

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

In the Matter of Missouri-American Water)
Company's Request for Authority to)
Implement a General Rate Increase)
for Water and Sewer Service Provided in)
Missouri Service Areas)

Case No. WR-2011-0337

DIRECT TESTIMONY OF ALAN RATERMANN

STATE OF MISSOURI)

) ss

COUNTY OF ST. LOUIS)

Alan Ratermann, of lawful age, on his oath states: that he has participated in the preparation of the following Direct Testimony in question and answer form, that the answers in the following Direct 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.

Alan Ratermann

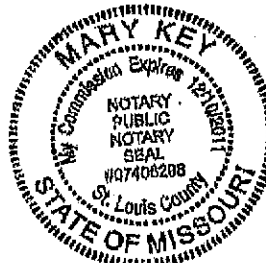
Alan Ratermann

Subscribed and sworn to before me this 17th day of November, 2011.

Mary Key

Notary Public

My commission expires 12-10-11



Direct Testimony of Alan Ratermann
Submitted on Behalf of UWUA Local 335
Case No. WR-2011-0337

1 **Please identify yourself and your job title.**

2 My name is Alan Ratermann. I am the Vice President of Utility Workers Union of
3 America, Local 335 (“UWUA Local 335”). My union represents approximately 400 members,
4 all of whom work for Missouri American Water (“MAWC”).

5 **Please describe your history with MAWC and UWUA Local 335.**

6 I worked for MAWC since 1992. I have been part of the Construction Department since
7 1995 and a Lead Person in that department since 2004. As of July 11, 2011, I am a Lead Person
8 in the Distribution Field Worker classification. I have served three terms as President and two
9 previous terms as Vice President of UWUA Local 335.

10 **What is the purpose of this testimony?**

11 The purpose of my testimony is to discuss the unfilled jobs in UWUA Local 335’s
12 bargaining unit, MAWC’s use of subcontractors, and MAWC’s valve maintenance procedure.

13 **What testimony do you have concerning the unfilled jobs?**

14 According to MAWC’s response to UWUA Local 335’s Data Request No. 2, there are 42
15 unfilled bargaining unit positions—reflecting approximately 10% of the unionized workforce.
16 Attached and incorporated as Exhibit 1 is MAWC’s response to UWUA Local 335’s Data
17 Request No. 2. According to its response, MAWC indicates that these vacancies will be filled as
18 the “business need arises.” Id.

19 In addition to the unfilled positions mentioned by MAWC, at least four additional
20 positions will become vacant in the near future. Two employees have announced they will retire
21 at the end of the year. Another employee has been on sick leave for an extended period and will

1 also likely retire soon. Moreover, one employee was terminated after MAWC responded to Data
2 Request No. 2.

3 **What is the impact of the three unfilled jobs on the provision of safe and adequate service?**

4 The unfilled positions cover the entire spectrum of Local 335's bargaining unit, from
5 Customer Service Workers and Distribution Field Workers to Garage Mechanics and Meter
6 Readers. While several of these positions became vacant in 2011, some of them have been
7 unfilled as long as 2006 and 2007.

8 In order for MAWC to provide safe and adequate service, it is essential that it is properly
9 staffed. UWUA Local 335's bargaining unit is specifically trained and tailored to work on
10 MAWC's system. It is continually evaluated, trained, and tested to meet the high standards
11 required by MAWC. Moreover, MAWC's internal workforce is the most readily available
12 workforce to respond to emergencies and immediate customer needs.

13 **Is there any indication that additional jobs will become vacant in the future?**

14 Several of UWUA Local 335's members are at or nearing retirement age. Under the
15 Pension Plan Document governing Union employees, employees are eligible for normal
16 retirement at age 65 and early retirement at age 55. (Early retirement also requires a certain
17 number of years of service.) A true and accurate copy of the Pension Plan Document is attached
18 hereto as Exhibit 2.

19 Documents produced by MAWC show that Local 335's bargaining unit contains 415
20 members. A true and accurate copy of MAWC's response to Local 335's Data Request No. 37 is
21 attached hereto as Exhibit 3. The largest age group in Local 335's bargaining unit is those aged
22 46-50 (79 individuals), with individuals aged 51-55 comprising the next largest age group (77
23 individuals). Id. There are 74 bargaining unit members already potentially eligible for

1 retirement (those aged 56-70), comprising approximately 18% of the bargaining unit. Id.
2 Employees nearing potential retirement age (those aged 46-55) comprise approximately 38% of
3 the bargaining unit. Id. Combining these figures, there are 230 bargaining unit members at or
4 nearing retirement age (those aged 46-70), comprising approximately 55% of the bargaining unit.
5 Id.

6 Given these figures, it is essential that new hires are made into the bargaining unit so that
7 MAWC does not suffer a “skills gap” upon the retirement of experienced workers. Finally,
8 MAWC’s failure to hire new bargaining unit employees does not make sense given that it has
9 recently hired three new management employees.

10 **Do you have any recommendations for the Commission with regard to the unfilled**
11 **positions?**

12 I suggest that the Commission condition any rate increase on MAWC’s filling the
13 unfilled positions in UWUA Local 335’s bargaining unit.

14 **What is your testimony regarding MAWC’s use of subcontractors?**

15 Recently, MAWC hired subcontractor American Directional Boring, Inc. (“ADB”) to
16 perform main construction work at Wellman Court in Maryland Heights, starting November 9,
17 2011. This work was subcontracted pursuant to the contractual terms MAWC imposed upon
18 Local 335. In the past, ADB had performed directional boring work for MAWC. However, this
19 is the first time ADB has been employed to do main construction—which has long been UWUA
20 Local 335’s work. In the past, UWUA Local 335 members were routinely praised by MAWC
21 management for their skilled and efficient main construction work.

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1 **Why does the use of ADB trouble you?**

2 ADB has a long history of engaging in unfair labor practices. It has discharged 13
3 employees because they were union supporters, threatened to shut down the company if the
4 employees formed a union, and threatened employees with loss of their bonuses, health
5 insurance, and retirement plan. A true and accurate copy of a National Labor Relations Board
6 decision detailing same is attached hereto as Exhibit 4.

7 **Do you have any recommendations for the Commission with regard to the use of ADB?**

8 I have no specific recommendation regarding MAWC's use of ADB. While I realize the
9 Commission does not normally scrutinize an employer's decision to subcontract work, I believe
10 that the Commission should be made aware of the companies MAWC has chosen to do business
11 with.

12 **What is your testimony concerning the valve maintenance program?**

13 There are approximately ****** ___ ****** miles of mains, ****** ___ ****** valves, and over
14 ****** ___ ****** hydrant valves present in MAWC's St. Louis County water distribution system. A
15 true and accurate copy of MAWC's Answer in Case No. WC-2011-0341 is attached hereto as
16 Exhibit 5 (See ¶¶11-12, 26). Valves are mechanical devices in or attached to pipelines to control
17 flow. Id. at ¶12. Valves are used to isolate sections of water mains, isolate fire hydrants, isolate
18 customer connections, isolate pressure zones, regulate pressure, flush mains, remove air, control
19 direction of flow, fill storage tanks, and prevent damage. Id. at ¶12. Some valves in MAWC's
20 water system are over 80 years old. Id. at ¶13.

21 **What is valve exercising?**

22 Valve exercising is a maintenance procedure whereby the valves are operated to ensure
23 that they are functioning properly. Exercising a valve also helps remove the corrosion and

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1 sediment that builds up inside, which makes the valve more difficult to close. If a valve does not
2 completely close due to built-up corrosion and sediment, it will not be effective in isolating the
3 main. In that case, a valve at another location will need to be closed, thereby putting additional
4 customers out of service.

5 **How is valve exercising performed?**

6 Valve exercising can be done manually by using a valve key or by using a gas powered
7 machine possessed by MAWC. See Exhibit 5, ¶15. To my knowledge, the gas powered
8 machine is not currently being used. Based on discussions with coworkers with direct
9 knowledge, I have learned that in the late 1980s and early 1990s, MAWC had a crew of 3-4
10 maintenance employees who were exclusively assigned to exercising valves. Since then,
11 MAWC has not had any employees exclusively assigned to valve exercise.

12 **Has MAWC's parent company produced any policies concerning valve maintenance?**

13 In 2007, American Water Company (MAWC's parent) drafted a "Valve Operation,
14 Inspection, and Maintenance Practice" (the "Practice"). A true and accurate copy of the
15 American Water practice document is attached hereto as Exhibit 6. MAWC's President, Frank
16 Kartmann, was the "sponsor" in developing this Practice. Id. at 6. The stated purpose of the
17 Practice is to ensure that American Water Company's subsidiaries "develop and utilize a
18 consistent program to effectively inspect and maintain valves within its distribution system in
19 order to ensure the operational integrity of these assets and to optimize the utilization of
20 personnel resources." Id. at 1. Specifically, the Practice sets out the steps for proper valve
21 exercising, the frequency of maintenance techniques, and data collection practices. Id. at 1.

22 The Practice lists the following benefits of an effective valve maintenance program: (1)
23 monitoring of the system; (2) assisting future planning purposes for replacement; (3) providing a

1 faster response to emergency events; (4) minimizing risk (notably property loss and damages);
2 (5) reducing the cost of repairs/installations; (6) reducing the impact to customers of service
3 interruptions, and (7) maximizing the Company's credibility to external parties including
4 regulators. Id. at 1. Moreover, the Practice warns that valve failure due to insufficient
5 maintenance "may result in extensive damage to infrastructure and/or property loss, extended
6 service interruptions to our customers and can lead to costly repairs or replacement activities."
7 Id. at 1.

8 **Has MAWC followed the Practice developed by American Water Company?**

9 Not to my knowledge. In response to Data Requests served by the Union, MAWC has
10 responded that it performs valve maintenance (on both regular valves and fire hydrant valves) in
11 the following ways: (1) seasonally and through fill-in work, (2) in the normal course of
12 operations for every main break, and (3) for construction projects. It has also stated that it has
13 assessed criticality of the valves by size in St. Louis County. Nowhere in MAWC's response
14 does it mention the frequency or regularity of its valve exercise and maintenance practices or its
15 data collection practices with regard to valves—both key subjects of the Practice. A true and
16 accurate copy of MAWC's response to Local 335's Data Request Nos. 8-9, 16-17 are attached
17 hereto as Exhibit 7.

18 **Are the Company's current practices a sufficient valve maintenance program?**

19 Not in my opinion. As part of its response to Local 335's Data Requests, MAWC
20 admitted that it does not keep a record identifying the number of valves inspected and
21 maintained annually, does not keep records on the employees who perform valve maintenance
22 duties, and does not maintain a dedicated valve exercise crew. A true and accurate copy of

1 MAWC's response to Local 335's Data Request Nos. 6-7, 10, 14-15, 18 are attached hereto as
2 Exhibit 8.

3 ** Highly confidential information removed
4 _____, ** A true and accurate copy of MAWC's response to
5 Local 335's Data Request No. 4 is attached hereto as Exhibit 9. **(_____
6 _____ Highly confidential information removed
7 _____) ** Id.

8 The maintenance schedule for valves, as described in the Practice, varies greatly
9 depending on the criticality of each type of valve. For instance, a "high" criticality distribution
10 system transmission valve or distribution system valve (collectively "distribution valves")
11 requires exercising annually while a "low" criticality valve only requires exercising every 5
12 years. See Exhibit 6 at 8. Therefore, even if each of the _____ distribution valves and
13 distribution system valves in MAWC's St. Louis County system were of "low" criticality, it is
14 necessary to exercise ** _____ ** valves per year in order to ensure that each such valve is
15 exercised in a 5 year period. Without keeping track of the number of valves exercised each year,
16 it is impossible to determine whether MAWC is exercising valves according to the maintenance
17 schedule set forth in the Practice.

18 Particularly, waiting for a main break is too late to perform valve maintenance. Indeed, if
19 the valve is not functional after a break has occurred, additional customers may be put out of
20 service as crews search for functioning valves. Instead, a systemic maintenance program may
21 have been able to catch and repair the valve prior to the main break.

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1 **Have there been any incidents of main breaks where customers lost service due to**
2 **malfunctioning valves?**

3 On April 10, 2011, a 30" main broke at Old Bonhomme Road near Shandel Dr. In an
4 attempt to isolate the break, MAWC employees noticed that two 30" valves were inoperable. As
5 a result of one of these valves being inoperable, an additional 60 customers lost service. See
6 Exhibit 5 at ¶20. As of May 18, 2011, MAWC had not decided whether it will replace or remove
7 the valve. Id. Upon information and belief, the valve in question had been broken for
8 approximately 10 years.

9 **Have other American Water subsidiaries been required to implement the Practice?**

10 In a case before the Tennessee Regulatory Authority, MAWC's sibling company,
11 Tennessee American Water, was ordered to submit to semi-annual reporting on its valve
12 maintenance program. In that matter, the union representing Tennessee American Water's
13 employees submitted evidence that the company had failed to adequately maintain its valve
14 exercise program. As a result, Tennessee American Water was required to report on the
15 following: (1) the number of employees assigned to its valve program, (2) the number of valves
16 planned to be inspected or maintained in the previous reporting period, (3) the number of valves
17 actually inspected or maintained in the previous reporting period, (4) the number of valves in
18 need of repair or replacement, (5) the date for repair or replacement for damaged valves, and (6)
19 the reasons behind any decision not to repair or replace any damaged valves. A true and accurate
20 copy of the Motion of Tennessee Regulatory Authority Chairman Mary W. Freeman detailing
21 same is attached hereto as Exhibit 10. A true and accurate copy of an April 6, 2011 Tennessee
22 Regulatory Authority press release indicating same is attached hereto as Exhibit 11.

23

1 **Do you have any recommendations to the Commission regarding valve maintenance?**

2 I suggest that the Commission issue an Order requiring MAWC to engage in semi-annual
3 reporting of the following: (1) the number of employees assigned to its valve program, (2) the
4 number of valves planned to be inspected or maintained in the previous reporting period, (3) the
5 number of valves actually inspected or maintained in the previous reporting period, (4) the
6 number of valves in need of repair or replacement, (5) the date for repair or replacement for
7 damaged valves, and (6) the reasons behind any decision not to repair or replace any damaged
8 valves. In other words, I suggest that the Commission require MAWC to engage in the same
9 reporting as was required of Tennessee American Water. Moreover, I suggest that the
10 Commission order MAWC to hire a sufficient number of employees to engage in the valve
11 maintenance program, as identified in American Water Company's Practice.

12 **Does that conclude your testimony?**

13 Yes.