road, you know, miles
3 of main really doesn't make sense when it comes to,
4 you know, using miles of main as an allocator for
5 corporate expenses.

6 What generates, and what, you know,
7 we're here to serve is the customers. The customers
8 is the main allocator and that's the company's
9 position. The customers are the main focus of
10 providing service to them, you know, the cost to
11 provide that service.

12 Q. And payroll is just a component of how
13 you provide that service?

14 A. And I mentioned earlier that the payroll
15 sometimes will follow customers because that payroll,
16 those employees are serving those customers.

17 Q. It's not always a direct -- payroll does
18 not always directly follow the number of customers?

19 A. That -- there can be differences, yes.

20 Q. How is corporate depreciation allocated
21 to -- to the individual districts?

22 A. I believe that's allocated based upon
23 utility plant service.

24 Q. Okay. Is it allocated on payroll?

25 A. Not in the company's filing.

1 Q. And explain a little bit how you come up
2 with the corporate depreciation expense.

3 A. Well, you have assets that have been
4 placed in the service, and the Commission authorizes
5 the use of depreciation rates, and those depreciation
6 rates are applied to those assets to come up with the
7 depreciation expense.

8 Q. And then that depreciation's allocated
9 based upon the utility plant in a district?

10 A. That was the company's allocation for
11 that expense, yes.

12 Q. And what is the rationale for that
13 allocation?

14 A. Well, you have assets that produce
15 depreciation expense, we allocate it based upon each
16 district's share of their assets that serve those
17 customers.

18 Q. Those are separate assets, correct?

19 A. Some are very similar in nature,
20 software, you know, vehicles, things of that nature.

21 Q. But the -- so the value of -- let's use
22 vehicles as an example, Mr. Grubb. The value of
23 vehicles in Joplin, how does that tie to the value of
24 vehicles that are allocated at corporate level with
25 respect to depreciation?

1 A. I'm not sure I understand when you say
2 "value."

3 Q. Well, you'd indicated that you would
4 allocate corporate depreciation based upon the value
5 of the utility plants, the plant and equipment; is
6 that correct?

7 A. That's correct.

8 Q. Okay. And depreciation and value are
9 really kind of two -- two terms that are used
10 somewhat hand-in-hand. You have an actual book value
11 and you depreciate that down; is that correct?

12 A. That's correct.

13 Q. And when you're talking about allocating
14 that corporate depreciation expense, again, how is
15 the depreciation on a corporate vehicle tied to the
16 number or the value of vehicles in a district?

17 A. I don't think you can -- it's necessary
18 to tie those two together. What you're tying
19 together is you have a value of plant in total, okay,
20 and that plant in total has to recognize that there
21 are some assets out here that really are providing
22 value to Joplin, to Brunswick, to St. Louis and so
23 forth.

24 And so those assets have to be allocated
25 some way, okay? And it's either allocated by -- it

1 can be by customers, it can be by, you know -- you
2 know, utility plant and service, but because we felt
3 that, you know, utility plant service generates the
4 depreciation, therefore, the allocation of
5 depreciation expense should be based upon the utility
6 planned service.

7 Q. You believe that the utility plant in
8 service in Joplin generates the depreciation at the
9 corporate level?

10 A. It generates the amount to be allocated
11 to them.

12 Q. Okay. Those are separate depreciation
13 calculations?

14 A. The depreciation rates are -- were --
15 now are the same.

16 Q. But I mean, you depreciate the Joplin
17 assets, the equipment and service in Joplin, you
18 depreciate that as a separate calculation, and you
19 depreciate the corporate assets in a separate
20 calculation, then you allocate?

21 A. That's correct.

22 Q. Okay. And there is no direct connection
23 between the equipment that is used, the amount -- and
24 we used vehicles because it was an example used,
25 there's no direct connection between the number of

1 vehicles in the corporate office and the amount of
2 plants in service in Joplin, is there?

3 A. Well, those assets at the corporate
4 level are used to provide service to those customers
5 just as those plant assets are providing service to
6 Joplin.

7 Q. And again, it's to the customers, is it
8 not?

9 A. That's correct.

10 Q. And customer allocation would be one
11 way -- would be a rational way to allocate that
12 expense off since it's to the benefit of the
13 customers, is it not?

14 A. It could be a rational way, yes.

15 Q. Were you involved in the annualization
16 of payroll in any manner?

17 A. I reviewed, you know, the end product.

18 Q. I did not notice any discussion of it in
19 your surrebuttal testimony or in your direct.

20 A. That's --

21 Q. And I don't want to inquire upon you if
22 you were not involved in that.

23 A. That's correct, I was not.

24 Q. Okay. Thank you.

25 A. Other than reviewing the company's

1 filing in -- in our case.

2 Q. Do you recall a payroll annualization in
3 the company's filing?

4 A. I know we -- we performed one, yes.

5 Q. And do you recall what that
6 annualization was for Joplin, what the adjustment
7 was?

8 A. I think in our calculation, we allocated
9 the per books numbers based upon -- based on number
10 of employees, but when we went to the pro forma, and
11 I'll have to -- subject to check with Mr. Petry, but
12 he may be able to address this. The pro forma
13 adjustment for the corporate employees of
14 Missouri-American were allocated based upon
15 customers. But I suggest you ask Mr. Petry that --
16 that question.

17 Q. Were you involved in the district -- any
18 annualization dealing specifically with the Joplin
19 district and not the corporate allocation?

20 A. Well, I was involved in -- in reviewing
21 the final product, the dollars that were being used
22 to generate the rate increase. And I recall seeing
23 that we used, I believe it was customers to get to
24 the pro forma level, because it's the pro forma level
25 of expenses that are being used to generate the rate

1 increase.

2 Q. So does Missouri-American Water not
3 track its customer -- its payroll expense on the
4 district-specific level?

5 A. Yeah, we do. Yes.

6 Q. You do?

7 A. Uh-huh.

8 Q. When you talk about the allocation that
9 you just referenced, my understanding is the
10 allocation, how you allocate the corporate costs, for
11 example, corporate payroll to the district. Is that
12 what you're talking about when you said allocation?

13 A. Yeah, I mean, what's -- what's -- what's
14 important is, you have to understand when you come to
15 the final determination of a revenue increase, it's
16 what's the pro forma level of the expense. You know,
17 the company that's calculating -- does it a little
18 differently than what the Staff's and how the numbers
19 flow through, but ultimately, you get to the end
20 result.

21 You know, the company, for example, out
22 in the audience, it's Greg Weeks, he's a corporate
23 employee. His time is allocated to a -- or charged
24 to a corporate business unit. It is his time, I
25 think, we're talking about now. At a pro forma

1 level, his salary and his benefits are allocated to
2 the districts using a customer count basis.

3 Q. And then there is also specifically
4 district payroll?

5 A. That's -- that's correct.

6 Q. The gentleman in Joplin who actually
7 goes out --

8 A. The meter readers in Joplin, they charge
9 Joplin, that stays in Joplin, that's correct.

10 Q. And that stays in Joplin?

11 A. That's correct.

12 Q. And were you involved in any
13 annualization of the district -- I'm gonna call that
14 just district payroll, is that okay, so we know what
15 we're talking about?

16 A. That's fine.

17 Q. Were you involved in overseeing or --
18 the calculation of the annualization of district
19 payroll?

20 A. I reviewed our calculations but I think
21 if you want to get into the more specifics, I think
22 Mr. Petry can respond better to those questions.

23 Q. I will --

24 A. Thank you.

25 Q. I will ask Mr. Petry those questions,

1 then.

2 A. All right. Thank you.

3 MS. BAKER: Your Honor, may I ask a
4 question? I'm a little bit confused. On -- the last
5 set of questioning was based on payroll, but the
6 issue that was before us was payroll tax.

7 MR. ELLINGER: That's correct.

8 MS. BAKER: And so I'm not sure where
9 that line of questioning goes with payroll tax.

10 JUDGE STEARLEY: Are you making a
11 relevance objection?

12 MS. BAKER: Yes. Yes, I am. Thank you.

13 MR. ELLINGER: Asked and answered,
14 Judge. But we'll be happy to make that clear when we
15 have the proper witness that we can walk through all
16 of it with.

17 JUDGE STEARLEY: At this late stage, it
18 has been asked and answered.

19 MS. BAKER: Thank you.

20 JUDGE STEARLEY: So I will overrule the
21 objection.

22 MR. ELLINGER: No further questions at
23 this point, Judge. Thank you, Mr. Grubb.

24 THE WITNESS: You're welcome.

25 COMMISSIONER APPLING: Judge, can I ask

1 a question before counsel steps down?

2 JUDGE STEARLEY: Certainly.

3 COMMISSIONER APPLING: I just want to
4 clear up one question because I probably won't be
5 here tomorrow morning to ask you in the end. So
6 did -- the \$236,416 which -- what is the mistake --
7 identified as a mistake in the calculation, with that
8 and if the -- if the -- if we approve that, then, do
9 that clarify all of the Joplin's problems with
10 chemicals?

11 MR. ELLINGER: That would address the
12 chemical issue with respect to Joplin.

13 COMMISSIONER APPLING: Okay. I just
14 wanted to be clear on that, then. Sometimes you set
15 up and you hear things that you think you do and you
16 don't, but I just wanted to know from you two guys
17 before you set down that this clears up and I don't
18 have to worry about that.

19 MR. ELLINGER: That would resolve that
20 issue. And again, I'd like to say what I said
21 earlier. I appreciate the company coming forward
22 with that information.

23 COMMISSIONER APPLING: Thank you very
24 much.

25 MR. ELLINGER: Thank you.

1 JUDGE STEARLEY: All right. We will
2 continue with cross-examination of the City of
3 Parkville and its associates. Mr. Finnegan, any
4 cross-examination?

5 MR. FINNEGAN: No questions.

6 JUDGE STEARLEY: All right. MIEC,
7 Mr. Downey?

8 MR. DOWNEY: No cross, your Honor.

9 JUDGE STEARLEY: All right.
10 AG Processing?

11 MR. CONRAD: Yes, your Honor. By your
12 leave, I would propose to be brief and just to save
13 time, just stay here if that's okay?

14 JUDGE STEARLEY: That's quite
15 acceptable.

16 CROSS-EXAMINATION BY MR. CONRAD:

17 Q. Mr. Grubb, let me back you up to about a
18 ten or 15,000-foot view of things for the moment.
19 Would you agree with me that there's some expenses
20 that are directly assigned to districts?

21 A. Can you repeat that, Mr. --

22 Q. Would you agree with me that there are
23 some expenses that are directly assigned to a
24 district?

25 A. Yes, that is -- quite a bit of expenses

1 are.

2 Q. Could you give me just a quick example
3 of one that in your understanding would be a direct
4 assignment?

5 A. A direct assignment would be, you know,
6 specific company employees dedicated to a Joplin, for
7 example, the meter readers, the water quality people
8 who are there, the distribution people, their --
9 their group insurance, their benefits would be
10 directly assignable to those employees, vehicles used
11 by those employees, the office, you know, costs at
12 those locations, things of that nature.

13 Q. Now, there are other -- other expenses
14 that the company incurs that are -- are joint
15 expenses that -- that impact more than one of the
16 districts, correct?

17 A. That's correct.

18 Q. And on those you would do an allocation?

19 A. That's correct.

20 Q. Now, just again, trying to stay at a 15
21 or 20,000-foot level, what would you look for in your
22 experience, sir, as far as an allocator that would be
23 an appropriate allocator to use? I mean, you don't
24 have to look at a particular expense, but what --
25 what would be the criteria that you might identify

1 for an appropriate allocator for a particular
2 expense?

3 A. Basically, when using an allocation
4 methodology, we look for allocation formulas that are
5 consistent and reasonable in -- in its use. You
6 don't want to see allocation formulas that may jump
7 around and be, you know -- you know, way up in one
8 instance in one time frame and then go way down in
9 another time frame. We believe that's why we use
10 customers as a -- as a basis.

11 I've stated earlier that, you know,
12 we're here to serve those customers, that's what
13 drives our costs. And so the bulk of our allocation
14 factors, we use -- we use customers which is a
15 consistent and reasonable methodology.

16 Q. When you say "reasonable," would you --
17 would you agree with me that you're also trying to
18 look for relationships between a cause and a result?

19 A. I think that could be one methodology,
20 one -- one rationale behind it.

21 Q. Not the only one?

22 A. Not the only one. There's judgment
23 involved also.

24 Q. Now, Mr. Grubb, again, trying to stay at
25 a 30,000-foot level, were you involved in any way in

1 the discussions that have preceded and resulted in
2 the joint recommendation that's been presented to the
3 Commission?

4 A. Yes, I have been.

5 Q. Without getting into the details of
6 those, which I would presume to be privileged, would
7 you agree with me that that took some time?

8 A. It took a lot of time. I mean, we were
9 at meetings here in -- here in Jefferson City,
10 numerous, numerous phone calls. Multiple times
11 during the course of the day we got on calls, not
12 only interacting with the participants in the
13 stipulation but even internally amongst ourselves
14 there was a lot of discussion and -- and negotiations
15 within the -- within the groups.

16 Q. And you're more than passingly -- well,
17 let me ask that. You are familiar, are you not, with
18 the terms and conditions and how that has -- has come
19 to pass?

20 A. Yes, I am.

21 Q. Would you express an opinion based upon
22 your experience as to whether or not that compromise,
23 and I'll call it that, represents a fair and
24 reasonable accommodation of the interests of the
25 parties that are signatory thereto?

1 A. I think it's a fair compromise when one
2 considers what, you know, the company's increase was.
3 You know, at \$41 million, you know, we -- we didn't
4 get everything we wanted. And I think I've heard
5 parties say here today that they didn't get
6 everything they wanted, but we've put to rest almost
7 40 issues and probably 20-some plus witnesses having
8 to come and testify. I don't think everybody gets
9 everything they want in a compromise, that's why they
10 call it a compromise, but yes, I agree with that
11 assessment.

12 MR. CONRAD: Thank you Mr. Grubb.
13 That's all, your Honor.

14 JUDGE STEARLEY: Thank you, Mr. Conrad.
15 Cross-examination from Office of Public Counsel,
16 Ms. Baker?

17 MS. BAKER: Thank you.

18 CROSS-EXAMINATION BY MS. BAKER:

19 Q. Good morning, Mr. Grubb.

20 A. Good morning.

21 Q. I just want to verify a statement that
22 you had made earlier regarding Staff's allocation of
23 the corporate costs being similar to the company's
24 allocation of costs to Joplin, is what I mean for
25 that.

1 A. Correct.

2 Q. And was it -- was it correct that you
3 said that the company's allocation of costs -- of
4 corporate costs to Joplin was about 5.03 percent?

5 A. Approximately, yes.

6 Q. Whereas, Staff's was 5.11 percent?

7 A. Correct.

8 Q. And you stated that that was a very
9 similar outcome based on two different allocators,
10 mainly, the company's being number of customers
11 whereas Staff's being a variety of -- of allocators;
12 is that correct?

13 A. That's correct. The end result was very
14 similar. I did review the Staff's allocation
15 factors. I don't find them unreasonable, you know,
16 payroll, customers, and there's -- I think there's a
17 couple others that don't come to mind right now, but,
18 you know, their -- they get to the -- basically the
19 same end result that we have. And so in evaluating
20 their case and our case, you know, we didn't have any
21 issues with that.

22 Q. Is it your opinion that the reason why
23 those allocators came out to be fairly close is
24 because -- or those percentages came out to be fairly
25 close is because Staff's allocators have a

1 correlation to the customer numbers and what company
2 used?

3 A. Yeah. I said earlier that, you know,
4 customers -- you know, payroll will -- will follow
5 customers because you have to have a certain staffing
6 level to provide the service to those customers. So
7 you know, whether you use payroll, whether you use
8 customers, I think when you go down the path and you
9 use reasonable allocators, you come to a reasonable
10 end result.

11 Q. Okay. In your opinion, would there be a
12 large correlation between length of mains and
13 customer numbers?

14 A. After reading the testimony of -- of the
15 City of Joplin, I don't agree with that allocation
16 factor, not for certain -- especially not for all the
17 costs. I mean, there may be some reason to use it,
18 for example, if there's some allocated corporate
19 costs for distribution, maintenance of some kind that
20 was not allocated to the district specifically. Then
21 I could see using that, but not to the extent that I
22 think they want to use it for all costs.

23 And certainly not based upon, you know,
24 the call center, you know, cost. I just don't agree.
25 I think that has to be, you know, either, you know,

1 driven with the -- in our estimation, the customer
2 count would be the appropriate methodology.

3 Q. All right. For sake of argument, if you
4 had a five-mile street, so you had a length of main
5 five miles going down that street, customer density
6 would be different depending upon the size of the
7 lots of the houses going down that street; would you
8 agree with that?

9 A. That's correct.

10 Q. Okay. Therefore, the length of main
11 would stay the same, five miles, but the customer --
12 number of customers would differ and therefore the
13 number of customers that could potentially contact
14 your call center would be different?

15 A. That -- that -- that is correct, yes.

16 Q. And so in your opinion, would
17 infrastructure alone be an indicator of the
18 corporate expenses when we're looking at treatment
19 facilities?

20 A. No.

21 Q. So if you had a system that required a
22 large treatment, say, a surface water facility, more
23 corporate costs would be allocated to -- to that
24 system than, say, a single groundwater chlorination
25 system?

1 A. Using the --

2 Q. Using, let's say, payroll.

3 A. I guess I need you to repeat the

4 question. I'm not putting connection between the

5 plants. I thought we were talking about the length

6 of the mains --

7 Q. I guess --

8 A. -- as an allocation.

9 Q. Let me rephrase.

10 A. Okay.

11 Q. More costs could be connected to

12 treatment facilities than costs of -- or than length

13 of mains; would that be a correct statement?

14 A. If you have corporate people who are

15 dedicated to maintaining those assets and who would

16 maybe travel around the state or be, you know,

17 dedicated to maintaining those plant assets, then it

18 would be more appropriate, yes.

19 Q. So there would be no -- no division in

20 the treatment of the facility itself or treatment of

21 the utility itself?

22 A. That's correct.

23 Q. The mains would be inconsequential, it

24 would be the amount of money or amount of treatment

25 that would be necessary?

1 A. Correct.

2 Q. Moving on to the depreciation rates, is
3 there a correlation between the level of depreciation
4 rates and age of equipment?

5 A. The determination of proper depreciation
6 rates is obviously performed by some detailed
7 studies, that the company had a witness and -- as did
8 the staff, and they go through some very detailed
9 statistical analysis of the average service life of
10 assets, not necessarily the current age of the
11 assets.

12 Q. Were you provided with any calculations
13 or -- or documentation that would support Joplin's
14 witnesses' statements of their -- their allocation of
15 corporate costs?

16 A. We were not.

17 Q. Were you given any documentations or
18 calculations to support Joplin's change in the
19 depreciation rates?

20 A. No.

21 MS. BAKER: I have no other questions.
22 Thank you.

23 JUDGE STEARLEY: Thank you, Ms. Baker.
24 Staff of the Missouri Public Service Commission,
25 Mr. Thompson.

1 MR. THOMPSON: Thank you, Judge.

2 CROSS-EXAMINATION BY MR. THOMPSON:

3 Q. Mr. Grubb, you testified about an error
4 that had been made with respect to the allocation of
5 chemicals to Joplin, and I think you indicated that
6 the company's proposal is to make a correction by
7 reducing the revenue requirement expected from Joplin
8 by \$236,416; is that correct?

9 A. Yeah, the company's proposal is
10 predicated upon doing that so that we can preserve
11 the whole document for the Stipulation and Agreement
12 without any major changes.

13 Q. As far as you know, has Staff objected
14 to that correction?

15 A. We provided last night late -- we
16 dropped off a package to the Staff, and I have not
17 heard any objection from the Staff today and I
18 don't -- don't expect any.

19 Q. Are you familiar with the testimony of
20 Leslie Jones?

21 A. I have read her testimony, yes.

22 Q. Do you happen to have a copy of it
23 there?

24 A. Yes, I do.

25 Q. I wonder if you could take a look at

1 page 2, lines 14 through 17.

2 A. I have that.

3 Q. I wonder if you'd go ahead and read the
4 text that you see there. It starts with the words,
5 "The payroll tax normalization."

6 A. Do you want me to read it out loud?

7 Q. Read it out loud, yes. I'm sorry.

8 A. Okay. "The payroll tax normalization,"
9 begin the parentheses, "on their administrative and
10 general expenses," end parentheses, "does not flow or
11 follow with the payroll normalization contained in
12 the Staff's schedules. While I find no problem with
13 the payroll normalization, the payroll tax
14 normalization should follow directly the payroll
15 normalization since payroll taxes are a direct
16 percentage of payroll."

17 Q. Now, Mr. Grubb, do you agree with that
18 statement?

19 A. I agree that the payroll normalization
20 should follow the payroll expense normalization
21 because there is a direct link, you know, 7.65
22 percent is the FICA and Medicare wage rate, and so
23 I -- I agree with that.

24 The first sentence, "The payroll tax
25 normalization does not flow or follow with the

1 payroll normalization contained in the Staff's
2 schedules," you know, I've reviewed the Staff's
3 schedules and I don't understand what that first
4 sentence means. You know, we can see in the Staff's
5 work papers that they calculated the payroll and then
6 they do their payroll tax normalization based upon
7 their payroll.

8 So when I first read this and went to
9 the Staff's work papers, I had trouble understanding
10 what -- what Ms. Jones was saying here in this first
11 sentence.

12 Q. So in fact, would I be correct in
13 understanding that you do not agree with the error or
14 flaw that Ms. Jones says that she found in Staff's
15 payroll tax normalization?

16 A. I do not -- you know, like I -- I went
17 to the Staff's EMS run and tried to duplicate what
18 they did and came within, you know, hundreds of
19 dollars of their calculation. So I -- at this point
20 I didn't understand what Ms. Jones was doing here.

21 Q. Okay. And turning back to the question
22 of the revenue requirement from Joplin, with the
23 correction that you discussed earlier, as I
24 understand it, the net increase revenue requirement
25 from Joplin on an annual basis would then be about

1 \$4,619,824?

2 A. That's correct.

3 Q. Okay. And in your opinion, is that a
4 fair and reasonable allocation of revenue requirement
5 to Joplin based on the principle of district-specific
6 pricing?

7 A. Given that the company's proposed in
8 this case was \$5.1 million -- well, the company's
9 district-specific amount for Joplin was about \$5.1
10 million. This number comes somewhat close to that
11 number. The settlement takes a two-step approach.

12 Now, I don't want to get into the exact
13 specifics of the settlement at this time, but it
14 starts with a district-specific piece and then an
15 allocated piece within the stipulation. But I think
16 it's within the realm of reasonableness where the
17 company proposed and where the Staff's -- Staff's
18 position was earlier in the process.

19 Q. Okay. And one last question. In the
20 course of your discussions with Staff and the other
21 parties in reaching the settlement that's been
22 referred to as the joint recommendation by
23 Mr. Conrad, the Nonunanimous Stipulation and
24 Agreement, did you encounter any anti-Joplin animus
25 on the part of Staff?

1 A. None whatsoever.

2 MR. THOMPSON: Thank you very much. No
3 further questions.

4 JUDGE STEARLEY: Thank you,
5 Mr. Thompson. Questions from the bench, Commissioner
6 Appling?

7 COMMISSIONER APPLING: Judge, I only had
8 one question and I think -- I think that question has
9 been answered, so I have no further questions of this
10 witness.

11 JUDGE STEARLEY: All right. Thank you.
12 Commissioner Clayton?

13 COMMISSIONER CLAYTON: No questions.
14 Thank you.

15 JUDGE STEARLEY: And I have none as
16 well, so there will be no recross. Any redirect,
17 Mr. England?

18 MR. ENGLAND: Yes, your Honor.

19 REDIRECT EXAMINATION BY MR. ENGLAND:

20 Q. Mr. Grubb, following up on some
21 questions I think you received from Ms. Baker, do
22 customers frequently call the call center regarding
23 questions on their bill?

24 A. Yes, that -- that is correct.

25 Q. And would that have any relationship or

1 bearing on the line or distribution -- length of
2 distribution line that serves them?

3 A. None that I know of.

4 Q. While you were reviewing the chemical
5 expense attributable to Joplin, did you also review
6 chemical expense attributable to all the other
7 districts?

8 A. Yeah, we looked at all districts, all
9 calculations as a double-check to make sure the issue
10 in Joplin was not duplicated in the other districts.

11 Q. And what did you find?

12 A. All calculations are correct in the
13 other districts, along with the other chemicals
14 within Joplin.

15 Q. Now, as I understand, you indicated that
16 the company's allocation of cost to Joplin was
17 roughly 5.03 percent; is that right?

18 A. Yeah, that's the overall percent
19 allocated.

20 Q. And Staff's was roughly 5.11 percent?

21 A. Correct.

22 Q. Would there be instances where company's
23 allocation to another district might have actually
24 been higher than what Staff's allocation was to that
25 district?

1 A. Without looking at specific ones, I
2 think that's a very real possibility. That's only if
3 we used an allocation factor that the Staff maybe did
4 not in that case.

5 Q. Did you determine with respect to the
6 other districts whether Staff's -- Staff's
7 allocations were reasonable in light of your own
8 allocations to those districts?

9 A. I did not, I just did the Joplin one.

10 Q. Within the district, let's take
11 Joplin for example, I think you indicated the bulk of
12 the costs were allocated based on customer's accounts?

13 A. Correct.

14 Q. But there are other costs that are
15 allocated on other bases?

16 A. That is correct.

17 Q. Okay. And is it your understanding that
18 Staff uses various allocators as well for allocation
19 of cost?

20 A. That is correct.

21 Q. Is it possible that their individual
22 allocator for a particular cost might result in less
23 costs being allocated -- of that particular cost
24 being allocated to Joplin than what the company
25 might allocate?

1 A. That is correct.

2 MR. ENGLAND: Thank you, sir. I have no
3 other questions.

4 JUDGE STEARLEY: All right. Thank you,
5 Mr. England. Well, at this point, Mr. Grubb, this
6 will conclude your testimony for today. I will not
7 finally excuse you as a witness, however.

8 As you know, we have a couple
9 commissioners who are involved in other hearings
10 today, and they may wish to ask you some additional
11 questions later. But for the time being, you may
12 step down.

13 THE WITNESS: Thank you, and I will be
14 available.

15 JUDGE STEARLEY: Okay. And if need be,
16 we can always take additional testimony by phone if
17 that's more convenient as well.

18 THE WITNESS: Thank you.

19 JUDGE STEARLEY: Thank you very much for
20 your testimony. This looks like a good breaking
21 point for us to break for lunch, so why don't we
22 resume at, let's say, 1:15.

23 (THE LUNCH RECESS WAS TAKEN.)

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MISSOURI-AMERICAN WATER COMPANY'S EVIDENCE

12

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