REVISED

Exhibit No.:
Issues: Revised Sewer Tariff Sheets to Implement a Capacity Charge for Missouri-American's Warren County And Jefferson County Sewer Districts

Witness: Greg A. Weeks
Exhibit Type: Direct
Sponsoring Party: Missouri-American Water Company
Case No.: ST-2007-0443
Date: July 10, 2007

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ST-2007-0443

DIRECT TESTIMONY

OF

GREG A. WEEKS

ON BEHALF OF

MISSOURI-AMERICAN WATER COMPANY

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MAWC Exhibit No.
Case No(s). WR-2007-0216
Date 8-14-07 Rptr RF

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

IN THE MATTER OF MISSOURI-AMERICAN WATER COMPANY FOR AUTHORITY TO FILE TARIFFS REFLECTING INCREASED RATES FOR WATER AND SEWER SERVICE	)))))	**CASE NO. ST-2007-0443**

AFFIDAVIT OF GREG A. WEEKS

Greg A. Weeks, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Direct Testimony of Greg A. Weeks"; that said testimony and schedules were prepared by him and/or under his direction and supervision; that if inquires were made as to the facts in said testimony and schedules, he would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of his knowledge.

Greg A. Weeks

State of Missouri
County of St. Louis
SUBSCRIBED and sworn to
Before me this 17th **day of** July **2007.**

Notary Public

My commission expires:

REBECCA ACTON
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis County
My Commission Expires: Aug. 25, 2008

DIRECT TESTIMONY

Greg A. Weeks

Q: What is your name, title and business address?

A. My name is Greg A. Weeks, and I am the General Manager of Operations for Missouri American Water Company (MAWC). My business address is 2650 E 32nd Street, Suite 121, Joplin, MO 64804.

Q. What is your position with the Company?

A. I am the General Manager of Operations for the Missouri American Operation in eleven locations across the state of Missouri. My responsibilities include managing the day-to-day operations and work force, strategic planning and budgeting, and operational review for those districts. This includes responsibility for the Cedar Hill wastewater operation in Jefferson County, Missouri, and the Incline Village wastewater operation in Warren County, Missouri. A copy of my resume and qualifications are attached as Schedule GAW-1.

Q. What is a capacity charge and what is its purpose?

A capacity charge is a one–time, up front charge on new connections that will partially offset the investment made by MAWC in new sewer treatment facilities. A capacity charge is designed to recover from new customers a portion of the capital investment in plant capacity that is available for those new customers. This is an effective method of mitigating end-user rates, especially in small districts like our Warren County and Cedar Hill Districts. The rate impact of even modest investments in small operations such as these can be dramatic if it not mitigated by charges like this. In a larger operation, like our St, Louis County operation, several million dollar

investments have very little impact on total utility plant in service and, ultimately, on rate base and rates.

Q. What effect will the institution of a capacity charge in these two operations have on rates for existing customer?

A. The effect of having new customers pay a portion of the investment in the plant would have a downward impact on future rates, all other things being equal. As new customers pay a capacity charge, the revenue collected is accounted for as a contribution-in-aid-of-construction (CIAC). In future rate cases, rate base will be reduced by the total CIACs received from new customers. A lower rate base will result in a lower revenue requirement because the return on the investment will be less and the return of the investment (i.e., through depreciation expense) will also be less.

Q. Will the capacity charge totally offset MAWC's investment in these plants?

A. No, even if MAWC receives capacity charges from all of the new customers the plants are designed to serve, MAWC will still have approximately $2.2M of investment in these plants.

Q. Are these capacity charges designed to recover future investments?

A. No. The capacity charges are designed to recover existing investments in plant required to meet the growth needs of both operations.

Q. What is the capacity charge that was originally filed?

A. The original filing proposed a capacity charge of $5,500 per residential connection for both the Warren County and Cedar Hill Districts.

Q. How was the capacity charge originally calculated?

A. It was calculated by dividing the portion of the investment in new plant capacity attributable to new customers by the number of new customers that could be supported by the plant capacity addition.

Q. What percentage of the investment in the two treatment plants in Warren County is attributable to new customers?

A. Approximately 57.5% of the investment in the two new plants is available for customer growth and is included in the calculation of the capacity charge. Conversely, 42.5% of the investment in these plants was required to bring the plant into compliance with state and federal regulations to serve existing customers.

Q. What portion of the plant in Cedar Hill is attributable to new customers?

A. 100% of the investment in the new plant in Cedar Hill is attributable to new customers. Therefore, 100% of company funded investment in that plant is included in the calculation of the capacity charge.

Q. Is any portion of the new plant in Cedar Hill already funded by developer contributions?

A. Yes. Approximately $360,550 has been or will be contributed for a single development that will use a portion of the new plant.

Q. Is the Company willing to consider an alternative way to calculate the capacity charges for the Warren County and Cedar Hill Districts?

A. Yes. After discussions with Staff, the Company is agreeable to changing the way in which it proposes to calculate a capacity charge in order to assign to new customers only the "incremental" costs of the new plant that is attributable to those new customers. This, of course, assumes that the

Commission agrees that this is an acceptable way to calculate a capacity charge.

Q. Please describe this alternative calculation for developing a capacity charge.

A. The attached schedule GAW-2 sets out this alternative methodology. I will identify each line on the schedule and explain:

- Line 1 – This is the existing value of the plant facilities, net of depreciation and contributions that existed prior to constructing the new ones.
- Line 2 – This is the actual investment in the new plants, net of depreciation (in Cedar Hill District the actual investment was reduced by the $360,550 contribution previously discussed).
- Line 3 – This is the percentage of the plant needed to meet regulatory requirements to serve the existing customers.
- Line 4 – This is the value of the new plants needed to meet the regulatory requirements to serve existing customers. (It is calculated as Line 2 multiplied by Line 3.)
- Line 5 – This is the portion of the new plants available for new customers. (It is calculated by subtracting Line 4 from Line 2.)
- Line 6 – This is the number of existing customers as of 5/31/07.
- Line 7 – This is the number of additional numbers that the remaining capacity of the plants will support.
- Line 8 – This is the value of the existing plant investment plus the portion of the new plant needed for existing customers, expressed on a per customer basis. (It is calculated by adding Lines 1 & 4 and dividing by Line 6.)
- Line 9 – This is the value of the remaining investment available for new customers, expressed on a per customer basis. (It is calculated by dividing Line 5 by Line 7.)

Q. What are the capacity charges that result from this alternative calculation?

A. The capacity charge for Warren County would be $1,649 per residential connection and for the Cedar Hill District, it would be $4,677 per residential connection.

Q. Do you believe the capacity charges under either alternative calculation are fair and equitable?

A. Yes, I do. I believe implementing a capacity charge will more fairly distribute cost recovery for these new plant additions between one-time contributions (to be paid by new customers) and monthly recurring rates (to be paid by all customers). Implementation of the capacity charge will also have the beneficial effect of reducing future rate base and future revenue requirements for these districts below what they would otherwise be if no capacity charge was implemented.

Q: Does this conclude your testimony?

A: Yes .

Schedule GAW-1

Greg A. Weeks, PE

Work experience

1987 - present Missouri American Water Company

General Manager – Network Operations 2004 – present

- Manage all aspects of operations for Missouri's nine operating districts.
- Led implementation of process improvements and technology implementation to reduce operation costs and improve customer service.

Manager – Southwest Operations 2002 – 2004

- Manage all aspects of operations for Joplin Operation.
- Leading business development effort for region, completing EPA water supply deals, and numerous other efforts in progress.
- Formed and leading regional effort to develop long-term source of supply. Currently serving as Secretary of Tri State Water Resource Coalition.
- Oversee staffing, budgets, production, field services, and capital program.
- Manage union contract for physical unit associates in operations.

Operations Superintendent – System Operations 1994 - 2002

- Manage system supply to over 300,000 customers.
- Responsible for professional development of engineering / supervisory staff both in operations.
- Manage capital program for system, including new 500 Kgal elevated tank, several new booster stations, tank sanitary improvement program, and tank security program.
- Manage tank maintenance program for all Missouri operations of over 70 tanks, 350K to 1M annual coating program and ongoing sanitary inspection responsibility.
- Responsible for long term planning studies and 5-year capital plan.
- Responsible for operational / engineering evaluation on acquisitions and wholesale agreements.

Plant Superintendent 1992 - 1993

System Operations Engineer 1991

System Engineer 1987 - 1990

1981 - 1986 Exxon Company, USA

Engineer, Loudon Project

- Worked on 6 person team to develop and evaluate $1.3B tertiary recovery project.
- Evaluated economics of full scale implementation.

Engineer, Regulatory Affairs

- Prepare testimony and testify before Oil & Gas Commission's in multiple states.

- Worked on EIS / EA for major development project in Rocky Mountains.
- Developed compliance program to meet SDWA in 14 state territory.

Reservoir Engineer

- Developed, obtained approval, and implemented a $53M capital improvement program for improving production from existing oil field.
- Responsible for O&M on Exxon operating 15,000 barrel per day production field and facilities.

Education

1976 - 1980 **University of Missouri - Rolla**
BS Civil Engineering

1991 - 1996 **Saint Louis University**
MBA

Accreditations

Registered Professional Engineer – Missouri, Texas

Missouri Dept. of Natural Resources Water Operator Licenses – Class "A", DS III

Leadership Missouri Alumni – Missouri Chamber of Commerce

Professional memberships

American Waterworks Association – Member of 305 Standards Committee for Steel Tanks

Community activities

Joplin Chamber of Commerce – Incubator Task Force

Joplin Industrial Development Commission – Existing Industries Committee

Tri-State Water Resource Coalition – Executive Board Secretary

Mentor to the Joplin School District science departments

Joplin High School Band Boosters

CASE NO. ST-2007-0443

Alternative Capacity Charge Calculation For The Warren County And Cedar Hill Waste Water Treatment Plant Additions

Line	Calculation	Description	Warren County	Cedar Hill
1		Existing Treatment Plant Value Net of Depreciation	$232,784	$172,026
2		Total Treatment Plant Addition Value	$2,612,587	$1,452,667
3		Percentage of Treatment Plant Addition Required for Existing Customer Base Loading to be Compliant With Environmental Regulations	42.5%	0%
4	(2) x (3)	Value of Treatment Plant Addition Required for Existing Customer Base Loading to be Compliant With Environmental Regulations	$1,109,152	$0
5	(2) - (4)	Value of Treatment Plant Addition Available for Future Customers	$1,503,435	$1,452,667
6		Existing Customer Count	387	747
7		Future Customers Supported by Treatment Plant Addition	293	296
8	{(1)+(4)} / (6)	Per Customer Value of Existing Treatment Plant Net of Depreciation Plus Treatment Plant Addition Required for Existing Customer Base Loading to be Compliant With Environmental Regulations	$3,468	$230
9	(5) / (7)	Per Future Customer Value of Treatment Plant Addition Available for Future Customers	$5,116	$4,908
10	(9) + (8)	Alternative Capacity Charge	$8,584	$5,138

Revised
Schedule GAW-2