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Case No.: WR-XXXX-XXXX
SR-XXXX-XXXX
Date: August 19, 2011

MISSOURI PUBLIC SERVICE COMMISSION

**CASE NO. WR-XXXX-XXXX
CASE NO. SR-XXXX-XXXX**

DIRECT TESTIMONY

OF

DENNIS R. WILLIAMS

ON BEHALF OF

MISSOURI-AMERICAN WATER COMPANY

Staff Exhibit No. 36
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 FOR AUTHORITY TO) FILE TARIFFS REFLECTING INCREASED) RATES FOR WATER AND SEWER) SERVICE)	CASE NO. WR-XXXX-XXXX CASE NO. SR-XXXX-XXXX
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AFFIDAVIT OF DENNIS R. WILLIAMS

Dennis R. Williams, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Direct Testimony of Dennis R. Williams"; that said testimony was prepared by him and/or under his direction and supervision; that if inquires were made as to the facts in said testimony, he would respond as therein set forth; and that the aforesaid testimony is true and correct to the best of his knowledge.


Dennis R. Williams

State of Missouri
County of St. Louis

SUBSCRIBED and sworn to
Before me this 19~~th~~ day of August 2011.


Notary Public

My commission expires:



**DIRECT TESTIMONY
DENNIS R. WILLIAMS
MISSOURI-AMERICAN WATER COMPANY
CASE NO. WR-XXXX-XXXX
SR-XXXX-XXXX**

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DIRECT TESTIMONY

DENNIS R. WILLIAMS

I. WITNESS INTRODUCTION

1

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Dennis R. Williams. I am employed by American Water Works
4 Service Company, Inc. ("AWWS"), 727 Craig Road, St. Louis, Missouri
5 63141.

6

7 **Q. WHAT IS YOUR RELATIONSHIP WITH MISSOURI-AMERICAN WATER
8 COMPANY ("MISSOURI-AMERICAN" OR "MAWC" OR THE
9 "COMPANY")?**

10 A. I am employed as Senior Manager – Rates and Regulation for the Western
11 Region of AWWS, which includes Missouri-American.

12

13 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND
14 PROFESSIONAL EXPERIENCE.**

15 A. I received a Bachelor of Science in Business Administration, summa cum
16 laude, from the University of Central Missouri, with majors in accounting and
17 finance. After graduation, I was licensed in Missouri as a Certified Public
18 Accountant and employed as an auditor in the Regulated Industries division
19 of Arthur Andersen & Company. After leaving Arthur Andersen, I was
20 employed for five years with a regulatory consulting firm. Thereafter, I joined
21 the Regulatory Services department of Aquila, Inc., formerly an electric and

1 gas utility, headquartered in Kansas City. I served in a number of roles at
2 Aquila, progressing to the position of Vice President – Regulatory Services. I
3 joined AWWWS in my current capacity in May 2008. Over the years I have
4 participated in regulatory proceedings in 19 jurisdictions and provided
5 testimony in ten states, Canada and Australia.

6
7 **II. EXECUTIVE SUMMARY**

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

9 A. The purpose of my testimony is to explain the Company's request to increase
10 water and sewer rates for customers served by the Company's recently
11 acquired assets formerly owned and operated by Roark Water and Sewer,
12 Inc. ("Roark"). MAWC seeks a rate increase that would produce additional
13 permanent annual water revenues of approximately \$54,000 and waste water
14 revenues of approximately \$117,000. My testimony will outline the
15 Company's presentation of its case and sponsor the minimum filing
16 requirements that are required by Missouri Public Service Commission
17 ("Commlssion") Rule 4 CSR 240-3.030. I will also explain why this filing was
18 made separate and apart from the rate change requests filed in File No. WR-
19 2011-0337 and in File No. SR-2011-0338 (Company's "Pending Rate Case")
20 for MAWC's other operating districts, as well as the Company's proposal to
21 consolidate this filing with its Pending Rate Case.

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III. ROARK ACQUISITION

Q. WHEN WERE THE ASSETS SUPPORTING THE ROARK OPERATIONS ACQUIRED?

A. On May 7, 2011, the Missouri Public Service Commission, in an order in File Number WO-2011-0015, effective May 7, 2011, authorized MAWC to acquire substantially all the assets of Roark Water and Sewer, Inc. Although the Company originally anticipated that this transaction would be closed in June 2011, the closing did not take place until July 29, 2011.

Q. WHAT WAS THE CAUSE OF THE DELAY?

A. Before the transaction could close, it was necessary for the City of Branson to approve the assignment of a sewer interceptor agreement to Missouri American Water that had been in place between the City of Branson and Roark. While the Company had received assurances that this assignment would likely be approved, the timing of the three ordinance readings and vote of approval took longer than was originally anticipated.

Q. DID THIS DELAY HAVE AN IMPACT ON THE RATE CASE FILINGS MADE BY THE COMPANY IN FILES WR-2011-0337 AND SR-2011-0338?

A. Yes, to some extent. The rate case revenue requirement was developed based upon the assumption that on a pro forma basis the Roark facilities would be owned and operated by MAWC. This assumption has not changed

1 and the filed revenue requirement was not impacted by the delay. However,
2 because the Roark transaction had not closed at the time of filing, the
3 Company could not file tariff sheets in support of rate changes to the existing
4 Roark tariffs, because the adoption of those existing tariffs by MAWC had not
5 yet been approved by the Commission.

6
7 **Q. DURING OR SUBSEQUENT TO THE TEST YEAR IN ITS PENDING RATE**
8 **CASE, DID MISSOURI-AMERICAN WATER ENTER INTO ASSET**
9 **PURCHASE AGREEMENTS WITH OTHER UTILITIES REGULATED BY**
10 **THIS COMISSION?**

11 A. Yes. During or subsequent to the test year in its Pending Rate Case (i.e.
12 December 31, 2010), the Company entered into three asset purchase
13 agreements approved by the Commission, including the Roark transaction.
14 The other two agreements pursuant to which assets were acquired were with:
15 1) the Loma Linda Water Company; and, 2) Aqua Missouri, Inc., Aqua
16 Development, Inc. and Aqua/RU, all doing business as Aqua America. In the
17 Pending Rate Case, the assets of Loma Linda Water Company were included
18 in the historical test year because the closing took place prior to December
19 31, 2010 and were therefore already included in MAWC accounts at the end
20 of the test year. The assets of the other two transactions (i.e. Aqua Missouri
21 and Roark) were treated as pro forma adjustments to rate base.

22

1 Q. DID THE COMPANY ALSO REFLECT OPERATING REVENUES AND
2 EXPENSES ASSOCIATED WITH THE OPERATION OF THESE ASSETS IN
3 ITS PENDING RATE CASE?

4 A. Yes. The Company acquired the 2010 financial records of all three entities,
5 analyzed their accounts, and to the extent necessary translated income
6 statement values into accounts to be consistent with MAWC's chart of
7 accounts. These valuations were included as pro forma adjustments to the
8 Company's test year and then further adjusted for any known and measurable
9 changes that will occur under the Company's ownership and are thus
10 included in the water and sewer revenue requirement determinations in the
11 Pending Rate Case. However, as noted previously, the Company did not file
12 tariff sheets in support of rate changes to the existing Roark tariffs in its
13 Pending Rate Case.

14
15 Q. HAVE ADOPTION TARIFFS FOR ROARK SUBSEQUENTLY BEEN FILED
16 BY MISSOURI AMERICAN WATER?

17 A. Yes. On August 10, 2011, those tariffs were approved by the Commission in
18 File No. WO-2011-0213, and became effective on August 12th.

19
20 Q. HOW HAVE THE RATES BEEN DESIGNED FOR THE ROARK WATER
21 AND SEWER PROPERTIES IN THE COMPANY'S CURRENT ROARK
22 RATE FILING?

1 A. In this filing, the Company has proposed the same rates for the water and
2 sewer properties as were proposed in the Pending Rate Case, utilizing the
3 consolidated tariff pricing concept explained in those cases.

4
5 **Q. WHAT IS THE COMPANY'S RECOMMENDATION FOR HOW THIS CASE**
6 **SHOULD PROCEED?**

7 A. The Company believes this case should be consolidated with its Pending
8 Rate Case. No adjustment to the Company's Pending Rate Case would be
9 necessary. MAWC believes that consolidation of these proceedings would be
10 the most expedient and efficient use of resources and will move for
11 consolidation once notice in the current proceeding is issued.

12

13 **IV. MINIMUM FILING REQUIREMENTS (MFRs)**

14 **Q. HAS THE COMPANY INCLUDED IN ITS FILING THE MINIMUM FILING**
15 **REQUIREMENTS IDENTIFIED BY COMMISSION RULE 4 CSR 240-3.030?**

16 A. Yes. Attached to my testimony is Schedule DRW-1, which contains the
17 required information for filing a request to change rates and charges before
18 this Commission.

19

20 **V. DIRECT TESTIMONY**

21 **Q. WHAT DIRECT TESTIMONY SUPPORTS THIS GENERAL RATE CASE**
22 **FILING?**

23 A. In addition to this testimony, MAWC will incorporate by reference the direct
24 testimony filed in the Pending Rate Case.

1

2 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

3 A. Yes, it does.

Missouri-American Water Company

Minimum Filing Requirements

4 CSR 240-3.030 (3) (B)

Missouri-American Water Company
For the Test Year Ended December 31, 2010
Case No. WR-2011-0337
Case No. SR-2011-0338

Item #1 - Aggregate Annual Increase
Roark Water District

The aggregate annual increase over current revenues which the tariffs propose is \$54,462
which is an overall increase to the customer of 21.04% on a Pro Forma Basis.

Missouri-American Water Company
For the Test Year Ended December 31, 2010
Case No. WR-2011-0337
Case No. SR-2011-0338

Item #1 - Aggregate Annual Increase
Roark Sewer District

The aggregate annual increase over current revenues which the tariffs propose is \$116,565
which is an overall increase to the customer of 39.40% on a Pro Forma Basis.

**Missouri-American Water Company
For the Test Year Ended December 31, 2010
Case No. WR-2011-0337
Case No. SR-2011-0338**

Item #2 - Names of Counties and Communities Affected

<u>County Name</u>	<u>Communities</u>
Stone	Stonebridge Village
Taney	Branson
	Stonebridge Village

Missouri-American Water Company
For the Test Year Ended December 31, 2010
Case No. WR-2011-0337
Case No. SR-2011-0338

Item #3 - Number and Classification of Customers Affected
Roark Water District

Classification

Residential	541
Commercial	134
Industrial	0
Rate J	0
Other Public Authority	0
Other Water Utility	0
Fire Protection	0
Total	675

Missouri-American Water Company
For the Test Year Ended December 31, 2010
Case No. WR-2011-0337
Case No. SR-2011-0338

Item #3 - Number and Classification of Customers Affected
Roark Sewer District

Classification

Residential	547
Commercial	88
Industrial	0
Rate J	0
Other Public Authority	0
Other Water Utility	0
Fire Protection	0
Total	635

Missouri-American Water Company
For the Test Year Ended December 31, 2010
Case No. WR-2011-0337
Case No. SR-2011-0338

Item #4 - Average Increase by Customer Classifications

The average increase in dollars and the percentage over the current rate for all customer classifications based on pro forma sales are as follows:

Roark Water District

<u>Classification</u>	<u>Pro Forma Revenue at Current Rates</u>	<u>Pro Forma Revenue at New Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Residential	\$163,482	\$200,432	\$36,950	22.60%
Commercial	\$95,332	\$112,844	\$17,512	18.37%
Industrial	\$0	\$0	\$0	0.00%
Other Public Authority	0	0	0	0.00%
Other Water Utility	0	0	0	0.00%
Fire Protection	0	0	0	0.00%
Rate J / Miscellaneous Sales	0	0	0	0.00%
Residential Flat Rate:	0	0	0	0.00%
Commercial Flat Rate:	0	0	0	0.00%
Total	\$258,814	\$313,276	\$54,462	21.04%

Missouri-American Water Company
For the Test Year Ended December 31, 2010
Case No. WR-2011-0337
Case No. SR-2011-0338

Item #4 - Average Increase by Customer Classifications

The average increase in dollars and the percentage over the current rate for all customer classifications based on pro forma sales are as follows:

Roark Sewer District

<u>Classification</u>	<u>Pro Forma Revenue at Current Rates</u>	<u>Pro Forma Revenue at New Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Residential	\$199,812	\$320,270	\$120,458	60.29%
Commercial	\$96,048	\$92,155	(3,893)	-4.05%
Industrial	\$0	\$0	0	0.00%
Other Public Authority	0	0	0	0.00%
Other Water Utility	0	0	0	0.00%
Fire Protection	0	0	0	0.00%
Rate J / Miscellaneous Sales	0	0	0	0.00%
Residential Flat Rate:	0	0	0	0.00%
Commercial Flat Rate:	0	0	0	0.00%
Total	\$295,860	\$412,425	\$116,565	39.40%

Missouri-American Water Company
For the Test Year Ended December 31, 2010
Case No. WR-2011-0337
Case No. SR-2011-0338

Item #5 - Proposed annual aggregate increase by general categories of service including dollar amounts and percentage on increase in revenues above revenues derived from current rates.

Since Missouri-American Water Company's general categories of service are essentially the same as its customer classifications, this information is provided in Item #4 herein.

Missouri-American Water Company
For the Test Year Ended December 31, 2010
Case No. WR-2011-0337
Case No. SR-2011-0338

Item #6 - Press Releases

None

Missouri-American Water Company
For the Test Year Ended December 31, 2010
Case No. WR-2011-0337
Case No. SR-2011-0338

Item #7 - Summary of Reasons for the Proposed Changes

The proposed changes represent a general rate increase request. The need for an increase in rates is primarily caused by the Company's increasing capital and operating expenditures. The rate request is based upon the Company's need to continue to invest in capital improvements and to recover higher operating costs at its existing water and sewer facilities. The capital investments are part of an ongoing program to upgrade, expand, and/or replace aging infrastructure and to relocate or replace underground water mains related to highway or other road improvements. The higher operating costs are associated with operating and maintaining existing water and sewer facilities. These capital and operating increases are necessary in order to maintain system reliability, to keep the water and sewer systems current with environmental and safety standards, and to continue to meet the needs of customers.

4 CSR 240-10.060

Missouri-American Water Company
For the Test Year Ended December 31, 2010
Case No. WR-2011-0337
Case No. SR-2011-0338

Cities and Counties which Apply a Business License Tax on Gross Receipts Tax
None