

Exhibit No.:

Issues: Overview of Company facilities
& operation.
Need for rate increase
Change to monthly meter reading
& billing.

Witness: R. L. Amman, Jr.

Type of Exhibit: Direct

Sponsoring Party: MAWC

Case No.: WR-2000-281

SR-2000-282

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WR-2000-281

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FILED
NOV 19 1999
Missouri Public
Service Commission

**DIRECT TESTIMONY
OF**

Robert L. Amman, Jr.

**ON BEHALF OF
MISSOURI-AMERICAN WATER COMPANY**

**JEFFERSON CITY, MISSOURI
NOVEMBER 19, 1999**

**Direct Testimony of
Robert L. Amman, Jr.**

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1 1. Q. Please state your name and business address.
2 A. My name is Robert L. Amman, Jr. and my business address is 1003 E. St. Maartens
3 Drive, St. Joseph, Missouri 64506.
4 2. Q. By whom are you employed and in what capacity?
5 A. I am employed by Missouri-American Water Company ("MAWC" or "Company")
6 as Manager of its St. Joseph, Warrenburg, Platte County and Brunswick Districts.
7 3. Q. How long have you held this position?
8 A. I assumed my position in February, 1997.
9 4. Q. Please state your educational background and work experience prior to your
10 present position.
11 A. I have an Associate of Science degree in Electronics from Point Park College in
12 Pittsburgh, Pennsylvania. I have 29 years of managerial experience in the water
13 works industry. I have been employed by American Water Works System
14 companies in Pennsylvania, Maryland, Rhode Island, Massachusetts and Missouri.
15 I have attended numerous courses and seminars dealing with water industry related
16 issues.
17 5. Q. Are you affiliated with any professional organizations?
18 A. Yes, I am a member of the American Water Works Association, Missouri Section
19 and the National Association of Water Companies.
20 6. Q. Have you previously testified before the Missouri Public Service Commission?
21 A. No, I have not.
22 7. Q. Have you previously testified before any other utility regulatory body?
23 A. Yes. I have previously testified on operational matters before the Maryland Public
24 Service Commission, the Rhode Island Public Utility Commission and the
25 Pennsylvania Public Utility Commission.
26 8. Q. What are your duties and responsibilities as Manager of MAWC?
27 A. I am responsible for assuring water quality and quantity standards and the
28 continuity of services. I work very closely with the District Supervisors and
29 Superintendents as they implement their daily operations. In my capacity as

1 Manager, it is my responsibility to carry out and achieve MAWC's goals and
2 objectives. I, along with other Company officials, represent the Company, as
3 required, before governmental and regulatory agencies. I assist in formulation of
4 financial objectives and budgets, provide the direction necessary to meet those
5 objectives and remain within budgetary guidelines. I assist in establishing
6 employee levels, working conditions and safety requirements within guidelines
7 established by the Board of Directors and the President of the Company. My
8 responsibilities include negotiation of labor contracts with bargaining units, as well
9 as other special contracts. I also assist in the development and control of the
10 Company's operations, maintenance and capital budgets. In addition, I provide
11 direction in the areas of construction and the protection of the Company's
12 property, facilities and equipment.

13 **9. Q. What is the purpose of your testimony in this Case?**

14 A. My testimony provides an overview of the Company's facilities and operations,
15 and the major factors driving the current need for a revenue increase. In addition,
16 I will address the Company's proposal to convert its St. Joseph District from
17 quarterly to monthly meter reading and billing.

18 **10. Q. When were the Company's present rates effective?**

19 A. The Company's present rates became effective for all districts on November
20 14, 1997, pursuant to the Commission's Report and Order dated November 6, 1997
21 in Case Nos. WR-97-237 and SR-97-238.

22 **11. Q. What is the amount of the rate increase requested by the Company in this
23 proceeding?**

24 A. The proposed new water rates are designed to increase gross revenues for MAWC
25 by \$16,480,746, or approximately 55%, over present water revenues. An increase
26 has also been requested for the Company's sewer rates of \$2,363 annually or 5%.

27

1 **NEED FOR A RATE INCREASE**

2
3 **12. Q. Why is a rate increase necessary?**

4 A. The Company filed this rate application because its existing rates for water and
5 sewer utility services are insufficient to provide revenues to adequately cover the
6 Company's necessary and reasonable operating expenses and provide the Company
7 with a fair return on the value of its utility property. Since its last rate filing, the
8 Company has made, and is continuing to make, significant capital expenditures for
9 additions and improvements to its facilities. The Company's ongoing need to
10 modernize its facilities requires it to be in a solid financial condition in order to
11 attract capital on favorable terms. Our ability to do so is a direct, long-term benefit
12 to our ratepayers. Other witnesses, testifying on behalf of the Company will
13 address the Company's need for rate relief in greater detail.
14

15 **DESCRIPTION OF FACILITIES AND OPERATIONS**

16
17 **13. Q. In general, please describe the services that are provided by MAWC.**

18 A. The Company provides residential, commercial, industrial, other public authority
19 and sale for resale water service, including fire services, to over 95,000 customers
20 in and around the cities of Brunswick, Joplin, Mexico, St. Joseph, and
21 Warrensburg, Missouri. MAWC also provides water service to customers in Platte
22 County and St. Charles County. Finally, the Company provides sewer service to
23 approximately 100 customers located in Platte County. The areas in which the
24 Company provides service comprise the seven districts of the Company and are
25 more particularly described as follows:

26 **Brunswick District**

27 The Brunswick District is located in the north central section of the state of
28 Missouri and provides water service to about 480 customers in and around the City
29 of Brunswick. Raw water is provided from three wells, which have the capacity

1 to produce 480 GPM (gallons per minute). The storage capacity is 100,000 gallons
2 and the distribution system consists of approximately 12 miles of pipe and 61
3 public fire hydrants.

4 Mexico District

5 The Mexico District is located in the northeast section of the state of Missouri and
6 provides water service to more than 4,900 customers in and around the City of
7 Mexico. Water is supplied from five wells, having a total capacity of 2,600 GPM.
8 Storage capacity is 1,500,000 gallons and the distribution system serving Mexico
9 district consists of approximately 83 miles of pipe and 496 public fire hydrants.

10 Platte County District - Water

11 The Platte County District is located in the west central section of the state of
12 Missouri, north of Kansas City, and provides water service to more than 4,500
13 customers in the Cities of Parkville, Riverside, Platte Woods, Houston Lake, and
14 surrounding areas. Water is supplied from four wells, having a total capacity of
15 3.1 MGD (million gallons a day). Storage capacity is 1,475,000 gallons and the
16 distribution system serving the Platte County District consists of approximately 76
17 miles of pipe and 471 public fire hydrants.

18 Platte County District - Sewer

19 The Platte County District operates a sewer collection system which provides
20 sanitary sewer service to approximately 100 customers in the Ridgewood
21 Station subdivision, situated between the City of Parkville and the City of
22 Riverside. The system consists primarily of a network of collecting sewers and
23 treatment is provided through a contract with the City of Kansas City.

24 St. Charles District

25 The St. Charles District is located in the east central section of the state of
26 Missouri, west of St. Louis, and provides water service to more than 25,900
27 customers in St. Charles County. The present system obtains 100 percent of its
28 supply of water from the St. Charles County Water Plant and the City of St.
29 Louis' Howard Bend Water Plant. The Company has a contract with the

1 County allowing for the delivery of water at flow rates up to 11,500 GPM, or
2 16.56 MGD. The Company also has a contract with the City of St. Louis
3 allowing for the delivery of water at rates up to 35 MGD through a pipeline
4 constructed in 1997. Storage in the St. Charles District is 7.5 million gallons
5 and the distribution system is made up of approximately 437 miles of pipe and
6 2,573 public fire hydrants.

7 Warrensburg District

8 The Warrensburg District is located in the west central section of the state of
9 Missouri and provides water service to more than 6,000 customers in and
10 around the City of Warrensburg. Water is supplied from five deep wells with a
11 plant capacity of 4.3 MGD. Total storage capacity is 1,410,000 gallons and the
12 distribution system is made up of approximately 88 miles of pipe and 609
13 public fire hydrants.

14 Joplin District

15 The Joplin District is located in the southwestern section of the state of
16 Missouri and provides water service to more than 22,000 customers in and
17 around the City of Joplin. The major source of water supply for the Joplin
18 District is obtained from Shoal Creek. In addition, four deep wells also provide
19 water to the system. The distribution system consists of approximately 335
20 miles of mains and includes 4.5 million gallons of storage capacity. The Joplin
21 system also provides fire protection through 1,347 public fire hydrants.

22 St. Joseph District

23 The St. Joseph District is located in the northwestern section of the state and
24 provides water service to more than 31,000 customers. The Missouri River has
25 been the only source of water supply for the St. Joseph District. Raw water is
26 taken from the Missouri River through two 36-inch suction pipes, one 24-inch
27 suction pipe, and one 24-inch pipe with an in-line hydraulic submersible pump.
28 The existing treatment plant has a capacity of 20.8 MGD, storage capacity is
29 15,051,000 gallons, and the distribution system consists of approximately 592

1 miles of pipe and 2,814 public fire hydrants.

2 **14. Q. Mr. Amman, please quantify the additions which the Company has made**
3 **to its facilities since its last rate case.**

4 A. The Company has made, and will continue to make, substantial investments in
5 its facilities since the end of the test period utilized in the last case (i.e. July 31,
6 1997) through the true up date proposed for this case. (i.e. April 30, 2000)
7 Gross plant additions for each of the Company's seven districts since July 31,
8 1997 through April 30, 2000, are projected to be as follows :

10 Brunswick District	\$ 96,730
11 Joplin District	\$ 3,615,565
12 Mexico District	\$ 6,521,302
13 Platte County District	\$ 5,287,431
14 St. Charles District	\$ 5,766,928
15 St. Joseph District	\$ 69,406,930
16 Warrensburg District	\$ 6,639,033
17 Corporate Office	\$ 3,229,536
18 Total	\$100,293,275

19
20 **15. Q. What is the condition of the Company's utility property?**

21 A. The Company maintains its water and sewer utility properties in a good state of
22 operating condition for the rendering of water and sewer utility service. The
23 reports of inspections conducted by the Department of Natural Resource (DNR)
24 confirm that the Company's water and sewer utility properties are maintained
25 such that they meet or exceed DNR quality standards.

26 **16. Q. Are all of the facilities that are included in the utility plant accounts in**
27 **service and necessary for the provision of reliable water service?**

28 A. Yes. As of the date of this testimony all of the Company's property is necessary
29 for and is being used to fulfill the Company's responsibility to provide

adequate, reliable water and sewer utility service.

17. **Q. What are the large construction projects that will be placed in service by April 30, 2000?**

A. By April 30, 2000, the Company expects to complete and put in service a new 30 MGD treatment plant, well field and pipelines in its St. Joseph District. This project will replace the existing plant, part of which was originally constructed in 1897. That plant is being replaced because of its age, difficulty for expansion to meet system demand and reliability due to high and low river levels which have left the entire community without water service twice since 1989.

In addition, the Company will complete and put into service facilities at its Warrensburg District which will eliminate undesirable taste and odor in the water supply due to the presence of hydrogen sulfide in the ground water source. Another well was constructed in the Warrensburg District in order to meet system demands which have increased due to customer growth. The new well and associated required pipeline provide an additional supply of approximately 1000gpm necessary to ensure reliable service. Improvements were also made to the existing four wells to eliminate the possibility of lubricants from the wells shafts getting into the water supply. This was accomplished by replacing the well shafts with water lubricated shafts as opposed to the food grade oil-based lubricants which had been used.

The Platte County District will complete and place in service a 1.0 MG distribution storage tank, pipeline and booster station to improve fire protection and meet increasing demand on its high service pressure zone. In light of significant growth already occurring and planned to occur in the near future, the Platte County District has undertaken a project to update current growth/demand projections in order to enable it to develop a long-term source of supply and project long-term capital improvement needs.

1
2 The Mexico District will complete an extensive renovation and expansion of its
3 existing treatment plant to bring the plant into compliance with
4 recommendations of the Missouri Department of Natural Resources. Another
5 well is also being constructed which will provide needed additional supply to
6 maintain reliability.
7

8 The Joplin District is installing a new well and pipeline to increase capacity of
9 the system and maintain reliability. In addition, extensive renovations and
10 structural improvements are underway at the Company's Grand Falls Dam.
11 This Dam provides a backwater pool from which the Company draws water as
12 its primary source of supply. Projected demands in the Joplin area will exceed
13 current safe yield of the Shoal Creek surface supply and four existing wells. In
14 order to meet those demands, it is necessary to increase the source of supply.
15 An additional well with an anticipated capacity of 3.0mgd is being constructed
16 along with the associated piping, pumps, structures and telemetry. Filter piping
17 and the control system at the Blendville Plant in Joplin are unreliable, outdated
18 and in need of major repairs, for which replacement parts are not available.
19 Replacement of this equipment is needed to enable the plant to properly monitor
20 and control the treatment process and maintain the high degree of water quality
21 required.
22

23 The St. Charles District has, as a result of residential and commercial
24 development in the area, experienced numerous highway relocation and
25 reconstruction projects which have resulted in the required relocation of many
26 of its underground facilities at Company expense. At present there are at least
27 eight projects which we anticipate will require facility relocation at substantial
28 expense. These projects are very difficult to plan for due to the rapid growth
29 and the readily available funding afforded to the communities for these road

1 projects. A number of them will be completed during these proceedings.

2
3 **CONVERSION TO MONTHLY METER READING**
4

5 **18. Q. Are there any customer service changes being proposed by the Company at**
6 **this time?**

7 A. Yes. The Company is proposing in this case to convert the customers in its St.
8 Joseph District from quarterly meter reading and billing to monthly meter
9 reading and billing. MAWC believes this will improve customer service in the
10 St. Joseph District even though it will result in some additional costs.

11 **19. Q. Please elaborate on that proposal to change from quarterly meter reading**
12 **and billing in the St. Joseph District to monthly meter reading and billing.**

13 A. MAWC is moving toward having all meters within all districts across the state
14 read on a monthly basis. Only one district, St. Joseph, is billing most of its
15 residential customer class and a portion of the commercial, industrial and other
16 public authority customer classes on a quarterly basis. In MAWC's last rate
17 case the Joplin District changed from quarterly to monthly meter reading and
18 billing. We are now proposing to bring St. Joseph into line with the rest of the
19 Company. The Company will fill the needed additional meter reader positions
20 with individuals who will be displaced from the new highly automated
21 treatment plant, without incurring any increase in wages. There will, however,
22 be increased expenses due to additional billing, mailing, forms, reports and
23 materials and supplies.

24 **20. Q. What is the additional cost associated with converting the remaining St.**
25 **Joseph customers to monthly reading and billing?**

26 A. The additional cost associated with changing to monthly meter reading and
27 billing in St. Joseph is approximately \$126,478 per year.

28 **21. Q. How does monthly billing benefit those customers formerly billed on a**
29 **quarterly basis?**

1 A. Monthly billing, as opposed to quarterly billing, affords the customers the
2 opportunity to pay a smaller bill. This will be particularly so where sewer
3 charges, billed on behalf of the municipality or local sewer authority, are also
4 part of the water bill. Monthly billing also allows the customers to better
5 control their personal finances. Finally, monthly meter reading and billing
6 gives the customer the opportunity to monitor usage and detect leaks on a more
7 frequent interval.

8 **22. Q. What are the benefits of monthly billing to the Company?**

9 A. Benefits derived through monthly billing would be in the areas of increased
10 cash flow, lower charge offs, smaller adjustments for underground leaks and
11 uniformity with other Districts that bill monthly. The Company has
12 incorporated the cost savings associated with these benefits in its filing through
13 pro forma adjustments to working capital (which reflects the increased cash
14 flow) and to uncollectibles (which were decreased at both present and proposed
15 rates).

16 **23. Q. Mr. Amman, please describe the management philosophy of Missouri-**
17 **American Water Company?**

18 A. Missouri-American Water Company is committed to providing adequate,
19 reliable, affordable water and the best in customer service by investing to meet
20 the water needs of its customers as well as to meet or exceed customer
21 expectations of water quality and reliability. With this commitment in mind,
22 we believe that we fairly balance the interests of our customers, employees and
23 investors. Our customers deserve the best quality water at an affordable price;
24 our employees deserve fair wages, safe working conditions and opportunities to
25 succeed; and our investors merit a fair return on their investment.

26 **24. Q. Can you give some examples of MAWC's commitment to supplying its**
27 **customers with reliable, quality water service?**

28 A. Each of the districts of the Missouri-American Water Company has developed,
29 and will continue to search for, adequate sources of supply as required. At the

1 same time, the Company is continuing to make investments in source of supply,
2 treatment, storage and distribution facilities to maintain the quality standards of
3 its product and to meet the needs of the areas served. In addition, the Company
4 seeks to attract and retain competent personnel. Once hired, the Company is
5 committed to providing the necessary training and education to its employees so
6 that they will be better able to serve our customers. For example, many of
7 MAWC's employees have completed accredited courses in the management and
8 operation of water utilities. These courses, conducted by the American Water
9 Works Service Company, Inc., are designed to strengthen management skills
10 and broaden the understanding of the technical aspects of providing reliable
11 high quality water service. The employees who work directly with customers
12 are trained to respond efficiently and graciously to customers' inquiries,
13 requests and complaints. Besides receiving formal training in Company
14 procedures and effective customer relations, Company personnel attend
15 meetings and seminar presentations relating to specific customer-relations
16 issues. These and other practices aid the Company in accomplishing its
17 objective of providing the best possible water service at an affordable price.

18 **25. Q. Does this conclude your direct testimony?**

19 **A. Yes, it does.**

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