

Exhibit No.:
Issues: Lead Service Line Replacements
Witness: Martin Hyman
Sponsoring Party: Missouri Department of Economic
Development – Division of Energy
Type of Exhibit: Rebuttal Testimony
Case No.: WR-2017-0285

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2017-0285

REBUTTAL TESTIMONY

OF

MARTIN R. HYMAN

ON

BEHALF OF

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

DIVISION OF ENERGY

Jefferson City, Missouri

January 17, 2018

(Revenue Requirement)

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

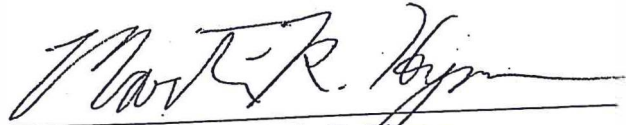
In the Matter of Missouri-American Water)
Company's Request for Authority to Implement) **File No. WR-2017-0285**
General Rate Increase for Water and Sewer)
Service Provided in Missouri Service Areas.)

AFFIDAVIT OF MARTIN HYMAN

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Martin R. Hyman, of lawful age, being duly sworn on his oath, deposes and states:

1. My name is Martin R. Hyman. I work in the City of Jefferson, Missouri, and I am employed by the Missouri Department of Economic Development as a Planner III, Division of Energy.
2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony (Revenue Requirement) on behalf of the Missouri Department of Economic Development – Division of Energy.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge.



Martin R. Hyman

Subscribed and sworn to before me this 17th day of January, 2018.

LAURIE ANN ARNOLD
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: April 26, 2020
Commission Number: 16808714



Notary Public

My commission expires: 4/26/20

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1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Martin R. Hyman. My business address is 301 West High Street, Suite 720,
4 PO Box 1766, Jefferson City, Missouri 65102.

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

6 A. I am employed by the Missouri Department of Economic Development (“DED”) –
7 Division of Energy (“DE”) as a Planner III.

8 **Q. Have you previously filed testimony before the Missouri Public Service Commission**
9 **(“Commission”) on behalf of DE in this case?**

10 A. Yes.

11 **II. PURPOSE AND SUMMARY OF TESTIMONY**

12 **Q. What is the purpose of your Rebuttal Revenue Requirement Testimony in this**
13 **proceeding?**

14 A. The purpose of my Rebuttal Revenue Requirement Testimony is to respond to testimony
15 by Office of the Public Counsel (“OPC”) witness Dr. Geoff Marke regarding Missouri-
16 American Water Company’s (“MAWC” or “Company”) Lead Service Line Replacement
17 (“LSLR”) Program. DE recommends allowing the Company to recover prudently incurred
18 costs associated with the LSLR Program. DE agrees with the Commission’s policy findings
19 in Case No. WU-2017-0296 (the Company’s request for an Accounting Authority Order,
20 or “AAO,” for certain LSLR Program costs). DE recommends addressing potential
21 concerns about cost allocation based on the recommendations offered by DED in Case No.
22 WU-2017-0296.

1 **III. LEAD SERVICE LINE REPLACEMENTS**

2 **Q. Have you previously testified on this issue?**

3 A. Yes. I provided testimony in Case No. WU-2017-0296, attached here as Schedule MRH-
4 Reb-RR1.

5 **Q. Are the opinions that you expressed in that case as to the value of the LSLR Program**
6 **relevant to this case?**

7 A. Yes, and I would offer that testimony again in this case on behalf of DE. Dr. Marke
8 introduces testimony in this case that he filed in that prior case.¹ My testimony in the prior
9 case is relevant in that it addresses many of the arguments raised by Dr. Marke's previous
10 testimony.

11 **Q. What is OPC's position on the recovery of LSLR Program costs?**

12 A. OPC continues to raise concerns about the legal and policy ramifications of the LSLR
13 Program.²

14 **Q. Subsequent to the filing of Dr. Marke's Direct Revenue Requirement Testimony in**
15 **this case, did the Commission issue an order in Case No. WU-2017-0296?**

16 A. Yes. While the Commission's Report and Order does not address the ratemaking treatment
17 of the deferred LSLR Program costs,³ it indicates clear support for the policy
18 considerations behind LSLRs. The Commission notes that LSLR is a recommended

¹ Missouri Public Service Commission Case No. WR-2017-0285, *In the Matter of Missouri-American Water Company's Request for Authority to Implement General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas*, Direct Testimony of Geoff Marke Submitted on Behalf of The Office of the Public Counsel, November 30, 2017, Schedules GM-2, GM-3, and GM-4.

² *Ibid*, pages 11-12, lines 17-26 and 1-26.

³ Missouri Public Service Commission Case No. WU-2017-0296, *In the Matter of the Application of Missouri-American Water Company for an Accounting Order Concerning MAWC's Lead Service Line Replacement Program*, Report and Order, November 30, 2017, page 10.

1 practice for reducing the risk of lead exposure and also notes the adverse health effects of
2 lead exposure.⁴ The decision in that case states, “The public policy related to lead in
3 drinking water and its adverse health effects is particularly persuasive in this case.
4 MAWC’S LSLR Program adheres to the recommended method of lead removal and
5 eliminates the risk of lead containment that exists with partial lead pipe replacements.”⁵

6 **Q. Could denying the recovery of prudently incurred costs associated with the LSLR**
7 **Program result in termination of the LSLR Program undertaken by the Company?**

8 A. Yes. In its Report and Order in Case No. WU-2017-0296, the Commission notes that, “If
9 the Commission decided to deny MAWC’s application for an AAO, MAWC would stop
10 the LSLR program.”⁶ A similar outcome could occur if the Commission denies the
11 recovery of prudently incurred LSLR Program costs. Given the policy rationale for LSLRs
12 that the Commission addressed in Case No. WU-2017-0296, the recovery of prudently
13 incurred LSLR Program costs is appropriate as a part of the Company’s continued
14 provision of safe and adequate service.

15 **Q. Are there reasonable methods of addressing various concerns about cost allocation,**
16 **short of terminating the LSLR Program?**

17 A. Yes. As DED noted in its *Initial Post-Hearing Brief* in Case No. WU-2017-0296, there are
18 ways to address the potential equity concerns associated with socializing the costs of
19 LSLRs for customers with the means to do so themselves. DE is not opposed to a cost
20 allocation methodology for the costs of the Program that ensures payment by the customer

⁴ *Ibid*, page 6.

⁵ *Ibid*, page 9.

⁶ *Ibid*, page 7.

1 groups associated with LSLR costs, and is also not opposed to a program that targets
2 ratepayer-funded LSLRs to low-income customers.⁷

3 **Q. In Case No. WU-2017-0296, Dr. Marke recommended the creation of a collaborative**
4 **study process to examine the issues surrounding LSLRs.⁸ Under what conditions**
5 **might such an effort be a reasonable outcome of this case?**

6 A. I would recommend the conditions described in DED's *Initial Post-Hearing Brief* in Case
7 No. WU-2017-0296. In short, such an effort should be reasonably priced (i.e., cost no more
8 than \$150,000), should not disrupt the continuity of the current LSLR Program until a
9 suitable alternative is implemented, and should be limited in scope to MAWC's service
10 territory and problems that MAWC could reasonably address, since the study would be
11 funded by MAWC ratepayers.⁹ These conditions would ensure that safety- and health-
12 related LSLRs continue as lead service lines are discovered, and that the costs of any study
13 effort borne by MAWC's ratepayers produce benefits for those ratepayers.

14 **IV. CONCLUSIONS**

15 **Q. Please summarize your conclusions and the positions of DE.**

16 A. DE recommends allowing MAWC to recover the prudently incurred costs associated with
17 its LSLR Program because of the policy considerations noted by the Commission in Case
18 No. WU-2017-0296. DE recommends addressing potential concerns about cost allocation
19 based on the recommendations offered by DED in that prior case.

⁷ Missouri Public Service Commission Case No. WU-2017-0296, *In the Matter of the Application of Missouri-American Water Company for an Accounting Order Concerning MAWC's Lead Service Line Replacement Program*, Missouri Department of Economic Development's *Initial Post-Hearing Brief*, October 19, 2017, page 3.

⁸ WR-2017-0285, Marke Direct, Schedule GM-2, pages 5-11, lines 10-17, 1-26, 1-27, 1-22, 1-24, 1-27, and 1-5.

⁹ WU-2017-0296, DED *Initial Brief*, pages 2-3.

1 **Q. Does this conclude your Rebuttal Revenue Requirement Testimony in this case?**

2 A. Yes.