Exhibit No.:	
Issue(s):	*Metropolitan St. Louis Sewer District Contract*
Witness:	*Keith D. Barber*
Sponsoring Party:	*Intervenor Metropolitan St. Louis Sewer District*
Type of Exhibit:	*Rebuttal Testimony*
Case No.:	*WR -2010-0131*
Date:	*April 15, 2010*

MISSOURI PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY

OF

KEITH D. BARBER

ON BEHALF OF

METROPOLITAN ST. LOUIS SEWER DISTRICT

IN THE MATTER OF MISSOURI-AMERICAN WATER COMPANY'S REQUEST FOR AUTHORITY TO IMPLEMENT A GENERAL RATE INCREASE FOR WATER AND SEWER SERVICES PROVIDED IN MISSOURI SERVICE AREAS

CASE NO. WR-2010-0131

Jefferson City, Missouri
April 2010

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DIRECT TESTIMONY

OF

KEITH D. BARBER

ON BEHALF OF

METROPOLITAN ST. LOUIS SEWER DISTRICT

CASE NO. WR-2010-0131

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Witness Background and Experience

Q. Please state your name, business address, and telephone number.

A. Keith D. Barber, 11401 Lamar Avenue, Overland Park, Kansas 66211-1508, (913) 458-3675.

Q. What is your occupation?

A. I am a Principal Consultant in the Management Consulting Division of Black & Veatch.

Q. How long have you been associated with the firm of Black & Veatch?

A. I have been with Black & Veatch continuously since 1975.

Q. What is your educational background?

A. I am a graduate of the University of Missouri-Rolla (currently known as Missouri University of Science and Technology) with an undergraduate degree in Civil Engineering. I received my Master of Science degree in Civil Engineering from the University of Kansas.

Q. Are you registered as a Professional Engineer?

A. Yes, I am a registered Professional Engineer in the state of Missouri.

Q. What is your professional experience?

A. My initial assignments with Black & Veatch were on projects involving the design of water and wastewater systems. Subsequently, I became associated with the Management Consulting Division of Black & Veatch, where I have served clients in utility rate matters for approximately 33 years. During this time, I have been involved in numerous costs of service, rate design, bond feasibility, and financial consulting studies. Projects to which I have been assigned as project engineer or project manager include water and wastewater utility related projects in St. Louis and Kansas City, Missouri; Los Angeles, and

Coachella, California; Tulsa, Oklahoma; Topeka, Lawrence, Emporia, and Johnson County, Kansas; Cincinnati and Columbus, Ohio; Little Rock, and Pine Bluff, Arkansas; Tucson, and Pima County, Arizona; Austin, San Antonio, and Grand Prairie, Texas; and Baton Rouge, Louisiana. I have developed water and wastewater rates for Kansas City, Missouri, assisted the St. Louis Water Department with their water rates, and developed the wastewater rates for the Metropolitan St. Louis Sewer District that are currently in effect.

Q. What is your professional experience before the Missouri Public Service Commission?

A. Almost all of my professional rate design experience has dealt with municipal water and wastewater utilities that are not regulated by a public service commission. Therefore, I have never personally appeared before the Missouri Public Service Commission but I did file testimony on this issue for Case No. WR-2007-0216. I have been involved as an expert witness before the Rate Commission of the Metropolitan St. Louis Sewer District during the 2002/2003 and most recent 2007/2008 proceedings. The Rate Commission was established by the voters through their approval of the November 2000 Charter amendments and operates similar to a public service commission. I was also involved in proceedings before the Illinois Commerce Commission (ICC) in 2008 and 2009 (Docket Nos. 08-0463 and 09-0319) in support of a demand study Black & Veatch performed on behalf of the Illinois American Water Company. This study fulfilled an ICC order to update maximum day and maximum hour capacity factors by customer class for each IAWC rate area in Illinois.

Summary of Testimony

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

A. The purpose of my testimony is to rebut the testimony of Ted Robinson, who filed testimony on behalf of Missouri Office of Public Counsel ("OPC") proposing a rejection of MSD's current contract with MAWC and, in its place, an imposition of $545,535 charge for the provision of water usage data to MSD.

Q. Does this represent the cost of service for providing the billing information to MSD?

A. Absolutely not. MAWC would incur the cost of meter reading and other water billing data development costs regardless of whether or not MSD required the information for their billing activities. The cost of service actually incurred by MAWC on behalf of MSD is related to providing a copy of the data to MSD via their secured web site and any related administration costs.

Industry Guidelines

Q. Are you familiar with the fifth edition of the AWWA publication titled "Principals of Water Rates, Fees, and Charges"?

A. Yes, this manual is also commonly referred to as the M1 manual.

Q. Are the principles discussed in this manual widely used as a water industry standard guide in the development of water rates?

A. Yes.

Q. To your knowledge, does this manual discuss cost sharing between water and wastewater utilities for billing information?

A. No, the only relative reference I found was in a single sentence on Page 12 which stated: "Other water revenues may include billings for outside agencies….or any other sources not covered by published rates." I have not found any other information related specifically to cost sharing between water and wastewater utilities for the provision of

billing data in this manual. The manual does discuss using cost of service principles in the development of miscellaneous and special charges.

Q. What is an example of a special service by a water utility that would have a separate charge?

A. Water utilities will generally provide copies of reports or plans for potential projects to the public and contractors at the cost incurred in printing those documents.

Q. Are the engineering design costs or other development costs for the reports and plans typically included in the cost of those documents?

A. No, only the incremental cost incurred in producing the documents, not a share of the actual costs required to prepare the plans or documents. The M1 manual suggests on Page 260 that costs for public documents "be limited to production costs, although an allowance for the administrative cost of stocking and selling documents could be included." Likewise for construction drawings, the manual states that "these prints should include copying and administrative costs."

Q. Could the cost of supplying the electronic billing information supplied to MSD be considered a special service cost much like the cost of a public document?

A. Yes, because like the production of a public document, this service is not related to the provision of water service to MAWC's customers. It is essentially a special report prepared for the exclusive use of MSD based on data maintained by MWAC for its own billing purposes.

Q. Can MSD bill its customers in the county without this data?

A. No. Due to the Hancock Amendment and resulting rate litigation, MSD can no longer bill its residential customers on a flat rate basis and must now use water use information

in its billing process.

Q. Does the M1 manual provide any guidance for the development of charges for special services?

A. Yes, Chapter 32 of the M1 manual discusses the steps required to determine the cost for a special service. The process generally involves a time and material study to identify the cost of the actual service provided to those benefiting from the service. Basically this procedure requires that the direct and indirect cost of a special service be paid by those that require the special service.

Q. Are the incremental cost for providing the billing information to MSD known?

A. Based on the Water Usage Data Agreement dated November 29, 2007 between MAWC and MSD, MAWC was required to develop the incremental costs of providing this data prior to its then next rate proceeding. As a result, MAWC issued a study entitled "Analysis of Costs for Water Usage Data Services Provided to Metropolitan St. Louis Sewer District; 12 Months Ending December 31, 2007" (Study). The incremental costs which are included within that study are **highly confidential information removed** annually or about **highly confidential information removed** per customer account.

Industry Practice

Q. Are you familiar with instances where billing costs are shared between water and wastewater utilities?

A. Yes, this is a common practice for municipal clients that are controlled by the same politically body. The actual amount of the cost sharing is set by policy considerations and agreements between the two utilities. Cost sharing may include meter reading, billing of a combined water/wastewater bill, collection, and customer services related

costs.

Q. What is different about the cost sharing practices of some municipal controlled water and wastewater utilities and the cost sharing proposal of MAWC?

A. The primary difference is that the two utilities are not controlled by the same governing body. Another difference is that MAWC is a private for profit entity while MSD is a public not for profit entity. Any meter reading or other cost absorbed by MSD could result in additional profit for MAWC. In addition, prior to 1993, MSD billed all residential customers on a flat rate basis and the cost for obtaining residential water usage data was thus fully absorbed by the county water service providers. This practice was changed due to the Hancock Amendment and the resultant requirement to base wastewater charges on water usage data. Another difference is that MSD bills its customers separately from the area water providers and provides its own customer service support. Therefore, the only MAWC billing related service required by MSD to bill its county customers is the electronic billing data compiled by MAWC in the course of its regular business activities.

Q. Are you familiar with instances where different political bodies control the two respective water and wastewater utilities and water billing information is provided to the wastewater utility based on the actual incremental cost of providing this service?

A. Yes, Johnson County Wastewater serves a large portion of Johnson County, Kansas, which is within the metropolitan Kansas City, Missouri area and operates independently from Water District No. 1 of Johnson County, Kansas (WaterOne). The wastewater utility is controlled by the Johnson County Board of County Commissioners while WaterOne is controlled by a separate board elected by county voters.

Q. What is the general basis of charge for billing information supplied by WaterOne to Johnson County Wastewater?

A. WaterOne charges Johnson County Wastewater only for the costs directly required to produce the billing information needed by the wastewater utility. The costs are determined based on a set of hourly billing rates for the services and time required to produce the billing information as set forth in Exhibit B of the Intergovernmental Data Transfer and Use Agreement.

Q. Does Johnson County Wastewater have data transfer agreements with other regional water utilities?

A. Yes, they also have an agreement with the City of Olathe, Kansas for city water customers in areas of the city that are served and directly billed by Johnson County Wastewater

Q. What is the general basis of charge for billing information supplied by the City of Olathe to Johnson County Wastewater?

A. A small annual maintenance and support fee is charged for the ongoing support and transfer of the water use data.

Q. Are you familiar with any other water / wastewater billing arrangements?

A. Yes, the City of Baton Rouge and Parish of East Baton Rouge have a billing contract with the Baton Rouge Water Works Company that generally indicates that billing services will be provided to the City/Parish at costs.

Q. What are the general terms of this contract?

A. The contract indicates that billing services will be provided to the City/Parish at costs. There is a base charge for billing services rendered plus a much smaller incremental cost

for "each additional fee billed".

Office of the Public Counsel

Q. What is OPC's position regarding this issue?

A. OPC believes MSD should pay an equal share of billing data costs based on meter reads required for MSD billing purposes.

Q. Is the basis for this cost allocation supported by any rate design guidelines?

A. No. No supporting information is presented in the direct testimony and I found no reference to equal cost sharing between a water and wastewater utility in the M1 Manual or the Water Environment Federation Manual of Practice No. 27, titled "Financing and Charges for Wastewater Systems".

Q. Do you agree that by continuing the negotiated $350,000 annual charge under the current MSD/MAWC agreement that other MAWC customers will be subsidizing MSD customers?

A. No. The direct testimony of witness Robertson is unclear as to whether it relates to all MAWC customers in the state or only St. Louis County customers served by MAWC. If it is assumed that the testimony offered by witness Robertson is on a state-wide basis then the basic premise is that all other MAWC customers are subsidizing the provision of water usage data to MSD. However, no case studies, information or analyses are offered to support this premise. If the argument posed by witness Robertson refers to all MAWC customers in St Louis County, including those that discharge their wastewater to separate septic or private sewer systems, local service charges applied by MAWC for those non-sewered customers are actually being subsidized by MSD on a cost benefits basis. MAWC incurs the full cost of billing those non-sewered customers but the non-sewered

customers are billed the same reduced quarterly charge as MAWC customers who discharge their wastewater to MSD's sewer system, thus receiving what amounts to a subsidy from MSD's customers.

Recommendations

Q. What are your recommendation concerning this issue?

A. It is my understanding that, notwithstanding the incremental costs associated with providing this data to be **highly confidential information removed**, MAWC and MSD's desire to continue with the agreement in place which obligates MSD to pay MAWC $350,000 annually. In my opinion, if the existing agreement is discontinued, for any reason, the proper fee to be charged, if any, would be the actual annual incremental costs associated with providing the requested billing data.

Q. Does this conclude your direct testimony?

A. Yes it does.

STATE OF KANSAS)
) SS.
COUNTY OF JOHNSON)

AFFIDAVIT OF KEITH D. BARBER

COMES NOW Keith D. Barber, being first duly sworn upon his oath, who deposes and states as follows:

1. I am over the age of eighteen and I have personal knowledge of the facts that I recite in this Affidavit.

2. The testimony set forth above is true and accurate to the best of my knowledge, information and belief.

Keith D Barber

Keith D. Barber
Principal Consultant
Management Consulting Division
Black & Veatch Corporation

On this 15th day of April in the year 2010, before me, Shelly Campbell, a Notary Public in and for said State, personally appeared Keith D. Barber, known to me to be the person who executed the within Affidavit, and acknowledged to me that he executed the same for the purposes therein stated and that the sworn testimony set forth above is true and accurate to the best of his knowledge, information and belief.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal in the County and State aforesaid, the day and year first above written.

NOTARY PUBLIC STATE OF KANSAS | SHELLY CAMPBELL My Appt. Exp. 2-6-2012

Shelly Campbell
Notary Public

SHELLY CAMPBELL NOTARY PUBLIC STATE OF KANSAS

My Commission Expires: 2-6-2012