

Exhibit No.:	
Issue:	Rate Design
Witness:	Donald E. Johnstone
Type of Exhibit:	Surrebuttal Testimony
Sponsoring Party:	Ag Processing City of Parkville
Case Number:	WR-2007-0216
Date Prepared:	July 31, 2007

**Missouri American Water Company
WR-2007-0216**

**Surrebuttal Testimony of
Donald E. Johnstone**

on behalf of the
CITY OF PARKVILLE, MISSOURI
and
AG PROCESSING INC A COOPERATIVE

July 31, 2007



Missouri American Water Company
WR-2007-0216

Surrebuttal Testimony of Donald E. Johnstone

TABLE OF CONTENTS

INTRODUCTION	1
THE MAWC CLASS COST-OF-SERVICE STUDY.....	1

Competitive Energy
DYNAMICS

Missouri American Water Company

WR-2007-0216

Surrebuttal Testimony of Donald E. Johnstone

1 **INTRODUCTION**

2 Q PLEASE STATE YOUR NAME AND ADDRESS.

3 A Donald E. Johnstone. My address is 384 Black Hawk Drive, Lake Ozark, MO
4 65049 and my qualifications may be found in Schedule 1 attached to my direct
5 testimony in this matter.

6 **THE MAWC CLASS COST-OF-SERVICE STUDY**

7 Q PLEASE SUMMARIZE THE CLASS COST-OF-SERVICE STUDY SUBMITTED BY MAWC
8 FOR THE PARKVILLE AND ST. JOSEPH DISTRICTS.

9 A Mr. Paul Herbert submitted a class cost-of-service study on behalf of the
10 MAWC. It purports to show the cost of serving each customer class in each
11 district. While this is a worthwhile endeavor, the study is of limited value
12 because it lacks a foundation in data specific to the customer classes in the
13 districts.

1 Q PLEASE EXPLAIN THE LACK OF FOUNDATION IN DATA SPECIFIC TO THE
2 CUSTOMER CLASSES OF THE PARKVILLE AND ST. JOSEPH DISTRICTS?

3 A Data requests were sent in an effort to identify the data that was used for
4 important cost allocation factors. For example, what is the peak hour
5 requirement of each system. The peak hour usage is unknown for the Parkville
6 and St. Joseph Districts. Also unknown is the contribution of each customer
7 class to the unknown peak hour water requirements.

8 Another example is the contribution of the customer classes to the
9 maximum daily sendout. Again, there is no data specific to these districts.

10 Q ARE THERE OTHER EXAMPLES?

11 A Yes. The weighted cost of services is another example. There is no basis for
12 the weights in data for these districts based on costs in the respective districts.

13 Q HOW CAN THERE BE A CLASS COST-OF-SERVICE STUDY FOR THESE DISTRICTS
14 IN THE ABSENCE OF THE USAGE AND COST CHARACTERISTICS OF THE
15 CUSTOMERS LOCATED IN THE DISTRICTS?

16 A The study is built on assumptions. Therefore, the results are only as accurate
17 as the assumptions. In the last rate case (WR-2003-0500) it was established
18 that some of the assumed usage characteristics came from a system in
19 Pennsylvania. In this case the Company answers to data requests have been
20 vague. No specific sources have been identified for important allocation
21 factors. Instead we have only undocumented assumptions.

1 Q ARE THE COST STUDIES SUBMITTED EARLIER BY STAFF AND OPC ANY MORE
2 RELIABLE?

3 A No. They suffer from the same lack of data.

4 Q WOULD IT BE WORTHWHILE TO DEVELOP THE DATA NECESSARY TO
5 ESTABLISH PROPER CLASS COST-OF-SERVICE STUDIES FOR THE PARKVILLE
6 AND ST. JOSEPH DISTRICTS?

7 A If the studies are to be relied upon there is no choice but to improve the data.
8 The question is the cost of developing the data in comparison to its usefulness.
9 I recommend that MAWC either develop the data, or explain why it is not cost
10 effective to do so.

11 Continuing class cost-of-service studies by the parties is limited value
12 absent the data necessary to make the study results reliable and useful. There
13 have been large rates changes in rate in recent years and I think the time has
14 come to gather the data that will provide a competent cost basis for rate
15 design purposes. I recommend that MAWC be directed to address this concern
16 immediately. A directive for action in this case should ensure usable
17 information in future rate cases.

18 Q DOES THIS CONCLUDE YOUR TESTIMONY?

19 A Yes it does.