

Exhibit No.:
Issues: *Operations, Quality of Service,
Construction Projects, Rate
Adjustment, Plant in Service*
Witness: *James A. Merciel, Jr.*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal Testimony*
Case No.: *WR-2007-0216*
Date Testimony Prepared: *July 31, 2007*

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

SURREBUTTAL TESTIMONY

OF

JAMES A. MERCIEL, JR.

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2007-0216, *et al.*

*Jefferson City, Missouri
July 2007*

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

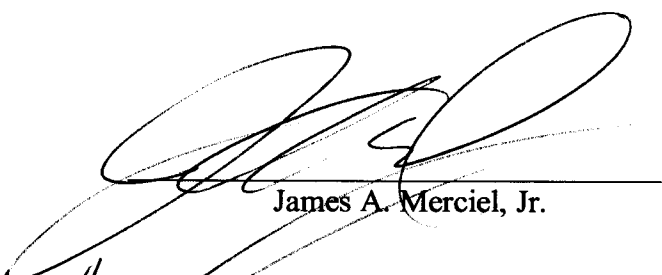
In the Matter of Missouri-American Water)
Company's request for Authority to)
Implement a General Rate Increase for)
Water Service provided in Missouri)
Service Areas)

Case No. WR-2007-0216

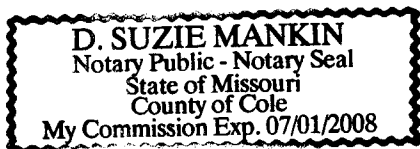
AFFIDAVIT OF JAMES A. MERCIEL, JR.

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

James A. Merciel, Jr., of lawful age, on his oath states: that he has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 5 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.


James A. Merciel, Jr.

Subscribed and sworn to before me this 30th day of July, 2007.




Notary Public

My commission expires

July 1, 2008

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MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2007-0216, *et al.*

INTRODUCTION

Q. Please state your name and business address.

A. James A. Merciel, Jr., P. O. Box 360, Jefferson City, Missouri, 65102.

Q. Are you the same James A. Merciel, Jr. who provided Direct testimony in this case?

A. Yes.

EXECUTIVE SUMMARY

Q. What is the purpose of your Surrebuttal testimony?

A. To rebut testimony with regard to investment in new sewage treatment facilities that was filed by Alan J. DeBoy and James M. Jenkins; water storage tank design that was filed by Alan J. DeBoy; and considerations with repairs and construction involving asbestos-cement pipe that was filed by Alan Ratermann.

NEW SEWAGE TREATMENT FACILITIES

Q. What sewage treatment facilities, and what issue, are you addressing?

A. The Company has constructed new/expanded facilities in its Cedar Hill service area in Jefferson County, and at both plant locations in its Warren County service area, serving in and around the subdivision known as Incline Village. I addressed these facilities in

1 Direct testimony, and recommended disallowance from this case of all of the expanded Cedar
2 Hill facility, and 60% of the Warren County facilities.

3 Q. What is the reason for your proposed disallowance?

4 A. The reason for the disallowance is to prevent current customers from paying
5 for plant that is not needed for them, but rather is needed for future customers.

6 Q. Do you believe that the plant facilities were inappropriately constructed, or that
7 they should be permanently removed from the plant in service accounts?

8 A. No, I do not believe the plants were inappropriately or imprudently
9 constructed, and stated so in Direct testimony. I generally agree with Mr. Jenkin's and Mr.
10 DeBoy's comments with regard to the level of plant that the Company constructed.

11 In the case of Warren County, the expanded facilities are desperately needed both for
12 existing customers and future customers who own property and have been waiting on capacity
13 in order to construct new homes, as well as a more uncertain level of customers who will need
14 service within the next, say, seven or eight years. Further, the previous owner of the Warren
15 County system was a regulated company that was in receivership, and new, competent
16 ownership was indeed needed when Missouri-American Water Co. stepped in and acquired
17 the assets of that company.

18 In the case of Cedar Hill, the previous owner of that system was a family that was
19 interested in divesting itself of utility ownership, and while new ownership was not so
20 desperate, it was desirable. The new plant is needed to serve developments within the service
21 area that are in need of service.

22 I have no desire to discourage the Company from acquiring systems such as this and
23 constructing appropriate improvements, and in fact this activity should be positively

1 encouraged. However, I believe that existing customers should not bear the entire cost of
2 projects that increase capacity by approximately double, because it is needed for future
3 customer. I do believe that the Company should be able to recover the cost of the plant, but
4 that recovery should be from the future customers.

5 **WATER STORAGE TANK**

6 Q. Which new water storage tank is being addressed?

7 A. The new water storage tank is located in the Warren County service area, and
8 similar to the sewer facilities, it is largely needed for existing customers.

9 Q. Do you have a difference of opinion with the Company with regard to this
10 tank?

11 A. No, I believe that the difference has been resolved. Originally, I recommended
12 a disallowance based on capacity needed for existing customers, however, Mr. DeBoy
13 correctly points out that I did not include volume for fire protection. I agree that it is
14 reasonable to include such a volume.

15 Mr. DeBoy studies the needed volume of this tank based on equalization volume for
16 peak hour flow, peak hour meaning extremely high demand by customers during certain times
17 of each day such as wake-up time in the morning, and early evening after customers come
18 home from work and have supper and do activities around the house that involve water use. I,
19 on the other hand, studied this system from the standpoint that there is only one well serving
20 as the only source of supply, and therefore it is good practice to have adequate storage volume
21 available for one average-day use, because it is about a day-long job to replace a well pump.
22 The bottom line, however, is that either method of studying necessary tank volume gives

1 approximately the same result in this situation, and I consider the tank volume to be
2 reasonable, and I am no longer recommending a disallowance.

3 **ASBESTOS-CEMENT PIPE**

4 Q. Can you describe what Asbestos-Cement pipe is?

5 A. Yes. Asbestos-Cement, sometimes abbreviated as AC pipe, and also
6 sometimes known by the name "transite," was one type of pipe used for both water and sewer
7 pipelines primarily in the 1950's and 1960's, as well as other applications. Since asbestos is
8 considered a hazardous material, its use has been highly discouraged in more recent years. It
9 is made using portland cement, with asbestos fibers as reinforcement.

10 Q. As a hazardous material, are special procedures necessary when working with
11 AC pipe while working on the water system?

12 A. Yes. Pipeline work itself is done substantially in the conventional manner,
13 except cutting should be done wet, so as to prevent or minimize airborne asbestos particles.
14 Precautions for worker safety, primarily breathing protection, need to be employed. Sawdust
15 and cuttings need to be captured, and along with any removed pipe or pieces, need to be handled
16 and disposed of in an appropriate manner as hazardous material.

17 Q. Are you aware of written procedures, or courses that pertain to this type of
18 work?

19 A. I am not aware of specific procedures or courses from likely central sources,
20 such as the United States Environmental Protection Agency, the Missouri Department of
21 Natural Resources, or the American Water Works Association. There is information from
22 various sources on the internet.

1 Q. Do you agree with Mr. Ratermann that the Company's employees should be
2 trained in working with AC pipe?

3 A. To the extent that they need to work with AC pipe, yes, I agree that the
4 Company should provide appropriate training, if it is not doing so. I was not previously
5 aware that AC pipe was in use in what I call the St. Louis County Water Company system,
6 though there could be a small amount, and I don't know how much is in use in the various
7 municipal and water district systems that the Company has acquired.

8 **SUMMARY**

9 Q. Would you please summarize your Surrebuttal testimony?

10 A. Yes. I believe that, from a practical standpoint, adjustments are needed for the
11 major capital improvements in the Warren County and Cedar Hill service areas with regard to
12 sewage treatment facilities, since the projects are massive and are necessary for a substantial
13 amount of customer growth. I no longer have an issue with the water tank in the Warren
14 County service area. To the extent the Company's employees need to work with asbestos-
15 cement pipe, I agree that training and education is reasonable if the Company is not already
16 doing so.

17 Q. Does this conclude your Surrebuttal testimony at this time?

18 A. Yes.