

Exhibit No. 12

Exhibit No.:
Issues: Line Extensions, Utility Coordination
of Excavation
Witness: Jeffrey T. Kaiser
Exhibit Type: Surrebuttal
Sponsoring Party: Missouri-American Water Company
Case No.: WR-2022-0303
Date: February 8, 2023

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WR-2022-0303

SURREBUTTAL TESTIMONY

OF

JEFFREY T. KAISER

ON BEHALF OF

MISSOURI-AMERICAN WATER COMPANY

AFFIDAVIT

I, Jeffrey T. Kaiser, under penalty of perjury, and pursuant to Section 509.030, RSMo, state that I am Vice President of Operation for Missouri-American Water Company, that the accompanying testimony has been prepared by me or under my direction and supervision; that if inquiries were made as to the facts in said testimony, I would respond as therein set forth; and that the aforesaid testimony is true and correct to the best of my knowledge and belief.

A handwritten signature in cursive script, appearing to read "Jeffrey T. Kaiser".

Jeffrey T. Kaiser

February 8, 2023

Dated

**SURREBUTTAL TESTIMONY
JEFFREY T. KAISER
MISSOURI-AMERICAN WATER COMPANY
CASE NO.: WR-2022-0303**

TABLE OF CONTENTS

I. INTRODUCTION.....2

II. LINE EXTENSIONS.....2

III. UTILITY EXCAVATION COORDINATION.....7

SURREBUTTAL TESTIMONY

JEFFREY T. KAISER

I. INTRODUCTION

1
2
3
4
5
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Q. Please state your name and business address.

A. My Name is Jeffrey T. Kaiser. My business address is 727 Craig Road, Creve Coeur, MO 63141.

Q. Are you the same Jeffrey T. Kaiser who previously submitted Direct Testimony and Rebuttal Testimony in this proceeding?

A. Yes.

Q. What is the purpose of your Surrebuttal Testimony?

A. I will respond to the Rebuttal Testimony of the Staff of the Missouri Public Service Commission (Staff) and Office of the Public Counsel (OPC) in regard to line extension and restoration costs related to municipal ordinances and other utility coordination of excavations.

II. LINE EXTENSIONS

Q. Have Staff, OPC or others taken any position regarding the Company's proposed changes to its Main Extension?

A. Yes. OPC witness John Robinett and PSC Staff witness Daronn Williams have included recommendations regarding the line extension rules, Rule 23 (tariff Sheets Nos. R48-51 and R55) in their Rebuttal Testimony.

Q. OPC witness Robinett states that because MAWC does not track cost of service for individual customers, MAWC cannot state that increasing the company funding of

1 **new development will have no impact on existing customers.¹ Do you agree with this**
2 **position?**

3 A. No, I do not. Witness Robinett is correct that MAWC does not track cost of service of
4 individual customers, but it can determine the impact of investment in main extensions on
5 customers as described more fully below. To determine individual customer cost of service
6 would require nearly a half million individual customer cost of service calculations, with a
7 significant number of variables for each customer. The fact that each successive customer
8 in the system requires additional distribution main to reach their property to serve them,
9 and that each successive customer also would also be allocated a share of the existing
10 distribution system main or appurtenance would introduce potentially thousands of
11 variables for each customer. In essence, each customer would have a different cost of
12 service allocation, and those customers located closer to the source of supply would have
13 a lower cost than those further away. It is a task that is simply not done in the utility
14 business. That is why customers are tracked by rate groups.

15 However, MAWC can determine the impact of the Company's capital investment in main
16 extensions on all customers as well as the impact of new customers sharing in the cost of
17 Company's existing infrastructure and O&M costs to determine if the main extensions have
18 a negative impact on existing customers. From January 2018 to December 2022, MAWC
19 funded approximately \$3.372 million in main extensions for new development. Over this
20 same period, the Company added 2,176 new customers through main extensions. These
21 new customers are allocated not only a portion of the cost of the main extension that serves
22 them but have effectively been allocated a share of the roughly \$2.25 billion in rate base

¹ Robinett RT, p. 5 line 12.

1 that currently serves nearly 480,000 MAWC water customers, thus providing a cost sharing
2 benefit to existing customers. They also pay rates recovering a portion of the overall O&M
3 costs in the state, which positively impacts other customers. More specifically, the average
4 cost of new infrastructure per new customer through the main extension program over the
5 five year period 2017 through 2021 was \$1,549 while the cost of existing infrastructure per
6 existing customer is currently more than \$4,600. Therefore, the cost of infrastructure for
7 existing customers is more than three (3) times the incremental cost of infrastructure for
8 new customers, meaning new main extension customers are effectively reducing the
9 overall cost of infrastructure per customer as they are added through spreading the total
10 combined cost over a larger base of customers. In other words, existing customers are not
11 subsidizing new customers; rather adding new customers actually decreases the overall
12 cost per existing customer. More detailed analysis could be performed to include operation
13 and maintenance costs, etc., but it would serve to only reinforce this same conclusion.

14 **Q. OPC witness Robinett’s discusses the confusion created by the various aspects of the**
15 **current main extension tariff and opines that additional reporting is necessary to**
16 **verify compliance with the tariff.² Is Witness Robinett correct?**

17 A. His position is partially correct. Mr. Robinett is correct that the current tariff language is
18 confusing and difficult to interpret. See Rule 23 (tariff Sheets Nos. R48-51 and R55). This
19 is another reason to simplify the language of the tariff and create a uniform and more
20 straightforward set of rules for the Company and developers to follow regarding main
21 extensions across the state. However, I do believe that MAWC’s practices regarding new
22 development and line extensions have been in compliance with the tariff requirements and

² Robinett RT, p. 6, line 14.

1 I do not believe creating additional reporting, as suggested by Mr. Robinett, would serve
2 any purpose other than to create more cost for customers.

3 **Q. OPC witness Robinett recommends the Commission order monthly reports for**
4 **service line extensions.³ Do you agree with this recommendation?**

5 A. No. There is no need for this monthly reporting as a very simple evaluation, such as I
6 provided above, illustrates that line extensions are not subsidized by existing customers.

7 **Q. OPC witness Robinett states “MAWC should retain any requests for proposals or bid**
8 **information so that parties may determine the prudence of line extension in the next**
9 **general rate proceeding.”⁴ Would this be possible?**

10 A. No. MAWC is not involved in the procurement of this work and therefore does not request
11 proposals or bids for this work. The work is completed by the developer and/or the
12 developer’s contractors. MAWC does compare the cost of the work to similar work
13 completed by its own contractors to judge the prudence of the investment for which the
14 Company is ultimately paying.

15 **Q. OPC witness Robinett concludes this portion of his Rebuttal Testimony, by**
16 **recommending the Commission require the reporting he described and deny**
17 **MAWC’s request to modify the tariff provisions related to main extensions.⁵ Do you**
18 **agree with this position?**

19 A. No. As I explained previously, the typical main extension customer is not subsidized by
20 existing customers, and this alone negates the majority of OPC witness Robinett’s
21 argument. His recommended reporting would only increase reporting burdens and

³ Robinett RT, p. 7, line 7.

⁴ Robinett RT, p. 7, line 16.

⁵ Robinett RT, p. 7, line 20 - p. 8,

1 subsequent cost to customers and would do nothing to clarify what is admittedly a very
2 complex and confusing process. The Commission should approve MAWC's request to
3 modify the main extension rule as described in my Direct Testimony⁶, as this would
4 simplify this process, and it would create a more equitable playing field for the
5 communities MAWC serves to compete for development with municipalities that own and
6 operate their own water systems.

7 **Q. Does Staff witness Daronn Williams agree with the Company regarding changes to**
8 **Rule 23?**

9 A. He does in part. Mr. Williams states, "Staff does not object to removing the 120-day time
10 frame and does not object to the general effort of simplifying the refund program by using
11 the same refund ratios for all districts but does object to the 65:35 ratio."⁷

12 **Q. Staff witness Williams describes his analysis of the information you provided in your**
13 **Direct Testimony.⁸ Have you reviewed Staff witness Williams' analysis?**

14 A. Yes. Mr. Williams' evaluation appears to be correct and his conclusions, while different
15 than the position of the Company, appear to represent an equally reasonable assessment of
16 the data.

17 **Q. How is Mr. Williams' conclusion different than that of the Company if both are**
18 **reasonable?**

19 A. To summarize, the Company made its proposed 65:35 cost share ratio calculation based on
20 the total count of lots in the developments evaluated, with the assumption that over time
21 all lots would be built upon, which would result in a Company cost share of approximately

⁶ Kaiser DT, pp. 21-23.

⁷ Williams RT, p. 3, line 1.

⁸ Williams RT, beginning p. 3 line 5.

1 35%. As Mr. Williams' states, this is "a maximum hypothetical value."⁹

2 It appears that in his evaluation Mr. Williams looked more specifically at the actual amount
3 the Company paid in cost share for each of the developments and suggested a more
4 conservative cost share ratio than that proposed by MAWC. Mr. Williams details his
5 reasoning for a 25% refund rate.¹⁰

6 Both evaluations are reasonable assessments of the data, but with a different viewpoint and
7 approach to the solution.

8 **Q. Does Staff witness Williams make any recommendations regarding modification of**
9 **the Rule 23 which addresses main extensions?**

10 **A.** Yes. Mr. Williams states, "Staff recommends the Commission allow MAWC to change
11 Rule 23 (tariff Sheets Nos. R48-51 and R55) to allow a Company refund rate of 25% for
12 all districts in Missouri and remove the 120-day time frame."¹¹

13 **Q. Do you agree with Staff witness Williams' recommendation?**

14 **A.** Yes. Though different than the MAWC proposal, the Staff recommendation will still
15 simplify a confusing set of rules and provide what MAWC believes to be a more equitable
16 process for the communities MAWC serves and those trying to invest in the growth of
17 those communities than that currently in effect.

18 **III. UTILITY EXCAVATION COORDINATION**

19 **Q. Has Staff or others responded to OPC witness Geoff Marke's Direct Testimony on**
20 **Utility Excavation Coordination?**

⁹ Williams RT, p. 4, line 14.

¹⁰ Williams RT, p. 5, line 4.

¹¹ Williams Rt, p. 5 line 13.

1 A. Yes. Staff witness David C. Roos responded to OPC witness Marke’s Direct Testimony on
2 this issue.¹²

3 **Q. How did Staff witness Roos respond?**

4 A. Witness Roos summarized Staff’s response. Among other comments, Mr. Roos states,
5 “This issue has been examined in previous rate cases, and Staff remains satisfied that
6 MAWC is doing what it can to conduct planned projects in coordination with planned
7 roadwork by local government entities.” He further states, “Staff sees little value in setting
8 up an annual, recurring workshop.”¹³

9 **Q. Do you agree with this response from Witness Roos to Witness Marke?**

10 A. Yes. I do.

11 **Q. Does this conclude your Surrebuttal Testimony?**

12 A. Yes.

¹² Roos RT, p. 7.

¹³ Roos RT, p. 7.