

Exhibit No.:
Issues: Water Use Normalization
Witness: Jerry Scheible, P.E.
Sponsoring Party: MO PSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: WR-2011-0337
Date Testimony Prepared: January 18, 2012

MISSOURI PUBLIC SERVICE COMMISSION

**TARIFF, SAFETY, ECONOMIC, AND
ENGINEERING ANALYSIS
DEPARTMENT**

REGULATORY REVIEW DIVISION

REBUTTAL TESTIMONY

OF

JERRY SCHEIBLE, P.E.

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2011-0337

*Jefferson City, Missouri
January 2012*

Staff Exhibit No. 12
Date 2-21-12 Reporter JL
File No. WR-2011-0337

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

In the Matter of Missouri-American Water)
Company's Request for Authority to)
Implement A General Rate Increase for)
Water and Sewer Service Provided in)
Missouri Service Areas)

Case No. WR-2011-0337

AFFIDAVIT OF JERRY SCHEIBLE

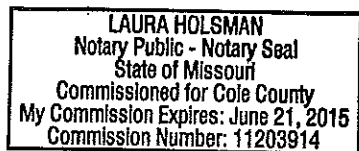
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

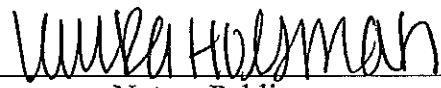
Jerry Scheible, of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 4 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.



Jerry Scheible

Subscribed and sworn to before me this 18th day of January, 2012.





Notary Public

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REBUTTAL TESTIMONY
OF
JERRY SCHEIBLE, P.E.
MISSOURI-AMERICAN WATER COMPANY
CASE NO. WR-2011-0337

Q. Please state your name and business address.

A. My name is Jerry Scheible and my business address is P. O. Box 360, Jefferson City, Missouri 65102.

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

A. I am a Utility Regulatory Engineer in the Water and Sewer Unit, Regulatory Review Division of the Missouri Public Service Commission (Staff).

Q. Did you participate in the preparation of Staff's Cost of Service Report?

A. Yes. I prepared the section regarding normalized customer water usage.

Q. Have you performed water use normalization in other cases before the Commission?

A. Yes, in the two preceding rate increase requests filed by Missouri-American Water Company (Company), Case Nos. WR-2008-0311 and WR-2010-0131.

Q. What is the purpose of your Rebuttal Testimony in this case?

A. The purpose of my Rebuttal Testimony is to address the Company's position regarding proposed customer water usages for residential customers in various Company service areas, as presented by Company witnesses Kevin Dunn and Gary Naumick in their Direct Testimony. I will also explain Staff's recommendation for proposed residential customer water usages for various service areas.

Rebuttal Testimony of
Jerry Scheible

1 Q. Which customer classes and service area regions did the Company propose to
2 normalize customer usages?

3 A. On line 12 of page 15 of Mr. Dunn's Direct Testimony, the Company presents
4 projected normalized customer usage for residential customers for the following ten (10)
5 service areas: Brunswick, Mexico, Platte County, Warrensburg, Jefferson City, St. Charles,
6 Warren County, St. Joseph, Joplin and St. Louis.

7 Q. What method did the Company utilize to determine projected normalized
8 customer water usages?

9 A. Mr. Dunn has proposed a method of normalization that varies from that
10 proposed by the Company in recent rate cases. The Company's current proposed method,
11 summarized here by Staff, considers the usage during the winter months of February, March
12 and April as "Baseline Usage." A linear regression analysis is then performed on the Baseline
13 Usage from past years to predict future Baseline Usage. A "Discretionary Usage" is also
14 calculated from data representing any usage throughout the remaining portion of the year,
15 above what is considered Baseline. The proposed normalized usage is represented by the sum
16 of the average calculated Discretionary Usage and the calculated Baseline Usage. Ten years
17 worth of usage history, from 2001 through 2010, were used in the Company's calculations.

18 Q. Does Staff recommend normalized customer usages for any Company
19 customer classes?

20 A. Yes. Staff has proposed normalized customer usage for residential customers
21 for the same ten (10) service areas: Brunswick, Mexico, Platte County, Warrensburg,
22 Jefferson City, St. Charles, Warren County, St. Joseph, Joplin and St. Louis.

23 Q. Please describe the method utilized by Staff.

Rebuttal Testimony of
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1 A. Staff utilized an average of the customer usage from the most recent and
2 consecutive years of reliable data: 2007 through 2010. In past rate cases, the Company has
3 deemed water usage data from 2006 to be unreliable due to billing software changes in the
4 year, which Staff does not dispute. Therefore Staff used only the data from subsequent years
5 to avoid any possible discrepancies due to gaps in the data.

6 Q. What is the basis for Staff's method of normalizing customer usage?

7 A. Staff finds that using the average from the past four years is the most reliable
8 method.

9 Q. Why does Staff consider this method to be the most reliable?

10 A. Averaging the most current actual usage data available, as provided by the
11 Company, accounts for varying rainfall amounts and temperatures, in any given combination.
12 Trends in water usage due to conservation practices or lawn size or irrigation practices could
13 certainly be unique to any given service area, and would also be accounted for in an average
14 of actual usages.

15 Q. Has this, or a similar, method of using an average of data from recent years
16 been utilized by the Company or Staff in recent past rate cases to predict future usage?

17 Q. Yes. Staff used a method of averaging six years of data to predict future usage
18 in the past two rate cases filed by the Company. The Company utilized the same method of
19 averaging six years of data for several of their service areas in the same two cases. Both Staff
20 and the Company, however, precluded data from the year 2006 due to the billing discrepancy
21 issue previously discussed.

22 Q. Did the Company witnesses present in their testimonies any other theories
23 regarding trends in water usage in general?

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1 A. Yes. Mr. Dunn and Mr. Naumick present testimony contending that a trend of
2 declining usage exists in American Water customers. Beginning on line 4 of page 14 of Mr.
3 Dunn's Direct Testimony, he cites increasing prevalence of low flow plumbing fixtures,
4 conservation ethic of the customers and price elasticity as reasons supporting the trend. Mr.
5 Naumick presents his agreement with Mr. Dunn's opinion in his Direct Testimony beginning
6 on line 13 of page 3.

7 Q. Does Staff recommend the Commission make an adjustment to customer usage
8 based upon the theory of declining usage?

9 A. No. Trends in water usage due to conservation practices or lawn size or
10 irrigation practices could certainly be unique to any given service area, and would also be
11 reasonably accounted for in an average of recent actual usages. Furthermore, when reviewing
12 the average usage per customer in the past four years, the average usage increased from at
13 least one preceding year in seven of the ten service areas for which customer usage has been
14 proposed. It therefore is not evident that usage is declining collectively for the various service
15 areas. Staff finds that that any potential declining trend in customer water usage is not
16 occurring at such a rapid pace that an average of usages from recent years would not account
17 for the majority of any immediate effect.

18 Q. Does this conclude your Rebuttal Testimony?

19 A. Yes.