MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

REBUTTAL TESTIMONY

OF

JERRY SCHEIBLE, P.E.

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2010-0131

Jefferson City, Missouri
April 2010

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)   Case No. WR-2010-0131
Water and Sewer Services Provided in)
Missouri Service Areas)

AFFIDAVIT OF JERRY SCHEIBLE, P.E.

STATE OF MISSOURI   )
) ss
COUNTY OF COLE   )

     Jerry Scheible, P.E., of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of __6__ pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal 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.

                                                     _____
                                                         Jerry Scheible, P.E.

Subscribed and sworn to before me this 15th day of April, 2010.

                                                     _____
                                                         Notary Public

Q.   Please state your name and business address.

A.   My name is Jerry Scheible and my business address is P. O. Box 360, Jefferson City, Missouri 65102.

Q.   By whom are you employed and in what capacity?

A.   I am a Utility Regulatory Engineer in the Water and Sewer Department, Utility Operations Division of the Missouri Public Service Commission (Staff).

Q.   Please describe your educational training and professional background.

A.   I hold a Bachelor of Science degree in Agricultural Engineering from the University of Missouri-Columbia. I am a Registered Professional Engineer in the State of Missouri. I was previously employed by the Missouri Department of Natural Resources as an Environmental Engineer from 1995 to 2001. I have been employed in my current position at the Missouri Public Service Commission since 2001.

Q.   Did you participate in the preparation of Staff's Cost of Service Report?

A.   Yes. I prepared the section regarding normalized customer water usage.

Q.   Have you performed water use normalization in other cases before the Commission?

A.   Yes, in Missouri-American Water Company's (Company) most recent previous rate increase request, Case No. WR-2008-0311.

1   Q.   What is the purpose of your rebuttal testimony in this case?

2   A.   The purpose of my rebuttal testimony is to address the Company's position

3 regarding proposed customer water usages for the various Company customer classes and

4 service areas, as presented by Company witness Edward L. Spitznagel, Jr. in Direct

5 Testimony. In doing so, I will also explain Staff's recommendation for proposed customer

6 water usages for the various customer classes and service areas.

7   Q.   What prediction methods did the Company utilize to determine proposed

8 customer water usages?

9   A.   The Company determined proposed customer water usages based upon various

10 prediction methods, which are presented on Page 8 of Company witness Spitznagel's

11 testimony. The Company proposed both residential and commercial usages per customer for

12 only the five (5) service areas with the highest cumulative water usage: Joplin, St. Charles, St.

13 Joseph, St. Louis County, and Jefferson City. The proposed water usage for the St. Louis

14 County service area includes usage numbers for two (2) separate classes of commercial

15 customers; monthly billed and quarterly billed. This resulted in the Company proposing

16 water usages for a total of eleven (11) individual customer types. Of those eleven (11)

17 customer types, the Company used the prediction method of weather normalization for seven

18 (7) customer types, a six-year average of usages for three (3) customer types and a four-year

19 average for one (1) customer type.

20   Q.   Did Staff in its direct filing propose customer usages for the same eleven (11)

21 customer types?

22   A.   Yes. Staff has proposed customer usages for the same eleven (11) customer

23 types and has also included proposed customer usages for both residential and commercial

1 customer types for the districts of Brunswick, Mexico, Parkville and Warrensburg. Therefore,

2 Staff has proposed customer usages for a total of nineteen (19) individual customer types.

3   Q.   Why has Staff proposed customer usages for the additional districts?

4   A.   Proposed usages based upon a calculated prediction method results in a more

5 representative estimate of usage for each specific district than simply utilizing test year data,

6 which would be the alternative.

7   Q.   To which customer types did the Company apply the prediction method of

8 weather normalization?

9   A.   Weather normalized customer usage was recommended by the Company for

10 all residential customers, but for only two (2) of the respective commercial customers; St.

11 Charles and Joplin.

12   Q.   What prediction methods did the Company utilize to determine proposed

13 customer water usages for the remaining commercial customer classes?

14   A.   The remaining commercial customer usages were estimated using a six-year

15 average, except for Jefferson City commercial customers, which was estimated using a four-

16 year average. Company witness Spitznagel cites on Page 7 of his testimony, an "unexplained

17 drop in commercial customers in 2003" as reason to use only four years of data for the

18 Jefferson City commercial customers.

19   Q.   Which of the various prediction methods utilized by the Company does Staff

20 believe to be the most reliable approach?

21   A.   Staff believes the most reliable prediction method is the six-year average.

22 Staff utilized the six-year average prediction method for all nineteen (19) individual customer

1   types in its analysis of customer usage in this case, as well as in the Company's previous rate

2   increase request, Case No. WR-2008-0311.

3   Q.   What data did Staff use to calculate the six-year average usage for the nineteen

4   (19) individual customer types?

5   A.   Actual annual customer water usage data from 2002, 2004, 2005, 2007, 2008

6   and 2009, as provided by the Company, was used by Staff in its calculation. Data from 2003

7   and 2006 was excluded from the analysis, as the Company has deemed water usage data from

8   those years to be unreliable due to billing software changes, as discussed on Page 5 of

9   Company witness Spitznagel's testimony.

10   Q.   Why does Staff consider this prediction method to be the most reliable?

11   A.   The averaging of the most current actual usage data available, as provided by

12   the Company, accounts for varying rainfall amounts and temperatures, in any given

13   combination. Trends in water usage due to conservation practices or lawn size/irrigation

14   practices could certainly be unique to any given service area, and would also be accounted for

15   in an average of actual usages.

16   Q.   Does Staff believe it necessary to utilize only four years of data instead of six

17   for the Jefferson City commercial customer class, as the Company has proposed?

18   A.   No. Data received from the Company does not indicate that any significant

19   change in customer usage would result from including data from the full six-years.

20   Q.   Does Staff believe the Company's use of the prediction method of weather

21   normalization to be necessary?

22   A.   No. Neither the Company nor the Staff is attempting to recommend a usage

23   based upon specific test-year data, which could potentially require adjustment for any affect

1 due to "non-typical" weather during the test-year. Therefore, Staff believes utilizing an

2 average of actual usage data for a recent time period is indeed the most reliable method of

3 prediction.

4   Q.   Does this conclude your rebuttal testimony?

5   A.   Yes.