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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

Evidentiary Hearing

March 8, 2017
Jefferson City, Missouri
Volume 18

In the Matter of Missouri-American)
Water Company's Request for)File No.
Authority to Implement General Rate)WR-2017-0285, et al.
Increase for Water And Sewer Service)
Provided in Missouri Service Areas.)

KIM S. BURTON, Presiding
REGULATORY LAW JUDGE

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

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

2 JUDGE BURTON: Good morning, everyone.

3 Let's go ahead and go back on the record in File
4 No. WR-2017-0285.

5 Are there any parties present that need to
6 enter their appearance that haven't already done
7 so? Any attorneys?

8 Seeing none, I believe that where we left
9 off yesterday, was there was discussion about a
10 potential work option, pilot program agreement on
11 inclining block rates. Do the parties have
12 anything that they would like the Commission to
13 consider?

14 MR. WESTON: Yes, Judge. While we are
15 still working on the exact language, the parties
16 have reached an agreement in principle on a pilot
17 program for the Mexico service area that we are
18 looking forward to presenting a signed stipulation
19 and agreement on sometime today for the
20 Commission's consideration.

21 JUDGE BURTON: Do we have a time frame in
22 mind a realistic time frame in mind?

23 MR. WESTON: Well, the language is
24 currently -- the language is mostly agreed upon.
25 There are a few tweaks, and I believe that is being

1 worked on as we speak or I believe will be out in
2 the morning.

3 JUDGE BURTON: Okay. And this will be a
4 separate proposal from the stipulation and
5 agreement this was filed last week?

6 MR. WESTON: That's correct.

7 JUDGE BURTON: Okay. So my -- my thought
8 is, obviously, we needed to hear testimony on the
9 customer charge, commodity charge issues. But we
10 still have the other third -- I'll just call it the
11 stipulation and agreement third concerning the
12 sewer rate issues that was filed, what, Tuesday
13 afternoon?

14 MR. WESTON: Yes, Judge. And that -- that
15 -- the sewer rate design has been resolved by that
16 stipulation.

17 JUDGE BURTON: Okay. Now, we haven't had
18 a presentation on that. Would the parties like to
19 present or answer any questions the Commission
20 might have about that today?

21 MR. SWEARENGEN: Sure. That would be
22 fine.

23 JUDGE BURTON: Now, I know that we're just
24 discussing this now. So if we need to, we can give
25 you more time. But I would prefer to go ahead and

1 try to address that and try to address that at the
2 beginning of today's schedule if that will work for
3 everyone.

4 MR. WESTON: Yeah.

5 JUDGE BURTON: And then my understanding
6 is after that, we will deal with the customer
7 charge and commodity charge witnesses combined --

8 MR. WESTON: Yes.

9 JUDGE BURTON: -- together as an issue.
10 And although the parties had previously indicated
11 that the class cost of service and purchase power
12 issue was something that was in dispute, my
13 understanding that it wasn't presented as part of
14 the stipulation and agreement. The parties have
15 either resolved that issue and decided it's not an
16 issue that's contested?

17 MR. WESTON: That's correct, Judge. The
18 original large stip. addressed the class cost of
19 service piece. And then the -- the purchase power
20 pieces was all kind of falling out through that as
21 well.

22 JUDGE BURTON: Okay. Sounds great. Are
23 there any other --

24 MR. WESTON: Judge, I guess just a
25 clarification. Do you want us to present kind of

1 the in-work language for the stipulation and
2 agreement for the pilot program? Do you want us to
3 present that today or wait until it's filed today,
4 later today?

5 JUDGE BURTON: I would -- I would
6 personally prefer it if we have a copy that's
7 presentable to the parties so that -- or to the
8 Commission so the Commission can review it,
9 consider it and answer any questions. Or ask any
10 questions at that time based off of what the
11 parties have agreed to in writing.

12 MR. WESTON: Okay. We will try to get the
13 writing to you guys very quickly.

14 JUDGE BURTON: I apologize to whoever is
15 also listening and writing this at the same time,
16 but your diligence is appreciated.

17 And, also, I know that whenever we've left
18 off on Monday discussing the main stipulation and
19 agreement, we might not have addressed all of the
20 issues during Mr. Cooper's presentation.

21 But if there are other parties that would
22 like to present their positions on that or make
23 comments for the Commission's consideration on that
24 stipulation and agreement as well or answer any
25 questions the Commission might have about that main

1 agreement, I say let's -- let's do that now. Okay?

2 So that being said, I'm looking in the
3 center aisle to see if either Mr. Weston or
4 Mr. England would like to step up to the podium.

5 MR. ENGLAND: Well, I'd be happy to.
6 Judge, I just need to know what are we taking
7 first? Sewer stipulation? Large stipulation?

8 JUDGE BURTON: Let's start with sewer.

9 MR. ENGLAND: Okay. Because that's the
10 one I'm more familiar with. Good morning. We meet
11 again.

12 The parties, I believe, have resolved the
13 issues, as indicated a minute ago, regarding the
14 sewer rate design and sewer rates.

15 Specifically, there was an issue regarding
16 the allocation of the corporate or common costs
17 from water to sewer. This stipulation would
18 resolve that.

19 Essentially, we're following Staff's
20 allocation. The water rate -- excuse me. The
21 sewer rate design, there was an issue of whether or
22 not to begin consolidation of some of the what I
23 call non-Arnold sewer districts into fewer
24 districts than we currently have.

25 And we've been able to do that. I believe

1 we have two rate groups, and customers would be
2 billed on a flat rate depending on which group
3 they're in.

4 I suspect you may have some questions as
5 to how those rates change from present rates to
6 proposed rates, and I have a -- an exhibit that I
7 could hand out now if that would be helpful

8 JUDGE BURTON: That would be fine.

9 MR. ENGLAND: I didn't bring enough for
10 everybody. What -- like I said, what this attempts
11 to do is consolidate small groups into two rate
12 groups, one who's rate would be \$58.13, and the
13 other would be \$38.75, if I'm reading my exhibit
14 correctly.

15 I guess as a by-product of the
16 stipulation, although it's really not related to
17 the sewer rates or rate design, the company has
18 agreed to withdraw its proposal to bifurcate Rate A
19 on the water side into residential and
20 non-residential rate.

21 JUDGE BURTON: And Anna Meadows is in the
22 Arnold sewer district?

23 MR. ENGLAND: No. It's in the -- it's in
24 the lower of the two rate groups, your Honor.

25 JUDGE BURTON: Okay.

1 MR. ENGLAND: No. This is -- this is
2 everything but Arnold.

3 JUDGE BURTON: Okay.

4 CHAIRMAN HALL: I'm confused. I'm looking
5 at the stipulation where it says on eight and nine
6 where sewer customers are placed into two separate
7 tariff groups, Arnold and other wastewater.

8 So that, to me, would indicate that
9 there's two rates being charged, one for Arnold,
10 one for other wastewater.

11 MR. ENGLAND: Then we weren't very good
12 with our wordsmithing.

13 CHAIRMAN HALL: Okay.

14 MR. ENGLAND: I think the first split was
15 Arnold and everybody else. Then the next split was
16 to take everybody else and move them into two
17 different rate groups.

18 CHAIRMAN HALL: Okay. And how does that
19 -- not the dollar-wise, but the split, how does
20 that compare to the current tariffs?

21 MR. ENGLAND: Well, the -- as you'll see
22 from the exhibit that I handed out, the current
23 tariffs are pretty much district-specific, if you
24 will, for everybody other than Arnold.

25 And we're -- they're -- depending on which

1 of those districts you're in, you could see an
2 increase, you could see a decrease of varying
3 amounts.

4 CHAIRMAN HALL: What does that mean that
5 it was district-specific except for Arnold?

6 MR. ENGLAND: Well, I guess you can call
7 Arnold district specific as well. Arnold had its
8 own rate.

9 CHAIRMAN HALL: So what is happening to
10 the rate in Arnold?

11 MR. ENGLAND: I believe it's going up
12 approximately 12.5 percent.

13 CHAIRMAN HALL: When was -- when was
14 Arnold purchased by -- by American? Excuse me. By
15 Missouri-American?

16 MR. LAGRANDE: May 2015.

17 MR. ENGLAND: May of 2015, your Honor.

18 CHAIRMAN HALL: And was there some
19 commitment at that time to keep their rates?

20 MR. ENGLAND: There was.

21 CHAIRMAN HALL: But that agreement has
22 expired?

23 MR. ENGLAND: Not yet. My understanding
24 is we had an opportunity to -- or a limitation on a
25 subsequent increase after the last time we visited

1 this issue in the last case to increase rates by no
2 more than 15 percent. So this 12 and a half
3 percent increase is within that arrangement
4 agreement.

5 CHAIRMAN HALL: So these -- these rates
6 are set regardless of water usage; is that correct?

7 MR. ENGLAND: The proposed ones are, yes.

8 CHAIRMAN HALL: And how does this compare
9 to what is currently in effect?

10 MR. ENGLAND: That's probably beyond my
11 under -- ability to answer. Some of these are on a
12 flat rate. We're talking about non-Arnold,
13 correct?

14 CHAIRMAN HALL: Yes.

15 MR. ENGLAND: Some of these are already on
16 a flat rate. Some are on a flat, plus commodity
17 charge. But I can't tell you which, and I can't
18 tell you what impact that would be.

19 I mean, we could probably get that
20 information to you. I just don't have it readily
21 available.

22 CHAIRMAN HALL: How many sewer customers
23 does the company have state-wide?

24 MR. ENGLAND: Oh, goodness. Let me check.
25 I'll be right back. Roughly 13,000 total with

1 Arnold at about 7,000 and the rest collectively at
2 6,000, more or less.

3 CHAIRMAN HALL: I'd be interested in -- in
4 anyone's comments on -- on whether it is good --
5 good public policy to -- to bill sewer on a --
6 exclusively on a flat rate.

7 MR. ENGLAND: I might offer --

8 CHAIRMAN HALL: Okay.

9 MR. ENGLAND: My understanding is, and
10 other people can speak to this as well, but in some
11 instances, it's difficult to get water readings
12 depending on the -- the water supplier.

13 CHAIRMAN HALL: That's right. There's
14 been attempts to change -- I'm sorry.

15 MR. ENGLAND: My -- and this is a very
16 high level and working from memory, which at my age
17 is not a good idea, but I think there's -- there's
18 an obligation on the part of PSC regulated water
19 companies to share that information with perhaps
20 the municipality or sewer district if they overlap.
21 But I don't think there's a reciprocal obligation
22 for them to share that with us.

23 CHAIRMAN HALL: Okay. And -- and for a
24 number of these systems, the company is only
25 providing sewer service?

1 MR. ENGLAND: I'm not going to say
2 totally, but, yes, there's -- there's a mix. In
3 some instances, we may provide the water. But in
4 others, we don't.

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

7 COMMISSIONER COLEMAN: Good morning.

8 MR. ENGLAND: Good morning.

9 COMMISSIONER COLEMAN: As a clarification
10 on your last statement where it's some district
11 that water is provided, but some aren't, are you
12 saying that because Missouri-American Water may not
13 provide that water that that's what causes the cost
14 to be more expensive for the sewer district?

15 MR. ENGLAND: No. I'm -- I'm saying that
16 where we provide water and sewer together, we --

17 COMMISSIONER COLEMAN: Together.

18 MR. ENGLAND: -- we could probably have
19 the information for volumetric billing, if you
20 will, on sewer.

21 But in an effort to consolidate, if you
22 will, rates, we also have systems where we don't
23 have the water service, and so we don't know or
24 can't get had information. So we're trying to
25 equal -- make it the same for everybody on a flat

1 rate.

2 COMMISSIONER COLEMAN: But that affects
3 what you charge, correct? Plus sewer. If you
4 can't get that because --

5 MR. ENGLAND: Yes. It -- I'm sorry.

6 COMMISSIONER COLEMAN: During some of the
7 hearings, particularly one here in Jefferson City I
8 remember people saying that asking why can't their
9 sewer bill be from actual reading.

10 It was either sewer or water, and I'd have
11 to look back in my notes, but that was something
12 I've wondered about, also.

13 MR. ENGLAND: Well, and I wasn't at the
14 local hearing. But, for example, the sewer service
15 here in Jefferson City is provided by the city.

16 COMMISSIONER COLEMAN: Okay.

17 MR. ENGLAND: And the water, of course, is
18 provided by Missouri-American. I believe we have
19 an arrangement to provide them with usage
20 information purposes.

21 But how they bill their customer is beyond
22 -- we don't have any control over that and neither
23 does the Commission. That's the municipality's
24 decision. So it may have been people on the sewer
25 -- City sewer --

1 COMMISSIONER COLEMAN: Okay.

2 MR. ENGLAND: -- who was dissatisfied with
3 the way the City was billing them, but,
4 unfortunately, we can't -- we can't impact that.

5 COMMISSIONER COLEMAN: Sure. That helps.
6 I'll check my notes again. Thank you.

7 MR. ENGLAND: You bet.

8 JUDGE BURTON: Is there anyone else that
9 would like to offer statements to the Commission on
10 -- on this agreement? Okay.

11 MR. WESTON: Just briefly, I'll state that
12 Staff and the company and other parties worked
13 together on this agreement and found it mutually
14 agreeable and believe that it resolved any concerns
15 or issues that the different parties had in
16 reaching this agreement. We support it.

17 JUDGE BURTON: But you all are in
18 agreement there's technically three different rates
19 for sewer?

20 MR. ENGLAND: Yes.

21 MR. WESTON: Yes. There is Arnold and
22 then these two other rate sets.

23 JUDGE BURTON: That's identified in
24 paragraph 8 of the agreement under B, Other
25 Wastewater?

1 MR. WESTON: Yes.

2 JUDGE BURTON: Okay.

3 MR. ENGLAND: Judge, should I have this
4 exhibit marked and offered?

5 JUDGE BURTON: Yes. That would be nice.
6 We'll be up to 42.

7 MR. ENGLAND: 42?

8 JUDGE BURTON: Would you like to offer it?

9 MR. ENGLAND: Yes, I would, please.

10 JUDGE BURTON: Are there any objections?

11 MR. WESTON: No objections.

12 JUDGE BURTON: Hearing none, Exhibit 42 is
13 as admitted.

14 (Exhibit 42 was offered and admitted into
15 evidence.)

16 CHAIRMAN HALL: Excuse me. I just have
17 another question. I'm looking at what appears to
18 be a proposed tariff for Arnold where there -- and
19 -- which -- which has a -- a monthly customer
20 charge and a monthly usage charge.

21 MR. ENGLAND: I believe you're correct. I
22 don't -- forgot to bring the attachment for the
23 Arnold tariff.

24 CHAIRMAN HALL: Okay. So when -- when you
25 were providing me with information about the -- the

1 increase for Arnold, you were doing that based upon
2 an average customer?

3 MR. ENGLAND: Yes.

4 CHAIRMAN ENGLAND: All right. Thank you.

5 JUDGE BURTON: Thank you.

6 MR. ENGLAND: Thank you.

7 JUDGE BURTON: Now, moving on to the main
8 stipulation and agreement that was filed, does
9 Staff want to offer statements?

10 MR. WESTON: Yes, your Honor. Good
11 morning, Judge. Good morning, Commissioners,
12 Chairman.

13 Just in support of this stipulation and
14 agreement, this -- this document was worked out
15 between the parties over longer than a two-week
16 period, about three weeks, several late evenings,
17 many hours between the parties, lots of in-person
18 conference calls working out details.

19 And what this document is is a sign of
20 compromise and collaboration between the parties.
21 We think that, as a group, this is a good mutual
22 agreement and in the best interest of the
23 ratepayers and the company and the stakeholders for
24 Missouri-American and the State.

25 The major issues resolved by this

1 agreement, obviously, are a generally agreed upon
2 total revenue requirement of \$318 million. That
3 represents approximately \$24 million over the
4 revenues authorized in the last rate case in
5 approximately a \$38 million increase over present
6 rate revenues.

7 This is, as you noted -- this was noted by
8 counsel for Warrensburg for yesterday,
9 approximately a 52 percent increase compared to the
10 24 percent that was requested by -- or 25 that was
11 requested by the company.

12 It also includes a range of the return on
13 equity, which the parties believe is appropriate.
14 It addresses how to treat the infrastructure system
15 replacement surcharge and provides addressment for
16 that in paragraph 8.

17 In paragraph 9, we identify the billing
18 determinants, which is an attachment to this
19 document that the parties agreed upon.

20 And most significantly, I -- I would think
21 that the biggest treatment that happened in this
22 document is the tax cut in Jobs Act 2017 and how we
23 go forward addressing that particular issue.

24 Now, I will -- I will state that I think
25 the document itself does a fairly good job laying

1 out particular details. And to the extent you have
2 specific tax questions, I may not be able to answer
3 them, but I will attempt to do so to the best of my
4 ability.

5 Now, the remaining issues that are
6 addressed, issues that were raised, pensions are
7 resolved. The tracker is resolved. Parties raised
8 affiliated transactions in this case, and that has
9 been resolved.

10 The low income tariff for the St. Joe
11 area, that has been continued, that pilot program.
12 Depreciation rates continue for it.

13 Issues with miscellaneous service charges
14 and special contracts, they have been resolved.
15 And it addresses, essentially, the majority -- I
16 would say three-quarters of the case potentially of
17 all the issues that were previously contested which
18 the parties have come to an agreement on.

19 I'm happy to try to answer specific
20 questions if I can. Let me draw your attention to
21 one particular item.

22 In response to some of the items in the
23 tax resolution, Missouri-American has agreed to
24 provide to staff, OPC, MIEC, MECG the company's
25 usage revenues of the customer numbers. That's on

1 paragraph 12.

2 And they'll be filing this at the same
3 time with their annual reports. It will just allow
4 parties to keep track of what's going on to the
5 extent there are effects based on the decision made
6 to address the taxes.

7 CHAIRMAN HALL: Well, let me ask first,
8 concerning the -- the ISRS wind average cost of
9 capital at 9.44, how does that compare to the
10 weighted average cost capital currently in effect
11 for the ISRS?

12 MR. WESTON: So this is the tax gross rate
13 of return. And if I remember, the current
14 agreement, I think this is less than what the
15 current agreement includes -- or not -- sorry.

16 Let me clarify that. The current previous
17 agreement on ISRS, which was in the last report and
18 order, that also included a tax grossed up number.
19 That number was higher than this current number is.

20 CHAIRMAN HALL: Do you know what it was?

21 MR. WESTON: 10.35 percent, if I remember
22 correctly.

23 CHAIRMAN HALL: And my -- my memory is --
24 is that the -- the last rate case also settled in a
25 black box the ROE and capital structure.

1 MR. WESTON: Yes.

2 CHAIRMAN HALL: So the Commission did not
3 determine what the -- what the weighted cost of
4 capital should be other than approving what the
5 parties agreed to for the ISRS; is that correct?

6 MR. WESTON: That's correct.

7 CHAIRMAN HALL: All right. On the -- on
8 the tax cut, my understanding is that there's going
9 to be a -- be a tracker to capture all other direct
10 income tax effects other than the corporate
11 reduction, corporate tax reduction; is that
12 correct?

13 MR. WESTON. Yes. Yes. That's
14 paragraph D on page 4.

15 CHAIRMAN HALL: And I assume that's
16 largely because the rules have not been written on
17 some of those provisions, and so there's a --
18 there's some uncertainty as to how they would
19 actually be applied?

20 MR. WESTON: I think that's correct,
21 Chairman. Part of the issue is because of --
22 because we don't know exactly what the impacts will
23 be, we it think it's appropriate to try to capture
24 what some of those direct changes will be.

25 And -- and there was some discussion

1 between the parties about direct and we think
2 income tax financial impact is appropriate to
3 track.

4 CHAIRMAN HALL: For treatment in the next
5 rate case?

6 MR. WESTON: That's correct. And
7 depending on that balance, it would be amortized
8 over five years at the next rate case. That would
9 at least be the proposal.

10 CHAIRMAN HALL: And then how is ADIT being
11 handled?

12 MR. WESTON: So I will do my best to try
13 to explain this. As I'm sure you're aware, the
14 issue is that ADIT collected up to January 1, 2018,
15 was at the 35 percent rate. Now it's at the 21
16 percent rate.

17 So there's a discrepancy between what has
18 been collected and what should be collected. So
19 the company is still in the process of determining
20 how it is going to address that excess ADIT going
21 forward.

22 And this agreement requests that,
23 essentially, by February 28th next year, they
24 provide a report at the time Commission identifying
25 what method under the tax code they are going to

1 use to flow back those excess costs. So --

2 CHAIRMAN HALL: Those excess costs back to
3 January 1 of this year?

4 MR. WESTON: Correct. That's right. The
5 -- the preferred method to do so is ARAM. And the
6 company is still exploring exactly if it can do
7 ARAM.

8 Again, I don't want to try to speak for
9 the company. But the parties' understanding is
10 that they are going to try to work towards doing
11 that. And the idea is to give them breathing room
12 to make sure they can meet all their tax flow
13 requirements --

14 CHAIRMAN HALL: And the cash flow issues?

15 MR. WESTON: And -- and all of that. And
16 then the ADIT balance from January 1 to that time
17 period, the discrepancies there will be tracked,
18 and that will also be addressed in amortization.
19 Is that --

20 CHAIRMAN HALL: And when that is
21 addressed, it should enure to the benefit of the
22 ratepayers, should it not?

23 MR. WESTON: That -- that is our intent,
24 yes.

25 CHAIRMAN HALL: But that would require

1 action in the next rate case?

2 MR. WESTON: I believe so. Yes. With --
3 with the caveat that the reporting that is required
4 of the company for next year, February 28th, would
5 at least identify the beginning steps of that
6 process.

7 So at least the Commission would have some
8 sense of what's going to happen and how the company
9 is going to be able to treat that. And that will
10 kind of T up what we anticipate will happen in the
11 next case.

12 CHAIRMAN HALL: Is it -- is it possible --
13 and I'm asking you, but I guess anyone else can
14 respond, and maybe the company.

15 Is it possible that once the company
16 decides how to handle that that it could
17 voluntarily submit tariffs that would take that
18 into account prior to the next rate case? Is that
19 still under -- under discussion?

20 MR. ENGLAND: Mr. Jenkins will speak on
21 behalf of the company.

22 MR. JENKINS: Thank you. A couple
23 clarification points. Staff Counsel, excellent job
24 explaining deferred income taxes.

25 MR. WESTON: For not a tax attorney, I

1 appreciate that very much.

2 MR. JENKINS: So first of all, with the
3 accumulated preferred income tax balance, the
4 different in the rate that Staff Counsel mentioned,
5 keep in mind today, it's being deducted from rate
6 base. It's being treated as zero cost of capital.
7 So our customers are made whole in that front. So
8 now with respect to --

9 CHAIRMAN HALL: Under existing tariffs?

10 MR. JENKINS: Under the existing tariffs
11 under the \$318 million decrease. We filed this
12 case deducting that from rate base. And so that
13 continues.

14 CHAIRMAN HALL: Okay. That would -- this
15 would be the case starting May 31?

16 MR. JENKINS: Starting May 31. Yes.

17 CHAIRMAN HALL: Okay. So we still have
18 January 1 to May 31?

19 MR. JENKINS: Yes. Then with respect to
20 the tracker, in the challenge of measuring the
21 accumulated deferred income taxes and even, you
22 know -- I'm not necessarily a tax geek, but I guess
23 I'm close to it because I used to do that in a
24 prior life.

25 The computations of that are just

1 extremely complex. And you're right. We're not
2 going to have all the tax regs specifically written
3 on that. So that -- that is the uncertainty.

4 And so what we're going to do with it is
5 track -- after we can figure out exactly how to
6 measure it, we're going to track it. We are going
7 to go back to January 1st.

8 And then it's our recommendation -- and --
9 is to flow that back into the next rate filing.
10 And in terms of -- of trying to offset that or make
11 another tariff filing, one, I don't know how
12 material it is. And, two, that wasn't part of the
13 arrangement when we -- when we worked out the
14 agreement.

15 CHAIRMAN HALL: Okay.

16 MR. JENKINS: The only other thing I'd
17 like to mention, too, just measuring this ARAM, one
18 of the things with American Water, because we've
19 acquired all these systems over the years and the
20 records that we've got them at the various points
21 in time adds to that complexity of trying to build
22 up detailed property records, and we're to comply
23 with a ARAM.

24 So that's part of the challenge in that
25 and we've got that challenge all across the system.

1 And every water company in the country has that
2 challenge.

3 CHAIRMAN HALL: I do have one other
4 question. I'm not sure if it's for you. I was
5 wondering if someone could give me an update on the
6 low income pilot program?

7 MR. WESTON: So -- if you don't mind me
8 staying in my seat, Chairman. So the -- the
9 agreement is that the pilot as it currently exists
10 will continue forward.

11 The reason for that is we understand that
12 with some buy-in to the program through customers,
13 but maybe not enough to fully see if the point of
14 the program, which was to try to reduce
15 uncollectibles and other issues, was actually
16 having an effect. Again, with it being in the
17 process --

18 CHAIRMAN HALL: That is not the only plan.
19 Affordability is another major component of the
20 program.

21 MR. WESTON: Yes. Yes, Chairman. And the
22 idea is to let that continue forward to see what
23 affects it and how that will continue to work.

24 CHAIRMAN HALL: Well, how many -- what is
25 the participation in the program thus far?

1 MR. WESTON: Let -- let me check real
2 quick. We think it's about 120 customers at this
3 point in time.

4 CHAIRMAN HALL: Any idea as to how that
5 compares to -- to the number that would be
6 eligible?

7 MR. WESTON: I -- I don't know that off
8 the top of my head, Chairman. I don't know if --
9 if we know that right now at this point in time.

10 CHAIRMAN HALL: Because I would -- I would
11 have to believe that that is a number that is
12 attainable. I mean, you could go to the Community
13 Action Center, and I --

14 DR. MARKE: Chairman, we could get a hold
15 of that number. Probably the easiest way would be
16 to contact Social Services that administers LIHEAP
17 and just find out the LIHEAP percentage that was
18 allocated last year for the St. Joe area.

19 CHAIRMAN HALL: What is -- that would be
20 -- that would be helpful information. What is the
21 company doing to -- to advertise, for lack of a
22 better word, this -- this program to those who
23 might be eligible for it?

24 MR. ENGLAND: Ms. Norton will address
25 that.

1 CHAIRMAN HALL: Good morning.

2 MS. NORTON: My -- good morning. In
3 addition to doing bill in-service and other kinds
4 of communications like that, we've reached out to
5 the Community Action Agencies in that area and
6 tried to get them to encourage their constituents,
7 the people who are coming in, to -- to apply for
8 this.

9 And we saw a fairly good uptake when we
10 first started the program through all the regular
11 kinds of communication channels that we would do.

12 It wasn't very effective. I talked
13 yesterday about the code red calls. We did a code
14 red call out to the people in that community to let
15 them know that this was available.

16 But we really got the really biggest kind
17 of uptick and community agencies and asking them to
18 -- to continue to help and giving them anything
19 that they needed to do.

20 CHAIRMAN HALL: Is there a -- a time limit
21 on the -- on the program? If --

22 MS. NORTON: They have to apply -- they --
23 they follow the same qualifications for the program
24 as LIHEAP. So once they -- I think that's an
25 annual re-up that they have to do through LIHEAP.

1 CHAIRMAN HALL: Okay. And what has the
2 company's expenses been in relation to the program
3 thus far, I guess, in deferred revenues?

4 MS. NORTON: 10,000.

5 CHAIRMAN HALL: And did the -- did the --
6 was that booked as regularly liability or asset?

7 MS. NORTON: Yes.

8 CHAIRMAN HALL: And is that part of the
9 318 revenue requirement?

10 MR. LAGRANDE: It's going to be continued
11 to defer going forward.

12 MS. NORTON: We'll continue to do that
13 going forward.

14 CHAIRMAN HALL: So -- so you're not
15 attempting to recover that in this rate case?

16 MR. LAGRANDE: Correct.

17 CHAIRMAN HALL: Well, I don't have a
18 problem with continuing the program. I would hope
19 that we could get more -- get higher participation
20 and, at some point in time, get a better
21 understanding as to how such a program could --
22 could affect that debt and cut-offs, et cetera.
23 Okay. Thank you.

24 MS. NORTON: Uh-huh.

25 JUDGE BURTON: Would any other party like

1 to add some additional comments for the
2 Commission's consideration on the stipulation and
3 agreement?

4 MR. SMITH: I guess I -- OPC would add
5 that we would echo Staff's and the company's
6 comments.

7 This stipulation was sort of a lengthy
8 negotiation. And I think those sides, if you will,
9 or lots of sides in this case, each kind of give a
10 little bit to get there. Other than that, I don't
11 really have anything unless there are questions.

12 JUDGE BURTON: Okay. Thank you.

13 CHAIRMAN HALL: I do have one other -- one
14 other question. In -- in the opening, I had in my
15 notes there was some number thrown out on the -- on
16 the -- on the corporate tax cut, how much of that
17 is reflected in the 318 number. And I had 18
18 million down, but I have no idea if that's --

19 MR. WESTON: Yeah. We -- from Staff's
20 perspective, we think that's an appropriate
21 approximation.

22 CHAIRMAN HALL: So that's the savings that
23 the parties agreed would -- would result from this
24 tax cut that's going back to -- to ratepayers?

25 MR. WESTON: Yes. Based on -- based on

1 the company's original projections and Staff's
2 projections, which were slightly different based on
3 our different revenue requirements, that is
4 essentially the mid-point and the approximate
5 savings.

6 CHAIRMAN HALL: So it's an approximate
7 number that the parties had agreed to. It's not an
8 agreed to number that --

9 MR. WESTON: Correct.

10 CHAIRMAN HALL: All right. Thank you. I
11 have no further questions.

12 JUDGE BURTON: All right. Thank you. I
13 don't see any other interested parties in making
14 statements or comments. Why don't we take a quick
15 10-minute recess? It's 9:47 now. We'll come back
16 at 10:00, and we'll begin with opening statements
17 on the customer charge, commodity charge issues.

18 (Break in proceedings.)

19 JUDGE BURTON: Okay. Let's go ahead and
20 go back on the record. Before we begin with
21 opening statements, I just want to clarify for the
22 Coalition of Cities that we've confirmed this all
23 parties have waived cross-examination on
24 Mr. McGary?

25 MR. ENGLAND: That's true as far as the

1 company is concerned.

2 JUDGE BURTON: Unless somebody hopefully
3 indicates otherwise. Otherwise, the Commission
4 does not believe it's going to have any questions
5 for cross-examination. So Mr. Steinmeier, I
6 believe at this time you would like to go ahead and
7 offer his testimony for the record?

8 MR. STEINMEIER: Thank you, your Honor.
9 Exhibits -- Exhibit 329 is the pre-filed direct
10 testimony of Michael J. McGary, Sr., on behalf of
11 the Coalition of Cities.

12 Exhibit 330 is his pre-filed rebuttal
13 testimony. Exhibit 331-C is the confidential
14 version of his surrebuttal testimony. Exhibit
15 331-P is the redacted public version of his
16 surrebuttal testimony. I would offer Exhibits 329,
17 330, 331-C and 331-P into the record, your Honor.

18 JUDGE BURTON: Okay. Exhibits 329, 330,
19 331-C and 331-P have been offered. Are there any
20 objections? Seeing none, they are admitted. Thank
21 you, sir.

22 (Exhibits 329, 330, 331-C and 331-P were
23 offered and admitted into evidence.)

24 MR. STEINMEIER: I also would like to have
25 marked as Exhibit 332 this press release -- okay.

1 It's a Missouri-American press release about a
2 Jefferson City project that was completed in 2011.

3 I chatted with Counsel about it yesterday.
4 I don't think there's any controversy about it.
5 It's certainly not intended to inspire controversy.

6 JUDGE BURTON: Okay. I believe you have
7 copies for the Commission and for the court
8 reporter?

9 MR. STEINMEIER: I do. I do.

10 JUDGE BURTON: You're offering Exhibit 332
11 for the record?

12 MR. STEINMEIER: Yes, your Honor.

13 JUDGE BURTON: Okay. Are there any
14 objections to the admission of the press release
15 from December 20th, 2011? Seeing none --

16 MR. ENGLAND: No, Judge.

17 JUDGE BURTON: Oh, sorry. Seeing none,
18 Exhibit 332 is admitted.

19 (Exhibit 332 was offered and admitted into
20 evidence.)

21 MR. STEINMEIER: And, finally, your Honor,
22 I would request that the Commission take
23 administrative notice of several past reports and
24 orders, specifically, first the report and order
25 and dissenting opinions in Case No. WR-2000-281,

1 the report and order in WR-2015-0301, and the
2 report and order in WR-2010-0131.

3 JUDGE BURTON: And I imagine these are
4 prior Missouri American Water Company general rate
5 case decisions?

6 MR. STEINMEIER: Exactly.

7 JUDGE BURTON: Okay. Are there any
8 objections to the Commission taking official notice
9 of those report and orders in the dissenting
10 opinions?

11 MR. ENGLAND: No, your Honor.

12 JUDGE BURTON: All right. The Commission
13 will take notice.

14 MR. STEINMEIER: Thank you very much.

15 JUDGE BURTON: Now, I believe at this
16 time, we are ready for the opening statements from
17 Missouri-American Water Company on the customer
18 charge and commodity charge issues.

19 MR. ENGLAND: Thank you, your Honor.

20 OPENING STATEMENT

21 BY MR. ENGLAND:

22 MR. ENGLAND: Good morning again. I
23 believe the only substantive issue left that has
24 not been resolved in this case involves the
25 appropriate customer charge for Missouri-American.

1 I say substantive because the issue was --
2 also talks about a commodity charge issue, but I
3 believe that's more of a function of mathematical
4 exercise once you determine on whether you are
5 going to do three districts versus one district and
6 what's the appropriate fixed charge.

7 I believe all the parties agree the
8 volumetric charge just rolls out from -- from those
9 determinations. Excuse me.

10 And some of the information regarding the
11 customer charge, I believe, was broached yesterday
12 in the examination of either company witness Norton
13 or Jenkins or both.

14 But, nevertheless, the company's current
15 customer charge or fixed charge as it's sometimes
16 called is \$15.33 per month for a five-eighths inch
17 meter. The larger the meter, the larger the
18 customer charge.

19 There is a ratioing effect that works its
20 way up depending on the size of the meter. And the
21 Company Witness Heppenstall can address that if you
22 have any questions.

23 The quarterly billed customers, which are
24 primarily Grade A customer in St. Louis County, the
25 majority of our customers there, are billed \$22.35

1 for a five-eighths inch meter. And so if you
2 pro-rate that back to a monthly charge, it would be
3 \$7.45.

4 Both these monthly and quarterly rates
5 were established in the company's last rate case
6 and were based on Staff's class cost of service
7 study and were adopted uniformly or state-wide.

8 In this case, however, the company is
9 proposing to lower the monthly charge to \$10. And
10 this is specifically contingent on your approval to
11 -- at the allow them to move quarterly billed
12 customers to monthly billing.

13 So it's the -- although the \$10 rate is
14 not cost based, it's an effort to facilitate from
15 quarterly billing to monthly billing.

16 So as a result of quarterly billed
17 customer who is converted to monthly billing would
18 only see an increase in their monthly charge of
19 \$2.55 of the \$10, thus \$7.45.

20 This increase in the quarterly billed
21 customer -- customers fixed charge is largely
22 offset by the decrease in the monthly billed
23 customer charges of \$15.33 to \$10. And this can be
24 seen in the Exhibit 136 that was distributed
25 yesterday where under Scenario 1, this is the first

1 page, line 22, We have total fixed charges of
2 \$61.8 million, if you will. And that would be if
3 we kept the customer charges at their current
4 levels compared with line 46 totaled fix charges of
5 \$61.7 million if you were to change the customer
6 charges as proposed by the company in this case.

7 So it's a relatively revenue neutral, if
8 you will, switch, although some customers will see
9 an increase, and others will see a decrease.

10 Staff, on the other hand, and I think
11 several of the other parties proposed to keep the
12 fixed charges at the current levels and postpone
13 conversion from quarterly to monthly billing.

14 Staff wants to wait essentially until 2020
15 when the company expects to fully deploy its
16 advanced metering infrastructure, or AMI, before
17 beginning the conversion of quarterly billed
18 customers to monthly billing.

19 The company, with all due respect,
20 believes this there is no reason to wait two years
21 to begin this conversion. It is already deployed
22 between 100 and 150,000 AMI meters, and there's no
23 reason to delay implementation to monthly billing
24 and postpone the benefits of that as well as the
25 AMA metering.

1 The benefits of AMI meters include, and I
2 believe Ms. Norton talked a little bit about this
3 yesterday, increasing billing accuracy and reducing
4 likelihood of estimated bills by automatically
5 providing timely and accurate meter readings.

6 AMI will also provide the customer with a
7 nearly real-time view of their personal consumption
8 allowing them to monitor their usage for
9 conservation purposes or to identify unusually high
10 usage and -- and address it in a more rapid or a
11 quicker basis.

12 The transition from quarterly to monthly
13 billing will also make it easier for customers to
14 manage household budgets and allow quarterly billed
15 customers the option of paying bills under the
16 company's budget billing plan as described by Ms.
17 Norton yesterday. Currently, the quarterly billing
18 customers cannot take advantage of the budget
19 billing plan.

20 For all of these reasons, the company
21 requests the Commission to allow it to begin
22 converting quarterly billed customers to monthly
23 billing and to facilitate that transition -- to
24 facilitate that transition to change the fixed
25 charges to \$10 per month for a five-eighths inch

1 meter as proposed.

2 One final comment. If, however, the
3 Commission does not authorize the company to begin
4 this conversion, then the company agrees with Staff
5 to maintain its current fixed charges at the levels
6 they're currently at. Thank you. And if you have
7 any questions, I'd be happy to answer them.

8 CHAIRMAN HALL: I have no questions.
9 Thank you.

10 JUDGE BURTON: Thank you.

11 MR. ENGLAND: Thank you.

12 JUDGE BURTON: Staff?

13 OPENING STATEMENT

14 BY MS. PAYNE:

15 MS. PAYNE: Thank you. May it please the
16 Commission. As Counsel for the company has already
17 expressed, Staff is recommending to maintain the
18 customer charges that are currently in effect for
19 Missouri-American based on Staff's class cost of
20 service that we performed for this case.

21 The rates continue to reflect an
22 appropriate fixed amount to collect from the
23 customers.

24 While the company does intend to implement
25 the AMI meters, it's not complete at this time.

1 And, therefore, to transition customers from
2 quarterly monthly billing could and probably will
3 result in a windfall to the company for customers
4 that are going to begin paying those amounts
5 immediately before the AMI meters are put out
6 there.

7 Now, the commodity charge for each class
8 is determined based on the remaining amount of
9 revenue requirement that the company will need to
10 collect after it subtracts the revenue it's gaining
11 through the fixed customer charge.

12 Therefore, the Commission's determination
13 on issues such as consolidation versus single
14 tariff pricing will determine the amount of
15 revenues and should affect the ultimate commodity
16 charge.

17 Now, yesterday, the parties handed out
18 Exhibit 136, and that reflected the results of some
19 of the different scenarios that are before the
20 Commission for its determination along with what we
21 see as the outcomes from these different choices.

22 Should the Commission approve DE's
23 customer charge or the Coalition of Cities offset
24 mechanism, that will further affect those rates
25 that would need to be charged through the commodity

1 charge.

2 Staff's witnesses Jim Busch and Matthew
3 Barnes will take the stand later and will be able
4 to answer any questions that you should have about
5 either of these issues. And in the meantime, if
6 the Commission has any questions for me?

7 CHAIRMAN HALL: I have -- you -- maybe I
8 misheard. But did you say that the company's
9 proposed change to the customer charge could
10 provide a windfall to the company? I don't
11 understand.

12 MS. PAYNE: What it is, is if they change
13 that cust -- even changing that customer charge --
14 it's not the actual change in the customer charge.

15 To move a customer from quarterly to
16 monthly billing at this time, they will be
17 collecting the customer charge more frequently. So
18 until the AMI meter is put in place, they could see
19 a windfall from the more frequented billing.

20 Mr. Busch can explain in more detail.

21 CHAIRMAN HALL: Okay. Because, I mean,
22 I'm looking at page 1 of Exhibit 136, which looks
23 at the total fixed charges under -- under the no
24 change to customer affixed charge.

25 And the company proposed to begin charging

1 -- its essentially the same number. So I'm a
2 little confused as to the windfall effect. But
3 I'll -- I'll -- I'll look forward to being educated
4 by Mr. Busch.

5 MS. PAYNE: It has more to do with
6 maintaining customer charge and moving to monthly
7 billing. And I apologize if I misstated that.

8 JUDGE BURTON: Thank you. Mr. Poston?

9 MR. POSTON: Good morning.

10 COMMISSIONER COLEMAN: Good morning.

11 OPENING STATEMENT

12 BY MR. POSTON:

13 MR. POSTON: On the issue of rate design,
14 division of Energy believes the most important
15 decision to make is how high use of the customer
16 charge, as you know which is the flat fee paid by
17 customers just to receive service, fee they must
18 pay to stay connected to the distribution system
19 even if they don't use a drop of water during the
20 billing period.

21 The company's residential customers pay
22 15.33 for monthly billed and 22.35 for quarterly
23 billed as you heard. The vast majority, I believe
24 the number is 84 percent of the company's customers
25 are in the St. Louis area where the company charge

1 is quarterly.

2 So the company proposes to increase the
3 customer charge from the 22.35 to 30, this is a 25
4 percent increase. We strongly urge you to reject
5 this proposal.

6 The primary reason for our opposition
7 follows the same reasons by -- the Commission
8 ordered the company to file information on
9 inclining blocks in this case.

10 And in the last rate case, the Commission
11 concluded, quote, It is also possible to design
12 volumetric rates using inclining blocks. Under
13 such a structure, customers would pay more for
14 water as they increase their usage. Such a
15 structure would be designed to encourage water
16 conservation by discouraging discretionary water
17 usage such as outdoor water or other summer use,
18 end quote.

19 We agree that inclining blocks encourages
20 conservation by requiring customers to pay more as
21 they use more. But inclining block is not the only
22 way to encourage conservation and discourage
23 excessive discussion or use through rate design.

24 Another very impactful approach is to
25 maintain a low customer charge, which results in a

1 higher commodity rate and a greater conservation
2 incentive.

3 A low customer charge gives the customer
4 the ability to reduce usage and see more of a bill
5 impact than they would if they were to see high
6 customer charge.

7 And as you've heard previously, the
8 company is transitioning -- or wants to transition
9 to quarterly billed customers in the St. Louis area
10 to monthly.

11 And as the company transitions customers,
12 we urge you to set the customer charge at one-third
13 of the current quarterly rate, which would result
14 in a \$7.45 monthly customer charge.

15 And one thing that shouldn't be overlooked
16 here is that recovering revenue from customers
17 monthly rather than quarterly, the company is
18 reducing regulatory lag.

19 I don't know if this is maybe the issue
20 that the Staff was getting at. But -- because by
21 billing monthly now instead of quarterly, the
22 company will receive two months of customer charge
23 revenues earlier than they would under quarterly.

24 So the point here is that by ordering the
25 company to keep the 22.35 rate and 7.45 as a

1 transition customers to monthly billing, the
2 company will still see a revenue recovery benefit
3 because they'll be getting paid earlier.

4 So the company benefits as they
5 transition, and everyone benefits from a low
6 customer charge due to the additional price signal
7 and conservation.

8 And conservation is very important to the
9 Division of Energy due to what's been labeled the
10 Water Energy Nexus. To bring water to a customer's
11 tap, it takes a significant amount of energy to
12 pump that water from wells to rivers and to
13 distribute it to customers. And because of this,
14 water efficiency results in energy efficiency.

15 The Division of Energy is sponsoring the
16 testimony of one witness, Mr. Martin Hyman.
17 Mr. Hyman has testified on rate design numerous
18 times before this Commission, including the
19 importance of the Division of Energy, which is this
20 monthly customer charge. Thank you. That's all
21 I've prepared.

22 CHAIRMAN HALL: Did -- did the Division
23 take a position on single tariff pricing?

24 MR. POSTON: No, we did not.

25 CHAIRMAN HALL: Because it would seem to

1 me that -- okay. So if -- if the Commission were
2 to determine that single tariff pricing is
3 appropriate, what does the Division think should be
4 the customer charge for that single tariff?

5 MR. POSTON: We would want the \$7.35
6 customer charge -- or 7.45.

7 CHAIRMAN HALL: So you -- so a reduction
8 for everyone outside of St. Louis from 15.33 to
9 7.45?

10 MR. POSTON: That's correct.

11 CHAIRMAN HALL: Okay. Thank you.

12 JUDGE BURTON: Thank you. Mr. Smith?

13 OPENING STATEMENT

14 BY MR. SMITH:

15 MR. SMITH: Good morning. Customer charge
16 is the fixed charge that a customer pays regardless
17 his or her usage.

18 Generally speaking, a lower customer
19 charge gives a customer more ability to control his
20 or her bill by controlling their usage, which
21 promotes conservation.

22 It also means that low usage users will
23 not unduly subsidize high usage customers.
24 Philosophically, the customer charge should follow
25 cost causation principles.

1 You heard from Counsel for the company
2 that the company's proposal is not cost-based. You
3 also have heard that the customer charge is being
4 reduced.

5 But for whom would the customer charge be
6 reduced? There would be a decrease from \$15.33 to
7 \$10 for some customers. However, approximate those
8 customers on a quarterly bill, St. Louis County
9 customers, there would be a rate or a customer
10 charge increase from \$22.35 to \$30.

11 And the St. Louis County customers
12 represent a very large percentage of the overall
13 customers. So, in fact, there will be a customer
14 charge increase on the whole.

15 For these reasons and for others, we would
16 ask the Commission to keep the charges the same as
17 they are. OPC is strongly in line with Staff's
18 position on this matter, and I'm available for any
19 questions.

20 COMMISSIONER KENNEY: I have a question.

21 MR. SMITH: Yes.

22 COMMISSIONER KENNEY: If I read this
23 Exhibit 136 correctly, if you go to consolidate
24 pricing and the \$10 fixed charge that the company
25 recommends for District 1, District 2 and District

1 3, if the average use that the -- the company
2 mentioned yesterday was under 3,500 gallons, the
3 average use -- is that correct, that 35 is average?

4 MR. SMITH: I would defer to the company
5 on what they stated.

6 COMMISSIONER KENNEY: Am I correct on
7 that?

8 MR. ENGLAND: It varies by district. I
9 think the 3500 was Mexico.

10 MR. MARKE: Was Mexico.

11 COMMISSIONER KENNEY: Was only Mexico.

12 MR. ENGLAND: There was a couple, I think,
13 besides Mexico, but some were higher.

14 COMMISSIONER KENNEY: Okay.

15 MR. ENGLAND: I think we typically use
16 5,000.

17 COMMISSIONER KENNEY: Okay. 5,000. Okay.
18 Anyway, it appears to me on this charge -- on these
19 charts that at least at 4,000 all but one district
20 would be seeing a reduction of those low -- low
21 users -- low usage customers. Do you notice -- do
22 you see that? What's your opinion of that?

23 MR. SMITH: Can you point me to exactly
24 which page?

25 COMMISSIONER KENNEY: If you go to page 2,

1 District 1 monthly consolidated pricing on the far
2 right-hand corner, it shows you up to 6,000
3 gallons, there's a reduction in their overall cost;
4 is that correct?

5 MR. SMITH: I'm sorry. So you're --
6 you're speaking of the upper --

7 COMMISSIONER KENNEY: District 1 Rate A
8 monthly, consolidated pricing, changed to fixed
9 charge. Monthly usage up to 6,000, there's a
10 reduction in their bill. Do you see that?

11 MR. SMITH: So you're saying the \$4.68
12 number?

13 COMMISSIONER KENNEY: Okay. Are you on
14 page 2?

15 MR. SMITH: Well, I -- I believe so.
16 Yeah.

17 COMMISSIONER KENNEY: Page 2 where it says
18 District 1, Rate A monthly?

19 MR. SMITH: Okay. I'm sorry. I was
20 looking at the page numbers in my --

21 COMMISSIONER KENNEY: Page 2. It says
22 Page 2 on the bottom.

23 COMMISSIONER COLEMAN: Here you go. Do
24 you see it?

25 MR. SMITH: Oh, okay. Yeah. I think I'm

1 there.

2 COMMISSIONER KENNEY: Usage, 1,000
3 gallons, go all the way to the far right-hand side
4 and, it says the reduction of 23 percent of the
5 charge, correct?

6 MR. SMITH: Yes.

7 COMMISSIONER KENNEY: And then if you go
8 all the way down to 6,000, it's a reduction of .6
9 percent.

10 MR. SMITH: I see that.

11 COMMISSIONER KENNEY: So that would be in
12 -- in St. Louis County. That's District 1,
13 correct?

14 MR. SMITH: Well, District 1 --

15 COMMISSIONER KENNEY: Okay. But that's
16 District 1. Let's just leave it at that.

17 MR. SMITH: Well, St. Louis County is part
18 of District 1.

19 COMMISSIONER KENNEY: Right.

20 MR. SMITH: As I understand it, the -- the
21 quarterly customer are those living in St. Louis
22 County, not necessarily all of the District 1
23 customers.

24 COMMISSIONER KENNEY: Okay. Well, let's
25 go to, then -- it might be in other districts.

1 Let's go to page 4, District 2. Rate A monthly
2 consolidated, the first 1,000 is a reduction of
3 25.3 percent; is that correct?

4 MR. SMITH: That is what the number says,
5 yes.

6 COMMISSIONER KENNEY: And if you go down
7 to 6,000, it's a 10.5 reduction. And then on page
8 5, District 3 rate A monthly, 1,000 usage is 21.4
9 reduction. 4,000 is 1.1 percent.

10 So that -- with the average customers
11 using 5,000 gallons, wouldn't the average customer
12 see a reduction in their billing -- bill?

13 MR. SMITH: By the average customer, do
14 you mean the average Missouri-American Water
15 customer?

16 COMMISSIONER KENNEY: Yes.

17 MR. SMITH: That -- that could be true. I
18 -- I would specifically refer to Dr. Geoff Marke.

19 COMMISSIONER KENNEY: Okay. Thank you.

20 JUDGE BURTON: And I believe those are all
21 the parties that are going to be having openings on
22 these issues. That being said, Missouri-American
23 you may call your first witness.

24 MR. ENGLAND: Thank you, your Honor. Our
25 first witness is Jim Jenkins, please.

1 A Yes.

2 Q Can you please explain why?

3 A It's a system issue. And that was
4 addressed yesterday with -- with our President. So
5 I don't know all the specifics, but I just know
6 it's a system issue, and we -- we are not capable
7 -- able to do that.

8 Q Okay. Okay. Is that -- is there more to
9 that that perhaps another witness that's coming up
10 today would know more about?

11 A No. I don't believe so. I think we
12 addressed that. But I'll defer to the Commission
13 with that.

14 Q You mean you addressed it -- addressed it
15 when?

16 A Addressed that through cross-examination
17 yesterday.

18 Q Okay. Okay.

19 A I don't know.

20 Q Okay. I'll have to refer back to the
21 transcript then.

22 MR. POSTON: Thank you.

23 A Okay.

24 JUDGE BURTON: Staff?

25 MS. PAYNE: No questions. Thank you.

1 JUDGE BURTON: Public Counsel?

2 MR. SMITH: No question. Thank you.

3 JUDGE BURTON: From the Bench?

4 CHAIRMAN HALL: Yeah.

5 CROSS-EXAMINATION

6 BY CHAIRMAN HALL:

7 Q Good morning.

8 A Good morning.

9 Q So was the company's proposal designed to
10 be on -- on the customer charge, designed to be
11 revenue neutral?

12 A Yes. It was designed to be fixed cost
13 neutral.

14 Q And in traditional rate-making, the
15 customer charge is designed to cover what costs?

16 A It's designed to cover our fixed costs.
17 And in this -- in this docket, in my direct
18 testimony, I indicated that in the water industry,
19 and specifically Missouri-American, about 90
20 percent of our costs are fixed.

21 So, typically, in our regulatory filings,
22 recognizing that challenge of fixed cost recovery,
23 our typical policy in rate filing strategy is to
24 raise the fixed costs and move it closer to a
25 higher level to --

1 **Q To raise the customer charge?**

2 A Yeah. Sorry. To raise the monthly
3 customer charge. In this specific filing, just
4 because of -- of our -- of our strategy in terms of
5 wanting to move our St. Louis County quarterly
6 customers to monthly, when we filed the case, we
7 went on a fixed cost neutral approach.

8 And that's the reason we adjusted the
9 fixed charges the way we did, lowering the monthly
10 fixed charge across the system and then raising the
11 quarterly charge, if you will, on the -- on the St.
12 Louis County quarterly customers by \$2.45 a month.

13 And when you net all that out, as we
14 indicated in opening statement and on the exhibit,
15 it's one -- I want to say Exhibit 133. If you look
16 at the -- 122 on the total fixed charges --

17 JUDGE BURTON: 136?

18 A 136. And on line 22, you'll see that the
19 -- under existing fixed charges of \$61.8 million,
20 and then under our proposal in which we adjusted
21 the fixed charges on line 46, it's, in essence,
22 \$61.8 million as well. So we did the best we could
23 with the numbers to make it neutral.

24 **Q So if -- if the Commission were to**
25 **determine that single tariff price pricing was --**

1 was appropriate and wanted to move St. Louis County
2 to monthly billing but was concerned about -- and
3 my math is a \$2.65 increase, but maybe my math is
4 wrong.

5 But if the Commission were concerned about
6 that kind of increase, what are -- are there other
7 options available?

8 A I don't -- I'm not aware of any. I felt
9 like in terms of how we filed it if -- if the
10 Commission -- and, certainly, it would be, you
11 know, our position, in order to keep it -- keep our
12 fixed costs recovery neutral, we believe that's the
13 fairest approach.

14 I -- I imagine you could adjust the fixed
15 charges in a different purchase and either change
16 that fixed cost neutrality.

17 CHAIRMAN HALL: I have no further
18 questions.

19 CROSS-EXAMINATION

20 BY COMMISSIONER KENNEY:

21 Q Good morning.

22 A Good morning.

23 Q Did you hear my discussion with OPC's
24 Counsel?

25 A I did.

1 Q I just want to make sure I'm correct on
2 this.

3 A Okay.

4 Q So if I were to take District 1 month --
5 going to monthly, District 2 monthly, District 3
6 under the company --

7 JUDGE BURTON: Commissioner Kenney, could
8 you turn your microphone up?

9 COMMISSIONER KENNEY: My microphone is on.

10 Q (Commissioner Kenney) Under the
11 consolidated pricing, single tariff, do all
12 customers -- low usage customers under 4,000
13 gallons receive a reduction in their bill
14 determinants?

15 A All monthly customers?

16 Q Yeah. So if we take St. Louis to
17 quarterly -- I mean, to monthly instead of
18 quarterly, those under 4,000 will still see a
19 reduction, correct? Actually more than that,
20 right? District, if you take --

21 A Well, yeah.

22 Q Because if you do all monthly and in every
23 district do a consolidated single tariff, all
24 customers under 4,000 will receive a reduction; is
25 that correct?

1 A Yes.

2 Q And then all high usage customers -- and
3 you have up to 25,000 will see a higher percentage
4 increase in their bill?

5 A Correct.

6 Q Okay. So if I used 20,000 gallons, I
7 would be paying more than I did previously in any
8 district?

9 A That's,

10 Q Except maybe --

11 A That's correct.

12 COMMISSIONER KENNEY: Okay. Thank you.

13 CROSS-EXAMINATION

14 BY JUDGE BURTON:

15 Q Can you identify the number of quarterly
16 customers that the company has?

17 A Approximately about 370,000.

18 Q And of that three 370,000, are they all
19 residential?

20 A I believe so. We -- Company Witness
21 Heppenstall can confirm. But I think I'm
22 approximately correct that's all residential.

23 Q They are located in the St. Louis County
24 area?

25 A Yes.

1 Q And the 100 to 150,000 AMI meters that
2 your Counsel discussed being converted, are those
3 all in the quarterly area, in the quarterly billing
4 area? Or -- or were they located throughout?

5 A Yes. That's -- that's within St. Louis
6 County.

7 JUDGE BURTON: Thank you.

8 RECROSS EXAMINATION

9 BY CHAIRMAN HALL:

10 Q Actually, I have one question almost as a
11 follow-up to the questions from Commissioner
12 Kenney. The Exhibit 136, what is the -- the
13 revenue requirement assumed in that -- oh, is that
14 based upon the stipulation for the 318?

15 A Yes.

16 JUDGE BURTON: Any re-cross from Division
17 of Energy?

18 MR. POSTON: Yes.

19 RECROSS EXAMINATION

20 BY MR. POSTON:

21 Q I want to follow up on the question you
22 got from the Chairman about how you determine the
23 customer charge. And have you read the direct
24 testimony of DE's witness, Mr. Hyman, on rate
25 design?

1 A At one point, yes.

2 Q And are you familiar with where he quotes
3 from the American Water Works Association's Cost
4 Allocation Manual and how they determine what
5 should be included with a customer charge?

6 A If you were to direct me to it, I could
7 refresh my memory.

8 Q Do you have that with you?

9 A No.

10 Q I've only got a couple pages of it here.
11 It's pages 6 and 7.

12 A Yes.

13 Q Would you agree that he quotes from the
14 American Water Works Association's Cost Allocation
15 Manual where it states, quote, Fixed and variable
16 charges as defined for rate design and a cost of
17 service water rate analysis depart from standard or
18 traditional accounting definitions of fixed and
19 variable costs. Down on -- towards the bottom on
20 page 6.

21 A Yes.

22 Q And that in a cost of service rate design,
23 the customer charge is recovered dedicated customer
24 related costs. Did you see where that's stated?

25 A That's correct.

1 Q And then if you look on page 7, he's also
2 -- do you see where he's also quoted in the Q&A
3 that begins on line 6 quoting to the -- that manual
4 where it lists meter reading, billing, meter and
5 service line related costs. And in the case of
6 minimum charges, the minimum quality of water is
7 typical cost included in customer charges. Do you
8 see that?

9 A Correct.

10 MR. POSTON: Thank you. That's all.

11 JUDGE BURTON: Staff?

12 MS. PAYNE: No questions. Thank you.

13 JUDGE BURTON: Public Counsel?

14 MR. SMITH: Yes.

15 RE CROSS EXAMINATION

16 BY MR. SMITH:

17 Q I wanted to follow-up with a discussion
18 Commissioner Kenney had with me and with you. On
19 that monthly sheet, page 2 --

20 A Correct.

21 Q -- that's for District 1, right?

22 A Yes.

23 Q That compares the monthly customer --
24 existing monthly customers with monthly customers,
25 right?

1 A Correct.

2 Q Okay. So this isn't contemplating a
3 switch? It's not comparing quarterly customers of
4 today that under the company's proposal would
5 become monthly customers; is that correct?

6 A Right. The volumetric rate would stay the
7 same.

8 Q And if you flip to the next page, that's a
9 comparison of the quarterly customers with the
10 quarterly customers; is that true?

11 A That's correct.

12 Q Okay. And did you see for the usage
13 numbers on the far right from 5,000 and below?
14 Would you agree those are all percentage change
15 increases?

16 A Yes.

17 Q And I think you had some questions from
18 the Bench that indicated there are about 370,000
19 quarterly customers; is that correct?

20 A Correct.

21 MR. SMITH: Okay. No further questions.

22 JUDGE BURTON: Redirect?

23 MR. ENGLAND: Yes, your Honor.

24 REDIRECT EXAMINATION

25 BY MR. ENGLAND:

1 BY MR. ENGLAND:

2 Q And subsequent to that, with your help, we
3 found a correction or a clarification that needs to
4 be made with respect to the direct testimony. If I
5 may, Ms. Heppenstall, can you identify that
6 correction?

7 A Yes. On page 12 of my testimony, line --
8 I'm sorry -- line 2 where I'm listing the -- the
9 different areas in the three rate districts, I
10 incorrectly listed Riverside in District 3. It
11 should be Riverside Terrace.

12 Q Terrace?

13 A Is that what -- we were talking about
14 that. I thought I was Riverside Terrace.

15 Q Or Estates?

16 A Riverside Estates. Thank you.

17 Q In any event, it's not Riverside that's
18 intervened in this case, correct?

19 A That would be correct.

20 MR. ENGLAND: Thank you. I have no
21 questions and would tender the witness for
22 cross-examination.

23 JUDGE BURTON: Thank you. Division of
24 Energy?

25 MR. POSTON: No questions.

1 JUDGE BURTON: Staff?

2 MS. PAYNE: No questions.

3 JUDGE BURTON: Public Counsel?

4 MR. SMITH: No questions.

5 JUDGE BURTON: The Commission.

6 CROSS-EXAMINATION

7 BY CHAIRMAN HALL:

8 Q Let me -- good morning. Let me ask you a
9 question I posed to -- to Mr. Jenkins. And that is
10 if -- if the Commission were to determine that
11 single tariff pricing is appropriate and monthly
12 billing is appropriate for St. Louis County but was
13 concerned about the increase proposed by the
14 company to the customer charge for those customers,
15 are there other options available?

16 A As Mr. Jenkins said, the Commission --
17 there are other options available to the
18 Commission. I would just like the Commission to --
19 to contemplate what they've said in their prior
20 order.

21 Q Okay. So what are those other options?

22 A Other options are -- I guess to keep the
23 -- the quarterly customers as quarterly customers
24 and keep their customer charge the same. There is
25 a myriad of -- of options.

1 Q So -- so -- but if the -- if the company
2 -- the Commission wanted to have a -- was open to
3 an increase for St. Louis County on the customer
4 charge, but just not the full 2.55 or whatever it
5 is, the only -- the -- the effect of that would be
6 that the company would get a reduced portion of its
7 revenues from -- from the customer charge?

8 A That's correct.

9 Q And I take it that you view that as a
10 negative?

11 A Yes. In a declining usage environment, I
12 believe the company would find that as a negative.

13 Q Why would that be a negative?

14 A Because it -- it -- it puts the company at
15 risk that their -- a better part -- a larger part
16 of their revenue could decline because it is based
17 on purely volumetric rates.

18 Q And how is that potentially problematic
19 for ratepayers? Or is that potentially problematic
20 for ratepayers?

21 A I would think it would not be.

22 Q It would not be problematic for
23 ratepayers?

24 A I don't think so.

25 Q So it would be problematic for

1 **shareholders, but not for ratepayers?**

2 A And for the level of service that the
3 company would like to supply, perhaps it could be
4 detrimental to ratepayers.

5 CHAIRMAN HALL: Okay. Thank you.

6 CROSS-EXAMINATION

7 BY JUDGE BURTON:

8 Q **Are you able to identify what average**
9 **usage was for the residential districts that the**
10 **parties used in calculating for Exhibit 136?**

11 A I think we were -- we were speaking with
12 the company uses 5,000. It does change by
13 district. I don't have those numbers at the top of
14 my head.

15 Q **Isn't it typical that District 1, St.**
16 **Louis County, would have -- usually has a higher**
17 **average?**

18 A I'm not sure about that. But -- but, you
19 know, when you think about the average of the
20 customers, of course, it would be higher.

21 Q **Do you have a witness that you can**
22 **identify who might have that information on what**
23 **the average residential customer, let's say, on a**
24 **monthly basis would be?**

25 MR. ENGLAND: Your Honor, I believe

1 Mr. LaGrand who comes next can provide that
2 information.

3 JUDGE BURTON: Okay. Thank you.

4 CROSS-EXAMINATION

5 BY COMMISSIONER KENNEY:

6 Q Good morning.

7 A Good morning.

8 Q Would it be difficult on the 136, this
9 chart, would it be difficult to adjust this and
10 show us, the Commission, a difference with an \$8
11 customer charge and a \$9 customer charge?

12 This -- this is based on company's
13 proposal at \$10. I'm just curious if these numbers
14 would be difficult to put together and show us what
15 it would be like with an \$8 customer charge and a
16 \$9 customer charge?

17 A We can do that.

18 Q Great. I'd like you to do that.

19 COMMISSIONER KENNEY: Thank you.

20 JUDGE BURTON: Any recross examination by
21 Division of Energy?

22 MR. POSTON: No questions.

23 JUDGE BURTON: Staff?

24 MS. PAYNE: No questions.

25 JUDGE BURTON: Public Counsel?

1 MR. SMITH: No questions.

2 JUDGE BURTON: Redirect?

3 MR. ENGLAND: I just -- I don't have a
4 question for Ms. Heppenstall, but I've got a
5 clarifying question for Commissioner Kenney's
6 request.

7 When you say provide a scenario of either
8 8 or \$9, is that District 1 only or --

9 COMMISSIONER KENNEY: No. The whole -- I
10 would like it for the entire -- just monthly single
11 tariff monthly, District 1 monthly quarterly
12 change, District 2 and District 3.

13 MR. ENGLAND: So --

14 COMMISSIONER KENNEY: You -- this is based
15 on a \$10 customer charge. Your consolidated
16 pricing changed to fixed charge.

17 MR. ENGLAND: Right.

18 COMMISSIONER KENNEY: I would like that so
19 it would be more in the volumetric side. But we've
20 had a lot of discussion today about St. Louis
21 County being at 7.35 going to 10. So I'm curious
22 how these numbers work if we did \$8 and \$9. I
23 don't know. Would that be difficult to -- to
24 produce?

25 MR. ENGLAND: No. We can -- we can do

1 that. I don't think we can do it here before
2 lunch, but --

3 COMMISSIONER KENNEY: No. That's fine.

4 MR. ENGLAND: I just wanted to make sure
5 we were doing it state-wide as opposed --

6 COMMISSIONER KENNEY: After lunch is fine.

7 MR. ENGLAND: I may be taking a late
8 lunch, your Honor.

9 CHAIRMAN HALL: So it's another run of
10 Exhibit 136 with -- with \$8.

11 MR. ENGLAND: That being the only
12 difference.

13 CHAIRMAN HALL: And another one at \$9.

14 MR. ENGLAND: Okay.

15 COMMISSIONER KENNEY: That's correct.

16 CHAIRMAN HALL: Is that correct?

17 COMMISSIONER KENNEY: That's correct. So
18 the volumetric charge would increase.

19 MR. ENGLAND: Sure.

20 COMMISSIONER KENNEY: So those people in
21 Branson aren't going to be happy. But -- okay.
22 Thank you.

23 MR. ENGLAND: Thank you.

24 MS. PAYNE: Could Staff ask a clarifying
25 question in response to that?

1 MS. PAYNE: Yes.

2 MR. LAGRAND: Just to help out the
3 company, when you talked about lowering the monthly
4 charge from eight to nine, do you then have the
5 quarterly charge at 24 and 27 to go along with
6 that?

7 COMMISSIONER KENNEY: I'm saying we're
8 getting rid of the quarterly charge. I don't care
9 about the quarterly charge. I just want to know
10 what it would be well,-- does quarterly going to --
11 instead of going to ten -- or going to 30, they go
12 to -- yes -- they go to 24 and --

13 MR. LAGRAND: Okay. Okay. Thank you.

14 JUDGE BURTON: Okay. Missouri-American,
15 would you like to call your next witness?

16 MR. ENGLAND: We would. We would call
17 Brian LaGrand, please.

18 JUDGE BURTON: Please raise your right
19 hand.

20 BRIAN LAGRAND,
21 being first duly sworn to testify the truth, the whole
22 truth, and nothing but the truth, testified as follows:

23 DIRECT EXAMINATION

24 BY MR. ENGLAND:

25 JUDGE BURTON: You may be seated.

1 MR. ENGLAND: Your Honor, I believe this
2 is the first time that Mr. LaGrand has taken the
3 stand in this case, so I need to go through his
4 testimony with him.

5 Q (By Mr. England) Would you state your
6 full name for the record, please?

7 A Yes. Brian LaGrand.

8 Q And by whom are you employed and in what
9 capacity?

10 A By Missouri-American Water. I'm the
11 Director of Rates for Missouri.

12 Q Mr. LaGrand, in that capacity, have you
13 caused to be prepared, filed and now marked a
14 document in this proceeding entitled Direct
15 Testimony of Brian LaGrand, Exhibit 22?

16 A Yes.

17 Q And have you also caused to be prepared
18 and filed and marked for purposes of identification
19 in this case Rebuttal Testimony, Revenue
20 Requirement Brian LaGrand?

21 A Yes.

22 Q I believe that's Exhibit 23. Next -- and
23 a document entitled Rebuttal Testimony Rate Design
24 Brian LaGrand marked for purposes of identification
25 as 24, Have you prepared that --

1 A Yes.

2 Q -- or under your supervision? Thank you.
3 And then, I believe, the final piece of testimony
4 is your Surrebuttal Testimony of Brian LaGrand
5 marked for purposes of identification as 25-P,
6 which I assume stands for public, and 25-C, which
7 stand for confidential. Is that prepared by you?

8 A Yes.

9 Q Okay. Are there any changes or
10 corrections that need to be made to that testimony
11 at this time?

12 A No.

13 Q If I were to ask you the same questions
14 appearing on those pieces of testimony, would your
15 answers here today be under oath -- would your
16 answers under oath be the same?

17 A Yes, they would.

18 Q Thank you, sir. And are those answers
19 true and correct to the best of your knowledge,
20 information and belief?

21 A Yes.

22 MR. ENGLAND: Thank you. I have no other
23 question questions of the witness. We would tender
24 MAWC Exhibits 22, 23, 24, 24, 25-P and C and tender
25 the witness for cross-examination.

1 JUDGE BURTON: Are there any objection to
2 the admission of those exhibits?

3 MR. SMITH: No objection.

4 JUDGE BURTON: Okay. Exhibits 22, 23, 24,
5 25-P and 25-C are admitted.

6 (Exhibits 22, 23, 24, 25-P and 25-C were
7 offered and admitted into evidence.)

8 MR. ENGLAND: Thank you.

9 JUDGE BURTON: Mr. Poston, I believe you
10 are up for cross-examination.

11 MR. POSTON: No questions.

12 JUDGE BURTON: Staff?

13 MS. PAYNE: No questions. Thank you.

14 JUDGE BURTON: Public Counsel?

15 MR. SMITH: Yes. Very briefly.

16 CROSS-EXAMINATION

17 BY MR. SMITH:

18 Q Mr. LaGrand, when the company has been
19 talking about average use today, what year has the
20 company been using?

21 A Well, the -- are you referring to the
22 5,000 gallons that --.

23 Q Yes.

24 A So 5,000 is -- that's not the average use.
25 I would say that is a common level of usage used

1 for illustrative purposes.

2 And we -- in the few minutes here, I have
3 not been able to come up with the average use
4 number to address the question before, but we can
5 certainly get it and provide it.

6 Q And so you would agree usage would vary
7 year to year?

8 A Yes.

9 Q And territory to territory?

10 A Yes.

11 Q And the usage, it was quoted had not been
12 -- been normalized, correct?

13 A The 5,000 gallons?

14 Q Correct.

15 A Yeah. Yes. It was for illustrative
16 purposes, so it's not.

17 Q So it's not normalized usage, to the best
18 of your knowledge?

19 A I'm not sure I understand what you mean by
20 normalized. It's an illustrative level.

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

23 JUDGE BURTON: Questions from the Bench?

24 COMMISSIONER KENNEY: Did you want to
25 think about that?

1 CHAIRMAN HALL: Yeah.

2 CROSS-EXAMINATION

3 BY COMMISSIONER KENNEY:

4 Q Good morning.

5 A Good morning.

6 Q In your -- regarding usage, I'm just
7 curious, on your rebuttal, page 9?

8 A Is it the revenue requirement rebuttal or
9 rate design rebuttal?

10 Q Revenue requirement. Just that table.
11 How come the company and Staff are so far off on
12 those usage numbers? You just got that question by
13 -- from Counsel for OPC.

14 You come up with about -- for District 1,
15 about 6100 gallons usage average, and then Staff
16 has it about 6,800. I'm just curious why -- what
17 causes that.

18 A Well, I think the cause of the different
19 methodologies for calculating that is Staff, in
20 their direct testimony, had used a five-year
21 average. And the company used -- included
22 declining usage on base usage in our calculation.

23 Q Okay. So in your cal -- okay. All right.
24 That makes sense. So your calculations of
25 Districts 2 and 3 use about four to 4300 gallons

1 average monthly, 4,000 to 4300; is that correct?

2 A Yes. That looks approximately correct.

3 Yes.

4 Q And St. Louis County uses on average about
5 -- more? 6100 or so?

6 A District 1. Yes.

7 COMMISSIONER KENNEY: Okay. Thank you.

8 A Yes.

9 CROSS-EXAMINATION

10 BY CHAIRMAN HALL:

11 Q Good morning.

12 A Good morning.

13 Q Do you think that there is any logical
14 relationship between AMI employment and movement
15 towards a monthly charge? Is there any reason to
16 tie those together?

17 A Well, I would say that the -- I think the
18 reason to tie them together is the benefits the
19 customer would receive from being on AMI and
20 getting the -- the more frequent -- the more
21 frequent information about their usage, which they
22 wouldn't get if they received a quarterly bill
23 would certainly be one of the primary drivers.

24 Q But is there -- is there any reason to
25 wait on moving to monthly billing until that

1 **deployment is complete?**

2 A No. I don't think we need to wait until
3 it's complete. We just want to make sure we have a
4 mechanism we can divert them without, you know --
5 without -- if in the current environment we switch
6 somebody from 15.33 -- or sorry -- from the \$22
7 quarterly charge to the \$15 monthly, then we would
8 get a bump in revenue.

9 So we're trying to set it so that we don't
10 have that -- that issue going forward and we can
11 move people as they're converted.

12 Q Well, my understanding is that Staff and
13 OPC have argued that we should wait to move to
14 monthly until they're -- until the AMI deployment
15 is complete; is that correct?

16 A That's -- that's my understanding, yes.

17 Q And they -- and -- but you -- you do not
18 degree?

19 A Correct.

20 Q And I'm trying to understand why you do
21 not agree.

22 A Well, our perspective is that the -- we
23 think customers, once they get the technology,
24 should be able to enjoy the benefits of having that
25 technology once -- once it's installed rather than

1 waiting, in some cases, you know, two or more
2 years.

3 **Q From your perspective and from the**
4 **company's perspective, I assume there is a believe**
5 **that monthly billing is preferable to quarterly**
6 **billing?**

7 A Yes.

8 **Q And what are those benefits?**

9 A Well, the -- there's the benefits we
10 discussed. You know, we utilize the budget billing
11 program. I think having a lower, more frequent
12 bill is perhaps easier for certain customers to
13 manage, you know, on their personal finances. It's
14 different from person to person.

15 And there's also the benefits of if there
16 is unusual water usage due to perhaps a leak, if it
17 is identified early in the quarter, you could have
18 a very long period that that leak could go on
19 undetected. And the AMI would allow that early
20 detection.

21 **Q And is there also an advantage to the**
22 **company from monthly billing?**

23 A Well, in the example of a \$30 quarterly
24 bill versus ten, I mean, we would be getting \$10
25 three times rather than 30, so we would receive

1 that a little bit quicker.

2 Q So this -- there would be a financial
3 benefit to the -- to the company by getting
4 payments monthly as opposed to quarterly?

5 A There would be a little bit of working
6 capital. Correct.

7 Q Has anybody in this -- in this case that
8 you're aware of attempted to quantify that -- I
9 guess the term windfall has been used, but that
10 windfall?

11 A Well, I would -- I would not characterize
12 it as a windfall. But the --

13 Q You'd characterize it as a benefit?

14 A Yes. And I -- I would have to confirm,
15 but I believe in -- in the working capital
16 calculations that the company made as part of our
17 direct filing, we included that impact in -- in the
18 working capital.

19 Q Okay.

20 A I need to ver -- I want to verify that,
21 but I'm -- I will look at that. It's been a while,
22 but --

23 Q That would be relevant.

24 CHAIRMAN HALL: All right. Thank you.

25 CROSS-EXAMINATION

1 BY COMMISSIONER KENNEY:

2 Q I have one more question, and maybe you're
3 not the one to ask it -- ask the question of. I
4 know District 1 has about five times As many
5 customers as Districts 2 and 3. What about
6 uncollectibles and shut-offs percentage difference?

7 I'm just curious because I would think on
8 a quarterly basis, a much higher bill, it may be
9 more difficult to collect. I'm just curious if you
10 have percentages and if you're the right person to
11 ask.

12 A I would agree that logically makes sense.
13 But I don't have that information. We could
14 certainly get that and happy to provide that.

15 Q I know I asked it late in the case, so
16 thank you.

17 JUDGE BURTON: Staff?

18 MS. PAYNE: No questions. Thank you.

19 JUDGE BURTON: Public Counsel?

20 MR. SMITH: No questions. Thank you.

21 JUDGE BURTON: Redirect?

22 MR. ENGLAND: Thank you, your Honor.

23 REDIRECT EXAMINATION

24 BY MR. ENGLAND:

25 Q Following up on that last question by

1 Commissioner Kenney, is it possible that reducing
2 the amount of the bill from a quarterly amount to a
3 monthly amount might help with the uncollectibles
4 as far as the company is concerned?

5 A I think it's likely it would.

6 Q And do you know if we accounted for that
7 in our future book or future test year filing?

8 A We -- we did. We used a -- in our -- in
9 our original case file, we used .75 percent
10 uncollectible rate which is, I believe, lower than
11 our -- our current rate. Yes.

12 Q Thank you. And then with respect to the
13 interplay between moving from quarterly billing to
14 monthly billing and installation of AMA, if I
15 understand it correctly, if you don't have AMI, you
16 have to send a meter reader out on a monthly basis
17 to read those meters; is that right?

18 A Yes.

19 Q So the conversion is not going to be a
20 flash cut everybody on Day 1. It's going to be
21 phased in as you install the AMI technology on
22 those quarterly billed customers?

23 A Yes. That's correct.

24 MR. ENGLAND: Thank you. No other
25 questions.

1 JUDGE BURTON: Thank you, sir. You're
2 excused.

3 MR. LAGRAND: Thank you.

4 JUDGE BURTON: And I believe that that
5 concludes the testimony from Missouri-American's
6 witnesses. And we are now ready for Staff's
7 witness.

8 DIRECT EXAMINATION OF JAMES BUSCH

9 BY MS. PAYNE:

10 Q Could you please state and spell your name
11 for the court reporter?

12 A James Busch, B-u-s-c-h.

13 MS. PAYNE: And, your Honor, I believe
14 that Mr. Busch's testimony has been has previously
15 been submitted and has been offered and accepted.

16 JUDGE BURTON: He was sworn in at the
17 time, yes.

18 MS. PAYNE: So at this time, I'll offer
19 him for cross.

20 JUDGE BURTON: Division of Energy?

21 MR. POSTON: No questions.

22 JUDGE BURTON: Public Counsel?

23 MR. SMITH: No questions.

24 JUDGE BURTON: The company?

25 MR. ENGLAND: No questions, your Honor.

1 JUDGE BURTON: Any questions from the
2 Commission?

3 CROSS-EXAMINATION

4 BY COMMISSIONER KENNEY:

5 Q Good morning.

6 A Good morning, Commissioner.

7 Q Earlier, I asked for -- on Exhibit 136 --

8 A Yes.

9 Q -- I discussed the different customer
10 charges of eight and nine.

11 A Yes.

12 Q What did you think about doing something
13 like that? What would you -- what would Staff's
14 position be if we, I mean, made a gradual increase
15 to, say, \$8 to the entire -- if we went -- if the
16 Commission decided to go single tariff?

17 A Well, I think that's a very similar
18 position to what Division of Energy has proposed,
19 basically taking a third of 22.45 and knocking it
20 down to seven something.

21 You would get a much lower customer
22 charge, which is going to increase the commodity
23 charge, which there are some users that are going
24 to be impacted tremendously by that.

25 Q Wouldn't those be more of the high use

1 **customers rather than low use customers?**

2 A Those are definitely high use customers.
3 And what I heard at some of the public hearings --

4 **Q Branson.**

5 A Definitely in Branson.

6 **Q But those are half million dollar homes,**
7 **too.**

8 A They don't like me already down there, and
9 so I don't know that I want to go back there one
10 more time and have to deal with that.

11 I -- in all seriousness -- seriously,
12 Commissioner, we think our customer charge is right
13 at the cost. And lowering it that much, I wouldn't
14 recommend it, but --

15 **Q So roughly, what, 20 percent of**
16 **American-Water's customers pay \$15.35 and 80**
17 **percent pay 7.35 currently, correct?**

18 A They do. And that's -- part of that's
19 because of the -- not having to send out bills on a
20 monthly basis, so it is a little bit cheaper to
21 send out a quarterly bill than a bill three times.

22 **Q Sure. Okay. So if we raise that dollar**
23 **-- so in the application for rates, then it would**
24 **be 8.35, and we could probably balance it off,**
25 **correct?**

1 A You could.

2 Q Well, it's just -- you've got other work
3 that goes into it. So maybe it goes up from -- you
4 know, a little higher. So do you think that's
5 feasible?

6 A It's feasible. I mean, you're going to
7 get a much higher commodity charge. If that's what
8 the Commission desires --

9 Q I think the Commission stated pretty --
10 the Commission, I think, has put their finger on
11 that by inclining block rates, which means you're
12 going to have a higher customer charge for higher
13 usage.

14 A That is correct.

15 Q I think there was a little talk about that
16 earlier this morning.

17 A I'm vaguely familiar with this discussion.

18 Q Okay. So -- so a minor increase like
19 Division of Energy suggests -- or they wanted to
20 stay the same.

21 A Right.

22 Q So higher commodity charge, lower customer
23 charge?

24 A It's -- it's doable, but, again, I -- we
25 weren't in favor of the 10 and 30, so I don't know

1 that we'd be in favor without looking at it.

2 COMMISSIONER KENNEY: Okay. Thank you.

3 CROSS-EXAMINATION

4 BY CHAIRMAN HALL:

5 Q Let me follow up on that a little bit. So
6 if the Commission were to determine that single
7 tariff pricing was appropriate and -- and wanted to
8 move St. Louis County from quarterly billing to
9 monthly billing but was concerned about such a
10 dramatic increase in the customer charge for St.
11 Louis County as proposed by the company, I assume
12 that whereas staff believes that its proposal is
13 appropriate, it would prefer a less dramatic
14 increase in the customer charge for St. Louis
15 County; is that correct?

16 A To put a finer point on -- if you are
17 going to go from the quarterly to monthly billing,
18 then I would -- I would agree with that.

19 Q Okay. And you say that primarily for what
20 policy reasons?

21 A I think it's a -- it is -- it's a dramatic
22 increase for those quarterly customers to go from
23 paying 22.45, they'll go up to \$30. And then once
24 they get shifted from the quarterly to the monthly,
25 their bills are going to go up.

1 So it would be a -- so those customers,
2 which are the majority of Missouri-American's
3 customers, you will see a lower impact on them
4 doing it that way.

5 **Q Okay. So less -- less rate shock would be**
6 **one policy rationale?**

7 A For those customers.

8 **Q For those customers. Okay. What about**
9 **the -- if you -- if there was a concern about**
10 **conservation, would -- would having a somewhat**
11 **reduced increase in the customer charge be a plus**
12 **from that policy perspective?**

13 A If you are wanting to be concerned about
14 usage, a higher commodity rate would definitely
15 cause consumers to -- would probably since they use
16 less.

17 **Q Okay. Any other policy concerns,**
18 **principles that you would raise in support of this**
19 **proposal?**

20 A As I sit here right now, I cannot.

21 **Q You mentioned, I believe, in response to a**
22 **question from Counsel or maybe it was from**
23 **Commissioner Kenney, I'm not sure, that Staff's**
24 **proposed customer charge squares with Staff's**
25 **computation of the company's costs or something**

1 **along those lines; is that correct?**

2 A When we did our class cost of service
3 study, our -- our results for what a customer
4 charge should be were right in line with the
5 current charges.

6 **Q And that's just a dollar amount, correct?**

7 A That is correct.

8 **Q Looking at total revenues -- I mean, I'm,**
9 **-- yeah. Looking at total revenues and -- okay.**

10 A Costs.

11 **Q Looking at total costs and -- and figuring**
12 **out those that are appropriately covered by a**
13 **customer charge and those that are not?**

14 A Right. As -- as Division of Energy was
15 pointing out, yeah, we put in meter services and
16 billing costs and collection costs.

17 **Q I'm sorry. What were those costs again?**

18 A Some portion of the meter costs, some
19 portion of the services cost and some portions of
20 billing an customer collection, customer costs.

21 **Q All right. And that's a subset of fixed**
22 **costs?**

23 A A substantive cost. Yes.

24 **Q Of fixed costs?**

25 A Yes.

1 **Q And so -- so Staff -- where is that in the**
2 **cost of service report?**

3 A I'd have -- I don't have entirely all of
4 our schedules, so I'd have to -- Matt Barnes is
5 going to come up right after me. He conducted our
6 class cost of service study, so he would be -- he
7 can look at it really quickly while you and I are
8 discussing this. So --

9 **Q All right. Fair enough.**

10 CHAIRMAN HALL: I don't have any further
11 questions. Thank you.

12 A And if he can't get it, Chairman, we'll
13 get it to you as soon as we can.

14 JUDGE BURTON: Division of Energy?

15 MR. POSTON: No questions.

16 JUDGE BURTON: Missouri-American?

17 MR. ENGLAND: No questions, your Honor.

18 JUDGE BURTON: Staff, redirect?

19 MS. PAYNE: Yes. Thank you.

20 REDIRECT EXAMINATION

21 BY MS. PAYNE:

22 **Q Chairman Hall asked you about the Staff's**
23 **policy concerns for its recommendation. Is there a**
24 **concern about the timing of the change from**
25 **quarterly to monthly? Is that one of Staff's**

1 **policy concerns?**

2 A Yes. One of the reasons why we were not
3 in favor of doing the switch and why waiting until
4 more of those -- the AMI meters were in place is
5 because we've talked about some of the benefits of
6 not having to go out and do the meter reading month
7 -- you know, do the meter reading, the postage.

8 And so waiting until it's more implemented
9 and it's rolled out in the next rate case, we can
10 take advantage of those savings and build them into
11 our -- the determination of what an appropriate
12 customer charge should be.

13 Q Thank you. And Chairman Kenny was asking
14 you about the Exhibit 136 that was offered. Is it
15 possible -- he's proposing that some changes be
16 made. Is that going to accurately reflect if we
17 change the customer charge? Is that -- are there
18 concerns if we change the customer charge? Is it
19 still going to accurately reflect the outcome?

20 A Yeah. I mean, it will be -- yeah. I
21 mean, we can plug in any numbers, and we're going
22 to get a result of it, so --

23 Q Okay. And is there any concern about
24 comparing the monthly to the quarterly?

25 A I think as was discussed earlier, you

1 know, looking at a savings from -- I think he was
2 looking at District A monthly customer gets a
3 decrease under the company's proposal. And then if
4 you look at a customer on a monthly basis, you'd
5 have to basically take that quarterly customer's,
6 divide it by three and ten compare it to what the
7 new monthly rate would be to determine if there was
8 an actual increase or decrease.

9 **Q Okay. So just because it reflects a**
10 **decrease in this, it doesn't necessarily mean the**
11 **customers would actually see a decrease?**

12 **A** You'd have to look at -- you'd have to
13 look at the -- what their actual monthly bill would
14 be based upon a quarterly bill divided by three.

15 MS. PAYNE: Thank you. I have no further
16 questions.

17 JUDGE BURTON: Thank you. You're excused.
18 And Staff may call its next witness.

19 MS. PAYNE: Staff would call its witness,
20 Matt Barnes, to the stand.

21 JUDGE BURTON: Please raise your right
22 hand.

23 MATTHEW BARNES,
24 being first duly sworn to testify the truth, the whole
25 truth, and nothing but the truth, testified as follows:

1 DIRECT EXAMINATION

2 BY MS. PAYNE:

3 JUDGE BURTON: You may be seated.

4 Q (By Ms. Payne) Would you please state and
5 spell your name for the record?

6 A Matthew Barnes, B-a-r-n-e-s.

7 Q And can you please say by whom are you
8 employed, and what is your title?

9 A I'm employed by the Missouri Public
10 Service Commission. I'm an Auditor with -- within
11 the Water and Sewer Department.

12 Q And did you prepare, cause to be prepared
13 portions of Staff's class cost of service report
14 along with rebuttal testimony and surrebuttal
15 testimony?

16 A Yes.

17 Q And that class cost of service report is
18 labeled as Staff's Exhibit 104, and the rebuttal
19 testimony is labeled as Staff's Exhibit 115 and
20 119?

21 A Yes.

22 Q Did you have any changes to or corrections
23 to make to that testimony at this time?

24 A I do not.

25 Q And if I asked you those questions today,

1 **would your answers be the same?**

2 A Yes, they would.

3 **Q And are all the answers contained in that**
4 **testimony true and correct to the best of your**
5 **knowledge?**

6 A Yes.

7 MS. PAYNE: At this time, I would go ahead
8 and off Staff's Exhibits 115 and 119.

9 JUDGE BURTON: Are there any objections to
10 the admission of Exhibits 115 and 119? Seeing
11 none, they are admitted.

12 (Exhibits 115 and 119 were offered and
13 admitted into evidence.)

14 MS. PAYNE: I'd tender this witness for
15 cross.

16 JUDGE BURTON: Thank you. Division of
17 energy?

18 MR. POSTON: No questions.

19 JUDGE BURTON: Public Counsel?

20 MR. SMITH: No questions.

21 JUDGE BURTON: Missouri-American?

22 MR. ENGLAND: Just one question.

23 CROSS-EXAMINATION

24 BY MR. ENGLAND:

25 **Q Mr. Barnes, the comparable costs that**

1 **Ms. Heppenstall has calculated for the fixed charge**
2 **for the company is a roughly little over \$18,**
3 **right?**

4 A I believe so. Yes.

5 **Q And yours is around 15.33?**

6 A Yes.

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

9 JUDGE BURTON: All right. Questions from
10 the Commissioners?

11 CROSS-EXAMINATION

12 BY CHAIRMAN HALL:

13 **Q Good morning.**

14 A Good morning.

15 **Q Almost afternoon. Can you direct me to**
16 **where in the class cost of service report I could**
17 **find information about Staff's calculation of the**
18 **appropriate customer charge?**

19 A It's in the attachment to my testimony.
20 But I do have supporting work papers for that. I
21 can get those for you. I don't have them with me.
22 I'd have to go to my office and print those off for
23 you.

24 **Q Okay.**

25 A But I -- I do have those available.

1 **Q** And those work papers would -- well, let's
2 do this first. So what -- what are the categories
3 of costs that are appropriately covered by the
4 customer charge?

5 A I believe the cost that Mr. Busch
6 mentioned to you earlier, the portions of the
7 customer --

8 **Q** Meters?

9 A Meters.

10 **Q** Billing?

11 A Billing. Yes. Those two elements. I
12 don't have it in front of me right now. But what
13 he said was -- was part of that calculation.

14 **Q** And then I -- and then I believe you just
15 said in response to a question from Counsel that
16 Staff calculated 15.33 as the appropriate --

17 A Yes. For a five-eighths inch customer.

18 **Q** And that was based upon those -- those
19 costs that the -- that Staff believes are
20 appropriately covered by the customer charge?

21 A Yes.

22 **Q** And the company believes that the
23 appropriate amount is \$18?

24 A Yes. Or actually -- let me step back.
25 Our study actually showed around \$17. And our

1 current charge is -- the current charge is still
2 15.33. So my understanding is that's -- cost of
3 service is pretty close there, so that's why we
4 didn't propose to change the customer charge.

5 Q And so, currently, ratepayers outside of
6 St. Louis are -- are paying an amount that is
7 appropriate to cover the costs that should be
8 covered by the customer charge, but those in
9 St. Louis County are -- are not, is that correct,
10 because they're paying 7.45 a month?

11 A I don't know. I'd have to look at that
12 some more.

13 Q Okay. Yeah. I mean, it occurs to me that
14 -- that perhaps currently St. Louis County
15 ratepayers are -- are -- are not covering the costs
16 that -- that the customer charge is designed to
17 cover.

18 I'd be interested if other people had
19 thoughts on where that is, in fact, true or if I'm
20 missing something, which is obviously highly
21 likely. All right. Thank you.

22 Oh, so I would -- I would be interested in
23 seeing those -- seeing those -- those work papers.

24 A Okay.

25 CHAIRMAN HALL: Thanks.

1 CROSS-EXAMINATION

2 BY COMMISSIONER KENNEY:

3 Q Just to follow up, is your class cost of
4 service district by district or company-wide?

5 A Our -- in direct, it's company -- it's
6 actually company -- or I'm sorry -- by district.
7 But we have done one company-wide. We just haven't
8 -- it wasn't part of my direct testimony.

9 Q But in your class cost of service study,
10 is that --

11 A It's by district. Yes.

12 Q So how did you determine -- did you
13 determine that this District 1's customer charge
14 should be 7.45?

15 A I didn't personally, no.

16 Q And did the -- did the class cost of
17 service study determine that? Or what was the rate
18 that they should -- is -- is -- should be the fixed
19 customer charge?

20 A That would be what I have to look up for
21 the Chairman. It would show that.

22 Q Okay. I'd like to see that, too.

23 COMMISSIONER KENNEY: Thank you.

24 CROSS-EXAMINATION

25 BY MR. POSTON:

1 Q Would you agree with me that in addition
2 to considering cost of service when setting the
3 customer charge, the Commission can also consider
4 things such as equity efficiency and gradualism?

5 A Yes. I would agree with that.

6 Q And that no matter where the customer
7 charge is set, would you agree that the volumetric
8 rate will be set in a way that the company will
9 recover all costs?

10 A I'd have to look into that. I don't know
11 if I could say yes or no to that.

12 Q I mean, isn't that how rates are
13 generally? Once you set the customer charge, you
14 then determine the overall revenue requirement and
15 you set it accordingly?

16 A Right. Yes.

17 Q So all of the costs, whether they're what
18 you've determined as a customer charge cost, they
19 would still be recovered?

20 A Built into the rates. Yes.

21 MR. POSTON: Okay. Thank you. That's
22 all.

23 JUDGE BURTON: Mr. STEINMEIER?

24 MR. STEINMEIER: May I ask a question? Is
25 this an appropriate time?

1 JUDGE BURTON: Are you asking a witness or
2 are you going to be asking --

3 MR. STEINMEIER: Oh, the witness.

4 JUDGE BURTON: Yes.

5 MR. STEINMEIER: Thank you for clarifying.

6 CROSS-EXAMINATION

7 BY MR. STEINMEIER:

8 Q Mr. Barnes, I just wanted to confirm what
9 that the staff performed a cost of service study,
10 filled one in its cost of service study that is by
11 District, also performed one that is company-wide,
12 but that was not filed in the case?

13 A The company-wide wasn't performed until
14 negotiations really started. So our direct is just
15 the district specific.

16 MR. STEINMEIER: Okay. Thank you. No
17 further questions.

18 JUDGE BURTON: Anything else?

19 MR. SMITH: No questions.

20 MR. ENGLAND: Yes, please.

21 CROSS-EXAMINATION

22 BY MR. ENGLAND:

23 Q Mr. Barnes, when you say District
24 specific, the -- you're talking about the three
25 districts, correct?

1 A Yes. Yes.

2 Q And in that regard, for purposes of the
3 Staff's cost of service study in the last case, my
4 recollection is the Staff determined three separate
5 customer charges for its three separate districts.
6 Is that correct?

7 A I believe so. I wasn't on the last case,
8 but I believe that would be correct.

9 Q Okay. Do you recall or have you read the
10 prior order -- do you recall the Commission
11 directed the Staff to calculate a state-wide
12 customer charge and that's where we go the 15.33?

13 A I don't recall.

14 Q Okay. Your study is performed in
15 performance with the AWWA Water Rates Manual,
16 correct?

17 A Yes.

18 MR. ENGLAND: Thank you. No other
19 questions.

20 JUDGE BURTON: Redirect?

21 MS. PAYNE: Thank you.

22 REDIRECT EXAMINATION

23 BY MS. PAYNE:

24 Q Mr. Barnes, Staff performed a district by
25 district study as everyone has clearly outlined now

1 with the questioning. Why did we file the district
2 by district class cost of service?

3 A That's a good question.

4 Q Would it have anything to do with our
5 ultimate proposal for the rates?

6 A Yes.

7 MS. PAYNE: Thank you. No further
8 questions.

9 JUDGE BURTON: Why don't we take a quick
10 15-minute recess? I know it's 11:30. So that way,
11 you can have an opportunity to go and get the
12 documents and your work things, and then we'll
13 resume and after that see how we want to proceed as
14 far as a break for bunch. Okay? So we'll come
15 back about 11:45.

16 (Break in proceedings.)

17 JUDGE BURTON: Okay. We're back on the
18 record. And Counsel for Staff has passed around
19 what I have marked as Exhibit 137. And can you
20 identify -- identify Exhibit 137 for the record,
21 please?

22 MS. PAYNE: Exhibit 137 is several work
23 papers of Staff's witness, Matthew Barnes, that
24 outlines the result of our class cost of service
25 study by district. And it's in response to several

1 questions that Chairman Hall and Commissioner
2 Kenney were asking Mr. Barnes during his
3 cross-examination. And I would go ahead and offer
4 Mr. Barnes to answer any questions about this
5 exhibit.

6 JUDGE BURTON: Would you like to offer
7 Exhibit 137 into the record?

8 MS. PAYNE: I would. Would it be more
9 appropriate to offer it before or after Mr. Barn is
10 questioned about it? I didn't know if I needed to
11 lay a stronger foundation.

12 JUDGE BURTON: Well, first, let me see if
13 there are any objections to this.

14 MR. DORITY: No objections here.

15 MS. PAYNE: Then Staff offers it. Thank
16 you.

17 JUDGE BURTON: And the Commission will
18 accept it. 137 is admitted.

19 (Exhibit 137 was offered and admitted into
20 evidence.)

21 CROSS-EXAMINATION

22 BY CHAIRMAN HALL:

23 Q Okay. So it's a three-page document; is
24 that correct?

25 A Yes. This is -- this shows the

1 calculation of the monthly customer charge by each
2 meter size for each of the three districts.

3 **Q And page 1 does what?**

4 A Page 1 just shows you the results of our
5 study that has the dollar amounts for the meters,
6 the cost for the meters, services billing and
7 collection.

8 And by doing the math, you come up with
9 the cost per customer per month and then the cost
10 per quarterly customers. And then that's broken
11 down by meter size.

12 **Q And what -- what services are included**
13 **here? I -- I understand meters, billing and**
14 **collecting.**

15 A I would have to ask our Auditors about
16 that because the EMS run gets pulled into the class
17 cost of service study, which has a -- all the
18 revenues that are already conducted by our auditing
19 staff. I'll have to find that out for you.

20 **Q So I'm sorry. This is the first time I've**
21 **seen this document. Or even such a document. So**
22 **what is page 1 do, what does page 2 do, and what**
23 **does page 3 do? What's the --**

24 A Essentially, the -- they all three do the
25 same calculations. It's just broken down by

1 district.

2 Q Okay. So page 1 is --

3 A District 1.

4 Q Okay.

5 A And page 2 is District 2, and page 3 is
6 District 3. That's the order I have them in. And
7 at the top, it should be -- it should be labeled at
8 the top.

9 Q Okay.

10 MS. PAYNE: Chairman, it's the third line
11 on the heading of each page shows District 1, 2
12 and 3.

13 COMMISSIONER KENNEY: I have a question.

14 CROSS-EXAMINATION

15 BY COMMISSIONER KENNEY:

16 Q What's the -- on the billing and
17 collectible costs, why is there such an extreme
18 variation from 11.88 to 7.69 o 3.97? I mean,
19 that's -- that's -- I mean, I understand what it's
20 for. But billing, collecting costs -- are those
21 collecting costs for --

22 A That's my understanding. I would have to,
23 again, get with our Auditors because I get the
24 numbers from our Auditing Department. And to get
25 more detail on that, I'd have to get them. Again,

1 we could find that out.

2 Q I mean, because it doesn't make -- unless
3 it's just you have a lot of uncollectibles on the
4 first -- District 1, I don't understand why it
5 costs so much more to --

6 A That may be.

7 Q Yeah. That's the only number that stands
8 out to me.

9 CROSS-EXAMINATION

10 BY CHAIRMAN HALL:

11 Q Okay. So on page 1, which is District 1,
12 for the five-eighths meter size, the Staff
13 determined that the costs which are properly
14 covered by a customer charge is 17.33; is that
15 correct?

16 A The results of our study, yes.

17 Q And then how does that square with the
18 quarterly customer charge of 28.23?

19 A Let's see here. So it -- if you go back
20 to the top of -- where the calculation is at for
21 the meter services, billing and collecting, the
22 cost per customer per quarter is essentially the
23 same as it is on a monthly basis.

24 So as an example, meters, the costs per
25 customer per month is 2.47. If you multiply that

1 by three, you'd get a quarterly rate of 7.42.

2 And so on with services. Monthly cost is
3 2.98. You multiply tha by three, you get 8.94. So
4 essentially being treated -- quarterly customers
5 are being treated the same as monthly customers for
6 those costs.

7 **Q But then the difference is billing and**
8 **collecting where it's 11.88?**

9 A That's right. That --

10 **Q Cost per customer per month, or that's the**
11 **cost per customer per quarter. So it's cheaper to**
12 **do it monthly according to this; is that correct?**
13 **No. I'm sorry. It's cheaper to do it quarterly?**

14 A For billing and collecting and -- yes.

15 **Q In fact, significantly?**

16 A If you were to break down the quarterly
17 customer billing and collecting at 11.88, it's
18 about 3.96 a month.

19 **Q And then on Districts 2 and 3, you --**
20 **you've got quarterly computations there, but those**
21 **are not -- not really relevant, right?**

22 A That's correct. Our program only -- we
23 have one program to -- to run these studies, and it
24 just automatically calculates a quarterly rate for
25 Districts 2 and 3.

1 A That's correct.

2 JUDGE BURTON: Is there any-cross
3 examination from the parties based on the questions
4 asked by the Commission on this document? Any
5 redirect from Staff?

6 MS. PAYNE: One clarifier.

7 REDIRECT EXAMINATION

8 BY MS. PAYNE:

9 **Q This exhibit that you handed out, this**
10 **reflects our numbers including a true-up estimate;**
11 **is that correct?**

12 A That is correct.

13 **Q So our direct filing was not based on this**
14 **exact calculation; is that correct?**

15 A Yes. It did include true-up numbers in
16 our direct. Yes.

17 **Q Okay.**

18 MS. PAYNE: Thank you. No further
19 questions.

20 JUDGE BURTON: Thank you. You may be
21 excused. I believe Division of Energy is next with
22 their witness.

23 MR. POSTON: Division of Energy calls
24 Martin Hyman. And I believe his testimony has all
25 been accepted into the record.

1 JUDGE BURTON: It is. Mr. Hyman, I'll
2 direct you that you're still under oath.

3 MR. HYMAN: Okay.

4 MR. POSTON: And I'd tender him for cross.

5 JUDGE BURTON: Office of Public Counsel?

6 MR. SMITH: No questions.

7 JUDGE BURTON: Staff?

8 MS. PAYNE: No questions.

9 JUDGE BURTON: Missouri-American?

10 MR. ENGLAND: No questions, your Honor.

11 JUDGE BURTON: Questions from the Bench.

12 CROSS-EXAMINATION OF MARTIN HYMAN

13 BY CHAIRMAN HALL:

14 Q Good afternoon.

15 A Good afternoon.

16 Q So if -- I understand the Division's
17 position to be that there should be no increase in
18 the customer charge; is that correct?

19 A Yes.

20 Q So if the Commission were to determine
21 that -- that a single tariff is -- is appropriate,
22 the Division's position, I think, as indicated in
23 your testimony, but certainly as indicated by your
24 Counsel would be that the customer charge should be
25 lowered to 7.45 state-wide, maybe?

1 A I guess I should clarify, maybe. The 7.45
2 isn't related to the single tariff issue. It's
3 related more to the transition from quarterly to
4 monthly billing.

5 Q **Right. I mean, I was -- in my -- in my**
6 **hypothetical was the -- the Commission moving**
7 **towards a single tariff. So if we move toward**
8 **single tariff, what would the Division's**
9 **recommendation be?**

10 A I don't think it would be different.
11 Again, I think the 7.45 is related to the
12 transition from quarterly to monthly, so --
13 regardless of whether or not you're moving to
14 single tariff or keeping the three districts.

15 But that's -- that's, again, based on
16 monthly to quarterly. If there's no -- or
17 quarterly to monthly. If there's no transition
18 from quarterly to monthly, then we're okay with
19 leaving the customer charges as-is.

20 Q **Okay. So if -- if we do move towards**
21 **single tariff and we do move towards monthly**
22 **billing for St. Louis County and the Commission**
23 **were to be concerned about such a dramatic increase**
24 **as that proposed by the company, I assume that the**
25 **Division would -- would support the principle of**

1 **gradualism and -- and would support movement**
2 **towards an eight or a \$9 as opposed to a \$10?**

3 A Yes. I think that would -- I think it
4 depends on what you're doing with the quarterly
5 charge as well. But I think that's -- that's an
6 idea we'd be open to.

7 **Q And what are the advantages of moving to**
8 **eight or nine as opposed to ten?**

9 A Well, the -- moving to a lower customer
10 charge, of course, means you have to put more on
11 the volumetric rate in order to ensure revenue
12 neutrality.

13 At that point, you're creating a stronger
14 signal toward efficiency or conservation with the
15 emphasis on the volumetric rate.

16 The other advantage is that your lower use
17 customers are less harmed by an emphasis on
18 volumetric rates.

19 **Q So gradualism, promoting conservation and**
20 **affordability would all be arguments in favor of**
21 **moving towards eight or nine as opposed to ten?**

22 A Right. I may have said equity. And I
23 know different people call -- say that equity is
24 different things, but that's what I was referring
25 to in that case is affordability, I think, and --

1 and just sort of how costs are incurred.

2 Q Okay. Do you have a -- a view on whether
3 or not AMI deployment should be a factor that --
4 that the Commission takes into account when
5 determining whether or not it move to monthly
6 billing in St. Louis County?

7 A So while I don't have a -- you know, a
8 position on moving from quarterly to monthly, I
9 would say that AMI should be part of -- part of the
10 discussion.

11 I think if you move to monthly billing
12 without AMI fully deployed, then for those
13 quarterly customers who don't have AMI, in theory,
14 I would think your billing and collecting costs
15 would go up.

16 So at that point, you're kind of losing
17 the advantage that you're supposed to have with AMI
18 with reducing meter reading costs.

19 Q The billing costs would go up because it
20 with require a meter reader to go?

21 A Presumably, yes. Yes. If it's still an
22 analog meter without any sort of AMR technology,
23 then you would still need a meter reader to go out
24 there every month whereas opposed to AMI where you
25 can just do it remotely.

1 And, I mean, AMI isn't fully deployed, it
2 sounds like, in the St. Louis area. So, you know,
3 doing it right -- cutting everyone over right now
4 wouldn't work from that perspective.

5 **Q Do you have any concerns or disagreement**
6 **with -- with the exhibit that was just admitted, I**
7 **believe it was 137?**

8 A I haven't dug fully into the cost study.
9 I am sure that I can find areas where I disagree
10 with some of the cost allocations.

11 But, intrinsically, I don't really have
12 any problems with it other than, you know, the fact
13 that it would result in high customer charges if --
14 if followed strictly.

15 **Q Well, you don' take issue with the**
16 **categories of expenses that Staff and the company**
17 **believe should be recovered by the customer charge,**
18 **do you?**

19 A With the -- I think the broad categories
20 may be okay except for things such as
21 uncollectibles. But I think, generally, billing
22 and collecting services which -- and I could be
23 wrong.

24 I understood that to mean service lines
25 rather than like a service provided. And I'm

1 blanking on the last one.

2 **Q Meters?**

3 A Meters. Yes. Those -- I think those
4 fundamental broad categories make sense.

5 **Q And those are widely accepted?**

6 A Yeah. Those -- those are -- you know, if
7 you're looking at your basic customer cost, that's
8 -- that's -- that's pretty accepted as broad
9 categories.

10 CHAIRMAN HALL: Thank you. I have no
11 further questions.

12 COMMISSIONER KENNEY: I'm good.

13 CROSS-EXAMINATION

14 COMMISSIONER COLEMAN:

15 **Q Good afternoon.**

16 A Good afternoon.

17 **Q So was -- clarify for me, did I just**
18 **understand you to say when the Chairman was asking**
19 **about cost increases relative to meter reading, did**
20 **I hear you say that costs would go up if the AMI**
21 **meters are not in place?**

22 A Conceptually, I would think if you were to
23 go to monthly meter reading without an AMI meter in
24 place, then you would have some cost increase if --
25 if you have to have meter readers going out monthly

1 as opposed to quarterly.

2 Q Okay. To -- to go to the monthly meter
3 reading before the AMIs are all installed?

4 A Right.

5 Q Is that what you were saying?

6 A Right.

7 Q So then what's your opinion -- and maybe
8 he said this and I just didn't pay attention until
9 that caught my -- my attention.

10 What's your opinion with the -- or
11 position that the company has that the meters need
12 to -- the sooner the meters are installed, the
13 better instead of waiting to install everyone at
14 the same time, but possibly then going to monthly
15 billing?

16 One of the things I believe I've heard
17 said is that -- that waiting to install the meters
18 across the St. Louis County area wouldn't really
19 affect the -- the going to the -- the monthly
20 billing.

21 A I guess I'm a little unclear on this
22 discussion. My understanding was that the issue
23 was whether to wait to go to monthly pilling until
24 all the AMI was installed --

25 Q Yes. That's true?

1 A -- versus waiting to deploy AMI meters.

2 Q **Didn't I just say that?**

3 A Yes. It was -- sorry. I got a little
4 lost on that one.

5 Q **I don't know whether I did or not. I'm**
6 **just doublechecking.**

7 A Yeah. I mean, I think there would be some
8 issues if you were at the start transitioning to
9 monthly without having all the AMI meters
10 installed.

11 Like I said, there would be some cost
12 issues. And by the same token, if you transition a
13 few people to monthly but leave others on quarterly
14 while you're still transitioning to meters, well,
15 that's starting to treat customers in a similar
16 situation somewhat differently. You know, why does
17 my neighbor get a quarterly bill still and I get a
18 monthly bill?

19 The other aspect to consider to all this,
20 I was looking through the public hearing
21 transcripts, there was a lot of concern with moving
22 from quarterly to monthly billing.

23 Regardless of whether you -- you have a
24 particular opinion yourself on it or you think
25 there's a reason to do it one way or the other, it

1 sounds like there needs to be, at the very least,
2 some customer education if not, you know,
3 rethinking of the quick transition.

4 COMMISSIONER COLEMAN: Okay. Thank you.
5 Thank you, Judge.

6 CROSS-EXAMINATION

7 BY JUDGE BURTON:

8 Q Do you know what level of average monthly
9 customer -- residential customer usage was used to
10 calculate the numbers presented in Exhibit 136?

11 A I do not. And I will admit that I do not
12 have 136 in front of me because I wasn't at the
13 hearing proper yesterday.

14 I do have some estimates of average
15 monthly use. My district and my -- in Schedule 2
16 of my direct. Thank you. But those are based on a
17 bill sample, so it wouldn't necessarily represent
18 the whole population.

19 Yeah. I don't know that this has average
20 usages. It looks like it's more based on usage at
21 various tiers, if you will. So it's -- it shows
22 you what the impact is at various levels of usage,
23 but it doesn't tell you what the frequency
24 distribution is of those impacts.

25 So, you know, it doesn't tell you if five

1 people use a thousand gallons or if 500,000 people
2 use a thousand gallons.

3 JUDGE BURTON: All right. Thank you.
4 Any recross based on questions? Public Counsel?

5 MR. SMITH: No.

6 JUDGE BURTON: Staff?

7 MS. PAYNE: No questions.

8 JUDGE BURTON: Company?

9 MR. ENGLAND: Yes, please.

10 CROSS-EXAMINATION

11 BY MR. ENGLAND:

12 Q Mr. Hyman, you understand that the
13 company's proposal to convert quarterly customers
14 to monthly billing is contingent upon installation
15 of the AMI meters, don't you?

16 A I -- I will take your word for that. I
17 think where my concern and confusion was coming
18 from was it sounded like there was discussion today
19 about what if you did it without moving to AMI.

20 Q I know. And that's what I'm trying to
21 clear up.

22 A Yeah. Yeah.

23 MR. ENGLAND: Okay. Thank you, sir.

24 JUDGE BURTON: Division of Energy,
25 redirect?

1 MR. POSTON: No redirect.

2 JUDGE BURTON: Well, thank you very much,
3 Mr. Hyman. It's currently 12:14. But we do have
4 one more witness on this issue. So let's go ahead
5 and hear from Dr. Marke.

6 And just to clarify, I can see from notice
7 for EFIS that there has been a filing on the
8 stipulation and agreement. So thank you to
9 whomever completed this before lunch, and we can
10 address that after lunch.

11 You may be seated. And I remind you, sir,
12 that you have already been sworn in.

13 MR. SMITH: I would tender Dr. Marke for
14 cross-examination.

15 JUDGE BURTON: Division of Energy?

16 MR. POSTON: No questions.

17 JUDGE BURTON: Staff?

18 MS. PAYNE: No questions.

19 JUDGE BURTON: Public Counsel?

20 MR. SMITH: No.

21 JUDGE BURTON: Oh, I'm sorry.

22 Missouri-American?

23 MR. ENGLAND: No questions, your Honor.

24 JUDGE BURTON: Any questions from the
25 Bench?

1 CHAIRMAN HALL: I have no questions.

2 COMMISSIONER KENNEY: No questions.

3 COMMISSIONER COLEMAN: No questions.

4 JUDGE BURTON: Well, thank you, sir.

5 DR. MARKE: Thank you.

6 JUDGE BURTON: You may be excused. It is
7 currently 12:15, and I know that we have to wait
8 till after one for Mr. Collins to be able to appear
9 to at least get his testimony admitted.

10 And I know that the Commission would like
11 an opportunity to review this recently filed
12 stipulation and agreement, and we would also
13 probably like to eat lunch. So let's take a break
14 until 1:30. And we'll come back at that time.
15 Thank you, everyone.

16 (Break in proceedings.)

17 JUDGE BURTON: Let go back on the record.
18 And I believe we are ready to -- to have -- we'll
19 go ahead and start with Mr. Collins, who is on line
20 right now. And I'll lock over to -- MIEC?

21 MR. MILLS: Yes. Has he been sworn?

22 JUDGE BURTON: No, he has not yet.

23 MR. MILLS: Okay.

24 JUDGE BURTON: Mr. Collins, are you there?

25 MR. COLLINS: Yes, I'm here.

1 BRIAN C. COLLINS,
2 being first duly sworn to testify the truth, the whole
3 truth, and nothing but the truth, testified as follows:

4 DIRECT EXAMINATION

5 BY MR. MILLS:

6 JUDGE BURTON: Thank you.

7 **Q (By Mr. Mills) Mr. Collins, this is Lewis**
8 **Mills. Can you hear me?**

9 A Yes. Can you hear me okay?

10 **Q Yep. That's fine. It's a little awkward**
11 **doing it on the phone, but we'll try to do it as**
12 **best we can. Can you -- can you please state your**
13 **name for the record?**

14 A Yes. It's Brian C. Collins.

15 **Q And on whose behalf are you testifying in**
16 **this proceeding?**

17 A The Missouri Industrial Energy Consumers.

18 **Q Okay. We're probably going to do this all**
19 **at once, so are you testifying on behalf of another**
20 **party as well?**

21 A Yes.

22 **Q Please identify that party.**

23 A I'm testifying on behalf of Triumph Foods
24 as well.

25 **Q Okay. And I think -- I think once I have**

1 done the -- the direct examination, I think that I
2 will offer the testimony on behalf -- that you
3 filed on behalf of MIEC, and Mr. Harden will offer
4 the testimony that you've offered on behalf of --
5 of Triumph Foods, although I think the only
6 questions you're going to be asked today are the --
7 are related to the MIEC testimony.

8 So with that, let's -- let's go through
9 the direct examination. Are you the same Brian C.
10 Collins who has prepared and caused to be filed in
11 this case direct rebuttal and surrebuttal
12 testimony?

13 A Yes, I am.

14 Q And if I were to ask you the same
15 questions contained in that testimony here today,
16 would your answers be the same?

17 A Yes, they would.

18 Q Are those answers true and correct to the
19 best of your knowledge and information?

20 A Yes, they are.

21 Q Okay. Do you have any corrections to your
22 testimony?

23 A No, I did not.

24 MR. MILLS: Okay. Judge, with that, I
25 will offer what has been pre-marked as Exhibits

1 503, the direct testimony of Brian Collins, 504,
2 the rebuttal testimony of Brian Collins, and 505,
3 the surrebuttal testimony of Brian Collins.

4 JUDGE BURTON: Are there any exhibits --
5 503, 504, 505 have been offered. Are there any
6 objections?

7 MR. ENGLAND: No objections.

8 JUDGE BURTON: They are admitted.

9 (Exhibits 503, 504 and 505 were offered
10 and admitted into evidence.)

11 MR. MILLS: And then I will briefly turn
12 it over to Mr. Harden before I tender the witness
13 for cross-examination.

14 JUDGE BURTON: And Mr. Harden? Yeah. If
15 you would just step up to the podium, please.

16 MR. HARDEN: Thank you.

17 DIRECT EXAMINATION

18 BY MR. HARDEN:

19 Q Mr. Collins, can you hear me?

20 A Yes, I can.

21 Q Great. Mr. Collins, are you the same
22 Brian Collins that had surrebuttal testimony filed
23 on behalf of Triumph Foods, LLC?

24 A Yes, I am.

25 Q And is that -- is that testimony true and

1 accurate today as it was when you caused that to be
2 filed?

3 A Yes, it is.

4 Q Do you have any corrections to that
5 surrebuttal testimony?

6 A No, I do not.

7 MR. HARDEN: Your Honor, with -- that, I
8 would offer what has been marked as Exhibit 650
9 into the record.

10 JUDGE BURTON: 650 has been offered. Are
11 there any objections?

12 MR. ENGLAND: No objection.

13 MR. WESTEN: No objections.

14 JUDGE BURTON: Seeing none, Exhibit 650 is
15 admitted.

16 (Exhibit 650 was offered and admitted into
17 evidence.)

18 JUDGE BURTON: Now turning to
19 cross-examination. Does Public Counsel have any
20 cross?

21 MR. SMITH: No, Judge.

22 JUDGE BURTON: Public Water Supply
23 District?

24 MR. DORITY: Not at this time, Judge.
25 Thank you.

1 JUDGE BURTON: Division of Energy?

2 MR. POSTON: No questions.

3 JUDGE BURTON: Staff?

4 MR. WESTEN: None, Judge. Thank you.

5 JUDGE BURTON: Missouri-American?

6 MR. ENGLAND: No questions, your Honor.

7 JUDGE BURTON: Any questions from the
8 Commission?

9 CROSS-EXAMINATION

10 BY CHAIRMAN HALL:

11 Q Yeah. Good afternoon. Daniel Hall,
12 Chairman of the Missouri Commission. How are you?

13 A I'm fine. How are you?

14 Q Good. I'm doing okay. Could you turn to
15 the direct testimony of Ms. Heppenstall? And in
16 particular, pages 13 and 14.

17 A Yes. You said pages 13 and 14 of her
18 direct testimony?

19 Q That's correct.

20 A And --

21 Q Okay. And she performed a cost -- a cost
22 of service analysis for residential ratepayers in
23 Classes 1, 2 and 3. Do you see that?

24 A Yes.

25 Q Have you or anyone in this case, as far as

1 you are aware, conducted a similar analysis for
2 industrial customers district by district?

3 A I believe that Ms. Heppenstall did a study
4 for each district. District 1, 2 and 3 has
5 allocated costs to all the classes in those
6 respective districts.

7 Q Well, that was -- what I'm looking at here
8 is -- is residential class. I'm -- and I'm
9 wondering if there was a comparable study that's
10 been done for industrial customers by you or anyone
11 else in this case that you're aware of.

12 A Yes. In response to a MIEC's data
13 request, Ms. Heppenstall did provide individual
14 cost studies for the districts wherein calculating
15 the costs of the other classes by district.

16 It's my understanding in her direct
17 testimony the cost of service study that she
18 provided was a consolidated cost of service study.

19 CHAIRMAN HALL: So I'm going to, I guess,
20 look at the -- at the attorneys here. Can I get a
21 copy of whatever there is -- whatever response was
22 provided by Ms. Heppenstall in relation to that.

23 MR. ENGLAND: Your Honor, I believe that
24 was attached to Ms. Heppenstall's either rebuttal
25 or surrebuttal testimony. But when I tried to look

1 at it, when it got printed out, it didn't really
2 look good.

3 So what we can do is get a PDF of that
4 response where it lays out the formats better, I
5 think, for understandability. I just don't have
6 that with me.

7 CHAIRMAN HALL: Okay. Well, I was hoping
8 to inquire of this witness as to that document. So
9 can anyone help me do that?

10 MR. MILLS: Mr. Chairman, I'm looking at
11 Ms. Heppenstall's testimony and there's a lot of
12 attachments. I'm trying to figure out which one
13 that would be.

14 JUDGE BURTON: Would that be 12?

15 MR. ENGLAND: I looked at it and kind of
16 gave up on it. I needed to see it in a better --
17 better format.

18 JUDGE BURTON: Would that be Attachment 12
19 to the rebuttal?

20 MR. MILLS: Yes. Judge, I believe that's
21 correct.

22 JUDGE BURTON: Do you have Attachment 12?
23 I've got it on my computer.

24 MR. SMITH: Chairman, I have a -- I have a
25 copy with the attachments of the --

1 CHAIRMAN HALL: Okay.

2 MR. SMITH: I'm not sure exactly. I was
3 trying to find it. That's Ms. Heppenstall's
4 testimony schedules. I'm not -- I don't think
5 that's the correct schedule that it's opened to,
6 but --

7 JUDGE BURTON: It should be in the middle
8 of page 78.

9 MR. SMITH: Is there a number there?

10 CHAIRMAN HALL: I'm not seeing it.

11 MR. MILLS: Mr. Collins, do you have a
12 copy of that schedule in front of you?

13 THE COURT REPORTER: Excuse me. Could we
14 go off the record for a minute?

15 JUDGE BURTON: We need to go off the
16 record. The court reporter is having an issue.

17 (Break in proceedings.)

18 **Q (By Chairman Hall) Actually, let me --**

19 JUDGE BURTON: Okay. Mr. Collins, just so
20 you know, we're back on the record.

21 A Okay. Thank you.

22 **Q (By Chairman Hall) Mr. Collins, let me**
23 **ask it this -- this way. Do you believe that --**
24 **the cost to serve industrial customers varies**
25 **district to district in a significant way?**

1 A It does vary, yes, sir, by district. I
2 believe if you look at the -- you know, the three
3 cost of service studies individually and you look
4 at the cost of service, especially for the Rate J
5 class, the sum of those three individual cost of
6 services will be different than the cost of service
7 calculated in the consolidated cost of service
8 study that Ms. Heppenstall filed in her direct
9 testimony.

10 **Q But is that -- is that -- is that a fact**
11 **that can -- that can be relied upon opinion for --**
12 **for direction in -- in that it's -- it's -- it's**
13 **not like residential where -- where you have**
14 **essentially the same amount of demand per -- per**
15 **meter whereas for industrial, you've got all**
16 **different sizes and --**

17 A Yes. That's correct. For example, in
18 District 1, you know, I would expect that you would
19 have, you know, a higher concentration of larger
20 customers in that district as compared to, you
21 know, Districts 2 and 3.

22 However, you know, in the -- in the St.
23 Joe district, I believe Triumph is the actual
24 largest consumer of water on the utility system.

25 **Q Let -- let me -- yes? Let me --**

1 A I'm sorry. Go ahead.

2 Q Let me -- let me -- let me switch gears to
3 a different -- a different issue, and that concerns
4 allocation of the lead -- lead service line, the
5 customer-owned lead -- lead service line program.

6 My understanding is that -- is that your
7 clients are taking the position that it should be
8 allocated based upon direct use?

9 A Direct assignment.

10 Q Direct assignment. Thank you. And -- and
11 did you -- is it -- is it your understanding that
12 the company has the -- the data available to -- to
13 -- to allocate according to that -- that process?

14 A Yes. I -- I think they did. Ms.
15 Heppenstall, in her testimony, claimed that I
16 believe it was wasn't practical to record costs
17 related to headline replacement by class.

18 However, I disagree. You know,
19 Ms. Heppenstall did not identify any situation in
20 her testimony that would make it impossible to
21 directly assign those costs of classes.

22 I believe it is possible and should be
23 relatively straightforward. For example, there
24 should be a work order associated with each service
25 line replacement, and it should identify the

1 service address and the customer account number.

2 And as a result, I think it should be
3 relatively simple to designate each work order as
4 either residential, commercial or industrial. And
5 I would also think that an accounting subaccount
6 associated with the lead service line replacement
7 cost should be able to be created under the
8 existing account 435 services.

9 Then once each work order is complete, the
10 company should be able to assign the total cost of
11 each work order to that subaccount by class.

12 So I -- I believe it would seem to be a --
13 you know, if there ever was an instance where
14 direct assignment is possible, I think this would
15 be it.

16 Direct assignment of the work order cost
17 would ensure that the costs are allocated to those
18 classes that caused them. And I think it's
19 particularly important to allocate the service line
20 cost exactly as possible in light of the magnitude
21 of the costs, which I believe the company has
22 indicated is at least \$150 million over ten years
23 and also due to the fact that the company is taking
24 on and replacing privately owned infrastructure.

25 So I do believe that the information that

1 will be available once those lead service line
2 replacements begin.

3 Q Do you -- do you -- do you believe that it
4 would be appropriate for -- for the company to earn
5 a return on that investment as opposed to --

6 A Oh, that's something -- I'm sorry. Go
7 ahead.

8 Q I'm sorry. As opposed to exclusively a
9 return of that investment?

10 A That's something that I -- that I haven't
11 really addressed in testimony. But I would think
12 that the company would want to earn a return on
13 that investment. If they're going to, you know,
14 invest the capital into that infrastructure, I
15 would think that they would expect that a return
16 should be earned on that.

17 Q I think it's fairly clear that they would
18 to have a return on that investment. I was
19 wondering if you can provide expert testimony as to
20 the appropriateness of -- of a utility earning a
21 return on property that -- that it does not own.

22 But if that's outside the scope of -- of
23 your expertise or -- or contract, then I'll move
24 on.

25 A Okay. Yeah. It's really outside of the

1 scope. Yeah. That would be really a -- you know,
2 I think the Commission would have to weigh the
3 evidence and -- and it really would be a Commission
4 decision as to whether that would be appropriate.

5 **Q Concerning allocation of -- of -- of those**
6 **costs, I -- I assume you -- you do have a position**
7 **on -- on whether or not it would be appropriate for**
8 **the Commission to socialize those costs to all rate**
9 **classes?**

10 A Yes, I do have a position. Again, we
11 would prefer to see a -- you know, an allocation
12 that would consist of direct assignment before the
13 actual costs incurred replace those costs, replace
14 those services would be allocated to the classes
15 that cause the cost.

16 **Q So do you believe it would be a violation**
17 **of traditional rate-making principles to -- to**
18 **assign those -- those costs to all rate classes?**

19 A You know, to -- to the extent that a class
20 incurs lead service -- lead service replacement
21 costs, I think it would be appropriate to -- to
22 assign that cost to the class.

23 You know, I would prefer not to see a --
24 you know, for example, if all the costs are related
25 to residential services, you know, based on cost

1 allocation principle, I don't think it would be
2 appropriate to -- to allocate those costs to all
3 classes. That would not reflect class cost
4 causation.

5 So the beauty of directly assigning the
6 lead service replacement costs, those classes that
7 cause it would hopefully reflect cost causation.

8 CHAIRMAN HALL: Okay. I have no further
9 questions. Thank you.

10 CROSS-EXAMINATION

11 BY JUDGE BURTON:

12 Q Mr. Collins, this is Judge Burton. I am
13 following up. And I don't know if you've had an
14 opportunity see a copy of what's been marked as
15 Exhibit 136, which is a Missouri-American and Staff
16 Joint Rate Comparison Schedule.

17 A I have not seen that.

18 MR. MILLS: It was an attachment to an
19 e-mail that I -- this is Lewis Mills again. It was
20 an attachment to an e-mail that I forwarded to you.
21 Let me -- let me see if I can find the date and
22 time?

23 A Okay. Thanks, Lewis. If you could, yeah,
24 refresh my memory.

25 MR. MILLS: It wasn't marked as 136 in

1 that attachment.

2 Q (By Judge Burton) My basic question was
3 it was based off of Staff's class cost of service
4 study. And this is the amount that the parties
5 have been identifying based I of Staff's class cost
6 of service study, which I believe is -- is at
7 Schedule 3 to Staff's class cost of service study.
8 And I don't know if you've had a chance to review
9 that, Mr. Collins?

10 A I had previously looked the Staff's cost
11 of service studies. I'm sorry. Is this a new
12 document you said that was -- that's been presented
13 recently?

14 Q No. This was -- as far as Staff's class
15 cost of service study, this was from December 13th,
16 2017, and the Schedule 3 would have been attached
17 to that.

18 And correct me if I'm wrong or, but I
19 believe that Schedule 3 a breakdown of how Staff
20 calculated its cetera class cost of service with a
21 separate uniform system of accounts.

22 MR. WESTEN: That's correct, Judge.

23 Q (By Judge Burton) okay. I was just going
24 to ask you, Mr. Collins, if you had had an
25 opportunity to review Staff's class cost of service

1 **study and if you had any concerns with their**
2 **calculations as far as industrial?**

3 A I -- I did look at Staff's class cost
4 service studies. And, you know, nothing of -- of
5 great concern came up during -- during my review of
6 their cost service study.

7 I did not file any testimony pertaining to
8 the -- to the Staff's class cost of service study.
9 So, again, I did not see any major concerns.

10 **Q As far as the lead service line**
11 **replacements that are customer-owned, would you**
12 **have any opposition to them being placed in one**
13 **specific NARUC uniform system of accounts versus**
14 **the other? In other words, do you think that it's**
15 **appropriate to assign it to Account 186 versus**
16 **Account 345?**

17 A Account 345 or Account 435? I'm trying to
18 recall which account that Ms. Heppenstall and
19 Mr. Jenkins had proposed.

20 **Q Well, do you have an account that you**
21 **think is most appropriate?**

22 A Well, we -- if we were going to directly
23 assign the costs -- I'm sorry?

24 **Q No. Continue.**

25 A Yes. Thank you. You know, if we were

1 going to directly assign the cost, you know, I -- I
2 would think that we might want to create a
3 subaccount under the existing services account.

4 That way, we could, you know, accurately track
5 the directly assigned costs to the classes, and we
6 wouldn't miss the lead service line replacement
7 costs with the current service costs that are on
8 the company's books.

9 Again, you know, we could -- to the extent
10 that we could determine if a work order was
11 assigned to -- to a class, we could, you know,
12 track those costs an accounting basis, you know, by
13 class. So I -- I don't -- I really don't have a
14 preference for the accounts.

15 **Q Okay.**

16 **A** I would just, you know, recommend that we,
17 you know, accurately track what costs are being
18 incurred for the various classes for the various
19 customers.

20 **Q And is it your understanding that all of**
21 **the prior lead service line replacement work that**
22 **was tracked as part of the Commission-approved**
23 **accounting authority order case involved**
24 **residential lead service lines, residential**
25 **customer-owned lead service lines?**

1 A I'm sorry. Could you repeat the question?

2 Q This is just if you know or if you do not
3 know. Are you -- are you familiar with the
4 Commission's decision on the lead service line
5 accounting authority order case?

6 A Let's see. That was the -- the order that
7 came out late last year?

8 Q Yes.

9 A Yes. I reviewed the -- the -- the
10 Commission's order in that case.

11 Q Okay. And did you review any of the
12 records as far as what was tracked and maintained
13 under that Commission-approved AAO?

14 A I did not. I did review Dr. Marke's
15 testimony in that case as well as the company's
16 testimony in this case.

17 Q I was just going to see if it was your
18 understanding or if you knew if all of those prior
19 replacements were residential or if there's been
20 any discussion that you've had with the company
21 about expanding it beyond the residential class?

22 A When I reviewed the order, I had the
23 impression that all the costs that were, you know
24 subject to the -- to the docket were -- were
25 related to the residential -- residential classes.

1 But that was the impression that -- that I
2 got when I reviewed the order. But, you know, I
3 did not see any -- any data, you know, in the case
4 that really lead me to, you know, be a hundred
5 percent certain.

6 JUDGE BURTON: Okay. Thank you. Any
7 re-cross examination Public Counsel?

8 MR. SMITH: No.

9 JUDGE BURTON: Staff?

10 MR. WESTEN: Just a couple brief
11 questions.

12 RE CROSS EXAMINATION

13 BY MR. WESTEN:

14 **Q Mr. Collins, my name is Jacob Westen, and**
15 **I am Counsel representing the Staff of the**
16 **Commission. Can you hear me okay?**

17 A Yes.

18 **Q Great. I want to ask you a couple**
19 **questions on the topic we were just discussing.**
20 **You mentioned that one option to specifically track**
21 **for allocation and direct assignment purposes lead**
22 **service lines that are replaced is to put them into**
23 **a subaccount of the Account 345. Did I understand**
24 **your testimony on that part correctly?**

25 A Yes. That's -- that's correct.

1 Q And Staff's recommendation to the
2 Commission in this case is for the company to -- to
3 book those accounts -- book those amounts in
4 Account 186. Is it your understanding that you
5 could create such a subaccount also in Account 186?

6 A I'm not aware of anything that would
7 prevent you from creating a subaccount.

8 MR. WESTEN: Thank you, Mr. Collins.
9 That's all I have.

10 JUDGE BURTON: Missouri-American?

11 MR. ENGLAND: No questions. Thank you.

12 JUDGE BURTON: Redirect?

13 MR. MILLS: Yes. Just briefly.

14 REDIRECT EXAMINATION

15 BY MR. MILLS:

16 Q Mr. Collins, you were -- you were asked
17 some questions about the -- the direct assignment
18 of costs and -- and the -- the allocation of costs
19 according to the allocator that's applied to the
20 account, and I believe it is 345.

21 Can you -- can you explain the -- the
22 difference between what you have proposed and what
23 the company has proposed and try to give some more
24 definition to the different results from those two
25 approaches?

1 A Sure. I -- I can try to do that.
2 Regarding the cost difference between the MIEC and
3 company approach is for allocating the costs
4 associated with lead line replacement is rather
5 difficult to provide an exact estimate.

6 That being said, I believe the company has
7 estimated that about \$15 million of costs will be
8 incurred each year for ten years due to the lead
9 service line replacements.

10 And assuming that the costs are
11 capitalized and assuming that the carrying charge
12 is approximately 12 percent to account for return,
13 taxes and depreciation, a single year replacement
14 cost would translate to approximately \$1.8 million
15 of revenue requirement.

16 And under the company's approach for
17 allocation, I believe 22 percent of the revenue
18 requirement, regardless of which class cost or
19 replacement cost, would be allocated to the
20 non-residential classes. And this would equate to
21 about \$400,000 a year for a single year.

22 So the 1 point million -- about
23 1.4 million would go to the residential class, and
24 then about 400,000 would go to non-residential
25 classes. That's under the company's approach.

1 Under the direct assignment approach that
2 I recommend, which in my opinion would better
3 reflect class cost causation and assuming that all
4 the costs would be caused by the residential class,
5 direct assignment would result in no costs being
6 allocated to the non-residential classes.

7 So this would be a difference of about
8 \$400,000 between the two approaches. However, I
9 would like to point out that under the direct
10 assignment approach, to the extent that there are
11 significant costs associated with non-residential
12 customer service replacements, direct assignment
13 would ensure that the residential class would not
14 be assigned any costs associated with the
15 non-residential services.

16 And it's my understanding under company's
17 approach for allocation, the residential class
18 would be assigned, you know, 78 percent of the
19 costs associated with not only the residential
20 services that are replaced, but as well as all
21 non-residential services that are replaced.

22 MR. MILLS: Thank you. And, Judge, that's
23 -- that's all the redirect that I have.

24 JUDGE BURTON: Okay.

25 MR. MILLS: Thank you, Mr. Collins.

1 JUDGE BURTON: Thank you, Mr. Collins.
2 You are excused.

3 MR. COLLINS: Thank you very much. Thank
4 you very much for accommodating me today. I
5 appreciate that.

6 JUDGE BURTON: And I am now going to hang
7 up on you. Thank you. All right. So that should
8 conclude all of the testimony that the Commission
9 has to jar.

10 And I'm going to handle the admission of
11 all of the pre-filed testimony in just a minute.
12 But I believe we do have the proposed stip. and
13 agreement on the inclining block rates that was
14 filed.

15 And I didn't know if one of the parties
16 would like to come forward to make a presentation
17 and explain what the parties have agreed to to the
18 Commission?

19 MR. ENGLAND: We can do that, your Honor.
20 But just so I don't forget, I think as far as
21 closing the record for evidence, you may want to
22 include those two scenarios that Commissioner
23 Kenney asked about pegging the customer charge at
24 \$8 and then at \$9.

25 JUDGE BURTON: How long do we think we'll

1 -- it will take for that?

2 MR. ENGLAND: We have that.

3 JUDGE BURTON: Oh, you do. Okay.

4 MR. ENGLAND: Yes.

5 JUDGE BURTON: Then why don't we go ahead
6 and handle that now?

7 MR. ENGLAND: Do you want to do that now?

8 JUDGE BURTON: Yeah. Uh-huh.

9 MR. ENGLAND: Judge, we have two exhibits,
10 as you can imagine. One -- and it tells you up in
11 the right-hand corner monthly charge of \$8, and the
12 second one, \$9.

13 JUDGE BURTON: All right.

14 MR. ENGLAND: So there's one for you.

15 JUDGE BURTON: Would this be Exhibits 41
16 and 42?

17 MR. ENGLAND: I was thinking I had a 41
18 already.

19 JUDGE BURTON: I think you might.

20 MR. ENGLAND: I've got 43 and 44 as my
21 next two.

22 JUDGE BURTON: Right. So 43 and 44. So
23 Exhibit 43, so we're all clear -- and you can hand
24 a copy to the Court Reporter.

25 Exhibit 43 will be the one in the top

1 right-hand corner that identifies \$8. And Exhibit
2 44 will be the -- the copy that identifies the
3 monthly meter charge as \$9.

4 MR. ENGLAND: Correct. And the format
5 should be identical to what you all have seen in
6 Exhibit 136. The -- already fewer pages because
7 we're only looking at the residential.

8 There's the District 1 monthly, District 1
9 quarterly, District 2 monthly, and District 3
10 monthly. Back-up sheets, if you will.

11 JUDGE BURTON: Okay. And all the parties
12 have seen a copy of both Exhibits 43 and 44?

13 MR. ENGLAND: Mr. LaGrand was responsible
14 for preparing those, so if there are any questions,
15 he'd be available to explain.

16 JUDGE BURTON: Would the company want to
17 go ahead and offer 43 and 44 fur?

18 MR. ENGLAND: We would, please.

19 JUDGE BURTON: Okay. All right. They are
20 admitted into the record.

21 (Exhibits 43 and 44 were offered and
22 admitted into evidence.)

23 MR. ENGLAND: Thank you.

24 JUDGE BURTON: Do any of the parties have
25 any questions for Mr. LaGrand concerning these two

1 exhibits? And does the Commission have any
2 questions for Mr. LaGrand?

3 While we're deciding on that, I'm quickly
4 going to jump over to City of riverside to see
5 about admitting that testimony real quick.

6 MR. WENZEL: Thank you, your Honor. Maya
7 Rose filed direct testimony in this case, and it's
8 been marked as Exhibit 300. It's my understanding
9 that her appearance has been waived, but we would
10 like to have this introduced as an exhibit.

11 JUDGE BURTON: City of Riverside is
12 offering Exhibit 300, the direct testimony of Maya
13 Rose. Are there any objections? Seeing no one,
14 they are admitted.

15 (Exhibit 300 was offered and admitted into
16 evidence.)

17 MR. WENZEL: All right. Thank you, your
18 Honor.

19 JUDGE BURTON: The Commission does not
20 have my questions for Mr. LaGrand concerning
21 Exhibits 43 and 44. So that being said and --

22 MR. MILLS: Judge -- I was going to say,
23 Judge, I'm not sure I have an objection to these.
24 But I just want to note for the record and for the
25 Commission's benefit that while we might have

1 thought that the changing those customer charges
2 wouldn't have an impact on other classes, in fact,
3 it does. And so changing the customer charges does
4 change rates for Rate J and Rate B.

5 JUDGE BURTON: Would you like to have
6 Mr. LaGrand come up here to question him about
7 that?

8 MR. MILLS: I understand that it does
9 that. I just -- I just wanted to state that for
10 the record that -- that there are some -- other
11 consequences to changing these customer charges
12 beyond the -- the rate class Rate A.

13 JUDGE BURTON: Is that something that you
14 would like the Commission to consider? Since
15 you're not technically a witness under oath, I
16 would say why don't we go ahead and bring
17 Mr. LaGrand up here to explain that?

18 MR. MILLS: Okay.

19 JUDGE BURTON: Mr. LaGrand, I'll remind
20 you that you're still under oath.

21 MR. LAGRAN: Yes.

22 JUDGE BURTON: And, Mr. Mills, I'll let
23 you go ahead and ask the question.

24 FURTHER CROSS-EXAMINATION OF BRIAN LAGRAN
25 BY MR. MILLS:

1 Q Sure. Mr. LaGrand, can you explain why
2 changing the customer charges to \$9 on Exhibit 44
3 and \$8 on Exhibit 43 changes rates for the other
4 classes with respect to Exhibit 136?

5 A Certainly. So in the original example
6 where we had a \$10 and \$30 charge that was being
7 discussed, that applied to a five-eighths inch
8 meter.

9 But the other meter charges are, you know,
10 tied to that initial charge because there's a ratio
11 as you go up in larger meters that, you know, the
12 price is linked in with that.

13 So as we change the \$9 charge for the
14 five-eighths, that also flows into the larger
15 meters. And the same with the \$8. So there is --
16 as you would -- as you can see in your Rows 44 and
17 five of, really, either document, there is a
18 relatively small piece of fixed charge revenue in
19 Rate J and B.

20 So those movements, you know, don't have a
21 dramatic impact on -- on those rates. At least I
22 haven't looked -- I haven't done the side by side
23 on the district specific.

24 But on the consolidated at least, I know
25 there's if not a dramatic change on the Rate B and

1 Rate J classes.

2 MR. MILLS: Thank you. That's all the
3 questions I have.

4 FURTHER RECROSS EXAMINATION

5 BY CHAIRMAN HALL:

6 Q So would it -- would it be possible to
7 keep all of the other customer charges the same as
8 they were in 136 and lower the residential from ten
9 to nine or ten to eight?

10 A Certainly.

11 Q And doing that would -- would -- would
12 result in rates for all customers other than
13 residential being as they are set forth in 136 and
14 the rates for residential as they are set forth in
15 these other two exhibits; is that correct?

16 A May I ask a clarifying question?

17 Q Sure.

18 A For the residential classes, there are
19 some customers that have a meter size that's
20 different than this five-eighths.

21 Q Correct.

22 A Would we -- what you're asking for, you
23 want to see all residential meters kind of change
24 in relation to the --

25 Q Yeah. I'm not going to ask you to do

1 another -- do another run. I'm -- I'm just trying
2 to understand that it would -- that -- and maybe if
3 -- maybe Commissioner Kenney, if he had thought of
4 this, and I didn't either, would have specifically
5 asked that the only change for the fixed -- for the
6 customer charge be for residential and five-eighths
7 and leave the others' content. And I just want to
8 make sure that that could be done?

9 A Yes.

10 Q And it would really just result in
11 combining data from these two documents -- or three
12 documents?

13 A Yeah. It's a relatively simple -- simple
14 change.

15 CHAIRMAN HALL: Okay. All right. Thank
16 you.

17 JUDGE BURTON: Thank you. Is there any --

18 MR. WESTON: I'm sorry.

19 JUDGE BURTON: -- questions from Staff?

20 MR. WESTON: I do have one question.

21 FURTHER CROSS-EXAMINATION

22 BY MR. WESTON:

23 Q Mr. LaGrand, if -- if you were to do the
24 scenario that was just put forth by the Chairman,
25 this would have the result of increasing the

1 volumetric rate for the residential classes,
2 correct?

3 A Well, actually, that -- that -- if I could
4 ask the Chairman another clarifying question before
5 I answer that question.

6 Q Sure. By all means.

7 A My apologies. So Rate A is a combination
8 of residential, commercial, some small industrial
9 and other public authority customers. So would we
10 be changing just that five-eighths inch meter for
11 all of those classes or --

12 CHAIRMAN HALL: Let me ask Mr. Jacob.

13 Q (By Mr. Westen) No. Assume that you are
14 only changing it for the residential and not for
15 OPA, small industrial, small commercial.

16 A So if you're only changing for the
17 five-eighths inch residential meter only, then that
18 would -- that would be less fixed charge revenue
19 that would be moved into the volumetric as you
20 lower that price. So, yes, that would have a lower
21 impact on the residential volumetric rate.

22 Q Lower impact, meaning it would go up or
23 down?

24 A It would -- it would be lower. However,
25 if I -- if I may, as we've only, you know,

1 discussed Rate A --

2 Q Sure.

3 A -- that would add a complicating factor of
4 having, then, different volumetric rate for
5 residential customers versus non-residential
6 customers.

7 Q Okay. And -- and the idea -- I just want
8 to make sure I also understand. And I'm sorry to
9 keep you on the stand.

10 If you -- if you were lowering the -- the
11 fixed charge, that is, the customer charge, you're
12 saying that the hypothetical example provided,
13 meaning, Rate B and Rate J are not touched from the
14 136 example.

15 And the proposal, let's assume it's from
16 Exhibit 43 for an \$8 customer charge for
17 residential customers only in Rate A, also not
18 touching OPA, small industrial, et cetera. By
19 lowering that customer charge, would the volumetric
20 rates for those would also go down?

21 A Well, no. I'm saying compared to lowering
22 it for everybody. If you only lower it for
23 residential, then you would have more fixed
24 revenue.

25 If you lower it for only residential, you

1 would have more fixed revenue than if you lowered
2 it for everybody. Thus, less to collect the
3 volumetric.

4 MR. WESTON: Thank you.

5 MR. LAGRAND: Certainly.

6 FURTHER CROSS-EXAMINATION

7 BY JUDGE BURTON:

8 Q I'm going to jump in with a question. For
9 the record, would you please identify which type of
10 customers are included in Rate A?

11 A Certainly. In Rate -- in Rate A,
12 currently and in -- and also in this schedule as
13 provided, there are residential customers,
14 commercial customers.

15 There are a small number of Rate J -- or
16 excuse me -- industrial customers because our
17 industrial customers can be Rate A or J. There are
18 some Rate A industrials and other public authority.

19 Q And what percentage of the rate A
20 customers are residential?

21 A I don't have that in front of me. It
22 would be a significant -- a significant percent.
23 We could get that for you very quickly.

24 JUDGE BURTON: Okay. I think that would
25 help the Commission to understand that better.

1 MR. LAGRAND: Sure.

2 JUDGE BURTON: Mr. Steinmeier.

3 FURTHER CROSS-EXAMINATION

4 BY MR. STEINMEIER:

5 Q And when you use the term Other Public
6 Authority, there are public authority customers in
7 some other rate class?

8 A No. One of the -- our classes is called
9 Other Public Authority.

10 Q That's the name of the class?

11 A Yes.

12 Q Other as distinguished from none,
13 actually. Okay.

14 A I don't know the history of the naming of
15 the class. But that is the -- that's what we call
16 it within our internal classification.

17 MR. STEINMEIER: Okay. Thank you very
18 much.

19 MR. LAGRAND: Sure.

20 JUDGE BURTON: Mr. Poston?

21 FURTHER CROSS-EXAMINATION

22 BY MR. POSTON:

23 Q I want to ask you about if you lower to
24 eight or \$9 for the five-eighths inch meter, would
25 that -- and you didn't do it for any other size

1 meters for residential class, does that disrupt the
2 -- the proportion -- the way you've proportioned
3 the rates now between the different size meters?

4 A Yes. The ratio it is today would not be
5 in place in that scenario.

6 Q Okay. So does -- maintaining that ratio,
7 would you agree that those other residential
8 classes with the different size meters would also
9 need to be adjusted to keep those ratios?

10 A Yes. And that's what's reflected in the
11 -- in the exhibits that are --

12 Q Oh, it's reflected in there. Okay.

13 MR. POSTON: All right. Thank you.

14 FURTHER RECROSS EXAMINATION

15 BY JUDGE BURTON:

16 Q And to be clear, residential five-eighths
17 inch customers for residential would be a single
18 family home type customer?

19 A Yes. And there are some commercial
20 customers that would have five-eighths also, but,
21 yes, that would be most common.

22 Q Are there any single family home customers
23 that would be in a different class other than
24 five-eighths?

25 A That -- Yeah. There certainly can be.

1 Yeah. Yes.

2 Q What percentage, would you say?

3 A I would have to look. There are records.
4 I'm not sure that we necessarily would have them
5 easily classified as a single family home. But --
6 but for residential, most of them would likely be a
7 single family.

8 JUDGE BURTON: Okay. Any direct from
9 Missouri-American? Redirect?

10 MR. ENGLAND: I think I'll let it sit
11 right where it is. I'm not -- I'm not going to
12 help the record anymore. So thank you.

13 JUDGE BURTON: All right. Thank you,
14 Mr. LaGrand.

15 MR. LAGRAND: Sure.

16 JUDGE BURTON: Well, with that being said,
17 I believe we are ready to turn to discussion of the
18 stipulation and agreement on the inclining block
19 rates. We can address the record and the admission
20 of the exhibits after we go through this portion.
21 And, Mr. England, I believe you're coming up to
22 make a presentation?

23 MR. ENGLAND: Thank you, your Honor.
24 Briefly, what we have, hopefully, is a stipulation
25 and agreement that reduces to writing --

1 JUDGE BURTON: I'm sorry.

2 MR. ENGLAND: Just let me know when to --

3 JUDGE BURTON: You're fine.

4 MR. ENGLAND: I believe this reduces to
5 writing what we had sort of shared or pre-shared
6 with the Commission yesterday.

7 There were some nuance changes to the
8 rate, I believe, and agreements to provide
9 conservation kits, primarily at the request of
10 Department -- Division of Energy.

11 So if they'd like to address the slight
12 changes from what we discussed with you all
13 yesterday, I'll let them do it because they can
14 probably do a better job than I can.

15 JUDGE BURTON: And this is still in
16 Mexico --

17 MR. ENGLAND: Yes.

18 JUDGE BURTON: -- Missouri?

19 MR. ENGLAND: Yes. Residential Mexico.
20 And it keeps the collaborative. We intend for the
21 collaborative to be established and sort of use
22 this as the base data or inform us as we move
23 along.

24 JUDGE BURTON: And you're referring to the
25 collaborative that's part of the main stipulation

1 and agreement?

2 MR. ENGLAND: Correct.

3 JUDGE BURTON: And which parties have been
4 contacted or what is the status as far as support
5 or non-opposition from the parties?

6 MR. ENGLAND: I'll have to have my
7 partner, Mr. Cooper, answer that.

8 MR. COOPER: Your Honor, I think either
9 first or second -- about the first paragraph there,
10 numbered paragraph, we set out that we -- other
11 than the signatories, we had received affirmative
12 statements from all parties that they did not
13 object except for the two KCPL entities and just
14 really believe that it's a matter of not having
15 been able to get a hold of Mr. Snyder.

16 JUDGE BURTON: I didn't know if you'd had
17 an opportunity to do that.

18 MR. COOPER: No. I apologize.

19 JUDGE BURTON: Okay. Thank you. Mr.
20 Poston? Thank you, Mr. England.

21 MR. POSTON: Mr. Hyman -- well, there's no
22 question he can speak to this better than I can.
23 But it's my understanding is the change that we
24 were asking for is to lower the jump in the second
25 block to try to account for larger families and

1 then to increase the jump in the third block to
2 increase that incentive for the third block. That
3 -- that seems to be correct. So --

4 MR. WESTON: Commission and Judge, there's
5 one other change that I think we want to draw your
6 attention to.

7 When we preliminarily made the
8 representation to the Commission yesterday -- the
9 issue -- one of the items brought up was whether or
10 not the proposal would include a tracker.

11 After discussion with the parties, there's
12 been agreement that this -- this pilot will not
13 include a tracker. And I just wanted to clarify
14 for the Commission that particular point.

15 JUDGE BURTON: Thank you.

16 CHAIRMAN HALL: So as a result of that, if
17 the demand curve is relatively inelastic as to
18 opposed to completely inelastic, there will be a --
19 a relative reduction in revenues as a result; is
20 that correct? And that relative reduction will
21 simply be eaten by the company under -- under this
22 proposal?

23 MR. WESTON: I think -- I think that is --
24 I think that is correct, assuming that the -- the
25 incentive is to decrease use. There isn't behavior

1 that does not -- there isn't behavior that does not
2 respond to the incentive.

3 CHAIRMAN HALL: Well, I don't -- I don't
4 think the goal is exclusively to decrease use.
5 I --

6 MR. WESTEN: Right.

7 CHAIRMAN HALL: I think there's also a
8 fairness concept that perhaps families that are --
9 that are using water for basic necessities possibly
10 arguably should be paying less than families that
11 are using water to water their yards and fill their
12 pools.

13 So -- so from -- from the original
14 proposal to the one that is contained in -- in the
15 stipulation -- and I believe this has already been
16 alluded to, but I want to make sure I understand
17 it.

18 Instead of -- instead of a 20 percent to
19 -- to 20 percent jump, we have a 15 and a 25; is
20 that correct?

21 MR. WESTEN: That's correct.

22 CHAIRMAN HALL: And what is the purpose of
23 that change?

24 MR. POSTON: Can Mr. Hyman speak to that?

25 CHAIRMAN HALL: Okay.

1 MR. HYMAN: Hello again.

2 CHAIRMAN HALL: Hello.

3 MR. HYMAN: Okay. So there were a few
4 things that went into that. I think the first was
5 the issue of family size.

6 We were talking internally at the
7 Division, and we felt like the 20 jump was going to
8 -- as you alluded to, it was going to be a little
9 unfair to people who are using more water just
10 because there are more people in the household.

11 And so that was part of the reason for --
12 for modifying it to 15 and 25. So if you'll notice
13 there -- well, effectively it's less of a jump
14 between the first and second block.

15 So it's less of a penalty just because you
16 have more people in your household, which, you
17 know, that's not what we're trying to send a signal
18 about.

19 But, also, that means that there's more of
20 a signal once you get to that higher block, so
21 there's an even stronger significant until towards
22 what would more properly be considered
23 discretionary usage.

24 And I think, you know, this -- this gets
25 back to a lot of what we were talking about,

1 efficiency, equity, gradualism in terms of not --
2 not causing rate shock for people who, you know,
3 aren't out there to just use water for the sake of
4 using water, so to speak.

5 JUDGE BURTON: Is there a way to track
6 through the collaborative the number of occupants
7 in the home or to see what impact this has? I
8 don't --

9 MR. HYMAN: I -- I doubt it. Usually,
10 utilities do not collect information on the number
11 of people in a home. Really, the only good way you
12 could get at it just roughly is if you knew what
13 the average use was per household.

14 But that's going to be a pretty rough
15 approximation given that not everybody uses the
16 same amount of water. This was just more of an
17 attempt, you know, given the time -- time issues
18 that we were under after Monday to try to sort of
19 approximate a fair solution.

20 But, you know, I'm sure the collaborative
21 could discuss if there are some ways to do it. I'm
22 just having trouble thinking of any ways to do it
23 off the top of my head without going to each of
24 the, what, 4500 customers and asking who lives in
25 their home.

1 CHAIRMAN HALL: Census data, perhaps?

2 MR. HYMAN: Maybe. I'm not -- I'm not
3 very familiar, honestly, with -- with the Mexico
4 area census data. I mean, you can get a rough
5 sense of how many people there are in the home.

6 You know, for example, managed to look up
7 last night renter versus owner occupied. But, you
8 know, it's going to depend a lot also on geographic
9 -- just how it's split up geographically.

10 There is some micro data, I guess, that
11 the census has that you can look at. But, again,
12 you probably have to extrapolate at some point.
13 I'm sorry if that was a little long and technical.

14 CHAIRMAN HALL: I don't believe I have any
15 other questions. Thank you.

16 MR. HYMAN: Okay.

17 JUDGE BURTON: Thank you, sir. Oh, hold
18 on one moment. Mr. Steinmeier, did you have a
19 question?

20 MR. STEINMEIER: I was just curious
21 whether Division of Energy had performed any
22 psychological profile of people who use water for
23 the sake of using water.

24 MR. HYMAN: No. That -- that was just, so
25 to speak, an expression. I probably should have

1 said, you know, using water, you know, for lawn
2 care versus using water for basic necessities.
3 Poor choice on my part, perhaps.

4 MR. STEINMEIER: It was fine.

5 MR. POSTON: Could I follow-up real quick?

6 JUDGE BURTON: Oh.

7 MR. POSTON: Do you think it would be
8 possible once -- or for the company to identify the
9 customers that fall into that third block and then
10 perhaps do a targeted survey to those -- to those
11 customers to try to gather some of the data the
12 Judge asked about?

13 MR. HYMAN: Yeah. Actually, I think
14 that's possible. That's similar to what I had
15 suggested in testimony now that I think about it,
16 you know, with targeting efficiency efforts toward
17 them. So, yeah, I think it's certainly something
18 the collaborative would look at.

19 MR. POSTON: Thank you.

20 JUDGE BURTON: Thank you.

21 MR. HYMAN: Okay.

22 JUDGE BURTON: Would any other party like
23 to make a statement about the inclining block rate
24 stipulation agreement?

25 All right. Well, thank you everyone. I

1 believe that's going to conclude the main part
2 unless there's some additional stipulation and
3 agreements that I missed? Testimony? No?

4 MR. MILLS: Judge, did you want to take up
5 the question of marking all exhibits and doing them
6 off the record or on the record?

7 JUDGE BURTON: We can do that -- we can do
8 that -- we'll take a brief recess, and then we'll
9 go back on the record just for that purpose so
10 people don't have to stick around. But --

11 MR. MILLS: Okay.

12 CHAIRMAN HALL: I have some -- a
13 preliminary as to how I would personally like to
14 see some of the issues resolved here. Again, it's
15 merely preliminary.

16 But I would be very interested in the
17 parties addressing this as a coherent concept in
18 their -- in their post-hearing briefs. Because at
19 least for me, some of these positions work
20 together.

21 And -- and for one reason or another, if
22 the Commission were to determine that one of these
23 positions is not -- doesn't have three votes, I may
24 change in other aspects.

25 So for me, concerning the lead service

1 line program, I would like people's thoughts on all
2 these issues together, the -- the AAO amount going
3 into the five-year amortization with carrying costs
4 at -- at long-term debt going forward, booking
5 those amounts into Account 186, single tariff
6 pricing, but with either the eight or the \$9.

7 For me, those -- those decisions work
8 together. I have some grave policy and legal
9 concerns about allowing for a return on the
10 investment as it -- as it relates to the lead
11 service line program in that that is not property
12 that is owned by the company.

13 At the same time, there is strong public
14 policy rationale to encourage the company to engage
15 in that program. Hopefully, the long-term debt
16 concept might -- might be a compromise that would
17 be both legal and provide the policy and incentive
18 necessary to continue the program.

19 I do have some concerns about the -- the
20 -- I share some of the concerns raised by OPC as it
21 relates to socializing lead service program costs
22 in conjunction with single tariff pricing.

23 But this scenario, at least in my head,
24 mitigates against some of those concerns. So I'd
25 -- I'd be interested in -- in -- in the legal and

1 policy perspectives on -- on that as a cohesive
2 direction.

3 Again, making it very clear, I have not
4 made those decisions for myself, and I have
5 certainly not discussed these with any other
6 members of the Commission.

7 JUDGE BURTON: Why don't we -- why don't
8 we take a quick five-minute recess, and then we
9 will come back on record for the admission of
10 testimony -- of the exhibits. Excuse me.

11 (Break in proceedings.)

12 JUDGE BURTON: We're going back on the
13 record just to discuss -- we're back on the record
14 just to discuss the admissions of the exhibits.

15 And so far, they're not here, but I
16 believe I have everything that has been submitted
17 by the City of Jefferson City as entered and Public
18 Water Supply Districts of Andrew County. I believe
19 I have these exhibits. And the Missouri Department
20 of Economic -- Economic Development and Division of
21 Energy.

22 MR. STEINMEIER: Andrew County, you have
23 admitted?

24 JUDGE BURTON: Hold on.

25 MR. WENZEL: I'm sure she has.

1 MR. STEINMEIER: Larry -- Larry just left.

2 MR. ENGLAND: Yes, she does.

3 MR. STEINMEIER: It was offered, I assume.

4 JUDGE BURTON: And the court reporter
5 should have those because those were provided
6 today.

7 We should also have the surrebuttal of
8 Brian Collins that was part of Triumph Foods
9 offering of -- that's Exhibit 650. So next, let's
10 hear from MIEC.

11 MR. MILLS: Okay. I have eight exhibits.
12 Exhibit 500 is the direct testimony of Greg Meyer.
13 Exhibit 501 is the rebuttal testimony of Greg
14 Meyer. 502, surrebuttal testimony of Greg Meyer.

15 503, rate design direct testimony of Brian
16 Collins. 504, rebuttal testimony of Brian Collins.
17 505, surrebuttal testimony of Brian Collins.

18 506, direct testimony of Jessica York.
19 And 507, surrebuttal testimony of Jessica York.

20 JUDGE BURTON: All right. I already have
21 in the record Exhibits 503, 504 and 505. So we'll
22 mark as offered Exhibits 500, 501, 502, 506 and
23 507. Are there any objections?

24 MR. WESTEN: No.

25 JUDGE BURTON: Okay. Those exhibits are

1 received, and I believe you have provided a court
2 reporter with the copy of those?

3 MR. MILLS: I have.

4 JUDGE BURTON: And the direct testimony of
5 Michael Gorman that was co-sponsored by the Office
6 of Public Counsel, I believe Mr. Smith will handle.

7 MR. MILLS: Yes.

8 JUDGE BURTON: Okay. Thank you very much,
9 Mr. Mills. Next, we can turn to Staff. And to be
10 clear, I -- well why don't we just go ahead and
11 have what you have as exhibits that still need to
12 be offered?

13 MR. WESTEN: Thank you, Judge. I have
14 what still needs to be -- well, I have a lot.

15 JUDGE BURTON: Why don't we get to you
16 afterwards?

17 MR. WESTEN: Yeah. Save me for the end,
18 Judge.

19 JUDGE BURTON: Let's jump to OPC because I
20 believe a lot of yours has already been admitted.

21 MR. SMITH: That is true.

22 JUDGE BURTON: What I'm showing as not
23 being admitted in your marked exhibit list is
24 Exhibit 208 and 209 and 218 from the first page,
25 the rebuttal testimony of John Riley, surrebuttal

1 testimony of John Riley, direct testimony of Amanda
2 Connor, correct?

3 Turning to the second page, I don't have
4 the public versions for Exhibits 219 through 226.

5 MR. SMITH: That is also what OPC's record
6 reflects.

7 JUDGE BURTON: And I also have additional
8 exhibits, Exhibit 227, 228 and 229 were admitted
9 and received, and that's the Indiana statute for
10 Exhibit 227, The OPC Data Request 0015 for 228 and
11 the confident legal size spreadsheet as Exhibit
12 229?

13 MR. SMITH: That is -- that is consistent
14 with our records.

15 JUDGE BURTON: Okay. So what would OPC
16 like to offer right now?

17 MR. SMITH: Yes. OPC would like to offer
18 those exhibits that you showed not having been
19 received or offered, which would be 208 and 209,
20 the rebuttal and surrebuttal testimonies of John
21 Riley, as well as exhibits 218 through 226 on OPC's
22 exhibit list.

23 That includes direct testimony of Amanda
24 Connor, rebuttal and surrebuttal testimony of
25 Amanda Connor, direct, rebuttal and surrebuttal

1 testimony of Michael Gorman and direct, rebuttal
2 and surrebuttal testimony of Lena Mantle. And Lena
3 is spelled L-e-n-a.

4 JUDGE BURTON: Okay. Thank you. Are
5 there any objections to the admission of Exhibits
6 208, 209 and 218?

7 MR. WESTEN: No.

8 JUDGE BURTON: Seeing none, those exhibits
9 are admitted.

10 (Exhibits 208, 209 and 218 were offered
11 and admitted into evidence.)

12 JUDGE BURTON: Are there any objections to
13 the admission of Exhibits 219, 220, 221, 222, 223,
14 224, 225 and 226? Seeing none, those are admitted.

15 (Exhibits 219, 220, 221, 222, 223, 224,
16 225 and 226 were offered and admitted into
17 evidence.)

18 JUDGE BURTON: And I believe, Mr. Smith,
19 you have provided the court reporter a copy of all
20 of those?

21 MR. SMITH: I have.

22 JUDGE BURTON: Thank you very much. And I
23 believe City of Riverside, we do have your
24 exhibits. I think that was previously -- and that
25 was previously provided to the court reporter. So

1 are we ready for Staff?

2 MR. WESTEN: Yes. Yes. Staff is ready.
3 Okay.

4 JUDGE BURTON: Okay.

5 MR. WESTEN: So Staff has, I think, what
6 are 33 total exhibits. And we have as already
7 offered and admitted Staff Exhibit 104, which is
8 the report on class cost of service and rate
9 design, Staff Exhibit 107, which is the rebuttal
10 testimony of Amanda McMellen.

11 Staff 108, the rebuttal testimony of James
12 Merciel. Staff Exhibit 115, which is the rebuttal
13 testimony of Mr. Matthew Barnes. Staff Exhibit
14 116, which is the rebuttal testimony of Mr. James
15 A. Busch.

16 Staff Exhibit 119, which is the
17 surrebuttal testimony of Mr. Matthew J. Barnes.
18 Staff Exhibit 121, which is the surrebuttal
19 testimony of James A. Busch.

20 Staff Exhibit 124, which is the
21 surrebuttal testimony of Amanda McMellen. Staff
22 Exhibit 125, which is the surrebuttal testimony of
23 Mr. James Merciel.

24 And Staff's Exhibit 135, which is the
25 transcript of DU-2017-0296 as well as Staff's

1 Exhibit 136, which is the Joint Staff and Company
2 Rate Comparison Exhibit Chart. And then Staff
3 Exhibit 137, which is Mr. Barnes' work papers.

4 JUDGE BURTON: I -- that matches my
5 record.

6 MR. WESTEN: Great.

7 JUDGE BURTON: Did Staff provide the court
8 reporter a copy of the transcript that is Exhibit
9 135?

10 MR. WESTEN: No. We have not yet done
11 that.

12 JUDGE BURTON: Okay.

13 MR. WESTEN: And I am needing to do that
14 still. I also understand that some of the
15 exhibits, the court reporter may have not -- my
16 understanding of all the exhibits we may have
17 submitted to previous court reporters.

18 So I am going to provide all of the
19 exhibits for the court reporter that I currently
20 have copies of.

21 JUDGE BURTON: Okay. And you'll do that
22 today after we go off the record?

23 MR. WESTEN: Yes.

24 JUDGE BURTON: Okay.

25 MR. WESTEN: At this time, I would like to

1 make the following offers. Everyone get ready.

2 I'd like to offer Staff Exhibit --

3 JUDGE BURTON: Let me just stop you real
4 quick.

5 MR. WESTEN: Sure.

6 JUDGE BURTON: Have the parties seen a
7 copy of your pre-completed exhibit list? Do they
8 -- do they have a copy of that?

9 MR. ENGLAND: I do. I have a copy of it.

10 MR. SMITH: I think so.

11 JUDGE BURTON: Have they had a chance to
12 review -- did they have any objection to the 100,
13 101, 102, et al?

14 MR. ENGLAND: No. I -- I followed along
15 with my records so far jive with your all's. The
16 only thing that I might mention is there were I
17 think some exhibits Staff anticipated offering 132,
18 133, 134, I understand because of the subsequent
19 stipulation will not be offered. So --

20 MR. WESTEN: That's correct.

21 MR. ENGLAND: Everything up to 131, I'm
22 okay with.

23 MR. WESTEN: And Staff is not offering
24 132, 133 or 134.

25 JUDGE BURTON: And to be clear for the

1 record as well, I have Staff's Exhibit 126,
2 Exhibits 115, Exhibit 106, Exhibit 101, and I
3 apologize, I'm doing that in reverse order, as
4 being a public and a confidential version?

5 MR. WESTEN: That is correct, Judge.

6 JUDGE BURTON: Okay. Are there any
7 objections to the admission of the remaining
8 documents that are identified in Staff's list,
9 excluding Exhibits 132 through 134?

10 MR. ENGLAND: No objection.

11 MR. SMITH: No objection.

12 JUDGE BURTON: That -- thank you. Staff's
13 Exhibits 100, 101, 102, 103, 105, 106, both public
14 and confidential, 107, 109, 110, 111, 112, 113,
15 114, 115 both the public and confidential, 117,
16 118, 119 -- or excuse me. Those are already
17 admitted.

18 120, 122, 123, 126 both public and
19 confidential, 127, 128, 129, 130 and 131, which
20 have been pre-marked are admitted into the record.

21 MR. WESTEN: Thank you, Judge. Thank you,
22 Madam Court Reporter.

23 JUDGE BURTON: And you do have all of
24 those here to give to the court reporter once we're
25 done, right?

1 MR. WESTEN: Yes.

2 JUDGE BURTON: Okay. Then, Mr. England, I
3 believe you are up.

4 MR. ENGLAND: Thank you, your Honor. Do
5 you want me to review the ones I think I've offered
6 and you've received first?

7 JUDGE BURTON: How about this? I'll tell
8 you, looking at your identified list, I have
9 everything as marked and offered and admitted as
10 Exhibits 1-P and 1-C, Exhibits 2 and 3, Exhibits 15
11 through 20 -- 25, and that includes a public and a
12 confidential version of 25 And a public and
13 confidential version of 20 -- 27, and then 40, 41,
14 42, 43 and 44. Does that match what you have?

15 MR. ENGLAND: I believe so. Thank you.

16 JUDGE BURTON: Okay.

17 MR. ENGLAND: So then I need to offer --
18 can I just do it by numbers?

19 JUDGE BURTON: Yes. That's -- they are
20 pre-marked, correct?

21 MR. ENGLAND: Yes. Exhibits 4 through 14,
22 26-P and 26-C, 28 through 39. I think that covers
23 it.

24 JUDGE BURTON: I believe that does. Are
25 there any objections?

1 MR. WESTEN: None.

2 MR. SMITH: No objection.

3 JUDGE BURTON: Okay. Then Exhibits 4
4 through 14 are admitted. And Exhibits 26-P and C,
5 public and confidential, and Exhibits 28 through 39
6 are admitted into the record. And does the court
7 reporter have a copy of all of those pre-marked
8 exhibits, Mr. England?

9 MR. ENGLAND: Oh, I'm sorry. I believe we
10 gave all of that the first day of the hearing. But
11 you and I had a discussion off the record that
12 maybe a couple of pieces were missing.

13 JUDGE BURTON: Okay. We'll doublecheck
14 when we go off the record just to make sure that we
15 have everything.

16 MR. ENGLAND: Okay.

17 JUDGE BURTON: And I believe that
18 concludes all of those exhibits. There was some
19 discussion at the end of today's hearing concerning
20 information on the number of residential customers
21 in Class A.

22 And I know that Chairman Hall had some
23 questions about the breakdown with impacts of Rate
24 J and the full run under the scenario with an \$8
25 charge and a \$9 charge for just five-eighths inch

1 customers. That way, it would be a modified
2 version of Exhibit 136. It would be a full run for
3 every single class, every single district, but with
4 an \$8 option or a \$9 option for five-eighths
5 customers. And I believe that the company was
6 going to try to see about providing that
7 information.

8 MR. ENGLAND: Yeah. I think if you -- if
9 you assign it by meter size --

10 JUDGE BURTON: The five-eighths inch?

11 MR. ENGLAND: -- it's relatively easy to
12 do. If we start looking at the type of customer
13 within a meter size, it might become a little more
14 difficult.

15 JUDGE BURTON: Yeah. And there was
16 discussion about getting information on the
17 percentage of those five-eighths customers in Rate
18 A who are residential, for example.

19 MR. ENGLAND: Yes. And I think we can get
20 that.

21 JUDGE BURTON: Okay. We're going to keep
22 the record open for that information, then, to be
23 submitted and need this. And we'll allow time for
24 the parties to submit any objections or
25 clarifications to that.

1 MR. ENGLAND: Excuse me. Will you submit
2 those requests via an order?

3 JUDGE BURTON: Yeah. Absolutely.

4 MR. ENGLAND: Okay.

5 JUDGE BURTON: That way, all the parties
6 who aren't here and shockingly not listening can
7 still know about that. And with that --

8 MR. MILLS: One last little thing. And I
9 think I mentioned this to you off the record
10 earlier in the week.

11 But when we filed in EFIS the surrebuttal
12 testimony of Greg Meyer, we inadvertently filed the
13 wrong document and filed another copy of his
14 rebuttal testimony.

15 But what we have given to the court
16 reporter for marking and to become officially the
17 record in this case is the correct surrebuttal
18 testimony.

19 And we did -- when we served the testimony
20 on the parties, we served the proper documents. So
21 it's just the initial EFIS filing that has the
22 wrong document.

23 JUDGE BURTON: But all the parties do have
24 the correct copy to refer to?

25 MR. MILLS: Correct.

1 JUDGE BURTON: Okay. And I'm assuming
2 that this means we don't, as of now, need any
3 additional hearing tomorrow.

4 MR. ENGLAND: Or next week.

5 MR. WESTEN: Or the week after.

6 MR. ENGLAND: There was a question mark at
7 the end of that.

8 JUDGE BURTON: I will say no to next week.

9 MR. ENGLAND: Thank you.

10 JUDGE BURTON: All right. Thank you,
11 everyone, and thank you for your participation. I
12 hope you have a great week.

13 MR. SMITH: Thank you, Judge.

14 MR. WESTEN: Thank you very much.

15 JUDGE BURTON: And we are now done and off
16 the record.

17 (The proceedings were concluded at 3:30 p.m. on
18 March 8, 2018.)

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19 Exhibit 25P	Surrebuttal Testimony of Brian LaGrand	835	835
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22		(The original exhibits were retained by		
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