

## Exhibit No. 3

*Exhibit No.:*  
*Issue(s): Feasibility, Public Interest*  
*Witness: Matt Horan*  
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*Case No.: SA-2021-0017*  
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**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. SA-2021-0017**

**SURREBUTTAL TESTIMONY**

**OF**

**MATT HORAN**

**ON BEHALF OF**

**MISSOURI-AMERICAN WATER COMPANY**

**MARCH 16, 2021**

**Public**

\*\*\* \_\_\_\_\_ \*\*\* denotes  
confidential information

**SURREBUTTAL TESTIMONY  
MATT HORAN  
MISSOURI-AMERICAN WATER COMPANY  
CASE NO. SA-2021-0017**

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**AFFIDAVIT**

I, Matt Horan, under penalty of perjury and pursuant to Section 509.030, RSMo, state that I am the Senior Manager of Operations for Missouri-American Water Company's East Central Division, that the accompanying testimony has been prepared by me or under my direction and supervision; that if inquiries were made as to the facts in said testimony, I would respond as therein set forth; and that the aforesaid testimony is true and correct to the best of my knowledge and belief.

Further the Affiant sayeth not.

  
MATT HORAN

March 16, 2021

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1 A. No. Nothing stated by Mr. Connelly has caused me to question MAWC's proposed  
2 acquisition of the Hallsville sewer system and MAWC's ability to provide safe and adequate  
3 service to Hallsville going forward.

4 **Q. WHAT WAS THE BASIS FOR MAWC'S FEASIBILITY STUDY?**

5 A. Commission Rule 20 CSR 4240-3.305 sets out, in part, the filing requirements  
6 when applying for a certificate of convenience and necessity (CCN). Rule 20 CSR 4240-  
7 3.305(1)(A)5. states an application for a CCN shall contain:

8 A feasibility study containing plans and specifications for the utility system and  
9 estimated cost of the construction of the utility system during the first three (3)  
10 years of construction; plans for financing; proposed rates and charges and an  
11 estimate of the number of customers, revenues and expenses during the first three  
12 (3) years of operations[.]

13  
14 MAWC's feasibility study was filed with the Application in this matter and also included as part  
15 of my direct testimony as Schedule MH-4C. MAWC relied on its years of wastewater industry  
16 experience and the knowledge gained from its years of operating history to form the foundation  
17 for the analysis. This is the same foundation that MAWC has used in prior wastewater CCN  
18 applications filed before the Commission. While the service area and demographics change with  
19 each CCN application, the underlying assumptions have always been predicated on historical  
20 operating results and consistently applied in each feasibility analysis.

21 **Q. ON PAGE 8, LINES 9-17, MR. CONNELLY STATES THAT THE LOSSES**  
22 **FOR YEARS 1 THOROUGH 3 IN THE FEASIBILITY STUDY "...SHOW THAT MAWC'S**  
23 **PLAN TO PURCHASE THE HALLSVILLE SYSTEM IS NOT ECONOMICALLY**  
24 **FEASIBLE, GIVEN THE CAPITAL REQUIREMENTS NECESSARY TO ADDRESS**  
25 **THE COMPLIANCE ISSUES WITH THE MISSOURI DEPARTMENT OF NATURAL**  
26 **RESOURCES ("MDNR")." DO YOU AGREE WITH MR. CONNELLY'S CONCLUSION**

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1 **THAT THE PURCHASE OF THE HALLSVILLE SYSTEM IS NOT ECONOMICALLY**  
2 **FEASIBLE FOR MAWC?**

3 A. No. Mr. Connelly's conclusion suggests that he may not be familiar with the rate  
4 making process for Commission regulated utilities. MAWC has proposed to maintain Hallsville's  
5 current rates for the period immediately following MAWC's acquisition of the assets. The  
6 feasibility study shows that the rates currently charged for wastewater service will have to be  
7 reevaluated in a future rate case. Regulatory lag will almost always result in a loss in between rate  
8 cases in this circumstance.

9 **Q. WILL THIS LOSS IMPACT MAWC'S ABILITY TO PROVIDE SAFE AND**  
10 **ADEQUATE SERVICE IN HALLSVILLE, OR IN ITS OTHER SERVICE AREAS?**

11 A. No. As the largest investor owned wastewater utility in Missouri, MAWC has the  
12 financial strength to withstand the financial impact of the projected \*\*\*([REDACTED])\*\*\* estimated in  
13 Year 1, \*\*\*([REDACTED])\*\*\* in Year 2, and \*\*\*([REDACTED])\*\*\* in Year 3, until rates are set by the  
14 Commission to reflect a just and reasonable rate for both MAWC and its customers.

15 **Q. IS THE FEASIBILITY STUDY DETERMINATIVE AS TO FEASIBILITY?**

16 A. No. While the feasibility study is a useful tool, a utility's ability to access the  
17 necessary funds to proceed with a project is also an important consideration when determining  
18 economic feasibility. MAWC does not anticipate a need for external financing for this project.  
19 MAWC has sufficient funds readily available to it and is committed to making the necessary  
20 investments in the Hallsville system to bring it into compliance with the applicable Commission  
21 and MDNR regulations.

22 **Q. HOW DO THE PROJECTED HALLSVILLE INVESTMENTS COMPARE**  
23 **TO MAWC'S OTHER OPERATIONS?**

1 A. In 2019, MAWC placed in service improvements worth more than \$226 million just to  
2 keep pace with the replacement needs of its aging water distribution and sewer collection  
3 infrastructure. These levels of capital investment are anticipated to continue for the foreseeable  
4 future as more of MAWC's infrastructure reaches the end of its useful life. MAWC has invested  
5 or has planned investment of approximately \$30 million in wastewater facilities from January 1,  
6 2018 through May 31, 2022.

7 **Q. DOES MAWC HAVE EXPERIENCE WITH THE ACQUISITION OF**  
8 **SMALL SYSTEMS THAT NEED INVESTMENT?**

9 A. Yes. Over the last several years MAWC has acquired systems that were similarly  
10 situated to that of Hallsville. In those instances, MAWC has also invested the necessary capital to  
11 improve those systems. MAWC has the financial resources to invest in the Hallsville system and  
12 the managerial, technical, and financial capabilities to operate the system safely and adequately on  
13 a going forward basis.

14 **Q. ON PAGE 9, LINES 8-11, MR. CONNELLY STATES THAT THE "...NEED**  
15 **TO MAKE SIGNIFICANT CAPITAL EXPENDITURES TO RESOLVE CURRENT**  
16 **REGULATORY COMPLIANCE ISSUES AND ACHIEVE FUTURE COMPLIANCE**  
17 **WILL RESULT IN UNKNOWN AND SIGNIFICANT RATE INCREASES AND**  
18 **AFFORDABILITY ISSUES IN THE STATE PERMITTING PROCESS." DO YOU**  
19 **AGREE?**

20 A. No. As I stated prior, any rate increase for MAWC would have to be approved by  
21 the Commission. The Commission is charged with setting a just and reasonable rate for both  
22 MAWC and its customers. Recent experience indicates that within a rate case, it is not likely that

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1 sewer rates will be set on a “Hallsville only” outlook, but after determining MAWC’s cost of  
2 service and the appropriate rate design to use over MAWC’s broader customer base.

3 Rebuttal Testimony of Dennis E. Stith

4 **Q. ON PAGE 6, LINES 13-15, MR. STITH STATES THAT “MAWC HAS**  
5 **FAILED TO ADDRESS CRITICAL CONCERNS ABOUT THE ADEQUACY OF THE**  
6 **DESIGN FLOW AND STORAGE CAPACITY OF THE HALLSVILLE SEWER SYSTEM,**  
7 **AND ADEQUACY OF AVAILABLE LAND APPLICATION CAPACITY.” DO YOU**  
8 **AGREE WITH MR. STITH’S STATEMENT AND ACCOMPANYING ANALYSIS ON**  
9 **PAGES 6 LINE 15 THROUGH PAGE 9, LINE 17?**

10 A. No. As provided in MAWC’s response to the District’s Second Set of DRs-0002,  
11 MAWC conducted a campaign to educate the public ahead of the municipal election. MAWC  
12 communicated the potential wastewater treatment opportunities to Hallsville’s residents. The  
13 current practice of land applying 100% of the wastewater effluent is not a long-term solution and  
14 has a great risk for non-compliance since it is weather dependent. Also, Hallsville does not own  
15 the property or the application equipment and currently is dependent upon local  
16 landowners/partners cooperation. To utilize the irrigation options, MAWC would need to purchase  
17 land to irrigate or modify and continue the agreements with landowners/partners cooperation.  
18 Having said this, additional engineering and studies are needed to determine the best treatment  
19 approach going forward. The project will also require engineering approval from MDNR and  
20 issuance of a construction permit before any work can begin.

21 **Q. HAS THERE BEEN ANY WORK AS TO POTENTIAL SOLUTIONS?**

22 A. Yes. MAWC’s internal engineering professionals developed preliminary cost  
23 estimates based upon recent projects and industry knowledge. I have attached the cost estimates

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1 for the four options MAWC originally considered as Schedule MH-5C. Schedule MH-5C is  
2 marked highly confidential pursuant to 20 CSR 4240-2.135(2)(A)3. and 6. MAWC provided these  
3 estimates to Staff in Response to DR0012. MAWC has not yet decided on what technology to  
4 pursue, nor has any design been completed. The cost estimates are strictly estimates for planning  
5 purposes.

6 **Q. IS THE ULTIMATE SOLUTION SOMETHING YOU WOULD WANT TO**  
7 **DECIDE AT THIS TIME?**

8 A. No. I would like to stress the importance of operating the Hallsville system for and  
9 period of time before MAWC decides the best treatment option. It is imperative that MAWC  
10 personnel operate the Hallsville system for a period of time to thoroughly vet options and  
11 operational improvements. Gaining hands on experience with the Hallsville Wastewater System  
12 will provide insight into treatment options for consideration. For example, MAWC has been  
13 allowed to take wastewater samples at the Hallsville system recently. Based on the results of  
14 testing, MAWC has developed another potential option for treatment. This option is also included  
15 in Schedule MH-5C. While the direct discharge option needs to be vetted with MDNR to see if  
16 this approach is feasible, it does illustrate the importance of having some operating time with the  
17 system prior to selecting a final treatment option. For any option selected, MAWC would solicit  
18 feedback from MDNR prior to making any final decisions.

19 Rebuttal Testimony of Tom Ratermann

20 **Q. ON PAGE 6, LINES 12-14, MR. RATERMANN STATES THAT “ON**  
21 **JANUARY 6, 2010, THE CLEAN WATER COMMISSION (“CWC”) APPROVED THE**  
22 **DISTRICT AS A LEVEL 2 CONTINUING AUTHORITY UNDER 10 CSR 20-6.010(2)(B)**

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1 **AND (2)(F) FOR AREAS OF BOONE COUNTY, MISSOURI NOT SERVED BY**  
2 **MUNICIPAL SEWER SYSTEMS.” DO YOU AGREE WITH THIS?**

3 A. No. Attached as **Schedule MH-6** is the transcript from the July 2009 CWC  
4 agenda meeting when the District’s Tier 2 request was first discussed. Of particular importance is  
5 page 95, lines 19 through page 96, line 5. This is where the particulars of the Tier 2 request are  
6 discussed by Mr. David Shorr, an attorney with Lathrop and Gage that has served on the District’s  
7 Board as a Trustee since 2004. Mr. Shorr explained the District’s request to the CWC as follows:  
8 “Those white zones are existing, incorporated cities within the boundary of Boone County that  
9 have their own systems and have their own independence and their own councils and *they are not*  
10 *included in the Tier 2 request because they have their own option of what to do.*” (Page 95, line  
11 24 through Page 96, line 5).

12 Attached as **Schedule MH-7** is the agenda for the CWC meeting on January 6, 2010. Item  
13 7 is the District’s Level 2 Continuing Authority Request. The CWC agendas are unique. While  
14 at the PSC the Staff’s recommendation is contained in its own separately filed report, the CWC  
15 agenda typically includes MDNR Staff’s recommended action for the CWC for each discussion  
16 item. As you can see from this agenda, MDNR Staff recommend the CWC approve the District’s  
17 Level 2 Continuing Authority. MDNR Staff recommended that **under the Level 2 Continuing**  
18 **Authority, “[t]he District will provide regional services in the *unincorporated areas of Boone***  
19 ***County as they exist at the date of this Commission’s approval.*”**

20 Attached as **Schedule MH-8** is the transcript from the January 6, 2010 CWC agenda  
21 meeting approving the District’s Tier 2 authority request. The discussion of this agenda items is  
22 on page 18 through page 31. Again Mr. Shorr discusses the request with the CWC. Mr. Shorr  
23 stated:

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1           *“the goal and objective here was not to interfere with local governments. So*  
2           *Centralia’s not included in this. Harrisburg’s not included in this. All the*  
3           *incorporated small towns that have their own responsibility* unless they want us  
4           to assume their responsibility under our rights as a District *they are still*  
5           *autonomous.”*

6 (Page 29, lines 12-19). The CWC voted to approve the recommendation of the MDNR Staff: “**I**  
7 **move the Missouri Clean Water Commission approve in accordance with the**  
8 **recommendation of the Department** the Boone County Regional Sewer District and the City of  
9 Columbia’s request for designation as a Continuing Authority Level 2....” (Page 29, line 24  
10 through Page 31, line 6).

11           **Schedule MH-9** is a copy of the District’s website discussing its history. The District  
12 states it was created under Chapter 204 RSMo to serve unincorporated areas in Boone  
13 County. This confirms MAWC’s understanding of the CWC’s grant of authority as discussed  
14 above. The District’s website states “[t]he District has continuing authority over *all of*  
15 *unincorporated Boone County (areas outside of city boundaries).*

16           **Q. ON PAGE 12, LINES 15-19, MR. RATERMANN STATES “IT IS THE**  
17 **DISTRICT’S POSITION THAT MAWC’S APPLICATION UNLAWFULLY CONFLICTS**  
18 **WITH THE DISTRICT’S LONG-TERM FACILITY PLAN FOR BOONE COUNTY**  
19 **SUCHT THAT THE COMMISSION SHOULD DENY THE APPLICATION.” DO YOU**  
20 **AGREE?**

21           A. First off, let me state that I am not an attorney, nor is Mr. Ratermann to my  
22 knowledge. By my working knowledge of the MDNR permitting process, it is my understanding  
23 that MAWC’s application does not conflict with the authority granted to the District as a Tier 2  
24 authority for the unincorporated areas of Boone County. Further, whether MAWC’s operating

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1 permit would be unlawful is a decision that falls under the primary jurisdiction of the MDNR, not  
2 the District or this Commission.

3 **Q. ON PAGE 13, LINES 6-10, MR. RATERMANN STATES THAT “THE**  
4 **DISTRICT WAS FORMED BY THE CITIZENS OF BOONE COUNTY, AND FOR**  
5 **DECADES NOW, HAS EXPENDED PUBLIC FUNDS TO DEVELOP AND REFINE AN**  
6 **OVERARCHING PLAN FOR WASTEWATER COLLECTION AND/OR TREATMENT**  
7 **SERVICES IN BOONE COUNTY THAT PROMOTES THE PROTECTION OF THE**  
8 **ENVIRONMENT AND IS AS COST EFFECTIVE AS POSSIBLE.” DO YOU BELIEVE**  
9 **THAT THE DISTRICT’S SERVICES IN BOONE COUNTY WILL DO A BETTER JOB**  
10 **OF PROMOTING THE PROTECTION OF THE ENVIRONMENT THAN THOSE OF**  
11 **MAWC?**

12 **A. No.** The District currently owns and operates 21 wastewater treatment facilities  
13 in Boone County. However, as can be seen from the documentation contained in Schedule MH-  
14 10, the District has received numerous Letters of Warning and Notices of Violation from MDNR  
15 **pertaining to 13 different wastewater systems** the District owns/and or operates in Boone  
16 County. MAWC’s ability to invest the needed capital in the Hallsville system and operate it within  
17 the parameters of the Commission’s and MDNR’s regulations will best promote the protection of  
18 the environment in Boone County.

19 **Q. ON PAGE 14, LINES 20-22, MR. RATERMANN STATES “THE ONLY**  
20 **VIALE LONG-TERM SOLUTIONS ARE TO CONSTRUCT A NEW TREATMENT**  
21 **FACILTY OR TO TRANSPORT THE WASTE TO A DIFFERENT TREATMENT**  
22 **FACILTY.” MR. RATERMANN INDENTIFIES ON PAGE 15, LINES 19-21, THAT THE**  
23 **ROCKY FORK WASTEWATER TREATMENT FACILITY IS THE FACILITY THE**

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1 **DISTRICT PROPOSES TRANSPORTING HALLSVILLE’S WASTEWATER TO. DO**  
2 **YOU AGREE THAT TRANSPORTING HALLSVILLE’S WASTE TO ROCKY FORK IS**  
3 **AN OPTION?**

4 A. No, transporting Hallsville’s wastewater to Rocky Fork WWTF for treatment is not  
5 a viable option. The District is proposing to build over eight (8) miles of connecting sewer just to  
6 be able to transport 150,000 gallons of Hallsville wastewater per day to the Rocky Fork WWTF.  
7 The District states in Schedule TR-5 that it is dependent on the MDNR State Revolving Fund  
8 (SRF) in order to be able to finance the construction of the eight (8) mile connecting sewer. To  
9 date, only the construction of the Richardson Acres/Brown Station portions of the connecting  
10 sewer have been included on the SRF fundable project list. See Schedule MH-11 .

11 **Q. ON PAGE 16, LINES 17-19, DISTRICT WITNESS RATERMANN STATES**  
12 **THAT THE COMMISSION’S GRANTING OF MAWC’S APPLICATION COULD**  
13 **RESULT IN A SERVICE DISRUPTION TO [SIC] DISTRICT’S CUSTOMERS AND**  
14 **HALLSVILLE’S BREACH OF ITS AGREEMENTS WITH THE DISTRICT. CAN YOU**  
15 **ALLEVIATE THOSE CONCERNS?**

16 A. Certainly, in early December 2020, MAWC initiated discussions with the District  
17 regarding the Connection Agreements for the treatment of effluent from the District’s systems in  
18 the Sunnyslope and Silver Creek subdivisions. As MAWC stated then, and will reiterate now,  
19 MAWC is happy to enter into negotiations with the District to form new agreements for the  
20 treatment of effluent from District systems that cannot treat its own effluent and remain within  
21 MDNR standards. MAWC also made its intention clear as part of its response to Staff DRs 0021  
22 and 0022, and in its response to the District’s Second Set of DRs-0001. MAWC’s response to the  
23 District’s DR-0001 is attached as Schedule MH-12. It is my understanding that counsel for

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1 MAWC has drafted new draft cooperative agreements between MAWC and the District for both  
2 Sunnyslope and Silver Creek subdivisions to make them consistent with MAWC's authority under  
3 its tariff, and contingent on the Commission's approval of MAWC's application. It is MAWC's  
4 hope that the District will once again engage in discussions with MAWC regarding these  
5 agreements.

6 **Q. WILL MAWC'S PURCHASE OF THE HALLSVILLE SEWER ASSETS**  
7 **RESULT IN THE FORECLOSURE OF ANY OPPORTUNITIES FOR SEWER SERVICE**  
8 **IN THIS AREA OF BOONE COUNTY?**

9 A. No. If anything, it will create additional opportunities for such service and greater  
10 protection of the environment.

11 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

12 A. Yes.

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