Exhibit No.:	_____
Issues:	**1) Water Quality**
	2) Capital Investment
Witness Name:	**Dale W. Johansen**
Sponsoring Party:	**MoPSC Staff**
Case No.:	**WM-2001-309**

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

WATER & SEWER DEPARTMENT

SURREBUTTAL TESTIMONY

OF

DALE W. JOHANSEN

CASE NO. WM-2001-309

MISSOURI-AMERICAN WATER COMPANY, ET. AL.

Jefferson City, Missouri
August 15, 2001

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OF
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CASE NO. WM-2001-309
MISSOURI-AMERICAN WATER COMPANY, ET. AL.

Introduction

Q. Please state your name and business address.

A. Dale W. Johansen, P.O. Box 360, Jefferson City, Missouri 65102.

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

A. I am employed by the Missouri Public Service Commission (Commission) and am the Manager of the Water & Sewer Department (W/S Dept) in the Commission's Utility Operations Division.

A. Please briefly describe your job responsibilities.

Q. My responsibilities include general administrative and supervisory duties for the overall operation of the W/S Dept, and direct participation in water and sewer utility cases before the Commission regarding both technical and policy matters.

Q. What are your educational and work experience backgrounds?

A. Please refer to Schedule DWJ-1 attached to this testimony for a summary of my education and work experience backgrounds.

Q. Have you previously testified before this Commission?

A. Yes, on numerous occasions.

Involvement in This Case

Q. What has been the nature of your involvement in this case?

A. I have been involved in the Staff's overall review of the application that is the subject of this case and have been involved in the various prehearing conferences and settlement discussions that have taken place since this case was filed.

Purpose of Testimony

Q. What is the purpose of the pre-filed surrebuttal testimony you are presenting in this case?

A. I will be presenting testimony responding to the rebuttal testimony that Office of the Public Counsel (OPC) witness Russell W. Trippensee filed regarding certain "conditions" that the OPC believes the Commission should impose regarding its approval of the proposed merger. Specifically, I will address Mr. Trippensee's testimony regarding OPC's recommended conditions on the issues of "water quality" and "capital investment". Additionally, Staff witness Steve Rackers is filing surrebuttal testimony regarding OPC's recommended condition on the "cost allocation manual" issue.

Water Quality

Q. Where in Mr. Trippensee's rebuttal testimony does he address the OPC's recommended conditions regarding the issue of water quality?

A. His testimony on this issue is found on pages 5 and 6 of his rebuttal testimony.

Q. Does the Staff support the conditions regarding the "water quality" issue proposed by the OPC in Mr. Trippensee's rebuttal testimony?

A. Yes. The Staff believes the conditions proposed by the OPC through Mr. Trippensee's rebuttal testimony are reasonable and recommends that the Commission impose such conditions as a part of its approval of the requested merger, if that occurs.

Capital Investment

Q. Where in Mr. Trippensee's rebuttal testimony does he address the OPC's recommended conditions regarding the issue of capital investment?

A. His testimony on this issue is found on pages 8 through 11 of his rebuttal testimony.

Q. Does the Staff support the conditions regarding the "capital investment" issue proposed by the OPC in Mr. Trippensee's rebuttal testimony?

A. To some degree, but not entirely.

Q. Please explain the Staff's position regarding this issue.

A. First of all, the Staff obviously has no quarrels with the OPC's position that the post-merger Missouri-American Water Company ("MAWC") should continue to make the necessary capital investments throughout its Missouri operations to ensure the provision of safe and adequate service in each of its operating districts. However, the Staff does have concerns regarding the OPC's proposal that MAWC be required to make capital investments equal to a specific "pre-determined" amount (i.e. - $39 Million annually) of "business-as-usual" capital investments. The Staff also believes that the OPC's apparent concern regarding "diversion of funds" from one or more of MAWC's operating districts to other districts can be better addressed by a Commission imposed

merger-approval condition rather than a requirement that some arbitrary level of overall business-as-usual capital investment be made. In fact, the Staff does not believe that the OPC's capital expenditure proposal adequately addresses the potential "diversion-of-funds" issue or the possibility that MAWC will need to make expenditures other than those identified by the OPC as business-as-usual.

Q. Please elaborate on the Staff's position regarding the matter of establishing a pre-determined level of annual capital investments.

A. The Staff has two main concerns regarding the OPC's proposed condition that MAWC be required to expend a specific annual amount over a set number of years on "business-as-usual" capital projects. First, the Staff believes such a condition tends to imply at least some level of "pre-approval" regarding the prudence of such expenditures. Second, the Staff is concerned that the amount specified in Mr. Trippensee's testimony is somewhat arbitrary and may or may not be sufficient, or may even be excessive, in terms of the capital investments that MAWC may need to make in any given year in order to continue to provide safe and adequate service.

Q. Please explain the Staff's position regarding the OPC's concern on the matter of "diversion of funds".

A. While the Staff agrees that diversion of funds from one district to another would be detrimental, it does not believe that the OPC's proposal adequately addresses that concern. Instead, the Staff suggests that the Commission impose a merger-approval condition requiring MAWC to continue to evaluate the capital investment needs of each of its operating districts on an annual basis and to then make the capital investments

needed in each district to ensure the on-going provision of safe and adequate service in each district. The Staff believes this would be a better approach than addressing capital investments on a "whole company" basis in that it would better identify MAWC's on-going capital investment requirements in each district and better address the OPC's concerns on the issue of diversion of funds. Additionally, this approach would not limit the consideration of capital expenditures to "business-as-usual" expenditures, but would identify and require MAWC to expend funds necessary for any required capital project in each of its operating districts.

Q. Does the Staff have a position regarding the recently issued Commission order in the St. Louis County Water Company (SLCWC) rate case, regarding the issue of "capital investment", that it believes should be addressed by the Commission in its order in this case?

A. Yes. The Staff believes that a Commission order approving the subject merger should clearly state MAWC will be expected to comply with the Commission order in the SLCWC rate case unless and until that order is stayed or overturned by the Courts or modified by the Commission.

Q. Does the Staff have any proposed language that it believes the Commission should include in its order approving the subject merger regarding the "capital investment" issue?

A. Yes. The Staff recommends that the Commission include language similar to that found on Schedule DWJ-2 attached to this testimony.

Summary

Q. Please summarize the Staff's position regarding the issues of "water quality" and "capital investment".

A. First, the Staff believes that the Commission should condition its approval of the subject merger by including language in its order addressing the issue of "water quality" consistent with the OPC's position on this issue as expressed in Mr. Trippensee's rebuttal testimony. Second, the Staff believes that the Commission should condition its approval of the subject merger by including language in its order addressing the issue of "capital investment" consistent with the language set forth in Schedule DWJ-2 attached to this testimony.

Q. Does that conclude your pre-filed surrebuttal testimony?

A. Yes, it does.

EDUCATION & WORK EXPERIENCE SUMMARY OF DALE W. JOHANSEN

COLLEGE EDUCATION

Associate of Arts in Pre-Engineering Studies
State Fair Community College - Sedalia, Missouri

Bachelor of Science in Agricultural Engineering
School of Engineering - University of Missouri @ Columbia

REGULATORY/UTILITY WORK EXPERIENCE

Missouri Public Service Commission

Manager - Water & Sewer Department
Utility Operations Division
June 1995 to Present

Johansen Consulting Services

Utility & Regulatory Consultant
February 1994 to June 1995

Missouri One Call System, Inc.

Executive Director
January 1992 to February 1994

Missouri Public Service Commission

(service prior to current position)

Director - Utility Services Division
November 1990 to January 1992

Case Coordinator - Utility Division
November 1987 to November 1990

Assistant Manager - Engineering
Gas Department - Utility Division
October 1980 to November 1987

Gas Safety Engineer
Gas Department - Utility Division
May 1979 to October 1980

Schedule DWJ – 1

Suggested Capital Investment Merger-Approval Condition

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The Commission wishes to clearly express its position that its approval of the merger that is the subject of this case will not result in a reduction in MAWC's obligations for making necessary capital investments throughout the State of Missouri. To that end, the Commission will impose a condition upon its approval of the subject merger requiring MAWC to evaluate the capital investment needs of each of its operating districts on an annual basis and to subsequently make the capital investments needed to allow MAWC to provide safe and adequate service to its customers in each of its operating districts. Additionally, the Commission will require MAWC to honor the obligation to make investments in infrastructure main replacements in the St. Louis County Water Company service area consistent with the Commission's decision in case number WR-2000-844, unless and until said decision is stayed or determined to be invalid by the Courts or modified by the Commission.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Joint Application of Missouri-American Water Company, St. Louis County Water Company d/b/a Missouri-American Water Company and Jefferson City Water Works Company d/b/a Missouri-American Water Company for authority to merge St. Louis County Water Company d/b/a Missouri-American Water Company and Jefferson City Water Works Company d/b/a Missouri-American Water Company with and into Missouri-American Water Company and, in connection therewith other related transactions.	)	**Case No. WM-2001-309**

AFFIDAVIT OF DALE W. JOHANSEN

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Dale W. Johansen, of lawful age, on his oath states: that he has participated in the preparation of the foregoing written testimony in question and answer form, consisting of six (6) pages and two (2) schedules, to be presented in this case; that the answers in the testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

Dale W. Johansen

Subscribed and sworn to before me this 14th day of August 2001.

Notary Public

SHARON S WILES
NOTARY PUBLIC STATE OF MISSOURI
COLE COUNTY
MY COMMISSION EXP. AUG. 23,2002

My Commission Expires: _____