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PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

Hearing

August 14, 2007
Jefferson City, Missouri
Volume 15

In the Matter of Missouri-American)
Water Company's Request for)Case No.
Authority to Implement a General)WR-2007-0216, et al.
Rate Increase for Water Service)
Provided in Missouri Service Areas)

HAROLD STEARLEY, Presiding
REGULATORY LAW JUDGE

JEFF DAVIS, Chairman,
ROBERT M. CLAYTON, III,
LINWARD "LIN" APPLING,
COMMISSIONERS.

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1 P R O C E E D I N G S

2 JUDGE STEARLEY: All right. We are back on the
3 record.

4 MR. THOMPSON: Your Honor, Staff would simply
5 like to state that we -- we stipulate and agree to the
6 reduction of Joplin's revenue requirement by \$236,416, the
7 correction that was described by Mr. Grubb during his
8 testimony.

9 And it's my understanding that -- in light of
10 that, that Joplin will not want to, therefore, examine
11 Roberta Grisham. Is that correct?

12 MR. ELLINGER: Yes, Judge. In light of the
13 stipulation by the -- the Staff, OPC's position on that
14 and the company's position, Joplin agrees we'll no longer
15 need to have Ms. Grisham or Mr. Weeks testify.

16 JUDGE STEARLEY: All right. Very good.

17 MR. THOMPSON: And I would like to offer Ms.
18 Grisham's prefiled testimony, then, which are Staff
19 Exhibits 1 and 2.

20 JUDGE STEARLEY: All right. Are there any
21 objections to the offering of Staff's Exhibits 1 and 2?
22 Hearing none, they shall be admitted and received into the
23 record.

24 (Staff Exhibit Nos. 1 and 2 were offered and
25 admitted into evidence.)

1 MR. THOMPSON: Thank you, your Honor.

2 MR. SWEARENGEN: I suppose now would be a good
3 time to offer Mr. Weeks' testimony, which is his direct in
4 this case, Exhibit 25, and I believe his rebuttal, which
5 is 27. His surrebuttal addresses the union issues, and
6 we'll continue to withhold that until a ruling on the
7 Motion to Strike.

8 JUDGE STEARLEY: Very well. Any objections to
9 the admission of Missouri American's Exhibit Nos. 25 and
10 27? Hearing none, they also will be received and admitted
11 into the record.

12 (Missouri American Exhibit Nos. 25 and 27 were
13 offered and admitted into evidence.)

14 JUDGE STEARLEY: Since our witness list is
15 shortened here a little bit, Mr. Ellinger, did you -- I'm
16 not sure how time will play out, but is Ms. Jones
17 available today as well? Will she need to be here today?

18 MR. ELLINGER: Ms. Jones is available and here
19 today, also. So if we can -- if we can push through and
20 get her done today, we shall endeavor to do so.

21 JUDGE STEARLEY: Well, we don't -- we don't have
22 to. We have tomorrow reserved here. But if -- if time
23 plays out that way, I just wanted to make sure all the
24 witnesses were available. And with that, we can proceed
25 with Missouri American calling its next witness.

1 MR. ENGLAND: Thank you, your Honor. Let me
2 call Donald J. Petry on behalf of Missouri American Water
3 Company.

4 JUDGE STEARLEY: And, Mr. Petry, if you'd please
5 raise your right hand to be sworn.

6 DONALD PETRY,
7 being first duly sworn to testify the truth, the whole
8 truth, and nothing but the truth, testified as follows:

9 DIRECT EXAMINATION

10 BY MR. ENGLAND:

11 JUDGE STEARLEY: Thank you. You may be seated.
12 And, Mr. England, you may proceed.

13 MR. ENGLAND: Thank you, your Honor.

14 Q (By Mr. England) Would you please state your
15 name for the record?

16 A Donald J. Petry.

17 Q Mr. Petry, by whom are you employed and in what
18 capacity?

19 A I'm employed by American Water Works Service
20 Company, central region, as a Senior Financial Analyst.

21 Q Mr. Petry, are you the same Donald J. Petry that
22 has caused to be prepared and filed in this case prepared
23 direct testimony, which I believe has been marked for
24 purposes of identification as MAWC 16?

25 A Yes.

1 Q And prepared rebuttal testimony, which has been
2 marked as MAWC 17?

3 A Yes.

4 Q With respect to those two pieces of testimony,
5 do you have any corrections that need to be made at this
6 time?

7 A Yes. For my direct testimony, based on
8 Mr. Grubb's earlier testimony regarding the chemical
9 expense, my testimony refers to company accounting
10 Schedule 15, page 7. And on that schedule, the new
11 proforma number for chemicals for Joplin should be --

12 Q Mr. Petry, can I slow you down for a second just
13 for make sure everyone's on the same page?

14 A Yeah.

15 Q This is your schedule attached to your direct
16 testimony?

17 A Correct.

18 Q CAS-15?

19 A Correct. Page 7.

20 Q Page 7 of 23. Column under Joplin; is that
21 right?

22 A Correct.

23 Q And if you'd give the line, then, and the number
24 that you're going to correct, please?

25 A Line 21 should now be 219,432. And line 23

1 should be negative 15,204.

2 Q Thank you, sir. Any other corrections that you
3 need to make at this time?

4 A No.

5 Q If I were to ask you the questions appearing in
6 both those pieces of testimony, would your answers today
7 under oath be the same?

8 A Yes.

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

11 A Yes.

12 MR. ENGLAND: Thank you, sir. I have no other
13 questions of the witness and would offer MAWC 16 and
14 MAWC 17 into the record.

15 JUDGE STEARLEY: Are there any objections to the
16 offering of Exhibits 16, and 17? Hearing none, they shall
17 be received and admitted into the record.

18 (MAWC Exhibit Nos. 16 and 17 were offered and
19 admitted into evidence.)

20 MR. ENGLAND: Thank you.

21 JUDGE STEARLEY: And we will begin
22 cross-examination with Home Builders Association.
23 Mr. Hess?

24 MR. HESS: We have no questions, your Honor.

25 JUDGE STEARLEY: Thank you, Mr. Hess. It

1 appears we've had a couple other parties leave us, so we
2 are up to water districts.

3 MR. FISCHER: No questions, your Honor.

4 JUDGE STEARLEY: City of Joplin? Mr. Ellinger?

5 MR. ELLINGER: Thank you, Judge.

6 CROSS-EXAMINATION

7 BY MR. ELLINGER:

8 Q Good morning. Or good afternoon, Mr. Petry.

9 A Good afternoon.

10 Q My name is Mark Ellinger with the law firm of
11 Blitz, Bardgett & Deutsch, and we represent the
12 intervener, City of Joplin.

13 And I'd also like to reiterate what I said this
14 morning. Thank you all for making that correction on the
15 chemical expense issue. And I do have one quick question
16 about your correct -- the correction you made.

17 A Right.

18 Q I'm looking at the Schedule CAS-15, page 7, line
19 23. Is that the page the correction was just made on?

20 A Yes.

21 Q Should there be an adjustment on line 25, also?

22 A Did I say line 23?

23 Q Yeah. I think the --

24 A Yeah. It should have been 25. Or the negative
25 15.

1 Q So line 23 should remain at the 234 --

2 A 636.

3 Q And the line 25 ought to be 15,204 negative?

4 A Correct.

5 Q Thank you. I'd like to inquire a little bit

6 about allocation of corporate expenses. It's my

7 understanding that you did some work with respect to

8 allocation of corporate expenses and had some

9 understanding of how that was done; is that correct?

10 A Correct.

11 Q And it's my understanding that the corporate

12 expenses of Missouri American Water pursuant to Missouri

13 American Water's allocation is predominately done on a

14 customer -- number of customer basis; is that correct?

15 A Correct.

16 Q And, really, only with respect to Workers'

17 Compensation was anything allocated based upon payroll; is

18 that correct?

19 A Let me check real quick here. That's correct.

20 Q Thank you. And why did the company use customer

21 number basis for allocating corporate expenses with the

22 exception of Workers' Compensation?

23 A The -- the company decided that that's the most

24 consistent and reasonable way to allocate the expenses

25 based on the -- the premise that customers are what -- let

1 me -- let me restate that a second.

2 It's based on cus -- customers because that's
3 what drives the expense.

4 Q Okay. And payroll does not really drive the
5 expense on the administrative side with the exception of
6 the issue of Workers' Compensation; is that right?

7 A Well, I think, based on Mr. Grubb's testimony,
8 that payroll can follow the customers. But the customers
9 is the company's method of allocating the costs.

10 Q Okay. Are you familiar with the fact that the
11 Staff has allocated nearly all corporate administrative
12 general costs based upon payroll?

13 A I haven't reviewed their work papers thoroughly,
14 so I can't say for sure.

15 Q But it's your opinion that the customer -- using
16 the number of customers is the basis to allocate most
17 corporate costs in the administrative general category
18 with the exception of Workers' Compensation?

19 A Correct.

20 Q I presume you heard Mr. Grubb's testimony since
21 you just referred to it; is that correct?

22 A Yes, I did.

23 Q Okay. And you heard him talk a little bit about
24 the corporate allocation factors being 5.03 percent of
25 corporate costs to Joplin based upon your all's

1 calculations of 5.11 percent based upon the Staff. Did
2 you hear that part of his testimony?

3 A Yes, I did hear that part of the testimony.

4 Q Is it your understanding that those numbers
5 discuss all corporate expenses as they were allocated as a
6 complete package?

7 A Could you restate that, please?

8 Q Sure. The 5.3 percent versus the 5.11 percent
9 between the company and the Staff --

10 A Uh-huh.

11 Q -- that's based upon all the corporate expenses,
12 how they were allocated and what percentage ultimately
13 Joplin got for each method?

14 A That's my understanding, yes.

15 Q That's not a line by line basis, is it?

16 A I don't know if that is line by line or not.

17 Q Well, when you look at the method by which
18 corporate costs are allocated, do you take a look at all
19 the corporate costs and simply apply a factor to them, or
20 do you break those corporate costs out into separate
21 items?

22 A There's -- there's a line for management fees,
23 which is allocated based on the number of customers.

24 Q Okay. What else? Obviously, Worker's
25 Compensation is broken out?

1 A Correct. That's charged at the corporate level
2 charged back to the -- to the district.

3 Q How about the call center?

4 A Call center is part of management fees.

5 Q But is it included in the management fees?

6 A Yes.

7 Q Is that kind of the term "shared service?"

8 A Right.

9 Q Is that the catch-all?

10 A Yes.

11 Q And the Staff has broken -- is it your
12 understanding Staff has broke that into some separate
13 categories thereunder?

14 A Staff, I'm not sure about.

15 Q Are you aware of any other line items besides
16 management services and Workers' Compensation that are
17 broke out separately?

18 A No.

19 Q Those are the only two, and that accounts for
20 all of the corporate expenses that's allocated?

21 A No. There's other -- there's other charges out
22 there. For instance, there's waste disposal. There are
23 -- there are other expenses that are identified in our
24 work papers that are broken out separately.

25 Q And they're allocated from the corporate level

1 to each district; is that correct?

2 A Correct. Correct.

3 Q And for each of those various lines, you pick an
4 allocation factor?

5 A Correct.

6 Q And the one that the company has chosen for each
7 of those lines, excepting Workers' Compensation, is the
8 number of customers, correct?

9 A No. Trans -- for example, transportation is
10 spread based on the number of vehicles.

11 Q Okay. Any other ones that were not allocated
12 based upon number of customers?

13 A Depreciation is based on utility plan service.

14 Q Okay. And that -- those two and Workers'
15 Compensation are they the only ones that are allocated in
16 a different manner beside using customer -- number of
17 customers?

18 A That is correct.

19 Q Okay. Do you know of any reason why
20 depreciation would be allocated based upon payroll?

21 A Well, the company allocated it based on utility
22 plant in service. I suppose, depending on your point of
23 view, payroll could be an acceptable way of allocating the
24 cost.

25 Q Well, there would be many different ways

1 presumably to allocate costs, would there not?

2 A That is correct.

3 Q Is payroll the best way to allocate
4 depreciation?

5 A The company's stand is that utility plant in
6 service is the best way to allocate the cost.

7 Q And I guess, again, there would be many ways to
8 allocate the call center costs. Would there not be?
9 Management services, I think you called it?

10 A That's correct.

11 Q But payroll would not be the best way to
12 allocate those costs, would they?

13 A The company's decided to use number of customers
14 to allocate the cost.

15 Q All right. And are you aware that in the
16 stipulation and agreement that's been filed and to which
17 Joplin is objecting that those costs are being allocated
18 based upon payroll?

19 A I'm not aware of that.

20 Q That would obviously be different than the
21 company's position, would it not?

22 A That's correct. If that's how it's being
23 allocated, yes.

24 Q Could corporate costs be allocated based upon
25 length of mains? Is that another factor you could use?

1 A You could.

2 Q Obviously, you could use infrastructure to do
3 the transportation. You've mentioned that.

4 A That's correct. And the company's standpoint is
5 that those aren't the best ways of doing it.

6 Q Excuse me. Let's talk a little bit about
7 payroll and payroll taxes.

8 A Okay.

9 Q Are you familiar with the process that was done
10 to annualize payroll, annualize and normalize payroll?

11 A Yes.

12 Q Could you kind of explain that process, very
13 generally?

14 A Basically, we took the number of employees on
15 the payroll at 6/30/06. Then we filled in for any
16 vacancies or new hires that were anticipated to be on the
17 payroll and working as of the true-up period, and then
18 calculated the labor based on rates through the true-up
19 period.

20 And then payroll taxes were based on the
21 normalized or annualized payroll and the appropriate tax
22 rates.

23 Q Okay. Let's walk through the steps here for a
24 minute. Okay?

25 A Okay.

1 Q Let's start with -- you said you used the actual
2 -- I presume that's actual labor for the Joplin -- we'll
3 use Joplin specifically. Is that okay?

4 A Okay.

5 Q You used the actual labor for the Joplin
6 district for the test year ending June 30, '06; is that
7 correct?

8 A Correct.

9 Q And how is that actual labor calculated?

10 A The actual labor would have been the Joplin
11 employees that charged their time to the Joplin district.

12 Q Okay. So the meter readers --

13 A And then the proforma amount would have
14 corporate labor allocated to it based on the number of
15 customers.

16 Q Okay. So when you're talking about the payroll
17 normalization, annualization, you're talking about both
18 what I would call direct costs, i.e., those folks that
19 actually work in Joplin that the corporation always
20 allocates to Joplin. That's part of the payroll
21 component, is it not?

22 A Correct.

23 Q The other part is the corporate payroll that is
24 allocable to the Joplin district?

25 A Correct.

1 Q And those are two separate calculations; is that
2 correct?

3 A It's all done on the same spreadsheet. But
4 they're separated.

5 Q Okay. And then you indicated that you filled --
6 I think the term you used was fill in for vacancies, new
7 hires, things of that nature; is that correct?

8 A Correct.

9 Q So is there a standard list of how many folks
10 normally work in Joplin by position type?

11 A There's an organizational chart.

12 Q That has number of people in each job title?

13 A Correct.

14 Q And when you fill that in, I presume that means
15 that if -- if the organizational chart shows vacancies,
16 you would add in presumable salaries and costs of those
17 positions?

18 A Correct.

19 Q Do you recall up how much that additional was?

20 A No, I don't.

21 Q Do you recall whether the Joplin district was
22 dramatically understaffed during the test year?

23 A No, I don't.

24 Q In your experience, are districts normally
25 fairly full-staffed at most times?

1 A Could you restate the question?

2 Q Sure. In your experience, are most districts
3 generally pretty much close to full staffing levels?

4 A I -- I don't have enough experience to really
5 answer that.

6 Q Okay. How long have you been working with
7 payroll numbers at Missouri American Water?

8 MS BAKER: Your Honor, I'm going to go ahead and
9 make my objection now for the relevance of it because the
10 issue, again, is payroll tax.

11 JUDGE STEARLEY: Mr. Ellinger?

12 MR. ELLINGER: And, Judge, as the witness has
13 already testified to, payroll tax directly follows
14 payroll, so we need to walk through the steps on how
15 payroll is calculated so we can walk through the payroll
16 tax calculations that go with that. They follow directly
17 because it's a percentage calculation.

18 JUDGE STEARLEY: Okay. I will overrule at this
19 time providing we see the line of questioning get to that
20 path. If not, you may renew your objection, Ms. Baker.

21 MS. BAKER: Thank you, your Honor.

22 MR. ELLINGER: At that point, I've lost my train
23 of thought on what the next question was. So if I could
24 ask the reporter to read the question?

25 JUDGE STEARLEY: If you could read that back for

1 us.

2 (The previous question was read back.)

3 A I started working on the Missouri case the last
4 half of '06, so payroll would have been a portion of
5 putting the case together.

6 Q Okay. And had you worked with payroll and
7 Missouri American Water or other companies before working
8 on this particular case?

9 A Yes. In Ohio.

10 Q Do you recall when you annualized, normalized
11 how large the additional amount was?

12 A For Joplin?

13 Q For Joplin. I'm sorry. Yes, sir.

14 A The adjustment for Joplin was 444,914.

15 Q Would you repeat that? I'm sorry?

16 A 444,914.

17 Q Thank you. Are you aware of what the Staff's
18 number was?

19 A No.

20 Q Okay. So do you have -- do you recall what the
21 original, pardon the expression, in the book district
22 number was for the test year?

23 A Test year amount was 1,054,719.

24 Q Okay. Thank you. So then would you add those
25 two numbers together, and that would come up to be the

1 total payroll amount; is that correct?

2 A The proforma amount.

3 Q Okay. And then you said the next step that
4 would you take would be calculating the payroll tax off of
5 that amount; is that correct?

6 A Correct.

7 Q And would that be calculated in bulk off of that
8 amount, or would it be broken into two different
9 allocations? In other words, would tax be calculated on a
10 million and separately on the 444,000?

11 A The proforma payroll taxes are calculated based
12 on the proforma payroll, and the per books payroll is --
13 comes off the books. And the difference is the
14 adjustment.

15 Q Okay. So let's walk through using those numbers
16 real quick to make sure I understand. You take a
17 \$1,054,000, which was the on the books payroll for the
18 test year, correct?

19 A Correct.

20 Q And you would multiply that times the payroll
21 tax rate; is that correct?

22 A No. We get the -- the payroll tax for the per
23 books is the actual that was --

24 Q Okay.

25 A -- expensed.

1 Q Then you would make a separate calculation where
2 you would take the \$444,000 adjustment and multiply that
3 times the payroll tax rate?

4 A No.

5 Q No?

6 A We'd go by individual employees --

7 Q Okay.

8 A -- to figure out what their taxes are based on
9 their salaries and based on the tax rates.

10 Q And that would only be those employees that
11 encompassed the 444,000?

12 A That would be all the Joplin employees, plus the
13 corporate employees portion that gets allocated to Joplin.

14 Q So would you double the tax, then, because you
15 already have the actual amount per book? Or would you
16 come up with the total amount and deduct -- start doing
17 some type of deduction?

18 A Okay. The per book amount has got the Joplin
19 employees and the corporate allocation in it to come up
20 with the per books amount.

21 Q Okay.

22 A The proforma amount is the Joplin taxes plus the
23 corporate allocation. So there's no -- there's no
24 doubling up. So then the difference between the proforma
25 and the per books is the 444.

1 Q That's the payroll difference, correct?

2 A That is correct.

3 Q And how is the payroll tax calculated on that
4 payroll difference?

5 A The payroll tax difference is the per book
6 amount, which is deducted from the proforma amount of
7 payroll taxes. The proforma payroll taxes are calculated
8 based on individual employees' salaries times the
9 appropriate tax rate.

10 Q So not just the unfilled vacancies of new hires,
11 but all employees? You go back and recalculate tax for
12 all employees?

13 A Each employee.

14 Q And that came out to a total adjustment of the
15 444,914 for payroll. And what was the adjustment for
16 payroll taxes, then?

17 A Payroll tax adjustment, proforma adjustment for
18 Joplin was 27,315.

19 Q Let me go back very briefly to corporate --
20 allocation of corporate expenses. Okay?

21 A Okay.

22 Q Did you hear Mr. Grubb's testimony about having
23 the total revenues requested being 40 million in the
24 initial filing for the company?

25 A I don't recall that.

1 Q Do you recall what the total amount requested
2 was in the initial filing?

3 A That's -- 40's about right.

4 Q And the stipulation proposes 29 million. Is
5 that your understanding?

6 A Correct.

7 Q And that's about 28 percent reduction? Does
8 that sound approximately right to you?

9 A Well, I don't have a calculator, so that sounds
10 about right.

11 Q Okay. And you understand that, under the
12 original filings from the company, the corporate
13 allocation was approximately 5.1 million? Do you
14 understand that?

15 A 5.1 million for --

16 Q For all the corporate, administrative, et
17 cetera, expenses allocated to the Joplin district. Excuse
18 me. Let me rephrase that question. Strike -- didn't --
19 didn't ask the question right.

20 You understand that 5.1 million was the new
21 revenue requested out of Joplin in the initial filing?

22 A I don't recall.

23 Q Okay. And do you understand that based upon the
24 chemical change that we've talked about, the revenue
25 requests -- or the revenue out of Joplin is now

1 About \$4.6 million?

2 A Because we reduced it by the two.

3 Q Is that your understanding?

4 A Well, the revenue part, I don't know. The
5 numbers, I'm not -- I don't know. But we reduced whatever
6 it was by the amount of the chemical adjustment that
7 Mr. Grubb and I both talked about.

8 Q And net change -- and I think -- did you call it
9 cost? Is it a change in cost? Or is that a change in
10 revenue, removing the chemical amount?

11 A It's reducing the chemical expense for Joplin.

12 Q Which reduces the corresponding amount of
13 revenue that would pay for that expense; is that correct?

14 A That's correct.

15 Q Okay. So if you reduce the corporate allocation
16 amount, you also reduce the amount of revenue that's
17 needed to be obtained from the district to pay for that
18 corporate expense allocation; is that correct?

19 A Would you restate that, please?

20 Q If you reduce the amount of corporate expenses
21 allocated to a district, in that same district, you reduce
22 the amount of revenues required out of that district to
23 pay for those corporate expenses; is that correct?

24 A That's correct. If you reduce corporate
25 expenses, then the revenue requirement will be reduced.

1 Q Okay. And the revenue requirement in Joplin is
2 going from 5.1 million to 4.6 million, which is roughly a
3 10 percent decrease. Is that your understanding?

4 A I'm not sure where those numbers are coming
5 from.

6 Q Okay. The company is, however, taking a 28
7 percent decrease in total revenues, correct?

8 A Correct.

9 Q Joplin is not seeing a corresponding level in
10 decreasing revenues, are they, required out of their
11 district?

12 A I'm not -- I don't know.

13 Q Okay.

14 A I don't have the numbers to review.

15 MR. ELLINGER: No further questions for this
16 witness, judge.

17 JUDGE STEARLEY: All right. Thank you,
18 Mr. Ellinger. Cross-examination by AG Processing?

19 CROSS-EXAMINATION

20 BY MR. CONRAD:

21 Q Mr. Petry, just a couple things. How familiar
22 are you with the terms and conditions of the document
23 that's been referred to as the joint recommendation?

24 A I've reviewed it.

25 Q Can you state how thoroughly you've reviewed it?

1 A I'm trying to think.

2 Q Maybe that's an unfair question.

3 A I can't repeat it --

4 Q Sure.

5 A -- number for number.

6 Q Okay.

7 A I've looked over it a couple times.

8 Q Okay. Do you --

9 A The numbers aren't sticking with me without

10 having it in front of me.

11 Q I understand that. Do you have an opinion after

12 having reviewed it the couple of times you've indicated

13 about its justness and reasonableness?

14 A Well, I think that --

15 Q And if so, state that opinion.

16 A Well, I think that everyone has worked together

17 to come to a compromise to arrive at the -- the amount.

18 And it's a good thing when we can all come to an agreement

19 on something.

20 MR. CONRAD: Thank you, Mr. Petry. That's all,

21 your Honor.

22 JUDGE STEARLEY: Thank you, Mr. Conrad.

23 Cross-examination by Office of Public Counsel? Ms. Baker?

24 MS. BAKER: Thank you.

25 CROSS-EXAMINATION

1 BY MS. BAKER:

2 Q Good afternoon, Mr. Petry.

3 A Good afternoon.

4 Q In your opinion, is -- is there a correlation
5 between the length of mains and customer density? Do I
6 need to rephrase that?

7 A Yes, you -- please.

8 Q Okay. The example that I gave earlier was a
9 street that had -- it was five miles long, had five miles
10 worth of main down the street. Okay? If the size of the
11 lots were bigger, would you expect that the customer
12 density along that street would be smaller?

13 A Yes.

14 Q Okay. So do you see a correlation between the
15 length of the mains and the customer density?

16 A No.

17 Q Okay. Do you see -- or in your experience, do
18 you see a correlation between the length of the mains and
19 the number of call center calls?

20 A No.

21 Q Okay. Would you consider a correlation to be
22 there between the customer density and call center calls?

23 A Yes.

24 Q And in your experience, do you see a correlation
25 between the level of depreciation rates and the age of an

1 asset?

2 A One more time.

3 Q Do you see a correlation between the level of
4 depreciation rates and the actual age of an asset?

5 A If I understand your question correctly, yes,
6 there is correlation between depreciation expense and
7 mains.

8 Q It's not quite the question that --

9 A Okay. Could you rephrase it again, please?

10 Q For depreciation -- let's try a different
11 tactic. Depreciation rates are normally based on service
12 life --

13 A Correct.

14 Q -- is that correct?

15 A Correct.

16 Q All right. So the age of the asset itself does
17 not change the depreciation rates that are set based on
18 service life?

19 A Correct.

20 Q So the depreciation rates would stay constant
21 and -- and would flow through the service life, not
22 necessarily the age?

23 A Right.

24 Q All right. Were you provided with any
25 calculations or documentation to support Joplin's expert's

1 claim that corporate expenses -- that the most appropriate
2 facto for allocating corporate expenses is length of
3 mains?

4 A No.

5 Q Were you provided with any calculations or
6 documentation to support Joplin's expert's claim that
7 depreciation amounts should be reduced to reflect the
8 actual age and value of the assets?

9 A No.

10 MS. BAKER: No further questions.

11 JUDGE STEARLEY: Thank you, Ms. Baker.

12 Cross-examination. Staff?

13 MR. THOMPSON: Thank you, your Honor.

14 CROSS-EXAMINATION

15 MR. THOMPSON:

16 Q Mr. Petry, can you tell me what district
17 specific pricing is?

18 A District specific pricing would be district
19 specific pricing.

20 Q Would -- would you agree that it is a pricing
21 methodology where the different costs of service for the
22 various districts are reflected in prices set for services
23 in those districts?

24 A Yes.

25 Q And when the company originally filed and asked

1 for approximately a 25 percent increase, that was
2 company-wide, was it not?

3 A Yes, it was.

4 Q That was not reflective of the district's
5 specific increase that the company sought in any
6 particular district, was it?

7 A No.

8 Q And would you agree that the figure of
9 \$4,619,824 -- \$619,824 is reflective of the district
10 specific costs of providing service in the Joplin area?

11 A What was the figure again?

12 Q Well, you understand that Mr. Grubb testified to
13 a correction of some chemical costs?

14 A Correct.

15 Q And this correction was to reduce the revenue
16 requirement expected from Joplin by \$236,416?

17 A Correct.

18 Q So with that correction in mind, would you agree
19 that the figure of \$4,619,824 is reflective of the
20 district specific costs of providing service to the Joplin
21 area; that is, the new revenue requirement expected from
22 Joplin?

23 A Yes.

24 Q Is your answer yes?

25 A Yes.

1 MR. THOMPSON: Thank you. No further questions.

2 JUDGE STEARLEY: Thank you, Mr. Thompson.

3 Questions from the Bench? Commissioner Appling, any
4 questions for this witness?

5 CROSS-EXAMINATION

6 BY COMMISSIONER APPLING:

7 Q Hello, sir. Are you out of St. Louis?

8 A Yes, I am.

9 Q Okay. I know I read it in the testimony
10 someplace, but maybe you could help me out. If you can't,
11 probably Staff can. Mr. Rackers, I'm sure, will.

12 How many districts are there in the State of
13 Missouri? Fourteen or more?

14 A How many districts are in the State of Missouri?

15 Q Uh-huh. Do you have a -- if you could just tell
16 me where you think I could find it in the testimony,
17 that's fine, too. Well, I see the expression on your
18 face. You don't know, so I'll move on to somebody else.

19 A I don't know. I'm thinking it's 11 districts.
20 But --

21 COMMISSIONER APPLING: Mr. Rackers, do you have
22 the answer to that question?

23 MR. RACKERS: I think it's 13.

24 COMMISSIONER APPLING: Who is going for 15? I'm
25 just joking. That's okay. We'll find it here before it's

1 over with.

2 A It's 13.

3 Q (By Commissioner Appling) Is there somewhere in
4 the testimony that you have an estimate of how many
5 customers there is at each one of the districts? No
6 place, huh?

7 A I don't remember it being in testimony.

8 Q Okay.

9 A It may be on one of the accounting schedules.

10 COMMISSIONER APPLING: Thank you very much. No
11 further questions, Judge.

12 JUDGE STEARLEY: All right. Thank you,
13 Commissioner Appling. Any recross examination based upon
14 questions from commissioner Appling?

15 MR. THOMPSON: No, thank you.

16 RECROSS EXAMINATION

17 BY MR. CONRAD:

18 Q Very quickly, my direct witness to Schedule
19 DJP-2, at the back of his direct testimony at the bottom
20 of that page, unless I counted wrong, there are 11 water
21 districts and two sewer districts, and they are provided
22 there alphanabetical, which I suspect is a mistype. Am I
23 correct, sir? Or is that something from University of
24 Texas that you use?

25 A I just -- I lost --

1 Q Alpha -- do you see the list there, sir, at the
2 bottom of that page?

3 A Which page was it? I don't have --

4 Q Schedule -- schedule DJP-2 -- do you not have
5 your own testimony?

6 A I don't have that schedule with me.

7 Q I see. Here.

8 COMMISSIONER APPLING: Stu, that's fine. I was
9 looking at the same thing he is. So I think you're right,
10 and that's close enough. So we'll move on.

11 MR. CONRAD: I did, too. That's all that I had.
12 I just was trying to clarify the thing. I apparently
13 didn't achieve that.

14 JUDGE STEARLEY: All right. Well, if that's all
15 for recross -- Mr. England, any redirect?

16 MR. ENGLAND: No, thank you, your Honor.

17 JUDGE STEARLEY: All right. Mr. Petry, you may
18 step down. I am not finally excusing you as a witness,
19 however, in case Commissioners would have additional
20 questions for you at a later time. Thank you for your
21 testimony.

22 MR. PETRY: Thank you.

23 JUDGE STEARLEY: I believe that, then, concludes
24 the witnesses for Missouri American.

25 MR. THOMPSON: Staff would call Lisa Hanneken.

1 JUDGE STEARLEY: All right. Very well. Is Ms.
2 Hanneken present? Will you please raise your right hand?

3 LISA HANNEKEN,
4 being first duly sworn to testify the truth, the whole
5 truth, and nothing but the truth, testified as follows:

6 DIRECT EXAMINATION

7 BY MR. THOMPSON:

8 JUDGE STEARLEY: Thank you. You may be seated.
9 And you may proceed, Counselor.

10 MR. THOMPSON: Thank you, your Honor.

11 Q (By Mr. Thompson) State your name, please.

12 A Lisa K. Hanneken.

13 Q How you are you employed, ma'am?

14 A I'm a Utility Regulatory Auditor for the State
15 of Missouri with the Missouri Public Service Commission.

16 Q Are you the same Lisa K. Hanneken that prepared
17 or caused to be prepared direct and surrebuttal testimony
18 in this case marked as Staff Exhibit 3 and Staff Exhibit
19 4?

20 A I'm not sure of the exhibit numbers, but, yes, I
21 had direct and surrebuttal.

22 Q And do you have any corrections to that
23 testimony?

24 A No, I do not.

25 Q And if I asked you the questions contained in

1 those two pieces of testimony today, would your answers be
2 the same?

3 A Yes, they would.

4 Q And are those answers true and correct to the
5 best of your knowledge, information and belief?

6 A Yes.

7 MR. THOMPSON: At this time, I would offer Staff
8 Exhibit 3 and Staff Exhibit 4.

9 JUDGE STEARLEY: Are there any objections to the
10 admissions of Staff Exhibits 3 and 4? Hearing none, they
11 shall be admitted and received into evidence.

12 (Staff Exhibit Nos. 3 and 4 were offered and
13 admitted into evidence.)

14 MR. THOMPSON: Thank you, your Honor. I tender
15 the witness.

16 JUDGE STEARLEY: All right. And we will begin
17 with cross-examination from Home Builders.

18 MR. HESS: No questions.

19 JUDGE STEARLEY: The water districts?

20 MR. FISCHER: No, thank you, your Honor.

21 JUDGE STEARLEY: City of Joplin? Mr. Ellinger?

22 MR. ELLINGER: Thank you, Judge.

23 CROSS-EXAMINATION

24 BY MR. ELLINGER:

25 Q Good afternoon, Ms. Hanneken.

1 A Good afternoon.

2 Q My name is Marc Ellinger with the law firm of
3 Blitz, Bardgett & Deutsch. And I'm representing the
4 intervener, City of Joplin. I had a few questions to ask
5 you about your testimony.

6 And I'd like to talk a little bit about payroll
7 tax and payroll annualization. Are you familiar with
8 that? Did you -- I think you have to answer --

9 A Yes.

10 Q Did you prepare some surrebuttal comments
11 regarding payroll and payroll tax annualization?

12 A Yes, I did.

13 Q Okay. And I noticed that the -- part of your
14 comment is that it's not normalization, it's
15 annualization. Is that -- am I accurately representing
16 what you testified to?

17 A Yes.

18 Q And you do understand that when we're talking
19 about payroll and payroll tax in this discussion, we'll be
20 talking about that annualization process? Is that --

21 A Correct.

22 Q Okay. I'd like you to walk through the process
23 you took to annualize the payroll and then annualize the
24 payroll tax. Could you do that for me, please?

25 A Certainly. I first annualized the spreadsheets,

1 which was all the employees as of the test year June 30,
2 2006. I then included any employees that were hired
3 subsequent to that date up through the true-up period of
4 December 31st, 2006.

5 I also eliminated any employees that had been
6 terminated since the spreadsheet was originated. I
7 included any union labor increases, any changes in
8 positions of the employees that would cause their salary
9 to change. I included any changes in employees up till
10 the true-up period.

11 I then took the individual hourly rate and
12 multiplied it by the number of hours given the employee's
13 position. And with this, I arrived at an annualized
14 salary amount.

15 Included in that would be overtime amounts,
16 shift differentials, different components of payroll
17 within the employee salary. To this, there were factors
18 applied for payroll taxes by employee.

19 Each employee is assigned to a district. So the
20 totals were totaled by district. And this arrived at an
21 annualized payroll and an annualized payroll tax for each
22 district.

23 Q Okay. I'm going to kind of walk through these
24 steps if that's okay.

25 A Sure.

1 Q First of all, I noticed at the end when you
2 talked about when you annualized the payroll taxes, you
3 did it by employee by district; is that correct?

4 A Correct.

5 Q Is that also how you annualized the general
6 payroll, by employee?

7 A By employee.

8 Q By district?

9 A Well, it's all employees on one spreadsheet.
10 They're coded for what district they reside in. Some of
11 them, there is a separate sheet within that work 040book.
12 Some of them charge their time to other districts. And
13 that was all taken into account.

14 And then the totals for each district pool all
15 the numbers -- all the employees from the districts, and I
16 also looked at the other sheet to determine if there were
17 some inner district relationships to be accounted for.

18 Q Okay. Are you familiar with the Staff
19 accounting schedules that were filed in this case?

20 A Somewhat.

21 Q Are you familiar with the portions of the Staff
22 accounting schedules that were filed that deal with
23 payroll and payroll tax?

24 A Fairly.

25 Q Is there someone else who would be more familiar

1 with those, the payroll and the payroll tax calculations?

2 A The calculations were mine. Once they go into
3 the run, you know, that's a different step beyond what I
4 do.

5 Q Okay. Who puts them into the run?

6 A Roberta Grisham.

7 Q To the best of your knowledge, did she change
8 the numbers when she puts them into the run?

9 A No. Each witness is responsible for going
10 through the run and determining whether their numbers are
11 correct after she has entered them.

12 Q And did you go through the Staff accounting
13 schedules to make sure that your numbers were correct?

14 A Yes.

15 Q Okay. And when you say run, just so I'm clear
16 here --

17 A Staff accounting schedules, we refer to the
18 program, spreadsheet, whatever you want to call it that
19 everything gets entered into as a run. It's shorter than
20 accounting schedules.

21 Q And is there a distinction between a run and an
22 EMS run? I've heard that term.

23 A I did not know that.

24 Q Okay. Is that something Mr. Rackers might know
25 more about? You don't know?

1 A Presumably. I can't speak for him.

2 Q Okay. Well, let's talk a little bit about the
3 Staff accounting schedule that you did work on. Salaries
4 -- when we talk about payroll, are we talking about the
5 same thing as salaries? Is that the line -- the term of
6 the line item on the accounting schedule?

7 A Are you referring to Joplin specific?

8 Q Yes. I'm sorry. With respect to Joplin. Yes.

9 A Salaries, I believe that line item is under the
10 A&G?

11 Q That's correct?

12 A That is a portion of the labor for Joplin.
13 There were other line items that have labor on them. For
14 example, up in, say, like Transmission, Distribution, if
15 an employee would be related to that area, I believe their
16 labor would be shown there.

17 Q Okay. So in each heading, each category, there
18 would be various labor allocations, if -- if there was an
19 employee related to those areas?

20 A Well, there would be labor assigned to those
21 line items, yes.

22 Q And did you do the assignment of the labor, or
23 was that something done by someone else?

24 A Because it is difficult to do that, I think
25 there was an allocation done based on previous experience

1 during the test year of where to place those items.

2 Q Okay. And then when you calculated the payroll
3 taxes, did you add up all those various payroll numbers to
4 calculate payroll taxes?

5 A No. As I said before, payroll taxes are
6 calculated by employee. Each employee's payroll is
7 multiplied by the necessary percentages for FICA, FIDA and
8 SUDA which is federal and state unemployment taxes. And
9 those are individually tallied for each district.

10 Q Okay. So you don't look at the actual amount of
11 taxes that are paid by district?

12 A Paid or expensed?

13 Q Tell me what the difference between paid and
14 expensed is.

15 A There is the amount that is expensed by the
16 company during the test year, what was withheld from a
17 employee's paycheck. And then there is the amount that
18 they actually paid to the reporting agencies.

19 Q Okay. And from an expense perspective, you use
20 the withheld amount, plus the employer match? Or do you
21 simply use the employer match?

22 A For our expenses for the district, we use the
23 amount that is withheld for the employer's expense. We
24 use the total gross payroll for the employee multiplied by
25 the applicable rate.

1 Q Okay. So when you calculate the total amount of
2 payroll taxes for a district, do you look at the amount
3 that was actually collected, withheld for -- on the
4 employer's side?

5 A I look at it just as a reasonableness check.
6 But when we annualize, we're looking at a going forward --
7 forward -- ongoing level of expense. So we need to look
8 at the current level of labor for each employee and then
9 how that impacts the payroll taxes.

10 Q So you do check the actual amounts as a -- for
11 lack of a better term, a check figure?

12 A I could -- personally, I just look at them to
13 make sure that, you know, there's not some outrageous
14 difference that I need to check my numbers again.

15 Q Do you recall what the amount of payroll under
16 the Administrative General category would be?

17 A For Joplin specific?

18 Q For Joplin. Let's talk about Joplin.

19 A Under that are in particular line item, no, I do
20 not.

21 Q Okay.

22 A I look at districts as a whole.

23 Q Okay.

24 A I'm not into the specific line items.

25 Q But the accounting schedules do break them up

1 into specific line items, do they not?

2 A Yes, they do.

3 Q So how do we know that we have the right amount
4 on each line?

5 A Well, when we're looking at a district, it
6 really doesn't make a difference when they're -- you know,
7 under A&G or T&D because we're going to be totaling them
8 as an expense in total.

9 But we do -- you know, we use the best data we
10 have to separate them out to the different line items
11 based on test year.

12 Q Okay. Would you be the appropriate person to
13 discuss the various line items and the test year? Or is
14 there someone else who should discuss the line items and
15 the test year?

16 A I -- I don't understand what you're --

17 Q Well, you know, I'll go back to the -- to the
18 initial question that started this, which is under the
19 Administrative and General, there's a line item called
20 Salaries.

21 A Uh-huh.

22 Q I presume that has something to do with payroll,
23 does it not?

24 A Yes, it does. And that is part of what I
25 calculated.

1 Q And then you also calculate the annualization of
2 that number, do you not?

3 A Well, what I calculate is the annualization. If
4 you're speaking to the test year, that was simply the per
5 book number.

6 Q So that's -- and that's what I was asking. The
7 per book number comes directly out of Missouri American
8 Water's financial records. No adjustment; is that
9 correct?

10 A That is correct.

11 Q Then you annualized that amount; is that
12 correct?

13 A That is correct.

14 Q And you annualize it for each various heading.

15 A I annualize it on a per employee basis.

16 Q Okay. Do you recall how many employees in all,
17 for example, in the Administrative General category?

18 A No. Again, I don't -- the employees don't show
19 me where they book their time, per se. I have a total
20 number that I annualize to for each employee. I total it
21 for district.

22 And then when it is entered into our accounting
23 schedules, it is allocated up through the different line
24 items based on the test year history.

25 Q Okay. So I'm -- just to make sure I'm clear

1 here, when you enter in a dollar amount to annualize the
2 payroll, it's a -- over the entire district dollar
3 amounts?

4 A Correct.

5 Q And then you enter it in and it suddenly
6 changes, and all the various cells above that amount; is
7 that correct?

8 A It gets allocated based on test year history.

9 Q And who verifies that those allocations are
10 correct?

11 A They came directly from the company's financial
12 records.

13 Q Okay. And you go through and make sure that
14 each of those numbers match up so that the line that says
15 Administrative and General expense salaries that the
16 amount that is reported as the annualized amount
17 proportionately matches up with what the original amount
18 is; is that correct?

19 A The amount that is allocated is based on the
20 test year. So if you're looking at the test year, you're
21 seeing the different line items in total. Those
22 percentages from that test year is what allocates the
23 annualized amount.

24 So there is no difference, really, between the
25 test year and the annualized way that it's distributed

1 because it's based on the test year history.

2 Q And did you make various changes to the
3 schedules as this case has gone on? Or have they always
4 stayed the same since your original filing in the direct
5 testimony?

6 A I did change based on true-up.

7 Q Okay.

8 A The true-up filing.

9 Q Okay. So the -- the numbers that are contained
10 in the true-up filing are the final numbers dealing with
11 payroll, annualization and payroll tax annualization; is
12 that correct?

13 A To the best of my knowledge. Yes.

14 Q Okay.

15 MR. ELLINGER: Do you have the schedules up
16 there in the exhibit pile?

17 MR. THOMPSON: Staff schedules? Yeah.

18 MR. ELLINGER: They're in the pile?

19 MR. THOMPSON: At the very bottom.

20 MR. ELLINGER: Could I hand the witness these
21 exhibits, please?

22 JUDGE STEARLEY: Sure.

23 MR. ELLINGER: Thank you. The very bottom.

24 MR. THOMPSON: At the very bottom.

25 MR. ELLINGER: Very, very bottom. Get to the

1 right page here.

2 Q (By Mr. Ellinger) Let me hand you this. Oh,
3 I'm sorry. I just spilled some water. Is there any --
4 sorry. Too big a bulk of paper, and I was making a mess.
5 Okay. I have the schedules. Okay. And that's Exhibit
6 -- Staff's Exhibit 29; is that correct?

7 A That is how it's labeled.

8 Q And could you turn to the section that deals
9 with the Joplin district, please?

10 A All right.

11 Q And I'd like you to take a look -- first of all,
12 why don't you tell the Commission where in Exhibit 29 the
13 tab underneath Joplin, where the annualization of salaries
14 would be located.

15 A You would find those located -- let me make sure
16 I have the correct information here. That would be
17 located on Schedule 9.

18 Q Schedule 9. Okay. And what's the line heading
19 on Schedule 9 that would reflect those?

20 A I believe it would be 13, 14, 15, 16, possibly
21 17, 18. That would be the payroll.

22 Q That would be the payroll portion. And then
23 what line would be the payroll tax portion?

24 A Payroll taxes would be 23.

25 Q And what was the amount of annualization for the

1 payroll based upon your schedule?

2 A In total for district?

3 Q For in total for the district.

4 A If you'll bear with me.

5 Q Certainly. Take your time.

6 A As you said, this is a large stack of papers.

7 Okay. My total annualized number was 1,446,870.

8 Q And does that reflect actual and the

9 annualization?

10 A That reflects the total annualized amount for

11 Joplin.

12 Q Okay. Let me rephrase the question, perhaps?

13 A Okay.

14 Q Did you hear Mr. Petry's testimony earlier?

15 Were you in the room for that?

16 A For most of the time. Yes.

17 Q Did you hear him discuss how there's a component

18 of payroll that's the actual payroll for the district that

19 you know what the payroll is?

20 A Uh-huh.

21 Q Did you hear that part of the testimony?

22 A I believe I did.

23 Q And then there's a -- excuse me -- annualized

24 portion, which is to try to fill in positions, things that

25 are empty, et cetera, of the organizational chart. Did

1 you hear that part of his testimony?

2 A Well, actually, I would not characterize it in
3 that manner.

4 Q How would you characterize it?

5 A An annualized payroll is the total of all
6 employees on an ongoing level. And it's not a, say,
7 increase or decrease over test year. It is a total amount
8 that is current on level of expense for later -- or
9 payroll.

10 Q And you had talked about you -- you added new
11 hires, and you took off people that were terminated; is
12 that right?

13 A Correct.

14 Q And that's how you got to your annualization; is
15 that correct?

16 A They were removed from the list. And then I
17 used current level of employees to go on with the
18 annualization and -- and increase for wage increases and
19 so on and so forth to get to my total annualized.

20 Q All right. So the \$1,446,870 is the total
21 payroll as annualized for the Joplin district; is that
22 correct?

23 A That is correct. But that number that is
24 reflected in here, that also includes the corporate
25 allocated piece.

1 Q And how much is the corporate allocated piece?

2 A Approximately 67,000.

3 Q Okay. So is -- is the \$1,446,870 inclusive of
4 the 56,000 corporate or exclusive?

5 A Inclusive.

6 Q Tell me how you take that number and calculate
7 your payroll tax.

8 A I cannot specifically say the number.

9 Q Okay.

10 A It's on a per employee basis. I go through, and
11 by each employee -- say, Greg Weeks, for example, he has a
12 payroll. Let's imagine it's \$50,000. We times it by the
13 necessary applicable payroll taxes. And that would work
14 out to, I -- you know, like maybe \$50 for FUDA or 70 or
15 something for SUDA and, you know, a couple thousand or
16 whatever for FICA. And then those amounts are totaled for
17 the district.

18 Q Okay. So you make a per employee calculation of
19 tax?

20 A Correct.

21 Q And then you add all those per employee
22 calculations up for the portion that's attributable to the
23 district?

24 A That is correct. Based on the employee's
25 district assignment.

1 Q And do you know -- can you tell me what the
2 amount of payroll tax is off the --

3 A The amount --

4 Q -- schedule in front of you?

5 A The total tax for the Joplin district inclusive
6 of corporate is 117,395.

7 Q And that represents all taxes, payroll taxes for
8 all payroll as annualized in the Joplin district; is that
9 correct?

10 A For FICA, FUDA and SUDA, yes.

11 Q All right. Were you involved at all in the
12 allocation of the corporate payroll to the district?

13 A Not at the time. No.

14 Q Have you been since then?

15 A Because of this issue coming up, I had to trace
16 back and make sure all my numbers were correct.

17 Q Okay. And have you traced back your corporate
18 payroll allocations?

19 A Yes, I have.

20 Q And how did you go about tracing that number
21 back?

22 A Well, I looked at the -- my annualized corporate
23 district and looked at the total assigned to the corporate
24 district in the accounting schedules.

25 And then I looked at -- there's another sheet

1 that shows us in our work papers how much of that amount
2 was assigned to Joplin. And I could directly correlate
3 that amount.

4 Q And let's focus in on that other spreadsheet you
5 just talked about and said how much should be assigned.
6 Did you prepare that spreadsheet?

7 A No, I did not.

8 Q Who prepared that?

9 A It's a part of our accounting schedules. I
10 don't know originally who prepared that. I know the
11 person that entered the information was Roberta Grisham.

12 Q Okay. And can you tell me, did you look at that
13 allocation factor any more than just to verify that that
14 -- that times the number was correct?

15 A Not -- I mean, I looked at it to verify and --
16 you know, and see how it was done, you know.

17 Q Okay. How did you annualize payroll in the
18 corporate level?

19 A Exactly the same as I did in all the districts.
20 I treated corporate as a district.

21 Q And any increase in tax ought to be directly
22 proportional to any increase in payroll, should it not?

23 A That is not necessarily the case. There are
24 some variances due to some booking of the payroll taxes
25 that differ.

1 Q And those numbers would reduce the payroll tax
2 liability or increase it?

3 A It would depend on which one you were looking
4 at.

5 Q Well, which ones are going to increase the
6 variance?

7 A Well, I mean, it depends on what was booked and
8 how it was booked. I made sure that in my annualization,
9 the payroll tax was directly attributable to each employee
10 on an ongoing level.

11 Now, what her book number was, that may or may
12 not have been the case. So when you look at what
13 increased or what decreased or how it increased or how it
14 decreased, it may or may not follow exact every district
15 every item.

16 Q And in the process of doing account
17 annualization, did you not look at each one of those as
18 they were booked to make sure they matched up?

19 A Yes, I did. But, for example, there is one item
20 that the company booked to the corporate district that
21 would have probably been spread throughout the other
22 districts for payroll taxes.

23 So when I was looking at them, I had to use the
24 per book number for the district I was doing. And then I
25 used my annualized ongoing level. So whether or not that

1 was an increase/decrease percentage-wise, step by step for
2 each district, it may vary depending on what was booked.

3 Q Okay. And did you quantify that variance at
4 all?

5 A Not -- not quantify. No. I knew there was a
6 variance based on the face value of the per book numbers.

7 MR. ELLINGER: No more questions, Judge.

8 JUDGE STEARLEY: Okay. Thank you, Mr. Ellinger.
9 Cross-examination. City of Parkville?

10 MR. FINNEGAN: No questions.

11 JUDGE STEARLEY: AG Processing?

12 MR. CONRAD: Very quickly, your Honor.

13 CROSS-EXAMINATION

14 BY MR. CONRAD:

15 Q Ms. Hanneken, Mr. Ellinger took you through the
16 number of steps that you did with respect to annualizing
17 the payroll and payroll taxes, correct?

18 A Correct.

19 Q Would you agree with me the purpose of those
20 steps is to try to get to a representative number of both
21 of those expenses that would be in place for the period of
22 time that the rates would be expected to be in play?

23 A Correct.

24 MR. CONRAD: Thank you.

25 JUDGE STEARLEY: Thank you, Mr. Conrad.

1 Cross-examination. Office of Public Counsel? Ms. Baker?

2 MS. BAKER: Thank you.

3 CROSS-EXAMINATION

4 BY MS. BAKER:

5 Q Hello, Ms. Hanneken.

6 A Good afternoon.

7 Q Would you agree that there is a direct
8 correlation between payroll tax and the payroll?

9 A Yes.

10 Q All right. And can you explain exactly what you
11 mean by district assignment on an employee basis?

12 A Each employee is assigned to a district. A
13 meter reader in Joplin would be assigned to the Joplin
14 district. So his district assignment is Joplin because
15 that is where he is employed. And that is the district in
16 which he works.

17 Q Okay. So based on that district assignment, the
18 payroll for that employee would then be placed in -- in
19 the list of Joplin district?

20 A Specifically on the spreadsheet, there is a
21 column that codes districts by their number. So Joplin,
22 for example, would have the number 11 by the employee's
23 name. And then all the numbers would be totaled for the
24 Joplin specific.

25 Q And that would apply, also, to the payroll tax

1 for that employee? It would be sent in to the number to
2 Joplin?

3 A The payroll tax and tax would be calculated on
4 the exact same line as the salaries. So, yes, it would be
5 exactly the same.

6 Q Can you explain how a district assignment is
7 given to an employee that works in multiple districts?

8 A Yes. It is my understanding that they look at
9 their time sheet and how they were assigned. And, for
10 example, I believe the St. Joe manager assigns a portion
11 of his time to other districts.

12 The Parkville Water, I believe there's an
13 employee assigned a part of his time to Parkville Sewer
14 and so on and so forth. There are none of those, however,
15 that inter-relate with Joplin.

16 Q Okay. All right. Have you been given any
17 calculations or documentation from the Joplin expert that
18 would -- that would back their arguments of a discrepancy
19 in the payroll tax or the payroll that has been calculated
20 by Staff?

21 A No. It is my understanding there are none.

22 MS. BAKER: All right. Thank you. No further
23 questions.

24 JUDGE STEARLEY: Thank you, Ms. Baker.

25 Cross-examination, Missouri American? Mr. England?

1 MR. ENGLAND: No questions, your Honor.

2 JUDGE STEARLEY: Questions from the Bench?
3 Commissioner Appling?

4 COMMISSIONER APPLING: No questions, Judge.

5 JUDGE STEARLEY: And I have no questions as
6 well, so there will be no recross. Any redirect from
7 Staff?

8 MR. THOMPSON: No redirect, your Honor.

9 JUDGE STEARLEY: Thank you, Ms. Hanneken. You
10 may step down. However, you are not finally excused as a
11 witness at this time in case the Commission should have
12 additional questions for you later.

13 MS. HANNEKEN: Thank you.

14 JUDGE STEARLEY: Thank you for your testimony.

15 MR. THOMPSON: We'd call Steve Rackers at this
16 time.

17 JUDGE STEARLEY: Okay. Before we move on to
18 Mr. Rackers, we've been going now for not quite an hour
19 and a half, but I think I'd like to give my court reporter
20 a break. So why don't we all take about a ten-minute
21 break, and we'll resume with Mr. Rackers?

22 (Break in proceedings.)

23 JUDGE STEARLEY: All right. We are back on the
24 record. And, Staff, I believe we're ready to proceed with
25 your next witness, Mr. Rackers.

1 MR. THOMPSON: Thank you, your Honor.

2 JUDGE STEARLEY: Mr. Rackers, if you'd please
3 raise your right hand?

4 STEVE RACKERS,
5 being first duly sworn to testify the truth, the whole
6 truth, and nothing but the truth, testified as follows:

7 DIRECT EXAMINATION

8 BY MR. THOMPSON:

9 JUDGE STEARLEY: Okay. Thank you, Mr. Rackers.
10 Mr. Thompson, you may proceed.

11 MR. THOMPSON: Thank you.

12 Q (By Mr. Thompson) State your name, please.

13 A Steven M. Rackers.

14 Q How are you employed?

15 A I'm employed by the Missouri Public Service
16 Commission as a Regulatory Auditor.

17 Q Are you the same Steven M. Rackers that prepared
18 or caused to be prepared four pieces of testimony in this
19 case, direct, rebuttal, surrebuttal and supplemental
20 true-up direct, which have been marked as Staff Exhibits
21 5, 6, 7 and 30?

22 A Yes, I am. And the accompanying accounting
23 schedules.

24 Q Which have been marked as Staff Exhibits 28 and
25 29?

1 A Yes.

2 Q Okay. And do you have any changes or
3 corrections to that testimony?

4 A Yes, I do.

5 Q What would those be?

6 A My changes are to the true-up accounting
7 schedules. And I've prepared some -- some examples that
8 will help people -- help illustrate that.

9 Q Okay. Do you have one? Why don't we go ahead
10 and mark this as Staff's Exhibit 31? And you prepared
11 this Staff Exhibit 31?

12 A Yes.

13 Q And what does it show?

14 A On the -- it shows the filed as appeared in the
15 true-up accounting schedules. And then it shows the
16 second -- the second part is the changed version as a
17 result of staff's making a change to the length of main
18 allocation factor, which, in its accounting schedules was
19 applied to the transmission and distribution expense on
20 Accounting Schedule 9.

21 Q And so is this a change to this schedule as it
22 appears in the staff true-up accounting schedules, Exhibit
23 29?

24 A Yes, it is.

25 Q Okay. And with this change in mind, if I asked

1 you the same questions today as are contained in those
2 pieces of testimony, would your answers be the same?

3 A Yes, they would.

4 Q And with this change in mind, are those answers
5 true and correct to the best of your knowledge and belief?

6 A Yes, they are.

7 MR. THOMPSON: At this time, I would move the
8 admission of Staff Exhibits 5, 6, 7, 30 and 31.

9 MR. ELLINGER: Judge, I would raise an objection
10 to the last exhibit, Exhibit 31. This exhibit was not
11 pre-filed. It contains -- it deals with an issue that is
12 of, obviously, significant and key application in this
13 matter.

14 In fact, it involves the most important issue
15 that represents a difference between the Staff and Joplin
16 as this has gone on. It was not provided to the City of
17 Joplin -- actually, this particular document I don't think
18 has ever been provided.

19 The initial even announcement that there was an
20 issue was not provided until this hearing was already
21 scheduled to have been started. And I think that it's
22 unduly prejudicial to allow this evidence to come in.

23 As an alternative, I think, Judge, that all of
24 Mr. Rackers' testimony could be stricken, then, instead
25 and we could simply go without any of his testimony.

1 Because I think this information is so crucial
2 to the fact of this case that allowing him at the last
3 minute through the element of surprise to create a 70,000
4 percent change to an allocation factor that is the heart
5 of the entire case is unduly prejudicial and
6 discriminatory and should not be allowed by this Court --
7 by this Commission. Excuse me. And as a result, Exhibit
8 31 should not be admitted.

9 JUDGE STEARLEY: All right.

10 MR. THOMPSON: Well, your Honor, it is
11 traditional in these proceedings and it's occurred earlier
12 in this proceeding that witnesses make corrections to
13 their pre-filed testimony.

14 JUDGE STEARLEY: Mr. Ellinger?

15 MR. ELLINGER: Well, Judge, you know, this is
16 not a situation where it's a small amount on a -- on an
17 issue. We're talking, literally, Mr. Rackers filed
18 pre-filed testimony that presented a specific allocation
19 factor for length of mains.

20 And this new schedule, the first time it's ever
21 been presented, the first time it's ever been produced
22 changes that allocation factor by literally, Judge, 70,000
23 percent. And I don't see how this can be deemed a simple
24 correction.

25 This is an egregious action, and it goes, once

1 again, to showing what occurs here. Once the Staff has --
2 is caused to realize that they have a weakness in their
3 case, they change the documents and submit them on a
4 surprise basis. And I don't think this Commission should
5 allow that to occur because of the inherent prejudice.

6 In the alternative, if this document is going to
7 be allowed -- admitted, i think that we need to suspend
8 the hearing. Joplin needs to be allowed time to do
9 extensive discovery on why this change was made, why it
10 was not submitted until the last moment. And then, as a
11 result of that, maybe we can resume this hearing.

12 JUDGE STEARLEY: Mr. Thompson?

13 MR. THOMPSON: I think this is a correction of a
14 mistake that was only recently discovered.

15 JUDGE STEARLEY: Okay. And why, Mr. Ellinger,
16 would you need to suspend the hearing for time to review
17 this?

18 MR. ELLINGER: Well, Judge, we're talking,
19 again, 70,000 percent difference that goes to the heart of
20 the -- really, the sole issue that presents the reason
21 we're at a hearing today that's remaining, which is
22 corporate allocation percentages.

23 Mr. Rackers has now presented, through
24 Mr. Thompson, a schedule that completely changes every
25 fact that the entire case has been prepared on by all

1 parties going forward until this schedule was suddenly
2 prepared.

3 And I think that, again, it is inherently
4 prejudicial to allow it at this point and allow the
5 hearing to go forward.

6 MR. THOMPSON: I don't think any other party has
7 prepared their case based on length of main.

8 MR. ELLINGER: It's the one issue that has been
9 put forth in this case. You know, you requested us,
10 Judge, to file a list of disputed issues last Thursday.
11 Last Friday. Excuse me.

12 You entered your order late Friday, Thursday and
13 gave us almost no time to prepare or respond. One of the
14 major issues that we responded with that's included in our
15 witnesses testimony, it was included in that statement, it
16 was included in our list of objections to the stipulation
17 is the length of main calculation and the effect that that
18 has.

19 To then have the Staff come in and say, We're
20 going to change that calculation by 70,000 percent is
21 nothing but unduly prejudicial.

22 JUDGE STEARLEY: All right. Does any other
23 party echo any concerns with Exhibit 31?

24 MS. BAKER: I don't have a concern. But I
25 certainly want to support the Staff in that Public Counsel

1 believes that correct and -- and true information
2 certainly needs to be provided in -- in this case to the
3 Commissioners.

4 And so if this is a correction -- corrections
5 have been allowed. And so I would -- I would join with
6 Staff in -- in saying that this needs to be allowed.

7 MR. THOMPSON: Certainly, if the Commission is
8 going to adopt Mr. Ellinger's proposed allocation based
9 upon length of main, the correct length of main figures
10 should be in the record.

11 JUDGE STEARLEY: Mr. Conrad?

12 MR. CONRAD: Yeah. I -- forgive my confusion.
13 I -- I was given to understand that this was a
14 representation by the witness of the effect of using the
15 allocation factor that Joplin's witness had proposed be
16 used, but on a -- on a corrected basis. And if that's not
17 correct, then I'm -- I'm off base.

18 JUDGE STEARLEY: Okay. That would be my
19 understanding as well. Is that the purpose for which
20 Staff is providing this --

21 MR. CONRAD: Given that, if I might --

22 JUDGE STEARLEY: Yes. I'm sorry. I didn't mean
23 to interrupt.

24 MR. CONRAD: No. That's all right. You're up
25 there. I'm down here. But if that's the case, perhaps

1 Mr. Thompson could -- it might be out of sequence, would
2 voir dire the witness, as it were, a little bit and
3 clarify that that's what this is on the record, and that
4 they may either help or -- or hurt the -- the
5 admissibility of the exhibit.

6 But it seems to me we're kind of debating
7 between the attorneys what this means. And the witness
8 who put it together is up there on the stand and can tell
9 us.

10 JUDGE STEARLEY: That's a good suggestion.

11 MR. THOMPSON: Thank you, your Honor.

12 JUDGE STEARLEY: Please voir dire the witness,
13 and it's for the purposes of the changes that you're
14 filing.

15 VOIR DIRE EXAMINATION

16 BY MR. THOMPSON:

17 Q Mr. Rackers, direct your attention to Staff
18 Exhibit 31. Did you prepare that document?

19 A Yes.

20 Q And when did you prepare it?

21 A I prepared it yesterday.

22 Q And how did you prepare it?

23 A I used the previously filed corporate income
24 statement schedule from the Staff's true-up direct
25 accounting schedules. And I changed the length of main

1 allocator, which, in this schedule, is used only on, I
2 believe, line 16, the transmission and distribution
3 expenses, the \$6,805 to reflect an error that we
4 discovered in how that allocation factor was previously
5 calculated.

6 And so what -- what you can see when you compare
7 the two schedules is -- for example, Joplin, in the
8 original filed schedule, the \$6,805, a dollar was
9 allocated to Joplin.

10 And in the changed schedule, \$484 would be
11 allocated to Joplin. From Staff's point of view, the
12 change is not that significant, but it is a correction.

13 JUDGE STEARLEY: Okay. Anything further,
14 Mr. Ellinger, before I rule?

15 MR. ELLINGER: I'm going to renew my objection,
16 Judge. In fact, Mr. Rackers' testimony -- first of all,
17 if this document wasn't prepared until yesterday, it
18 certainly does not allow anybody the opportunity to look
19 at it, to evaluate the calculations.

20 Second of all, I'd point out the number he is
21 referring to, just that one number represents a 48,400
22 percent increase in that allocation to Joplin.

23 Now, I realize that's a very small physical
24 dollar amount, \$484. But the length of main allocator
25 throughout this case has been a driving issue between the

1 Staff and the city of Joplin.

2 The original Staff number was 0.11 percent for
3 Joplin. It's now seven -- excuse me -- 7.105 percent.
4 Again, as I said, a 70,000 percent increase. And I think
5 that, you know, in this type of situation, this kind of
6 document, due to the inherent prejudice that's contained
7 in it, it should not be allowed to be admitted in this
8 case.

9 Or in the alternative, we ought to be able to
10 suspend the hearing, allow Joplin the right to depose this
11 witness on this reason if why this error was made and
12 allow us to prepare our case accordingly.

13 JUDGE STEARLEY: Mr. England, what's your
14 opinion?

15 MR. ENGLAND: Your Honor, if I understand what's
16 going on here, Staff is attempting to correct an exhibit
17 that has a minimal impact on the presentation of what
18 \$483.

19 The harm, as I understand, to Joplin is that the
20 correction of the length of main allocator, which they
21 have based their recommendation upon has dramatic impact
22 on their case.

23 Now, during the discovery of this case, one of
24 the parties asked and we all shared discovery for Joplin
25 to produce documentation that would demonstrate a

1 calculation or a -- or calculate a revenue requirement
2 effect of their proposal. And their answer was, We have
3 no documentation.

4 I think, to some degree, we're the ones without
5 the necessary information to explore the basis for
6 Joplin's proposal. If -- if their proposal is based on an
7 erroneous number that they took out of Staff's case,
8 perhaps if they had disclosed that in discovery, we could
9 have figured that out sooner.

10 And so I -- I'm just -- I don't think the -- I
11 don't think surprise is -- is a proper objection. I
12 certainly don't think it's -- it's proper to -- to prevent
13 the witness from correcting his testimony.

14 The fact that it may, in an ancillary fashion,
15 affect something that Joplin was relying upon, well,
16 that's something they're just -- I mean, I think they have
17 to deal with.

18 JUDGE STEARLEY: Do You want to add anything
19 else, Mr. Thompson.

20 Q (By Mr. Thompson) Well, I simply would like to
21 ask the witness where -- what was the source of these
22 numbers?

23 A If you turn to the last page of each of the two
24 items, the length of main's allocator is marked No. 4 on
25 both of these the amounts listed under each district.

1 What that represents is -- what it was supposed to
2 represent was the feet of transmission and distribution
3 mains in each district.

4 And the problem was, in the St. Louis district,
5 as you can see in the original filed document, it was some
6 19 billion. And Staff misunderstood or misplaced the
7 decimal place in the St. Louis -- for the St. Louis
8 amount.

9 The St. Louis amount was reported differently in
10 the annual report than the other calculation. The other
11 ones were actually reported in feet. In the St. Louis
12 district, it was reported in miles.

13 So to get these on a consistent basis, there had
14 to be some conversion between miles and feet. And Staff's
15 original calculation of that conversion was in error.

16 MR. THOMPSON: I --

17 A I -- I might say that I -- as soon as Staff
18 discovered that there was an error, which was last
19 Tuesday, we verified that, in fact, we -- there was a
20 mistake, went back to the annual reports, which are out
21 there for anyone to see, and verified this calculation.

22 As soon as we were sure that we had, in fact,
23 made a mistake, I called Mr. Ellinger Wednesday morning.
24 So he -- he was informed by me personally Wednesday
25 morning.

1 MR. THOMPSON: I have another exhibit, Judge. I
2 have an excerpt from the as-filed accounting schedules
3 which would show the mistaken number, if that would be
4 helpful to you and to anyone else to follow what
5 Mr. Rackers is explaining.

6 JUDGE STEARLEY: I -- I think that would be
7 helpful. But I think I can go ahead and rule on the
8 objection, and you can then distribute that as well,
9 Mr. Thompson.

10 And I'm going to overrule the objection.
11 I -- I find the correction to be appropriate. And Mr.
12 Ellinger certainly demonstrated his ability to calculate
13 the differences that he sees.

14 And based upon Mr. Rackers' testimony that he's
15 also informed you last Wednesday of the errors and were
16 correcting -- simply making a correction here, I see no
17 problem with the admission of this document.

18 Nor, as an alternative, do I see it reasonable
19 to suspend the proceedings nor strike any additional
20 testimony of Mr. Rackers.

21 Are there any other objections to the exhibits
22 offered by Staff? We'll move on with those.

23 MR. THOMPSON: This would be Staff Exhibit 32,
24 your Honor.

25 MR. HESS: Your Honor, did you admit those

1 exhibits?

2 JUDGE STEARLEY: Yeah. I was just coming back
3 to that, getting my numbers right. 5, 6, 7, 28, 29, 30
4 and 31.

5 MR. THOMPSON: That's correct, your Honor.

6 JUDGE STEARLEY: Okay. Those will all be
7 received and admitted into evidence.

8 (Staff Exhibit Nos. 5, 6, 7, 28, 29, 30 and 31
9 were admitted into evidence.)

10 JUDGE STEARLEY: And now we can continue picking
11 up with Exhibit 32 as well.

12 MR. THOMPSON: Thank you, your Honor.

13 CONTINUED DIRECT EXAMINATION

14 BY MR. THOMPSON:

15 Q If you would, take a look, Mr. Rackers, at the
16 last page of Exhibit 31 and the last page of Exhibit 32.

17 A Yes.

18 Q Do you have those both there in front of you?

19 A I do.

20 Q And I'm looking now at what's labeled No. 4,
21 length of mains. And I'm reading across to the box that
22 says St. Louis. And in one box, I see 19,776,194. Do you
23 see that?

24 A Yes, I do.

25 Q And that is on Exhibit 31. And that is the

1 correct number; is that correct?

2 A \$19,776,194?

3 Q Yes, sir.

4 A Yes. That's the correct number.

5 Q And I'm looking now at the same box on Exhibit
6 32, and I see 19,776,194,064. Do you see that?

7 A I do.

8 Q And that is the as-filed number?

9 A That's right. That number is incorrect.

10 Q And that is incorrect?

11 A Yes, it is.

12 MR. THOMPSON: Thank you very much. I would
13 offer Staff Exhibit 32 at this time, as well, your Honor.

14 JUDGE STEARLEY: All right. Any objection to
15 see Exhibit 32? Hearing none, it shall be admitted and
16 received into evidence.

17 (Exhibit No. 32 was offered and admitted into
18 evidence.)

19 MR. THOMPSON: I tender the witness. Thank you.

20 MR. ENGLAND: Your Honor, before we begin -- I'm
21 -- I'm sorry. I didn't quite catch which exhibits have
22 been offered and admitted as far as Mr. Rackers.

23 JUDGE STEARLEY: I went through 5, 6, 7, 30, and
24 I believe I also mentioned 28 and 29. And forgive me if I
25 jumped the gun on you offering those, Mr. Thompson. Did

1 you --

2 MR. THOMPSON: I think I offered those as well
3 and, also, 31 and 32.

4 JUDGE STEARLEY: Okay. And 31 and 32 --

5 MR. THOMPSON: Yes, your Honor.

6 JUDGE STEARLEY: -- will all be deemed admitted
7 and received into evidence.

8 (Staff Exhibit Nos. 31 and 32 were offered and
9 admitted into evidence.)

10 MR. THOMPSON: Thank you.

11 MR. ENGLAND: Thank you.

12 JUDGE STEARLEY: All right. And we will begin
13 cross-examination with the Home Builders Association.

14 MR. HESS: No questions, your Honor.

15 JUDGE STEARLEY: Water districts?

16 MR. FISCHER: No questions, your Honor.

17 JUDGE STEARLEY: City of Joplin? And,
18 Mr. Ellinger, would you like some additional time to
19 examine those exhibits before you begin your cross?

20 MR. ELLINGER: I would love to have a little
21 additional time, but we can go forward because I
22 understand you want to move the case forward. So --

23 JUDGE STEARLEY: All right. Yeah. I was
24 referring to a short time, not suspending the hearing.

25 MR. ELLINGER: Yeah. You know, if we could take

1 a ten-minute break, I would appreciate that very much.

2 JUDGE STEARLEY: That would be perfectly
3 acceptable. We can do that.

4 MR. ELLINGER: Thank you.

5 JUDGE STEARLEY: We're ready to go back on the
6 record. All right. We are back on the record.

7 Mr. Rackers has been sworn, and we are resuming with the
8 cross-examination -- starting with the cross-examination,
9 I should say, of the City of Joplin.

10 MR. ELLINGER: Thank you, Judge. Thank you for
11 the break.

12 CROSS-EXAMINATION

13 BY MR. ELLINGER:

14 Q Good afternoon, Mr. Rackers.

15 A Good afternoon.

16 Q I'd like to talk a little bit about this length
17 of main change that has occurred in Exhibit 31 -- excuse
18 my -- Staff Exhibit 31 versus Staff Exhibit 32, which was
19 the original calculation. Do you have those two exhibits
20 in front of you?

21 A I do.

22 Q I'd like to walk through how such an enormous
23 mistake can be made by the Staff. If you'd look at
24 Exhibit 32, the third page, the line that begins length of
25 mains, feet -- do you see where I'm at?

1 A I do.

2 Q Noted under St. Louis, it says 19,776,194,640.

3 Do you see that?

4 A I do.

5 Q And that represents the number of feet; is that

6 correct?

7 A Yes.

8 Q And you indicated that the St. Louis length of

9 mains was originally reported in miles; is that correct?

10 A That's correct.

11 Q How many miles was it?

12 A It was approximately 3,750.

13 Q Okay. And 3,750 miles. How many feet are there

14 in a mile?

15 A 5,280.

16 Q And if you multiply 3,750 miles times 5,280,

17 you're going to end up with a zero at the end, aren't you?

18 You have to, don't you?

19 A Yes.

20 Q So please tell me how you can end up with a

21 calculation for St. Louis that ends up in the precision of

22 64 if you're multiplying by 5,280 feet.

23 A The miles were reported for St. Louis with four

24 decimal places. Staff believed that those four decimal

25 places were -- instead of a decimal place, Staff thought

1 that was a comma, that it was, in fact, more like
2 3 million miles rather than 3,000. So there's four
3 decimal places after this number that would have been part
4 of the calculation.

5 Q And how many cases have you been involved in
6 where you have testified or been involved with miles of
7 line, miles of pipe, miles of anything?

8 A Where I specifically -- specifically testified
9 about miles of pipe?

10 Q That you've had to review miles of lines,
11 whether it's power lines, water lines, sewer lines, any
12 type of anything that's ever been calculated in the basis
13 of miles. Or feet, for that matter.

14 A Probably not very often.

15 Q So you rarely, if ever, look at length of mains
16 for any purpose whatsoever?

17 A That's correct. We -- we use it very sparingly
18 as -- as is shown in this document. It's only applied to
19 \$6,000.

20 Q But wouldn't that \$6,000 tend to appear in most
21 cases?

22 A Excuse me?

23 Q Wouldn't -- wouldn't that line item that you're
24 referring to that I -- amounts to \$6,000, doesn't that
25 line item occur in most cases?

1 A No.

2 Q Transmission and distribution is not a frequent
3 line item in water cases?

4 A Well, I don't know how it's allocated. And I've
5 never testified to that.

6 Q Okay. So this is the first time you've ever
7 testified as to an allocation of corporate expenses?

8 A No. I don't think that's true. I think -- I
9 think we -- you were specifically dealing with something
10 to do with length of mains.

11 Q Well, have you ever testified as to the
12 allocation of corporate transmission, distribution costs
13 before?

14 A I -- I don't recall offhand.

15 Q So it's fair to say you really have little, if
16 any, experience in looking at these allocation factors
17 when it deals with transmission mains?

18 A I -- I've got experience with allocating
19 corporate costs. Specifically dealing with designing an
20 allocation factor based on length of transmission
21 distribution mains at the water company, I don't have much
22 experience with that.

23 Q Have you ever looked at length of -- length of
24 sewer mains?

25 A As -- trying to design allocation factor, no.

1 Q Well, how about just looking at length of mains?
2 Have you ever -- have you ever actually looked at a
3 district or at a company to look at how many feet of mains
4 they have for any reason whatsoever?

5 A I -- I -- I don't specifically recall offhand
6 right now.

7 Q What about electric lines? Have you ever looked
8 at electric lines?

9 A In terms of the length of --

10 Q The length of the lines, number of miles of
11 line.

12 A No. Not that I can recall right now.

13 Q So as far as you can recall, this is the first
14 time you've ever made that calculation?

15 A Yes.

16 Q Got it wrong the first time. Very good. Now,
17 let's talk a little bit about corporate allocations. Tell
18 me -- let's talk about call center allocation, for
19 example. You've allocated that based upon payroll, have
20 you not?

21 A I have.

22 Q And you've heard testimony today by company
23 witnesses, certainly, that they allocated it based upon
24 customer numbers; is that correct?

25 A I believe that's correct.

1 Q Okay. There's really no rational relation
2 between corporate allocation for a call center to payroll,
3 is there?

4 A I don't agree with that.

5 Q How can there be a rational relation to a call
6 center when the only folks that call the call center are
7 customers?

8 A Well, the -- you have to realize the function
9 that the call center engages in. Let's -- let's not
10 forget that the call center has no data without the meter
11 readers that are out in the field at the specific
12 districts.

13 And if I have a problem, for example, with my
14 meter, I'll call the call center, and that triggers
15 dispatching a workman out in the specific districts to
16 address that problem.

17 Q And I will -- I will say -- you said you will
18 call. You, as a customer --

19 A Correct.

20 Q As a customer --

21 A Right.

22 Q Only a customer is going to make that phone
23 call; isn't that correct?

24 A Well, for a customer complaint. Yes. But I --
25 I don't think the only communication between the call

1 center is between customers and the call center.

2 Q But they enter -- they -- they start the
3 communication, do they not, from the call center? I mean,
4 a customer calls the call center to start a communication;
5 isn't that correct?

6 A For a -- a customer complaint.

7 Q Well, does a call center start calling -- just
8 randomly calling customers?

9 A No. I wouldn't think so.

10 Q I mean, maybe they just decide, Hey, we ought to
11 see if you're having a happy day, let's call and see if
12 you have a problem with the bill. Is that how call
13 centers work?

14 A That's never happened to me.

15 Q So --

16 A That -- that -- that wasn't the point of my
17 answer, though. My point was that the call center, as are
18 all corporate functions -- from Staff's point of view, are
19 there to support the employees, the workers in the
20 field --

21 Q So --

22 A -- and the specific districts.

23 Q So the call center, in the Staff's point of
24 view, has nothing to do with customers?

25 A No. I didn't say that.

1 Q Well, it certainly is not to support customers.
2 Is that what you're saying?

3 A I'm saying one of its functions is to support
4 the actual people that are performing work in the field.
5 It's -- they're the ones that trigger the dispatch of an
6 employee out in the field, from my understanding, to go
7 address a customer's need.

8 Q But if you had hundreds of employees out in the
9 field, let's say you overstaffed a district to the extent
10 where there's a meter reader on every corner and that's
11 all they do 24/7 is read one meter. How many calls to a
12 customer center are you going to have on meter complaints?

13 A I -- I don't know.

14 Q Probably none because nobody's ever going to
15 think that the number's wrong when people are standing
16 there checking it constantly; isn't that correct?

17 A No, I don't agree with that.

18 Q I think you'd have more complaints -- if the --
19 if the Staff hired more personnel to do a better job, I'm
20 not saying they're doing a bad job, to do a better job of
21 meter reading, do you think you'd get more complaints or
22 fewer complaints about your bill?

23 MR. THOMPSON: Objection. Calls for
24 speculation.

25 JUDGE STEARLEY: Sustained.

1 Q (By Mr. Ellinger) Have you ever taken a look at
2 a rational relationship between the number of calls going
3 to a call center and the amount of payroll expense in a
4 district?

5 A I -- I don't think I understand your question.

6 Q Have you ever done a study to see if higher
7 payroll produces more call center expenses?

8 A I -- I have not done a specific study, no.

9 Q Does it seem counter intuitive to you?

10 A No.

11 MR. THOMPSON: Objection. Calls for
12 speculation.

13 JUDGE STEARLEY: Respond, Mr. Ellinger?

14 MR. ELLINGER: Yeah. I'm -- he's testified that
15 he has not looked at payroll, but he believes payroll is
16 the proper expense allocation factor for call centers.

17 And I think it is appropriate for him as an
18 expert on the stand to testify as to whether he believes
19 it's counter intuitive that more payroll, more Staff would
20 generate more or less calls to a call center since he is
21 allocating it based upon payroll.

22 JUDGE STEARLEY: Okay. I will overrule that
23 objection. I believe you can answer that to the best of
24 your knowledge, Mr. Rackers. If you don't know, you can
25 simply answer the question that you do not know.

1 A I'd like the question again.

2 MR. ELLINGER: Could the reporter read it,
3 please? Thank you.

4 (The previous question was read back.)

5 A I'm -- I'm sorry. Could you read the part right
6 before that?

7 MR. ELLINGER: Yeah. There's more to the
8 question than just that.

9 (The previous question was read back.)

10 A And I think I said I haven't done a specific
11 study.

12 Q (By Mr. Ellinger) Well, I will try to remember
13 the question that was asked. I think it got lost in the
14 transcription there at some point.

15 Is it counter intuitive to you that having more
16 payroll, in other words, more employees would result in
17 more call center expense?

18 MR. THOMPSON: I object. He said he has done no
19 such study. I don't think he has any basis to answer the
20 question.

21 MR. ELLINGER: I've already responded to that
22 objection, Judge. He's been ordered to answer the
23 question.

24 JUDGE STEARLEY: Well, and I will say again,
25 Mr. Rackers, you can answer that to the extent of your

1 knowledge. If that goes along with the fact you haven't
2 done a study and you don't know, you can simply answer you
3 don't know.

4 A I don't know.

5 Q (By Mr. Ellinger) Have you taken a look at all
6 of how many phone calls a call center has a year?

7 A I personally have not done that.

8 Q Okay. Don't you think that there's a better
9 relationship between the cost of a call center and the
10 number of customers than there is a relationship between
11 the cost of a call center and payroll?

12 A No.

13 Q What about a better relationship between the --
14 the amount of revenue in a district and the payroll when
15 you're talking about a call center?

16 A No.

17 Q Have you ever looked at that issue, however?

18 A Specifically tried to compare revenue and the
19 number of calls that --

20 Q Yes.

21 A No.

22 Q Have you looked at anything to try to get an
23 accurate representation of what generates expense at a
24 call center?

25 A I -- I haven't looked at specific numbers. I've

1 actually been to that call center. I -- I know the
2 function that it provides.

3 Q And would that be a no, then, you've never done
4 that?

5 A I -- I think what I -- I think the answer was
6 that I haven't looked at specific statistics to compare
7 those. But I have been to a call center, this call
8 center, and I'm aware of the function it provides.

9 Q They answer telephone calls, don't they?

10 A They do more than that.

11 Q And do they answer telephone calls? Yes or no?

12 A That's one thing they do.

13 Q And in response to those calls, they try to help
14 customers who call in, do they not?

15 A They do. But they -- they do that by -- in my
16 opinion, by supporting the functions performed by the
17 employees at the districts in the field.

18 Q They dispatch employees to remedy problems
19 sometimes, don't they?

20 A That's my understanding.

21 Q How is dispatching an employee to remedy a
22 problem triggered by a customer? How is that supporting
23 the employee?

24 A Well, they're supporting the employee in the
25 corrective action, whatever has been brought to their

1 attention by the customer.

2 Q Again, only the customer initiates the action;
3 isn't that correct?

4 A The customer --

5 MR. THOMPSON: Asked and answered.

6 JUDGE STEARLEY: I believe that has been asked
7 and answered. Please move on, Mr. Ellinger.

8 Q (By Mr. Ellinger) Well, let's talk about
9 another arbitrary use of payroll. How about shared
10 services?

11 JUDGE STEARLEY: Mr. Ellinger?

12 Q (By Mr. Ellinger) Are you familiar with that?

13 JUDGE STEARLEY: Mr. Ellinger, there was one
14 moment back when you were asking Mr. Rackers a question
15 where you added a comment at the end of his answer, and
16 I'd like that -- I'm cautioning you now in the way you
17 preface that, please do not testify. Please restrict your
18 comments or your remarks to questions to Mr. Rackers.

19 JUDGE STEARLEY: Certainly, Judge. My
20 apologies.

21 Q (By Mr. Ellinger) Are you aware that the City
22 of Joplin believes that the payroll allocation factor for
23 call centers is arbitrary enough that it's allocating
24 them?

25 A I think I've read that in some of your motions

1 or pleadings.

2 Q Okay. Shared services. Tell me what shared
3 services are.

4 A It's my understanding that those are costs
5 related to the corporate functions in Vorhees, New Jersey,
6 that provide various services to the subsidiary companies.

7 I think one of those services is, in fact, Human
8 Resources, which I would say deals specifically with
9 employees and payroll.

10 Q Well, let's -- let's start at the top before we
11 break that one down, shall we? Is that okay?

12 A Sure.

13 Q How does American Water, a national company out
14 of Vorhees, New Jersey, how do they allocate the cost to
15 Missouri?

16 A It's my understanding they use customers, the
17 customers at all their subsidiary companies.

18 Q So the amount of shared services cost that is --
19 that starts in Missouri is allocated by customers from
20 Vorhees, New Jersey?

21 A That's my understanding.

22 Q Okay. Did you recalculate that allocation?

23 A We did not.

24 Q So then you looked at the shared services, and
25 you allocated all of the shared services to the districts

1 in Missouri based upon payroll expense; is that correct?

2 A Well, we have somewhat disaggregated, I think,
3 some of the charges that come through the management fees.
4 So then one of those is Bellville Labs, and we do not use
5 a payroll allocator on that.

6 Q Okay. With the exception of Bellville Labs --
7 and I'm looking at shared services allocation about
8 \$584,000. Do you see that?

9 A Where are you looking?

10 Q This is the test year income statement detail
11 that you had previously provided in discovery. Well,
12 let's -- let me back up a step and say, what number do you
13 show for shared services that you've allocated to the
14 Joplin district?

15 A I -- I have a line item that's specifically
16 labeled shared services. I think it's -- it might be a
17 subset of the -- the total management fee. And I have a
18 annualized amount of approximately eight and a half
19 million.

20 Q And that's company-wide, correct?

21 A Yes.

22 Q And how much have you allocated to Joplin?

23 A I -- I can't give you the exact amount. But I
24 have allocated 6.7 percent.

25 Q Okay. Fair enough.

1 Q The eight and a half million corporate
2 allocation, that's done based upon number of customers,
3 correct?

4 A You mean the expenses that flow down from
5 corporate to Missouri American?

6 Q You said you have an \$8.5 million number,
7 correct?

8 A Approximately, yes.

9 Q Approximately. And that -- that 8.5 million
10 comes to Missouri American Water based upon the number of
11 customers in Missouri as opposed to the total number of
12 customers in American Water. Is that your understanding
13 of how it's allocated?

14 A I believe that's correct. Yes.

15 Q Okay. Do you agree with that allocation?

16 A I -- I don't really agree with that allocation,
17 but I think it's done more for -- I agree with it in terms
18 of consistency and simplification. I think there was
19 probably a better way that you could disaggregate all the
20 functions of that specific item and maybe be more precise.
21 I don't know that it would be so much better that it would
22 be worth the effort.

23 Q Consistency is an important reason for why you
24 would keep this number and not go back and disallocate
25 (sic) -- disaggregate?

1 A No. I think it's -- I think consistency is
2 important that it gets allocated that way year after year,
3 case after case. It's not necessarily a reason not to
4 disaggregate.

5 Q Okay. So you've taken a number that has been
6 allocated based upon number of customers to Missouri, and
7 then you've changed the basis of allocation once it's
8 inside Missouri; isn't that correct?

9 A That's correct.

10 Q That's not very consistent, is it?

11 A No. It -- it, in fact, is consistent because
12 this is the same way Staff allocated this amount in the
13 last case.

14 Q It's not very consistent with how it's been
15 allocated to Missouri?

16 A It's -- it's different from how it's been
17 allocated to Missouri.

18 Q And as a result of the difference in allocation,
19 we have no confidence that the in-state allocation, say,
20 based upon payroll, matches up to how it would be
21 allocated to the State if it was based on payroll, do we?

22 A All right. I don't really understand your point
23 about we have no confidence. It's -- it's different.

24 Q What are -- under the various service company
25 charges, management fees, there's a item titled other. Do

1 you see that one?

2 A Yes.

3 Q What is Other?

4 A I don't specifically know the -- the
5 disaggregation of that cost. It's additional costs that
6 are -- that come through the management fees calculation
7 that's not specifically identified in some of the previous
8 lines.

9 Q And so those are costs from corporate that have
10 been sent to Missouri; is that correct?

11 A I think that's correct. Yes.

12 Q That were sent to Missouri based upon a number
13 of customer allocations; is that correct?

14 A Yes.

15 Q And you don't know what makes them up; is that
16 correct?

17 A Not specifically, no.

18 Q And you are allocating them based upon payroll;
19 is that correct?

20 A I am. And, again, that flows from my previous
21 statement that I think the corporate costs are incurred as
22 support for the individuals who are actually performing
23 functions out in the field at the specific districts.

24 Q If that was advertising, you'd view that as
25 supporting people in the field?

1 MR. THOMPSON: Objection. It's not advertising.

2 MR. ELLINGER: I don't know that it's not
3 advertising. He certainly isn't testifying that it is
4 not.

5 MR. THOMPSON: He's testifying that he doesn't
6 know what it is.

7 MR. ELLINGER: And then he's testified,
8 therefore, it is in support of people in the field. I
9 don't think that if you're going to testify it's in
10 support to people in the field it's beyond the realm to
11 explore what, in his mind, is in support of the people in
12 the field.

13 JUDGE STEARLEY: You can -- I will direct
14 Mr. Rackers to answer the question. I'll overrule the
15 objection. Do you need to have the question repeated,
16 Mr. Rackers?

17 A No. I -- I think I -- I think I heard it. I --
18 I don't know the answer to your question, Mr. Ellinger,
19 unless I actually saw the ad or knew what the
20 advertisement had to do with -- that I could -- I could
21 just say it is or it isn't without knowing what the ad is.

22 Q (By Mr. Ellinger) Well, what if they gave away,
23 you know, free bottles of water at the County Fair? I
24 mean, that's pretty common amongst some water companies.
25 Is that to the benefit of the employees to give those out

1 at the fair to kids running around?

2 A I would think that that would be to the benefit
3 of the -- of the district operations. Yes.

4 Q It would support the employees?

5 A Yes.

6 Q What would be an example of some type of
7 appropriate expense that would not support the employees?

8 A From Staff's point of view, they all do.

9 Q Every corporate expense, no matter how trivial,
10 the --

11 A Well --

12 Q -- would support the employees, correct?

13 A I'm sorry. I -- I misspoke. Bellville Labs.
14 We've used a different allocation factor there.

15 Q That's the only one that would not support
16 employees?

17 A Yes.

18 Q Do you know if the corporation has a jet?

19 A I don't believe it does.

20 Q Does it provide for free vehicles for some of
21 its CEOs?

22 A To -- not to my knowledge.

23 Q But if it did, would those benefits inure to the
24 benefit of the meter reader in Joplin?

25 MR. THOMPSON: Objection. He's indicated that

1 he does not believe they provide that.

2 MR. ELLINGER: Well, Judge, he's indicated that
3 he thinks every expense on a corporate level with the
4 exception of the Bellville Labs is to the benefit of the
5 employees of Joplin. And I'd like to explore --

6 MR. THOMPSON: Well, perhaps, Mr. Ellinger --

7 MR. ELLINGER: If he means every expense.

8 MR. THOMPSON: Mr. Ellinger could explore with
9 expenses that, in fact, this corporation actually made as
10 opposed to expenses that are fantasies.

11 JUDGE STEARLEY: I will sustain the objection.

12 Q (By Mr. Ellinger) Let's talk about audit
13 services. Are you familiar with audit services?

14 A Yes.

15 Q You've allocated audit services on payroll, have
16 you not?

17 A Yes.

18 Q Wouldn't revenue be a better basis to allocate
19 audit services?

20 A No. I don't think so.

21 Q Because the meter reader needs to be audited
22 more frequently than the corporate books?

23 A That's not the basis of my answer.

24 Q What are contract services, other?

25 A To the best of my knowledge, those are outside

1 services that the company contracts for. For example,
2 building cleaning services.

3 Q And there's a direct allocation to Joplin; is
4 that correct? In other words, test year actual numbers?
5 And then there is a corporate allocation to Joplin. In
6 fact, on several of these items, those exist, do they not?

7 A I think you're correct. I don't know that this
8 is one of them.

9 Q Well, the document I'm looking at shows that
10 there's a substantial amount to Joplin in the test year
11 and a smaller amount being allocated, which is kind of the
12 reverse of things like the call center and shared services
13 and other, which are zeros directly and all of the money
14 is allocated to corporate.

15 A What document are you looking at?

16 Q I think this is off an -- an EMS run.

17 A I -- I don't have that before me.

18 Q Well, let's talk about contract services, other.
19 If it's cleaning, is that the cleaning for the corporate
20 headquarters in Vorhees, New Jersey, the part that's
21 allocated on a corporate basis?

22 A I don't know.

23 Q What are OPEBs?

24 A What are you referring to?

25 Q A line called 926.X OPEB book amortization

1 expense.

2 A Oh, I'm -- I'm sorry.

3 Q What is an OPEB?

4 A Those are other -- other employee benefits.

5 Q And I notice that you all use an allocation
6 factor for that that's different than the standard payroll
7 allocation; is that correct?

8 A Well, that -- that's correct. But I -- I show
9 that there are no expenses in those line items.

10 Q Well, why -- why would you pick an allocation
11 factor that excludes St. Louis labor?

12 A The reason for that was that those were related
13 to costs that, I believe, were incurred prior to St. Louis
14 becoming a district.

15 Q And then later on, you just have OPEB's
16 apostrophe s, that are allocated based upon payroll?

17 A Yes.

18 Q Why would you allocate those based upon payroll,
19 if these the other ones, those being incurred prior to St.
20 Louis you would allocate in a different manner?

21 A Because those other employee benefits are
22 applied to all employees currently.

23 Q Let's talk about depreciation. You're
24 allocating corporate depreciation down to Missouri
25 American Water and then down to the Joplin district; is

1 that correct?

2 A I -- I don't believe that's correct. No.

3 Q So it's your testimony that there is no --

4 excuse me -- there is no corporate allocation of

5 depreciation to the Joplin district?

6 A No, I -- I didn't say that.

7 Q Is there an allocation of corporate depreciation

8 to the Joplin district?

9 A Yes.

10 Q Okay. And you're using payroll to allocate

11 depreciation to the Joplin district; is that correct?

12 A That's correct.

13 Q Does payroll depreciate?

14 A Payroll doesn't depreciate. But the point is

15 those assets are things like cars that employees use,

16 personal computers that employees use. Again, it's those

17 -- assets support the functions of employees who either

18 supervise or provide services in the specific district.

19 Q Don't we normally depreciate physical assets

20 based upon physical assets instead of on personnel?

21 A Yes.

22 Q But not in this case?

23 A No. You -- you're -- you're -- you're not

24 characterizing it correctly. The -- the asset is being

25 depreciated. But how that depreciation expense gets

1 distributed to the various districts, Staff has done that
2 on payroll.

3 Q Staff pretty much allocates everything on
4 payroll to Joplin, doesn't it --

5 A That's not -- that's not --

6 Q -- when it -- when it comes to allocating
7 general expenses?

8 A Yes.

9 Q And roughly 5 percent of all the customers in
10 the State of Missouri are in Joplin; is that correct? A
11 little more than 5 percent?

12 A That's correct.

13 Q And roughly 6.7 percent of the payroll is in
14 Joplin; is that correct?

15 A Yes.

16 Q Do you know what the difference is between 6.7
17 percent and 5.1 percent?

18 A 1.6.

19 Q Do you know what 1.6 divided by 5.1 percent is,
20 ballpark?

21 A Say that again.

22 Q What is 1.6 percent divided by 5.1 percent? Do
23 you know?

24 A I don't know.

25 Q Would it surprise you that it's more than 25

1 percent?

2 A No.

3 Q Do you understand that the corporation, Missouri
4 American Water, originally had asked for a total amount of
5 revenue out of the Joplin district of \$5.1 million? Do
6 you understand that?

7 A I think that was on a district specific basis.

8 Q That's correct?

9 A Yes.

10 Q Is that your understanding?

11 A Yes.

12 Q And the total amount of revenue now being sought
13 out of the Joplin district is approximately \$4.6 million.
14 Is that your understanding?

15 A I think that's correct. Yes.

16 Q And that's roughly a 10 percent reduction in
17 revenue out of the Joplin district; is that correct?

18 A Yes.

19 Q The original filing from the company sought a
20 \$40 million total increase in revenue, did it not?

21 A It did.

22 Q And the stipulation that's before this
23 Commission is for roughly a \$29 million rate increase --
24 or excuse me -- revenue increase; is that correct?

25 A That's right.

1 Q That's a reduction of approximately 28 percent
2 in revenue, isn't it?

3 A Yes. But -- but the reason for that is because
4 most of that difference is purely return on assets, the --
5 the rate of return plus taxes.

6 The actual costs -- not return on the assets.
7 The actual costs are not that much difference on a
8 district specific basis.

9 Q So if we're going to see a 28 percent reduction
10 in rate of return revenue, shouldn't every district see
11 roughly a 28 percent reduction in the amount of revenue
12 derived out of that district?

13 A No.

14 Q St. Louis should see a lot more and Joplin
15 should see a lot less; is that correct?

16 A That's not my testimony.

17 Q Is that the result of your testimony, however?

18 A I don't think so.

19 Q When we take a look at the corporate
20 allocations, who ultimately is getting the benefit of
21 taking the payroll allocation to allocate corporate
22 expenses?

23 A I don't think anybody's getting any benefit. I
24 think it's an appropriate allocation of costs among the
25 districts. It's not done to the benefit or detriment of

1 anyone in particular.

2 Q It certainly has that effect, does it not?

3 A It -- it has the effect of -- if you use payroll
4 as opposed to what -- what allo -- other allocation you
5 want me to compare to?

6 Q Use number of customers.

7 A If -- if the payroll allocator is used as
8 opposed to customers, more cost is allocated to Joplin.

9 Q The corporation, Missouri American Water, used
10 number of customers, did they not?

11 A To allocate to Missouri.

12 Q In their initial filing to allocate it to the
13 districts.

14 A I think Mr. Grubb said, for the most part, they
15 used customers. I don't think it's exclusive.

16 Q And you changed it to payroll?

17 A For most of the expenses, yes.

18 Q Which increases the burden upon Joplin?

19 A That's right. It wasn't done in -- with the
20 intent of burdening Joplin. We thought it was a more fair
21 allocation.

22 Q So you thought it was more fair to allocate call
23 center based upon payroll and saddle Joplin with the extra
24 cost as an effect of that different allocation from the
25 company?

1 A The way you asked your question, the answer is
2 no. We did not do it to saddle Joplin.

3 Q Let's talk a little bit about -- excuse me --
4 the allocation of payroll salaries from the corporate
5 level to the district level. You used payroll to allocate
6 those salaries, did you not?

7 A Yes.

8 Q And corporate salaries represent things such as
9 CEOs, finance folks, various different people in the
10 corporate offices; is that correct?

11 A My understanding is that those are the salaries
12 of the people at the corporate level of Missouri American
13 who supervise the employees in the districts.

14 Q Okay. Does that include the people at Missouri
15 American -- strike that. Let's go back. Isn't some of
16 that going to be corporate allocation or not from the
17 national corporation?

18 A I don't believe so.

19 Q Okay. So that's all Missouri American Water
20 corporate costs?

21 A That's my understanding.

22 Q Okay. And that is allocated based upon payroll,
23 correct?

24 A Yes.

25 Q Not upon number of customers?

1 A That's correct.

2 Q Okay. And that's because you believe these are
3 just people that do supervision of employees in Joplin or
4 in other districts?

5 A Super -- supervision or support functions, Human
6 Resources, that kind of thing.

7 Q Well, for example, the folks that are here in
8 Missouri American Water doing the case today, is it your
9 testimony that their salaries are included in that number?

10 A I think that's correct.

11 Q And is it your testimony that their actions are
12 support for the personnel, the meter readers in Joplin?

13 A Not necessarily the meter readers. But I think
14 they support the functions of the employees in the
15 districts.

16 Q Well, tell me how they support the meter reader
17 or the truck driver or the maintenance worker who adjusts
18 the valves.

19 A Well, their work is in the regulatory area.
20 They're trying to raise rates to make sure that there is
21 sufficient financing, sufficient revenue, sufficient funds
22 to provide the employees -- to provide employees the
23 necessary employees in the district and to provide them
24 with the equipment to do their work.

25 Q And rate of return for investors, right? That's

1 another thing they do?

2 A Correct.

3 Q And upon whom were those rates imposed that are
4 raised to generate that additional revenue?

5 A Customers.

6 Q More customers, more revenue, right?

7 A Generally, yes.

8 Q So their ultimate benefit to the corporate
9 bottom line is based upon the number of customers paying
10 bills, isn't it?

11 A I'm sorry. Say that again.

12 Q Their ultimate benefit to the bottom line is the
13 number of customers paying bills?

14 A When you say "their" --

15 Q The employees in the corporate office we were
16 just discussing, the regulatory employees.

17 A Okay. Now, ask your question again. I didn't
18 know what you meant by their.

19 Q I thought we were discussing the group of
20 employees in the main Missouri American Water
21 headquarters. Do you understand that?

22 A Yes.

23 Q We were using, as a subset, some of the
24 regulatory folks. Did you understand that?

25 A Okay.

1 Q And you said -- I don't want to put words in
2 your mouth, so please tell me if my understanding is not
3 correct that what they do is they try to get rates raised
4 to pay for the expenses of the corporation and rate of
5 return for investors. Is that correct?

6 A I think I agreed with you.

7 Q Okay. And if there are more customers paying
8 bills, that generates more revenue, correct?

9 A Yes.

10 Q So the way that the regulatory folks are most
11 beneficial is to have more customers paying more bills at
12 a higher rate; is that correct?

13 A No. I don't agree with that.

14 Q What part of that do you not agree with?

15 A I -- the way I was answering your question is
16 that their function is to raise rates to cover their
17 costs, and that supports employees in the various
18 districts.

19 It helps to ensure that the -- there are enough
20 employees in the district to do the job and that they have
21 the appropriate equipment and facilities to do their job.

22 Q It also -- their job also is to make sure that
23 investors get an adequate rate of return, correct?

24 A Yes. But that's -- that's just a generation of
25 funds that flows to the company that they can spend in the

1 various districts.

2 Q And that is a generation of funds that comes
3 from customers, correct?

4 A Yes, it is.

5 Q So we should use customers to allocate that
6 expense?

7 A I don't agree with that.

8 Q Do you know how the corporate salaries were
9 annualized?

10 A Not specifically. Ms. Hanneken had that issue.

11 Q The amount of allocation of the corporate
12 salaries to the various districts is based upon annualized
13 numbers, is it not?

14 A Yes.

15 Q And, again, you're using the payroll factor as
16 opposed to the number of customers to allocate that
17 particular expense; is that correct?

18 A Yes.

19 Q Do you know how many different categories of
20 administrative and general expense there in your breakdown
21 that you use?

22 A It -- approximately 30.

23 Q How many of those 30 do not use payroll?

24 A How many of the 30 items did Staff not allocate
25 based on payroll?

1 Q That's correct.

2 A One.

3 Q Thank you.

4 THE COURT REPORTER: Excuse me. I need to
5 change paper. I need to change paper.

6 JUDGE STEARLEY: All right. If we can take like
7 a five-minute break here, the court reporter needs to
8 change paper for her machine.

9 (Break in proceedings.)

10 JUDGE STEARLEY: All right. We're going to go
11 back on the record. We're back on the record. You may
12 continue with your cross-examination, Mr. Ellinger.

13 MR. ELLINGER: Thank you very much.

14 Q (By Mr. Ellinger) Mr. Rackers, under
15 Administrative and General Expenses, there's another
16 category called General Liability. Are you familiar with
17 that category?

18 A Yes.

19 Q What is general liability?

20 A I think it's the general liability insurance for
21 the company.

22 Q So it's an insurance policy?

23 A Yes.

24 Q Insures, presumably, slip and fall injury up to
25 car accidents up to, I don't know, what, floods and things

1 of that nature? Does that sound like what normal general
2 liability insurance is?

3 A I think those are some of the things it could
4 cover. Yes.

5 Q And you've allocated that based upon payroll; is
6 that correct?

7 A Yes.

8 Q So if -- if a water main breaks and it floods a
9 base -- person's basement, you believe that's a payroll
10 related expense?

11 A I think payroll is an appropriate way to
12 allocate that cost.

13 Q Are you the person who made the decision to use
14 payroll as the allocator?

15 A Actually, Mr. Gibbs, who is no longer an
16 employee, testified to this in the last case. We have --
17 as I said, we used these same allocation factors this case
18 as the last case.

19 Q Whose decision was it to use the same allocation
20 factors in this case, then?

21 A In this case?

22 Q Yes.

23 A Mine.

24 Q It was your decision?

25 A Yes.

1 Q You made that decision?

2 A Sure.

3 Q Mr. Gibbs didn't make the decision did he?

4 A No.

5 Q The General Counsel didn't make the decision?

6 A No.

7 Q Make sure we're clear on that. Are you a CPA?

8 A I am.

9 Q Do you do continuing education?

10 A I do.

11 Q Do you do continuing education with respect to

12 things like utilities?

13 A Yes.

14 Q Would it make sense in light of your business;

15 isn't that correct?

16 A Yes.

17 Q Are you familiar with Gasby?

18 A Only -- only a little.

19 Q Could you tell me what Gasby is?

20 A I think it's a set of rules that has to do with

21 government accounting principles. But I might be wrong on

22 that.

23 Q Are you familiar with Fasby?

24 A Yes.

25 Q What are Fasby?

1 A Again, it's a set of rules that deal with
2 financial accounting standards.

3 Q Okay. Are you familiar with rules on allocating
4 corporate expenses under Gasby, whether it's a
5 governmental entity or Fasby, if it's a private entity?

6 A Not specifically, no.

7 Q Have you ever looked at those rules?

8 A I think I probably have, but not recently.

9 Q Well, as a CPA, those rules, are they not the
10 guidelines to how financial statements are reported for
11 both government, Gasby, and for private businesses, Fasby?

12 A I'm sorry. Say that again.

13 Q Aren't -- I'll rephrase it. Aren't Gasby's and
14 Fasby's the rules under which accounting is done for
15 governmental entities and private business entities
16 respectively?

17 A I think, in general, they are the rules that
18 define how reporting is done for governmental
19 organizations and corporations.

20 Q And governmental organizations, for example, are
21 required to follow those rules to get an audit report done
22 that's clean; is that correct?

23 A In general, I'd agree with that.

24 Q And same for for-profit corporations? They must
25 follow appropriate Fasby's to get a clean audit opinion;

1 is that correct?

2 A Yes.

3 Q Can you tell me of any Gasby or Fasby or any
4 other accounting policy that as a CPA you're required to
5 follow that authorizes the use of payroll to allocate
6 general liability insurance expense?

7 A I -- in general, as I said, I haven't reviewed
8 those statements in how they apply to allocations in
9 general. But I think that the premise is that you try to
10 allocate a cost fairly or in terms of cause and effect
11 among companies, among districts, among different
12 divisions of your company.

13 I don't know that there's a specific Fasby
14 that's going to say, If you have this cost, it's allocated
15 based on this. The idea is that you would do it
16 consistently and that it would be a fair way to distribute
17 costs among your various business entities.

18 Q Well, general liability insurance is a standard
19 business cost, is it not?

20 A I think so.

21 Q And there are Fasby's that address insurance
22 issues, are there not?

23 A I don't know that.

24 Q But you're a CPA?

25 A I am.

1 Q Are you aware of a -- any Fasby or Gasby that
2 authorizes the allocation of customer service centers,
3 call centers based upon payroll?

4 A I don't know.

5 Q Is that because there are none?

6 A I don't know.

7 Q Have you ever taken continuing education as a
8 CPA -- strike that. Let me back up. As a CPA, you're
9 required to take 40 hours of continuing education a year,
10 are you not?

11 A Yes.

12 Q Have you ever taken any continuing education
13 that talked about allocation of call centers in utility
14 rate cases?

15 A No.

16 Q How about any continuing education as a CPA that
17 talks about how to allocate corporate management fees and
18 services in a rate case?

19 A I don't believe I have.

20 Q But you do take continuing education classes
21 that deal with utility practice, do you not?

22 A Yes.

23 Q These are fairly large dollar amounts when you
24 look at corporate expenses, are they not?

25 A I -- I'm not sure what context you're asking me

1 that in.

2 Q Aren't they relatively large dollar amounts?

3 A You mean at any given company? Is that -- is
4 that what you're talking about?

5 Q Any given company, is it a general statement,
6 aren't corporate expenses a pretty large dollar amount?

7 A In general, I'd agree with that.

8 Q But you've never taken a class -- you've never
9 taken a continuing education and you're not familiar with
10 any of the continuing standards as to how those costs
11 ought to be allocated?

12 A I think that's a true statement.

13 Q But your testimony is to this Commission that,
14 based upon your opinion, payroll is the best method to
15 allocate all these general administrative expenses?

16 A I think that's correct because -- based on the
17 cause and effect what I believe drives these costs.

18 Q And any promulgated standard to the opposite is
19 not important, in your opinion?

20 A I didn't say that.

21 Q Would a promulgated standard to the opposite
22 influence your opinion?

23 A It might. Yes.

24 Q But you've not taken the time to research that,
25 have you?

1 A I don't know that there are any.

2 Q You have not taken the time to research that,
3 though, have you?

4 A A specific Fasby or Gasby that would discuss
5 that, I have not.

6 MR. ELLINGER: Okay. No further questions,
7 Judge.

8 JUDGE STEARLEY: All right. Thank you,
9 Mr. Ellinger. Cross-examination, City of Parkville?

10 MR. FINNEGAN: No questions.

11 JUDGE STEARLEY: AG Processing. Mr. Conrad?

12 MR. CONRAD: Very briefly, Judge.

13 CROSS-EXAMINATION

14 BY MR. CONRAD:

15 Q Mr. Rackers, were -- were you involved in the
16 process of developing what we have referred to as the
17 joint recommendation?

18 A Yes, I was.

19 Q Over what period of time did -- did that process
20 occur, as you recall?

21 A Several months.

22 Q Are you reasonably -- consider yourself to be
23 reasonably familiar with its provisions?

24 A Yes.

25 Q Do you have an opinion, sir, as to the just

1 necessary, reasonableness, fairness of that package
2 regarding the issues that are comprehended by it?

3 A My opinion is that it's a very just and
4 reasonable resolution of the issues that were presented in
5 this case.

6 MR. CONRAD: Thank you, Judge. That's all I
7 have.

8 JUDGE STEARLEY: Thank you, Mr. Conrad.
9 Cross-examination, Office of Public Counsel?

10 MS. BAKER: Thank you.

11 CROSS-EXAMINATION

12 BY MS. BAKER:

13 Q Good afternoon.

14 A Good afternoon.

15 Q What is your experience in allocating corporate
16 expenses in rate cases here before the Commission?

17 A I have significant experience in that.

18 Q You have participated in several cases where
19 corporate expenses have been allocated?

20 A Yes, I have.

21 Q And what allocation factor does Staff normally
22 use in the cases that you've participated in?

23 A I -- I think an allocation factor that is based
24 on payroll is -- is a factor that's used traditionally in
25 terms of allocating corporate types expenses -- corporate

1 type expenses.

2 Q All right. In your experience, is there a
3 correlation between payroll and call center costs?

4 A Yes.

5 Q Okay. Let me back up one question. The
6 allocation that has been proposed in this case, this is
7 the same allocation that was used in the previous Missouri
8 American rate case?

9 A That's correct.

10 Q Is -- is there a correlation between payroll and
11 the number of customers?

12 A I think there is, yes.

13 Q Okay. Would that be because the more customers,
14 the more employees would be necessary?

15 A I -- I believe there is some general correlation
16 there, yes.

17 Q All right. You spoke of -- of different
18 allocations, and you made the statement that it's not that
19 you didn't have confidence in those other allocations. Do
20 you remember that?

21 A I remember that line of questioning.

22 Q All right. Did you hear Mr. Grubbs' statement
23 earlier today that the company's allocation of corporate
24 costs to Joplin was 5.03 percent, and Staff's allocation
25 to Joplin was 5.11 percent?

1 A Yes.

2 Q Okay. These numbers were arrived at using
3 different allocations; is that correct?

4 A Yes, they were.

5 Q But would you state that you have confidence in
6 -- in this similarity?

7 A Yes, I do.

8 Q Who would bear the burden of Joplin's allocation
9 of corporate expenses by length of mains? What district?

10 A St. Louis.

11 Q Do you believe that -- that allocations by
12 length of mains would be a fair and accurate way to
13 allocate these corporate costs?

14 A No, I do not.

15 Q Okay. Is your testimony on financial reporting,
16 or is it on rate-making?

17 A It's on rate-making.

18 Q Does Fasby or Gasby address rate-making?

19 A It -- it addresses the reporting in general, the
20 reporting of financial results. Some of those results are
21 -- are -- excuse me. Some of that reporting is the result
22 of rate-making.

23 Q But does Gasby or Fasby go into the details of
24 how rate-making is to be performed?

25 A No, it does not.

1 Q Let's see. One last question. Have you ever
2 been provided with any calculations or documentation to
3 support Joplin's expert's argument that the best allocator
4 of corporate expenses is length of mains?

5 A No, I have not.

6 MS. BAKER: No further questions.

7 JUDGE STEARLEY: Thank you, Ms. Baker.

8 MS. BAKER: Thank you.

9 JUDGE STEARLEY: Cross-examination by Missouri
10 American?

11 MR. ENGLAND: No questions, your Honor.

12 JUDGE STEARLEY: Thank you, Mr. England.

13 Questions from the Bench, starting with Commissioner
14 Clayton.

15 CROSS-EXAMINATION

16 BY COMMISSIONER CLAYTON:

17 Q Mr. Rackers, can you just give me an idea of the
18 -- the size of this issue financially, what it means among
19 the parties, depending on how the Commission rules?

20 A Well, Joplin is proposing to allocate
21 approximately \$35 million almost exclusively to the St.
22 Louis district.

23 Under -- under their original concept of what
24 the allocation factor was for length of mains, the -- the
25 allocation factor was over 99 percent. Currently, if we

1 accept that the allocation factor is -- has changed for
2 that item -- let me get the right one here.

3 Excuse me. 66 percent of all corporate expenses
4 would be allocated to St. Louis, and 7 percent would be
5 allocated to Joplin. That, in fact, would be a higher
6 allocation to Joplin than the Staff proposes.

7 Q Got you. What I'm trying to find out is what
8 this means in terms of rates. Can you give me an idea of
9 how it would affect the rate design any? I mean, what
10 we're talking about here is rate design? Or are we not?
11 Are we talking about revenue requirement?

12 A We're talking about revenue requirement.

13 Q We are?

14 A Among districts.

15 Q Among district. Okay. So what would Joplin's
16 proposal do in terms of impact on rates? Start with
17 Joplin and then go to St. Louis. Are those the only two
18 districts that are involved?

19 A Well, actually, it would change the allocation,
20 so there would be some change to every district.

21 Q To everyone. So what type of reduction in rates
22 are we talking about to the Joplin district if we accept
23 the Joplin proposal?

24 A Are we accepting that the allocation factor to
25 Joplin of length of mains is now 7 percent?

1 Q Whatever Joplin's position is. I mean, I'm not
2 trying to complicate this.

3 A Okay.

4 Q Tell me what -- tell me what -- how big of an
5 issue is this? What's the impact? How is the average
6 ratepayer going to be affected in Joplin if we accept the
7 Joplin position?

8 A If you accept the Joplin position, the length of
9 mains allocation factor is 7 percent, and the labor
10 composite for Joplin is 6.7 percent. So it would be
11 .3 percent of \$35 billion. I think that's roughly
12 \$90,000. I -- I don't have a calculator with me. I'm
13 sorry.

14 Q I don't either, but can I do it by long hand.

15 A But the difference between the 7.105 and the
16 allocation factor used by Staff of 6.7 --

17 Q What's the impact on the ratepayer? How does
18 this affect the rate that would be paid in Joplin?

19 A It would be a very insignificant shift.

20 Q A penny a month?

21 A I don't know that. I'm sorry.

22 Q Ten cents a month? A dollar a month?

23 A I'm sorry.

24 Q Give me a ballpark.

25 A I don't know.

1 Q \$100 a month?

2 A No. It wouldn't be a hundred dollars a month.

3 Q \$50?

4 A Less.

5 Q Twenty-five?

6 A I doubt it would be that much.

7 Q See, look, now, we're narrowing this down. \$10
8 a month?

9 A I -- I doubt it would be \$10.

10 COMMISSIONER CLAYTON: Does anyone know? Can I
11 just ask? I'm not trying to belabor this. Does anyone
12 have -- can anyone give me an idea what the impact of this
13 issue is on the Joplin or St. Louis ratepayer?

14 MR. ELLINGER: I can -- I can give you a general
15 answer there, Commissioner. First of all --

16 COMMISSIONER CLAYTON: I'm not going to -- just
17 give me something within --

18 MR. ELLINGER: There's an issue that Mr. Rackers
19 has referred to, which is the allocation based upon length
20 of mains.

21 The original testimony of the Staff, if that had
22 been adopted by the Commission, the impact would be from a
23 62 percent rate increase on each Joplin ratepayer to down
24 to about a 24 or 25 percent rate increase on each Joplin
25 taxpayer.

1 Every district aside from St. Louis would see
2 similar reductions, perhaps not to as great an extent, but
3 similar reductions in the cost, rate increases to them.

4 The St. Louis district would see something like
5 -- going from a 12 or 13 percent rate increase up to
6 something like a 23 or 24 percent rate increase. Now, the
7 Staff today --

8 COMMISSIONER CLAYTON: Is that revenue
9 requirement increase, or is that actual increase in -- in
10 per unit rate paid by a ratepayer?

11 MR. ELLINGER: That would be revenue
12 requirement. But when you flow it through to the rates,
13 it comes out to be very similar to the rates. Joplin
14 ratepayers are looking at a 62 percent rate increase.

15 And what Mr. Rackers referred to with the 7
16 percent, that's the brand new testimony that was entered
17 today. Instead of using the original filed allocation
18 factor, they came up with a new factor of 7 percent. And
19 that does have a completely different -- 70,000 percent
20 change has the difference in the allocation.

21 COMMISSIONER CLAYTON: So with the -- with the
22 allocation, what has been proposed, how does that compare
23 to the original filing?

24 MR. ELLINGER: The allocation that Mr. Rackers
25 has testified today, the 7 percent allocation would be --

1 I think he's correct in having a relatively nominal effect
2 upon all ratepayers across Missouri American Water.

3 The original allocation that he had originally
4 testified to, which was the basis of what we've been
5 talking about originally, would have reduced rates in
6 every district with the exception of St. Louis.

7 COMMISSIONER CLAYTON: Okay. But between the
8 stipulation -- between the stipulation and the position
9 that Joplin is advocating now, it's an insignificant
10 dollar amount to ratepayers?

11 MR. ELLINGER: No. It's the huge amount.

12 COMMISSIONER CLAYTON: Okay. It's the huge
13 amount. All right. That's where I'm getting confused.

14 MR. ELLINGER: It's been changed.

15 A If I could just add to that, the only way you
16 get a huge amount is if you use an allocation factor
17 that's wrong, that's incorrectly calculated.

18 COMMISSIONER CLAYTON: Okay. Thank you. I'll
19 go to the other hearing.

20 MR. CONRAD: That cleared it up, didn't it?

21 JUDGE STEARLEY: Chairman, any questions for
22 Mr. Rackers?

23 CHAIRMAN DAVIS: From my review of what's going
24 on in the other hearing, you won't find anything going on
25 in there but Amerenesia.

1 CROSS-EXAMINATION

2 BY CHAIRMAN DAVIS:

3 Q Now -- Mr. -- Mr. Rackers -- okay. Is it fair
4 to say that you don't agree with Mr. Ellinger's method of
5 -- of calculating these expenses?

6 A I -- I don't agree with his method of allocating
7 the expenses.

8 Q Okay. And, in your opinion, why is your method
9 superior to his?

10 A I think my method accurately distributes cost
11 based on cause and effect. In other words, the -- from
12 Staff's opinion that corporate costs support the employees
13 that are out in the field at the various districts.

14 So the corporate costs should be allocated based
15 on the payroll of the various districts in the company's
16 -- the various operating districts of the company.

17 Mr. Ellinger's proposal is that corporate costs
18 should be allocated to the districts based on the length
19 of transmission and distribution -- distribution mains
20 that actually exist in those districts.

21 In my opinion, I see very little correlation
22 between the corporate costs and the length of mains out in
23 the various districts.

24 Q And you don't think that the call center volume
25 is a very good indicator either, do you?

1 A No.

2 Q Have you ever had any experience with any -- any
3 water utilities that weren't answering the telephone?

4 A Not specifically, no.

5 Q Okay. Were you in -- were you involved in Aqua
6 Missouri's last rate case?

7 A Fortunately, I was not.

8 Q Fortunately. Do you -- do you know -- do you
9 know how these expenses were calculated in that case?

10 A I'm sorry. I do not.

11 Q You do not.

12 CHAIRMAN DAVIS: Okay. Thank you, Mr. Rackers.
13 No further questions.

14 JUDGE STEARLEY: All right. Recross examination
15 based upon questions from the Bench?

16 MR. ELLINGER: Yes, Judge. I don't know if
17 anybody may have been ahead of me.

18 JUDGE STEARLEY: You go ahead, Mr. Ellinger.

19 RE CROSS EXAMINATION

20 BY MR. ELLINGER:

21 Q Mr. Rackers, there was a question from
22 Commissioner Clayton dealing with the impact upon Joplin
23 ratepayers. Do you recall that -- that question?

24 A Yes.

25 Q If corporate costs are allocated to Joplin based

1 upon payroll, it's roughly 6.7 percent; is that correct?

2 A Yes.

3 Q Of 35 million?

4 A Yes.

5 Q If they're allocated based upon number of

6 customers, it's roughly 5.1 percent of 35 million; is that

7 correct?

8 A Yes.

9 Q And that 1.6 percent -- 1.6 percent of 35

10 million is how much? Do you know, roughly?

11 A 350,000.

12 Q Would it be 1 percent?

13 A Approximately.

14 Q Half again that on top of it. So what?

15 525,000, give or take?

16 A Possibly.

17 Q Does that sound approximately right?

18 A Yes.

19 Q And that would be the effect of using the number

20 of customers as an allocation as opposed to using the

21 number of the amount of payroll as an allocation for

22 corporate general expense?

23 A On the Joplin district?

24 Q Yes.

25 A Yes.

1 Q Okay.

2 A But now, there would be, of course, a -- that
3 money's got to flow to somebody. So the other districts
4 and over St. Louis would pick up those dollars.

5 Q That money would be simply reallocated
6 throughout the various districts based upon what their
7 customer -- number of customers were?

8 A Yes, it would.

9 Q So the call center volume -- excuse me. The
10 call center costs would be redistributed based upon the
11 number of customers throughout the various districts; is
12 that correct?

13 A If you -- if you use that allocator, yes.

14 Q Okay. And customer numbers do accurately -- are
15 one method that accurately represents the use of a call
16 center?

17 A Yes. I don't think it's the most accurate, but
18 it -- it's -- it's an allocation factor that could be
19 used.

20 MR. ELLINGER: Nothing further, Judge.

21 JUDGE STEARLEY: Thank you, Mr. Ellinger.
22 Redirect, Staff?

23 REDIRECT EXAMINATION

24 BY MR. THOMPSON:

25 Q Mr. Rackers, with the correction that you

1 sponsored in Staff Exhibit 31 to the length of mains
2 allocator, the percentage for Joplin under that allocator
3 increased from 0.011 percent to 7.105 percent, correct?

4 A Yes.

5 Q Do you happen to know whether Joplin is still
6 seeking allocation pursuant to length of mains?

7 A That -- that's the only position they've ever
8 espoused that I'm aware of.

9 Q Do you know what Fast 71 is?

10 A Yes, I do.

11 Q What is it, please?

12 A It's a Fasby pronouncement that discusses the
13 reporting that a utility makes as a result of actions by
14 the regulator.

15 MR. THOMPSON: No further questions. Thank you.

16 JUDGE STEARLEY: Any additional questions,
17 Mr. Chairman, before I -- Mr. Rackers steps down?

18 CHAIRMAN DAVIS: No. It's ten till five, and I
19 think Mr. Rackers deserves to go home and see his family.

20 JUDGE STEARLEY: Well, Mr. Rackers, you may step
21 down at this time. I am not finally excusing you as a
22 witness, however, in case there should be in other
23 questions the Commission may have for you. And we thank
24 you for your testimony.

25 At this -- at this point in the day, I need to

1 ask the parties if they want to continue on. I think we
2 have City of Joplin's witness is the last remaining
3 witness. Would you like to push on to complete tonight,
4 or are you wanting to break and resume in the morning?

5 MR. ENGLAND: May I ask a question --

6 JUDGE STEARLEY: Certainly.

7 MR. ENGLAND: -- in response to your question?

8 If we are able to push through and finish with the Joplin
9 witness tonight, can we wrap up the hearing altogether
10 today, or is there a likelihood that Commissioners or, for
11 whatever reason, parties will want to call other witnesses
12 tomorrow?

13 If that's the case, then I say we adjourn now
14 and reconvene tomorrow. But if we can wrap it all up
15 today and finish with the Joplin witness and -- and then
16 excuse everyone, I'm all for going forward.

17 JUDGE STEARLEY: All right. I have gotten no
18 request from the Commissioners for -- at this point in
19 time to have additional witnesses testify or additional
20 questions for the witnesses we've had scheduled.

21 So I am of the position we could push forward
22 and wrap things up today. And if that's the case, also,
23 Mr. England, I'm prepared to rule on your earlier
24 objection to the -- to the Local 335's admission of
25 Mr. Ratterman's testimony as well.

1 MR. ENGLAND: That would be great. Thank you.

2 MS. BAKER: I guess I do have one question. Do
3 you know if there is going to be a presentation on the
4 non-unanimous stipulation that will be required?

5 JUDGE STEARLEY: To my knowledge, the way that
6 stands, since it's contested, it's essentially a joint
7 position statement of the signatories. And we do not have
8 to have a presentation of the non-unanimous stip.

9 And the Commissioners have not indicated to me
10 that they wanted to question any of the parties regarding
11 specifics of the non-unanimous stip. as well. So the
12 hearing, of course, in our rules does provide we can
13 always reopen hearing for the taking of additional
14 evidence. So I don't want to say that that's 100 percent
15 ruled out in this case, especially given the somewhat
16 bumpy procedural posture we have with this case. But I --
17 I do believe we -- we could possibly conclude this today.

18 MS. BAKER: Thank you, your Honor.

19 JUDGE STEARLEY: Did you have any thoughts on
20 that, Mr. Chairman?

21 CHAIRMAN DAVIS: I'll discuss them later with
22 you, Judge.

23 JUDGE STEARLEY: Reaching for your microphone
24 there. Well, City of Joplin may call its witness.

25 MR. ELLINGER: Calls Leslie Jones.

1 JUDGE STEARLEY: All right. If you'd please
2 raise your right hand.

3 LESLIE JONES,
4 being first duly sworn to testify the truth, the whole
5 truth, and nothing but the truth, testified as follows:

6 DIRECT EXAMINATION

7 BY MR. ELLINGER:

8 JUDGE STEARLEY: You may be seated and you may
9 proceed, Mr. Ellinger.

10 MR. ELLINGER: Thank you, Judge.

11 Q (By Mr. Ellinger) Good afternoon. Would you
12 state your name, please, for the record?

13 A Leslie Jones.

14 Q And what is your current occupation?

15 A I'm the Finance Director.

16 Q For whom?

17 A The City of Joplin.

18 Q Okay. Are you the same Leslie Jones who caused
19 rebuttal testimony to be prepared in this case?

20 A Yes.

21 Q And is Exhibit (sic) -- Exhibit JOP-1 your
22 rebuttal testimony?

23 A Yes.

24 Q Do you have any corrections to make to your
25 testimony?

1 A I do.

2 Q What are those corrections?

3 A I have a correction to the factors that should
4 be used.

5 Q Please proceed.

6 A I've had an opportunity to spend more time
7 reviewing the EMS run. I've listened to the testimony
8 today. And, basically, the best allocation should be used
9 that can be as directly related to the district's cost of
10 service as possible.

11 Therefore, I feel that several factors should
12 actually be used -- several allocation factors should be
13 used, and I would be happy to go through those
14 allocations.

15 Q Please do.

16 A On the EMS run, the first ones that I would like
17 to look at would be the customer accounts.

18 MR. CONRAD: Excuse me just a second, Judge.
19 Where -- I'm having trouble finding this in the three --
20 two and a half -- do I have the right rebuttal testimony
21 here? What --

22 MR. ELLINGER: She is correcting her testimony,
23 Mr. Conrad.

24 MR. CONRAD: Well, okay. But it's not -- you're
25 not referring to the testimony, are you? I mean, this

1 is --

2 JUDGE STEARLEY: Is this --

3 MR. CONRAD: Something else?

4 JUDGE STEARLEY: Is this correcting testimony,
5 or are we talking about additional direct testimony?

6 MR. ELLINGER: Well, Judge, I think it's --
7 based upon what I've heard today, it appears to be
8 correcting testimony, based upon what the Staff's
9 testimony was changing the factors.

10 Obviously, Ms. Jones is testifying to her
11 opinion on this issue to correct her testimony that's
12 previously been filed in this matter.

13 MR. THOMPSON: Judge, if Joplin wants to replace
14 their pre-filed testimony with live testimony, Staff has
15 no objection at this point.

16 JUDGE STEARLEY: Any -- any objections from any
17 of the other parties?

18 MS. BAKER: I mean --

19 MR. ENGLAND: Yes.

20 MS. BAKER: Also, from Public Counsel, I
21 believe.

22 MR. ENGLAND: I think the question is -- as I
23 said earlier, it's one thing to correct your testimony,
24 and I think people ought to be permitted to do that. If
25 you're changing your position, that's something entirely

1 different.

2 And if that change in position at this late date
3 acts to prejudice the rights of other parties, then I
4 think that's the reason we have pre-filed testimony, and
5 that's why we try to adhere to people meeting those
6 deadlines and saying their piece at those deadlines.

7 Until I hear the changed testimony as opposed to
8 corrected testimony, I -- I don't know if I have an
9 objection or not. But I guess I better speak now or
10 forever hold my piece. But I think there could be a
11 prejudice that results from this.

12 JUDGE STEARLEY: Mr. Ellinger, perhaps you can
13 illuminate this a little for us? Are you -- it appears
14 you're going down a path of changing testimony completely
15 as opposed to correcting.

16 MR. ELLINGER: Judge, my -- from talking to Ms.
17 Jones, she indicated she had corrections to be made to her
18 testimony regarding the allocation factors. And I think
19 you heard the beginning part of what she said there, which
20 was based upon hearing the testimony from the other
21 parties today. You know, she believes she needs to
22 correct her testimony to accurately reflect that.

23 MS. BAKER: Your Honor, if I may, corrections
24 are calculation errors, changes in numbers. There are no
25 numbers in her testimony. It is purely text. So anything

1 that would be changed would be changing the context of her
2 testimony itself, and that would prejudice the rest of the
3 parties who have no opportunity to file surrebuttal.

4 MR. ELLINGER: Again, Judge, this goes back to
5 the issue we discussed earlier with Mr. Rackers' changed
6 testimony.

7 JUDGE STEARLEY: Well, Mr. Rackers made changes
8 to specific numbers --

9 MR. ELLINGER: Right.

10 JUDGE STEARLEY: -- in a schedule. I -- I think
11 that's considerably different from the introduction of new
12 positions by the parties.

13 MR. ELLINGER: Well, I mean, I don't think that
14 the City of Joplin has officially taken a new position. I
15 think the issue is discussing what the corrected testimony
16 would be.

17 The fact that the witness testifies as to what
18 she believes are corrections that need to be made with
19 respect to the allocation, which is a portion of her
20 testimony and she's correcting that now, I don't think
21 that that necessarily changes position statements that
22 have been filed in this case.

23 And I think the position of the City of Joplin
24 is the corporate allocation was improperly done by the
25 Staff and ought to be changed and that the stipulation and

1 settlement -- excuse me -- stipulation agreement which I
2 guess is a joint recommendation is -- should not be
3 approved because it improperly allocates those expenses.

4 JUDGE STEARLEY: Well, what I'm going to allow
5 you to do is proceed as if -- sort of like we did with
6 Mr. Rackers as voir dire. And I'm going to let you
7 develop this a little bit further so the parties and I can
8 hear a little bit more from this witness regarding what
9 you're terming as corrections.

10 If I make a determination that we're talking
11 about a complete change in testimony here, though, we're
12 not going to allow that.

13 MR. ELLINGER: Thank you, Judge.

14 JUDGE STEARLEY: So you -- so you may proceed.
15 And, Mr. England, as one of the parties, you can renew
16 your objection as we go farther down the line here and see
17 the extent of the changes that we're talking about.

18 VOIR DIRE EXAMINATION

19 BY MR. ELLINGER:

20 Q Ms. Jones, could you continue and discuss the
21 corrections that you were seeking to make to the -- your
22 pre-filed rebuttal testimony in this matter? And then,
23 also, with respect to those corrections, please identify
24 the part of your current testimony that you're correcting.
25 Does that make sense?

1 A Yes.

2 Q Okay.

3 A In particular, the factors that should be used
4 -- there was a question which factors should be used. And
5 I responded the appropriate factor being the length of
6 mains. And I would like to correct that to say that it
7 should be several allocation factors that should be used.

8 Q Could you identify which allocation factors
9 should be used?

10 A Yes.

11 Q Just as a general which allocation factors
12 should be used?

13 A Right. The number of customers is directly
14 correlated to the customer accounts. All, of the expenses
15 under the total customer accounts.

16 Administrative and general expenses are directly
17 correlated to the number of customers. However, there are
18 some allocations that are directly related to payroll.
19 And those would be the -- along the lines of the fringe
20 benefits, Workers' Comp., the OPEBs, pension.

21 And then depreciation has no correlation
22 whatsoever, as I indicated in my testimony, to payroll.
23 But, in fact -- in fact, does correlate to the length of
24 mains, as I said in my testimony.

25 Q Does that conclude your corrections to your

1 testimony?

2 A There's one more item. Other general taxes is
3 allocated by net plant and is more correlated to the
4 number of customers. And that -- those are the
5 corrections.

6 Q Okay. Do you have any other corrections to make
7 to your testimony?

8 A Yes. In the discussion about the payroll tax
9 normalization, that should say the payroll annualization
10 and the payroll tax annualization.

11 Q Any other corrections?

12 JUDGE STEARLEY: Pardon me? Just so I'm clear
13 here, where in your lines -- I'm assuming you're looking
14 at lines 14 through 22 on page 2?

15 A That's correct

16 JUDGE STEARLEY: Where -- where are we in
17 serving this change in language?

18 MR. ELLINGER: Isn't that a -- can I help to
19 give her an instruction to clear -- make it easier for her
20 to testify?

21 JUDGE STEARLEY: As long as you're not
22 testifying for her, it's fine, Mr. Ellinger.

23 MR. ELLINGER: I'm not.

24 Q (By Mr. Ellinger) You said you were
25 substituting the words annualization for normalization?

1 A That's correct. And adding payroll and payroll
2 tax.

3 Q Thank you.

4 A It should say payroll everywhere it says payroll
5 tax. And it should say annualization everywhere it says
6 normalization.

7 Q Are those all of your corrections?

8 A Those are the corrections.

9 Q With those corrections --

10 JUDGE STEARLEY: Okay. At this point, I may ask
11 the parties, are there any objections, or would the
12 parties like to renew their objections to the purported
13 corrections to Ms. Jones' testimony?

14 MS. BAKER: Public Counsel certainly would like
15 to renew theirs. I would also like to point out that in
16 the list of disputed issues, Joplin has specifically
17 stated the proper allocation of the corporate
18 administrative and general expenses by linear feet. And
19 so they are moving away from their list of disputed issues
20 by this as well.

21 MR. ENGLAND: I would renew my objections as
22 well. Ms. Baker makes a good point. Both in the list of
23 disputed issues and the prehearing brief, they argue very
24 clearly that lengths of mains is the appropriate
25 allocator.

1 I think there's an estoppel argument to be made
2 here that they are changing their position and, frankly,
3 can't do so at this late date in the position they've
4 taken, not just in testimony but in legal pleadings and
5 briefs filed with the Commission.

6 JUDGE STEARLEY: Okay. Well, let me ask this
7 with regard to the substitutions of the words
8 annualization from normalization and payroll for just --
9 for payroll tax on page 2 where I'm looking at. Do the
10 parties object to those changes as well?

11 MS. BAKER: Yes, your Honor. Because that does
12 change -- by changing it to annualization, that goes to
13 the way the Staff had prepared their -- their payroll.
14 And so we are changing away from being against what Staff
15 is saying to -- to a position of being apparently with
16 Staff.

17 MR. ENGLAND: I'm not sure I entirely follow the
18 change. If it's just changing the word normalization to
19 annualization, I'm not that troubled by it. But I
20 couldn't follow with payroll tax is being substituted to
21 payroll or payroll was being substituted to payroll tax.
22 So quite honestly, I'm confused.

23 JUDGE STEARLEY: Okay. My understanding was
24 payroll is going to be used throughout instead of the
25 payroll tax. Did I understand that correctly?

1 A No. It should be payroll and payroll tax.

2 JUDGE STEARLEY: Payroll and payroll tax?

3 A Yes.

4 MS. BAKER: And I guess for that, I would say
5 that that, once again, goes against the list of issues,
6 which was we were dealing with payroll tax only.

7 MR. ELLINGER: Well, Judge, I would say that
8 payroll tax and payroll are one in the same. As we went
9 through the cross-examination of the various witnesses, it
10 was clear that to do payroll tax, you have to do payroll
11 and vice versa. They are the same issue. They are not
12 different issues.

13 MS. BAKER: I would certainly disagree with
14 that.

15 MR. THOMPSON: I --

16 MR. ENGLAND: I --

17 MR. THOMPSON: Your Honor, I wonder if the
18 witness could read her proposed corrected version of lines
19 14 through 17 on page 2 of her testimony making the
20 substitutions that she proposes here?

21 JUDGE STEARLEY: That would be fine. And Ms.
22 Jones can make that reading, and then we'll -- we'll pick
23 up with our objections again.

24 A The payroll and payroll tax annualization under
25 Administrative and General Expenses does not flow or

1 follow with the payroll annualization contained in the
2 Staff schedules. While I find no problem with the payroll
3 normalization, the payroll and payroll tax annualization
4 should follow directly the payroll annualization since
5 payroll taxes are a direct percentage of payroll.

6 JUDGE STEARLEY: And are we suggesting
7 substituting the word annualization for normalization on
8 line 18 as well?

9 MR. ELLINGER: I don't believe she testified to
10 that effect, Judge.

11 A (Witness shakes head.)

12 JUDGE STEARLEY: Okay. Is that a yes or a no?

13 A No. Sorry.

14 JUDGE STEARLEY: Okay.

15 MS. BAKER: I'll keep my -- my objections.

16 MR. ENGLAND: With all due respect, I'm not sure
17 -- again, I'm not sure I understand -- it doesn't make any
18 sense.

19 MS. BAKER: Huh-uh.

20 MR. ENGLAND: I understood her first testimony
21 in that she was arguing that payroll tax didn't follow
22 payroll, which I think Staff disputed that payroll tax
23 does follow payroll.

24 Now she's saying payroll and payroll tax don't
25 follow payroll. And I'm sorry. Maybe I'm just obtuse,

1 but it's not making any -- not making any sense.

2 JUDGE STEARLEY: Well, regardless if it makes
3 sense or not, I -- I find this to be a -- a drastic
4 departure from the issues that were identified in the
5 testimony that was pre-filed.

6 It's -- it's beyond the point of corrections.
7 This is a complete change in position, and I'm going to
8 sustain the objections.

9 MR. ELLINGER: Judge, then I would make a motion
10 that we allow -- based upon your ruling that we allow Ms.
11 Jones to open the record and testify on these issues on
12 the basis of the new evidence that was presented today for
13 the first time by the Staff regarding the length of mains
14 issue.

15 As has been indicated in this case consistently,
16 Joplin has been subject to what we believe to be excessive
17 rates in the stipulation. And the Staff has now presented
18 new numbers, which perpetuate that this would be an
19 opportunity to open the record in the interest of due
20 process to allow Joplin to put in its -- what I believe to
21 be corrected testimony, but which you have ruled is not
22 corrected testimony.

23 JUDGE STEARLEY: So if I'm understanding your
24 suggestion, you're not going to offer the prefiled
25 testimony? You would like us to open the record to just

1 take live testimony?

2 MR. ELLINGER: If you're going to decline to
3 allow us to view this as correction to the prefiled
4 testimony, which I understood this was your ruling just a
5 moment ago --

6 JUDGE STEARLEY: That was my ruling.

7 MR. ELLINGER: -- Then I'm asking to allow the
8 record to be opened to allow her to make direct testimony
9 from the stand.

10 MR. THOMPSON: Your Honor, Staff has already
11 stated that it supports Joplin in its right to put on
12 direct testimony, live testimony here in place of its
13 pre-filed testimony.

14 I think it's a matter of fundamental fairness in
15 view of the change to the numbers in Staff's accounting
16 schedules, which has had the effect of eviscerating the
17 original position taken by Joplin. So Staff would renew
18 that suggestion now.

19 JUDGE STEARLEY: Okay. And the other --

20 MR. CONRAD: I might offer the comment that
21 there is a process called offer of proof, and that might
22 be helpful here.

23 JUDGE STEARLEY: Any of the other parties like
24 to weigh in on this?

25 MS. BAKER: I mean, my concern is moving to a

1 live testimony situation. This is our last witness. All
2 of the other witnesses have -- have given their testimony.
3 And we will be prejudiced by the fact that this is the --
4 a major change in -- in the testimony that's going to be
5 coming in front of the Commission, and we've not been able
6 to -- to, certainly, digest all of a sudden this change in
7 position, let alone come up with more cross-examination
8 questions for the rest of the -- the witnesses.

9 MR. ELLINGER: And, Judge, as I will point out
10 earlier, when Mr. Rackers offered his testimony, I did ask
11 for a continuance of the hearing so we could have the
12 opportunity to explore that issue. Obviously, that was
13 declined -- denied.

14 But as part and parcel of the issue here, Staff
15 -- counsel for the Staff has indicated, based upon that,
16 quote, unquote, correction, you know, it's a significant
17 issue. And that was the reason for asking for a
18 continuance initially was to be able to explore that
19 change and -- and evaluate it.

20 We have attempted to do that in very short
21 order. It's very difficult to do that in short order.
22 We've attempted to do so. And, again, I would renew a
23 motion being made from the podium to waive formal filing
24 of a written motion and instead allow Ms. Jones to enter
25 direct testimony.

1 MR. ENGLAND: Your Honor, from the company's
2 perspective, we have no objection if she's permitted to
3 add to her testimony based on the change that -- or the
4 correction, excuse me, that Staff made to the linear feet
5 of main.

6 JUDGE STEARLEY: Oh, -- yes, Ms. Baker.

7 MS. BAKER: I guess my question in that regard
8 would be if we allow the live testimony, how does that
9 change the list of issues? Because the list of issues
10 were based on the previous testimony.

11 MR. THOMPSON: We don't know that until we hear
12 her testimony.

13 JUDGE STEARLEY: What's that, Mr. Thompson?

14 MR. THOMPSON: I said I guess we would know that
15 after we hear the testimony.

16 MS. BAKER: I don't really want it that way.

17 MR. THOMPSON: But if we go down this road,
18 your Honor, I'm sure that perhaps you would entertain
19 motions from other parties that might seek to put on
20 rebuttal live testimony again in the interest of fairness.

21 MR. ELLINGER: And we would not object to that,
22 Judge.

23 JUDGE STEARLEY: Well, I -- I believe -- we're
24 not going to allow dramatic changes to the pre-filed
25 testimony in that -- in that they are not corrections.

1 However, based upon the discussion here, in the
2 interest of due process, I will allow you to supplement
3 your direct testimony. I do not want this to prejudice
4 any of the other parties, and they will certainly be given
5 the opportunity to either pre-file or request to have
6 additional testimony from their witnesses in rebuttal or
7 in response to the additional direct testimony that we
8 take today.

9 And we can work out as a -- as a housekeeping
10 issue at the end of this today the schedule if the parties
11 would like to simply file rebuttal or surrebuttal to that.
12 Or if the parties want to request live testimony in
13 rebuttal to that.

14 MR. ELLINGER: Very well. Thank you, Judge.

15 JUDGE STEARLEY: All right. And before we
16 start, I'm going to say that we all take about a
17 ten-minute recess here and take a short break, and we'll
18 resume with Ms. Jones.

19 MR. ELLINGER: Thank you, Judge.

20 MR. THOMPSON: Thank you, Judge.

21 (Break in proceedings.)

22 JUDGE STEARLEY: All right. Are we ready to go
23 back on the record? Well, we are back on the record.
24 Mr. Ellinger, you may proceed.

25 MR. ELLINGER: Thank you, Judge.

1 CONTINUED DIRECT EXAMINATION

2 BY MR. ELLINGER:

3 Q (By Mr. Ellinger) Ms. Jones, you had previously
4 testified just a few minutes ago about the proper
5 allocation factors to be used for various corporate
6 expenses and how they should be allocated to the
7 districts. Do you recall that?

8 A Yes.

9 Q Can you go through and identify the expenses in
10 which you were testifying you believed to be the proper
11 allocation factor?

12 A Yes. Under customer accounts, it should be the
13 number of customers as that's a direct -- the best and
14 direct correlation that drives that cost function.

15 Under Administrative and General, again, they
16 should almost all be customer -- number of customers,
17 except for Bellview (sic) Labs should be 16 -- the
18 allocation No. 16 like they have, like Staff is
19 recommending.

20 The water test analysis performed allocation.
21 The Workers' Comp. Should be payroll allocation. Injuries
22 and damages should be payroll allocation. The OPEBs --
23 all three OPEBs should be the payroll allocation. And
24 pension should be payroll allocation.

25 So except for those, it should all be the number

1 of customers. Under Depreciation, it should be the length
2 of mains as that's a direct correlation to the function
3 that drives that cost. And under Taxes Other Than Income,
4 the other general taxes should be the number of customers.
5 And I believe that that's all that I have.

6 Q What is your basis for making these
7 recommendations?

8 A With allocations, you try to find the best
9 allocation that has the most direct correlation, the most
10 direct relationship to that district so that you can
11 arrive at a district specific cost.

12 And all of these allocations that I've named, in
13 my opinion, I feel that they are the best driver, cost
14 driver, of those expenses.

15 Q And do you realize that some of those changes
16 you have made will increase the amount of costs allocable
17 to the Joplin district?

18 A Yes, I do.

19 Q And some of those will reduce the amount of
20 costs allocable to the Joplin district?

21 A Yes, I do.

22 Q You also made some reference to a change in
23 testimony, excuse me, with respect to payroll
24 annualization?

25 A Yes.

1 Q Could you detail what that --

2 A Yes.

3 Q -- what your position on payroll annualization
4 is?

5 A Right. And that would be on the corporate
6 schedule. Particularly, the salaries line item where the
7 -- the test year number is 200. I'm sorry. I don't have
8 that -- that one on me. But it's 200 and basically nine
9 -- 290,000 for the test year, which is a full year.

10 And the annualized number is much closer to
11 800,000. And the question is how, by annualizing from a
12 full year, do you increase that much? And then the
13 payroll taxes follow that -- that amount of the payroll
14 annualization.

15 Q What is your position with respect to
16 depreciation? Have you already testified to that as to
17 the allocation?

18 A Yes.

19 Q Okay. And you are aware of the testimony
20 regarding the chemical expense?

21 A Yes.

22 Q Is it your opinion that that's been resolved?

23 A Yes.

24 Q Would you again state what your position is with
25 the City of Joplin?

1 A I'm the Finance Director.

2 Q And could you detail what your duties are as
3 Finance Director?

4 A I am responsible for the day-to-day accounting
5 functions, the overall financial position of the City. I
6 am responsible to do the budget every year and the annual
7 audit.

8 Q And do you have experience in working with costs
9 in allocating those costs?

10 A I do. We have to allocate costs from one fund
11 to another based on different allocation factors. And
12 it's much the same as this where you try to find the best
13 and most direct allocation related to the cost driver of
14 that certain expense.

15 MR. ELLINGER: Judge, based upon your ruling
16 that we're now doing direct testimony, I would conclude my
17 direct testimony of this witness.

18 JUDGE STEARLEY: All right. Do you intend to
19 offer the previously pre-filed as --

20 MR. ELLINGER: Well, Judge, I can offer the
21 previously pre-filed testimony along with the current
22 testimony as an offer of proof, or we can allow her
23 current testimony to stand as direct testimony.

24 JUDGE STEARLEY: Okay. Well, that -- that --
25 I'm asking you if you want to --

1 MR. ELLINGER: What I would like to do is offer
2 her pre-filed testimony along with this testimony as her
3 direct testimony -- or as her testimony in this matter.

4 JUDGE STEARLEY: All right. Are there any
5 objections to the offering of accepting this testimony in
6 that fashion?

7 MS. BAKER: Just all the previous ones.

8 JUDGE STEARLEY: Hearing none --

9 MR. HESS: I think we have -- I renew the same
10 objections to -- I mean, I've got the same objection. If
11 you want to receive it as an offer of proof or whether
12 we're receiving it in evidence, I think that's an
13 important distinction to make at this point.

14 And I have the same objections as Missouri
15 American Water Company and Office of Public Counsel as to
16 receiving it into evidence. I do not think it should be
17 received into evidence.

18 Now, if you want to receive it as an offer of
19 proof, that would be a way to preserve the record for
20 Appellate review.

21 MR. ENGLAND: First of all, I have no objection
22 to the offer of her pre-filed testimony. Secondly, my
23 objection to her earlier testimony was a characterization
24 of being a correction.

25 As I indicated, I have no objection if Joplin

1 has the opportunity to address the correction that Staff
2 made earlier, and I believe that's what this testimony
3 was. So I'm okay with this testimony and I'm okay with
4 the pre-filed testimony. In fact, I want them both in.

5 MR. THOMPSON: Staff takes the same position,
6 your Honor. I believe the direct testimony offered orally
7 should be received into evidence, and not merely as an
8 offer of proof. And Staff has no objection to the receipt
9 of the original pre-filed testimony.

10 JUDGE STEARLEY: All right. Both will be
11 received into evidence.

12 (JOP 132 was offered and admitted into
13 evidence.)

14 MR. ELLINGER: Okay. Thank you, Judge. Tender
15 her for cross-examination.

16 JUDGE STEARLEY: And we will begin with
17 cross-examination from the Home Builders Association.

18 CROSS-EXAMINATION

19 BY MR. HESS:

20 Q I just have a few questions for you. In your
21 pre-filed testimony, how did you testify the corporate and
22 general administrative costs should be allocated?

23 A Length of mains.

24 Q And why did you choose that allocation?

25 A That is one appropriate allocation factor.

1 Q All right. And what made you choose that
2 allocation factor from among other allocation factors?

3 A Basically, the infrastructure of the City of
4 Joplin. It -- the City of Joplin has not had any -- any
5 improvements for a long time as -- that's my
6 understanding.

7 And the length of mains, I felt, reflected the
8 infrastructure in the City of Joplin, and, therefore, a --
9 a good factor, allocation factor, for corporate expenses.

10 Q All right. And at the time you pre-filed your
11 testimony, you thought length of mains was the proper way
12 to allocate all costs, corporate and general and
13 administrative costs; is that correct?

14 A That's one appropriate factor.

15 Q In your pre-filed testimony, you thought it was
16 the only factor; is that correct?

17 A Right. What I stated in my -- in this was the
18 best method is that of an infrastructure measurement.

19 Q All right. And can you just restate why you
20 thought that was the correct allocation factor to use for
21 all of these costs? Just explain your reasoning in your
22 pre-filed testimony.

23 A Again, the infrastructure in the City of Joplin
24 is fairly old, and we have not received any upgrades to
25 this point. And I feel that that is an appropriate method

1 to allocate the -- the -- the corporate expenses.

2 Q All right. And just to clarify, you felt that
3 at the time you pre-filed your testimony; is that correct?

4 A Yes.

5 Q But you no longer agree with that; is that
6 correct?

7 A Right. I've had -- I've had additional time to
8 review information that's been coming in literally daily,
9 sometimes two and three times a day. I've sat here and
10 listened to the testimony. And so that's correct.

11 Q Okay. And just now, you testified that
12 corporate and general administrative costs should be
13 allocated on a number of different bases; is that correct?

14 A Yes.

15 Q Length of main, number of customers and number
16 of employees; is that correct?

17 A That's correct.

18 Q All right. And I believe you testified that you
19 thought that those different allocation methods were the
20 best ways for allocating different kinds of costs?

21 A Yes.

22 Q All right. Between the filing of your original
23 testimony and the time when you took the stand today, when
24 did you decide that length of mains was not the best way
25 to allocate those costs?

1 A Well, as I said, I've been reviewing the
2 information as it comes in, which has been, you know, a
3 lot of information every day and then listening to the
4 testimony today.

5 Q All right. And what in the testimony today
6 changed your mind?

7 A I don't think it's just the testimony that
8 changed my mind. It's just looking at how to best
9 properly allocate the administrative and general corporate
10 expenses to every district.

11 Q All right. Did the testimony affect your change
12 in mind? What I'm trying to get at -- and just let me --
13 something happened between the time you filed your
14 testimony and today that has made you take a very
15 different position. Both of them, you know, were --
16 testimony that you did under oath.

17 And so I just -- I'm trying to illustrate the
18 factors that now inform your decision-making that are new
19 and that have caused you to change your mind. One of
20 those things you've mentioned is the testimony today.
21 What about the testimony today has changed your opinion in
22 this case?

23 A Well, actually, from the time that I've done
24 this, I continued to get information. And, you know, I
25 have a full-time job as Finance Director. And so as I had

1 time to review this, the information that comes in and
2 then the testimony today and the testimony on the -- the
3 length of mains changing the length of mains, which, you
4 know, I -- I still have not even seen that schedule.

5 Q All right. And let's see here. So before you
6 came here today, at the beginning of this hearing before
7 this hearing started, did you still intend to testify the
8 same way?

9 MR. ELLINGER: Judge, could I offer an objection
10 here? I -- I think his question is misleading. He said
11 did he -- did she intend to testify the same way? You
12 mean the same way as in the pre-filed testimony or the
13 same way as she had testified on the stand?

14 MR. HESS: May I clarify?

15 JUDGE STEARLEY: Yeah. I understood the
16 question. Did you understand the question --

17 A No.

18 JUDGE STEARLEY: -- Ms. Jones? All right. Then
19 please clarify.

20 Q (By Mr. Hess) Did you intend to change your
21 factual testimony today from the testimony in your
22 pre-filed testimony when you came to the hearing today?

23 A It was my intent when I walked up here to
24 testify as I did.

25 Q Exactly the same as you did?

1 A No, as I have testified.

2 Q As you have testified now, but not in your
3 prefiled testimony?

4 A Correct. That's why I testified like I did.

5 Q So when you appeared at the hearing today, you
6 intended to change your pre-filed testimony?

7 JUDGE STEARLEY: Well, perhaps, Mr. Hess, you
8 could give us a time on the clock and be more specific.

9 Q (By Mr. Hess) At 9 a.m. this morning, before
10 the hearing started, you knew that you were going to be
11 offered by the City of Joplin as a witness; is that
12 correct?

13 A Yes.

14 Q All right. And you had taken positions and made
15 factual statements under oath in your pre-filed testimony;
16 is that correct?

17 A Yes.

18 Q And as I understand your testimony as we're
19 sitting here right now, at 9:00 this morning before the
20 hearing started, you intended to testify the same way as
21 you just testified with all the changes from your
22 pre-filed testimony; is that correct?

23 A Yes. I intend to testify to the best allocation
24 method. Ultimately, that is my goal here for the City of
25 Joplin ratepayers is to determine the best allocation

1 method for every expense.

2 Q All right. I understand you intend to testify
3 as to the best allocation method. In your pre-filed
4 testimony, you testified that length of mains was the best
5 allocation method?

6 A Correct.

7 Q All right. And now you're testifying that
8 several different factors should be used depending on the
9 particular costs. All right?

10 A Correct.

11 Q At 9 a.m. this morning before the hearing
12 started, did you intend to testify that different factors
13 should be used for different costs?

14 A I don't --

15 MR. THOMPSON: Could I interpose a relevance
16 objection at this point, your Honor? I don't see how it
17 matters when she decided to change her mind.

18 JUDGE STEARLEY: I'm going to -- Mr. Hess?

19 MR. HESS: Your Honor, it goes to credibility.
20 She's testified under oath one thing. It's now different.
21 It's changed. And the factors -- whatever changed between
22 her original testimony and now is very relevant to
23 determine the credibility of what she's saying.

24 MR. ELLINGER: Judge, I think that the question
25 of what time of day, whether it was this morning, this

1 afternoon, five minutes, fifteen minutes ago, she made a
2 decision in her mind as to a question and change to make.
3 This testimony does not affect her credibility. And I
4 think, certainly, he's explored this issue pretty in-depth
5 already.

6 And at this point, I think we've gone beyond
7 anything that would be relevant to this matter, and I
8 would agree with Mr. Thompson's objection.

9 MS. BAKER: May I interpose that her credibility
10 is certainly an issue here. She's being placed out as
11 an expert on utility regulation and cost allocations.

12 And, apparently, she signed an affidavit on her
13 original testimony saying, I have the knowledge, I -- I
14 back what I say. Now here we are. Now she's saying, I
15 changed my mind. I didn't have the knowledge. I didn't
16 know what I was saying. You know, is she an expert in
17 this, or is she not?

18 JUDGE STEARLEY: I'm going to overrule the
19 objection and the question that Mr. Hess asked, and we can
20 have the court reporter repeat it if need be. But it's a
21 yes or no question.

22 (The previous question was read back.)

23 A I did intend to at that point.

24 Q (By Mr. Hess) So you already intended to
25 abandon your pre-filed testimony before 9 a.m. this

1 morning?

2 A I believe so.

3 Q All right. And do you know what date you filed
4 your pre-filed testimony?

5 A Yes. July 13th.

6 Q All right. Between July 13th and this morning,
7 what did you review that caused you to change your mind?

8 A I have reviewed all of the information. In
9 fact, I've -- and I've had conversations with PSC staff.
10 I've -- I've done a lot of work on it even through the
11 weekend.

12 Q All right. And did you review information that
13 you hadn't reviewed when you filed your pre-filed
14 testimony?

15 A Well, new information -- in my opinion, more
16 information has been coming in all the time.

17 Q Okay. And what information would it be that
18 changed your mind?

19 A Reviewing the schedules.

20 Q All right. Which schedules?

21 A The Joplin schedule and the corporate IS
22 schedule.

23 Q All right. And schedules to somebody's
24 testimony?

25 A I'm sorry?

1 Q Which schedules? I mean, are they -- are they
2 in evidence? Do you have them with you?

3 A They're the ones in evidence that -- the Joplin
4 income statement and the corporate IS allocation income
5 statement.

6 Q All right. And did have you those when you
7 pre-filed your testimony?

8 A I believe I did.

9 Q All right. And what information in those
10 schedules made you think that pipe length was not the best
11 allocator?

12 A It is one good allocation factor.

13 Q Right. But as I understand your testimony now,
14 you've changed it now so that pipe length should only be
15 used for depreciation; is that correct?

16 A Yes. And then there are some others that the
17 Staff is using length of mains. And I'm -- I'm not
18 contesting those.

19 Q And the Staff is using it for, I think,
20 transmission --

21 A Yes.

22 Q -- of the facility?

23 A Correct.

24 Q And you're okay with that?

25 A Yes.

1 Q All right. For everything else, for every other
2 corporate and general/administrative costs, what
3 information did you review that made you change your
4 method of allocation from pipe length to whatever you've
5 changed it to?

6 And we can go through them individually by each
7 one if you want to. Or -- or if it was a general one
8 piece of information that affected your determination as
9 to all of them, that's fine, too.

10 A Bear with me a minute. Okay? I'm trying to
11 reconstruct some events here in my mind. Okay. Can you
12 -- can you repeat that question?

13 Q Sure. What information caused you for the cost
14 components -- strike that. Let me begin over. For the
15 cost components where you've previously testified that
16 pipe length should be used as the allocation factor and
17 now you are testifying that some other factor should be
18 used to allocate costs, what was the information that
19 caused you to change your opinion about the correct
20 allocation factor?

21 A I -- I guess I would have to say I'm -- I don't
22 think it's really additional information as much as
23 reviewing the information. And then as more information
24 came in on payroll and the chemical today and -- and then
25 the length of mains, it was just a culmination of all of

1 it.

2 Q All right. And you mentioned the chemical
3 today. But there's nothing that happened today that
4 changed how you were going to testify; is that right? I
5 mean, I understood that at 9 a.m. this morning before the
6 hearing started you intended to testify as you just
7 testified.

8 A Well, no. I was going to contest the chemical
9 expense in particular, the very item that has been
10 resolved.

11 Q Okay. So -- so I'm just limiting myself to
12 allocation. So the chemical thing, you're not addressing
13 that because of the stipulation that was reached today?

14 A Right. From my standpoint, it's been all of
15 that.

16 Q All right. But did anything change regarding
17 how you were going to testify regarding allocation
18 factors? Is there anything that you heard today that
19 changed how you were going to testify regarding allocation
20 factors?

21 A Today? No.

22 Q All right. So you've just rethought what you've
23 said in your pre-filed testimony; is that correct?
24 There's not any piece -- you didn't receive any new
25 information. You made a judgment -- on July 19 and since

1 that time, you've had occasion to rethought it, and you've
2 made a new judgment today here on the stand; is that
3 correct?

4 A July 13th?

5 Q I'm sorry. Correct. July 13th.

6 A Well, again, as I said, it's a review of -- of
7 every factor, every allocation factor, conversations with
8 PSC. It's a culmination of all of it.

9 Q All right. And did you -- did you get any new
10 information in conversations with the PSC?

11 A They mentioned the length of main on, I think,
12 Thursday. And then other than that, it was just kind of
13 some questions going back and forth that --

14 Q I mean, did they argue that, no, you're
15 allocating it wrong, it shouldn't be pipe feet and you --
16 you know, based on their expertise, they tried to convince
17 you that pipe feet was not a good allocator and you now
18 agree with their allocation?

19 A No. That -- that was not a conversation.

20 Q All right. So what about your conversations
21 with the PSC changed your judgment?

22 A I didn't say it was just the conversation with
23 the PSC.

24 Q Right. Well, you've told me, as I understand
25 it, reviewing information, conversations with the PSC were

1 the two things that changed your judgment; is that
2 correct?

3 A Say that again. I'm sorry.

4 Q The two reasons that I -- that I heard you
5 identify for your changed testimony are review of
6 information and conversations with the PSC. Is that
7 everything?

8 A Yes.

9 Q All right. And can you identify any piece of
10 information, any specific piece of information, that led
11 to your changed testimony?

12 A No. Not one -- not any one piece. No.

13 Q All right. Can you identify the whole range? I
14 mean, what -- what are the pieces of information that led
15 you to change your testimony?

16 A Well, I believe, as everyone else in this room
17 continued to work on this issue, I continued to work on
18 it. And as I continued to work on it, you just -- you
19 work --

20 Q Well, yeah. I understand the -- I don't -- I'm
21 not questioning that you worked on it, that you reviewed
22 information. I'm -- what I want to know is what new
23 information did you review or what information did you see
24 in a different light that changed your mind from your
25 pre-filed testimony on July 13th?

1 A The allocation factors.

2 Q The allocation factors. So you revisited what
3 you'd done previously. And you said I got it wrong. I
4 need to correct my testimony because pipe length is just
5 not a good allocator?

6 A No. It's one good allocator.

7 Q Right. But for the costs where you're no longer
8 using pipe length as an allocator, did you sit down and
9 say, I have -- I need to rethink this, is pipe length a
10 good allocator of, for example, customer accounts?

11 A Yes. Basically, that's exactly what I did.

12 Q Okay. So you rethought your prefiled testimony
13 and said, you know, customer number is better than pipe
14 length; is that right?

15 A In some instances.

16 Q For customer accounts, for example?

17 A Yes.

18 Q All right. And do you know when that happened?

19 A I was still literally working on it over the
20 weekend.

21 Q All right. And did you give any party prior
22 notice that you were changing your testimony or rethinking
23 your testimony?

24 A I don't think I had an opportunity to do that.

25 Q All right. Because you were still working on it

1 this morning -- or this weekend? I'm sorry.

2 A Yes. And -- and Monday. Literally into Monday
3 night. And we got up and drove here this morning.

4 Q Did you carefully think through your pre-filed
5 testimony before you signed it under oath on July 13th?

6 A At the time, yes, I did.

7 Q All right. Now, you also mentioned
8 conversations with PSC Staff. Was there any particular
9 conversation that made you change -- that led you to
10 change any particular allocation factor?

11 A No. Again, it was a culmination of all of it.

12 Q All right. And I don't want to put words in
13 your mouth, but as I understand it, you filed testimony on
14 July 13th. Between now and then, you've just rethought
15 it. There's no specific piece of information. No
16 specific conversation that led you to change your
17 testimony. You've just -- you have a different judgment
18 now about what a good allocation factor would be?

19 A That's a fair assessment.

20 Q All right. Were you in the room earlier when
21 Mr. Rackers testified?

22 A Yes, I was.

23 Q He corrected some of his testimony regarding
24 pipe length.

25 A Yes.

1 Q Before he testified, had you checked the pipe
2 length calculations in those schedules?

3 A I had not. I'm not even sure I have that
4 schedule.

5 Q All right. So you had never checked the
6 calculations for pipe length in that schedule?

7 A No.

8 Q All right. Did the change to Mr. Rackers'
9 testimony have any effect on your testimony?

10 A It had some effect.

11 Q What effect would that be?

12 A Well, obviously, when you're going to present a
13 700 percent increase when it has -- when that number is
14 going to affect Joplin, you know, I have to stop and
15 re-evaluate that information.

16 Q All right. When the pipe length percentage was
17 -- what you thought was very small, .011 percent or
18 something in that neighborhood, Joplin was more
19 comfortable using pipe length as an allocation factor; is
20 that correct?

21 A And, again, we -- the basis for that is to tie
22 it to the infrastructure.

23 Q And then ---

24 A So yes.

25 Q As I understand your testimony now, when it was

1 corrected to read 7 percent, you were less willing to use
2 pipe length as an allocation factor; is that correct?

3 A For everything.

4 Q That's right. And so your choice of pipe length
5 as an allocating factor was based on the fiscal
6 consequences to Joplin and not the reasonableness of using
7 pipe length as an allocator?

8 A No.

9 Q All right. Then what -- what bearing did
10 Mr. Rackers' testimony have on your testimony, then? I'm
11 having trouble putting that together.

12 A I didn't say just his testimony today. As a
13 matter of fact, I think I told you that I had decided
14 before I got here.

15 Q That's right. But you just testified that his
16 testimony did affect your calculations of pipe length; is
17 that correct?

18 A Well, to a certain degree. And, again, he had
19 kind of touched on it in a conversation. And so I had a
20 -- a little bit of, you know -- of information on it.

21 Q So you were aware of the issue before you got
22 here?

23 A A little bit.

24 Q But you didn't know the change was going to be
25 70,000 percent, I believe is what your Counsel --

1 A No.

2 Q And the large magnitude of the change impacted
3 you; is that correct?

4 A Well, that was one factor.

5 Q One factor that impacted your testimony?

6 A Yes.

7 MR. HESS: No further questions.

8 JUDGE STEARLEY: Thank you, Mr. Hess.

9 Cross-examination, City of Parkville?

10 MR. FINNEGAN: No questions.

11 JUDGE STEARLEY: All right. Mr. Conrad, AG
12 Processing?

13 MR. CONRAD: Just a couple, your Honor.

14 CROSS-EXAMINATION

15 BY MR. CONRAD:

16 Q Ms. Jones, I take it you live in Joplin?

17 A I -- where do I reside? Is that what you're
18 asking me?

19 Q Do you live in Joplin or not?

20 A No, I do not.

21 Q You live outside of the city limits?

22 A Yes, sir.

23 Q Are you a customer of Missouri American?

24 A No, I'm not.

25 Q Are you a customer of a rural water district?

1 A No, I'm not.

2 Q Do you take -- do you have your own well?

3 A No.

4 Q What -- okay.

5 A I live in another city.

6 Q All right. Where do you live, then?

7 A Carl Junction.

8 Q And where is Carl Junction from Joplin?

9 A Ten minutes north.

10 Q North? On --

11 A I'm really bad at directions. I'm sorry. I'm

12 an accountant. On 43, basically. I --

13 Q Is that the road that goes by the airport?

14 A Yes. I'm very close to the airport.

15 Q Okay. But you're north of the airport now?

16 A Well, and then west a little bit.

17 Q Okay. Out there around Webb City? That close?

18 A Well, Webb City is east.

19 Q Webb City is east. Yeah.

20 A Carl Junction is west.

21 Q West. Okay. So it would be the opposite side

22 of 43?

23 A Yes, sir.

24 Q Okay. Who supplies your water?

25 A City of Carl Junction.

1 Q Where do they get their water?

2 A I don't know.

3 Q Okay.

4 A I'm sorry.

5 Q Living where you do in Carl Junction, how long

6 have you been employed in -- in a way that you would

7 become familiar with what you refer to as the

8 infrastructure in Joplin?

9 A I'm a life-long resident, except for like a year

10 and a half, of the Joplin area. I -- I grew up there. I

11 have worked for the City of Joplin for nearly ten years.

12 Q And where do you work for the City of Joplin?

13 A In the Finance Department.

14 Q In what building?

15 A City Hall, 602 South Main.

16 Q And what is the infrastructure that feeds City

17 Hall from the water company? I mean, you do have water in

18 City Hall in Joplin, don't you?

19 A Yes.

20 Q Good.

21 A Can you repeat the question?

22 Q Do you know the size of the main?

23 A I do not know the size of the main.

24 Q Do you know how old it is?

25 A It's my understanding it's approximately 70

1 years old, most -- most of the infrastructure.

2 Q Okay. Have you done a study of that?

3 A I have not. I personally have not.

4 Q Well, you're the one here on the stand --

5 A Yes, sir --

6 Q -- not someone else. You have not done a study

7 of the infrastructure in Joplin?

8 A I personally have not.

9 Q Are you familiar with any of the wells that have

10 recently been drilled in Joplin? Yes or no? If you know.

11 If you don't know, just say you don't.

12 A No.

13 Q Okay. You testified that you felt that the

14 infrastructure was fairly old in general. What is the

15 basis of that feeling?

16 A Conversations with my Engineering Department at

17 City who work closely with Missouri American Water and had

18 a tour, I think, two to three years ago.

19 Q You had a tour?

20 A No. The engineer --

21 Q They did?

22 A Yes. They did.

23 Q So what you're basically relying -- basically

24 relying, then, on is someone who has told you this, and --

25 and that's the basis of your feeling?

1 A And then my general knowledge of living in that
2 area as long as I have all of my life.

3 Q But that's -- that is in Carl Junction, though,
4 not Joplin?

5 A No. I have not been in Carl Junction all of my
6 life.

7 Q Oh, okay.

8 A I, in fact, did reside in Joplin for a nice span
9 of time.

10 Q Left because the water rates were too high,
11 perhaps?

12 A No. I moved out -- that's the short time span
13 that I moved out of the area.

14 Q I see. Now, back to this -- the time schedule
15 thing, today is, I believe, the 14th. Am I correct?

16 A Of August?

17 Q Yes, ma'am.

18 A I believe so.

19 Q Okay. And on the 10th of August, counsel for
20 Joplin filed with the Commission a -- a statement that had
21 the following text in it: The proper allocation of the
22 corporate, administrative and general expenses is by
23 linear feet of pipe within each district.

24 That was filed on the 10th. Now, my calendar at
25 least -- would you agree with me that the 10th is a

1 Friday? Let's work backward. Today is the 14th. We've
2 already established that, haven't we?

3 A Yes. The 10th was Friday.

4 Q Okay. And today is Tuesday?

5 A Yes.

6 Q Is Monday the -- the day before Tuesday in most
7 places?

8 A Yes.

9 MR. ELLINGER: Judge, I'm going to object here.
10 She just answered the question that the 10th was Friday.
11 And --

12 JUDGE STEARLEY: You can con -- continue. I
13 think she's acknowledged that the 10th was Friday.

14 A Yeah. And I'm sorry. I've lost track of my
15 days, honestly.

16 Q (By Mr. Conrad) Well, I -- I, too, I guess, am
17 slightly curious about this. But -- insofar as the timing
18 here. But let's go back to, I believe it is, the second
19 page of -- of prepared direct that you had filed on the
20 13th --

21 A Okay.

22 Q -- of July. And right there at the top, lines 1
23 through 3 --

24 A Yes, sir.

25 Q -- your answer is, There are several factors

1 that would be more appropriate. Let's get a list going.
2 What are those current factors? Or what are those several
3 factors that you think would be more appropriate?

4 A I believe that was my -- in my testimony. The
5 number of customers.

6 Q Okay. So one of them is the number of
7 customers.

8 A The length of mains.

9 Q Uh-huh.

10 A Payroll. The Bellview Lab one, whichever one
11 that is, which is water test analysis performed. Staff
12 has some allocated based on the annualized chemical
13 expense, and that's appropriate.

14 There are some allocated on water revenues,
15 sewer revenues, some on taxable income, some on net
16 formalized timing difference, and some on ITC
17 amortization.

18 Q Okay. So sometime between the 10th of August,
19 Friday, and this morning at 9 a.m., you had decided to
20 change from the corporate, administrative and general
21 expenses being allocated by linear feet as being the
22 proper allocation?

23 A That's correct. I feel it is most important to
24 get the allocation right for every expense.

25 Q Well, let's just leave it at that.

1 MR. CONRAD: I do have an exhibit, your Honor.

2 This will be AGP-4.

3 MR. THOMPSON: Thank you.

4 MR. CONRAD: There's three, four, five, six,

5 total one for you. Who did I miss.

6 Q (By Mr. Conrad) Ms. Jones, please look at the
7 second page of has been marked for identification as
8 AGP-4. Can you describe for me what that appears to be?

9 A A request.

10 Q Have you ever seen that document before?

11 A No.

12 Q Look at the first page. Does it appear to have
13 come from your counsel?

14 A I don't know Kim Williams. I'm sorry.

15 Q You know Marc Ellinger, don't you?

16 A Yes. But it's from Kim Williams.

17 Q Right. Does she say something else? Marc
18 Ellinger by Kimberly R. Williams?

19 A Okay.

20 Q Now, it looks to me like we have asked the City
21 of Joplin on the 20th of July, which was, I think seven
22 days after your testimony to provide a calculation showing
23 the revenue effect on your district that would occur if
24 the adjustments to that district's specific revenue
25 requirement were to be adopted by the Commission. Then we

1 asked for work papers. Fair enough?

2 A Yes.

3 Q And what was the City of Joplin's response? You
4 can read it there for me.

5 A We have no documents at this time. We will
6 supplement this data request when the requested documents
7 are generated.

8 Q Would it be a fair statement based on this that
9 at the time that this was answered you did not know what
10 the revenue effect of the Joplin district specific revenue
11 requirement would occur, what change would occur if the
12 adjustments you proposed were to be approved by the
13 Commission?

14 A Well, I have the spreadsheet with the revenue
15 requirement. And I have taken that, and, based on
16 different adjustments that can be made, obviously, if
17 Joplin's revenue requirement goes down, everybody else's
18 has to go up.

19 Q When did you do that, ma'am?

20 A I did that over the weekend.

21 Q I see. So do you have that document with you at
22 this time?

23 A No. I -- I actually played with several
24 scenarios. So I didn't -- and --

25 Q Forgive me, but isn't that what the data request

1 asks for?

2 A Yes.

3 Q And doesn't your response say it will be
4 supplemented if the requested documents are generated?

5 A Well, I guess I'm asking what are the requested
6 documents that are generated?

7 Q Work papers that show the calculation of the
8 impact of your proposed adjustments which seem to be in
9 something of a state of flux, I'll grant you --

10 A Right.

11 Q -- as to the impact that it might have on
12 Joplin?

13 A Well, I guess I would have to --

14 Q Well -- excuse me. Go ahead.

15 A How can I do that if I don't know -- I mean, I
16 don't have any documents.

17 Q What did you generate this comparison that you
18 said you did some playing around with the spreadsheet?

19 A Right. On my computer at work.

20 Q And you didn't print that out?

21 A I -- no.

22 Q You just looked at it at the screen?

23 A That's correct.

24 Q I see. But you have no documents that are
25 responsive -- at this time, you have no documents that are

1 responsive to this data request?

2 A Not at this time.

3 MR. CONRAD: Move admission of AGP-4. That's
4 all I have, your Honor.

5 JUDGE STEARLEY: Any objections to the admission
6 of AGP-4?

7 MR. ELLINGER: I'd object -- I'd object, Judge.
8 I don't know what the relevance of APG-4 is aside to
9 indicate there was no documents produced and there are no
10 documents in existence.

11 MR. CONRAD: That's -- and this was on July 20,
12 and you responded to it on -- when was it?

13 MR. ELLINGER: I think July 30.

14 MR. CONRAD: July 30.

15 MR. HESS: Your Honor, could I ask a voir dire
16 question off the witness on AGP-4?

17 JUDGE STEARLEY: Certainly.

18 VOIR DIRE EXAMINATION

19 BY MR. HESS:

20 Q Did you save the spreadsheet in which you made
21 the calculations?

22 A I -- I honestly don't know at this point. I
23 usually do. But I -- without my computer, I honestly
24 cannot answer that.

25 Q It would be your normal practice to save it?

1 A It -- it is normally my practice. Yes.

2 MR. HESS: Thank you.

3 JUDGE STEARLEY: Back -- back on the relevance
4 objection --

5 MR. CONRAD: Well, the relevance, your Honor, to
6 me is pretty obvious. And unless -- there was no
7 objection made to the data request as being irrelevant.
8 The point -- excuse me.

9 The point, of course, is exactly what
10 Commissioner Clayton asked, what are we talking about here
11 in money? We wanted to know. So we said, Let's see what
12 this is. Let's see what this is worth.

13 And this is what I get back. We get back, We
14 don't have any documents. We'll supplement it if they're
15 generated. And we have a debate now about what generated
16 means, whether generated means push the keys on the
17 computer and look at screen. If you don't like the
18 results, then don't save it or do whatever.

19 But no documents. So I think that -- that is
20 exactly the point. And that is exactly the relevance,
21 that this stands, along with this witness's testimony,
22 that they don't have a clue what their object -- what
23 their adjustments produced.

24 MR. ELLINGER: Well, Judge, I think that goes
25 again to the relevance. I mean, the witness has not

1 testified at any point in her direct testimony, certainly,
2 for that matter at any point in the -- any
3 cross-examination at this point as to what the dollar
4 impact is going to be upon anyone, much less in this
5 matter with these specific adjustments.

6 And no work papers have been put into evidence,
7 nor has there been any testimony from the City of Joplin
8 with respect to that matter. So, again, I don't
9 understand how this data request is relevant when there's
10 no underlying evidence or testimony or even anything on
11 cross-examination that indicates that -- that these dollar
12 amounts have been put into evidence by anyone.

13 MR. CONRAD: And that is the relevance of this,
14 your Honor, the fact that it has not been done.

15 JUDGE STEARLEY: Counselor, I believe I -- I
16 find the document to be relevant, and it shall be
17 admitted. There has to be a basis in which the position
18 of the City of Joplin was off offered. And I believe
19 that's what exactly this was going to is where were these
20 calculations? How were they formulated? How did this
21 person derive their position, which has then been filed
22 subsequently in testimony and various pleadings
23 throughout. So I find this --

24 MR. ELLINGER: Except for, Judge -- except for,
25 Judge, there has been no testimony as to what the revenue

1 effect is going to be or the rate effect by this witness.
2 The only thing she has testified to is what she believes
3 the proper allocation factor is, not what the effect on
4 revenue of that factor would be. Again, it's not part of
5 what she has testified to.

6 JUDGE STEARLEY: That's -- that's correct. But
7 I think that the basis of formulating which allocation
8 method had to be based on something. And I find this
9 relevant to how your witness formulated the basis for
10 offering her testimony.

11 Whether or not we've had direct testimony on
12 that effect yet, I don't believe gets to the issue of
13 this, which is how was any formulation made at all for the
14 City to be adopting any position or instructing the
15 Commission on which allocation factors it found to be
16 best. Mr. Hess, did you have anything else?

17 MR. HESS: None. Not that you've heard -- I was
18 just going to support.

19 JUDGE STEARLEY: Unless there are any other
20 objections other than relevance that I need to take up,
21 AGP-4 will be admitted and received into evidence.

22 (AGP Exhibit No. 4 was offered and admitted into
23 evidence.)

24 JUDGE STEARLEY: And, Conrad, did you say that
25 concludes your cross-examination?

1 MR. CONRAD: Yes. Yes, your Honor. Thank you.

2 JUDGE STEARLEY: And then we go to
3 cross-examination of Public Counsel. Ms. Baker?

4 MS. BAKER: Thank you.

5 CROSS-EXAMINATIONBY MS. BAKER:

6 Q Good evening, Ms. Jones.

7 A Good evening.

8 Q One thing that we have not discussed and was not
9 included in -- in your testimony is what is your
10 education?

11 A I have a Bachelor of Science degree in
12 accounting. I am a CPA and CMA.

13 Q So you are -- you are hold a CPA's licensure?

14 A Yes, ma'am.

15 Q In Missouri?

16 A Yes, ma'am.

17 Q And as part of that CPA licensure, are you
18 required to attend continuing education?

19 A Yes, ma'am.

20 Q Are you current on your continuing education?

21 A Yes, ma'am.

22 Q And part of that continuing education, are you
23 required to have an ethics con -- continuing education?

24 A Yes, ma'am.

25 Q And as part of that ethics, have you learned

1 about affidavits?

2 MR. ELLINGER: Judge, I'm going to object at
3 this point. I don't understand where we're going with
4 continuing education about ethics. I don't think it's
5 relevant to her testimony.

6 MS. BAKER: She is put up as the expert. Her
7 education, her background and -- and how she views the
8 testimony that she puts in front of this Commission is
9 very important.

10 And, certainly, the ethics that -- that she
11 learns and that she is supposed to follow as a licensed
12 CPA is very important to her testimony.

13 MR. ELLINGER: I mean, I -- I don't -- first of
14 all, I don't think she's ever testified she's an expert in
15 ethics. And -- and she's talking about continuing
16 education. She's -- she's a CPA.

17 But I would say if -- if Ms. Baker's going down
18 the path of making an allegation of lying in front of this
19 tribunal, you know, obviously, she should tread very
20 carefully in going into that area.

21 And I don't think it's relevant, and I think
22 it's very prejudicial, obviously, Judge. And I would
23 question on that account, also, and I would renew my
24 objection.

25 JUDGE STEARLEY: The objection will be

1 overruled. I do suggest treading lightly on any
2 imputation of dishonesty.

3 Mr. Ellinger, you asked questions of Mr. Rackers
4 today as well regarding continuing education. I think
5 it's relevant. You may proceed.

6 MS. BAKER: Thank you, your Honor.

7 Q (By Ms. Baker) So you are current on -- on your
8 ethics --

9 A Yes.

10 Q -- continuing education? How long have you held
11 your -- your CPA license?

12 A The license?

13 Q Yes.

14 A Probably a year now.

15 Q A year.

16 A Yes. The license. I passed the exam a very
17 long time ago.

18 Q And why was there a -- a long time between
19 passing the exam and getting the license?

20 A Because in Governmental Accounting, there's
21 typically not a need to actually get your license. And
22 until I held the position of Finance Director, I just did
23 not see the need to actually get the license. I have all
24 of the time kept current with my continuing education,
25 though.

1 Q And what is your -- your work background? Where
2 have you worked in the past?

3 A You want my whole work history?

4 Q Basically. Let's start with where you are right
5 now.

6 A I've been with the City of Joplin nearly ten
7 years. Part of that, I was with a corporation Leggett &
8 Platt for a couple of years, two years.

9 Q And what -- what has been your job duties
10 during --

11 A It's always been accounting. Prior to that, I
12 was at a city in Arkansas. A county. Prior to that, I
13 was at our University there in Joplin. And that's my
14 entire work history.

15 Q And none of those required that you have a CPA's
16 license?

17 A No. I had passed the exam.

18 Q All right. When did you become -- when did you
19 start the position that you were in right now with the
20 City of Joplin?

21 A March of 2006, I believe.

22 Q And what would you describe your job duties in
23 that position?

24 A My job duties?

25 Q Uh-huh.

1 A I think I said earlier that I'm responsible for
2 the day-to-day financial activities of the City. I'm
3 responsible for the financial position of the City. I do
4 the budget. I do the annual budget, the annual audit.
5 Everything financial.

6 Q Do you consider yourself an expert in utility
7 regulation?

8 A No.

9 Q Do you consider yourself an expert in utility
10 infrastructure?

11 A No.

12 Q And what basis are you tendering testimony
13 before the Commission as an expert on?

14 A Well, I'm not sure I've ever said I'm an expert
15 exactly. But, basically, allocations. Every accountant
16 works with allocations.

17 And, in fact, allocations are always a point of
18 contention, say, with auditors and the City of Joplin
19 because we are -- have fund accounting. We also have to
20 make allocations.

21 Again, we have -- the Finance Department would
22 perform functions for every fund. The -- you know, we
23 have several departments who are performing functions for
24 every fund. And so you have to make similar allocations.

25 Q And from that background, you tendered testimony

1 in the front of the Commission as an expert?

2 A Yes, ma'am.

3 Q Have you reviewed the previous rate cases for
4 Missouri American that have come before this Commission?

5 A No, ma'am.

6 Q So you have not reviewed what the allocations
7 that have been approved by this Commission have been in
8 the past; is that correct?

9 A No, ma'am. That's right.

10 Q You've mentioned that you have looked at
11 information over the past few months. Exactly what
12 information do you mean?

13 A The schedules that have come through to me.

14 Q Have you reviewed the direct testimony of --

15 A Yes, ma'am.

16 Q -- of all of the witnesses?

17 A Probably not all of them. The ones that -- that
18 I have -- I have reviewed.

19 Q Have you reviewed all of the testimony of all of
20 the witnesses that have appeared before the Commission
21 today?

22 A Yes, I have.

23 Q Have you reviewed the schedules and the
24 attachments that --

25 A Yes, I have.

1 Q -- of all of the people who -- who have appeared
2 today?

3 A I believe I have. I mean, again, I've reviewed
4 what I have. Whether that's all of it, I have no idea.

5 Q And it was based on this information that you
6 wrote your original testimony saying that the length of
7 mains was the proper allocation method?

8 A Yes, ma'am.

9 Q You do understand that the cross-examination
10 that was being done today was based on that same
11 information and that same testimony?

12 A Cross -- I'm sorry. I don't understand that
13 question.

14 Q The cross-examination that was being done today
15 was based off of the -- the testimony that was filed from
16 the -- the different witnesses that were on the stand
17 where you are today, you are right now? You understand
18 that with the changes that each person made for their
19 testimony with some -- some corrections?

20 A That's correct.

21 Q Going to -- to the changes, when were you aware
22 of the change in the allocation rate that was -- that was
23 made by Mr. Rackers?

24 A I believe Thursday. I -- I don't know for sure.
25 But I believe it was Thursday.

1 Q Okay. Did you notify anyone at that time that
2 you were having doubts of the testimony that you had put
3 in -- into -- that you had filed in this case?

4 A Not at that time.

5 Q Were you having doubts at that time?

6 A I would say that most of my doubt came over the
7 weekend.

8 Q Did you review the Staff's calculation of the
9 length of main allocation that was in Mr. Rackers'
10 testimony previously?

11 A I reviewed the part -- the schedule that had the
12 corporate allocation factor. That's what I reviewed.

13 Q And is that what you based your original
14 testimony on, that number?

15 A And the rest of the schedules that I had, yes,
16 ma'am.

17 Q If that number had been more favorable to Joplin
18 in the original filing, would that have changed your
19 testimony at that time?

20 MR. ELLINGER: I'm going to object. That calls
21 for speculation.

22 MS. BAKER: It changed her testimony today, so
23 if she'd have learned about it then, would it have changed
24 the testimony?

25 MR. ELLINGER: But that's not in the -- in the

1 record. And, again, it's speculation, Judge.

2 JUDGE STEARLEY: I'm -- I'm going to overrule
3 the objection. I believe you can answer the question.
4 However, if you -- if you don't know, the answer to the
5 question, you can answer that you don't know.

6 A Can I ask you to clarify that question? You say
7 that --

8 Q (By Ms. Baker) The change that was made in
9 Mr. Rackers' testimony today, there was a correction in
10 the length of mains --

11 A Yes, ma'am.

12 Q -- for Joplin. If that -- and that number has
13 come out today in the testimony. You used that number
14 from the previous testimony of Mr. Rackers; is that
15 correct?

16 A Yes, ma'am.

17 Q And you made your -- your decision on your
18 testimony partially because of that number?

19 A Partially.

20 Q Okay. If that number had been more toward
21 Joplin's favor, if -- if the percentage had come out
22 better for Joplin, the -- the overall increase had come
23 out better for Joplin, would that have changed your
24 original testimony?

25 MR. ELLINGER: I'm going to renew my objection

1 of speculation, Judge.

2 A I can't answer that.

3 MS. BAKER: She said she don't know, and I'll --
4 and I'll take that. That's fine.

5 JUDGE STEARLEY: Just -- we don't need to rule
6 on that, apparently.

7 Q (By Ms. Baker) Okay. All right. In your
8 expertise, if you perform an annualization adjustment for
9 any expense to be included in the overall cost of service,
10 does the test year level of expense have any relevance to
11 determining the overall cost of service?

12 A Can you repeat that question?

13 Q Sure. In your expertise, filing testimony, if
14 you perform an annualization adjustment for any expense to
15 be included in the overall cost of service, does the test
16 year level of expense have any relevance to determining
17 the overall cost of service? And if you don't understand
18 the words I'm saying, you may say so.

19 A I understand the words you're saying. I don't
20 understand the context, I think. Annualize -- annualizing
21 expenses does have to do with your test year. But the
22 last part of your question --

23 Q In what way does annual -- annualizing have to
24 do with the test year?

25 A If you don't have a full year of costs, you

1 annualize that cost to get a full year of cost. That's,
2 simply put, what annualization is.

3 Q That's the definition of annualization?

4 A Right.

5 Q Okay.

6 A So I guess I still don't understand your
7 question, then, if I'm not answering it.

8 Q Do you know what a test year is?

9 A Yes, I do.

10 Q Can you explain?

11 A What a test year is?

12 Q Yes, please.

13 A That's the year that the costs are coming from,
14 the test year. And then you true-up to the rest of the
15 year for your rate increase in the future.

16 Q So would an annualization of that test year have
17 any relevance to determining the overall cost of service?

18 A Sometimes. It depends what's in your -- what
19 actual costs are in your test year.

20 Q How does your new position of changing away from
21 length of mains as being the major allocation factor --
22 how does that affect the company's corporate allocation
23 method as filed?

24 A Can you repeat that? I'm sorry.

25 Q How does your new position affect the company's

1 corporate allocation method as filed?

2 A Overall, I -- I cannot answer that. Obviously,
3 as I pointed out earlier, it will reduce some of the
4 corporate allocation costs. It will increase some others.
5 I don't know what the bottom line will be. I -- I -- you
6 know --

7 Q Did you perform any calculations or look at any
8 documentation or treatises before you filed your original
9 testimony?

10 A Did I look at any documentation?

11 Q Yes.

12 A Yes, ma'am.

13 Q What documentation did you look at?

14 A Some schedules I had at that point.

15 Q That were provided by who?

16 A Our attorney.

17 Q Okay. Did you perform any calculations on your
18 own?

19 A Yes.

20 Q And were those calculations in a spreadsheet?

21 A No. I just reviewed the information.

22 Q You verified the calculations on -- on the
23 information that was given you? Is that what you mean?

24 A And reviewed it.

25 Q Okay. Did you perform any calculations of your

1 own --

2 A No reasonableness.

3 Q -- using numbers?

4 MR. ELLINGER: Judge, could we get clarification

5 as to what time frame she's talking about?

6 MS. BAKER: I'm talking about --

7 MR. ELLINGER: Before the testimony or since the

8 testimony --

9 Q (By Ms. Baker) My question was, when she filed

10 her original testimony, did she do any calculations?

11 A Well, yes.

12 Q Okay.

13 A I mean --

14 Q What type of calculations?

15 A Well, basically, looking at Joplin's proposed

16 increase and everything related to it.

17 Q Did you gather any information on your own?

18 A No. I only reviewed the information that I

19 have.

20 Q Did you do any calculations on your own?

21 A Yes.

22 Q Beyond the -- the information that was in the

23 Staff's documents?

24 A Yes.

25 Q What did you do?

1 A I looked at different allocations, different
2 effects on the Joplin proposed increase.

3 Q Okay. Did you keep any spreadsheets of those
4 calculations?

5 A No, ma'am. That, I did not do at that point.

6 Q So you have no work papers whatsoever to -- to
7 verify the testimony that you filed earlier?

8 A That would be correct. Mostly what I was doing
9 was working off of the schedules that I had and using my
10 adding machine. I was not working in a spreadsheet.

11 Q Did you know that there was an agreement to
12 provide work papers if calculations were used for
13 testimony?

14 A I -- I don't have any calculations.

15 MR. ELLINGER: Judge, I'm going to -- Judge, I'm
16 going to renew my objection to this line of questioning.
17 She has never testified as to revenue impact. She's never
18 testified as to what the dollars and cents are going to
19 be.

20 You know, she -- she testified as to what factor
21 was the proper factor to use. That was the only issue
22 that was in this. And what factor that is used does not
23 require making calculations. It does not require
24 spreadsheets.

25 I mean, you know, frankly, I think -- this is

1 the third or fourth time around she's been gone through
2 this line of questioning. And at some point, it just
3 becomes badgering the witness. And I think we ought to
4 consider -- those questions have been asked and answered
5 am, and they don't have any relevance to her testimony,
6 which has never held with what the dollar and cent effect
7 is going to be, which is, again, what Mr. Baker is asking,
8 which was what Mr. Conrad was asking, also.

9 JUDGE STEARLEY: Ms. Baker?

10 MS. BAKER: My statement to that would be -- the
11 testimony is put out as an expert. The testimony is put
12 into this case to be an expert on the cost allocations and
13 the -- the depreciation and all of the things that she
14 mentions in her testimony.

15 She puts out as being an expert. She states
16 herself, she is in the an expert. And so I find an
17 objection to her testimony, quite frankly. And so what
18 I'm trying to do is to see if she made any attempt
19 whatsoever at coming up with a proper bases for her
20 testimony.

21 MR. ELLINGER: And, Judge, she has testified at
22 least twice, if not three times, perhaps four times that
23 she looked at the Staff, various -- and the Staff filings,
24 various documentation. She looked at the testimony of the
25 various witnesses on these issues. She will review them.

1 She worked off of them.

2 The fact that the fourth time she says she did
3 not prepare spreadsheets, she did not prepare formal
4 written calculations, first of all, I think it's been
5 asked and answered.

6 And second of all, it's just simply not relevant
7 to the issues. She's presented her testimony, which is
8 what is the appropriate allocation factor? Not what is the
9 number of that factor and not what is -- if you take that
10 number times another times another times another, what is
11 the result? The only question is what is the appropriate
12 factor, which is an opinion based determination and not a
13 financial-based calculation which seems to be where Ms.
14 Baker is going.

15 MR. CONRAD: Judge, I -- I thought I heard the
16 witness testify just a moment or two ago in response to a
17 question from Ms. Baker that she had done calculations in
18 which she altered different allocation factors to assess
19 the impact that it had on Joplin.

20 Now, I'm not sure what a impact we would be
21 referring to other than general revenue increases.

22 JUDGE STEARLEY: I -- I find that the questions
23 are relevant in that this subject matter expert had to
24 have some basis for determining which allocation factors
25 she offered as being -- in her opinion, were the best

1 factors for the Commission to look at.

2 I -- I do agree that we have hit this a number
3 of times. And I -- I'm not going to overly limit this
4 because you're asking a little bit different questions.
5 But I'm -- I am hoping that you -- you'll be able to speed
6 through your line of questioning on this, perhaps be able
7 to wrap it up quickly.

8 And if there's other issues, you could do -- you
9 could exam this witness, but that you'll move on.

10 MS. BAKER: Okay. I'll ask -- I'm going to
11 re-ask the last question that was objected to, and that
12 will be my last question on this. How's that?

13 JUDGE STEARLEY: All right.

14 Q (By Ms. Baker) Okay. Did you know that there
15 was an agreement to provide work papers in this -- in this
16 case?

17 A I don't have any work papers.

18 Q Did you know that there was an agreement to
19 provide work papers?

20 A No. And I don't have any.

21 Q Are you aware of the Public Service Commission's
22 approved systems of accounts?

23 A Say that again.

24 Q Are you aware of the Public Service Commission's
25 approved systems of accounts?

1 A No, ma'am.

2 Q Are you aware of the NARUC, that's N-A-R-U-C,
3 water cost allocation manual?

4 A No, ma'am.

5 MS. BAKER: I have no further questions.

6 JUDGE STEARLEY: Thank you, Ms. Baker.

7 Cross-examination by Staff?

8 MR. THOMPSON: Yes. Thank you, your Honor.

9 CROSS-EXAMINATION

10 BY MR. THOMPSON:

11 Q Is this the first rate case you've been
12 personally involved in?

13 A Yes, sir.

14 Q Are you looking forward to the next one?

15 A Do I have to answer that, sir?

16 Q I don't think so.

17 JUDGE STEARLEY: I think that was a rhetorical
18 question.

19 Q (By Mr. Thompson) Did you examine any -- any of
20 the work papers prepared by Staff that support the
21 calculations and figures that appear in Staff's accounting
22 schedules?

23 A I believe I did, sir.

24 Q Okay. And when you originally filed your
25 testimony, the share that would be allocated to Joplin --

1 Joplin using the length of mains allocator was, in fact,
2 0.011 percent; isn't that correct?

3 A Yes, sir.

4 Q And now following the correction made by
5 Mr. Rackers to the calculation of that allocation factor,
6 the share that would be allocated to Joplin using that
7 allocation method would be 7.105 percent; isn't that
8 correct?

9 A Yes, sir.

10 Q And are you on the clock for Joplin tonight as
11 you testify? In other words, are you being paid by Joplin
12 for your time here?

13 A I'm an exempt employee, so --

14 Q So they could send you to testify anywhere, and
15 you don't get anything?

16 A Well, I mean, I get paid. I'm working.

17 Q Okay.

18 A But I don't get overtime, if that's what you're
19 asking.

20 Q You consider yourself to be working now?

21 A Yes, sir.

22 Q On behalf of Joplin?

23 A Yes, sir.

24 Q Okay. And so the testimony you're offering is
25 going to be as favorable to Joplin as you can make it;

1 isn't that correct?

2 A As favorable to Joplin, but also as reasonable
3 and a direct correlation as possible.

4 Q Now, using the customer account allocator, the
5 share that would be allocated to Joplin using that
6 allocation method is 5.147 percent; isn't that correct?

7 A Yes, sir.

8 Q Let me ask you a question. If, in fact, the
9 mains allocator had been 7.105 percent at the time you
10 originally filed your testimony, do you think you would
11 have selected that allocation method?

12 MR. ELLINGER: I'm going to object, Judge.
13 That, again, calls for speculation.

14 MR. THOMPSON: It certainly does. I'd like her
15 to speculate.

16 JUDGE STEARLEY: I believe this witness can
17 answer that question. And I'll overrule the objection.

18 Q (By Mr. Thompson) Do you need me to repeat the
19 question?

20 A Yes, please.

21 Q If at any time you had filed your testimony the
22 share that Joplin would receive under the mains allocator
23 was 7.105 percent, do you think you would have selected
24 that allocation method?

25 A I honestly -- I cannot answer that.

1 Q Okay.

2 A I just -- as I said, the length of mains is one
3 appropriate factor for certain direct expenses.

4 MR. THOMPSON: Thank you very much. No further
5 questions.

6 JUDGE STEARLEY: Thank you, Mr. Thompson.
7 Cross-examination, Missouri American? Mr. --

8 MR. ENGLAND: No questions, your Honor.

9 JUDGE STEARLEY: Thank you, Mr. England. I have
10 a few questions from the Bench.

11 CROSS-EXAMINATION

12 BY JUDGE STEARLEY:

13 Q And I -- I don't want to belabor some of the
14 issues we've already gone over, but I do want to ask --
15 I'll probably be treading into that territory a little bit
16 just because I want a clarification.

17 And, Ms. Jones, I understand now the different
18 factors you've weighed out in terms of your position on
19 which would be the best allocation factors.

20 And you have -- you have testified that you have
21 reviewed the testimony of the other parties, their
22 schedules, et cetera that they have introduced into
23 evidence in this case; is that correct?

24 A Yes.

25 Q Does your position on which allocation factors

1 you're now advocating mirror any of those particular
2 parties' positions?

3 A Yes. I believe I agree with Staff on -- on
4 several allocations, except for the ones that I named.

5 Q Could you specifically point to me which party
6 now these different methods of allocation would be -- you
7 would be in agreement with?

8 A Okay. Well, to begin with, the water company,
9 obviously, they stated that they allocate several of
10 theirs based on the number of customers.

11 So, obviously, on several of those, I'm also
12 advocating the number of customers. So I would be in
13 agreement with the water company on several of theirs.

14 Q Okay. So for -- for customer accounts, which
15 you've identified based on the number of customers?

16 A Right.

17 Q You would agree with Missouri American; is that
18 correct?

19 A Yes, sir.

20 Q All right. And on administrative and general
21 costs?

22 A On administrative and general, I agree with
23 Staff. Well, let me start with Missouri American Water.
24 I believe, again, that they do a large portion of theirs
25 on the number of customers, and so I would agree with them

1 on that -- those -- those items. But I also agree on some
2 of the items with Staff in the fact that I believe
3 Workers' Comp. should be payroll based, injuries and
4 damages payroll based, the three OPEBs payroll based and
5 the pensions payroll based.

6 Q Okay. And then on the depreciation, the length
7 of mains --

8 A Length of mains.

9 Q -- does that align with any of the other
10 parties' positions?

11 A I believe the water company on depreciation was
12 the utility plant. So I believe not.

13 Q Okay. And payroll tax is the last issue?

14 A No. Just the -- under taxes other than income
15 tax.

16 Q Tax?

17 A That one that says other general taxes.

18 Q All right.

19 A Staff and -- I'm not sure what Missouri American
20 Water was on that one. But Staff had chosen net plant on
21 that one. And I feel that the number of customers would
22 be more appropriate on that one.

23 Q Okay. So based on what you're stating now, it
24 sounds like the current allocation methods, the accounting
25 methods you're advocating are in line with either the

1 company, Missouri American, or Staff; is that a fair
2 statement?

3 A Yes, sir.

4 Q Okay. And you understand that the company --
5 Missouri American and Staff, have entered into -- with
6 some of the other parties a non-unanimous stipulation and
7 agreement?

8 A That's my understanding.

9 Q Okay. Do you now -- now having changed your
10 position on these, do you -- are you in agreement with
11 their position and the way they've come down on their
12 non-unanimous stipulation and agreement?

13 A Okay. I'm not entirely sure I understand, but
14 I'm going to answer. If I don't answer correctly, please
15 tell me.

16 Q Okay.

17 A Basically, if the allocation methods that I'm
18 proposing were chosen, then that would flow through to the
19 other districts in some manner.

20 Q Okay. And if the parties reached compromise on
21 those issues, is the City of Joplin willing to compromise
22 as they did, or are you taking a position on that at this
23 time?

24 MR. ELLINGER: Judge, I think she is a witness
25 and not able to bind the city to a position.

1 JUDGE STEARLEY: You're absolutely correct.

2 MR. ELLINGER: And I think --

3 Q (By Judge Stearley) I'm asking your witness,
4 and she can decline to answer that question if she wishes
5 based upon her status as a witness. But I'm asking if --
6 if she has a position on that.

7 A Are you asking me for -- for a future
8 compromise?

9 Q I'm asking based upon the current compromise the
10 other parties have reached -- have you reviewed the
11 unanimous -- or the non-unanimous stipulation and
12 agreement?

13 A I believe I have.

14 Q Okay. Do you understand the factors that were
15 used, the eight allocation factors for the numbers that
16 they came up with, the end result for that?

17 A Right. That would be Staff's, which is mostly
18 based on payroll.

19 Q Okay. So from -- from your personal
20 perspective, would you agree with any of the compromises
21 on any of those issues that were reached in the unanimous
22 stipulation -- or non-unanimous -- excuse me -- I keep
23 saying that wrong -- stipulation and agreement?

24 A Did Joplin agree to any of them? Is that what
25 you're asking me?

1 Q You -- you have now told the Commission you are
2 advancing or advocating different methods of allocating
3 these different various expenses.

4 A Right.

5 Q And what I'm asking you is, are you in
6 agreement, having changed your position on that, with any
7 of the compromises that the other parties reached in the
8 non-unanimous stipulation and agreement?

9 A I don't think I can answer that.

10 Q Okay. Well, I want to back up just a little,
11 then, to your original testimony.

12 A Okay.

13 Q And taking the cost of chemicals issues out
14 since that issue has been resolved, you had three issues
15 remaining, correct?

16 A Correct.

17 Q And I'm doing this for clarity. It's not to
18 badger or anything. Did you reach any conclusion as far
19 as the value how that would affect the revenue requirement
20 for the City of Joplin based upon the method you advocated
21 in your original testimony?

22 A I did not come up with an exact number.
23 Obviously, I looked at it, and, obviously, the revenue
24 requirement for Joplin should go down. By how much, I
25 cannot tell you. And that by virtue, that would make the

1 revenue requirement for some other districts increase.

2 Q Right. But you cannot give me a ballpark
3 figure --

4 A No, sir.

5 Q -- on what the value of each of those issues
6 would be for the City of Joplin?

7 A No, sir. Obviously, when we came in here this
8 morning -- a lot of testimony has -- has come out today,
9 so I -- I really can't.

10 Q Okay. And -- and now, that -- that was based
11 upon your prefiled -- your original position. Now, based
12 upon the new methods that you told us today for allocating
13 these costs and expenses, et cetera, do you have any
14 ballpark figures on what the value of these issues would
15 be applying the new methods of allocation you're
16 advocating?

17 A Well, I -- I really don't other than --
18 generally speaking, you're going to go from on several,
19 but not all -- several expenses. You're going to go from
20 the 6.7 percent to the 5.1 percent. And so it will be
21 roughly what -- what Steve talked about, the 500-some-odd
22 thousand dollars, roughly speaking. Very roughly
23 speaking.

24 Q And if you had any spreadsheets, et cetera,
25 saved on your computer -- I don't know -- don't know if

1 you do or not. But if you had any of those documents on
2 your prior calculations, can you provide them to the
3 Commission?

4 A If I have them saved, yes, sir.

5 Q If you have them saved.

6 JUDGE STEARLEY: And, Mr. Ellinger, you can file
7 those as late filed exhibits if they can be produced.

8 MR. ELLINGER: Okay. We will inquire and see if
9 they're available. If so, we will do so.

10 JUDGE STEARLEY: And we'll set a deadline for
11 next Friday on that.

12 MR. ELLINGER: The 24th?

13 JUDGE STEARLEY: The twenty -- I believe it's
14 the 24th. Okay. I -- the Bench has no additional
15 questions. Is there any recross examination based upon
16 the questions asked from the Bench? Hearing none,
17 redirect. City of Joplin?

18 MR. ELLINGER: No redirect.

19 MR. ENGLAND: Excuse me, your Honor. May we
20 have recross before redirect on the questions from the
21 Bench?

22 JUDGE STEARLEY: I just asked. Maybe --

23 MR. ENGLAND: You did?

24 MR. ELLINGER: Yeah.

25 JUDGE STEARLEY: Maybe we didn't connect there.

1 But you certainly may.

2 MR. ENGLAND: I'm getting old, and I can't hear
3 well. I'm sorry.

4 JUDGE STEARLEY: I'm getting old. I can't
5 always remember what I've asked -- offered.

6 MR. ENGLAND: We make a fine pair, don't we?

7 JUDGE STEARLEY: Yes, we do. I do know I've
8 sworn all the witnesses.

9 MR. CONRAD: That works.

10 JUDGE STEARLEY: Yes, Mr. England, you may
11 proceed with some recross.

12 RECROSS EXAMINATION

13 BY MR. ENGLAND:

14 Q Something you said kind of triggered something
15 that I hadn't thought about. Ms. Jones, you understand
16 that I'm the attorney for the water company?

17 A Yes, sir.

18 Q And I believe you -- in response to Judge
19 Stearley, you were saying that on your new proposal, you
20 were using some allocation factors that Staff had
21 recommended, primarily payroll.

22 And for some accounts, you were using the
23 allocation that the company was using, which was
24 customers. And at least on one, you were sticking with
25 the length of mains?

1 A Yes, sir.

2 Q Do you understand that it's likely -- that the
3 result of your new allocation method will be somewhere in
4 between company and Staff?

5 A Yes, sir.

6 Q Okay. But you -- I think you said earlier, you
7 don't know what the bottom line will be?

8 A I don't.

9 Q Okay. Is it fair to say if you don't know what
10 the bottom line will be, you're really not in a position
11 to say that Staff's allocation results are unreasonable
12 because they may be very close to what you're proposing in
13 this new testimony, right?

14 A Yeah. I cannot answer that. I --

15 Q You can't -- I mean, can you tell me they are
16 unreasonable, Staff's --

17 A The allocation methods, I feel, are not the best
18 allocation methods to use. But the bottom line, I -- I
19 cannot answer that.

20 Q I mean, let's say you're just \$500 apart.

21 A Yeah. I can't answer that. I don't know.

22 MR. ENGLAND: Thank you. No other questions.

23 JUDGE STEARLEY: All right. Thank you

24 Mr. England. Back to you, Mr. Ellinger.

25 MR. ELLINGER: No redirect.

1 MR. CONRAD: Okay. I --

2 JUDGE STEARLEY: Mr. Conrad, did I move too
3 quickly?

4 MR. CONRAD: I'm sorry. I'm getting old, too.

5 RE CROSS EXAMINATION

6 BY MR. CONRAD:

7 Q I just -- I just want you to go to AGP-4 just --
8 just a second. And down at the bottom of that page, there
9 are two paragraphs. Do you see those kind of in a little
10 bit smaller print now?

11 A Yes, sir.

12 Q And I'd like for you to look and just read along
13 with me very quickly. I'll kind of try and highlight. As
14 used in this requested term document, includes
15 publications in format, then a little ellipsis, and I
16 think I see the word there computer analyses, test
17 results, studies or data recordings, transcription printer
18 type or material of any kind or in your possession,
19 custody or control or within your knowledge.

20 So now that request was before you and answered
21 on the 30th, we will supplement this data request if the
22 requested documents are generated. And you're indicating
23 that you did do a computer analysis, am I correct, over
24 the weekend?

25 A Well, I -- I took the revenue number and played,

1 so to speak, with some different situations. I don't know
2 if I saved it or not. That would be the only thing other
3 than on my hand calculator that I have done. Because
4 literally -- let -- let me touch on that. Our whole case
5 here is talking about the corporate allocation. So -- so
6 I don't know what spreadsheets I would need to do.

7 Q Well, you do agree with me, though, that that
8 word computer analyses there, within your custody or
9 control or within your knowledge does appear there as a
10 definition of the term document, and you indicated that
11 this would be supplemented if the requested documents are
12 generated?

13 A Yes. I read that. And I believe -- did the
14 Judge just give us until Friday to check and see if I
15 saved that document?

16 Q That would be fine.

17 MR. CONRAD: That's -- if that's the answer,
18 that's -- that's all I have, Judge. Thank you.

19 JUDGE STEARLEY: Thank you, Mr. Conrad.
20 Mr. Ellinger.

21 MR. ELLINGER: Anybody else? Anybody else?

22 JUDGE STEARLEY: Try for the third time to get
23 back to you for redirect.

24 MR. ELLINGER: No redirect, Judge.

25 JUDGE STEARLEY: All right. Thank you very

1 much.

2 MR. HESS: Your Honor, at this time, I'd like to
3 renew my objection to the receipt of her evidence --
4 testimony into evidence. I'm fine with it being accepted
5 as an offer of proof. But as I understood the ruling, the
6 theory was that Mr. Rackers' testimony spawned the need
7 for her to change and abandon her original position.

8 And while there's been some back and forth and
9 some inconsistency in her testimony, I think she has
10 testified that she intended to change her testimony when
11 she showed up at 9 a.m. this morning. And it wasn't
12 anything that happened today.

13 If anything, what happened today was a factor
14 that made her more inclined to move away from those
15 numbers. I don't think -- I don't think it's
16 supplementation in change of positions at the late hour if
17 she did, in fact, intend to change it when she showed up
18 today.

19 It's acceptable. I think it should only be
20 accepted as an offer of proof and not received into
21 evidence

22 JUDGE STEARLEY: Your objection is so noted and
23 overruled. And I will allow a mechanism for the parties
24 to respond with additional late-filed rebuttal testimony.
25 I can go over some housekeeping matters here momentarily.

1 In the meantime, I want to give Ms. Jones a
2 break and let her off the witness stand. Do you
3 understand, Ms. Jones, that you're not finally excused as
4 a witness in case the Commissioners would wish to have
5 some questions for you at a later time?

6 MS. JONES: Yes.

7 JUDGE STEARLEY: Appreciate your testimony.
8 Thank you very much. And now we can get to our
9 housekeeping issues.

10 The first thing -- I want to be sure, did we get
11 all the parties' exhibits offered and entered into
12 evidence as far as our pre-filed testimony? I believe, by
13 my count, we did. I just want to be sure everything else
14 is --

15 MR. ELLINGER: I believe so, Judge.

16 MR. ENGLAND: Judge, I -- excuse me. I may not
17 be up to date. I thought I offered Don Petry's direct and
18 rebuttal at the time he was on the witness stand, and I
19 didn't check that off. So I just want to double-check and
20 make sure that that's been offered and received. Exhibits
21 MACW 16 and 17.

22 JUDGE STEARLEY: All right. I do believe those
23 were offered and admitted into evidence. But just as a
24 fail-safe, I'm not going to have the court reporter back
25 track that far, so I'll ask once again, are there any

1 objections to the admission of Missouri American's
2 Exhibits 16 and 17?

3 MR. ELLINGER: No objection.

4 JUDGE STEARLEY: And hearing none, they are
5 admitted and received into evidence if we haven't already
6 done so.

7 MR. ENGLAND: Thank you.

8 JUDGE STEARLEY: And I've given Mr. --
9 Mr. Ellinger, I've given you instructions in terms of
10 late-filed exhibits.

11 MR. ELLINGER: That's correct, Judge.

12 JUDGE STEARLEY: And those will be due on
13 Friday, the 24th. In terms of responding to the new
14 direct testimony we took today, I want to give the parties
15 -- in one of my prior cases, this past year, we gave the
16 parties an opportunity to file rebuttal testimony from
17 witnesses to respond to that and set a deadline for that
18 and then gave the parties an opportunity, if they weren't
19 satisfied that that resolved their issues with responding,
20 to have yet another day of hearing.

21 So I want to hear from the parties now, if we
22 pick a date ten days from now or something for the
23 additional filing of rebuttal testimony to the new
24 testimony offered by Ms. Jones if that will be acceptable
25 in giving you all a chance to respond to that or if you

1 had some other procedure in mind.

2 MS. BAKER: Do you know when transcript will be
3 available?

4 JUDGE STEARLEY: I'm going to have the
5 transcripts expedited. And, Monnie, I would like to have
6 them by Wednesday, the 22nd.

7 THE COURT REPORTER: Okay.

8 MR. ENGLAND: Judge, from the company's
9 perspective, we have no desire to offer any additional
10 rebuttal in light of Ms. Jones' testimony.

11 JUDGE STEARLEY: Okay. Does any party wish to
12 offer any additional rebuttal?

13 MS. BAKER: Possibly. Yes. I'm sorry. It was
14 -- it was surprise, and so I need to talk with my
15 witnesses.

16 JUDGE STEARLEY: Right. Are you wanting to see
17 the transcripts first before --

18 MS. BAKER: My main thing is to talk to my -- to
19 my witnesses.

20 JUDGE STEARLEY: Okay. Very well. I will give
21 the parties until Friday of this week to file a pleading
22 letting me know if they wish to file any rebuttal
23 testimony to the new direct testimony that was offered.

24 Any party that does not file said request will
25 have waived the right to do so. Is this --

1 MR. ENGLAND: I think you just may have answered
2 my question. So if we have no desire to, I can tell you
3 that right now and not have to file?

4 JUDGE STEARLEY: You can tell me right now, and
5 we'll be done with it.

6 MR. FINNEGAN: I have one question. It would be
7 beneficial for all concerned, I think, to know just what
8 the impact of the City of Joplin's new allocation turns
9 out to be and whether or not it's in line with the
10 settlement or with the Staff or the company or how close
11 it is so that we would know if there's a chance for a
12 unanimous stipulation.

13 JUDGE STEARLEY: I -- I think that's a very good
14 assumption. Mr. Ellinger, can that be -- we've got the
15 methods laid out. Can those numbers be compiled?

16 MR. ELLINGER: We can work on compiling those
17 numbers and try to get something circulated by the end of
18 the week.

19 JUDGE STEARLEY: All right.

20 MR. ELLINGER: If possible. I mean, we have EMS
21 runs that have been previously provided, and we have the
22 stipulation document that has, I think, most of the data
23 in the stipulation document. We ought to be able to put
24 it together. And we can work with Staff and with the
25 company to work that up and make sure it's accurate.

1 JUDGE STEARLEY: Okay. Okay. And when -- when
2 -- when you have that worked up, are you going to then
3 file it in the case so that the Commissioners know it's
4 been filed and they can review it as well?

5 MR. ELLINGER: We can file it if that's what
6 you'd like, Judge.

7 JUDGE STEARLEY: That -- that is what I would
8 like.

9 MR. ELLINGER: Okay.

10 JUDGE STEARLEY: And perhaps by the end of the
11 week, you could provide the Commission with the date
12 certain in which that will be filed. And any other
13 matters before I go -- get to post hearing briefs?

14 MS. BAKER: I think as far as that goes, maybe a
15 look at the issues list and see if that has changed with
16 this new -- this new testimony might be in order so we
17 know what we're going to argue in our briefs.

18 JUDGE STEARLEY: Anyone want to comment on that?

19 MR. CONRAD: It seems -- it strikes me that the
20 issues list has collapsed a lot.

21 MS. BAKER: That's -- that's my point.

22 MR. CONRAD: I mean --

23 MR. ELLINGER: Two issues.

24 MR. CONRAD: Yeah. But you're down to two or
25 three.

1 MR. ELLINGER: Two at the most. Yeah.

2 MR. CONRAD: If that's clear and we don't have
3 to -- to -- I mean, that's -- Judge, early on, that's one
4 of the -- this morning one of the kind of head-scratchers
5 that I had.

6 And you've referred to this case as kind of a
7 bumpy procedure thing. I think that's perhaps an apt
8 characterization because we don't really have the usual,
9 you know, Here's the -- the -- the stipulation agreement.

10 It's non-unanimous, but it has also been
11 contested. So, I mean, in theory, one might have to --
12 could make the argument that we have to go brief all of
13 those issues even though they're -- they're theoretically
14 covered by this -- the -- the joint recommendation.

15 I mean, the parties have -- signatories thereto
16 have merged their positions. And -- and that seems, at
17 the same time, to be a little bit of a waste of -- you
18 know, I'm not here speaking of the trees, but trees are
19 good things, I'm told.

20 If you -- if you catch my drift, I -- I guess
21 maybe it is some merit what is -- what it would be on the
22 issues.

23 JUDGE STEARLEY: Right.

24 MR. CONRAD: Just those three, or is it the
25 whole universe?

1 JUDGE STEARLEY: Well, perhaps we can have a
2 brief filing or restating of what issues remain by the
3 City of Joplin by next Wednesday when I'm having the
4 transcripts due.

5 MR. ELLINGER: Certainly, Judge.

6 JUDGE STEARLEY: So -- okay. So have I got
7 enough dates out there for everyone? And -- and then we
8 would set our traditional 20-day post hearing briefs
9 following the filing of the transcripts.

10 MR. THOMPSON: Is that going to change if we
11 have another day of hearing?

12 JUDGE STEARLEY: That may be amended.

13 MR. ENGLAND: Your Honor, the -- the joint --
14 the non-unanimous stipulation that's now become a joint
15 recommendation contemplates an early implementation date,
16 if possible.

17 I'm not sure that I certainly need 20 days from
18 the filing of the transcripts to file a brief in this
19 case. I'd like to suggest we accelerate that a little
20 bit.

21 JUDGE STEARLEY: Right. And I'm assuming all
22 with accelerating that, you're abandoning the request for
23 any type of reply briefs?

24 MR. ENGLAND: Correct. One round of briefs and
25 let's have at it.

1 MR. THOMPSON: We could just do closing
2 arguments.

3 MR. ENGLAND: I would suggest fifteen and five,
4 fifteen for the initial brief and five for reply.

5 JUDGE STEARLEY: Okay. Well, let's go with 15
6 days after the filing of transcripts, six days for reply
7 briefs. By next Wednesday, we're going to have from
8 Mr. Ellinger a new statement of issues.

9 MR. THOMPSON: Will you incorporate that in the
10 schedule, Judge, so we have the dates certain?

11 JUDGE STEARLEY: Yeah. I'm going to -- to try
12 and figure this out, decipher this all myself now and to
13 back-track what I have coming in from the parties on
14 Friday.

15 I think, Mr. Ellington (sic), you're going to
16 provide me --

17 MR. ELLINGER: This Friday. I think what you
18 had asked for, Judge, was a pleading by any party if
19 they're going to file rebuttal.

20 JUDGE STEARLEY: Yes.

21 MR. ELLINGER: And I -- either the updated
22 impact spreadsheet in conjunction with Staff and company
23 or a date certain that it would be filed. And we're
24 supposed to get that to you by Friday. That's the two
25 things I have for this Friday.

1 JUDGE STEARLEY: All right. And by next
2 Wednesday, then I've also directed you to provide any --

3 MR. ELLINGER: List of issues and then the
4 transcript would be filed.

5 JUDGE STEARLEY: And -- and any documentation
6 that Ms. Jones might have regarding calculations.

7 MR. ELLINGER: You want that by Wednesday?

8 JUDGE STEARLEY: Yes.

9 MR. ELLINGER: Okay. I had next Friday. So --
10 Wednesday's fine, Judge.

11 JUDGE STEARLEY: Maybe I said Friday. Like I
12 said, I'm getting old. I think I -- actually, I think
13 you're right. Now, let's go ahead and bump it up to
14 Wednesday so we have that all together with the new list
15 of issues.

16 MR. ELLINGER: That's fine, Judge.

17 JUDGE STEARLEY: All right. At this point,
18 there is a couple other little outstanding matters in
19 terms of wrapping this case up regarding Jefferson City's
20 issues, which we may be getting a stipulation and
21 agreement on or we may be having another hearing date with
22 regard to that.

23 And depending on what the Commissioners decide
24 upon review of all that's transpired today, they may
25 request a hearing on the non-unanimous stipulation. So

1 just advising the parties that we still may have a couple
2 days yet to wrap all things up to finality here. Yes,
3 Mr. England?

4 MR. ENGLAND: Would now be an appropriate time
5 to renew my motion to strike?

6 JUDGE STEARLEY: Yes. I'm glad you brought that
7 up. Local 335 did not enter an appearance today. I read
8 the pleadings by both parties. I would have to agree with
9 Missouri American.

10 I find improper use of rebuttal testimony.
11 They could have offered that testimony as direct, and they
12 were not rebutting any other witness's testimony with that
13 testimony. And I grant Missouri American's motion to
14 strike that testimony. It will be excluded from the
15 evidence.

16 MR. ENGLAND: Thank you, your Honor.

17 JUDGE STEARLEY: And I'm assuming that means you
18 will not offer --

19 MR. ENGLAND: That's correct.

20 JUDGE STEARLEY: -- The other testimony from
21 your -- okay. Are there any other procedural matters we
22 need to take up at this time?

23 MR. FINNEGAN: Just one question. It -- the
24 exhibit that I requested about the impact of the changes
25 on the Joplin allocation, is -- was that due this Friday,

1 or was that the next witness?

2 MR. ELLINGER: My understanding was we would
3 either file it this Friday or this Friday we would file a
4 statement saying what day it will for sure be done.

5 MR. FINNEGAN: All right.

6 MR. ELLINGER: Is that correct, Judge?

7 JUDGE STEARLEY: That's -- that's correct. And,
8 hopefully, I'll get this all down in a written order and
9 issue it tomorrow. And if I've entered something
10 incorrectly, you can advise me, and I can issue a notice
11 of correction. Are there any other matters we need to
12 take up before adjourning this evening?

13 Well, hearing none, Case No. WR-2007-0216, et
14 al., in the matter of Missouri American Water Company's
15 request for authority to implement a general rate increase
16 for water service provided in the Missouri service area is
17 hereby adjourned.

18 MR. ENGLAND: Thank you, Judge.

19 MR. THOMPSON: Thank you, your Honor.

20 MS. BAKER: Thank you.

21

22

23

24 REPORTER'S CERTIFICATE

25

1 STATE OF MISSOURI)
) ss.
2 COUNTY OF OSAGE)

3

4 I, Monnie S. VanZant, Certified Shorthand Reporter,
5 Certified Court Reporter #0538, and Registered
6 Professional Reporter, and Notary Public, within and for
7 the State of Missouri, do hereby certify that I was
8 personally present at the proceedings as set forth in the
9 caption sheet hereof; that I then and there took down in
10 steno type the proceedings had at said time and was
11 thereafter transcribed by me, and is fully and accurately
12 set forth in the preceding pages.

13

14 IN WITNESS WHEREOF, I have hereunto set my hand and
15 seal on August 21, 2007.

16

17

18

19 _____
 Monnie S. VanZant, CSR, CCR #0539
20 Registered Professional Reporter

21

22

23

24

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