

*Exhibit No.:*  
*Issue:* Cost Allocation Manual  
*Witness:* STEPHEN M. RACKERS  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Surrebuttal Testimony  
*Case No.:* WM-2001-309  
*Date Testimony Prepared:* August 15, 2001

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**FILED<sup>2</sup>**

AUG 15 2001

Missouri Public  
Service Commission

**SURREBUTTAL TESTIMONY**

**OF**

**STEPHEN M. RACKERS**

**MISSOURI-AMERICAN WATER COMPANY, ET. AL**

**CASE NO. WM-2001-309**

*Jefferson City, Missouri*  
*August 2001*



Surrebuttal Testimony of  
Stephen M. Rackers

1 a CAM be extended to the post-merger surviving company, Missouri American Water  
2 Company (MAWC). Do you agree with this recommendation?

3 A. Yes. The operations of SLCWC will constitute the majority of the  
4 post-merger MAWC operations. It is logical to assume that the CAM ordered by the  
5 Commission, in the SLCWC rate case should be implemented for the post-merger  
6 MAWC.

7 Q. Do you know if the Company is planning to implement a CAM for the  
8 post-merger MAWC?

9 A. Yes. I have spoken to MAWC personnel and been assured that the  
10 obligation to implement a CAM, as a result of the SLCWC rate case, will be assumed by  
11 the post-merger MAWC.

12 Q. On page 2 and 5 of Mr. Dittmer's rebuttal testimony he recommends  
13 extending some of the same CAM reporting requirements "downstream" to each  
14 individual MAWC district. How would you respond to this recommendation?

15 A. My understanding of Mr. Dittmer's recommendation is that various  
16 statistics should be maintained on a district basis to facilitate the examination of the  
17 proper allocation of AWWSC costs to individual MAWC districts. My response is that  
18 the individual district statistics should already exist because the data will necessarily have  
19 to be accumulated to meet the total company requirement for the development of the  
20 "allocation factor tables" described on page 8 of Schedule 1, attached to Mr. Dittmer's  
21 testimony.

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1 Q. On pages 2 and 6 of his rebuttal testimony, Mr. Dittmer recommends that  
2 documentation comparable to that being maintained for the CAM also be implemented  
3 for MAWC common costs. Do you agree with this recommendation?

4 A. No. The current process for allocation of costs between SLCWC and  
5 MAWC reflects the fact that the companies are separate entities. Once the companies are  
6 merged, common costs will be maintained in a "corporate cost center". MAWC has  
7 historically maintained common costs in a corporate cost center. These common costs  
8 are currently accumulated and maintained on the same basis as the costs that are directly  
9 assigned to individual districts. During a rate case, these common costs are allocated to  
10 individual districts, as part of the process of determining the district specific cost of  
11 service. The proper allocation of corporate costs was an item specifically examined in  
12 the last MAWC Rate Case No. WR-2000-281. I do not believe that any additional  
13 documentation is required. As previously discussed, operating statistics will be  
14 maintained by individual district and will be available to use as the basis for allocation of  
15 common costs. Since the allocation of common costs is a situation that is already being  
16 adequately addressed in the context of rate cases, I do not believe it is appropriate to  
17 require additional record keeping as a condition of the merger.

18 Q. Please summarize your surrebuttal testimony.

19 A. I believe Mr. Dittmer's first two concerns are adequately addressed by  
20 MAWC regarding the obligation placed on SLCWC by the Commission to implement a  
21 CAM for the allocation of AWWSC costs as this obligation now relates to MAWC  
22 providing for this CAM. However, I do not believe that Mr. Dittmer's third concern  
23 regarding the allocation of common MAWC costs should be a requirement for the

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1 merger. Since the allocation of common costs are currently being adequately dealt with  
2 in rate cases, I do not foresee any detriment to rate payers as a result of the merger with  
3 regard to the allocation process for common costs to individual MAWC districts.

4 Q. Does this conclude your surrebuttal testimony?

5 A. Yes, it does.

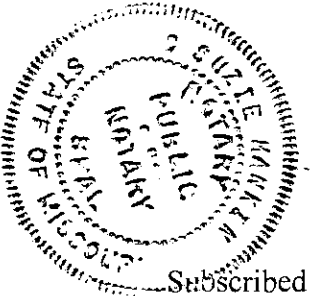
**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

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
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AFFIDAVIT OF STEPHEN M. RACKERS

STATE OF MISSOURI     )  
   )  
 COUNTY OF COLE        )        ss.

Stephen M. Rackers, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of   4   pages to be presented in the above case; that the answers in the foregoing Surrebuttal 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.



  
 STEPHEN M. RACKERS

Subscribed and sworn to before me this 15<sup>th</sup> day of August 2001.

**D SUZIE MANKIN**  
**NOTARY PUBLIC STATE OF MISSOURI**  
**COLE COUNTY**  
**MY COMMISSION EXP. JUNE 21, 2004**

