

1 be glad to rule on it then if you can't agree on it  
2 on an order of cross.

3 But as of now, I've just got the  
4 Missouri-American list in front of me. And I can  
5 get the other one on EFIS here if I need it.

6 MR. OPITZ: Okay. Thank you, Judge.

7 JUDGE PRIDGIN: I'm sorry?

8 MR. COOPER: Mr. Opitz, you're -- you're  
9 thinking it doesn't come up until Mr. Hyman takes  
10 the stand, right?

11 MR. OPITZ: That's correct. I believe  
12 there -- everything else is consistent.

13 MR. COOPER: Yeah.

14 JUDGE PRIDGIN: Okay. Thank you.  
15 Anything further before Mr. Naumick takes the  
16 stand? All right. Mr. Naumick, if you'll come  
17 forward to be sworn please, sir. If you'll raise  
18 your right hand to be sworn, please.

19 GARY A. NAUMICK,  
20 being first duly sworn to testify the truth, the whole truth,  
21 and nothing but the truth, testified as follows:

22 DIRECT EXAMINATION

23 BY MR. COOPER:

24 JUDGE PRIDGIN: Thank you, sir. Please  
25 take a seat. And, Mr. Cooper, when you're ready

1 sir.

2 Q (By Mr. Cooper) Please state your name.

3 A My name is Gary A. Naumick. It's  
4 N-a-u-m-i-c-k.

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

7 A I'm employed by the American Water Works  
8 Service Company, and my position is the Vice  
9 President of Corporate Engineering.

10 Q Have you caused to be prepared for  
11 purposes of this proceeding certain direct,  
12 rebuttal and surrebuttal testimony in question and  
13 answer form?

14 A Yes.

15 Q So is it your understanding that that  
16 testimony has been marked as Exhibits 1, 2 and 3  
17 for identification?

18 A Yes.

19 Q Do you have any changes that you would  
20 like to make to that testimony at this time?

21 A I do have -- actually, four inter-related  
22 corrections to make, minor corrections, which I can  
23 direct to you.

24 Q Would you go ahead and do that?

25 A Sure. In my rebuttal testimony, I

1 actually just transposed some exhibit numbers, so  
2 I'll correct those for the record.

3 The first would be on page 7, line 4 of my  
4 rebuttal testimony where it says Schedule GAN RT-3,  
5 that should be corrected to say RT-1.

6 On line 7 of page 7 it says RT-4, that  
7 should be corrected to say RT-2. On page 8 of my  
8 rebuttal testimony where -- at Line 12, it  
9 references schedule GAN RT-1. That should be RT-3.

10 And on page 9 of my rebuttal, line 12  
11 references schedule RT-2. That should be corrected  
12 to Schedule RT-4.

13 Q Do you have any other changes?

14 A I don't.

15 Q If I were to ask you the questions which  
16 are contained in Exhibits 1, 2 and 3 today, would  
17 your answers as -- as now amended be the same?

18 A Yes.

19 Q Are those answers true and correct to the  
20 best of your information, knowledge and belief?

21 A Yes.

22 MR. COOPER: Your Honor, I would offer  
23 Exhibits 1, 2 and 3 into evidence and tender the  
24 witness for cross-examination.

25 JUDGE PRIDGIN: All right. Any

1 objections? Hearing none, Exhibits 1, 2 and 3 are  
2 admitted. Cross-examination, DED?

3 MR. BEAR: No questions, your Honor.

4 JUDGE PRIDGIN: Thank you. For Staff?

5 CROSS-EXAMINATION

6 BY MS. MERS:

7 Q Good morning. Mr. Naumick; is that  
8 correct?

9 A Good morning. Good morning.

10 Q You mention on page 2 of your direct  
11 testimony that you are a participating member in  
12 the service line replacement collaborative; is that  
13 correct?

14 A That's correct.

15 Q And the formation of that collaborative  
16 was in 2016, correct?

17 A Correct.

18 Q And was that in response to a national  
19 conversation around lead water contamination or to  
20 the proposed lead and copper rule revisions that  
21 the EPA Advisory Group authored that supported a  
22 move towards full lead service line replacement?

23 A Primarily related to the -- really, the  
24 national issue about lead service lines and about  
25 lead service line replacement.

1           So it sought to bring together a number of  
2 stakeholders, which includes regulators, public  
3 health agencies, NGOs and utilities to come  
4 together in a collaborative way to help communities  
5 to move forward with lead service line  
6 replacements.

7           **Q**    Okay. And you mentioned also in your  
8 direct testimony on page 7 that that there's been a  
9 growing body of research that indicates partial  
10 lead service lines have the potential to increase  
11 lead levels following a replacement, correct?

12          A    Correct.

13          **Q**    Do you know who is producing this  
14 research? Is that the EPA or Universities or  
15 focused organizations?

16          A    I think it's all of the above. And  
17 probably very prominently the Water Research  
18 Foundation, which is the water utility -- US Water  
19 Utility industry's research that has a number --  
20 has had -- has a number of research projects  
21 related to lead either done or underway.

22          **Q**    You also mentioned in your direct on page  
23 16 that Missouri-American is not recommending  
24 replacing home plumbing as part of this program,  
25 correct?

1           A    Correct.

2           Q    Is that because lead service lines are the  
3 largest source of lead contamination in drinking  
4 water?

5           A    It is.  If -- if -- and I know there was a  
6 lot of talk about that in -- in the direct  
7 testimony, but if I could -- would you like me to  
8 kind of expand on that?

9           Q    Your -- your Counsel probably will help  
10 you on redirect for that one.

11          A    Okay.

12          Q    I also imagine, though, one of the  
13 justifications behind it, is it correct to say that  
14 home plumbing as opposed to the lead service line  
15 is probably a little bit less of a financial burden  
16 on homeowners?

17          A    Yes.  And, also -- but primarily, it's  
18 that it's a very finite bit of potential exposure  
19 to lead as compared to a lead service line.

20                In other words, the solder in a fixture is  
21 very much contained to -- to that faucet as  
22 compared to the length of the service line.

23          Q    Okay.  And you've also attached to your  
24 rebuttal testimony Schedule GAN RT-3, which lists  
25 utility community efforts and lead service line

1 replacements, correct?

2 A Yes.

3 Q Do any of those programs that you list in  
4 that schedule, do they cover the -- part of the  
5 cost or the entire cost of the customer portion of  
6 the lead service line?

7 A I think there are various -- various  
8 approaches that that City and community have taken.  
9 And, again, some of them are municipal systems,  
10 maybe different, you know, rate-making approaches.  
11 So there are -- there have been a number of -- of  
12 approaches taken.

13 Q And I believe your Counsel might have said  
14 in his opening this morning that American Water is  
15 pursuing similar efforts to the one proposed in  
16 Missouri and 16 other states or in some of your  
17 other jurisdictions?

18 A We're moving with programs for lead  
19 service line replacement really across -- across  
20 our community. So many of them in various forms of  
21 the regulatory process as well as -- as field  
22 removals.

23 Q Also, attached to your rebuttal is  
24 Schedule GAN RT-4, and that's a listing of  
25 resources developed for, by or relied upon by that

1 lead service line collaborative, correct?

2 A Yes.

3 Q And that includes resources and research  
4 regarding funding efforts, addressing racial and  
5 economic inequalities, legal challenges,  
6 communications and -- among other things, correct?

7 A Correct.

8 Q So from your understanding, is that the  
9 information that OPC would like Missouri-American  
10 customers to pay for to use state-wide in their  
11 proposed pilot program?

12 A I think it's an example. And, again, that  
13 was really one of the purposes of the collaborative  
14 was to help communities who wanted to go forward  
15 with lead service line removals.

16 Cities, countries advertise all across the  
17 country facing the same problem. So it is  
18 recognized that it doesn't make sense for every  
19 city to go it alone.

20 So the collaborative was brought together  
21 to help provide resources to those communities.  
22 And the collaborative, which -- which I'm a  
23 participating member of, has posted, for instance,  
24 on its web site 143 different resources.

25 I -- I won't say that that's exhaustive.



1 There are -- there are others too -- you know,  
2 there are other studies and resources. But, again,  
3 that's the body -- that's the -- the -- the body of  
4 work that the collaborative has pulled together to  
5 put them in one place to help communities when they  
6 want to move forward.

7 Q So with the -- the 143 resources, that  
8 seems like it's a pretty good breadth of resources  
9 and research. Do you believe that OPC's proposed  
10 pilot program and their study is redundant and in  
11 the best use of ratepayer money then?

12 A It's largely redundant. Yes. There's a  
13 host of resources, and we're -- we're moving  
14 forward. We've done some of a lot of our own work.  
15 We've done some piloting on our own.

16 And have been really worked there a lot of  
17 the details in -- in the field where sampling,  
18 flushing, all the aspects of performing that lead  
19 service line replacement.

20 Q And my final question, are you familiar  
21 with the rebuttal testimony of OPC Witness DR.  
22 Geoff Marke?

23 A Yes.

24 Q Do you agree with the statement located on  
25 page 9 of his rebuttal testimony? And if you need

1 a moment to get there, let me know.

2 A Did you say rebuttal or surrebuttal?

3 Q Rebuttal.

4 A Okay. I'm there.

5 Q Okay. So on page 9, he states that, It is  
6 not clear what amount of lead in drinking water  
7 pose an urgent health risk. Do you agree with that  
8 statement?

9 A Can you direct me to the line?

10 Q One second. I'm sorry. It would start at  
11 1 and ends at 5. On page 5?

12 A Of rebuttal.

13 Q Yes. That was rebuttal.

14 A Oh, I'm sorry.

15 Q It's okay.

16 A I would actually give my answer to  
17 actually the answer that he gives on line 10, Both  
18 the EPA and the CDC have said that no amount of  
19 lead in water is safe for children.

20 MS. MERS: Okay. I have no further  
21 questions.

22 JUDGE PRIDGIN: Mr. Mers, than you. Cross  
23 from MECG?

24 MR. WOODSMALL: Very briefly, your Honor.

25 CROSS-EXAMINATION

1 BY WOODSMALL:

2 Q Good morning, sir.

3 A Good morning.

4 Q I see that you work in New Jersey; is that  
5 correct?

6 A That's correct.

7 Q Do you live in New Jersey as well?

8 A I do.

9 Q Are you a New Jersey American Water  
10 customer?

11 A I'm not.

12 MR. WOODSMALL: Okay. No further  
13 questions. Thank you.

14 JUDGE PRIDGIN: Thank you. Consumers  
15 Counsel? Public Counsel?

16 MR. OPITZ: A few, Judge.

17 CROSS-EXAMINATION

18 BY MR. OPITZ:

19 Q Mr. Naumick, do you still have page 9 of  
20 Dr. Marke's rebuttal testimony with you?

21 A I do.

22 Q And you read a portion of a sentence, and  
23 I believe you stopped after the comma. The rest of  
24 that sentence says, But neither agency supported  
25 that statement with regulatory action. Do you

1 agree with that statement?

2 A I do.

3 MR. OPITZ: Judge, I have a few exhibits.  
4 I'd like to just get them marked all at the same  
5 time. May I approach and can Dr. Marke help me?

6 JUDGE PRIDGIN: Sure.

7 MR. OPITZ: This will be -- Judge, can you  
8 refresh my memory as to what we're on?

9 JUDGE PRIDGIN: This one will be No. 19

10 MR. OPITZ: No. 19. The DR OPC0034.

11 MR. OPITZ: It will be 04040.

12 JUDGE PRIDGIN: Okay. I don't have that  
13 one yet, so --

14 DR. MARKE: I'll bring that one.

15 MR. COOPER: What is 19?

16 MR. OPITZ: It's -- it's DR 04040. 20  
17 will be DR0034. 21 will have to be 21-C. It  
18 contains a confidential attachment, and that will  
19 be DR0044. 22 will be DR0045.

20 JUDGE PRIDGIN: Thank you.

21 MR. OPITZ: Judge, may I also have  
22 permission to cross from my seat?

23 JUDGE PRIDGIN: You may.

24 Q (By Mr. Opitz) Good morning, Mr. Naumick.

25 A Good morning.

1 Q You are aware that Public Counsel sent  
2 some data requests to the company in this case,  
3 correct?

4 A Yes.

5 Q And you prepared some of those responses,  
6 is that correct?

7 A Yes.

8 Q So I've handed you some documents that  
9 have been pre-marked. If you'll take a look at  
10 what's been marked as Exhibit 19.

11 DR. MARKE: No. 9 is marked 19 to the --  
12 the number.

13 JUDGE PRIDGIN: DR0040.

14 A Okay.

15 Q (By Mr. Opitz) Have you got it with you?

16 A I do.

17 Q Okay. And -- and that data request is  
18 from Public Counsel to the company, and you  
19 provided the answer to that; is that correct?

20 A Yes.

21 Q Is this a true and accurate copy of the  
22 company's response?

23 A I believe it is.

24 MR. OPITZ: Judge, at this time, I'd offer  
25 DR or OPC Exhibit 19 into evidence.

1 JUDGE PRIDGIN: Any objections? Hearing  
2 none, Exhibit 19 is admitted.

3 (Exhibit 19 was offered and admitted into  
4 evidence.)

5 Q (By Mr. Opitz) Mr. Naumick, if you would  
6 look at OPC Exhibit 20, which is DR0034, for a  
7 moment. And you would agree that this is a DR  
8 response Missouri-American sent to Public Counsel?

9 A Yes.

10 Q And would you agree that you prepared this  
11 response?

12 A Myself in conjunction possibly with  
13 Mr. Aiton since some of it's about the specific  
14 field activities.

15 Q So on the very back page, it indicates  
16 you're the responsible witness for this DR --

17 A Okay.

18 Q -- is that correct?

19 A Yeah. Okay. Yeah.

20 Q And is this a true and accurate copy of  
21 the company's response in this case?

22 A I believe it is.

23 Q Would you agree that this DR references  
24 your direct testimony, particularly the phrase  
25 "replacing pipe to just outside the home."

1           A    That's what it says.  Again, that's  
2   referencing a part of a sentence.  So if you'd  
3   like, I can fresh myself by looking at the -- the  
4   actual testimony.

5           Q    At the testimony?  Do you have a copy of  
6   your testimony with you?

7           A    Yeah, I do.

8           Q    It's at your direct testimony, page 9.

9           A    Okay.

10          Q    I believe lines 13 through 14 is what  
11   it's --

12          A    Okay.

13          Q    So would you agree with me earlier  
14   statement that this DR is asking for more  
15   information about your phrase "just outside the  
16   home?"

17          A    Yes.

18          Q    Do you agree that even though the company  
19   calls this full lead service line replacement, its  
20   current program, that sometimes some of the lead  
21   service line is left in place?

22          A    That would be a one-off.  There may be  
23   situations where that's a physical necessity.  As  
24   -- as the rest of that sentence says, the -- the  
25   primary approach is from the main into the home.

1           Generally, the lead service line will  
2 terminate maybe a foot inside the foundation of the  
3 home at the inside shut-off valve. And that is the  
4 desired and, in fact, I think predominate approach.

5           There will be situations where that's not  
6 accessible for some reason and, therefore, the  
7 necessity might be that we would go to the  
8 foundation and have to stop there.

9           **Q    So -- so you do agree there are instances**  
10 **where the full line is not replaced?**

11          A    There may be.

12          **Q    And based on the information in this DR,**  
13 **there are -- when that -- when there is some lead**  
14 **service line left in place, the company uses some**  
15 **kinds of coupling to make the connection; is that**  
16 **correct?**

17          A    Correct.

18          **Q    And is the purpose of that connection to**  
19 **reduce the galvanic corrosion?**

20          A    Correct.

21          **Q    And that's a way to, I guess, prevent lead**  
22 **from leeching in as a result from the different**  
23 **kinds of metals coming in contact?**

24          A    Correct.

25               MR. OPITZ: Judge, at this time, I'd offer



1 OPC Exhibit 20 into evidence.

2 JUDGE PRIDGIN: Any objections? No  
3 objections, Exhibit 20 is admitted.

4 (OPC Exhibit 20 was offered and admitted  
5 into evidence.)

6 Q (By Mr. Opitz) Mr. Naumick, if you will  
7 look at OPC Exhibit 21-C, which is DR-44. And  
8 since this is C, I'm not actually -- I believe the  
9 -- the confidential portion is an attachment that  
10 I'm not going to refer to, so I would won't ask to  
11 go into closed session. Would you agree this is a  
12 data request response provided by the company?

13 A Yes.

14 Q Okay. And you were the responsible  
15 witness for this --

16 A Yes.

17 Q -- response?

18 A Yes.

19 Q And you agree that this is a DR asking for  
20 the reports -- any reports resulting from the New  
21 Jersey's pipe replacement program?

22 A Yes.

23 Q And you would agree that no such report  
24 has been produced?

25 A No final report -- no final report was

1 produced.

2 Q I believe it -- so -- so when the question  
3 says, Provide all reports produced by the American  
4 Water subsidiaries in New Jersey relating to the  
5 intensive monitoring program during replacement  
6 work, your caveat is there may be reports, but  
7 you've not produced the final report?

8 A There may be draft report or -- or -- I  
9 know that there were sample results summaries, but  
10 no -- no final report.

11 Q And the company did not provide any of  
12 that to Public Counsel?

13 A Again, it wasn't working product.

14 MR. OPITZ: Judge, at this time, I'd offer  
15 OPC Exhibit 21-C into evidences.

16 (OPC 21-C was offered and admitted into  
17 evidence.)

18 JUDGE PRIDGIN: Any objections? Hearing  
19 none, 21-C is admitted.

20 (OPC Exhibit 21-C was offered and admitted  
21 into evidence.)

22 Q If you would take a look at OPC Exhibit  
23 22, Mr. Naumick, which is DR-45.

24 A Yes.

25 Q And you agree that this is a data request

1 asking for any reports produced by American Water  
2 subsidiaries in Illinois related to lead  
3 replacement, correct?

4 A Yes.

5 Q And no response has been provided, no  
6 report has been provided?

7 A No report was developed.

8 Q Is this a -- and you provided the response  
9 to this data request?

10 A Yes.

11 MR. OPITZ: Judge, I'd offer OPC Exhibit  
12 22 into evidence.

13 JUDGE PRIDGIN: Exhibit 22 has been  
14 offered. Any objections? Hearing no objections,  
15 Exhibit 22 is admitted.

16 (OPC Exhibit 22 was offered and admitted  
17 into evidence.)

18 Q (By Mr. Opitz) Mr. Naumick, if you would  
19 -- well, we probably didn't -- Mr. Naumick, if the  
20 company -- company's program continues, does  
21 Missouri-American intend to stop treating its  
22 water?

23 A No, we do not intend to stop treating our  
24 water.

25 Q If the Commission declines the

1 application, will Missouri-American continue to  
2 conduct partial replacements?

3 A Repeat that. I just want to make sure I  
4 understood the question.

5 Q So if the Commission declines the  
6 condition's AAO application in this case, will  
7 Missouri-American then continue -- resume partial  
8 replacement of -- of service lines?

9 A The company would do everything that it  
10 could in the field to not do a partial replacement.  
11 That would largely mean avoidance of those streets  
12 now.

13 If you have a situation with a leaking  
14 service, a leaking main, you have to do something.  
15 And so the company would be, in some circumstances,  
16 of having to do partials, but would seek to just,  
17 by avoidance, just literally stay away from these  
18 properties, stay away from those streets.

19 Q Thank you. So you worked with American  
20 Water, and so you have some knowledge of -- of  
21 their natural operations; is that correct?

22 A Yes.

23 Q Does American Water conduct partial  
24 replacements in other jurisdictions?

25 A We've -- we've taken an approach similar

1 to what we are, you know, proposing and, of course,  
2 you know, exercising in the field is -- is what I  
3 said, avoid partial replacements, every possible  
4 way to avoid it. And so, therefore, hopefully few,  
5 if any, partial replacements.

6 Q As I understand, a full service line  
7 replacement is for lead service pipes relatively  
8 new action by Missouri-American and -- and  
9 American's other subsidiaries; is that correct?

10 A Yes.

11 Q Does the company have any plans to address  
12 partial replacements that have already taken place  
13 over the -- the course of its history?

14 A It's -- it's something that's under  
15 consideration. It is not at the top of -- of the  
16 list. And the -- the reason being that because the  
17 work has been done, a new main has been -- or new  
18 service line has been put in the company side,  
19 we're not in a disruption status as -- as has been  
20 discussed as Dr. Marke testifies to.

21 When there's a disruption, that's when  
22 there's the highest risk of -- of release of lead.  
23 So that partial is done historically at least in a  
24 stable condition.

25 A It is something that we will be

1 considering, but they would not be at the front end  
2 of the -- of the priority list for mains that need  
3 to -- service lines that need to be replaced.

4 **Q So you -- so you agree that if a partial**  
5 **placement has been conducted that it -- it will**  
6 **eventually return to a stable condition?**

7 A That's -- that's generally the  
8 predominating research. But stable -- again,  
9 stable is a term that relates to this minute. Does  
10 it relate to tomorrow? Does it relate to next  
11 year? Does it relate to when a tree gets replaced?

12 You know, so that's -- stable in terms of  
13 yes, it's -- it's -- unless it's undergoing a  
14 disruption, it -- it would be in the stable  
15 condition you're talking about.

16 **Q Can you tell me how long it takes to**  
17 **return to a stable condition if a partial**  
18 **replacement is conducted?**

19 A There's some research that it can be hours  
20 or potentially days.

21 MR. OPITZ: Thank you. No further  
22 questions, Judge.

23 JUDGE PRIDGIN: Mr. Opitz, thank you. Any  
24 Bench questions?

25 CHAIRMAN HALL: Yeah.

1 JUDGE PRIDGIN: Chairman?

2 CROSS-EXAMINATION

3 CHAIRMAN HALL:

4 Q Good morning.

5 A Good morning.

6 Q Are you familiar with the lead service  
7 line replacement program in Pennsylvania?

8 A Generally speaking. I'm not intimately in  
9 tune with kind of the regulatory aspect of it.  
10 But, generally, yes.

11 Q My understanding was that there was an  
12 agreement reached between all the parties that --  
13 that resulted in the stipulation that was approved  
14 by the Commission there. Is that -- is that true?

15 A I believe that -- I believe that was the  
16 -- York Water Company, so it was not an American  
17 water property. But I believe it was a York Water  
18 Company over --

19 Q It was not -- not American -- it was not  
20 an American Water?

21 A The one that has reached agreement, I  
22 believe, is York Water. Pennsylvania American is  
23 presently seeking approval for its program within  
24 its rate case.

25 I don't believe that has been -- I'll --

1 I'll defer to others in the room who may know. But  
2 I don't believe that has been settled. The one  
3 that has been settled was the York Water Company  
4 program.

5 Q The -- the -- the program that is  
6 currently in Pennsylvania's and York American's  
7 rate case, is it the similar to the program being  
8 advanced here?

9 A Yes.

10 Q And my understanding is that the program  
11 that -- that Missouri-American is -- has  
12 implemented and -- and wants -- wants our blessing  
13 to continue implementing is -- is to -- to replace  
14 service lines in the -- in the course of -- of main  
15 replacements when they're -- when they are  
16 discovered?

17 A Correct.

18 Q And is that the -- the customary lead  
19 service line replacement program nation-wide?

20 A Generally speaking, yes. What would be  
21 the first priority or the mains that are part of  
22 the program and that would be either -- that's part  
23 of the plan program or part of an emergency that --  
24 you know, that main has ruptured, so we've got to  
25 be in that street. We'd like to handle everything,



1 the new main, the lead services in that street  
2 while the disruption has happened.

3 Others that would kind of fall into that  
4 would be coordination with town, repaving  
5 activities. We coordinate with towns if they're  
6 going to re-pave a street and we're working on the  
7 main that we'd like to get the service lines there,  
8 also. Those would be the -- really the primary  
9 parts of the -- we want to be the priority.

10 Q So it's -- so am I correct that -- that  
11 what the company is proposing is that it's got a  
12 list of -- of main projects, and then it's going to  
13 march through that list. And -- and when it  
14 discovers a lead service line in connection with  
15 the main where -- it wants to go ahead and do the  
16 replacement?

17 A Generally speaking, yes.

18 Q Okay. So -- and you've -- you've heard  
19 some of the arguments and I'm sure read some of the  
20 arguments of OPC that -- that that's not  
21 necessarily the best way to prioritize projects?

22 A Well, I'm not --

23 Q I mean, is that -- is that true? You --  
24 you have read those arguments?

25 A Yeah.

1 Q Okay. Is there -- I mean, there is  
2 something compelling about both sides of this -- of  
3 this argument. I mean, I understand what -- what  
4 Missouri-American is -- is -- is saying.

5 It makes no sense to do a partial  
6 replacement when the most efficient and effective  
7 process would be to go ahead and complete the  
8 replacement when you're -- when you're there  
9 on-site.

10 A Yeah.

11 Q At the same time, wouldn't it also make  
12 some sense to possibly prioritize schools or  
13 nursing homes or -- or perhaps low income areas?

14 A The answer is yes. And I think --

15 Q Is there any way to marry it?

16 A There is. There absolutely is. And we  
17 are open to that. We are open to collaboration on  
18 -- on that. The -- and we have brought up --  
19 because that is an area of collaboration.

20 As an example, we, the water utility, are  
21 not the best or the right one to determine where  
22 our sensitive populations are. But we're happy to  
23 engage, and I believe Mr. Aiton, has testified in  
24 some discussion with the Health Department who --  
25 who would have that information better.

1           So we're very open to that. And, yes, it  
2 can -- short answer, it can be. Yes, it can be a  
3 prioritization consideration.

4           **Q** Are you aware of that kind of  
5 collaboration mandated by a -- by a commission  
6 anywhere else in the country as part of the lead  
7 service line replacement program?

8           A I don't -- not to my knowledge. I don't  
9 believe that's been implicitly addressed.

10          **Q** Okay. If the company were -- were to not  
11 do the full lead service line replacement going  
12 forward and just do the partial replacement in  
13 connection with -- with the main replacement, would  
14 -- do you believe that there would be a reduction  
15 in capital investment resulting from that decision?

16          A Not necessarily. What -- what you stated  
17 earlier is -- is exactly the case, that there is a  
18 list of -- and involved with Mr. Aiton and others  
19 in the development of our planning study to develop  
20 those lists of needs that are good, valid needs.

21                 There's a lot of old treatment facilities,  
22 a lot of old pipes. There's -- Missouri was hit a  
23 couple of Januarys ago with a record flooding, and  
24 so we're -- we're moving intakes higher.

25                 So there's a -- there's a back log of --

1 of -- of valid needs. And so it's not necessarily  
2 true that this is -- that this has to be additive  
3 to that.

4 Q So and -- and this may be overly  
5 simplistic. But, I mean, is it -- is it, in fact,  
6 true that there's a pot of money that -- that  
7 Missouri-American has available to invest, and if  
8 it were -- if it were not to invest some portion of  
9 that in the customer lead service lines, it would  
10 invest that somewhere else within  
11 Missouri-American's service territory?

12 A I'd probably defer to someone else on the  
13 technicalities of that. But generally speaking,  
14 it's not so much the pot of money as consideration  
15 of rate impact and -- and so forth.

16 As I say, we could -- we have a much  
17 longer list of these, and we know it's not a viable  
18 rate impact to customers to come forward to do all  
19 of those at once.

20 Q Did -- did Missouri-American look at the  
21 -- the alternative of providing filters to  
22 customers as opposed to doing the -- the service  
23 line replacement?

24 A We've -- we've studied that. We've  
25 reviewed the research on that. We don't see -- we

1 don't see filters. It's not an apples and apples  
2 thing.

3 The pipes are -- are a pathway to possible  
4 ingestion. And, again, we do a multi-battery  
5 approach. We treat. We sample. And so we do a  
6 lot to protect.

7 But that a pathway is there. That pathway  
8 can -- can occur if a disruption happened by  
9 utility work, by -- by something -- something else.  
10 The filter -- some of the challenges with filters I  
11 can run through, types of filters, first, and the  
12 one that was referenced \$50 filter. It's kind of a  
13 pull-through filter.

14 And, yes, an NSF-approved cartridge can  
15 remove lead or contaminants. You've got about a  
16 hundred gallon life cycle, and that has to be  
17 replaced. So two -- two major problems with that.

18 No. 1, after a hundred gallons, it can  
19 actually have a breakthrough and be worse. So now  
20 we have thousands of customers responsible for  
21 doing that. Now I've got the burden of their  
22 self-policing their own health. Did they change  
23 that filter in time? The second thing with that is  
24 that's basically your refrigerator or whatever.  
25 It's not a whole house solution.

1           If I want to brush my teeth or my child  
2           wants to brush my -- brush their teeth upstairs, we  
3           could be taking the water up, the filtered water  
4           there.

5           So it's a point type of thing as you get  
6           to a whole house filter that actually costs a  
7           couple thousand dollars, so we don't see it as a  
8           viable tradeoff.

9           So we -- and many others, we have not seen  
10          filters at -- as good a solution. It would be  
11          better than New York, but it's not really anywhere  
12          near an equivalent type of long-term solution.

13          **Q    In your testimony, and I believe it was**  
14          **your direct testimony, you -- you indicated that --**  
15          **that the research shows that addressing the lead**  
16          **service line is more important than the plumbing**  
17          **fixtures within -- within the home. Could you**  
18          **explain why?**

19          A    Sure. Largely -- you know, on the one  
20          hand -- and I -- and I do agree with things. This  
21          is a complex issue. It has a lot of non-intuitive  
22          things that we would think of the partial better.  
23          but It's not. On the other hand, it's kind of  
24          simple.

25          Lead in contact with the water -- water

1 chemistry, it's aggressive and time that it's  
2 together is what causes the corrosion and the  
3 amount of leeching in.

4 So you remove the -- the large volume is  
5 really -- and there is some research kind of  
6 collaborating that it really does reduce the lead.

7 If we're down to the soldered in the  
8 faucet, that's that finite potential pathway of the  
9 lead.

10 And, honestly, our utility and really  
11 most, I think, across the country, are not  
12 proposing to get involved in the interior plumbing.

13 Let me say that lead piping within homes  
14 is very rare. We have not encountered that.  
15 Again, I'm not going to say there aren't any, but  
16 that's pretty, so once you're to that shut-off  
17 valve I talked about. Within the home, it's  
18 generally the solder within -- within a fixture.

19 That, no. 1, we agree it's the  
20 responsibility of the -- of the homeowner. But No.  
21 2, that's controllable pipe. You can flush that  
22 for 30 seconds, and you've cleared that spot where  
23 that water might have been in contact with that --  
24 with that lead solder as compared to if you tried  
25 to flush your line every time you turn on the

1 water, have to flush for eight or ten minutes.

2 So it's much more under the reasonable  
3 control of the -- of the homeowner either to  
4 replace it or to flush the main for 15 seconds.

5 Q Well isn't it -- isn't it also true that  
6 the fixtures in the home, if they aren't replaced  
7 every 10 or 15 years, which may be the norm, is --  
8 would take care of this problem?

9 A Correct. Because the -- because the rules  
10 of what could be manufactured -- I don't remember  
11 the year. I want to say in the '90s. Mandated  
12 virtually lead-free solder. So anything you would  
13 buy will be a -- a lead-free -- basically, a  
14 lead-free product.

15 Q And would have been lead-free at any time  
16 after sometime in the early '90s?

17 A I don't -- I can't remember the date. I  
18 think that's what -- when it was.

19 Q Looking at OPC's pilot program, I -- I  
20 could see a lot of similarity between that and some  
21 of the research conducted by the -- by the Water  
22 Research Foundation. It's -- it's my understanding  
23 that your -- your position is that -- that research  
24 has been done, there's no reason to duplicate it  
25 here?



1           A    There's a lot in the OPC pilot proposal  
2   that is either, we think, redundant or beyond the  
3   scope of a utility.

4                    There was talk about other sources, lead  
5   dust or lead paint.  It's really beyond our scope  
6   to --

7           Q    Is there anything within the pilot program  
8   that, from your perspective, actually could be  
9   useful, particularly it was -- if it was done in  
10  conjunction with the company's implementation of  
11  the program of --

12           A    You know, I might like to -- maybe it's  
13  just me as the scientist me.  I'd like to rephrase  
14  the word from pilot study to collaboration because  
15  I think that's what we're -- what we're talking  
16  about.

17                   And I think a couple of areas jump out at  
18  me.  One is the one that we talked about about  
19  identifying sensitive populations for consideration  
20  of prioritization.  Where is there a daycare or a  
21  cluster other the Health Department having any  
22  information about blood lead levels.

23                   I think that is a -- I think that is a  
24  good one.  Other one, which we will take forward,  
25  but we seek anybody and all support in is any

1 funding, any -- any opportunity for -- for grant  
2 funding.

3 We are very much -- would welcome that  
4 possibility. I think that is one that we would  
5 certainly like the support of -- of stakeholders.  
6 And those are probably the two primarily that come  
7 to -- come to my mind of -- of key areas to work  
8 on.

9 Q I believe you, in cross-examination,  
10 indicated that if -- if the AAO was not awarded,  
11 then your understanding is -- is that the company  
12 would cease -- cease doing the full lead service  
13 line replacements; is that correct?

14 A Yes.

15 Q And you may not be the -- the correct  
16 witness to answer this question, and if so, that's  
17 fine. But what -- if the -- if the Commission were  
18 to take the position that the customer -- that  
19 replacement of the customer-owned line should be  
20 treated the same way as the company-owned line,  
21 meaning it -- it should be included in -- in -- in  
22 rate base as of the next rate case, but there  
23 should not be carrying costs between the time of  
24 the expense and when new rates are set, what would  
25 the company's position be there?

1           A    Oh, I think you're right. I need to defer  
2   that one to -- to others.

3           Q    So now every time I tell a witness that  
4   you may not be the right guy to answer, that --  
5   that's the response I get, but --

6           A    I've heard that one anyway.

7           Q    I guess that's my own fault. Okay. Well,  
8   I'll be interested in getting an answer to that  
9   question from another company witness if -- if  
10   possible. And with that, I have no further  
11   questions. Thank you.

12          A    Could I -- could I --

13                JUDGE PRIDGIN: Thank you. Any questions?  
14   Commissioner Stoll?

15          A    Only if you'd like, but I didn't feel like  
16   I answered your question on prioritization as well  
17   as I could. Would you like to hear me talk a  
18   little more?

19          Q    **(By Chairman Hall) Sure. Sure.**

20          A    And, again, I think -- I think that is an  
21   area. To give -- to give you an example, when we  
22   say our main replacement program, we -- and, again,  
23   Mr. Aiton could talk for hours on this.

24                But we're replacing the main because of  
25   problems with it. It's broken four times or six

1 times. That's how our list goes -- goes forward.

2 And to date, you know, lead service lines  
3 have not been one of those -- one of those factors.  
4 Could be added in and that's an area we're open to  
5 have -- have collaboration on.

6 Again, we don't want to stop what we're  
7 doing. But to give you -- give you maybe the two  
8 ends of that, if a pipe is 60 years old, but it  
9 wasn't at the top of our list, and there are 50  
10 homes with lead service lines, yeah, I would  
11 consider it appropriate and maybe that moves up  
12 above the 80-year-old pipe that had a couple  
13 breaks.

14 On the other hand, if it's four years and  
15 there's one home with lead, no, it would not. So  
16 -- so it's not an all or nothing. But -- but --  
17 but I think the way to keep the good value of the  
18 mains that we're doing and add this additional  
19 benefit into prioritization would be a reasonable  
20 -- would be a reasonable thought process.

21 CHAIRMAN HALL: Okay. Thank you.

22 JUDGE PRIDGIN: Commissioner Stoll?

23 COMMISSIONER STOLL: Okay. Yeah. I just  
24 have a couple questions.

25 CROSS-EXAMINATION

1 BY COMMISSIONER STOLL:

2 Q One of the issues here relates to the  
3 customer-owned service line. So I wanted to ask,  
4 are there other states where there are  
5 customer-owned service lines in American Water's  
6 service territory? Or is this --

7 A Yes. Yes.

8 Q Could you kind of expand on that? Do you  
9 know -- like in Illinois and New Jersey and  
10 Pennsylvania?

11 A Yeah.

12 Q There are?

13 A Yes, there are. In most places, there are  
14 some. Our estimate is about 30,000 company-wide.  
15 Our estimate is about a 150,000 of -- of  
16 company-owned lead service lines.

17 We don't always have as much record about  
18 what is on the customer side, but, generally  
19 speaking, in many cases, if it was lead on this  
20 side, it's lead on the other side.

21 Q Yeah. So and this -- and this may be in  
22 your testimony. But would -- how are those states  
23 treating replacement of customer-owned service  
24 lines? Are they -- are they socializing or, as  
25 they like to say in some states, using uplift to

1     **replace those lines?**

2           A     Basically, we are in process in other  
3     states and seeking to move forward very similar to  
4     here --

5           **Q     Okay.**

6           A     -- and in other states.

7           COMMISSIONER STOLL:   Okay.  I think that's  
8     all now.  Thank you.

9           JUDGE PRIDGIN:  Commissioner Stoll, thank  
10    you.  Any further Bench questions?  All right.  
11    Thank you.

12           This looks to be a pretty natural place to  
13    break.  I've got about 20 till 12, and the  
14    Commission has agenda at noon.  So when we resume,  
15    Mr. Naumick will be back on the stand for re-cross  
16    based on Bench questions and redirect.  And then  
17    the next witness will be Mr. LaGrand where.

18           Anything further from Counsel before we go  
19    off the record?  Hearing nothing, let me verify  
20    with the Bench.  I plan on breaking for agenda and  
21    for lunch.  Will 1:30 work for everyone on the  
22    Bench?  1:30?

23           COMMISSIONER STOLL:  Sure.

24           JUDGE PRIDGIN:  All right.  That being the  
25    case, we will stand in recess until 1:30.  Thank

1 you. We are off the record.

2 (Lunch recess.)

3 JUDGE PRIDGIN: All right. Good

4 afternoon. We are back on the record. As we  
5 adjourned for agenda and lunch, I believe we were  
6 in the middle of Mr. Naumick's testimony.

7 I think we got through cross-examination,  
8 and we're now ready for re-cross based on Bench  
9 questions. Is there anything from Counsel before  
10 we begin that? All right. Hearing nothing, I  
11 guess we can move on to re-cross. I think we'll  
12 start with DED. Any questions?

13 MR. BEAR: No questions, your Honor.

14 JUDGE PRIDGIN: Staff?

15 MS. MERS: No questions. Thank you.

16 JUDGE PRIDGIN: MECG?

17 MR. WOODSMALL: No questions.

18 JUDGE PRIDGIN: I don't believe

19 Mr. Coffman is here. OPC?

20 MR. OPITZ: Briefly, Judge.

21 RE-CROSS EXAMINATION

22 BY MR. OPITZ:

23 Q Mr. Naumick, prior to break, the Chairman  
24 had discussion with you regarding a utility in  
25 Pennsylvania named York. Do you recall that?

1 A Yes.

2 Q And the discussion was related to there  
3 was some kind of settlement reached in that case  
4 that you were aware of?

5 A There was some sort of a proceeding and  
6 agreement. I don't know if it was a case or what  
7 it was, but yes.

8 Q Okay. Are you -- are you aware that York  
9 was in violation of the lead and copper rule prior  
10 to the agreement being reached?

11 A I wasn't aware of the details. I -- I  
12 wouldn't disagree with what you're saying.

13 Q And Missouri-American is presently  
14 compliant with the lead and copper rule?

15 A Correct.

16 Q Commissioner Stoll had inquired of you  
17 about some of the utility -- your -- American  
18 Water's activities in other territories. Do you  
19 recall that?

20 A I do.

21 Q And the company is proposing similar  
22 activities in all of those other states; is that  
23 correct?

24 A Proposing similar programs in the  
25 regulatory environment.



1           Q    And you would agree that, at this point,  
2   no other state has given a Missouri-American, I  
3   guess, affiliate or a subsidiary of American  
4   approval to do that -- one of those programs; is  
5   that correct?

6           A    I think the status is that -- let  
7   regulatory -- they're in process in a number of  
8   states. There was Legislation in Indiana that, you  
9   know, has a proceeding forward, but they're in the  
10  regulatory process. They're in process in a number  
11  of states.

12          Q    So right now, there has no approval in any  
13  other state to this?

14          A    I don't believe so.

15               MR. OPITZ: Thank you. That's all I have.  
16  Thank you.

17               JUDGE PRIDGIN: Mr. Opitz, thank you.  
18  Redirect?

19               MR. COOPER: Yes, your Honor. Just a  
20  moment. Judge, I would like to mark an exhibit.

21               JUDGE PRIDGIN: This is Exhibit 23.

22               MR. COOPER: This will be  
23  Missouri-American's response to OPC DR 0043. I get  
24  give one to the witness, too. That may be  
25  important.

1 MR. NAUMICK: Thanks.

2 REDIRECT EXAMINATION

3 BY MR. COOPER:

4 Q Mr. Naumick, earlier today, OPC asked you  
5 some questions about some Missouri-American DRs.

6 Do you remember that?

7 A Yes.

8 Q And I believe two of those were OPC  
9 DR-0044, which is Exhibit 21-C, and OPC DR-0045,  
10 which was Exhibit 22. Do you remember that?

11 A Yes.

12 Q And I believe that both those -- both  
13 those responses references the company's response  
14 to OPC 0043?

15 A Yes.

16 Q Before you, you have what's been marked as  
17 Exhibit 23 for identification. Do you recognize  
18 that?

19 A Yes.

20 Q What is it?

21 A It's the response -- the supplemental  
22 response to OPC 43.

23 Q And when you say supplemental response,  
24 does it include the base response as well? If  
25 you'll turn to --

1 A Yes.

2 Q Okay. And I believe -- well, were you  
3 responsible for that response?

4 A Yes.

5 Q Does it appear to be a true and accurate  
6 copy of your response to OPC DR-43?

7 A Yes.

8 MR. COOPER: Your Honor, I'd offer  
9 Exhibit 23 into evidence.

10 JUDGE PRIDGIN: Any objections? Hearing  
11 none, Exhibit 23 is admitted.

12 (Exhibit 23 was offered and admitted.)

13 Q (By Mr. Cooper) Mr. Naumick, you also,  
14 during the questions earlier, talked about filters  
15 and the consideration of filters in the home. Do  
16 you remember that?

17 A Yes.

18 Q And I believe that you talked about a  
19 pitcher filter was one of them, and you also  
20 mentioned a whole house filter. Is there also a  
21 tap specific filter as well?

22 A Yes.

23 Q And are there issues with those tap  
24 specific filters?

25 A It would be similar to what I mentioned.

1 That would be a -- something that fits on --  
2 retrofits or screws onto -- to the faucet tap.

3 So it would have some of the same  
4 shortcomings as the picture filter, for instance,  
5 that it only helps mitigate the issue in one  
6 location.

7 Secondly, just found a lot of just  
8 operational problems with that. Folks have  
9 designer faucets and -- type of things. And some  
10 -- sometimes they're not put on right or they don't  
11 fit or if -- if you try to do it, it breaks the --  
12 you know, it breaks the faucet. So there have been  
13 -- there have been some issues with -- with those  
14 as well.

15 But -- but, again, functionally, they  
16 would function similar to the pitcher filter. It  
17 would be one -- one tap that treated water coming  
18 through for that.

19 **Q And I think in regard to the pitcher**  
20 **filter, you described the need to periodically**  
21 **change the filter; is that true of the tap filters?**

22 A Yeah. It would be. It would be similar  
23 in that way.

24 **Q I think you also mentioned a -- sort of a**  
25 **whole house filter that was at a higher cost; is**

1     **that right?**

2           A     Yes.

3           **Q     And -- and do they have the -- the**  
4     **changing of filter issue?**

5           A     They would have a -- whether it be  
6     changing a filter or regeneration. But yes, it  
7     would require -- it would require periodic  
8     remediation by the -- by the homeowner to keep them  
9     working properly.

10           MR. COOPER: That's all the questions I  
11     have, your Honor.

12           JUDGE PRIDGIN: All right. Thank you.  
13     Mr. Naumick, thank you very much. You may step  
14     down.

15           MR. NAUMICK: Thank you.

16           JUDGE PRIDGIN: I believe Mr. LaGrand is  
17     the next witness.

18           MR. COOPER: Yes, your Honor.

19           JUDGE PRIDGIN: Okay. Come forward to be  
20     sworn, please, sir.

21                           BRIAN LAGRAN,  
22     being first duly sworn to testify the truth, the whole  
23     truth, and nothing but the truth, testified as follows:

24                           DIRECT EXAMINATION

25     BY MR. COOPER:

1 JUDGE PRIDGIN: Thank you, sir. You may  
2 have a seat. Mr. Cooper, when you're ready, sir.

3 Q (By Mr. Cooper) Please state your name.

4 A My name Brian LaGrand, L-a-G-r-a-n-d.

5 Q And by whom are you employed and in what  
6 capacity?

7 A I'm employed by Missouri-American Water,  
8 and I am the Director of Rates.

9 Q Have you caused to be prepared for the  
10 purpose of this proceeding certain direct, rebuttal  
11 and -- let me back up. Yes. Direct, rebuttal and  
12 surrebuttal in question and answer form?

13 A Yes, I have.

14 Q And is it your understanding that that  
15 testimony has been marked as Exhibits 4, 5 and 6  
16 for identification?

17 A Yes.

18 Q Do you have any changes that you would  
19 like to make to that testimony at this time?

20 A Yes. We do have one change to the direct  
21 testimony.

22 Q Okay. What page?

23 A That is on Page 9, lines 9 and 10. And we  
24 would request to strike those lines.

25 Q Are there any other changes you need to

1 make?

2 A No, there are not the.

3 Q If I were to ask you the questions which  
4 are contained in Exhibits 4, 5 and 6 today, would  
5 your answers as now amended be the same?

6 A Yes, they would.

7 Q And are those -- those answers true and  
8 correct to the best of your information, knowledge  
9 and belief?

10 A Yes, they are.

11 Q Okay.

12 MR. COOPER: Your Honor, I would offer  
13 Exhibits 4, 5 and 6 into evidence and tender the  
14 witness for cross-examination.

15 JUDGE PRIDGIN: Any objections? Hearing  
16 no objections, Exhibit 4, 5 and 6 are admitted.

17 (Exhibits 4, 5 and 6 were offered and  
18 admitted into evidence.)

19 JUDGE PRIDGIN: Cross-examination, DED?

20 MR. BEAR: No questions.

21 JUDGE PRIDGIN: Staff.

22 CROSS-EXAMINATION

23 BY MS. MERS:

24 Q Good afternoon, Mr. LaGrand.

25 A Good afternoon.

1 Q In your surrebuttal testimony on page 4,  
2 you claim that the short-term debt rate is  
3 inappropriate because all of these are short-term  
4 projects that are being done over the long-term; is  
5 that correct?

6 A Let me just turn to that in my testimony.

7 Q Sure.

8 A Which page is that on?

9 Q It's on page 4 of your surrebuttal?

10 A Yeah. Yes.

11 Q Okay.

12 A Okay. Yes. I see that.

13 Q But this current AAO case is just  
14 addressing the portion of expenses that have  
15 already been incurred that are predating the rate  
16 case until the conclusion of the rate case and not  
17 your entire lead service line replacement program  
18 correct?

19 A Correct. Just costs from 2017 to through  
20 May of '18.

21 Q Okay. So this requested AAO has a  
22 definite end and beginning date, correct?

23 A Correct.

24 Q And that's almost a short-term time frame  
25 of not even two years, correct?



1 A It is less than two years, yes.

2 Q Okay. And I'm -- I'm going to put you on  
3 the spot here. But do you have an idea on -- if --  
4 for the projected costs for this -- this -- the  
5 time frame until May 31st, 2018, could you  
6 guesstimate what the average bill impact for  
7 Missouri-American customers would be?

8 A I've not done that calculation.

9 Q Okay.

10 MS. MERS: Thank you. That's all I have.

11 MR. LAGRAND: Okay.

12 JUDGE PRIDGIN: Mr. Mers, thank you.

13 MECG.

14 MR. WOODSMALL: Yes. Very briefly, your  
15 Honor.

16 CROSS-EXAMINATION

17 BY MR. WOODSMALL:

18 Q Good afternoon, sir?

19 A Good afternoon.

20 Q You're involved in current rate case; is  
21 that correct?

22 A Yes, sir.

23 Q And you've done other water rate cases; is  
24 that correct?

25 A No. This is my first rate case.

1 Q Okay.

2 A Water -- water rate cases I've been  
3 involved in, yes.

4 Q Okay. Do you know who Constance D.  
5 Eppenstall is?

6 A I do.

7 Q Who is she?

8 A She is our witness -- witness in our case.  
9 She works for Jeanette Plumbing, and she has put  
10 together our cost of service study.

11 Q And would you agree that the cost of  
12 service study attempts to allocate costs to the  
13 various customer classes?

14 A That's my understanding.

15 Q And it attempts to allocate costs to the  
16 cost causer; is that correct?

17 A Yes. I believe so.

18 Q Okay. Now, real quickly, quick question,  
19 Staff was asking about the short-term debt costs.  
20 Let me ask you point blank. You've agreed to go  
21 forward with this program if you get carrying costs  
22 at your regular rate of return. Would the company  
23 go forward with the lead service line replacement  
24 program if costs -- if the carrying cost is  
25 short-term debt?

1           A    If that's what the Commission orders, the  
2 company would -- would accept that.

3           **Q    So would you still go ahead and go forward  
4 at that short-term debt cost?**

5           A    Yes.

6           MR. WOODSMALL: Thank you. No further  
7 questions. I'm sorry.

8           JUDGE PRIDGIN: Mr. Woodsmall, thank you.  
9 Consumers Council is not here. Public Counsel?

10          MR. OPITZ: Yes, Judge. Can I cross from  
11 my seat?

12          JUDGE PRIDGIN: You may.

13          MR. OPITZ: Thank you.

14                                   CROSS-EXAMINATION

15 BY MR. OPITZ:

16          **Q    Mr. LaGrand, can you tell me what account  
17 the company is proposing to book these costs into?**

18          A    Yes. We requested -- in I believe my  
19 direct testimony requested they be booked into  
20 NARUC Account 186, which is Miscellaneous Deferred  
21 Debits.

22          **Q    And is that the ultimate treatment that  
23 you -- that the company expects to continue doing  
24 is continue booking them in Account 186? You were  
25 here for the opening statements, correct?**

1 A Yes.

2 Q And do you recall hearing your Counsel  
3 mention an Account 3 -- I think it was 345?

4 A Yes. Which is the services account.

5 Q Services account?

6 A Yes.

7 Q And that's the ultimate place where the  
8 company wants to book these costs; is that correct?

9 A In our -- in our rate case, we are -- we  
10 -- in my direct testimony, we talked about that as  
11 the preferred treatment.

12 Q And that's -- as I understand, the company  
13 wants to put the -- anything that's allowed to be  
14 deferred in 186 into Account 345; is that correct?

15 A Yes. That's -- that's in the rate case  
16 that's what we're asking for. Not as part of this  
17 case.

18 Q Over -- what number of years do you  
19 propose to amortize any lead service line deferred  
20 debit in Account 186?

21 A Are you asking about the amount that would  
22 be booked between January 1st of 2017 through May  
23 of '18?

24 Q I guess, just in general, what  
25 amortization period are you proposing?

1           A    We propose the same amortization as in the  
2 services account, which I believe is consistent  
3 with my direct testimony in the direct case.

4           **Q    Okay.  And how many years is that**  
5 **amortization or that services account?**

6           A    I don't, -- I don't have that number right  
7 in front of me, but I believe the services -- the  
8 Commission-approved services depreciation rate is  
9 2.92 percent.  I may be not exactly right there.  
10 But it's approximately there.

11          **Q    And -- and so that -- that equates to, I**  
12 **guess, an approximate 65-year average service --**  
13 **service life?**

14          A    If it's 3 percent, it would be closer to,  
15 you know, 30 to 35 years.

16          **Q    And -- and so that 2.92 percent for the**  
17 **services account is a remaining depreciation life**  
18 **rate, which includes salvage, cost of removal and**  
19 **salvage?**

20          A    Yes.  I believe so.

21          **Q    However, if you agree that the company**  
22 **isn't proposing to own the lines that it's**  
23 **replacing for customer-owned lead service lines; is**  
24 **that correct?**

25          A    Yes.  The customer would still own the

1 line.

2 Q So have you made any proposal to change  
3 that depreciation rate percentage? Because if the  
4 customer owns it, the company wouldn't be able to  
5 receive salvage on that property; is that correct?

6 A Well, I'm sure not an depreciation expert,  
7 but that -- yes, the company -- if it as salvage,  
8 the company would not get any funds from that.

9 Q So that if there is an order granting  
10 deferral, that depreciation rate applied, would you  
11 agree that that should be different than the 9.2992  
12 that's currently proposed? 2.92. Sorry.

13 A We could -- we would certainly be only to  
14 looking at alternatives.

15 Q Would you agree that the average service  
16 life attributed to Customer Services Account 345 is  
17 65 years?

18 A I believe in our depreciation order, I  
19 believe that that is the number.

20 Q Thank you. You're aware that the company  
21 recently filed a -- a -- I guess updated figures in  
22 its rate case; is that correct?

23 A Yes. That's correct.

24 Q And do you recall what the balance in  
25 Account 345 services is at that date of the update?

1 A I do not know that balance.

2 Q If -- if I were to show you a -- I guess a  
3 copy of the utility plant and service balances as  
4 of June 30th, 2017, would that refresh your  
5 recollection?

6 A Perhaps.

7 MR. OPITZ: Judge, may I approach?

8 JUDGE PRIDGIN: You may.

9 Q (By Mr. Opitz) And take a look at that,  
10 and I'm going ask you about 345. Have you been  
11 able to --

12 A Yes.

13 Q Okay. Mr. LaGrand, having reviewed this  
14 document, can you tell me what the company's total  
15 balance in Account 345 was as of the update?

16 A Forty -- approximately \$47 million.

17 Q Okay. Do you agree that the company's  
18 lead line replacement program is projected to  
19 include 3,000 lines per year?

20 A Yes. That's our current estimate.

21 Q And your current estimate is that the  
22 average cost for each line will be \$6,000; is that  
23 correct?

24 A Yes. That's correct.

25 Q And so I guess -- I think you can -- so

1 would you agree that -- that 9,000 -- so that in 33  
2 years times 3,000 lines is 9,000 lines?

3 A Yes. I would agree with that.

4 Q And so 9,000 lines times \$6,000 is  
5 54 million. Would you agree to that?

6 A Yes.

7 Q And so if -- if those numbers are accurate  
8 and the estimates hold true, in three years time,  
9 Missouri-American Water would exceed its current  
10 services account balance; is that correct?

11 A Yes. Based on those numbers, yes.

12 Q For this one project alone?

13 A Correct.

14 Q Mr. LaGrand, do you know how many  
15 customers Missouri-American Water has?

16 A I believe approximately 470,000 between  
17 water and sewer.

18 Q Okay. And do you know how many of those  
19 are residential?

20 A I don't know off the top of my head, no.

21 Q Okay.

22 MR. OPITZ: Judge, I have some data  
23 requests I'd like to ask the witness about. May I  
24 approach?

25 JUDGE PRIDGIN: You may.



1 MR. OPITZ: And may I have Mr. Hyneman  
2 help me out if he's willing.

3 JUDGE PRIDGIN: Certainly.

4 MR. OPITZ: So I -- I believe this is  
5 Exhibit 24.

6 JUDGE PRIDGIN: That's correct.

7 MR. OPITZ: And it will be DR-16. And D  
8 -- Exhibit 25 will be DR-0024.

9 JUDGE PRIDGIN: And I've got -- I have  
10 0025 that was just handed to me. That will be No.  
11 25, Mr. Opitz?

12 MR. OPITZ: That will be No. 26. For 25,  
13 I have 0024.

14 JUDGE PRIDGIN: What did you say 26 was?

15 MR. OPITZ: 26 will be 0025.

16 JUDGE PRIDGIN: Is this all of them?

17 MR. OPITZ: Yeah. It should be all of  
18 them.

19 JUDGE PRIDGIN: Okay. If you'll give me a  
20 moment and let me make sure I've got -- I've got --  
21 as Exhibit 24, I've got DR-0016; is that correct?

22 MR. OPITZ: Yes. Yes, Judge.

23 JUDGE PRIDGIN: Okay. And then 25 will be  
24 0024?

25 MR. OPITZ: Yes, Judge.

1 JUDGE PRIDGIN: And then 26 will be 0025?

2 MR. OPITZ: Yes, your Honor.

3 MR. OPITZ: May I proceed, Judge?

4 JUDGE PRIDGIN: Please.

5 Q (By Mr. Opitz) All right. Mr. LaGrand,  
6 you're aware that Public Counsel sent some data  
7 requests to the company in this case, correct?

8 A Yes, I am.

9 Q And you prepared some of the responses; is  
10 that correct?

11 A That is correct.

12 Q If you would, would you please take a look  
13 at Exhibit 24, which is DR 16?

14 A Okay.

15 Q And would you agree that you provided the  
16 response to that?

17 A Yes. I believe so.

18 Q And you agree that this provides the  
19 details of how the company calculated the yearly  
20 projection of pipe replacement?

21 A Correct.

22 Q And you agree that this is a true and  
23 accurate copy of the company's response?

24 A Yes.

25 MR. OPITZ: Judge, at this time, I'd offer

1 Exhibit 24 into evidence.

2 JUDGE PRIDGIN: Any objections? No  
3 objections, Exhibit 24 is admitted.

4 (Exhibit 24 was offered and admitted into  
5 evidence.)

6 Q (By Mr. Opitz) Mr. LaGrand, would you  
7 take a look at Exhibit 25, which is DR-0024?

8 A Okay.

9 Q And this is a -- a data request that you  
10 provided the response to; is that correct?

11 A Yes. That is correct.

12 Q And is this a true and accurate copy of  
13 that response?

14 A Yes.

15 Q You agree that there is no legal or  
16 regulatory requirement requiring Missouri-American  
17 to replace customer-owned service lines?

18 A Well, I'm not a lawyer, so I don't want to  
19 comment on the legal requirements. But to my  
20 knowledge, there's not a regulatory requirement.

21 Q The answer you provided is that there is  
22 no current legal or regulatory requirement that the  
23 company replace these lines; is that correct?

24 A Yes. That is the answer here.

25 MR. OPITZ: Judge, at this time I'd offer

1 Exhibit 25 into evidence.

2 JUDGE PRIDGIN: Any objections? No  
3 objections, Exhibit 25 is admitted.

4 (Exhibit 25 was offered and admitted into  
5 evidence.)

6 Q (By Mr. Opitz) Mr. LaGrand, if I could  
7 point your attention to Exhibit 26, which is the  
8 company's response to DR-25. Would you agree that  
9 you provided the response to that data request?

10 A I don't recall that I was the one that  
11 prepared this. But -- but --

12 Q Mr. LaGrand, do you recall that -- are you  
13 aware that the company had left off the names of  
14 the responsible witnesses on some of the data  
15 request responses it provided early on in this  
16 case?

17 A Yes. I do recall that.

18 Q And are you aware that the company  
19 provided an updated Excel sheet identifying the  
20 data request responses and the name of the witness  
21 responsible?

22 A I do.

23 Q Would you agree that that spreadsheet  
24 indicated that you were the responsible witness for  
25 the response to DR-0025?

1           A    I have no reason to doubt that it doesn't  
2 say that. I just don't recall.

3           Q    Would it refresh your memory if I showed  
4 you a printout of that sheet?

5           A    Sure.

6           MR. OPITZ: Judge, may I approach?

7           JUDGE PRIDGIN: You may.

8           Q    (By Mr. Opitz) Looking for DR-25.

9           A    Yeah. Okay.

10          Q    Having reviewed that document, would you  
11 agree that you're the witness responsible for  
12 DR-25?

13          A    Yes.

14          Q    Would you agree that the exhibit copy of  
15 DR-25 is a true and accurate copy of the company's  
16 response to that data request?

17          A    Give me a moment to look at the -- at the  
18 attachments.

19          Q    No problem.

20          A    Okay. Yes. I believe that is.

21          Q    Thank you.

22          MR. OPITZ: Judge, at this time, I'd offer  
23 Exhibit 26 into evidence.

24          JUDGE PRIDGIN: 26 has been offered. Any  
25 objections? No objections, 26 is -- 26 is

1 admitted.

2 (Exhibit 26 was offered and admitted into  
3 evidence.)

4 Q (By Mr. Opitz) Mr. LaGrand, are you a  
5 Certified Public Accountant?

6 A I used to be. I'm not anymore.

7 Q Okay. Can you tell me when your, I guess,  
8 certification -- did it expire?

9 A Lapsed? I mean, I am -- I am a Certified  
10 Public Accountant inactive in the state of Ohio.  
11 So last time I was practicing was, you know, 1997,  
12 six.

13 Q Okay. And so you -- so am I correct in  
14 understanding that you're not a Certified Public  
15 Accountant in the State of Missouri?

16 A That's correct.

17 MR. OPITZ: Okay. That's all the  
18 questions I have. Thank you, Judge.

19 JUDGE PRIDGIN: Mr. Opitz, thank you. Any  
20 Bench questions? Mr. Chairman?

21 CROSS-EXAMINATION

22 BY CHAIRMAN HALL.

23 Q Good afternoon.

24 A Good afternoon, Mr. Chairman.

25 Q Looking at your direct testimony on page

1 5, I want to make sure I understand these numbers.

2 A Yes, sir.

3 Q When you estimate the 3,000 replacement  
4 annually cost for full year between 9 million and  
5 16.5 million; is that correct?

6 A That's correct.

7 Q And does that include any carrying costs?  
8 Or is that just the actual out-of-pocket expense?

9 A That's the -- the -- the capital spend,  
10 the cash out the door.

11 Q Okay. And 3.8 million and 6.9 million  
12 through May of 2018, what's the start? Is that  
13 calendar year '17 and then through five months of  
14 '18?

15 A Is the -- the amounts on page - or excuse  
16 me -- in lines 8 and 9, the 3.8 million and the  
17 6.9 million, that is the -- that is the 2018 amount  
18 through May. And if you add the 2 million from  
19 2017, that's how you get to the total on line 10.

20 Q Okay. And so the 5.8 and 8.9 is the --  
21 that's the amount for -- for calendar year '17 and  
22 the first five months of '18?

23 A Yes. That's correct.

24 Q And -- and that does not include any --  
25 any carrying costs?

1 A That is correct.

2 Q I believe, in response to an inquiry from  
3 Mr. Woodsmall, you indicated that the company would  
4 continue the program, even if the Commission  
5 ultimately only awarded short-term debt carrying  
6 costs; is that correct?

7 A Yes. That's correct.

8 Q What if the Commission ultimately allowed  
9 the company to expense this -- this program with  
10 short-term debt carrying costs but did not allow it  
11 to put it in plant and service? Would the --  
12 would the company still continue the program?

13 A May I ask a clarifying question?

14 Q Sure.

15 A Are you saying that we would just expense  
16 it or would we put it into some type of deferred  
17 eastbound debit account?

18 Q Either. Well, I mean, you -- you know,  
19 you would get in rates your costs for the program  
20 plus short-term debts carrying costs, but you would  
21 not get a return on that investment is my  
22 hypothetical.

23 A Well, certainly, the company would do  
24 whatever the Commission ordered. But I think --  
25 whether or not if that was an offer to the company,



1 I don't know that I'm in a position to accept that  
2 right at this moment.

3 Q Okay. Yeah. That's fair enough. That is  
4 a concept that I would be very interested in  
5 hearing from the company as to whether or not that  
6 was an accounting treatment that it could abide by  
7 and continue the program.

8 Can you tell me a little bit more about  
9 the experience of American Water subsidiaries in  
10 other states on -- in efforts to replace these  
11 customer lead service lines?

12 A I'm actually not knowledgeable about the  
13 programs in the other states.

14 Q Okay. On page 7 of your -- of your  
15 direct, you -- you make the statement that the  
16 replacement of customer-owned lead service line is  
17 similar to the restoration of customer property.

18 A Yes.

19 Q Can you -- can you give me some examples?

20 A Of the other types of restoration?

21 Q Yes.

22 A Yes. Sidewalks, driveways, mailboxes,  
23 yard, paving, things of that nature.

24 Q And so those costs -- those restoration  
25 costs, do they get rolled into plant and service?

1 A Yes.

2 Q Did any -- do you have any -- any sense as  
3 to the magnitude of those types of restoration  
4 costs?

5 A I don't.

6 Q Can you -- can you explain to me why the  
7 Commission should view these expenses as  
8 extraordinary?

9 A Well, I think the lead service line  
10 replacement program is extraordinary because this  
11 is an unusual situation with the lead -- lead  
12 issues that are out there. And this is material,  
13 you know, to the company. We discussed the  
14 materiality issue earlier, but those are the two  
15 primary reasons.

16 Q So you -- you envision this -- this  
17 program were continuing for ten years; is that  
18 correct?

19 A Yes. That's the current estimate.

20 CHAIRMAN HALL: I have no further  
21 questions. Thank you.

22 MR. LAGRANDE: Okay.

23 COMMISSIONER STOLL: No questions, your  
24 Honor. Thank you.

25 COMMISSIONER KENNEY: I have questions.

1 JUDGE PRIDGIN: Commissioner Kenney?

2 CROSS-EXAMINATION

3 COMMISSIONER KENNEY:

4 Q Thank you. I'd just like to follow up on  
5 a couple of questions Chairman Hall began with.

6 A Uh-huh. Certainly.

7 Q When you -- when you specifically  
8 mentioned would the company consider continuing the  
9 customer replacement line if -- just in layman's  
10 terms, to do it for cost of business and with no --  
11 with no -- no net profit, but just carrying costs  
12 and you said you'd have to -- obviously, kind of  
13 didn't really directly answer that.

14 Does the company have a finite amount of  
15 money that they invests in each year -- invests  
16 each year? Or is it infinite?

17 A Well, I think Mr. Aiton can speak more --  
18 he's more involved with the capital budget and the  
19 capital planning process than I am. So I think he  
20 could give you a more robust answer than I can on  
21 that question.

22 Q I guess my question is I could -- I could  
23 -- I guess my question is why would the company  
24 invest their money if they have a certain amount  
25 that they can invest and it's finite if they're not

1 going to make a return on that investment versus  
2 investing it in something that they know they're  
3 going to get a return on investment? That's just  
4 straight business, right?

5 A Yes.

6 Q And you still can't answer that?

7 A Well, I mean, certainly, the company would  
8 prefer investments where we are, you know, given an  
9 opportunity to earn our full return.

10 COMMISSIONER KENNEY: Thank you.

11 JUDGE PRIDGIN: Bench questions? All  
12 right. Thank you.

13 MS. COLEMAN: No questions.

14 JUDGE PRIDGIN: Cross based on Bench  
15 questions? DED?

16 MR. BEAR: No questions.

17 JUDGE PRIDGIN: Staff?

18 MS. MERS: No questions. Thank you.

19 JUDGE PRIDGIN: MECG?

20 MR. WOODSMALL: Yes. Thank you. Very  
21 briefly.

22 CROSS-EXAMINATION

23 BY MR. WOODSMALL:

24 Q Touching on some questions about the  
25 carrying costs statement that you would like to --

1 you prefer to earn at your full rate of return, do  
2 you recall saying that?

3 A Yes.

4 Q And at a full rate of return, there's an  
5 equity component to that, too, isn't there?

6 A That's correct.

7 Q And if there's an equity component --  
8 equity component, therefore, an equity return,  
9 there's an income tax factor upon that as well,  
10 isn't there?

11 A Yes.

12 Q Okay. So there's a significant monetary  
13 difference between short-term debt costs and a full  
14 rate of return; is that correct?

15 A Yes.

16 Q Okay. Turning to page 7 of your direct,  
17 lines 2 and 3, the sentence shall, The replacement  
18 of customer-owned lead service lines is similar to  
19 the restoration of customer property. Do you  
20 recall that?

21 A Yes.

22 Q Okay. I believe we established in a data  
23 request, the company admitted that there wasn't a  
24 legal obligation to repay -- replace customer owned  
25 service lines. Do you recall that?

1 A Are you referring to one of the --

2 Q The data requests that Mr. Opitz handed  
3 you. Yes.

4 A And you're referring to Exhibit 25?

5 Q Yes. That's it.

6 A Okay. Could you repeat your question,  
7 please?

8 Q There's no legal obligation to replace  
9 customer-owned service lines; is that correct?

10 A Yes. I'm not -- as I said earlier, I'm  
11 not a lawyer, but we do say here there's no --  
12 there's no regulatory or legal requirement that we  
13 replace them.

14 Q And, presumably, your attorneys reviewed  
15 these data request responses before they were sent  
16 out.

17 MR. COOPER: Objection.

18 MR. WOODSMALL: What's the objection?

19 MR. COOPER: I think it would be protected  
20 by attorney/client privilege what we did or didn't  
21 say in regard to a DR response.

22 MR. WOODSMALL: Okay. Well, never mind.  
23 I'll move on from that.

24 Q (By Mr. Woodsmall) Do you know if there's  
25 a legal obligation -- let's go back one. You --

1 you analogize to the replacement of sidewalks,  
2 replacement of grass, things like that when you  
3 talked about it's similar to the restoration of  
4 customer property. Do you know if there's a legal  
5 obligation to replace those things when you work in  
6 the right-of-way?

7 A Again, I'm not a lawyer, but I don't know  
8 if there is or if there isn't.

9 Q Okay. So when you say that it's similar,  
10 you really don't know if it's similar from a legal  
11 standpoint?

12 A Again, as not being a lawyer, yeah, I  
13 don't know.

14 Q Okay. And there may be legal obligations  
15 to replace and restore customer property when  
16 you're working in the right-of-way?

17 A Again, I'm not a lawyer, so I don't -- I  
18 don't know if there is or there isn't.

19 MR. WOODSMALL: Okay. No further  
20 questions. Thank you.

21 JUDGE PRIDGIN: Thank you. Public  
22 Counsel?

23 MR. OPITZ: Briefly, Judge.

24 CROSS-EXAMINATION

25 BY MR. OPITZ:

1           Q    Mr. LaGrand, a moment ago, the Chairman  
2           asked you a question relating to what makes this  
3           replacement extraordinary. Do you recall that  
4           question?

5           A    Yes.

6           Q    Is there anything in GAAP that requires a  
7           finding of extraordinary before the company can  
8           book anything to Account 186?

9           A    I don't -- I don't know of any.

10          Q    Does anything in GAAP require the company  
11          to receive Commission approval before booking any  
12          costs to Account 186?

13          A    I don't believe so.

14               MR. OPITZ: Okay. Thank you. That's all  
15          the questions I have, Judge.

16               JUDGE PRIDGIN: Thank you. Redirect?

17               MR. COOPER: Yes, your Honor.

18                               REDIRECT EXAMINATION

19          BY MR. COOPER:

20          Q    Working the last question you got there,  
21          Mr. LaGrand, why did the company bring this forward  
22          to the Commission?

23          A    Well, we think this is a very significant  
24          -- yeah. It's a different issue. It's a customer  
25          safety issue. And -- yeah. It's material, you



1 know, and -- and, you know, we wanted to -- we  
2 wanted to get this efficient so we could understand  
3 the proper way that we should -- that we can book  
4 this.

5 Q Let me flip it around. If the Commission  
6 tells you that you can't book it to 186, would you  
7 rather know that sooner rather than later?

8 A Yes, we would.

9 Q Staff started off with a question about  
10 the reference to, I think, short-term projects,  
11 which is in -- let me turn to that. I think it's  
12 in your surrebuttal testimony. Do you remember  
13 that?

14 A Yes. I believe it's on the last page of  
15 surrebuttal.

16 Q Yeah. Would -- would you take a look at  
17 that answer as it begins on page 3 and let me know  
18 what you're referring to when you -- when you refer  
19 to short-term projects?

20 A When I refer to short-term projects on  
21 line 1 of page 4.

22 Q Yes.

23 A A short-term project would be a -- just  
24 one individual project that takes a short amount of  
25 time, maybe under 30 days to complete. And -- and

1 in the context of our lead service line replacement  
2 program, it was describing that as the program in  
3 its entirety as a -- as a longer term project.

4 Q But when you started talking about an  
5 individual replacement, each one of those is an  
6 individual project?

7 A Correct.

8 Q And it's placed into service one by one, I  
9 guess, right?

10 A Yes. That's correct.

11 Q You were asked some questions about  
12 depreciation rates. Is it your understanding that  
13 those are dealt with in a rate case?

14 A Yes. That's correct.

15 Q There was also some reference to, I think,  
16 an account, NARUC Account 345, which is services,  
17 and a reference as to whether that's what upper --  
18 you were speaking of in terms of where these costs  
19 might end up. Do you remember that?

20 A Yes.

21 Q Would -- would Account 343, the mains  
22 account, also be implicated by this process?

23 A Yes. In -- in St. Louis County counsel.

24 Q And why is that?

25 A Well, right now, the restoration costs are

1 booked in Account 343. But in the -- in the rate  
2 case, we do ask to all of the service line  
3 replacements to be captured in 345.

4 Q You were asked some questions about, I  
5 guess, this ten-year program and the number of  
6 lines per year and did some multiplication as I  
7 recall.

8 Is it your understanding that this  
9 application -- what time period is it that you  
10 understand this application concerns?

11 A Yeah. So this application concerns a  
12 period from January 1st of 2017 through May 31st,  
13 2018. Not the full ten years.

14 Q You were pointed to, oh, a number that was  
15 represented to be the amount of dollars, as I  
16 understand it, and -- and one of the utility plan  
17 accounts? Do you remember that? Mr. Opitz asked  
18 you about that.

19 A Yes.

20 Q And you did a comparison. I guess I'm  
21 curious. Would depreciation be working the other  
22 direction as well when you're thinking -- when  
23 you're working with a plant account? Or am I  
24 mixing apples and oranges here?

25 A Could you maybe restate the question?

1           Q    Yeah.  I think it -- you were asked a  
2   question about dollars that are currently booked to  
3   -- I don't remember -- do you remember which  
4   account it was?

5           A    Yeah.  345.

6           Q    345.  So if you made no further  
7   investment over the next five years -- I know  
8   that's almost impossible.  But if you made no  
9   further investment over the next five years, what  
10  would you expect the dollars -- would the dollars  
11  in that account change because of depreciation?  
12  Would they be offset by depreciation?

13          A    Yeah.  If -- if there was -- if there was  
14  no further investment, the dollars in 345 wouldn't  
15  stay constant.  But the depreciation balance would  
16  increase.  And the net would decrease over time.  
17  Except if there were retirements.  That would --  
18  retirements would reduce the assets account.

19          Q    You were asked some questions about, you  
20  know, what about -- questions about return on and  
21  return of, that sort of thing, or the absence of a  
22  return on.

23                    Are you -- well, on a going forward basis,  
24  where would that -- that question be answered?

25          A    That would be determined as part of the

1 current rate case.

2 MR. COOPER: That's all the questions I  
3 have, your Honor.

4 JUDGE PRIDGIN: Mr. Cooper, thank you.  
5 Mr. LaGrand, thank you very much. You may step  
6 down. And I believe the next witness is Mr. Aiton.  
7 Come forward to be sworn, please, sir. You'll  
8 raise your right hand to be sworn, please.

9 BRUCE AITON,  
10 being first duly sworn to testify the truth, the whole  
11 truth, and nothing but the truth, testified as follows:

12 DIRECT EXAMINATION

13 BY MR. COOPER:

14 JUDGE PRIDGIN: Thank you, sir. You may  
15 have a seat. Mr. Cooper, when you're ready, sir.

16 Q (By Mr. Cooper) Please state your name.

17 A My name is Bruce Aiton, A-i-t-o-n.

18 Q By whom are you employed and in what  
19 capacity?

20 A Employed by Missouri-American Water. I'm  
21 the Director of Engineering.

22 Q Have you caused to be prepared for the  
23 purposes of this proceeding certain direct,  
24 rebuttal and surrebuttal testimony in question and  
25 answer form?

1 A Yes.

2 Q Is it your understanding that testimony  
3 has been marked Exhibits 7, 8 and 9 for  
4 identification?

5 A Yes.

6 Q Do you have any changes that you would  
7 like to make to that testimony at this time?

8 A No, sir.

9 Q If I were to ask you the questions which  
10 are contained in Exhibit 7, 8 and 9 today, would  
11 your answers be the same?

12 A Yes.

13 Q Are those answers true and correct to the  
14 best of your knowledge, information and belief?

15 A Yes.

16 MR. COOPER: Your Honor, I would offer  
17 Exhibits 7, 8 and 9 into evidence and tender  
18 Mr. Aiton for cross-examination.

19 JUDGE PRIDGIN: Any objections? Hearing  
20 none, Exhibits 7, 8 and 9 are admitted.

21 (Exhibits 7, 8 and 9 were offered and  
22 admitted into evidence.)

23 JUDGE PRIDGIN: Cross-examination, DED?

24 MR. BEAR: A few questions.

25 CROSS-EXAMINATION

1 BY MR. BEAR:

2 Q Sir, on page 10 of your direct testimony,  
3 you refer to the company's proposal as presenting  
4 some leverage for economies of scale. Do you  
5 recall stating that, sir?

6 A If I can look at it.

7 Q Sure. I'm looking specifically on lines  
8 19 and 20.

9 A Yes.

10 Q So one of the advantages of doing customer  
11 line replacements while the main line is being  
12 worked on is that there are some cost advantages;  
13 is that correct?

14 A Yes.

15 Q For instance, the ground is already  
16 trenched, you don't have to -- you've already  
17 exposed the pipe, correct?

18 A That's correct.

19 Q And so when you're given a range in  
20 response on line 6 and 7 of 3,000 to 5,500 for  
21 replacement, that's actually a cost advantaged  
22 amount for the -- for the project, for the line,  
23 correct?

24 A Yes.

25 Q It would be more expensive, for instance,

1 the company had to hire out a lead line  
2 replacements on their on without -- without that  
3 existing work already occurring, correct?

4 A I believe that's accurate correct.

5 Q Do you have a sense of how much more  
6 expensive it would be for the customer in order to  
7 do a single lead line replacement?

8 A There would be a lot of variation. But it  
9 would probably -- it would depend on the location.

10 Q Okay. But -- but based on your knowledge  
11 and experience, you're confident that the customer  
12 would likely have to pay somewhere significantly  
13 more?

14 A Somewhere in a third more or - I'd have to  
15 say double more.

16 Q As far as the mechanics of the  
17 replacement, do you utilize different contractors  
18 or the same contractors that's doing the main line  
19 replacement to carry out the customer line  
20 replacements as well?

21 A The answer to that is it depends. In St.  
22 Louis County, there's a requirement that it be a  
23 licensed lumber, so we subcontract that work out to  
24 a different person than would be typically be  
25 laying the mains, which are typically our own



1 crews. Other districts across the state,  
2 oftentimes, we do that work with our own crews as  
3 well.

4 Q But, ultimately, the company is deciding  
5 which contractor to select, correct?

6 A That's correct.

7 Q And the company has -- would it be fair to  
8 say the company has some sophistication in  
9 selecting reputable contractors that follow through  
10 on this type of work?

11 A Yes.

12 Q And have specialty in the field, correct?

13 A Yes.

14 Q And that oftentimes that type of knowledge  
15 and experience in selecting contractors may not be  
16 available to an average homeowner trying to find  
17 this for themselves, correct?

18 A It could be more of a challenge. That's  
19 correct.

20 Q If there were a situation where a  
21 contractor who was replacing customer lines --  
22 customer service lines was found to do work in a  
23 non-workmanlike manner, would the company consider  
24 that a breach of contract for that contractor?

25 A Yes.

1 Q And the company would have significant  
2 financial leverage over that contractor to ensure  
3 proper service, correct?

4 A That's correct.

5 Q Much more so than just an average plumber?

6 A We were performing some payment bonds and  
7 a variety of things that give us that leverage.  
8 Yes. Certificates of insurance that oftentimes  
9 homeowners don't secure.

10 Q It was suggested -- were you here during  
11 the opening statements?

12 A Yes.

13 Q On one of the opening statements, it was  
14 suggested that perhaps -- or implied at least  
15 perhaps that the replacement costs for customer  
16 line scales would be relative to expensiveness of  
17 the property. Do you recall that?

18 A I -- I recall there was a lot of  
19 discussion around the expense of the individual  
20 properties, but -- but not that was necessarily  
21 related directly to the cost of those services.

22 Q Isn't it true that the value of the house  
23 doesn't really have a lot to do necessarily with  
24 the expenses required to replace a lead line?

25 A That's correct.

1 Q In fact, as you say in your testimony what  
2 actually drives up the cost are things like rocks  
3 and trees in the way, correct?

4 A That's correct.

5 Q And that has nothing to do with how much  
6 someone's house is appraised at?

7 A That's correct

8 MR. BEAR: Thank you. No nothing further.

9 JUDGE PRIDGIN: Thank you. Staff?

10 Q Good afternoon. At this time, do you know  
11 how many customers have refused to have their lead  
12 service line replaced?

13 A Two.

14 CROSS-EXAMINATION

15 BY MS. MERS:

16 Q Two. Okay. And, Mr. Aiton, you have  
17 estimates for about 30,000 lead service lines and  
18 estimated costs on average to replace and the  
19 amount of replacements in your testimony.

20 And that's kind of based -- I'm getting  
21 the impression, from a practical boots on the  
22 ground experience that your employees have just  
23 encountered in the field, correct?

24 A It's a combination of -- of referencing  
25 and -- and reviewing the data that we do have

1 available from tap cards.

2 A tap card is a historic record of that  
3 service line tap when it was made. And, also, in  
4 other locations where we don't have those records  
5 for those boots on ground and their anecdotal  
6 knowledge of the system.

7 Q Are you familiar with the rebuttal  
8 testimony of OPC witness Dr. Marke?

9 A Yes.

10 Q Are you familiar with the AWWA article he  
11 references?

12 A Yes.

13 Q Is it -- do you understand that is a  
14 national survey to extrapolate the data to come up  
15 with an estimate for the entire state and not just  
16 Missouri-American's territory?

17 A Yes.

18 MS. MERS: Thank you. I have no further  
19 questions.

20 JUDGE PRIDGIN: Ms. Mers, thank you.

21 MECG?

22 MR. WOODSMALL: Yes, your Honor.

23 CROSS-EXAMINATION

24 BY MR. WOODSMALL:

25 Q Going to some questions Mr. Bear asked

1 you, would you agree Staff included, I guess, 71  
2 invoices in Mr. Merciel's rebuttal. Do you recall  
3 that?

4 A Yes.

5 Q And if 57 of those were in Clayton, would  
6 you accept that subject to check?

7 A Yes.

8 Q Okay. Would you agree that the average  
9 cost for those in 57 in Clayton were -- was  
10 approximately \$9900?

11 A I -- subject to verification, I would say  
12 that's probably in the right range, yes.

13 Q Okay. And would you agree that that is  
14 approximately seven times larger than the price in  
15 Mexico, Missouri?

16 A What was the pricing in Mexico, Missouri?

17 Q \$1440.

18 A Sure.

19 THE COURT REPORTER: Can we go off the  
20 record for a minute, please?

21 JUDGE PRIDGIN: Okay. Let's -- I'm sorry.  
22 Let's go off the record.

23 (Break in proceedings.)

24 JUDGE PRIDGIN: I'm sorry. Mr. Woodsmall,  
25 when you're ready.

1 MR. WOODSMALL: Not a problem. I'll  
2 backtrack for a little bit for the clarity of the  
3 record.

4 Q (By Mr. Woodsmall) We were talking about  
5 the magnitude of the contractor invoices that were  
6 in Staff's rebuttal. Do you recall that?

7 A Yes.

8 Q And rather than use comparisons, would you  
9 accept, subject to check, that the average cost for  
10 the 57 homes in Clayton was 9865?

11 A Yes.

12 Q Okay. And for Mexico, Missouri, \$1,440?

13 A Yes.

14 Q And for Jefferson City, \$2,545?

15 A Yes.

16 Q And, finally, for St. Joseph, \$4,113?

17 A Yes.

18 Q Okay. And those costs will be, the phrase  
19 was used earlier, uplifted, is that correct, under  
20 your proposal?

21 A I'm not familiar with that term.

22 Q Socialized, passed on to the other  
23 customers?

24 A It would be spread through the -- if --  
25 depending on how the Commission rules in the rate

1 case, that's how it will be dealt with.

2 Q Okay. And so the -- the homeowner in  
3 Clayton is uplifting seven times as much for his  
4 service line replacement as the homeowner in  
5 Mexico; is that correct?

6 A That would be the difference in cost.

7 Q Okay. Are you a Missouri-American  
8 customer?

9 A I am.

10 Q And you own your own home; is that  
11 correct?

12 A I do.

13 Q When you bought your home, let's say,  
14 hypothetically, that you need a service line  
15 replacement because it's lead. When you bought  
16 your home, did you expect that the utility would  
17 replace that for you?

18 A I actually check that before I buy homes.  
19 But --

20 Q And would you have expected -- if you'd  
21 bought the home, would you have expected someone  
22 else to pay that for you?

23 A Typically, no.

24 MR. WOODSMALL: Okay. I have no further  
25 questions. Thank you.

1 JUDGE PRIDGIN: Thank you, Public Counsel?

2 MR. OPITZ: Yes, Judge. Similar situation  
3 with the data requests. May I approach?

4 JUDGE PRIDGIN: You may. The next exhibit  
5 will be No. 27.

6 MR. OPITZ: 27 will be DR-15.2.

7 JUDGE PRIDGIN: Exhibit 27 is OPC  
8 DR-0015.2.

9 MR. OPITZ: 28 will be 0028.

10 JUDGE PRIDGIN: 29 will be DR-2008.

11 MR. OPITZ: 30 will be DR-2010. And 31  
12 will be DR 2017. May I proceed, Judge?

13 JUDGE PRIDGIN: You may.

14 CROSS-EXAMINATION

15 BY MR. OPITZ:

16 Q Mr. Aiton, you're aware that Public  
17 Counsel sent some data requests to the company; is  
18 that correct?

19 A That's correct.

20 Q And you prepared some of the responses to  
21 those; is that correct?

22 A It is correct.

23 Q If I could have you take a look at DR --  
24 or I should say Exhibit 27, which is DR-0015.2.

25 A Okay.



1 Q And you prepared the response to this data  
2 request; is that correct?

3 A I believe so.

4 Q And this is a true and accurate copy of  
5 the response to that data request?

6 A To the best of my memory, yes.

7 Q Prior to 2017, the company didn't have a  
8 notification process when it discovered that a  
9 customer had a lead service line; is that correct?

10 A That's correct.

11 Q And prior to January of 2017, the company  
12 was doing partial lead service replacements; is  
13 that correct?

14 A We were replacing that portion of the main  
15 that was either in the street or to the curb line  
16 when we replaced the service line. Yes.

17 Q And so that would be --

18 A A partial. Yeah.

19 Q What's been called partial?

20 A Correct.

21 Q And you agree that the company has been  
22 replacing its mains for a hundred years; is that  
23 correct?

24 A Not in --

25 Q Give or take?

1           A    Yes.  I'm not sure exactly when the formal  
2 main replacement process would have -- would have  
3 initiated, but, yes, for a long time.

4           Q    Okay.

5           MR. OPITZ:  Judge, I move Exhibit 27 into  
6 evidence.

7           JUDGE PRIDGIN:  Any objections?  Hearing  
8 none, Exhibit 27 is admitted.

9           (Exhibit 27 was offered and admitted into  
10 evidence.)

11          Q    (By Mr. Opitz)  Mr. Aiton, would you take  
12 a look at Exhibit 28, which is DR-0025 -- or 0028,  
13 I believe.

14          A    Yes.

15          Q    Did you provide the response to this data  
16 request?

17          A    Yes.

18          Q    And is this a true and accurate copy of  
19 the response you provided?

20          A    Yes.

21          Q    Would you agree that the company has had  
22 customers refuse fuse replacement of their lead  
23 service lines, correct?

24          A    Yes.  The two that we mentioned earlier.

25          Q    So since the data response was provided,

1 no other customers have refused?

2 A That's right.

3 Q You would agree that the company has no  
4 future plan to inform owners at that location that  
5 they have a lead service line?

6 A If people inquire, we'll tell them. But  
7 we -- we've noted on the historic record, the tap  
8 cards, basically, that those are still lead -- lead  
9 service lines.

10 But we don't have any other notification  
11 requirement. When people buy homes, we don't have  
12 notification necessarily when people buy or sell  
13 homes.

14 Q So if -- if -- just so I understand, if  
15 any customer inquires, you'll tell them? Or if one  
16 of those two customers inquires, you'll tell them?

17 A If any customer calls right now, we'll  
18 refer them to a plumber, tell them to verify  
19 because we don't know with what the tap card  
20 records are, but we refer them to a plumber to  
21 confirm what the service line is.

22 Q Okay. To follow up on that, if the  
23 customer inquires and you do have a tap card, at  
24 the same time you refer them to a plumber, will you  
25 inform the customer that your tap card shows that

1       **there is a lead service line?**

2           A    Yes.

3           **Q    Okay.**

4           MR. OPITZ:  Judge, at this time, I would  
5   move Exhibit 28 into evidence.

6           JUDGE PRIDGIN:  Any objections?  Hearing  
7   none, Exhibit 28 is admitted.

8           (Exhibit 28 was offered and admitted into  
9   evidence.)

10          **Q    (By Mr. Opitz)  Mr. Aiton, could I direct**  
11 **your attention to Exhibit 29, which is DR-2008**

12           A    Yes.

13          **Q    And you provided the response -- company's**  
14 **response to this data request?**

15           A    Yes.

16          **Q    And is this a true and accurate copy of**  
17 **that response?**

18           A    Yes.

19          **Q    You would agree that the lead and copper**  
20 **-- lead and copper rule does not require**  
21 **replacement of non-company owned service lines?**

22           A    That's correct.

23          MR. OPITZ:  Judge, at this time, I would  
24   move Exhibit 29 into evidence.

25          JUDGE PRIDGIN:  Any objections?  Hearing

1 none, Exhibit 29 is admitted.

2 (Exhibit 29 was offered and admitted into  
3 evidence.)

4 Q (By Mr. Opitz) Mr. Aiton, could I direct  
5 your attention to Exhibit 30, which is DR 2010?

6 A Okay.

7 Q And you provided the response -- the  
8 company's response to this data request?

9 A Yes.

10 Q And would you agree this is a true and  
11 accurate copy of that response?

12 A Yes.

13 Q Would you agree that the company is in  
14 compliance with the lead and copper rule without  
15 replacing any portion of the customer-owned service  
16 lines?

17 A Currently, yes.

18 MR. OPITZ: Judge, at this time, I'd move  
19 Exhibit 30 into evidence.

20 JUDGE PRIDGIN: Any objections? No  
21 objections, Exhibit 30 is admitted.

22 (Exhibit 30 was offered and admitted into  
23 evidence.).

24 Q (By Mr. Opitz) Mr. Aiton -- Aiton, if  
25 you could look at Exhibit 31, please, which is

1 DR-2017.

2 A Okay.

3 Q Would you agree that you provided the  
4 company's response to this data request?

5 A Yes.

6 Q And is this a true and accurate copy of  
7 the company's response?

8 A Yes.

9 Q You agree that the company is not giving  
10 priority to projects based on economic constraints  
11 of homeowners at -- at present?

12 A That's correct.

13 Q And would you agree that the company has  
14 no plans to give priority to projects based on the  
15 economic restraints of homeowners?

16 A That's correct.

17 MR. OPITZ: Judge, at this time, I'd move  
18 into evidence Exhibit 31.

19 JUDGE PRIDGIN: 31 has been offered. Any  
20 objections? Hearing none, Exhibit 31 is admitted.

21 (Exhibit 31 was offered and admitted into  
22 evidence.)

23 Q (By Mr. Opitz) Mr. Aiton, are you  
24 involved with the decision-making on -- on treating  
25 water that -- at Missouri American?

1 A To some extent, yes.

2 Q If the company's Petition is granted, does  
3 it plan to stop treating its water?

4 A No.

5 Q Can you envision a scenario where  
6 Missouri-American would go for months without  
7 treating its water?

8 A No.

9 Q And, lastly, Mr. Aiton, are you a  
10 Certified Public Accountant?

11 A No, sir.

12 MR. OPITZ: Thank you. That's all I have.

13 JUDGE PRIDGIN: Mr. Opitz, thank you. Any  
14 Bench questions? Mr. Chairman?

15 CHAIRMAN HALL: No questions. Thank you.

16 JUDGE PRIDGIN: Commissioner Kenney?

17 COMMISSIONER KENNEY: Thank you.

18 CROSS-EXAMINATION

19 BY COMMISSIONER KENNEY:

20 Q Good afternoon. How are you?

21 A Good.

22 Q I had a question when you were talking in  
23 your rebuttal or -- yeah -- your rebuttal, and you  
24 had mentioned that on this -- I think you did in  
25 your direct, too, on the company's -- that the

1 systems that have been acquires where you don't  
2 have tap cards. So you don't know what -- what --  
3 what is there. Do you -- you do your best  
4 practices or best effort practices to determine --  
5 I guess my question is, in those areas where you're  
6 doing replacement of main line, how -- how do you  
7 determine -- when do you determine whether a  
8 service line, a customer service line, needs to be  
9 replaced?

10 A So two -- two parts. The way we -- maybe  
11 just to give you the full answer. The way we came  
12 up with the estimated number is we talked to the  
13 field operation staff that may have been in that  
14 city and, in particular, I'll use Mexico as an  
15 example.

16 We acquired the system in the City of  
17 Mexico. We have operations staff that have worked  
18 there for 30-plus years.

19 Where we don't have tap cords cards, we  
20 ask them, What areas of town do you recall having  
21 seen or as you dug up leaks or whatever, that have  
22 lead -- lead service lines.

23 And they said, Well, we think this area.  
24 And we came up with a number, and that's what got  
25 rolled into that 30,000. When we're replacing



1 mains currently in those areas in particular where  
2 we don't know, and even in the areas where we have  
3 good records, we're going ahead of that main  
4 replacement and potholing or digging a small hole  
5 to determine whether the service line is lead or  
6 not because we've had both directions.

7 We've had locations that said that they  
8 were lead and others when we dug them up they  
9 weren't because somebody else had replaced it  
10 previously.

11 And, conversely, ones that we didn't think  
12 were lead that ended up being lead. But we  
13 actually pothole and do that field investigation.

14 **Q So many of your systems do you know ahead**  
15 **of time, every house in this block is lead -- I**  
16 **mean, 90 percent?**

17 **A We have a probability.**

18 **Q Probability?**

19 **A Yeah. Yeah.**

20 **Q On this sheet that I think your attorney**  
21 **handed out, outside of St. Louis County, the meters**  
22 **are --**

23 **A Effective curb, roughly.**

24 **Q Meters out to here?**

25 **A Correct.**

1           Q   Property line may be here. Are they at  
2   the -- at the tap, or how --

3           A   No. They're -- at -- in the top graph?

4           Q   The bottom one on -- within St. Louis  
5   County.

6           A   Typically, no. The meters are either in  
7   house or in the -- in the -- at -- to me, we have  
8   actually at the same place. But that really is  
9   indicated we don't own any portion of the service  
10   line or even the tap in that -- in St. Louis  
11   County.

12          Q   Okay. So what -- so in St. Louis County,  
13   your -- your service lines, would they, on average,  
14   be longer than outside the County or --

15          A   Not necessarily so.

16          Q   Shorter setbacks?

17          A   Again, it would depend on the area of  
18   town. There's a lot of variation in St. Louis  
19   County. But of the 400,000 customers, most of them  
20   are in St. Louis County. 300-plus thousand.

21          Q   Do you -- and you pay prevailing wage to  
22   your subcontractors?

23          A   In St. Louis County, we do.

24          Q   Not anywhere else?

25          A   It depends on the locality. We have an

1 agreement with the Laborers Union for all pipe  
2 replacement in St. Louis County.

3 Q Because I found it kind of interesting.  
4 You said that the homeowner would have to pay  
5 double what your contractor -- you can pay your  
6 contractor to put a service line a house in St.  
7 Louis County, which I would find -- as a former --  
8 being in that industry, I don't understand that.  
9 Because most homes aren't built with prevailing  
10 wage.

11 A That's correct. But the one-off where  
12 they have to come and mobilize as a one-off  
13 location. And something I experienced, my personal  
14 experience on a wastewater line on a home that I  
15 owned, what I knew I could replace it for as part  
16 of company versus what it cost me to replace it as  
17 a private homeowner was substantially more.

18 Q Well, on your one situation.

19 A Yeah.

20 Q I could probably name several situations  
21 where it probably wasn't for me.

22 A That's -- that's equally right. Yes.

23 Q But you're not an expert in that field,  
24 are you?

25 A Not in what it costs individual homeowners

1 to replace --

2 Q For a homeowner to put in the line?

3 A Correct.

4 Q Yeah. All right. Now, so when you hire a  
5 contractor -- or now the company hires a contractor  
6 to put in these service lines, does that contractor  
7 the one that contacts the homeowner, or does the  
8 company contact the homeowner?

9 A Well, we do the initial contact with the  
10 homeowner.

11 Q And what do you -- what are you -- what do  
12 you tell the homeowner? What are you offering  
13 them?

14 A Well, we have actually --

15 Q I saw -- I just want a brief --

16 A Okay. Yeah. And the outline is we let  
17 them know that they have a lead service line.  
18 We're not process of replacing the main in the  
19 street and we think best practice is to replace  
20 that service line as part of project and we'd like  
21 their permission to come on their property and do  
22 that. Part of that communication, then, is also  
23 the flushing and the sampling that follows that.

24 Q Do you have to get an easement?

25 A We do not. Right.