

PUBLIC SERVICE COMMISSION

OF WEST VIRGINIA

CHARLESTON

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WEST-VIRGINIA AMERICAN \* 15-0674-WS-D  
WATER COMPANY \*

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WEST-VIRGINIA AMERICAN \* 15-0675-S-42T  
WATER COMPANY \*

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WEST-VIRGINIA AMERICAN \* 15-0676-W-42T  
WATER COMPANY \*

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HEARING TRANSCRIPT

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BEFORE: MICHAEL A. ALBERT, Chairman  
BROOKS F. MCCABE, Commissioner  
KARA CUNNINGHAM WILLIAMS, Commissioner

HEARING: Friday, October 30, 2015  
9:30 a.m.

LOCATION: PSC Howard M. Cunningham Hearing Room  
201 Brooks Street  
Charleston WV

Reporter: Jeremy Gilliams

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

CHAIRMAN ALBERT:

Good morning. We are back on the record in the PSC Case Numbers 15-0675-SW --- or S-42T and 15-0676-W-42T. And my understanding is that you have at least a tentative agreed order of witnesses. See how many we can do today. It's an unlikely prospect that we'll complete the whole thing.

ATTORNEY ROBERTS:

Chairman, as a preliminary matter there was a lot of discussion with the parties during the lunch break yesterday in confusion over some of the questions you asked Mr. Smith. We thought you were questioning him about B addendum of the 42 filing being part of the trio of historic test year, B addendum and the future test year.

And we think, after reflection, you were asking him about an exhibit attached to the Company's testimony called B addendum about taxes, and to make the record clear, that CAD and its witness, Mr. Smith, agree with the adjustment shown in Mr. Tomac's testimony, Exhibit JST-R2, page 8 of 13 of \$8.873 million increase for going level ADR Property and a decrease of \$2,364,000 for deferred FIT, which is an increase. And

1 the latter adjustment is on line 61, former adjustment is  
2 on line 38 so that the record's clear.

3 ATTORNEY CALLAS:

4 Your Honor, if there was a conversation  
5 among the parties about that, I don't think I was part of  
6 it and not in a position to confirm or oppose what Ms.  
7 Roberts has just said. Honestly I would have to dig into  
8 the documents and recall from my notes what was being  
9 said, and if there's need to give a statement on that or  
10 weigh in on it, I think I'd have to do it later,  
11 obviously.

12 ATTORNEY ROBERTS:

13 Well, this is an adjustment that favors  
14 the Company.

15 CHAIRMAN ALBERT:

16 For those of who will most likely  
17 receive than not, so ---.

18 ATTORNEY CALLAS:

19 I'm not saying I disagree. I'm just  
20 saying I'm hearing this for the first time and I'm not  
21 sure I'm prepared to respond.

22 CHAIRMAN ALBERT:

23 All right. And I'm not willing to  
24 concede that that's correct. That's your statement,  
25 so ---.

1                   ATTORNEY ROBERTS:

2                   No, I'm not asking you to concede.

3                   CHAIRMAN ALBERT:

4                   I understand, I understand.

5                   ATTORNEY ROBERTS:

6                   I'm just clearing the record on CAD's  
7 position on those items.

8                   CHAIRMAN ALBERT:

9                   That's fine. Thank you. All right.  
10 Call your first witness.

11                   ATTORNEY CALLAS:

12                   Thank you, Your Honor. The Company  
13 calls Mr. Graves to the stand.

14 -----  
15 SEAN T. GRAVES, HAVING FIRST BEEN DULY SWORN, TESTIFIED  
16 AS FOLLOWS:

17 -----  
18 DIRECT EXAMINATION

19 BY ATTORNEY CALLAS:

20 Q.            Good morning, Mr. Graves.

21 A.            Good morning.

22 Q.            Could you provide your name and business address  
23 for the record, please?

24 A.            My name is Sean T. Graves. That's S-E-A-N, T.,  
25 period, G-R-A-V-E-S. I work for West Virginia-American

1 Water Company at 1600 Pennsylvania Avenue.

2 Q. Mr. Graves, how are you employed there?

3 A. I'm employed as the director of operations.

4 Q. As part of this case, did you prepare some  
5 Direct Testimony for the Company's filings?

6 A. I did.

7 Q. Do you have a copy of it on there, on the  
8 witness stand?

9 A. I do.

10 ATTORNEY CALLAS:

11 Your Honor, I would ask that Mr.  
12 Graves' Direct Testimony, which is the only testimony he  
13 prepared, consisting of 28 pages and 2 numbered exhibits  
14 be collectively marked as Company Exhibit STG-D.

15 CHAIRMAN ALBERT:

16 It'll be so marked.

17 (West Virginia-American Water's Exhibit  
18 STG-D marked for identification.)

19 BY ATTORNEY CALLAS:

20 Q. Mr. Graves, are any changes you believe,  
21 corrections that are needed to make that testimony  
22 accurate?

23 A. Yes, sir, I have four changes to make.

24 Q. Please go ahead and lead us through them.

25 A. All right. If you follow me to page 5 down at

1 sentence 23, the end of that sentence, the 315 should be  
2 325. If we go to page 7, sentence 4, again, that 315  
3 should be 325. If you go over to page 9 at sentence 5,  
4 strike custom. Delete that word. And at sentence 6 add  
5 an S to program, make that plural, programs. And on the  
6 same page at sentence 10, strike the word annual and make  
7 that monthly, and at sentence 15, strike annual and also  
8 make that monthly.

9           And the final change I have to the testimony is  
10 on page 16. On sentence 15, change international to  
11 infrastructure. That should read infrastructure leak  
12 index.

13 Q.           Are there any other changes, sir?

14 A.           No, sir.

15 Q.           With the changes that you've just identified, do  
16 you believe that that testimony is truthful and accurate  
17 today?

18 A.           I do.

19 Q.           Do you ask the Commission to adopt it as your  
20 Direct Testimony in this case?

21 A.           I do.

22   ATTORNEY CALLAS:

23   With that, Your Honor, I ask that  
24 Company STG-D be admitted into evidence and I offer Mr.  
25 Graves for Cross.

1                                    CHAIRMAN ALBERT:

2                                    It'd be admitted and he's available for  
3 Cross.

4 CROSS EXAMINATION

5 BY ATTORNEY OSBORN:

6 Q.                    Good morning, Mr. Graves.

7 A.                    Good morning.

8 Q.                    In your Direct Testimony, well, your only  
9 testimony, at page 12 you're asked --- at line 11 rather,  
10 you're asked what has the Company's periodic meter  
11 testing and change out programs' performance been since  
12 the last rate application?

13 A.                    Yes.

14 Q.                    And then under that section beginning on line 13  
15 and, I believe, continuing to line 22, you've discussed  
16 the Company's meter change and testing schedule; correct?

17 A.                    That's correct.

18 Q.                    And I'm not going to take you through all that  
19 because it's there as far as, you know, how often certain  
20 size meters are replaced, but it's sufficient to say  
21 based on the size of the meter there's a different  
22 schedule for its replacement; correct?

23 A.                    That's correct.

24 Q.                    Specifically I do want to talk about the  
25 three-quarter inch and smaller meters the Company



1 replaces every 15 years or upon reaching a registration  
2 of one million gallons, whichever comes first; correct?

3 A. That's correct.

4 Q. Are residential meters typically those meters?

5 A. Yes, ma'am, typically.

6 Q. Are there any residential meters that don't fall  
7 within that size? I honestly don't know and I'm just  
8 curious.

9 A. The majority we're talking in this range. The  
10 majority of the meters we change are residential meters  
11 and fall in that size.

12 Q. At line 19 also on page 12, you state that for  
13 all meters other than the million gallon five-eighths of  
14 an inch and three-quarters of an inch meters, they can  
15 --- those meters other than those sizes, the five-eighth  
16 and the three-quarter inch, may be repaired if necessary  
17 and tested for accuracy and possible reuse. And I just  
18 wanted to ask you, does that mean that when you reach the  
19 time frame for replacement, for instance, in a three inch  
20 meter, which is to be replaced or tested every two years.

21 So does that mean every two years if those  
22 meters don't need to be replaced they'll just be  
23 repaired, if necessary?

24 A. Are you referring to the smaller diameter  
25 meters?

1 Q. Well, I'm referring --- your testimony says that  
2 other than the small meters, the five-eighths inch and  
3 the three-quarter inch meters can be repaired?

4 A. Yes, my testimony says other than the million  
5 gallon small diameter ---

6 Q. Right.

7 A. --- meters.

8 Q. And I just want to make sure I understood that.  
9 Does that mean that when you're within the time frame of  
10 replacement that you set forth in your testimony, if  
11 those meters, those large meters, don't actually need to  
12 be replaced, if they're just something that can be  
13 repaired on them, is that what the Company does according  
14 to that same time frame?

15 A. The large meters, if they can be repaired, we  
16 repair them. There is a --- like for the small diameter  
17 meters, the million gallons, that's the end of a useful  
18 life.

19 Q. Right. I understand.

20 A. If it's under that, you know, we can test them  
21 and put them back in the system. The large diameter  
22 meters can be repaired and tested.

23 Q. If the large diameter meters are repaired at a  
24 certain point in time, do they then go back into the  
25 circulation? In other words, is there a time frame for

1 replacement, start over once that repair occurs or ---?

2 A. Yes.

3 Q. All right. And in your Direct, page 13, line 1,  
4 you're asked about the Company's plan to transition to  
5 newer technology. Do you see that?

6 A. Yes, ma'am.

7 Q. And then in lines 2 through 18 on that same page  
8 that's where you discuss the Company's AMR, AMI plan;  
9 correct?

10 A. That's correct.

11 Q. And lines two through four specifically you  
12 state that the Company must develop a five-year plan to  
13 achieve a one hundred percent penetration rate for  
14 converting all meters to AMR or AMI starting in 2015;  
15 correct?

16 A. Correct.

17 Q. Now, does that plan to convert all meters to  
18 AMR, AMI, does that mean exactly what it says, all meters  
19 regardless of size or are we talking about only  
20 residential meters?

21 A. The tranche here is residential meters, but all  
22 meters will be AMR, so ---.

23 Q. Regardless of size?

24 A. Yes.

25 Q. And do all meters regardless of size fall within

1 that five-year plan or does the five-year plan only apply  
2 to residential meters?

3 A. The five-year plan --- without having the  
4 detailed plan in front of me, the five-year plan we focus  
5 on 110,000 meters that we change over that five-year  
6 period. The majority of those will be residential  
7 meters. There will be a number of other in there,  
8 commercial and industrial meters.

9 Q. And then, if you know, beyond that five-year  
10 plan, is it your understanding the Company would  
11 anticipate, you know, after you complete what you can do  
12 in those five years that you would then in another cycle  
13 of replacement convert the remaining meters that did not  
14 make it within that five-year plan, commercial,  
15 industrial meters also to AMR, AMI at some point in time?

16 A. It's our desire to transition to AMR for all of  
17 our meters.

18 Q. And I was just curious. You say in your  
19 testimony AMR or AMI and I was just wondering what ---  
20 why the distinction? I mean, I understand that there's a  
21 difference between the two and --- what will make some  
22 meters AMR and some AMI?

23 A. The AMR basically would be a meter that would be  
24 a drive by. The routes can be picked up via a technician  
25 driving and a transmitter receiver in a truck would pick

1 those up, so that's your AMR or radio read technology.  
2 AMI, advanced metering infrastructure, has a network, a  
3 backbone network, where the meters can either communicate  
4 with themselves or with repeaters up to a --- it keeps  
5 going up, structured to a hub and then on into the  
6 billing process.

7 Q. Right. And I appreciate that because I sort of  
8 understood the distinction, but that helps me understand  
9 a little bit better. My question is with respect to  
10 choosing which meters become AMR and which become AMI,  
11 how's that determination being made?

12 A. The bulk of these is AMR in this five-year  
13 upgrade. We have a selective route that we're going to  
14 do AMI here in Charleston and that is the same backbone  
15 infrastructure of the Mi.Echo leak logger system that has  
16 been talked about on the stand this week. So it's the  
17 same backbone, the same infrastructure.

18 Q. And that route in the scenario that you'll be  
19 using AMI with AMR, is there a reason you're starting  
20 with just a small segment? Is it to make sure it works  
21 properly through the pilot test project or ---?

22 A. Yeah, we want to do a pilot with this  
23 manufacturer. We want to do the pilot. It's the same  
24 company that's provided the Mi.Echo leak logger system  
25 and, again, you know, they have communication protocols

1 that the leak logger devices talk to and also the  
2 metering infrastructure will talk to. So while we've got  
3 this backbone that we've already established up and down  
4 Kanawha Valley and we want to pilot a small system that  
5 we can bring in on this same backbone, so there would be  
6 the AMR portion would be that route.

7 Q. Thank you. Now, going back to what we talked  
8 about a few minutes ago, the fact that most residential  
9 meters fall within the five-eighths inch or the  
10 three-quarter inch what we're calling the smaller meters.  
11 And those are replaced on a 15 year or 1 million gallon  
12 schedule; correct?

13 A. That's correct.

14 Q. Presumably at least as I think about this if you  
15 have a five-year plan to convert all of those meters to  
16 primarily AMR, some AMI, some of those meters that you'll  
17 be replacing will not have reached their 15-year life  
18 expectancy; correct, at the time they're replaced with  
19 the newer technology?

20 A. Some of them may not.

21 Q. All right. And likewise some of those that you  
22 would be replacing with the newer technology would not  
23 have reached their one million gallon life span, I'll  
24 call it for lack of a better term; correct?

25 A. Some may not and some may already be a radio

1 read within the population.

2 Q. Right. I mean, in fact, if you replace meters  
3 --- the smaller residential meters, if you replace them  
4 every 15 years or on a 1 million gallon schedule ---?  
5 Well, let me ask you this first. Which normally happens?  
6 What's the norm? Does a meter register a million gallons  
7 first or does the 15-year period expire first for the  
8 average residential customer?

9 A. I would have to look --- check the data on that,  
10 look at the records.

11 Q. But getting back to what I was initially asking.  
12 It seems to me that some of the meters --- since you  
13 replace on 15-year schedule or 1 million gallon schedule,  
14 some meters that you will be converting to AMR, AMI  
15 within this 5-year plan may have recently, in fact, been  
16 replaced according to the 15-year schedule. Is that  
17 fair?

18 A. That's fair and some of those also may already  
19 be a radio read or be able to be what we call potted to a  
20 radio read device.

21 Q. Sure. Because when you replace ---

22 A. Yeah.

23 Q. --- them at the expiration of 15 years, you went  
24 ahead and upgraded them to the newer technology?

25 A. That's correct.

1 Q. But you wouldn't have done that to all of them.  
2 Is that fair?

3 A. Anything we've put in --- you know, we're going  
4 AMR, so I ---.

5 Q. Well, let me ask you that. Aside from the five-  
6 year plan, you know, and the Company's plan to get all  
7 meters converted to the newer technology, when did the  
8 Company start upgrading meters to AMR just based on, you  
9 know, hey, 15 years is up, we have to replace it anyway,  
10 let's go ahead and put in AMR as opposed to the regular  
11 old meter? When did the Company sort of start doing  
12 that?

13 A. Subject to check we've become aggressive with  
14 this program over the last three to five years of not  
15 putting in touch read, touch pad meters, but to move  
16 forward the AMR type metering.

17 Q. And it's my understanding just from, you know,  
18 kind of doing some Google research for what it's worth,  
19 that when a water utility converts meters to AMR or AMI,  
20 at least AMR, that they don't necessarily have to take  
21 out the old meter, put in a brand new meter. They can  
22 retrofit the old meter to become AMR; is that correct?

23 A. That's correct. And I answered a little while  
24 ago the term potted, you know, ---

25 Q. Yes.



1 A. --- we connect instead of ---. You have a meter  
2 in a pit and you can have that wired to a touch pad,  
3 which is on the lid or we can wire that to a radio. So  
4 yes.

5 Q. Is that what the Company's going to be doing as  
6 far as, you know, a complete replacement of these meters  
7 to become AMR versus a retrofit of the old meter? Will  
8 the Company be doing both depending on the situation or  
9 what's the plan there?

10 A. Both depending on the situation.

11 Q. And would the situation be at least in part ---  
12 and if there's more circumstances, feel free to tell me,  
13 but at least in part on the condition of the old meter?

14 A. It would be at least in part on the type of the  
15 old meter. We want to go to AMR to remove the touch read  
16 type meters from our system.

17 Q. And looking at this five-year plan that the  
18 Company has, you know, it's been discussed at length in  
19 this case and the cost of it and whatnot. Does the  
20 Company --- I would presume the Company has some sort of  
21 record in place now where you already know before you  
22 even get, you know, in the process of replacing certain  
23 meters whether it's going to be retrofitted or whether it  
24 needs to be replaced, or did that have to wait and happen  
25 when you actually get in the trenches and start doing it?

1 A. No, there's knowledge of what's a touch read and  
2 what's a radio read already.

3 Q. And so all touch read meters that will be  
4 converted, those will be fully replaced? Is that what I  
5 understood you to say before?

6 A. Yes.

7 Q. And if they're not touch read meters, then will  
8 they all be retrofitted?

9 A. The meters that we've been putting in recently  
10 are radio read. The focus is on the touch reads to get  
11 the touch reads out of the system and to install radio  
12 read meters, so ---. Could you restate your question,  
13 please?

14 Q. Let's see. I guess I'm just trying to make sure  
15 I understand --- you know, with the Company projecting  
16 its costs over this five-year period or upgrading its  
17 meters. I'm trying to determine how the Company knows,  
18 you know, as it sits here today or when it made its five-  
19 year plan announced and, you know, what it was going to  
20 cost to do this upgrading of meters.

21 You know, whether the Company knew when it made  
22 that plan, you know, X number of meters will have to be  
23 retrofitted whereas X number of meters will be replaced.  
24 No ifs, ands or buts about it, we know. You know, if you  
25 have 100 meters, 50 are going to be retrofitted, 50 have

1 to be replaced?

2 A. Yes. As far as the number to be retrofitted,  
3 you know, if there's a meter --- Mueller meter in the  
4 ground, it's a few years old and that's the company that  
5 we're using to be compatible with the backbone and the  
6 technology moving forward, then we will do away with the  
7 touch pad or put a radio read there. As far as that  
8 number goes, ma'am, I'm not for sure. I don't have that  
9 data in front of me. I understand your question. I do.

10 Q. And that's fine. I'm not asking you to give me  
11 the data. I'm just wondering if the Company has the  
12 data? You know, if it has it in advance ---

13 A. Yes.

14 Q. --- or is it during this five-year period that  
15 you actually get out and start replacing the meters that  
16 that's when the Company comes to realize, okay, this one  
17 needs to be retrofitted, this one needs to be replaced?

18 A. Yes, we have the data.

19 Q. And I presume, correct me if I'm wrong, but is  
20 it normally less expensive to retrofit a meter as it is  
21 to replace it?

22 A. It would be.

23 ATTORNEY OSBORN:

24 All right. I think that's all the  
25 questions I have for you. Thank you.

1                   CHAIRMAN ALBERT:

2                   All right. Mr. Feinberg?

3 CROSS EXAMINATION

4 BY ATTORNEY FEINBERG:

5 Q.            Good morning, Mr. Graves.

6 A.            Good morning.

7 Q.            Explain for the record the difference between  
8 UFW and NRW water, unaccounted for water and non-revenue  
9 water.

10 A.            An NRW would be a percentage of looking at  
11 system delivery minus sales. Unaccounted for water would  
12 be the component of water that we can't --- a company  
13 couldn't account for, which could be unidentified  
14 leakage, water theft, things like that. Meter  
15 inaccuracies, errors like that.

16 Q.            So if you turn to page 15 of your testimony,  
17 lines 12 and 13. You point out that the Company's  
18 applied reduction plans have reduced UFW by about ---  
19 that's about 1 percent. So that's unaccounted for water.  
20 As just as you described it leaks; right? Primarily  
21 leaks, and pipe bursts and anything like that?

22 A.            That we can account for or put a number on to  
23 quantify.

24 Q.            Is it accurate to say that by reducing that  
25 number by one percent you've also reduced other expenses,

1 like you're not using as much water anymore to get ---  
2 you're not using 128 to get the 100 out of it if I use  
3 your percentages, so you reduce some expenses like  
4 chemicals that you have to use and other things?

5 A. Yeah, that's a fair statement.

6 ATTORNEY FEINBERG:

7 And that's all.

8 CHAIRMAN ALBERT:

9 Mr. Robinson?

10 ATTORNEY ROBINSON:

11 The City has no Cross.

12 CHAIRMAN ALBERT:

13 Mr. Gunnoe?

14 ATTORNEY GUNNOE:

15 I have no questions, Your Honor. Thank  
16 you.

17 CROSS EXAMINATION

18 BY ATTORNEY SHERIDAN:

19 Q. Mr. Graves, I've got a few questions. I'm Paul  
20 Sheridan from the Advocates for a Safe Water System.  
21 What's the Company's unaccounted water rate?

22 A. The Company's unaccounted for water rate as of  
23 October is about 22.5 percent.

24 Q. And you said this is --- would it be fair to say  
25 that the unaccounted for water is a component of the

1 non-revenue water?

2 A. It would be a component of the total water loss,  
3 yeah.

4 Q. And the total water loss is --- is that the same  
5 thing as the non-revenue water?

6 A. Yes, sir.

7 Q. And what are the other components of the ---  
8 other than unaccounted for water, what are the other  
9 components of the water loss?

10 A. Other than the unaccounted for, that would be  
11 leakage that we could account for. That would be use  
12 that we could account for on a hydrant for flushing, for  
13 firefighting, things like that. Like I said, that can be  
14 accounted for.

15 Q. And it seems like flushing and fire hydrants,  
16 that's a relatively small piece; isn't that correct?

17 A. It would be.

18 Q. Something like three percent, subject to check?

19 A. Subject to check.

20 Q. And the accounted for leakage, what does that  
21 refer to? I mean, you indicated that there's some amount  
22 of leakage that's not unaccounted for. Why?

23 A. Well, we can account for the volume that we've  
24 lost and if I may use an example. If I have a main break  
25 and I can correlate that break to a trend on our SCADA

1 system and see the difference in the pump characteristics  
2 or the tank volumes, then I can attribute a volume  
3 accurately to that leak. So I know --- I can pretty much  
4 see by looking at ---. Again, behavior in the  
5 distribution system by the pump and the booster or the  
6 booster and the tank level.

7 I can see when that change has occurred and, you  
8 know, that's the two components of it is time and, of  
9 course, the flow will give you the volume. So we can in  
10 some instances quantify those leak volumes.

11 Q. But that's an estimate; correct?

12 A. It's an estimate, but it's --- you know, I  
13 believe there's accuracy to it.

14 Q. I think in some of the documents referred that  
15 to as repaired leak --- it was associated with repaired  
16 leaks; right?

17 A. Right. I believe subject to look.

18 Q. And is that because the --- when you identify  
19 it, when you know, when you're able to estimate it,  
20 you're typically able to find it and fix it. So there's  
21 an association between the leakage that you're able to  
22 estimate and the leakage that ultimately gets repaired?

23 A. Could you say that again, please?

24 Q. Sure. I'm just trying to clarify and looking  
25 --- sort of trying to understand the breakdown of the

1 numbers. It appeared to me that --- I think some of the  
2 material, the Discovery material, referred to estimating  
3 it based on the nature of the leak, the repaired leak. I  
4 had the impression that somebody dug it up, looked at the  
5 leak, was able --- the examination of the leak in the  
6 process of repairing it was part of what you looked at  
7 when you estimated how much water had been lost?

8 A. I understand, and yes. Yeah, we look at the  
9 break whether it's circumferential, or a split in a piece  
10 of pipe or, you know, leaking around the valve packing.  
11 You know, we can look at that. We have experienced  
12 people that could look at the volume and we also had  
13 methods that we can calculate leak volume. Then, again,  
14 that other component is time. We can determine, you  
15 know, how long that leak's running.

16 Q. So the time component you determine based upon  
17 looking at tank volumes and volumes in other places in  
18 the system?

19 A. Yes, most instances.

20 Q. If I remember correctly and subject to check,  
21 would you say that that number is somewhere in the  
22 neighborhood of five percent system wide for the repair  
23 leak?

24 A. I don't know.

25 Q. To figure out a best quantification of the



1 amount of the water that's draining out of the system  
2 someplace between the plant after it's been processed and  
3 the user, it's a combination of the unaccounted for water  
4 and the repaired water leakage, this estimate that we've  
5 been talking about?

6 A. To quantify? Your question is to ---?

7 Q. If we're trying to --- my question I guess is,  
8 isn't it true that the total of water that leaks out of  
9 the system between the plant and the meter is the  
10 combination of the unaccounted for water plus this  
11 estimate of leakage from known and repaired leaks?

12 A. I believe that between system delivery at the  
13 plant, at any plant, and then out to the customer or to  
14 the end user in that subsystem, all right, the water loss  
15 is a combination of leakage in the system. It's a  
16 combination of water theft, of unauthorized use, it's a  
17 combination of flushing, you know, things that may go on  
18 like that. And then we quantify up underneath that, but  
19 --- beneath that, break that down.

20 Q. I was trying to figure out how we could get a  
21 number for the water that --- because flushing is  
22 something that's done intentionally; correct?

23 A. That's correct.

24 Q. And so I want to break that out of the number.  
25 I mean, that has a useful purpose.

1 A. Sure. I gotcha, yeah.

2 Q. So the water that's being lost because of  
3 inefficiency would be the unaccounted for water, plus the  
4 estimate on leakage from repair leaks where you got some  
5 basis to estimate?

6 ATTORNEY CALLAS:

7 Object to the form of the question as  
8 to inefficiencies as the cause of some of those leaks.

9 CHAIRMAN ALBERT:

10 Rephrase the question.

11 ATTORNEY SHERIDAN:

12 Sure. I'll attempt to.

13 BY ATTORNEY SHERIDAN:

14 Q. There is some water theft in the unaccounted for  
15 water; is that correct?

16 A. That is correct.

17 Q. Do you have any sense as to what percentage of  
18 unaccounted for water or water theft?

19 A. No.

20 Q. But there's some component of water theft. It's  
21 somebody else's intentionality that's built into that  
22 loss component; is that right?

23 A. That is correct.

24 Q. But other than that, the unaccounted for water  
25 would be water where there's just --- there's no

1 intentionality; right? It's just the system not  
2 functioning the way we want the system to function.  
3 Would that be a fair statement?

4 A. It's water that's unidentified leaks,  
5 unsurfacing leaks, leaks we haven't found.

6 Q. And then the other water that is leaks would be  
7 this estimate figure, which it's not unidentified. It's  
8 not unaccounted for water because you accounted for it  
9 with your estimate, but it's the leakage; correct?

10 A. The accounting for leak is after the leak's  
11 repaired and we can examine the system. To look at non-  
12 revenue water or unaccounted for water at the point in  
13 time today we would look at system delivery and sales ---  
14 minus sales to get those losses. The estimation in that  
15 work is in the past.

16 Q. So you're going back and you're adjusting  
17 numbers from the past?

18 A. That's correct.

19 Q. The Public Service Commission has a standard for  
20 unaccounted for water; do they not?

21 A. They do.

22 Q. Do you know what that is?

23 A. It's 15 percent or less.

24 Q. And the Company's well above that; correct?

25 A. 22.4.

1 Q. And how long has it been above the 15 percent?  
2 Do you know?

3 A. The trend started in the late '90s, early 2000s.

4 Q. Mr. Graves, I want to show you the Company's  
5 quarterly operation metrics report for the second quarter  
6 of 2015.

7 ATTORNEY SHERIDAN:

8 We'll ask that this be marked  
9 Advocates' Cross 1. I thought we put 1 in before. I  
10 think it's Cross 5.

11 CHAIRMAN ALBERT:

12 Five, yeah. Yeah.  
13 (ASWS Cross Exhibit 5 marked for  
14 identification.)

15 BY ATTORNEY SHERIDAN:

16 Q. I'm going to ask you to turn to the last three  
17 pages, which I think are the metrics. This is set out in  
18 12-month rolling data. Can you explain to me what that  
19 means?

20 A. Yeah, that's an accumulation of the 12-months  
21 rolling volumes.

22 Q. So these numbers are annual numbers; is that  
23 correct? They're annual up until the month in which they  
24 appear?

25 A. That's correct.

1 Q. So they're the 12-month numbers for the 12  
2 months prior to ---

3 A. Prior to.

4 Q. --- listed in ---? So if we look, just as an  
5 example, the October 2014 column and sort of work with  
6 that, so we can understand what we're dealing with here.  
7 These are the numbers that we've been discussing in your  
8 testimony, the non-revenue water and the unaccounted for  
9 water and that sort of thing; correct?

10 A. That's correct.

11 Q. So if we looked at the Kanawha Valley system in  
12 this period --- and I think the Kanawha Valley system is  
13 listed in each of the blocks. It's listed for the system  
14 delivery, which that's all of your processed water;  
15 right, everything that comes out of the plant?

16 A. That's all the water that leaves the plant,  
17 system delivery.

18 Q. And you get your non-revenue by just subtracting  
19 these sales; right?

20 A. That's correct.

21 Q. So the non-revenue for the Kanawha Valley in  
22 October 2014 number was 4,700,000; is that correct?

23 A. I think you need to --- those are in thousands.

24 Q. So we're off by a thousand.

25 A. Right.

1                   CHAIRMAN ALBERT:

2                   I'm having a difficult time hearing  
3 you. Pull your mic up.

4                   ATTORNEY SHERIDAN:

5                   I'm sorry. Is that better?

6                   CHAIRMAN ALBERT:

7                   Yeah.

8 BY ATTORNEY SHERIDAN:

9 Q.               So the numbers are all in thousands; is that  
10 correct?

11 A.               That's correct.

12 Q.               So we just got to add three zeros on it. And so  
13 can you --- and I think later on in the percentages ---.  
14 Can you confirm for me the Kanawha Valley District for  
15 this particular period, this figure of I guess it's 4  
16 billion, 4.7 billion; is that right?

17 A.               That's correct.

18 Q.               Would it be 45 percent of all the water from the  
19 plant?

20 A.               Yeah, in that range.

21 Q.               And the flushing portion --- so that 45 percent  
22 would include water used for flushing and fire hydrants  
23 and that sort of thing, which is non-revenue, but a  
24 relatively known quantity; correct, measured quantity?

25 A.               It would be included in non-revenue water.

1 Q. Right, right. But it's not ---?

2 A. Right.

3 Q. It's not unknown?

4 A. That's correct.

5 Q. And in this case that's 411 percent; is that  
6 right?

7 A. That's correct.

8 Q. And which would be --- and I won't ask you to do  
9 the math. Subject to check, something in the  
10 neighborhood of just under four percent in the system  
11 water?

12 A. That's correct.

13 Q. And the unaccounted for water is 3.8 billion and  
14 36.16 percent of the produced water for this plant;  
15 correct?

16 A. You're on page 3 of 15; correct, 36.16?

17 Q. So in addition to the unknown loss, there's this  
18 additional 500 --- I'm sorry, yeah, 520 million gallons,  
19 which is the water that's --- at some later point the  
20 Company's been able to estimate leaked out of the known  
21 leaks, which is about, subject to check, 5 percent?

22 A. Okay.

23 Q. So we could say that approximately 41 percent of  
24 the water produced by the Kanawha plant in the year prior  
25 to October 2014, 41 percent of it leaked out of the

1 system?

2 A. A large percentage of that 41, yes, would be  
3 leaks. Yeah.

4 Q. The only other thing would be water that was  
5 stolen; right?

6 A. Unauthorized use, yes. Meter inaccuracies, use  
7 on fire hydrants, theft of service, things like that.

8 Q. Use on fire hydrants, though, goes into the ---?

9 A. That's right. You're right.

10 Q. It goes into the different category; right?

11 A. If it can be accounted for. If it can be  
12 accounted for.

13 Q. Mr. Graves, I want to talk for just a moment  
14 about meters. I'm finished with that document. Thank  
15 you. And it's true that the Company is meeting nearly a  
16 hundred percent of its meter replacement goals; is that  
17 correct?

18 A. That's correct.

19 Q. Prior to doing this initiative to meter  
20 replacement, this AMR; is that correct?

21 A. That's correct.

22 Q. Initiative. Did the Company perform any kind of  
23 cost benefit assessment to determine whether this was a  
24 good investment?

25 A. Discussions. It was more discussions than an



1 actual on paper analysis if that's your question. You  
2 know, we've looked at the things that --- the buckets of  
3 work that we have that we need to do through the day, we  
4 look at how we can become more efficient and utilize the  
5 employees that we have to do other work. And we look at  
6 also the things that we want to achieve technologically.

7           And to give you an example with this meter  
8 replacement with all AMR, it allows us to establish ---  
9 break this Kanawha Valley system that we just talked  
10 about up into smaller subsystems so that we can take a  
11 booster flow, for example, in GIS or the Esri system,  
12 lasso accurately all the meters off of it and then,  
13 again, we can control the system via DMA. So, you know,  
14 it's ---.

15 Q.           I'm sorry. What's DMA?

16 A.           The district metered area. It's to break a  
17 larger system up into smaller subsystems that we can  
18 accurately look at water entering the system versus  
19 consumption or water sales. So, you know, this is  
20 another factor in our determining to move forward with  
21 AMR and in my mind a big factor was the ability to break  
22 the system down into manageable subsystems.

23 Q.           My question wasn't so much about what your  
24 factors were, but what your process was. And my  
25 understanding is that you do not perform the cost benefit

1 analysis prior to initiating this change, this project;  
2 is that correct?

3 A. No.

4 Q. Mr. Graves, I want to show you what we will mark  
5 as Advocates' Cross 5.

6 CHAIRMAN ALBERT:

7 No, Six.

8 ATTORNEY SHERIDAN:

9 Six. I'm sorry. Thank you. This is a  
10 redacted version of a document that was provided in  
11 Discovery and I would also like to provide you and the  
12 Commissioners with the unredacted version of that, if I  
13 may.

14 CHAIRMAN ALBERT:

15 We will mark the unredacted --- I'm  
16 sorry. Yeah, the unredacted version as Advocates Cross  
17 6C for confidential.

18 (ASWS Exhibits 6 and 6C marked for  
19 identification.)

20 CHAIRMAN ALBERT:

21 And that is a --- it's response to ASWS  
22 2-022 automatic meter reading evaluation and  
23 implementation approach strategy.

24 ATTORNEY CALLAS:

25 Your Honor, the exhibit that you just

1 described is not the way mine reads across the top. I  
2 wonder if we have a different one.

3 CHAIRMAN ALBERT:

4 All right. Yeah, I took that off the  
5 first line. We'll use it ---.

6 ATTORNEY CALLAS:

7 Oh, I see where you are. Yes, it  
8 appears to be the same one. Sorry about that.

9 BY ATTORNEY SHERIDAN:

10 Q. Mr. Graves, you've got both of those documents  
11 in front of you, the confidential version and the ---

12 A. I do.

13 Q. --- the redacted version?

14 A. Yeah.

15 Q. Let's everyone look primarily at the redacted  
16 version and this is a memo from the parent company to the  
17 water company; is that correct?

18 A. It's a practice.

19 Q. I think it's referred to in the document as a  
20 practice; is that correct?

21 A. That's correct.

22 Q. And I guess in my uneducated view of it it looks  
23 an awful lot like a memo to me. Can you explain to me  
24 what a practice is and how it just differs from the memo?

25 A. Well, it sets out again about --- most of our

1 practices follow the same. It sets out a purpose, and  
2 then applicability and then establishes a practice, you  
3 know, a guideline to follow.

4 Q. So it's the parent company establishing practice  
5 for the subsidiary?

6 A. That's correct.

7 Q. So thank you. And this particular practice is  
8 14 pages long; correct? You don't need to count them. I  
9 think it's listed in the ---

10 A. Yeah, I see ---

11 Q. --- right-hand corner.

12 A. Yeah, 14 of 14.

13 Q. And this was issued some time in 2007?

14 A. Correct.

15 Q. And it states as the purpose that per the  
16 automatic meter reading evaluation and implementation  
17 approach strategy, unless specifically excluded, all  
18 American Water regulated water districts are to complete  
19 a bleep economic evaluation of AMR technology based on  
20 bleep, period. That's what it says under purpose; is  
21 that correct?

22 A. That's correct.

23 CHAIRMAN ALBERT:

24 Let me stop just a minute. My  
25 apologies to Mr. Callas. It looks like the automatic

1 meter reading evaluation and implementation approach  
2 strategy is some other document. This is, in fact, a  
3 compliance document or instructions on how to comply with  
4 the other ones. So why don't we call it completing a  
5 district level economic evaluation of AMR technology,  
6 which is what it's called here.

7 So Advocates Cross 6 both, the  
8 unredacted and redacted versions, will be --- simply pick  
9 up the practice name at the top.

10 ATTORNEY CALLAS:

11 If I may interrupt before we begin  
12 again, Your Honor. I think I heard Mr. Sheridan say that  
13 he was passing around an unredacted copy as well?

14 ATTORNEY SHERIDAN:

15 I did. I assumed you had it.

16 ATTORNEY CALLAS:

17 No. Well, I may have it somewhere. I  
18 was hoping you could ---.

19 ATTORNEY SHERIDAN:

20 I'd be happy to do that. I'm sorry.  
21 I'm just trying to be restricted in distribution.

22 ATTORNEY CALLAS:

23 Thank you.

24 ATTORNEY SHERIDAN:

25 If there's anyone else that needed ---

1 that was authorized secret clearance and whatnot.

2 CHAIRMAN ALBERT:

3 Don't make fun of our secrets.

4 ATTORNEY SHERIDAN:

5 Mr. Chairman.

6 BY ATTORNEY SHERIDAN:

7 Q. Did I read that section correctly?

8 A. You did.

9 Q. And regarding the applicability in the next  
10 paragraph, it says, this practice is to be followed by  
11 all water districts of American Water Works Company, Inc.  
12 and its regulated subsidiaries unless specifically  
13 excluded from the evaluation process as discussed herein.  
14 Is that what it says?

15 A. It does.

16 Q. And then down under the practice section, the  
17 first sentence there says, as noted above all regulated  
18 water districts are to proceed with the evaluation  
19 process unless the regional director in charge of meter  
20 operations bleep. I would represent that somebody's  
21 listed there, but we can't say who, due to bleep or other  
22 reasons. And then it goes on to list two exceptions that  
23 would apply; is that correct?

24 A. Yes. That's correct.

25 Q. Who is the regional director of meter

1 operations?

2 A. I don't know.

3 Q. Where would we find that person?

4 A. I'm not aware really of a regional director of  
5 meter operations, so titles change in the Company and  
6 roles.

7 Q. So at some point in time there would have been  
8 somebody who was presumed director of meter operations?  
9 You don't know?

10 A. I'm not familiar with that title.

11 Q. Were you the person locally who implemented the  
12 AMR program?

13 A. This particular one that's been in discussion  
14 during this ---

15 Q. Yes.

16 A. --- hearing, I was involved in the decision  
17 making process and the implementation, and the practices  
18 here that we are looking at can be subject to management  
19 or the president of the Company adopting or modifying.  
20 Of course, it's my understanding that these discussions  
21 --- you know, if a practice is going to be used as a  
22 guideline or not used that's the president's discretion.

23 Q. Turning over to page three, if you would.

24 CHAIRMAN ALBERT:

25 Are you still on your Cross

1 Examination? Page three of your Cross Examination  
2 exhibit?

3 ATTORNEY SHERIDAN:

4 Yes, yes. Thank you, Mr. Chairman.

5 BY ATTORNEY SHERIDAN:

6 Q. Down at the bottom under --- we can all see part  
7 of the title, the part that says evaluation --- this is a  
8 little harder to do with the redacted version, so let me  
9 just paraphrase this, Mr. Graves. Ask you to look at the  
10 unredacted version and look at the last sentence on this  
11 paragraph. And ask you to --- isn't it true that in this  
12 particular paragraph the subsidiaries are advised that if  
13 there's going to be a delay it's going to be directed by  
14 the corporate level, by the parent level?

15 A. I believe that implies if there is a screening  
16 process. The screening process, if there is that  
17 process, there could be a delay.

18 Q. Yeah, but you didn't read the early part of this  
19 to direct the subsidiary to engage in the process?

20 A. Could you rephrase the question?

21 Q. That's all right. I think it speaks for itself.  
22 Let me ask you about the sentence --- last sentence  
23 beginning on page three and going over into page four.  
24 Would you confirm for me that this reads, except those  
25 districts directed? And then it references somebody that



1 we can't mention. All regulated water districts, and  
2 then there's a deletion, it says should complete the, and  
3 there's a blank, by November 1st, 2007. Do you see that?

4 A. I do.

5 Q. Pretty direct language; isn't it?

6 A. Yeah, it is.

7 Q. And looking down at the last paragraph on page  
8 five.

9 ATTORNEY SHERIDAN:

10 And I don't think it has meaning in the  
11 redacted version, so I would ask Counsel for the --- if  
12 they have any objection if the witness reads the last  
13 sentence on page four on the unredacted version.

14 ATTORNEY CALLAS:

15 The last sentence on page four ---

16 ATTORNEY SHERIDAN:

17 Yes.

18 ATTORNEY CALLAS:

19 --- of the unredacted version?

20 ATTORNEY SHERIDAN:

21 Yes.

22 ATTORNEY CALLAS:

23 Hold on a second. No, I have no  
24 objection to the reading of that sentence.

25 BY ATTORNEY SHERIDAN:

1 Q. So, Mr. Graves, if you would, look at the last  
2 --- at the unredacted version of the document. Sorry I  
3 made this confusing, but ---. And read the last sentence  
4 on page four.

5 A. Page four, the very last sentence?

6 Q. Yes.

7 A. Capital Planning shall direct which districts to  
8 proceed to the business case phase.

9 Q. And Capital Planning is referring to some entity  
10 at the parent corporation; is that correct?

11 A. You know, I don't know that --- our  
12 engineering's here. Brett Morgan is here and the studies  
13 that have been done Brett could speak more to, is a  
14 better qualified witness to testify to that than myself.  
15 But, again, you know, what we have in hand here is a  
16 practice and the state is not required to adhere to a  
17 practice. We are not required to do that and our  
18 evaluation and the decision to implement AMR it is vetted  
19 to the executive leadership team, but these are practices  
20 that we're not required to adhere to these two a T. It's  
21 just a practice.

22 Q. And as I understand it, I believe --- were you  
23 here for Mr. McIntire's testimony?

24 A. Yes, I was.

25 Q. And did you hear him say that the decision to do

1 the AMR was a locally made decision?

2 A. Yes, I did.

3 Q. And that's your position as well; is that  
4 correct?

5 A. It is my position. That's correct, but it's  
6 also my position that we did not fail to do any --- dot  
7 any I's or cross any T's in making this decision to do  
8 that.

9 Q. I hope you would also concede that the interests  
10 in proceeding in this direction, the interests perhaps  
11 understanding it is coming on the parent level. Would  
12 you not agree with me that the parent corporation is  
13 pushing for AMR?

14 A. The parent corporation is, yes, allowing AMR.

15 ATTORNEY SHERIDAN:

16 Thank you. No further questions. I  
17 would move for the admission of Advocates Cross Five and  
18 Six.

19 CHAIRMAN ALBERT:

20 Without objection, it'll be admitted.  
21 The clerk will take the confidential. All right. Mr.  
22 Sade?

23 ATTORNEY SADE:

24 No questions, Your Honor.

25 CHAIRMAN ALBERT:

1 All right. No further questions, Mr.  
2 Callas? Any Redirect? Oh, I'm sorry. We'll do this  
3 first. Commissioner?

4 COMMISSIONER WILLIAMS:

5 I have just a few. The difference  
6 between AMR and AMI, if I understand it, is that AMR is  
7 either a drive by or a walk by. You got to be in some  
8 proximity to read the meter. AMR actually communicates  
9 remotely --- or I'm sorry, AMI actually communicates  
10 remotely; is that correct?

11 A. That's correct.

12 COMMISSIONER WILLIAMS:

13 So it doesn't require someone to  
14 physically, you know, pass in proximity in order to read  
15 the meter?

16 A. That's correct.

17 COMMISSIONER WILLIAMS:

18 In your testimony, you indicated that  
19 the Company also uses its meter program to support its  
20 NRW reduction efforts. Do both AMR and AMI support those  
21 efforts, ---

22 A. Yes.

23 COMMISSIONER WILLIAMS:

24 --- both types? Is there any  
25 difference in how they support those efforts? In other

1 words, does --- for example, does one tell you more  
2 quickly than the other? I would assume that to be the  
3 case, but what's the distinction between how those types  
4 of meters support the NRW effort?

5 A. With an AMI system, most AMI systems, you have  
6 the ability to go in and I'm going to simplify, to  
7 manually get a key and read a meter. If I wanted to read  
8 a meter today, I could give that reading at a point in  
9 time.

10 COMMISSIONER WILLIAMS:

11 From your desk?

12 A. Yeah, from my desk. Now, that's important in  
13 our W reduction if, you know, I can normalize the amount  
14 of water going into a system. So if I may use an  
15 example, Quarry Creek booster, Landgraff booster here in  
16 town pumps up to the Quarry Creek development and also it  
17 pumps up South Ruffner Road. So if I have the ability to  
18 read those meters and compare that volume within a same  
19 pump each time frame or at the instance in time I'm  
20 concerned with, I can get an accurate number of real  
21 losses in that system.

22 COMMISSIONER WILLIAMS:

23 But is that something that you would  
24 have to go in and do manually or is it something that  
25 you, you know, in a sense programmed the system to do so

1 that you're, if not constantly, fairly frequently,  
2 monitoring for that?

3 A. I could do it with AMI or AMR. We have planned  
4 SCADA where we can see booster flows and like this and  
5 other parameters, and the AMR and AMI would put that  
6 information --- I need more at my fingertips to make  
7 those comparisons and to break this large system down  
8 into small subsystems.

9 COMMISSIONER WILLIAMS:

10 No, no. I understand that, but I guess  
11 what I'm trying to understand is to what extent either  
12 the AMR or the AMI is being used to give you, for lack of  
13 a better word, real time indication of leaks as opposed  
14 to going in and looking at it at a particular point in  
15 time? Is it a leak detection system or is it just giving  
16 you easier access to, you know, compare it at data  
17 points?

18 A. It's allowing us to break the system down into  
19 smaller sections. It's a real benefit.

20 COMMISSIONER WILLIAMS:

21 I just want to understand how.

22 A. How? We ultimately want to get to a system  
23 where all of our assets are accurately on the map. That  
24 includes, you know, 41,000 valves, all the meters, the  
25 hydrants so we get to everything on the map including our

1 boosters and tanks. And that's how. Again, I go back  
2 --- and maybe I'm not answering your question, but I go  
3 back to that getting this into smaller district metered  
4 areas and subsystems.

5 And then once I have that, it's not really an  
6 estimation anymore. I know the number of meters that's  
7 off of this booster as opposed to a meter route. You  
8 know, those are two different things, the route that our  
9 meter readers read and how many customers are off of that  
10 booster.

11 COMMISSIONER WILLIAMS:

12 Well, let me ask it this way. Are you  
13 being alerted to leaks by either the AMR or the AMI  
14 system or is it something that you're going in and  
15 looking at a certain point in time to determine whether  
16 there is one?

17 A. Yeah, we go in and look at it.

18 COMMISSIONER WILLIAMS:

19 I'll use this as an example. A red  
20 light is not flashing with AMI to alert you that there's  
21 a leak when the system, you know, thinks it might have  
22 occurred?

23 A. Not at this time, but we would like to get to  
24 that.

25 COMMISSIONER WILLIAMS:

1 Understood, understood. And so in  
2 terms of the various things that the Company is doing to  
3 address the NRW, how --- you know, what ---?  
4 Approximately what percentage of that does the meter  
5 program support? I understand that replacement is ---  
6 you know, is a bigger part of addressing leaks, but  
7 what's the magnitude the meter program is given to  
8 address your NRW situation, if you can tell me.

9 A. A number or an explanation?

10 COMMISSIONER WILLIAMS:

11 You know what, ---

12 A. Yeah.

13 COMMISSIONER WILLIAMS:

14 --- if you can give me a number, I'll  
15 take it. If you give an explanation, that's fine.

16 A. Yes, ma'am. An explanation it goes back to the  
17 complexity of the system and it will enable us, you know,  
18 to better utilize our resources. It's just as important  
19 to know where not to send the resources to look for leaks  
20 and waste time and waste money as it is to know where to  
21 go and look for the leaks. So, you know, this helps us  
22 get that accuracy we need into going into areas.

23 We have --- here in the Kanawha Valley, there's  
24 200 some remote locations, you know, over 100 boosters  
25 and PRVs, and they're all pumping into different



1 gradients and different consumer areas, residential  
2 areas. So, again, that's going to get us to where we can  
3 have that on a GIS map and accurately look at this  
4 booster pumped this amount of water into this area in a  
5 day or in a month, and we know exactly how many meters is  
6 within that area.

7 Right now what we know is how many meter routes  
8 we have and the sequence of those routes.

9 COMMISSIONER WILLIAMS:

10 Right.

11 A. If you consult like AWWA's 36 Manual, you know,  
12 it's very important for a large system, or any system  
13 really, to breakdown its system into subsystems that we  
14 can accurately keep track of.

15 COMMISSIONER WILLIAMS:

16 So it's giving you a degree of  
17 percentage ---

18 A. Oh, yeah. Yes, ma'am.

19 COMMISSIONER WILLIAMS:

20 --- that you didn't have before? I  
21 understand that.

22 A. Yeah.

23 COMMISSIONER WILLIAMS:

24 How would you determine the --- you  
25 know, the tranches or the priority for going to any ---?

1 You know, you're going to start in one location in year  
2 one and then you're going to go here year two. What was  
3 the determination?

4 A. We looked at, you know, we need to go to the  
5 Montgomery system. Of course, we went to --- we look at  
6 areas. I'm trying to avoid using specific examples.

7 COMMISSIONER WILLIAMS:

8 No, I don't want you to get into a part  
9 of it, just at a high level.

10 A. At a high level how did we decide in what year  
11 to do what area?

12 COMMISSIONER WILLIAMS:

13 Where to go when?

14 A. Where to go, when? That's a good question.  
15 Yeah. Where to go, when was determined by --- again, we  
16 try do the areas where we suspect we have a lot of  
17 leakage. You know, the Boone County that was an area  
18 where we moved transmission mains into and took over a  
19 lot of troubled systems. That system's comprised of a  
20 lot of low class pressure rating pipe. The breaks there  
21 are usually long splits and, you know, we're talking NRW  
22 numbers here.

23 So things like that help us determine the  
24 priority of where we will be going to. Down on the west  
25 side of Charleston up in the Edgewood area, there may be

1 galvanized small diameter main, things like that, so ---.

2 COMMISSIONER WILLIAMS:

3 Thank you. That's all.

4 CHAIRMAN ALBERT:

5 So is all of this --- are the AMR, AMI  
6 meters tied into the SCADA system or is it just something  
7 that doesn't monitor down to that level?

8 A. It's not tied into the SCADA system.

9 CHAIRMAN ALBERT:

10 Was this an incorrect number at the  
11 time it was filed or is this --- the 315 booster pressure  
12 reducing stations or is that just an update from the time  
13 you provide your testimony? You went from 315 to 325.

14 A. Yeah, I stated in there --- both numbers are  
15 stated in there and it's just an oversight on my part.

16 CHAIRMAN ALBERT:

17 What's jar testing?

18 A. Jar testing is as the name implies. We'll have  
19 a set of jars in the lab and there'll be some mixers that  
20 you can lower into them, and you can put your raw water  
21 in. And you can try, you know, ---.

22 CHAIRMAN ALBERT:

23 So it's something different from  
24 sending it off to a lab or is it?

25 A. No, we do it local. I'm sure labs do jar

1 testing, too.

2 CHAIRMAN ALBERT:

3 What's your background? Have you been  
4 with the water company all along, say for the last 10 or  
5 15 years?

6 A. Twenty-two (22) years, 23 years, yes. I have  
7 background in electrical engineering, electromechanical  
8 technology. A lot of field experience. My first 14, 15  
9 years with --- were at the Kanawha Valley treatment  
10 plant. I was involved in the state assistance you  
11 mentioned, Chairman. I was involved in that, switching  
12 from phone line to radio telemetry and the automation of  
13 the plant --- the Kanawha Valley plant and then other  
14 plants.

15 CHAIRMAN ALBERT:

16 Page 13 in your testimony at line 23 is  
17 probably something people don't want to admit, but you  
18 talk about water loss is an area where all water  
19 suppliers must balance the costs of water production and  
20 the costs to reduce water loss when determining the  
21 appropriate level of investment to make in addressing  
22 water loss. Is that basically saying that there's a  
23 point below which you don't make the investment because  
24 it's cheaper to let it run?

25 A. That's correct.

1                   CHAIRMAN ALBERT:

2                   The reference to Ecologics Mi.Echo on  
3 page 15, line 19, is that the system that Mr. McIntire  
4 described that runs off of fire hydrants?

5                   A.           Yes, sir, it is.

6                   CHAIRMAN ALBERT:

7                   850 foot gradient is the valley floor?

8                   A.           That's correct. That's the water that leaves  
9 the Kanawha Valley plant.

10                  CHAIRMAN ALBERT:

11                  All right. Thank you, sir.

12                  ATTORNEY CALLAS:

13                  Your Honor, I do have a few questions  
14 on Redirect, if I may.

15                  REDIRECT EXAMINATION

16                  BY ATTORNEY CALLAS:

17                  Q.           Mr. Graves, I'd like to ask you a few questions  
18 about Mr. Sheridan's inquiry of you on the AMR issue. He  
19 referenced you to Advocate's Cross 6, this redacted  
20 document. I see at the top that it's --- it appears to  
21 have a practice number that bears a date in September of  
22 2007. Do you see that?

23                  A.           I do.

24                  Q.           You figure that there was some development that  
25 went on in the preparation of this before that date?

1 A. I do.

2 Q. Would that typically be how practices are  
3 developed?

4 A. Yes, sir.

5 Q. Is it possible that within the American Water  
6 system and within West Virginia-America locally that  
7 there have been additional developments on consideration  
8 of AMR implementation, AMR investments since 2007 and the  
9 last eight years?

10 A. It's possible.

11 Q. In fact, have there been a number of discussions  
12 among you and others at the Company locally about AMR  
13 implementation long since 2007?

14 A. Yes, there has.

15 Q. I think it's fair to say a lot of Mr. Sheridan's  
16 questions went to cost benefit analysis of the decision  
17 to expand the use of --- to use and expand the use of AMR  
18 metering. Could you give us an idea comparing a regular  
19 I'll say old standard meter to a meter with AMR what the  
20 cost comparison per meter is?

21 A. Subject to check, I believe there's about \$30,  
22 \$40 difference between an old standard meter and then one  
23 potted with a radio device.

24 Q. So \$30 on the base of what? What's the lower  
25 value versus the upper value?

1 A. \$60 is the lower value. \$60, \$65 the lower  
2 value, \$100 the higher value, \$110 in that range.

3 Q. So it's a factor of, you know, .5 or  
4 thereabouts?

5 A. Right.

6 Q. You mentioned earlier in your examination that  
7 there have been local discussions on --- I assume among  
8 the leadership team here in Charleston of this AMR  
9 expansion program. Were there any costs benefit aspects  
10 of those analyses that you can think of?

11 A. Again, I go back in my recollection and being in  
12 over operations and getting buckets of work done. You  
13 know, my attention is drawn to efficiencies ---

14 Q. Yes.

15 A. --- rather than costs. If there was costs  
16 analyses done on that, Brett Morgan would be more  
17 qualified to answer that than myself.

18 Q. I appreciate that. Let me see if I can  
19 summarize some of the things that I think you and others  
20 have testified about on benefits. We talked about the  
21 DMA, district metering opportunities that AMR allows. Is  
22 that one of the things that might lead to potential  
23 benefits in the system?

24 A. Yes.

25 Q. And that is primarily in the area of leak

1 identification?

2 A. It's leak identification and it's also in ---  
3 the time frame that we do it is a big important factor.

4 Q. What does that mean?

5 A. That means that if I can identify my leaks  
6 sooner than let's say a manual survey would result in,  
7 then I am going to reduce the amount of time that leak  
8 runs.

9 Q. So if it's a leak that has not yet been  
10 discovered, if you can get to it more quickly, the time  
11 from its beginning to when it's remedied is shorter?

12 A. That's correct.

13 Q. We also heard that --- I think Mr. McIntire  
14 talked about a redeployment of resources previously  
15 devoted to reading meters to more customer based efforts?

16 A. Yes.

17 Q. Is that a potential customer benefit as well?

18 A. That is a customer benefit. Our employees can  
19 work more orders. You know, I talk about buckets of work  
20 we leave at the end of the day. Orders is one of them,  
21 leaks and, you know, it would allow --- also a big  
22 discussion during the hearing has been, you know, NRW,  
23 unaccounted for water, being over operations. You know,  
24 it would be too that we can devote additional labor to  
25 the reduction of non-revenue water.



1           So, you know, when we talk economics of this or  
2 an economic study --- and, again, I may not be the best  
3 guy to testify to the economics of it, but I think I am  
4 probably the top guy to testify on what I intend to do  
5 with the efficiencies that this system generates.

6 Q.           I think I just heard you --- if I understood you  
7 correctly, I understood you to say it's not only meter  
8 reader resources we're talking about, but perhaps other  
9 resources that relate --- that are assigned to identify  
10 leaks. Is that what you're saying?

11 A.           I'm saying that if I implement AMR and, you  
12 know, the resources that I can free up that don't have to  
13 be out there reading meters that I can use these folks to  
14 do other --- those buckets of work that we need to get  
15 done.

16 Q.           Are there not also in the Company's workforce  
17 folks whose job it is ---?

18                           ATTORNEY SHERIDAN:

19                           I'm going to object to leading. This  
20 has really been a whole series of leading questions.

21                           ATTORNEY CALLAS:

22                           I disagree. I think I'm asking him  
23 about what he knows about on an issue that was a very  
24 small part of his Direct Testimony that Mr. Sheridan ---.

25                           CHAIRMAN ALBERT:

1                   He's not suggesting that the substance  
2 of the question is wrong. He's suggesting that you're  
3 leading the witness.

4                   ATTORNEY CALLAS:

5                   I'll see if I can do better.

6 BY ATTORNEY CALLAS:

7 Q.            Are there aspects of your workforce who are  
8 devoted to at this point identifying leaks?

9 A.            Yes.

10 Q.           And what kinds of activities do they do?

11 A.           They do manual survey, they'll take instruments  
12 that we have out and they'll listen on meters, hydrants.  
13 When they can get to mains, they'll listen on mains and  
14 they also --- you know, the same frontline employees work  
15 with our Mi.Echo system, so they also look at the system  
16 on a laptop. They look at the points of interest the  
17 system is found and the correlations. So, you know, NRW  
18 basically right now is a lot of leak surveying in the  
19 field.

20 Q.           Do you have any sense of how the more standard  
21 implementation of AMR might eventually enhance or not the  
22 efficiency of the efforts of those leak identification  
23 personnel?

24 A.           Absolutely. It's very important to break our  
25 system down or any system for that matter into smaller

1 metered areas that we can manage, and the technology that  
2 we'll use to do that will be available to any people that  
3 we might find efficiencies through the AMR project. So I  
4 don't know if I'm --- might be a better way to state  
5 that, but again, you know, the deficiencies we find in  
6 staffing will be put to getting other work done. And in  
7 those buckets of work is developing and using DMAs and  
8 that's an area we have to get to is to set up and  
9 establish smaller district metered areas. We have to get  
10 there.

11 Q. Chairman Albert asked you about ---.

12 CHAIRMAN ALBERT:

13 Now, wait a minute. We sort of kept  
14 other people from inquiring into what we've asked about,  
15 so stick to the Cross.

16 ATTORNEY CALLAS:

17 That's not the way I've always  
18 understood it, Chairman.

19 CHAIRMAN ALBERT:

20 Well, we change from time to time.

21 ATTORNEY CALLAS:

22 Well, then I'm done. Thank you.

23 CHAIRMAN ALBERT:

24 All right. Anything further? Thank  
25 you, sir.

1 A. Thank you. Thank you.

2 CHAIRMAN ALBERT:

3 We let Mr. Sade get away with that  
4 because ---.

5 ATTORNEY CALLAS:

6 I understand, but otherwise, there  
7 would not be any reason for the party introducing the  
8 witness to go after the Commissioners, which is what  
9 we've always done.

10 CHAIRMAN ALBERT:

11 Yeah. Call your next witness.

12 ATTORNEY CALLAS:

13 Yes, the Company calls Ms. Mount to the  
14 stand.

15 -----  
16 CAROLYN MOUNT, HAVING FIRST BEEN DULY SWORN, TESTIFIED AS  
17 FOLLOWS:

18 -----  
19 DIRECT EXAMINATION

20 BY ATTORNEY CALLAS:

21 Q. Good morning, Ms. Mount. Could you provide your  
22 name and business address for the record, please?

23 A. Carolyn Mount, 1600 Pennsylvania Avenue,  
24 Charleston, West Virginia 25301.

25 Q. How are you employed?

1 A. I'm employed as an HR business partner with West  
2 Virginia-American Water.

3 Q. In that connection, have you been involved in  
4 preparing Direct and Rebuttal Testimony for these rate  
5 cases?

6 A. Yes, I have.

7 Q. Do you find a copy of your Direct and Rebuttal  
8 Testimony on the witness stand there?

9 A. Yes.

10 ATTORNEY CALLAS:

11 Your Honor, I'd like to ask to mark for  
12 identification purposes Ms. Mount's Direct and Rebuttal  
13 Testimony as Company Exhibit CM-D for her Direct  
14 Testimony consisting of eight pages and Exhibit CM-R, ten  
15 pages, her Rebuttal Testimony.

16 CHAIRMAN ALBERT:

17 They'll be so marked.

18 (West Virginia-American Water's  
19 Exhibits CM-D and CM-R marked for  
20 identification.)

21 BY ATTORNEY CALLAS:

22 Q. Ms. Mount, are there any corrections you believe  
23 could be made to this testimony today?

24 A. No.

25 Q. Do you ask the Commission to accept this

1 testimony as your sworn testimony in this case?

2 A. I do.

3 ATTORNEY CALLAS:

4 Your Honor, I'd move the admission of  
5 these two exhibits and offer Ms. Mount for Cross  
6 Examination.

7 CHAIRMAN ALBERT:

8 Without objection, they'll be admitted.  
9 Ms. Osborn?

10 CROSS EXAMINATION

11 BY ATTORNEY OSBORN:

12 Q. Good morning, Ms. Mount. How are you?

13 A. Good morning. Fine. Thanks.

14 Q. In your Direct Testimony, page 2, I'm sorry, I  
15 believe on line --- between line 9 and 12 --- 9 and 13.  
16 Sorry. You indicate that the Company currently has 298  
17 positions filled; is that correct?

18 A. Yes.

19 Q. And that was true and accurate at the time you  
20 filed your Direct Testimony?

21 A. Yes.

22 Q. Is it your understanding that the Company  
23 currently has less positions filled?

24 A. That is correct.

25 Q. How many are currently filled today?

1 A. As of today 294.

2 Q. I think that's all I needed you for for your  
3 Direct Testimony, so if you want to focus on solely your  
4 Rebuttal from this point on.

5 A. Do I have that?

6 Q. I'm sorry?

7 A. I was looking for the Rebuttal. I understood it  
8 was here (indicating).

9 Q. Do you need a copy of it?

10 A. Possibly, yeah.

11 ATTORNEY CALLAS:

12 I believe it's in a separate binder,  
13 Ms. Mount.

14 A. I'm not seeing that.

15 ATTORNEY CALLAS:

16 I think actually the pieces of her  
17 Rebuttal Testimony are not bond in this, ---

18 A. Oh.

19 ATTORNEY CALLAS:

20 --- so you may find them loose.

21 A. I found them.

22 BY ATTORNEY OSBORN:

23 Q. While I'm asking you a few questions about your  
24 Rebuttal Testimony, I'm going to be referring to the  
25 testimony of Ralph Smith. Do you have a copy of Mr.

1 Smith's testimony up there with you? If not, I have an  
2 extra I can give to you. And if you want, rather than  
3 look through everything, I can just give this one to you.

4 A. That might be more efficient.

5 Q. Mr. White left the tabs on things. Ms. Mount,  
6 in your Rebuttal Testimony beginning on page two and I  
7 think continuing generally to page four, that's review  
8 --- that's where you discuss the service company's  
9 employee annual incentive compensation or AIP and also  
10 discuss CAD's recommended adjustments to that to disallow  
11 55 percent of the AIP that was proposed by the Company;  
12 is that correct?

13 A. That is correct.

14 Q. Is it your understanding that the CAD  
15 adjustments, the recommended adjustments to disallow 55  
16 percent of the service company's AIP that's charged to  
17 West Virginia-American is based on the fact that the 55  
18 percent represents the financial performance metric  
19 portion of the Company's AIP? Is that your understanding  
20 of the CAD's position?

21 A. That is.

22 Q. I want to ask you some questions about what I  
23 believe is your disagreement with that adjustment. Do  
24 you agree, Ms. Mount, with Mr. Smith's testimony? And if  
25 you want to refer to his Direct Testimony at page 77,



1 line 5 for this, which is where I'm getting this from.  
2 Mr. Smith's testimony is that AIP is predicated upon both  
3 how the Company meets its financial and its non-financial  
4 goals?

5 A. You're on page 77?

6 Q. Yes, of Mr. Smith's testimony, line five and  
7 then it continues on. If you're looking at Mr. Smith's  
8 testimony beginning on page 5 --- or I'm sorry, page 77,  
9 line 5, he quotes from the 2014 AIP brochure; correct?

10 A. That is correct.

11 Q. And so I presume based on the fact that Mr.  
12 Smith in his testimony is quoting from the AIP brochure  
13 that you would agree with Mr. Smith's testimony, that AIP  
14 is predicated upon both how the Company meets its  
15 financial and its non-financial goals; is that right?

16 A. I agree with that.

17 Q. And, in fact, on page 3 of your Rebuttal, I  
18 believe at line 19, you confirmed that overall AIP ---  
19 the overall AIP award pool is based on achieving both  
20 operational and financial goals; correct?

21 A. Yes. That's correct.

22 CHAIRMAN ALBERT:

23 Ms. Mount, pull your microphone up a  
24 little bit. We can hear you here, but it may not be  
25 broadcasting very well.

1 A. Thank you.

2 CHAIRMAN ALBERT:

3 All right.

4 BY ATTORNEY OSBORN:

5 Q. As I understand it from looking back at Mr.  
6 Smith's testimony and further his quoting on the AIP  
7 brochure, this operational goals that we're talking  
8 about, those are environmental compliance, safety,  
9 customer satisfaction, customer service, quality; is that  
10 right?

11 A. Those would be the non-financial metrics, yes.

12 Q. Looking back at page 77 of Mr. Smith's Direct  
13 Testimony and, again, at line 5 where he's quoting from  
14 the AIP brochure, just reference that, and I'm going to  
15 ask you that isn't it true based on this brochure that a  
16 pre-determined financial threshold for the Company ---  
17 for the Company's performance rather must be met in order  
18 for any AIP funding to be awarded?

19 A. That is correct.

20 Q. So that means, does it not, that even if all  
21 non-financial goals, customer satisfaction, customer  
22 service quality, environmental compliance, safety, even  
23 if all those non-financial goals are met, if the  
24 Company's financial threshold is not met, then there's  
25 going to be no AIP awarding; correct?

1 A. That would be correct.

2 Q. And, Ms. Mount, the fact that AIP funding is ---  
3 will be eliminated if the Company's financial performance  
4 does not meet the threshold, even in the event that all  
5 the non-financial goals are met, I mean, doesn't that  
6 indicate that the Company places greater emphasis on  
7 financial performance rather than environmental  
8 compliance, safety, customer satisfaction, customer  
9 service, quality, at least when it comes to awarding AIP?

10 A. I don't know that it means it places a greater  
11 effort. It just means that in order for there to be a  
12 benefit paid out we have to achieve those certain  
13 thresholds.

14 Q. Well, let me ask you this. Is the converse  
15 true? Can AIP be awarded in the event that the Company  
16 meets the financial threshold, yet goals as far as  
17 customer service, customer satisfaction, environmental  
18 compliance, safety are not met? AIP can still be awarded  
19 in that instance; can it not?

20 A. A portion of it could be.

21 Q. And is that portion 55 percent?

22 A. Fifty-five (55) percent is the portion that is  
23 driven on financial metrics.

24 Q. And, Ms. Mount, in your rebuttal page 6, I  
25 believe beginning on line 14, this is where we switch

1 from the discussion regarding API and you talk about  
2 CAD's recommended disallowance of all of West Virginia-  
3 American and the service company stock-based compensation  
4 expense. Isn't it true, Ms. Mount, that per the tenants  
5 of the Company's stock-based compensation plan the value  
6 of an employee's stock option will depend entirely upon  
7 American Water's stock performance?

8           Is that your understanding? And if you need  
9 something to refer to on this, you can look at Mr.  
10 Smith's Direct, page 70, line 8.

11 A.           Could you ask the question again, please?

12 Q.           Sure. If you want to get to Mr. Smith page 79  
13 and 80, and then my question is that isn't it true that  
14 per the tenants of the Company's stock-based compensation  
15 plan the value of an employee's stock option will depend  
16 entirely upon American Water's stock performance?

17 A.           That is accurate.

18 Q.           In other words, the non-financial goals that we  
19 talked about with respect to AIP, they don't apply here;  
20 correct?

21 A.           They would apply as to whether they were awarded  
22 any stock options, so it'd be --- their performance would  
23 determine if they were awarded stock options.

24 Q.           So in other words, they might have really superb  
25 performance, be awarded stock options, but then the value

1 of those stock options there may be great value or little  
2 to no value depending upon the value of the American  
3 Water's stock; right?

4 A. Yes.

5 Q. Have you attended any of the public comment  
6 hearings that went on that the Commission held with  
7 respect to this rate case or have you read any of the  
8 customer complaints that are put on the PSC website or  
9 sent directly to the Company regarding this rate case?

10 A. I have not read customer complaints. I have  
11 attended hearings.

12 Q. And I've attended some of those hearings, too.  
13 I haven't attended them all, but I know that some of the  
14 hearings I went to, some of the things people talk about  
15 frequently and complain about frequently with respect to  
16 the water company's rate request is, you know, why should  
17 we pay higher rates when we can barely make it  
18 financially and a portion of those higher rates are going  
19 to pay for incentive compensation bonuses for American  
20 Water Company employees? Are you familiar with those  
21 complaints?

22 A. At the hearings I attended, I don't recall that  
23 being the complaint.

24 ATTORNEY OSBORN:

25 That's all the questions I have for

1 you. Thanks.

2 CHAIRMAN ALBERT:

3 All right. Mr. Feinberg.

4 CROSS EXAMINATION

5 BY ATTORNEY FEINBERG:

6 Q. Good morning, Ms. Mount. I'm Lee Feinberg and I  
7 represent the industrial intervenors that are in this  
8 case.

9 A. Nice to meet you.

10 Q. Nice to meet you. This is your first time  
11 testifying?

12 A. It is.

13 Q. All right. Well, welcome. I won't say anything  
14 bad. Just want to try to identify a few numbers, but  
15 first let me just make sure in your Rebuttal you were  
16 rebutting only Mr. Smith; right? You were not trying to  
17 rebut Ms. Kellmeyer in any way?

18 A. My rebuttal was based on Smith's.

19 Q. Let me just try to get some numbers straight in  
20 my mind about an employee head count, but first when you  
21 all say head count, you mean number of employees and it's  
22 without respect to hours worked by those employees;  
23 right?

24 A. That is correct.

25 Q. So if you say we have 294 employees, you're not

1 saying all 294 have worked 2,080 hours, it's just at the  
2 moment you're being asked there are 294 employees?

3 A. That is correct.

4 Q. So not all this was in your testimony, some was  
5 in Mr. Tomac's Rebuttal, but I want to see if I can at  
6 least draw a little line of numbers. Okay?

7 A. All right.

8 Q. Year end 2014, were there 296 employees? Or you  
9 tell me how many there were.

10 A. As of the end of December 2014?

11 Q. Yes. If you remember.

12 A. There were 294 employees on the payroll at the  
13 year end. There were an additional two that had been  
14 hired with start dates after the 1st of the year and four  
15 vacancies.

16 Q. Great. Let me ask this. Let me digress for  
17 just a minute. In your head count are the wastewater  
18 employees from Fayetteville also; right?

19 A. In the numbers I just described, yes.

20 Q. Is that always pretty consistently three?

21 A. It has been since I've been there.

22 Q. So the 294 plus 2 on December 31st, 2014 and I  
23 thought I heard you say to Ms. Osborn they're 294 now; is  
24 that right?

25 A. That is correct.

1 Q. At the time you filed your testimony in April  
2 you said 298?

3 A. Yes.

4 Q. Has there been any time during that ten-month  
5 period, more or less, that it's been 300?

6 A. No, 298 is the number that we've had, although  
7 we've had employees --- we've had incumbents in 301  
8 positions. We've just had some, so of the year end  
9 number when we had 296 with the 2, the 4 vacancies had  
10 all --- have all been filled. Since that time we've had  
11 other employees to leave the business.

12 Q. Right. So when you use the number --- we have  
13 positions that have ---. 300 positions identified,  
14 that's a perspective goal to try to fill 300 positions;  
15 right?

16 A. Yes. We'll have 300 positions filled, yes.

17 ATTORNEY FEINBERG:

18 Thank you, Ms. Mount. I really  
19 appreciate it.

20 A. Thank you.

21 CHAIRMAN ALBERT:

22 The City has no questions?

23 ATTORNEY GUNNOE:

24 No questions, Mr. Chairman.

25 ATTORNEY SHERIDAN:



1 No questions, Mr. Chairman.

2 ATTORNEY SADE:

3 No questions.

4 COMMISSIONER MCCABE:

5 No questions.

6 CHAIRMAN ALBERT:

7 Well, that wasn't that hard; was it?

8 A. Well, just one more. No questions.

9 CHAIRMAN ALBERT:

10 Clean sweep. You're excused now.

11 ATTORNEY CALLAS:

12 Your Honor, I have just one or two

13 Redirect.

14 CHAIRMAN ALBERT:

15 All right.

16 REDIRECT EXAMINATION

17 BY ATTORNEY CALLAS:

18 Q. Ms. Mount, Ms. Osborn for the CAD asked you some  
19 questions about the 55, 45 rate on the AIP. Do you  
20 recall those questions?

21 A. Yes.

22 Q. In your role at the Company, do you have  
23 occasion to work with employees to develop goals for AIP?

24 A. Yes.

25 Q. Is it your understanding that in the --- working

1 on those goals with employees that they understand the  
2 55, 45 rate and the part that's financial and the part  
3 that's performance related?

4 A. Our employees do understand the difference.

5 Q. Is it your experience that in that connection  
6 that employees typically are interested only in achieving  
7 the financial portion or do you find that they are  
8 interested in achieving not only the financial portion,  
9 but the full amount of the incentive that's available to  
10 them?

11 ATTORNEY OSBORN:

12 I'm going to place an objection on the  
13 record. I think this goes beyond the scope of my Direct.  
14 I just asked about the tenant of the plan and I didn't  
15 get into what employees do or do not understand, which I  
16 don't think has anything to do with the tenants of the  
17 plan as set forth in the documents that we discussed.

18 ATTORNEY CALLAS:

19 I think the fact that there's an  
20 objection suggests that it does, in fact, go to what she  
21 was going to. I took her examination of Ms. Mount to  
22 suggest that employees could sit back and just get the 55  
23 percent without doing anything that might benefit  
24 customers.

25 ATTORNEY OSBORN:

1           Actually, the point of my question was  
2 just the opposite. The employees can work their tails  
3 off and if the Company doesn't achieve the financial  
4 success that it wants to they have nothing.

5           ATTORNEY CALLAS:

6           That was half of your question. There  
7 was another half than what I just said.

8           CHAIRMAN ALBERT:

9           All right. Rephrase the question and  
10 try not to lead the witness.

11          ATTORNEY CALLAS:

12          It's an either or question and those  
13 are not leading, but I'll try.

14 BY ATTORNEY CALLAS:

15 Q.       Is it your experience in your role in working  
16 with these employees that you said understand the way  
17 that the AIP is constructed, that they are willing and  
18 interested simply in earning only what they might earn if  
19 the financial performance goals are met, or are they  
20 interested in trying to achieve the full amount available  
21 to them under the AIP program?

22 A.       My experience is that the employees are  
23 interested in earning the full amount of their  
24 compensation and they also recognize that the  
25 non-financial metrics, safety, they all --- that has a

1 financial impact as well. If we don't meet our safety  
2 numbers, that's a cost to the business and to our  
3 customers, so it's all related.

4 Q. Mr. Feinberg asked you about head count and  
5 whether there had been --- what the number of employees  
6 maximum I think had been this year. We talked about 298.  
7 Then he asked about 300. I think earlier in the case  
8 there was some testimony about there having been 300 this  
9 year. Is 298 correct or is 300 for maximum number of  
10 employees on --- being paid on the payroll this year at  
11 any one time?

12 A. At any one time we've had 298 employees.

13 Q. So to the extent there was testimony suggesting  
14 otherwise, was that misunderstood or ---?

15 ATTORNEY FEINBERG:

16 I guess I'm missing what's going on  
17 here. I thought she just answered the question. Did I  
18 mislead somebody?

19 ATTORNEY CALLAS:

20 I'll withdraw the last question.

21 That's all, Your Honor.

22 CHAIRMAN ALBERT:

23 All right. Anything further?

24 ATTORNEY CALLAS:

25 No.

1                   CHAIRMAN ALBERT:

2                   All right. Ms. Mount, you're excused.

3 Thank you. It's 10:48. We'll take a break 'til 11:05.

4 SHORT BREAK TAKEN

5                   ATTORNEY CALLAS:

6                   Your Honor, the Company calls Mr. Brett

7 Morgan to the stand.

8 -----

9 BRETT W. MORGAN, HAVING FIRST BEEN DULY SWORN, TESTIFIED

10 AS FOLLOWS:

11 -----

12 DIRECT EXAMINATION

13 BY ATTORNEY CALLAS:

14 Q.            Good morning, Mr. Morgan.

15 A.            Good morning.

16 Q.            Please give your name and business address.

17 A.            It's Brett W. Morgan, B-R-E-T-T, W.,

18 M-O-R-G-A-N. I work at West Virginia-American Water,

19 1600 Pennsylvania Avenue, Charleston.

20 Q.            Mr. Morgan, how are you employed?

21 A.            I'm the manager of the engineering for West

22 Virginia-American Water.

23 Q.            In that role, did you assist in the preparation

24 of this rate case, particularly as to the preparation of

25 Direct and Rebuttal Testimony?

1 A. I did.

2 Q. Do you have copies on the witness stand of that  
3 Direct and Rebuttal Testimony?

4 A. Yes, I do.

5 ATTORNEY CALLAS:

6 Your Honor, I'd like to ask that that  
7 testimony be identified as Company Exhibit BWM-D for his  
8 Direct Testimony consisting of 24 pages and no exhibits,  
9 and his Rebuttal as Company Exhibit BWM-R consisting of 8  
10 pages and a single exhibit that comes in both a redacted  
11 and --- redacted, public and confidential form.

12 (West Virginia-American Water's  
13 Exhibits BWM-D and BWM-R marked for  
14 identification.)

15 ATTORNEY CALLAS:

16 I believe that the clerk has already  
17 been provided with the confidential version under seal  
18 and the one that appears up there is just the redacted  
19 version.

20 CHAIRMAN ALBERT:

21 It'll be so marked.

22 BY ATTORNEY CALLAS:

23 Q. Mr. Morgan, do you have any corrections that  
24 need to be made to either piece of this testimony?

25 A. No, sir.

1 Q. Do you ask that each of these pieces of  
2 testimony be accepted by the Commissioners as your sworn  
3 testimony in this case?

4 A. I do.

5 ATTORNEY CALLAS:

6 Your Honor, I move admission of Company  
7 Exhibits BWM-D and BWM-R and offer Mr. Morgan for Cross.

8 CHAIRMAN ALBERT:

9 All right. CAD?

10 ATTORNEY OSBORN:

11 Thank you.

12 CROSS EXAMINATION

13 BY ATTORNEY OSBORN:

14 Q. Good morning still for a little while, Mr.  
15 Morgan. Just turn to your Direct Testimony, page eight.

16 A. Okay.

17 Q. On page eight, you discuss the Company's annual  
18 capital planning, on line --- and on lines five through  
19 seven, rather, you state that West Virginia-American  
20 Water Company annually prepares a comprehensive capital  
21 plan for the following year as well as for the next five  
22 years; correct?

23 A. Correct.

24 Q. And also on page eight, lines nine and ten, you  
25 further state that during the annual planning one thing

1 the Company does is evaluate its list of recurring  
2 capital projects; correct?

3 A. Yes, ma'am.

4 Q. And as I understand it, the replacement of  
5 meters is a recurring project for the Company; correct?

6 A. It is.

7 Q. And likewise replacement of mains is a recurring  
8 project for the Company?

9 A. Yes.

10 Q. Still on page 8 of your Direct looking at lines  
11 13 and 14, you state that there the recurring projects  
12 are ranked in priority order and I want to talk to you  
13 about that for a minute. In 2014, during the annual  
14 planning process --- well, let me ask you ---. Let me  
15 back up. The replacement of existing meters with  
16 automated meters, was that something that would have been  
17 discussed during the 2014 annual process looking ahead to  
18 2015?

19 A. I believe so.

20 Q. And during that annual planning process in 2014,  
21 do you know how or in what order the Company prioritized  
22 the replacement of existing meters with the AMI, AMR  
23 system as compared to other projects?

24 A. It was prioritized enough to get into the plan,  
25 so it was --- I don't recall first, second, third.



1 Q. Can you tell us what sort of recurring projects  
2 would have fallen behind the AMI, AMR system, if you know  
3 some specific examples?

4 A. All the reoccurring projects happen every year.  
5 It's just an order of magnitude to the dollars spent in  
6 those lines or the buckets of money that's spent.

7 Q. And does that mean that you'll --- in any given  
8 year, you will either run out of time or funds or both to  
9 complete all of those recurring projects in any one year?  
10 Does that never happen? Do you understand my question?

11 A. Maybe explain it just a little.

12 Q. Well, I think you said all of the recurring  
13 projects, you know, they happen every year. Just depends  
14 on, you know, how far down the ladder they occur. And so  
15 my question was, does that mean that any given one year  
16 period the Company never, let's say, runs out of funds or  
17 runs out of investment or runs out of time to complete  
18 those recurring projects and has to, you know, move them  
19 forward into the next year? Does that ever happen?

20 A. Let me explain how the process works.

21 Q. Sure.

22 A. The plan is established for the year. Each  
23 reoccurring project line --- again, that's, you  
24 mentioned, mains, meters, hydrants. All those things are  
25 different lines and we do our best to estimate what's

1 going to be required in dollars in each of those lines  
2 with the plan. If something extraneous happens, for  
3 instance, a river crossing goes out that was  
4 unanticipated, we try to cover it within that budget  
5 line.

6 If there's not enough money in that line, we  
7 look to other lines and other items that may not be ---  
8 have as high a priority. And then if all those efforts  
9 fail, we can go ask for additional funds and justify the  
10 additional funds.

11 Q. Again, with respect to 2014 looking forward to  
12 2015, do you know whether the Company prioritized the  
13 AMI, AMR project over the replacement of some mains?

14 A. I don't know that it really works that way.  
15 They put forward the project. They want to do the five  
16 year, you know, automated mains --- or meters, the AMI,  
17 MR and we ---. Operations and all the folks involved sit  
18 down and establish what they think they're going to  
19 spend. And I don't recall exactly never --- I mean,  
20 there's always more projects than money, so that's why we  
21 prioritize. And I don't recall specifically if mains, or  
22 hydrants or what, if anything, was adjusted to get to  
23 that number.

24 Q. On page 21 of your Direct, lines 19 through 21,  
25 you state there that the Company believes it's important

1 to balance the need for infrastructure improvements with  
2 our customer's ability to pay for them. And, you know, I  
3 had that written down here to ask you about, and then  
4 when Mr. Graves was on the stand, Mr. Sheridan asked him  
5 whether the Company had performed a cost benefit analysis  
6 before undertaking this AMI, AMR project. And Mr.  
7 Graves' answer was no and I thought that was --- well,  
8 strike that last bit.

9           So let me ask you. Shouldn't the Company have  
10 balanced the need to upgrade all meters to an AMI, AMR  
11 system with its customer's ability to pay for the project  
12 or is that something the Company did?

13 A.           I don't know if the Company did it with the  
14 customer's ability to pay.

15 Q.           And by that I mean, I don't mean to interrupt,  
16 higher rates. You know, not pay out of pocket, here,  
17 replace my meter, but ---

18 A.           I understand.

19 Q.           --- pay higher rates?

20 A.           But, again, I don't know what priorities --- I  
21 mean, I don't know what would have dropped off. I mean,  
22 we, again, every year have more requests than needs than  
23 we have budget. Our operations are asked every year to  
24 list everything you would like to do and submit it in a  
25 priority order.

1           And we put all those together and sit down as a  
2 group and decide --- because, again, the areas think  
3 their projects are the most important, but there may be  
4 something in Weston or Huntington that's more important  
5 and we have to sit down and take those areas priorities  
6 and then reprioritize them into a statewide budget.

7 Q.           Is it also fair to say that based on the answer  
8 you just gave that you don't know whether the Company  
9 considered the full scope of this rate case that we're in  
10 now and the total percentage increase that's being  
11 requested by the Company and its effect on ratepayers in  
12 relation to this purported need to upgrade to AMI, AMR?

13 A.           I don't know.

14 Q.           You don't know? Turning now to your Rebuttal  
15 Testimony --- well, stepping back for just a moment  
16 before we get to your Rebuttal. Mr. Morgan, is it fair  
17 to say that you in your role as engineering manager of  
18 West Virginia-American Water Company --- I mean, you  
19 participate in that annual planning process?

20 A.           Absolutely.

21 Q.           And that's how you're able to tell us about it  
22 in your testimony; ---

23 A.           Yes.

24 Q.           --- correct? Again, your Rebuttal, page 2,  
25 lines 9 through 11, in here, Mr. Morgan, you discuss and

1 you disagree with what you characterized as Mr.  
2 Stottlemeyer's criticism of the Company for spending so  
3 much on unscheduled main replacements, in other words,  
4 repairing leaks, rather than spending that money on  
5 planned infrastructure replacement.

6 And in criticism of Mr. Stottlemeyer's point, you  
7 say, and I quote, I doubt that customers would appreciate  
8 the Company ignoring water main breaks to address planned  
9 projects that currently are not affecting water service  
10 to customers. Do you see that?

11 A. Yes, I do.

12 Q. If customers are unhappy with or bothered by the  
13 decision of the Company to upgrade meters to AMI, AMR in  
14 the context of this rate case, I mean, you kind of see  
15 the irony in that statement, that maybe that statement  
16 you just made would apply to that situation as well?

17 A. I don't know if the customers know all the  
18 benefits of the meter and they're making an informed  
19 decision on it, nor how many are against it. I don't  
20 know. I know as a Company we've investigated it, looked  
21 at it and see great need for it that will benefit the  
22 customer.

23 Q. Well, let me ask you this. When you make that  
24 statement, I doubt that customers would appreciate the  
25 Company ignoring water main breaks to address planned

1 projects that currently are not affecting water service  
2 to customers, I mean, clearly you see water main breaks  
3 as an issue that affects service to customers?

4 A. Yes, ma'am.

5 Q. And, therefore, you prioritize fixing those  
6 water main breaks over, you know, doing other kinds of  
7 infrastructure replacement; correct?

8 A. Yes.

9 Q. And the reason being that when you have a water  
10 main break water service to customers is affected;  
11 correct?

12 A. Correct.

13 Q. They have no water?

14 A. Well, in some cases.

15 Q. In some cases, yes. And likewise, would you  
16 agree with me that when you compare the potential for  
17 more water main breaks based on aging, failing  
18 infrastructure that customers might see that as more of  
19 an impact, that failing, aging infrastructure and the  
20 chance of those breaks? They might see that as having  
21 more of an impact on their water service than they do  
22 getting a fancy upgraded automated meter. Do you think  
23 that's fair?

24 A. They may. I don't know what --- very possible.

25 Q. Let's see. When Mr. Graves was on the stand,

1 Mr. Callas asked him about the dollar in between --- I  
2 think what he was referring to was between putting in a  
3 brand new, you know, regular standard meter versus  
4 putting in a brand new automated meter. I believe Mr.  
5 Graves' testimony is that there's somewhere between a  
6 \$30, \$40 difference between doing those things, the less  
7 expensive will cost between \$60 and \$65 and the automated  
8 system between \$100, \$110. Do you agree with that?

9 A. I heard Sean say that.

10 Q. And that's all good and well if we're talking  
11 about the need to replace that existing meter in any  
12 event because 15 years have expired, because it's reached  
13 its 1 million gallon usage, but if you're talking about a  
14 meter, as I did with Mr. Graves earlier, it doesn't need  
15 to be replaced because it hasn't reached the 15-year mark  
16 or the 1 million gallon mark. Then really we're talking  
17 about a difference between zero costs and \$110, \$110.

18 Fair?

19 A. Let me go back real quick. I don't leave with  
20 that impression. I think when Mr. Graves was discussing  
21 the difference in meters, and this is just my opinion of  
22 what he was saying is, he was comparing just a  
23 mechanical, manual read meter to an AMR meter. We  
24 haven't put in those mechanical meters without a touch  
25 pad for awhile. The difference in cost between what we

1 would put in and the AMR is basically nothing.

2 Q. Well, no. And I understand that and I  
3 appreciate what you're saying.

4 A. I just wanted to ---.

5 Q. Right. But let's say there's a meter --- well,  
6 let me ask you. And I think this is what I gathered from  
7 Mr. Graves and maybe I'm mistaken, but if we're talking  
8 about the 15-year benchmark and the 1 million gallon  
9 benchmark, it's possible that there are meters out there  
10 in the ground that have not yet --- are not yet older  
11 than 15 years or not reached that benchmark yet and have  
12 not reached the gallon mark, but are still the old kind  
13 of standard meter; right?

14 A. Yes.

15 Q. So within the past 15 years you have installed  
16 those kind of meters?

17 A. Correct.

18 Q. So what I'm saying is, if in the year 2016 based  
19 on the five-year schedule of meter replacement with the  
20 automated meter system, you come to one of those meters,  
21 one of those old meters that's not due to be replaced,  
22 let's say, for another four years or another 100,000  
23 gallons of water, what have you, but you go ahead and  
24 replace it so as to upgrade to the automated system. At  
25 that point in 2016, we're not talking about a difference



1 between \$60 and \$65 to \$110, \$110. We're talking about  
2 \$0 that would have been spent on that meter versus \$100  
3 to \$110; correct?

4 A. In that case, yes. We're accelerating the spend  
5 on these meters.

6 ATTORNEY OSBORN:

7 That's all the questions I have for  
8 you. Thank you.

9 CHAIRMAN ALBERT:

10 Mr. Feinberg?

11 ATTORNEY FEINBERG:

12 I have no questions, Your Honor.

13 CHAIRMAN ALBERT:

14 All right.

15 ATTORNEY ROBINSON:

16 No questions.

17 ATTORNEY GUNNOE:

18 The County has no questions.

19 ATTORNEY SHERIDAN:

20 Thank you, Mr. Chairman.

21 CHAIRMAN ALBERT:

22 By the way, we probably ought to note  
23 your appearance.

24 ATTORNEY ROBINSON:

25 Paul Robinson for the City of

1 Charleston.

2 CROSS EXAMINATION

3 BY ATTORNEY SHERIDAN:

4 Q. Good morning, Mr. Morgan. I'm Paul Sheridan and  
5 I'm with the Advocates for a Safe Water System.

6 A. Good morning.

7 Q. I want to talk about main replacement for a bit  
8 if we could. From the documents that I've seen, there's  
9 this distinction between scheduled and non-scheduled  
10 meter replacement. There's been some discussion of that  
11 in the proceedings, but just to clarify, if I understand  
12 it right, scheduled main replacement is when you place a  
13 pipe by digging it up and --- according to a plan, you  
14 have a plan to dig it up and replace it; is that correct?

15 A. Correct.

16 Q. And the plan is a key part to that; right?

17 A. Correct.

18 Q. And I assume you pick a section of pipe that you  
19 identify as particular you need a replacement, and at the  
20 time, it makes sense to do it in and do the whole  
21 section, the whole stretch at a time; is that right?

22 A. That's correct.

23 Q. And sir, how long of stretch pipe do you do when  
24 you replace --- when you do scheduled main replacement?

25 A. It depends on the location. If it's in the City

1 of Charleston site where it's well graded and you have a  
2 200 foot alley and the alley's all you want to do, we'll  
3 just do the alley. If you're somewhere else that there's  
4 1,000 or 1,500 feet that makes sense, it's all contiguous  
5 and you need to do it all at once, we'll do that. I  
6 mean, it's kind of circumstance by circumstance.

7 Q. So there's a range of ---?

8 A. Right.

9 Q. Would 200 be a fairly short scheduled main  
10 replacement?

11 A. 200 would be fairly short.

12 Q. So that'd be the short end of the range?

13 A. We probably done shorter, but that's not  
14 typical.

15 Q. What's the upper end of the range for scheduled  
16 main replacement?

17 A. I mean, 2,500 feet maybe. They can become  
18 longer.

19 Q. Half a mile?

20 A. Yes.

21 Q. And if I understand it correctly, unscheduled  
22 main replacement is unscheduled because it gets done when  
23 it needs to get done, which is when there's a leak that  
24 needs to be fixed?

25 A. Correct. It needs immediate attention.

1 Q. I don't know if you were in the hearing when I  
2 was struggling with this with some of the other  
3 witnesses. They kept using the word repair and nobody  
4 seemed to like the word repair because I guess that has  
5 some more technical meaning; is that ---?

6 A. Some people would say a repair is either a  
7 replacement or a fix, and with that designation I mean,  
8 there's confusion about that. You're not wrong, but to  
9 us, a repair is a clamp or something to the existing pipe  
10 and a replacement takes out a section of that pipe.

11 Q. But if I understand correctly, the section of  
12 the pipe that could be as short as a foot; is that ---?

13 A. I don't know that there is a minimum. It would  
14 be hard to sleeve in a one foot piece of pipe, just  
15 mechanically in the field, so I don't know what that  
16 minimum amount is, but as long as we can account for it  
17 and track it, it's a piece of pipe.

18 Q. Let me ask, you're not aware of any threshold,  
19 though, ---

20 A. No, sir.

21 Q. --- on this?

22 ATTORNEY SHERIDAN:

23 Let me just --- I think we're up to  
24 Advocates Eight --- Nine?

25 CHAIRMAN ALBERT:

1 Seven.

2 ATTORNEY SHERIDAN:

3 Seven. Thank you.

4 CHAIRMAN ALBERT:

5 I don't have ---.

6 ATTORNEY SHERIDAN:

7 I'm sorry. I think I'm giving you the  
8 wrong one.

9 ATTORNEY CALLAS:

10 Do you intend to give this out?

11 ATTORNEY SHERIDAN:

12 I do not. I apologize. I'm sorry  
13 about that. We'll try to move through this quickly.

14 BY ATTORNEY SHERIDAN:

15 Q. There was a Discovery response where you're  
16 asked about this and I think you clarified that there was  
17 no threshold. If you put pipe in the ground, it's a  
18 scheduled main replacement; is that correct?

19 A. If it's unscheduled and there's a leak and we  
20 replace it on the spot, then it's unscheduled main  
21 replacement.

22 Q. And maybe from a practical point of view just,  
23 you know, engineering wise in terms of making things work  
24 maybe a foot is shorter than you can do, but several  
25 feet; right?

1 A. Correct.

2 Q. I think I watched the crew do this the other day  
3 and it was about three or four feet, so that would be ---  
4 that wouldn't be atypical; correct?

5 A. I don't think so.

6 Q. And that would be called an unscheduled main  
7 replacement; is that right?

8 A. Yes.

9 Q. And I'll do my best to stay away from the repair  
10 term, but essentially when the crew goes out to deal with  
11 a leak and they dig a hole in the ground and they find a  
12 leak, the supervisor's the one who decides what's the  
13 best way to fix this leak?

14 A. Correct.

15 Q. And if in the supervisor's judgment it's better  
16 to do the clamp, then they do it with a clamp, and if  
17 it's better to do it with a three or four foot splice,  
18 they do it that way?

19 A. Correct.

20 Q. But one of the implications of that decision by  
21 the supervisor is the item gets called a maintenance  
22 repair and it's an uncapitalized expense or it gets  
23 called an unscheduled main replacement and becomes a  
24 capitalized expense?

25 A. That's correct.

1 Q. And when is an unscheduled main replacement  
2 along with the costs of the pipe itself, whatever that  
3 is, all the labor and all the equipment and all the  
4 contractor costs go into digging that hole in the ground  
5 and making that fix, all of that gets capitalized as  
6 unscheduled main replacement; correct?

7 A. Correct. The costs to remove portion.

8 Q. I think there was some discussion about that.

9 A. A little bit.

10 Q. There's controversy perhaps about that, but to  
11 the extent that it is capitalized, it's all of that cost  
12 that gets capitalized?

13 A. Correct.

14 Q. And I'm correct, am I not, that in terms of  
15 putting in a feet of pipe, unscheduled main replacement's  
16 significantly more expensive than scheduled main  
17 replacements; isn't that correct?

18 A. Yes.

19 Q. And that's because there's --- for every  
20 unscheduled main replacement there's an awful lot of  
21 digging that goes into it relative to the pipe that gets  
22 put in?

23 A. I'm not sure that's the biggest driver. It's  
24 just you're mobilizing a crew, you're going out, you're  
25 locating, you're setting up traffic, you're doing all the

1 things and then you may only be replacing a four, five,  
2 six, ten foot section of pipe. So the cost per foot of  
3 pipe is, obviously, much higher than if you're planning  
4 and have all the planning done and you do 1,000 feet.

5 Q. Now, do you currently track every three or four  
6 foot splice that goes in the pipe?

7 A. Yes, sir. We identify it with work orders.  
8 It's called different things over the years, but we have  
9 a unique numbering system of work orders and we track it  
10 that way.

11 Q. One of the --- I asked Mr. Spanos about this  
12 yesterday. If I understood his testimony correctly, it  
13 was that the Company keeps track of the age of every  
14 piece of pipe that's spliced in the ground and is  
15 depreciating according to that. And so if they go in and  
16 take out, say, a half mile of pipe in a scheduled main  
17 replacement they are knowing and addressing the fact that  
18 there are, I would assume, hundreds of potential splices  
19 in the half mile with different age pipe?

20 A. I don't know about hundreds, but if there's a  
21 feet --- a length of pipe that has had replacement  
22 repairs done, those are noted and they will be retired  
23 the same as the length of main ---. I mean, if it's  
24 1,000 feet and you got 3 replacement parts, it'll  
25 actually be 4 retirements to retire the long piece and



1 the 3 replacement pieces assuming they were put in at  
2 three different times.

3 Q. Including every four foot splice?

4 A. Yes.

5 Q. Isn't it true that the Company doesn't even know  
6 the age of --- they only know the age of about 30 percent  
7 of the pipe in the system?

8 A. I think that number's correct. It was a data  
9 request and I believe it's 30 percent.

10 Q. And would I be fair in assuming that the Company  
11 also is not --- you know, there's probably lots of  
12 splices that have been made, you know, variances in the  
13 age of the pipe over a stretch, but the Company doesn't  
14 have data on it?

15 A. I don't know that to be true. I don't know it  
16 to be false.

17 Q. But it's your understanding that Mr. Spanos is  
18 correct, that that's the way --- that if there's a ---?  
19 If the Company goes in and takes out a half mile of pipe  
20 if it's, let's say, old at the ---

21 A. Right.

22 Q. --- end of its useful life, essentially fully  
23 depreciated, but there are splices in there that are not.  
24 Your testimony here today is that as a ratepayer that's  
25 coming off of my rate base?

1 A. That's the process we have. Now, do you miss  
2 one? Obviously, I can't say we're perfect, but the  
3 process is to take them off.

4 Q. Now, you addressed this --- well, let me talk  
5 about this question of capitalizing unscheduled main  
6 replacement. Why isn't this just simply capitalizing one  
7 form of repair?

8 A. I don't understand.

9 Q. Well, as I understand the purpose of  
10 capitalizing something is you spread the costs of it ---  
11 of putting it into service over the period of its useful  
12 life; right?

13 A. Correct.

14 Q. And I'm new to some of this, so maybe you can  
15 explain it to me, but when I --- so I capitalize the  
16 purchase of a car, for example, by financing it.  
17 Capitalizing it in effect because it allows for you to  
18 pay for it over time. I don't finance my transmission  
19 flushes or my, you know, water pumps because it seems  
20 like those are maintenance costs that ought to be paid as  
21 I go. This strikes me as the Company financing what is  
22 in essence a repair. Is that not the case?

23 A. I'm not adequate to answer that question.  
24 You're going to have to talk to somebody a lot more  
25 versed in that than I am.

1 Q. But you did I think in your Rebuttal Testimony  
2 criticize Mr. Stottlemeyer's suggestion that this was not  
3 a good idea?

4 A. Well, it's an industry standard to do it that  
5 way, I mean, in the private water industry, to replace  
6 pipe and to capitalize it for repairs and also it's ---  
7 if we went and tried to O&M those costs, the effect on  
8 the customer rates would be enormous.

9 Q. You'd be putting the costs upfront?

10 A. Correct. And I think another point is if you're  
11 replacing a piece of pipe, that piece of pipe has a  
12 length of time, and if you're making the current  
13 ratepayers pay for it, then people are going to get  
14 advantage of it 50 years from then when that piece of  
15 pipe is still functioning.

16 Q. But that's true for --- that's true if you're  
17 replacing a half mile of pipe for sure; correct?

18 A. Right. But that's capital as well.

19 Q. Right. If you're replacing three feet of pipe  
20 in order to keep the leak from continuing, that doesn't  
21 really add value to that --- to the half mile of pipe  
22 that that three feet is situated in; does it?

23 A. It keeps it in service.

24 Q. It keeps it in service, but much like it does  
25 when I do an oil change in my car. It keeps it in

1 service; right?

2 A. I mean, that's the advantage. The piece of pipe  
3 would be no good and you don't have to replace the whole  
4 piece. You replace the section that's bad.

5 Q. Yes. I'm not questioning the judgment of the  
6 supervisor in figuring out the best way to fix the leak,  
7 but would you agree with me that it's a somewhat  
8 arbitrary distinction to go capital or expense based upon  
9 whether or not you put a clamp or a three foot splice in  
10 the ground?

11 A. No, I don't think so. It's a replacement versus  
12 a repair.

13 Q. And I think in your response to Mr.  
14 Stottlemeyer's suggestion that this is capitalizing  
15 something that amounts to a repair you said that the  
16 approach at capitalizing it is preferable from the  
17 customer's perspective; is that correct?

18 A. Where are you talking about?

19 Q. I think your Rebuttal, page three, line six and  
20 seven.

21 CHAIRMAN ALBERT:

22 Line?

23 ATTORNEY SHERIDAN:

24 Six and seven.

25 A. Of page?

1 BY ATTORNEY SHERIDAN:

2 Q. Three.

3 A. Could you ask the question again, sir?

4 Q. Yeah. I think it says on --- beginning at line  
5 six, does it not say, it is not difficult to see that  
6 capitalization is by far preferable --- by far the  
7 preferable approach from the customer's perspective;  
8 right?

9 A. And I think that deals with the rates, you know,  
10 spending the --- I think we were talking around \$4  
11 million and do the customers pay for \$4 million this year  
12 or the cost of that capital financing over the life of  
13 the ---. So it's the difference in costs.

14 Q. Right, right. But they pay for it many times  
15 over ultimately; correct, when it's capitalized?

16 A. And you're paying for the cost of the ---.

17 ATTORNEY CALLAS:

18 I object to the form of the question.

19 CHAIRMAN ALBERT:

20 I'm not sure it's correct, first of  
21 all, and I'm --- are you outside the scope of his  
22 examination? I know we get into this, but I mean, I'm  
23 not sure what you said is accurate.

24 ATTORNEY SHERIDAN:

25 I'm sorry, Mr. Chairman. I'm not

1 sure ---.

2 CHAIRMAN ALBERT:

3 Ask the question again.

4 BY ATTORNEY SHERIDAN:

5 Q. You say that it's not difficult to see that  
6 financing this is by far the preferable approach from the  
7 customer's perspective; is that correct?

8 A. That's correct.

9 Q. So it's obvious to you?

10 A. Yes.

11 Q. There's no balancing that we need to do here, no  
12 kind of carefully figuring out different variables, it's  
13 just as clear as it could be, that the easiest way, the  
14 best way, the most preferable way paying for these repair  
15 costs, these particular repair costs, is by capitalizing  
16 it?

17 A. Yes.

18 Q. Because it makes it cheaper today for the  
19 customer?

20 A. Yes.

21 Q. My point is, but when you capitalize it, the  
22 ratepayers are paying for that for a long period of time;  
23 right?

24 A. I assume.

25 Q. And at least if we take the time factor out of

1 it, the dollars that they spend in paying off that  
2 capital debt is going to be a lot more than it would have  
3 been as an expense paid?

4 A. I mean, I don't know if it's ---

5 Q. You don't know?

6 A. --- a lot more. You know, I don't know.

7 Q. Don't know? All right. And I think on page 8  
8 of your Rebuttal --- no, I'm sorry. On page 3 of your  
9 Rebuttal, line 14, you accuse Mr. Stottlemeyer of  
10 promoting intergenerational inequities; isn't that  
11 correct?

12 A. Yes, sir.

13 Q. And that's over this issue of his criticism of  
14 the Company practice of capitalizing these splices?

15 A. Correct.

16 Q. Do you think that this is some kind of ---  
17 strike that.

18 Do you think that young ratepayers of today  
19 might have a reasonable complaint that their elders have  
20 failed to take responsibility for critical inventory  
21 renewal in the last years up to this point and that these  
22 elders have unfairly passed on these problems of failing  
23 infrastructure to the current and future ratepayers?

24 A. I don't know.

25 Q. Do you think we owe our children and

1 grandchildren a repaired infrastructure?

2 A. I think our children deserve a working  
3 infrastructure.

4 Q. So wouldn't you agree with me that this issue of  
5 whether we pay costs upfront or spread them over time may  
6 be a little more complex than simply doing the cheapest  
7 thing at the moment?

8 A. It may be.

9 Q. And with regard to some things you --- that you  
10 addressed in your Rebuttal Testimony you articulated the  
11 importance of balance; isn't that correct?

12 A. Yes.

13 Q. And you saw the capitalization of --- you saw  
14 this as a balance kind of question in part; right?

15 A. Yes.

16 Q. And I think you talked about balance when  
17 criticizing Mr. Stottlemeyer's recommendations with regard  
18 to main replacement by saying, we can't replace all the  
19 mains today; right?

20 A. I don't remember if that was my exact wording,  
21 but ---.

22 Q. But that was the essence of it essentially, you  
23 were saying you can't --- it would cost too much if we  
24 repaired all of the leaking mains today?

25 A. You can't replace the whole system in a year.



1 Q. Well, at one point you said you can't do it all  
2 and it takes time; is that right?

3 A. Correct.

4 Q. But actually what it takes is resources; right?

5 A. Over time.

6 Q. Well, everything happens over time, but you put  
7 more resources in --- if we put enough resources in it  
8 this year, we could fix --- replace all the pipe; right?

9 A. I assume so.

10 Q. Would you agree that balancing the customer's  
11 ability to pay, as you suggested, with regard to main  
12 replacement is also an important consideration in  
13 deciding on improvements in meters?

14 A. I think we have to stay aware of the customer in  
15 everything we do.

16 Q. So balancing the customer's ability to pay would  
17 be important in purchasing a Company information system?

18 A. I mean, whatever we do has to be balanced  
19 against the ---.

20 Q. That would also include dividend payments to  
21 stockholders?

22 A. You're getting into areas ---. I'm an engineer.

23 Q. Fair enough. Are you aware that the average  
24 useful life of a pipe in the system is estimated at this  
25 point to be 95 years?

1 A. I think I heard that in the depreciation. In  
2 engineering I think we use 100 years, but whichever.

3 Q. But in any case, it's quite a bit less than the  
4 replacement --- the current replacement; right?

5 A. Yes, sir.

6 Q. Which is close to about 400; right?

7 A. Yes, sir.

8 Q. And so would you agree that given that  
9 difference that the failure rate of mains will increase  
10 over time?

11 A. Obviously, the newer the mains, the less likely  
12 they are to break. So, yes, that's why we would --- if  
13 we accelerated the spend on main replacement, you should  
14 see a correspondent reduction in main failures.

15 Q. Right. But as long as you got the kind of  
16 discrepancy we have, 400 year cycle and 100 --- you know,  
17 only 100 year average life, we're going --- and we've got  
18 now a situation where there are lots of leaks; right?

19 A. We have more leaks than average.

20 Q. And that situation is going to get worse given  
21 that --- unless the gap between 400 years and 95 years is  
22 reduced?

23 A. It will improve that, yes.

24 Q. Well, it's going to get worse. With the aging  
25 infrastructure, if we're not --- if we don't accelerate,

1 it's going to get worse?

2 A. Yes.

3 Q. Would you agree with me that the prudent thing  
4 for the Company to do is to replace pipes that are near  
5 to or at the end of their useful life in a systemic  
6 responsible manner? Because this will result in lower  
7 costs to customers over time as compared with deferring  
8 needed replacements?

9 A. The end of their useful life would be not only  
10 caveat. That makes it sound like when a pipe gets to a  
11 hundred years, it's done. I think conditional  
12 replacement might be a better term, but other than  
13 that ---.

14 Q. So your testimony today is those weren't ---  
15 those wouldn't be words you would use?

16 A. Right. I mean, that's ---.

17 Q. As I understand it, one of the reasons we have a  
18 high leak rate, particularly in the Kanawha --- and let's  
19 speak about that in particular. It's because of the high  
20 pressure?

21 A. I don't believe that's so.

22 Q. There's not particularly high pressure because  
23 of the need to move the water up and over the mountains  
24 that are part of the reality of the Kanawha system?

25 A. Our system being in the topography it's in has

1 higher pressure than you would normally see in a lot of  
2 water systems. I don't think that's a main contributor  
3 to the number of breaks. Can I explain?

4 Q. Sure.

5 A. We had a study done in 2008 by a company called  
6 Earth Tech because of the number of breaks and they  
7 reviewed years of break information, data, leak reports  
8 and all that and they determined that the most likely  
9 reason that pressure was not a factor and that material  
10 and --- they said small diameter, but it was because its  
11 galvanized main or galvanized iron pipe or cast iron pipe  
12 was where the majority of our leaks were versus the  
13 amount of cast iron and galvanized main in this system.  
14 It was stark, the difference.

15 Q. So that was the main cause?

16 A. Correct. Was the material.

17 Q. Yeah. And pressure isn't a factor?

18 A. Pressure's a factor when it does go. Obviously,  
19 a lot more water leaks when you get a hole in a line, but  
20 they determined through their study that that wasn't a  
21 primary cause of the leak.

22 Q. I'm not in a position to show you any documents  
23 on this, but my recollection is that the comprehensive  
24 planning study contained a finding that pressure was a  
25 factor in the Kanawha system and contributed to leaks?

1 A. I don't recall that.

2 Q. You don't recall that piece of it?

3 A. No.

4 Q. I understand. One of the criticisms you had  
5 regarding Mr. Stottlemeyer's testimony had to do with the  
6 Webster Springs Investment, that he had suggested that it  
7 was an awful lot of money to spend on relatively --- a  
8 system with a relatively small amount of customers. You  
9 accused him, I think, of bias in favor of the Kanawha  
10 Valley system. Have there been other situations that you  
11 know of where the Company has invested that kind of ---  
12 my understanding ---.

13 Just to clarify. It's essentially talking about  
14 spending \$4,000 per customers, per year for 5 years; is  
15 that right?

16 A. I don't know what that number would represent.

17 Q. \$20 million; right?

18 A. Right.

19 Q. Over five years?

20 A. Right.

21 Q. Only about 1,000 customers?

22 A. Correct.

23 Q. You haven't done the math on the per customer  
24 part?

25 A. No, sir.

1 Q. Even after seeing Mr. Stottlemeyer's ---

2 A. No, sir.

3 Q. --- Direct Testimony, you didn't do the math?

4 A. No, sir.

5 Q. I want to talk briefly about this comprehensive  
6 plan of study, which I alluded to earlier. My  
7 understanding, you spoke to this in your Direct Testimony  
8 as part of a plan --- a piece of the planning process  
9 that the Company goes through; is that correct?

10 A. It's a portion, yes, sir.

11 Q. And it's a critical part of the long-term  
12 capital plan; right?

13 A. It is.

14 Q. And this is where you evaluate --- you evaluate  
15 the various needs of the system in order to address  
16 reliability?

17 A. Partially, yes.

18 Q. Are there other things that are part of that?

19 A. Capacity, age. I mean, there's a whole ---  
20 regulation. There's just a list. I don't have the list  
21 in front of me, but there's a list of things they look  
22 at.

23 Q. And I think in response to --- in your Rebuttal  
24 Testimony, page eight, you quote a portion of this  
25 comprehensive plan and study; is that correct?

1 A. What line are you on?

2 Q. No, it's down in the footnote, footnote seven.

3 A. Page eight?

4 CHAIRMAN ALBERT:

5 That's not the Rebuttal. At least the  
6 page eight I'm looking at doesn't have a footnote.

7 ATTORNEY SHERIDAN:

8 I'm sorry. Page four.

9 BY ATTORNEY SHERIDAN:

10 Q. Do you see that?

11 A. Yes, sir.

12 Q. And if I understood correctly, you essentially  
13 quoted this language as a way of suggesting that the  
14 comprehensive planning study wasn't sort of gospel as it  
15 were and it's not --- must be done under any  
16 circumstances with no ability to vary; right?

17 A. That's correct.

18 Q. You wanted to make the point that there may need  
19 to be adjustments, there may be other considerations that  
20 come into play and that sort of thing?

21 A. Yes, every year things change.

22 Q. But it is, in fact, the case that the  
23 comprehensive study is done in order to recommend capital  
24 improvements, which the planners believe are necessary in  
25 order for the Company to provide safe, adequate and

1 reliable service; isn't that true?

2 A. Correct.

3 Q. And, in fact, that's --- let me put it in front  
4 of you a confidential document, which we will mark as  
5 Advocate's 8.

6 ATTORNEY SHERIDAN:

7 It's that there (indicating).

8 CHAIRMAN ALBERT:

9 Well, you never put 7 in. You brought  
10 7 up and then took it back to read it.

11 ATTORNEY SHERIDAN:

12 So this is 7?

13 CHAIRMAN ALBERT:

14 So that would be 7.

15 (ASWS Cross Exhibit Number 7 marked for  
16 identification.)

17 ATTORNEY CALLAS:

18 Did I understand that this is a  
19 confidential document as ---?

20 CHAIRMAN ALBERT:

21 Marked confidential.

22 ATTORNEY CALLAS:

23 Redacted version?

24 ATTORNEY SHERIDAN:

25 This is not redacted. So forgive me,



1 Mr. Chairman. Should this be marked or how do we do  
2 this?

3 CHAIRMAN ALBERT:

4 It's marked confidential. It'll be  
5 marked as an exhibit, delivered to our clerk. It won't  
6 be put in the record until we make a determination.  
7 It'll be in the record. It just won't be in the public  
8 record.

9 ATTORNEY SHERIDAN:

10 I would just note just for  
11 clarification purposes that this version is redacted  
12 because that's the way it was provided to me. My  
13 understanding is that it's the Company's position that  
14 it's confidential even in this form; is that correct?

15 ATTORNEY CALLAS:

16 Yes.

17 BY ATTORNEY SHERIDAN:

18 Q. And so, Mr. Morgan, the part that you quoted in  
19 footnote number seven of your Rebuttal is the last  
20 paragraph on page 2-1; correct?

21 A. Do you want me to compare them or I can take  
22 your word for it?

23 Q. Well, you were the one who quoted it; right?

24 A. Right.

25 Q. I mean, I'm showing you your testimony, this

1 document that you quoted.

2 A. Right. But I'm ---.

3 CHAIRMAN ALBERT:

4 What's the question?

5 ATTORNEY SHERIDAN:

6 If that's the portion that he quoted.

7 A. Yes, it appears to be a portion of what I  
8 quoted.

9 BY ATTORNEY SHERIDAN:

10 Q. Did you go back to the planning study when you  
11 prepared your Rebuttal and find this quote?

12 A. Yes.

13 Q. You didn't, however, quote the first sentence in  
14 the overview; did you?

15 A. The first?

16 Q. The first sentence in the overview.

17 A. I don't recall quoting that.

18 Q. Could you read that for us?

19 A. Sure. Comprehensive planning study recommends  
20 capital improvements that are necessary in order for West  
21 Virginia-American Water to provide safe, adequate and  
22 reliable service to its customers.

23 Q. So as of the time that this was prepared, it was  
24 the assessment of the planners that did the document that  
25 the items listed in this study were necessary in order to

1 provide safe, adequate and reliable service to its  
2 customers; isn't that true?

3 A. That's correct.

4 Q. Now, in your response to Mr. Stottlemeyer's  
5 testimony, you make the point that several of the items  
6 listed in the comprehensive planning study have been  
7 accomplished; is that correct?

8 A. Yes, sir.

9 Q. And there's sort of an inference there that the  
10 order of items in the listing has some significance. Was  
11 that your intention?

12 A. Where you at?

13 Q. Your Rebuttal, page five, lines one through  
14 three.

15 A. Right.

16 Q. But yet, you say there that two of the three  
17 projects Mr. Stottlemeyer specifically identifies as not  
18 having been completed are more than halfway down on the  
19 list of priority A projects recommended?

20 A. Correct.

21 Q. So the suggestion is because they're far down on  
22 the list they're not as important; is that right?

23 A. That's what priorities mean.

24 Q. So it's your understanding that the highest  
25 priority projects are the ones at the top of the list?

1 A. They're the ones that the folks who put this  
2 together prioritized the highest.

3 Q. Because I was under the impression that the  
4 priority rating was a priority A or priority B?

5 A. Well, it's an A, one, two, three, four, five and  
6 there's a B, one, two, three, four, five.

7 Q. That's not clear in any way in the document  
8 itself; is it?

9 A. I think.

10 Q. You don't have the whole document in front of  
11 you, so ---.

12 A. No, no, but I think we quoted in the footnotes  
13 on page four I believe it explains what priority A and  
14 priority B projects are.

15 Q. I understand the priority A and priority B. I'm  
16 just getting this order. You're suggesting that the high  
17 --- things on top of the list are the important ones. So  
18 we're talking just about A priorities. A1 is more  
19 important than A27?

20 A. Correct.

21 Q. And you believe this to be the case why?

22 A. I'm not sure I follow.

23 Q. What makes you think that that's the --- the  
24 drafters of this intended that to be the ---?

25 A. Because that's the way they put together a CPS

1 and always have, and I understand that to be the process.

2 Q. Thank you. I'm going to put in front of you  
3 what has been marked as Advocate's Cross 8, which is the  
4 non-confidential listing provided in discovery.

5 CHAIRMAN ALBERT:

6 We have Advocate's Cross 8 marked for  
7 identification and it is a data request prepared by the  
8 witness, Mr. Morgan. It's ASWS3-001.

9 (ASWS's Cross Exhibit Number 8 marked  
10 for identification.)

11 BY ATTORNEY SHERIDAN:

12 Q. And I'm going to also put in front of you  
13 Advocate's Cross 9, which is a confidential document. It  
14 comes from the CPS, the planning study.

15 CHAIRMAN ALBERT:

16 And marked for identification as  
17 Advocate Cross 9, ASWS3-001 attachment. It's captioned  
18 table E-1 recommended projects.

19 (ASWS's Cross Exhibit Number 9 marked  
20 for identification.)

21 ATTORNEY CALLAS:

22 Confidential?

23 CHAIRMAN ALBERT:

24 It's also confidential. Thank you.

25 BY ATTORNEY SHERIDAN:

1 Q. Let's look at Advocate's Cross 8 first. If you  
2 look on the second page of this, it contains a listing of  
3 what the Company purports to be the completed priority  
4 projects listed in that --- in the comprehensive planning  
5 study for Kanawha.

6 A. Yes, sir.

7 Q. And A1 priority ---

8 A. Yes, sir.

9 Q. --- is the system wide SCADA removal; is that  
10 correct?

11 A. That's correct.

12 Q. So am I to take it from this that the most  
13 important priority for the reliability of the system was  
14 the SCADA removal?

15 A. Yes.

16 Q. And that's listed as completed; is that right?

17 CHAIRMAN ALBERT:

18 Pull your microphone up. I'm really  
19 having a ---.

20 ATTORNEY SHERIDAN:

21 I'm sorry. Thank you, Mr. Chairman.

22 Is that better?

23 CHAIRMAN ALBERT:

24 Yes, sir.

25 A. Those years, parts of the project --- that

1 project was a reoccurring one over several years, so I  
2 don't know if the entire project was done yet, but those  
3 years are done. It's replacing SCADA, all the booster  
4 tanks and like that, so it's not just one thing. It's  
5 300 or 400 and that's how much it was --- I think a 5  
6 year program.

7 BY ATTORNEY SHERIDAN:

8 Q. So it's not, in fact, completed, is it?

9 A. I don't know if it is completed or not. Not  
10 completely completed. I think it was a five year  
11 project.

12 Q. Well, help me understand looking back on the  
13 first page of this document, you're listed as a  
14 witness ---

15 A. Uh-huh (yes).

16 Q. --- and you talked about this, and this was  
17 provided to us in response to a question about which  
18 projects had been completed. So I took it to mean that  
19 the things on the list under the heading projects  
20 completed were completed. Is that not the case?

21 A. I filled this out and I took it to mean this ---  
22 I mean, in 2013 we completed that much, in '14 and '15  
23 because I believe if you read the project, it says it's  
24 over a five-year period. So I don't know --- I don't  
25 think it's fully completed, but those years' worth of

1 projects are completed. So maybe I misunderstood.

2 Q. So what this in effect is telling us is not that  
3 the project is completed, but that the annual component  
4 of the project is completed?

5 A. Correct.

6 Q. And SCADA is at the top of the priority list?

7 A. Correct.

8 Q. And if I'm going from recollection here, that  
9 particular item went significantly over budget; is that  
10 correct?

11 A. Yes.

12 Q. Just going down the left-hand column, the  
13 numbers there, you skipped A3; right?

14 A. Correct.

15 Q. You skipped A6, 7 and 8; is that right?

16 A. Yes.

17 Q. And to figure out what those are, you'd have to  
18 look over onto Advocate's Cross 9, so these are --- the  
19 three is a relatively a high priority project; right?

20 A. Correct.

21 Q. Which has been completely skipped?

22 A. I don't know if it's been completely skipped. I  
23 talked to our production guys and they are looking at  
24 alternatives or if they still need that.

25 Q. And seven, eight and nine also have been skipped



1 or just not completed?

2 A. Correct. Four and six are in the future budget.

3 Q. And project number five is system wide energy  
4 management that involves upgrading LED lighting; is that  
5 correct?

6 A. Yes, sir.

7 Q. And that's not a huge budget item, but is that  
8 really the fifth most important priority for the  
9 reliability of the system?

10 A. Well, it does two things. It lowers costs and  
11 is more efficient and it's also more environmentally  
12 friendly, which we're trying to lower our footprint. So  
13 we're trying to --- so those two things.

14 Q. Good thing; right? Yeah, lowers costs, but in  
15 terms of reliability, which I understood to be a primary  
16 goal of the comprehensive planning study.

17 A. Safe, adequate and reliable.

18 Q. Safe, adequate and reliable water; right?

19 A. Correct.

20 Q. This is just lowering costs and lowering  
21 environmental footprint?

22 A. Correct.

23 Q. And nothing in the list --- and I think you  
24 really have to look at the list in Advocate's Cross 9 to  
25 determine this, but nothing in the list speaks about AMR

1 metering; does it?

2 A. The CPS doesn't review metering.

3 Q. Because metering really isn't related to the  
4 reliability of the system and the ability of the system  
5 to provide safe and reliable water; is it?

6 A. I'm not sure why it's considered.

7 CHAIRMAN ALBERT:

8 Are you nearing a break point or a  
9 conclusion?

10 ATTORNEY SHERIDAN:

11 I have a few more minutes, Mr.  
12 Chairman. Do you want me to proceed?

13 CHAIRMAN ALBERT:

14 Yeah. I was just looking at lunch.

15 BY ATTORNEY SHERIDAN:

16 Q. Do you know what the total cost of the projects  
17 listed in Advocate's Cross 9 are?

18 A. Which is Advocate's Cross 9?

19 Q. It's the confidential document.

20 A. Oh, okay.

21 Q. Yeah, the one in your --- yes, that one.

22 A. They total at the bottom, yes.

23 Q. What's the total?

24 A. I'm sorry.

25 Q. I read it as 59,333 --- 59 million. Oh, I'm

1 sorry. That's a B. Let's look at A. Let's look at A.

2 A. I read it as it looks like \$60,630,000.

3 Q. And I think you helped raise this a moment ago.  
4 These costs listed over on the right-hand column is  
5 project costs.

6 A. Uh-huh (yes).

7 Q. These are not, in fact, the total project costs;  
8 are they?

9 A. Correct. That's one of the --- I caught that  
10 after we did this. The reoccurring annual project costs  
11 were not included in the total. It was a one time ---  
12 they took a one year and I added it in, so if you went 15  
13 years, you would have to take those times 15.

14 Q. So, in fact, the total budget would be closer to  
15 --- subject to check, closer to 200 million?

16 A. Subject to check. I didn't do the math.

17 Q. It's going to be a lot more than the 600?

18 A. Absolutely.

19 Q. And would you agree with me that one of the  
20 things --- in your Rebuttal Testimony, you suggested that  
21 the Company was sort of well on its way to dealing with  
22 implementing the projects because it had already  
23 accomplished a number of them, but you didn't look at the  
24 ---? Did you look at the dollars spent?

25 A. I looked at the projects themselves.

1 Q. The number of projects?

2 A. Yes.

3 Q. So the dollars spent is usually the way we  
4 figure out whether something has been --- well, strike  
5 that.

6 Regarding the numbers, looking back at  
7 Advocate's Cross 8, you listed --- you said that 11  
8 projects have already been completed. Isn't that what  
9 you said in your Rebuttal?

10 A. Yes.

11 Q. And there were five that were budgeted to be  
12 done in 2016; is that correct?

13 A. Yes.

14 Q. And it was those numbers that allowed you to say  
15 that the Company was sort of on track with getting  
16 through its A priorities over the whole 15-year period?

17 A. Correct.

18 Q. But actually, in fact, we've now established  
19 that some of these --- this first list of completed  
20 projects haven't actually been completed, it's just the  
21 annual portion; right?

22 A. Correct.

23 Q. And secondly, would you agree with me that we're  
24 sort of double dipping on these numbers because A4 and  
25 A14 are listed in both places?

1 A. Correct. Because it's an annual expense.

2 Q. But you added those things together to come up  
3 with a number in your revised?

4 A. What I actually did on that sheet was I took  
5 three years because I think the question was what have  
6 you completed, three and then --- and so since we had  
7 done 13, 14 and 15, I added those together. And then in  
8 16, I added just the one years for --- because that's the  
9 only ---. But, yes, those numbers are going to go out.

10 Q. And, in fact, your Rebuttal Testimony would need  
11 to be edited to take account of that; right? For  
12 example, on page 4 beginning at line 10, you say,  
13 therefore, in the first 4 years of the 15-year period, 16  
14 or one-third of the 48 priority projects have been or  
15 will be completed, which is actually more than one would  
16 expect ---

17 A. Uh-huh (yes).

18 Q. --- if the Company would have spread all the  
19 projects evenly across the 15-year period. But the  
20 numbers are actually smaller because we're double dipping  
21 on those; right?

22 A. They could be, yes.

23 Q. Let me ask you about pre-stress concrete  
24 cylindrical pipe, PCCP. This is pipe that several lines  
25 in the Kanawha system made of this pipe; right?

1 A. Yes, sir.

2 Q. Including the Dunbar line, which has just been a  
3 little problem recently; correct?

4 A. Yes.

5 Q. And in his Direct Testimony, Mr. Stottlemeyer  
6 expressed a concern about the reliability of this pipe;  
7 is that correct?

8 A. Yes, sir.

9 Q. And you suggested that this concern was --- was  
10 this part of what you thought was misplaced and not  
11 factually based?

12 A. I put in my testimony what I thought was  
13 factually based. I'm not sure what Mr. Stottlemeyer did,  
14 but yes.

15 Q. You characterize his testimony as misplaced and  
16 not factually based; is that right?

17 A. I believe I said it was ---.

18 ATTORNEY CALLAS:

19 Can you provide a reference, please?

20 ATTORNEY SHERIDAN:

21 Sure. Page 1, lines 9 through 12.

22 BY ATTORNEY SHERIDAN:

23 Q. You characterized Mr. Stottlemeyer's testimony as  
24 misplaced, not supported by fact and shows a lack of  
25 understanding. Do you see that?

1 A. Yes.

2 Q. My question is, did --- with regard to the  
3 concerns that Mr. Stottlemeyer expressed regarding PCCP,  
4 is that part of what lead you to conclude that his  
5 testimony was misplaced and not factually based?

6 A. Yes, I didn't think he had factual information  
7 on our PCCP pipe.

8 Q. And in your Rebuttal, you claim that a  
9 contractor did an assessment in 2012; correct?

10 A. I believe it was the University of Utah, but is  
11 that ---?

12 Q. Was it Pure Technologies?

13 A. Oh, okay. That one, yes. It was a contractor.

14 Q. Yeah. And I think your testimony was it was in  
15 2012?

16 A. Yes.

17 Q. And you looked at 86 pipes in the Dunbar ---

18 A. Correct.

19 Q. --- PCCP; right?

20 A. Right.

21 Q. And determined that less than five percent of  
22 the pipes had damage and so that a complete replacement  
23 was not warranted at the time. Isn't that what you said?

24 A. Correct.

25 Q. And isn't it true that --- well, you claim, I

1 think, in your testimony that based on this the Company  
2 moved the main replacement project to a lower priority?

3 A. That's correct.

4 Q. That's what you said?

5 A. Yes.

6 Q. And by that, you mean this Dunbar replacement  
7 project; right?

8 A. Correct.

9 Q. Not main replacement in general?

10 A. It was specifically for that.

11 Q. And the CPS, the comprehensive planning study,  
12 was initially done in 2011; is that right?

13 A. Correct.

14 Q. But it's been updated through March of 2015; has  
15 it not?

16 A. Yes.

17 Q. So loose leaf notebook?

18 A. Yes.

19 Q. So it allows for pages to be inserted if there  
20 are changes made in the priorities; right?

21 A. We don't typically change the CPS every time we  
22 change priorities. The CPS typically is presented when  
23 it's done.

24 Q. But in this particular case, we were told in  
25 Discovery that it was revised up through March of 2015.



1 Is that true?

2 A. I'd have to look at the documents. There were  
3 certain revisions made because this thing took --- it was  
4 done over a period of time and I don't know if any of  
5 those type ---. I mean, that would be material changes I  
6 believe took place. I think we had a data request on it.

7 CHAIRMAN ALBERT:

8 We're going to go ahead and take a  
9 break for lunch. You could maybe get --- take a look at  
10 what you can do to accelerate this a little bit over the  
11 lunch hour and we'll back here at 1:30.

12 LUNCH BREAK TAKEN

13 CHAIRMAN ALBERT:

14 All right. We're back on the record.  
15 We are in the middle of Citizen's Cross Examination of  
16 Mr. Morgan.

17 ATTORNEY SHERIDAN:

18 Thank you, Mr. Chairman.

19 BY ATTORNEY SHERIDAN:

20 Q. Mr. Morgan, just before we broke, we established  
21 that you --- in your Rebuttal you indicated that based on  
22 the Company's investigation of this PCCP pipe the Company  
23 had moved the main replacement project to a lower  
24 priority?

25 A. Correct.

1 Q. And I was asking you, isn't it true that despite  
2 that that the CPS was not updated to reflect the change  
3 in priority regarding the Dunbar project?

4 A. That's correct.

5 Q. And this is true even though the CPS has been  
6 revised on an ongoing basis since it was written?

7 A. There were slight changes, but nothing material  
8 that I recall.

9 CHAIRMAN ALBERT:

10 Is your microphone on or you just have  
11 post lunch fading here?

12 ATTORNEY SHERIDAN:

13 I think it's on. I'll just keep trying  
14 to lean in. I'm sorry, Mr. Chairman.

15 CHAIRMAN ALBERT:

16 All right. And that is marked for  
17 identification?

18 ATTORNEY SHERIDAN:

19 Yes.

20 CHAIRMAN ALBERT:

21 All right.

22 ATTORNEY SHERIDAN:

23 Advocates Cross.

24 CHAIRMAN ALBERT:

25 We'll mark this as Advocates Cross 10.

1 (ASWS's Cross Exhibit Number 10 marked  
2 for identification.)

3 CHAIRMAN ALBERT:

4 It's a data request and response  
5 prepared by Brett Morgan, ASWS3-002

6 BY ATTORNEY SHERIDAN:

7 Q. Mr. Morgan, I'm showing you Advocates Cross 10.  
8 This is a Discovery response from the Company; isn't that  
9 correct?

10 A. Yes, sir.

11 Q. And this establishes that this 2011 CPS was  
12 actually written over the period spanning between March  
13 2009 and 2015?

14 A. Yes.

15 Q. Regarding the PCCP pipe, you attached a report  
16 to your rebuttal ---

17 A. Yes, sir.

18 Q. --- regarding that pipe; is that correct?

19 A. Yes, sir.

20 Q. And that report was performed by the parent  
21 company?

22 A. Our system engineering group.

23 Q. And it was done because of continuing concerns  
24 with the PCP pipe; right?

25 A. Yes, I asked them to prepare it.

1 Q. So you had some concerns about that pipe; right?

2 A. No, sir. We knew a lot of these facts, but I  
3 didn't want to sit down and put days into trying to  
4 reference and all this. We've had many discussions over  
5 PCCP pipe and this person in New Jersey is our expert on  
6 PCCP pipe and he put something together. I asked him to  
7 put it together in an easily understandable format with  
8 references and that's what they did.

9 Q. I'm talking about the assessment, the --- let's  
10 stick with the report. The report was not put together  
11 in response to Mr. Stottlemeyer's testimony; was it?

12 A. Yes.

13 Q. Oh, it was?

14 A. Yes. Yes, when I saw it that was put together  
15 because we knew these facts and I wanted something put  
16 together and I knew we had people in New Jersey who had a  
17 better understanding of it than I did.

18 Q. I understand now. I didn't understand that, but  
19 the survey that you did, the assessment that you did back  
20 in 2012 ---?

21 A. It was very late 2012.

22 Q. And that was done specifically of the Dunbar  
23 pipe?

24 A. Correct. A section down there that we had had a  
25 couple of breaks on and we wanted to check it to see what

1 the condition was.

2 Q. You were concerned about the condition of this  
3 particular pipe; right?

4 A. Yes.

5 Q. So the kinds of concerns that Mr. Stottlemeyer  
6 expressed were concerns back --- at least back in 2012  
7 were enough to motivate you to spend some money to do  
8 some assessment?

9 A. Sure.

10 Q. So it's not like his concerns were unfounded; is  
11 it?

12 A. No. I think the reason that I put what I did  
13 about not factual is the big issue I believe he had was  
14 that during the early '70s PCCP pipe was unreliable or  
15 something like that or experienced numerous breaks and  
16 things like that. And it was basically we knew one or  
17 two manufacturers and we knew our pipe was not from  
18 either of those manufacturers. And in the report I saw  
19 they mentioned it's only by one manufacturer.

20 Q. And you've had some serious breaks in this very  
21 Dunbar pipe recently; haven't you?

22 A. Yes.

23 Q. Has that renewed your concerns about that Dunbar  
24 pipe?

25 A. Not necessarily. Not any more than we've always

1 had. We look at that pipe. It's in good condition. We  
2 look at the number of breaks on it. That's a conditional  
3 type analysis. It's way better than the national average  
4 for that type of pipe. It's way better than the average  
5 for all other types of pipe and we've --- every time we  
6 have a break we either have the pipe manufacturer come  
7 down or we take pictures and talk with them about the fix  
8 and what the break was and things like that. So, yeah,  
9 we're always concerned about trying to keep pipe from  
10 breaking if we can.

11 Q. Well, that concern must have been raised as a  
12 result of the experience of this year with like multiple  
13 breaks on that particular stretch; right?

14 A. Actually, it was one break and the repair failed  
15 a couple of times.

16 Q. And there was a break on another similar pipe,  
17 too, this summer I think. Was it last spring?

18 A. I don't remember the time frame, but it was ---  
19 on the west side of Charleston, we had a seal in a seam  
20 where they come together, leaked. It wasn't nearly as  
21 dramatic as the one in Dunbar.

22 Q. Let's see. That's confidential and this is a  
23 --- did I hand you this one (indicating)?

24 A. No, just that.

25 ATTORNEY SHERIDAN:

1 Do I give you two, sir?

2 CHAIRMAN ALBERT:

3 Yeah, but I didn't know if I needed  
4 two.

5 ATTORNEY SHERIDAN:

6 No. No, I think --- I'm sorry.

7 BY ATTORNEY SHERIDAN:

8 Q. Mr. Morgan, I'm putting in front of you what's  
9 been marked as Advocates Cross 11 and this is from the  
10 comprehensive planning study project A4.

11 (ASWS's Cross Exhibit Number 11 marked  
12 for identification.)

13 BY ATTORNEY SHERIDAN:

14 Q. Do you see that?

15 A. Yes, sir.

16 Q. And if you'll look at Advocates Cross 8 --- is  
17 that still in front of you there?

18 A. Which one is that?

19 Q. It's the list ---

20 A. Yes, sir.

21 Q. --- of completed items.

22 A. Right.

23 Q. A4 is listed as projects completed ---

24 A. Right.

25 Q. --- currently; right?

1 A. Right.

2 Q. And it's also listed as projects in 2016 capital  
3 budget?

4 A. Correct.

5 Q. And this project involves main replacement;  
6 isn't that correct?

7 A. Yes, sir.

8 Q. And if you're able to do so without breaching  
9 security of the document, can you generally describe what  
10 this involves?

11 A. Yes, it's a recommendation to replace pipeline  
12 to conduct acoustic monitoring, implement GIS and develop  
13 a modeling prioritize main replacements.

14 Q. And the objective of this project is to lower  
15 the replacement rate to essentially 167 years; isn't that  
16 correct?

17 A. It's .6 percent. If that's what it works out  
18 to, I'll take your word for it.

19 Q. .6 percent?

20 A. Yes, .6 percent, which translates into ---.

21 Q. Into 167 roughly ---

22 A. Right.

23 Q. --- replacement cycle? So this is a project to  
24 do main replacement in the Kanawha system to bring the  
25 replacement down to 167 years?



1 A. Correct.

2 Q. And that has not been completed; is that  
3 correct? I mean, that's not been achieved?

4 A. No.

5 Q. Not even close?

6 A. No, sir.

7 Q. I think the number we've been using is 384.  
8 That's system wide; is that right?

9 A. Yes, sir.

10 Q. Do you know what that would be in the Kanawha  
11 system?

12 A. No, sir, I have no reason to believe it would be  
13 similar.

14 Q. So it'd be similar to the 400 ---?

15 A. Because when we do our main replacement, we try  
16 to prorate it according to the miles of pipe in each  
17 district so it should be very similar.

18 Q. So I'm confused because you've listed --- if we  
19 look back at Advocates Cross 8, you've listed this as  
20 completed --- you know, as completed in the past and  
21 scheduled again for completion in --- for projects of  
22 2016, but we're not anywhere close to the --- to what I  
23 read in this document as being the standard for  
24 completion?

25 A. I guess my point was trying to say it was

1 completed for the year and it's --- I mean, it would take  
2 167 years to complete the entire project and then you're  
3 back starting over again. So this is one of those  
4 projects you never complete, so I just assumed to give  
5 the annual amount that we were spending.

6 Q. Well, the goal is the rate; correct?

7 A. Correct. And we're not there.

8 Q. Right. But you could achieve --- you don't have  
9 to go through all 176 years to get the rate?

10 A. No, sir, but to complete the project.

11 Q. But you're declaring the project completed  
12 without getting even close to the rate that the project  
13 finds is the objective?

14 A. I thought the point of the data request was to  
15 see how much money and what we had done in that year. I  
16 thought it was understood that since it's reoccurring  
17 every year that we didn't complete 384 --- 167 years of  
18 projects in one year. I apologize if that was confusing,  
19 but no, that was intended to show a year.

20 Q. Well, I'm looking at not so much the data  
21 request, but in A4, ---

22 A. Right, right, right.

23 Q. --- the study defines the goal. As I understand  
24 it, the study is setting out the priority projects in  
25 order for the Company to make the system, you know, do

1 the things that are needed for safe and reliable delivery  
2 of water. And these are the priorities and this is the  
3 fourth thing on the list ---

4 A. Uh-huh (yes).

5 Q. --- and it involves main replacement, talks  
6 about getting the rate down to 167 years and the things  
7 needed to do that. And it sounds to me like what you  
8 mean by completed is simply that you did something in  
9 connection with this project this year?

10 A. Correct. We did not complete the project in the  
11 --- if the project was to get to .6, we did not complete  
12 it.

13 Q. Did you spend the \$7.5 million on this project?

14 A. No, sir.

15 Q. So do you know how much you spent on this  
16 project?

17 A. Well, it's on that other sheet and that includes  
18 a whole lot of things. It includes the acoustic  
19 monitoring and all those kind of things.

20 Q. You're saying you have a sheet. You're talking  
21 about Advocates Cross 8?

22 A. Right.

23 Q. So that's the number of what you spent, the \$13  
24 million?

25 A. Correct. Over those three years. In 2015 is I

1 forget how many months actual plus budget.

2 Q. This is money not just spent on this project  
3 going forward, but on other things as well?

4 A. Correct.

5 Q. I'm trying to understand what completed means in  
6 this context. I mean, it just sounds like you spent some  
7 money toward A4, but ---.

8 A. I mean, this is the --- A4 recommended main  
9 replacement at a certain level. We did not invest at  
10 that level, but we did invest at a level. So we  
11 completed the work on that percentage of pipe, but next  
12 year we can't complete it. I mean, I may not be making  
13 sense, but I just thought it was --- you wanted to know  
14 how much we had done towards that, so ---.

15 Q. Advocate Cross 8 is a document you prepared?

16 A. Correct. Yes.

17 Q. You explain your ---?

18 A. Yes, sir.

19 Q. I understand that, but Advocate Cross 11 is a  
20 document out of the ---?

21 A. This one (indicating)?

22 Q. Yes.

23 A. Yes, sir.

24 Q. That comes out of the plan?

25 A. Yes, sir.

1 Q. And as I understand it, in contrast to the  
2 SCADA, which is listed as A1 in which you went over  
3 budget, in this particular case, you did not even spend  
4 the money recommended in A4; is that right?

5 A. Correct.

6 Q. Just one last thing. I want to put in front of  
7 you what's been marked as Advocates Cross 12. This is a  
8 public document, non-confidential.

9 (ASWS's Cross Exhibit Number 12 marked  
10 for identification.)

11 CHAIRMAN ALBERT:

12 We'll have it marked as Advocates Cross  
13 12, a request dated September the 11th in the case for  
14 Discovery to Brett Morgan, ASWS4-001.

15 BY ATTORNEY SHERIDAN:

16 Q. And this data request asks you --- referring to  
17 the balance between the infrastructure replacement and  
18 custom rates, which you refer to trying to reach, which  
19 you talked about in your Rebuttal Testimony. You were  
20 asked if the Company had any information such as data or  
21 reports, which would justify or support the particular  
22 choices that the Company made as to where to strike the  
23 balance.

24 And would you agree with me that the response  
25 that was provided was sort of a textual explanation of

1 what's important about the choice, but includes no data,  
2 or reports or any kind of cost benefit analysis or  
3 anything like that?

4 A. That's correct.

5 Q. So can I be safe to assume from that there are  
6 no --- there isn't nothing of that nature which could  
7 have been provided?

8 A. I'm not aware of any, but I'm not sure  
9 engineering would be the people to produce those. I  
10 don't know.

11 Q. Well, was it fair --- is it fair for me to  
12 presume that if the Company had those they would have  
13 provided them in response?

14 A. I would have sent them, yes, sir.

15 ATTORNEY SHERIDAN:

16 Thank you very much.

17 A. Uh-huh (yes).

18 ATTORNEY SHERIDAN:

19 No further questions.

20 CHAIRMAN ALBERT:

21 Staff?

22 ATTORNEY SADE:

23 No questions.

24 CHAIRMAN ALBERT:

25 You have Advocates Cross 7 through 12.

1                   ATTORNEY SHERIDAN:

2                   Thank you, Mr. Chairman. I would move  
3 the admission of Advocates Cross 7 --- thank you. I  
4 would move the admission of Advocates Cross 7 through 12.

5                   CHAIRMAN ALBERT:

6                   Any objection?

7                   ATTORNEY CALLAS:

8                   No, Your Honor.

9                   CHAIRMAN ALBERT:

10                  All right. They'll be admitted. In  
11 your Direct Testimony at --- well, it begins on page  
12 three and it goes on for several pages. It talks about  
13 investment and prioritized capital budget, but you talk  
14 about sources of supply, the CPS, whether the system has  
15 the necessary quantity of water to meet the projected  
16 system demand. Do you think that it does have the source  
17 of supply to meet demand?

18 A.              Yes, sir.

19                  CHAIRMAN ALBERT:

20                  How about the water treatment  
21 facilities, the maximum daily demands, does West Virginia  
22 stack up with this standard? Are you able to meet  
23 maximum daily demands for your various plants?

24 A.              Yes, sir.

25                  CHAIRMAN ALBERT:

1                   What about Webster Springs?

2           A.           It has sufficient capacity. The problem is with  
3 the treatment and the condition of the plant because it's  
4 so old and it's in a flood plain.

5                   CHAIRMAN ALBERT:

6                   It has occasional source of supply  
7 quantity problems; does it, or do they just put extra  
8 rocks in the river? That's my recollection.

9           A.           We build a dam every spring with rocks to make a  
10 pool.

11                   CHAIRMAN ALBERT:

12                   Explain the code red system you  
13 testified about.

14           A.           If you remember during the chemical spill ---  
15 and this is the best example I can give you.

16                   CHAIRMAN ALBERT:

17                   Of all the examples?

18           A.           Well, that's sort I think where it may have  
19 started. The interactive map that was online showed up  
20 red or green depending on the area that was safe to  
21 drink. The code red system uses the same technology to  
22 --- if, say, we have to boil water and it's an isolated  
23 area we can draw a circle on the GIS map and every  
24 customer in that area will get a phone call in addition  
25 to the newscast and everything if we have to boil water.



1           It won't be just newspapers, television and  
2 whatever. They'll actually get a telephone call to their  
3 home telling them there's a boil water.

4                   CHAIRMAN ALBERT:

5           Do you actually do it on a screen or on  
6 documents where it prints it --- it activates the call  
7 system?

8           A.           Yes, sir.

9                   CHAIRMAN ALBERT:

10          There's also mention of automated  
11 several other systems. I mean, Westin and I guess ---  
12 was Blue Stone one of the ones?

13          A.           Yes, sir, that was the first one.

14                   CHAIRMAN ALBERT:

15          When you all talk about automation,  
16 you're talking about taking a shift offline or ---?

17          A.           It's full automation at the plant, but it's only  
18 unattended one eight hour shift of the three during the  
19 day.

20                   CHAIRMAN ALBERT:

21          And how many automated plants do you  
22 have?

23          A.           That's the first one surface treated. I think  
24 it's the first one in West Virginia.

25                   CHAIRMAN ALBERT:

1 Blue Stone?

2 A. Yes, sir. Westin's due to be finished this year  
3 and we'll go through it. If the Health Department treats  
4 it like they did Blue Stone, we'll do a parallel  
5 operation where it's attended, but it's run unattended.  
6 And then New River's under design and New River will be  
7 constructed next year.

8 CHAIRMAN ALBERT:

9 New river being?

10 A. Fayette.

11 CHAIRMAN ALBERT:

12 The sentence on page two of your  
13 Rebuttal that's been subject to extensive discussion, it  
14 seemed to me to be sort of ambiguous, and I wasn't sure  
15 what --- it says, I doubt the customers would appreciate  
16 the Company ignoring water main breaks to address plant  
17 projects that currently are not affecting water service  
18 customers. When you use the word that currently are not  
19 affecting water service customers, does that mean the  
20 main breaks are of such a nature that they're not  
21 affecting the customer or do you mean the plant projects  
22 are not affecting customers?

23 A. I'm sorry. Could you say that again? It's not  
24 a well-crafted sentence.

25 CHAIRMAN ALBERT:

1 Well, I was just wondering what that in  
2 the sentence referred to. I doubt the customers would  
3 appreciate the Company ignoring water main breaks to  
4 address plant projects, and then it says, that currently  
5 are not affecting water service. And I didn't know if  
6 you meant water main breaks that are not affecting  
7 service or planned projects that are not affecting water  
8 service.

9 A. Planned projects. I don't think you take  
10 unscheduled main replacement, put it to scheduled main  
11 replacement if you were going to have to let leaks run.

12 CHAIRMAN ALBERT:

13 All right. Thank you, Mr. Morgan.

14 ATTORNEY CALLAS:

15 Your Honor, if I may, I have one or two  
16 questions on Redirect.

17 REDIRECT EXAMINATION

18 BY ATTORNEY CALLAS:

19 Q. Mr. Morgan, during Mr. Sheridan's examination of  
20 you, there was discussion of an analysis done of the PCCP  
21 pipe in Dunbar in 2012.

22 A. Yes, sir.

23 Q. And then there was --- he asked you a question  
24 about whether the break, breaks ---. And this was one  
25 break and three corrections that happened this year,

1 raise any additional concern about that Dunbar PCCP pipe.  
2 Is the concern for the PCCP pipe that was outlined in the  
3 2012 analysis and also appeared in the exhibit to your  
4 testimony the concern that was the mechanism of the  
5 failure this year?

6 A. No, sir. This failed in a joint.

7 Q. Can you describe how those two things are  
8 different?

9 A. The concern over the concrete pipe --- or PCCP  
10 pipe that's been discussed is on reinforcing wire within  
11 the pipe. In the early '70s, there was a manufacturer  
12 who used a higher tensile strength, therefore less wire.  
13 However, it was very susceptible to hydrogen and it  
14 corrodes, and therefore, since there was less of it and  
15 it loses its strength, there were catastrophic failures,  
16 which meant the thing just gave and blew up.

17 This was a leak in a joint and the folks we've  
18 had look at it so far believe it was right at a valve and  
19 just the weight over the years, it just eventually  
20 separated. And then we had, again, issues, two or three  
21 issues, trying to put it back.

22 ATTORNEY CALLAS:

23 Thank you. That's all I have.

24 CHAIRMAN ALBERT:

25 All right. Thank you.

1 A. Certainly.

2 ATTORNEY SHERIDAN:

3 Mr. Chairman, I think by agreement now  
4 we're going to take Mr. Stottlemeyer, so we'll call Fred  
5 Stottlemeyer.

6 -----

7 FRED D. STOTTEMYER, HAVING FIRST BEEN DULY SWORN,  
8 TESTIFIED AS FOLLOWS:

9 -----

10 CHAIRMAN ALBERT:

11 You only had Direct; right, Mr.  
12 Stottlemeyer?

13 A. Pardon?

14 CHAIRMAN ALBERT:

15 You only had Direct Testimony?

16 A. Yes.

17 ATTORNEY SHERIDAN:

18 Mr. Chairman, I have a copy of just  
19 Direct Testimony from Mr. Stottlemeyer and also Exhibit  
20 --- the Direct Testimony is in confidential and  
21 non-confidential form.

22 CHAIRMAN ALBERT:

23 I didn't hear a word you said. I'm  
24 sorry, but I'm waiting. Okay. I see. We don't really  
25 need confidential versions. Just give me a copy to our

1 clerk. Or at least I didn't. Yeah.

2 DIRECT EXAMINATION

3 BY ATTORNEY SHERIDAN:

4 Q. Could you state your name for the record,  
5 please?

6 A. Fred Stottlemeyer.

7 Q. And on whose behalf are you testifying on?

8 A. On behalf of the Advocates for Safe Water  
9 Supply.

10 Q. And, Mr. Stottlemeyer, do you have before you  
11 copies of your public and confidential testimony?

12 A. Yes, I do.

13 Q. Along with the exhibits that you filed with your  
14 testimony?

15 A. Yes, I do.

16 Q. And do you have any corrections in connection  
17 with that testimony?

18 A. No, I don't.

19 Q. So that testimony in its current form is  
20 testimony that you offer to the Commission as your  
21 testimony in this case?

22 A. Yes, it is.

23 Q. Were these testimonies prepared by you or under  
24 your direct supervision or control?

25 A. Yes, they were.

1 Q. And they're true and accurate to the best of  
2 your knowledge, information and belief?

3 A. Yes.

4 ATTORNEY SHERIDAN:

5 Mr. Chairman, I would ask that  
6 Advocates Exhibit FDS-D public and confidential be  
7 admitted into the record along with Advocates Exhibit  
8 FDS-D and offer Mr. Stottlemeyer for Cross Examination.

9 (ASWS's Exhibit FDS-D and FDS-D-S  
10 marked for identification.)

11 CHAIRMAN ALBERT:

12 Advocates FDS-D non-confidential  
13 version and FDS-D confidential version will be --- those  
14 are your two exhibits; right?

15 ATTORNEY SHERIDAN:

16 That's correct.

17 CHAIRMAN ALBERT:

18 All right. They'll be identified as  
19 such and admitted. Mr. Callas?

20 CROSS EXAMINATION

21 BY ATTORNEY CALLAS:

22 Q. Hello, Mr. Stottlemeyer. I'm Chris Callas  
23 representing the Company. How are you today?

24 A. Fine. Thank you.

25 Q. Good. I have a number of questions for you and

1 I want to begin with some of the inquiry to some of the  
2 background about yourself that you've shared in the early  
3 part of your testimony. During your time with Teays  
4 Valley and then South Putnam Public Service District, how  
5 was your utility located geographically in respect of the  
6 Company's Kanawha Valley and Huntingdon systems?

7 A. It was located between the two systems.

8 Q. And did your customer base at the PSD have  
9 occasion grow rather substantially at the time?

10 A. Yes.

11 Q. The Company, as you said, had a fairly highly  
12 developed system of its own on either side?

13 A. Correct.

14 Q. And eventually there was a time when those two  
15 systems of the Company were connected by a large  
16 transmission line; is that correct?

17 A. I understand that is correct.

18 Q. I've been honored to work for the Company for  
19 some number of years including going back to the time  
20 when you were there, and I can represent to you that  
21 during that time, particularly under Mr. Jarrett's  
22 leadership with the water company, that the South Putnam  
23 customer base was one that you might say the Company eyed  
24 with some envy as a potential acquisition target. Does  
25 that sound like an accurate description to you?



1 A. Yes.

2 Q. And would it surprise you at all to know that  
3 during that time, sometimes called Old Fred was seen as  
4 something a formidable foe and adversary?

5 CHAIRMAN ALBERT:

6 Old Fred?

7 ATTORNEY CALLAS:

8 Old Fred.

9 OFF RECORD DISCUSSION

10 BY ATTORNEY CALLAS:

11 Q. Something of a formidable, adversary in the  
12 world of municipally owned versus privately owned  
13 utilities. Would you think that would be an accurate  
14 statement?

15 A. Yes. And the adversarial relationship is  
16 probably most from the Company's standpoint because the  
17 Company desired the customer base.

18 Q. Perhaps, yes. And you desired to keep that from  
19 happening; didn't you?

20 A. I desired to protect the customers in the Putnam  
21 area that I was a manager for to protect our rates and  
22 assure them a safe water supply.

23 Q. I see. Were you involved at any point during  
24 that period in the Rural Water Association?

25 A. Yes, I was.

1 Q. How were you involved?

2 A. I was president some time --- for some of the  
3 time and then I was on the board for probably 20 years.

4 Q. During that time in those roles, did you  
5 encourage its members who may have been approached by the  
6 water company to consider acquisition by the Company or  
7 other privatization efforts, or did you attempt to  
8 discourage them and urge them to maintain their public  
9 nature?

10 A. I encouraged them to maintain their public  
11 status if that was the most beneficial to their  
12 customers.

13 Q. Let's bring it forward to this year, Mr.  
14 Stottlemeyer. Did someone at the Advocates group reach  
15 out to you and ask you if you'd like to consider  
16 providing expert testimony in this case?

17 A. Yes.

18 Q. Who was that?

19 A. Paul and --- I'm not sure. I think maybe Kathy,  
20 who was their client representative, may have.

21 Q. Ms. Kunkle?

22 A. Yes.

23 Q. At the time that happened had you already  
24 provided testimony in the general investigation  
25 proceeding?

1 A. Yes, I had.

2 Q. Did it seem --- well, strike that.

3 How have you been compensated for your role in  
4 providing expert testimony in this case?

5 A. I believe I've received a couple of cups of tea.

6 Q. Apart from providing expert testimony in this  
7 case and the earlier case I mentioned, have you provided  
8 expert witness testimony for other water industry  
9 stakeholders in the past?

10 A. I think in the early years I provided some  
11 assistance to some small systems in West Virginia in an  
12 advisory capacity.

13 Q. Mr. Stottlemeyer, are you an engineer?

14 A. No, I'm not.

15 Q. Does your formal education involve any training  
16 in accounting or finance?

17 A. No. Well, limited.

18 Q. Are you a certified public accountant?

19 A. No, I'm not.

20 Q. Are you familiar with the standards under  
21 generally accepted accounting principles for the  
22 capitalization of assets?

23 A. No, I'm not.

24 Q. Let's talk about a situation that's come up in  
25 your testimony where an investor of a utility goes out to

1 address a leak that it's been advised of and it  
2 determines when it opens up the ground that the fix is  
3 going to involve the installation of a new piece of pipe  
4 rather than a clamp to just repair the leak. In that  
5 situation, do you have any authoritative basis to say  
6 that the utility is not permitted to capitalize the  
7 installation of that piece of pipe?

8 A. No, I do not. However, from my experience in  
9 utility management and repair of and replacement of  
10 pipes, I've learned that it's very costly for a  
11 contractor to have to reconnect to a small repair, and  
12 that it really has no --- a small section of pipe has no  
13 real capital value.

14 Q. There are times, though, are there not, where  
15 the installation of a piece of pipe is necessary because  
16 the leaks simply can't be repaired by a clamp or some  
17 other means?

18 A. Correct.

19 Q. During the examination of Mr. Morgan that I  
20 believe you were present for today, he indicated and in  
21 his Rebuttal Testimony he indicated that it was only one  
22 manufacturer of PCCP pipe for which the wire tinsel  
23 strength problem was an issue. Do you have any basis to  
24 disagree with that assertion?

25 A. No, I don't.

1 Q. He also said that the Company has determined  
2 that it has no pipe manufactured by that company. Do you  
3 have a basis to disagree with that?

4 A. No, I don't.

5 Q. During his testimony and also his Rebuttal, he  
6 mentioned two analyses that were done outside of the  
7 context of the CPS, one in which the Dunbar pipe itself  
8 was analyzed for that flaw. And another that I think had  
9 to do with Rebuttal in this case where there was a  
10 summary of American Water's analysis and knowledge of  
11 PCCP pipe. Did you have occasion to see either of those  
12 documents before you filed your testimony?

13 A. No, I didn't.

14 Q. If you had had the benefit of those additional  
15 analyses before you filed your testimony and you had  
16 known, as Mr. Morgan said in his Rebuttal, that the  
17 Company intended to reevaluate the Dunbar pipe every two  
18 to five years, do you think you might have been less  
19 critical of the perceived priority of replacement of the  
20 Dunbar pipe than you were in your testimony?

21 A. Yes. However, I would still raise some concern  
22 that the pipe is of a critical nature and I'm pleased to  
23 see the Company monitoring carefully, but I know that the  
24 costs of repair of this pipe is extremely high because  
25 many repairs had to have been made inside the pipe. And

1 this means that main ways have to be constructed for men  
2 to get inside a pipe and repair it, which makes it very  
3 expensive to repair. So there does become a point when  
4 the life expectancy will reach --- probably be reached  
5 earlier than normal.

6 Q. Mr. Morgan in his testimony had a chart with  
7 expected life --- I don't think it had life expectancy,  
8 but it had break rates for different kinds of pipe and I  
9 think it's fair to summarize his testimony that the main  
10 break rate for this kind of pipe was relatively low; is  
11 that correct?

12 A. Yes. It wasn't the lowest, but it was  
13 relatively low.

14 Q. You said that repairs of this kind of pipe are  
15 expensive. You figure the repairs of this kind of 36  
16 inch --- I'm sorry, replacement of the entirety of this  
17 36 inch pipe would likewise be pretty expensive?

18 A. Very expensive.

19 Q. You said that you might have had a somewhat  
20 different view of the perceived priority of replacement  
21 of the Dunbar pipe if you had those studies. Is it  
22 likewise possible that the other projects that you noted  
23 in your testimony you thought were critical drawn out of  
24 the CPS that there might have been other subsequent  
25 analyses of those projects that might have moderated

1 their priority in terms of relative to others?

2 A. Possibly. Without seeing those, I couldn't  
3 really say.

4 Q. In fact, that might be true for all of the 119  
5 projects that are listed in the CPS?

6 A. I don't know.

7 Q. When you managed the PSD, how many distinct  
8 water systems were you responsible for? Distinct meaning  
9 separate.

10 A. It was basically one water system.

11 Q. So in that job, you were never in a position to  
12 have to prioritize investment between distinct water  
13 systems like the Company is?

14 A. No, but we still had to prioritize investment.

15 Q. And in that prioritization, did you ever feel  
16 like you could favor one group of customers or one part  
17 of the system over any other?

18 A. Never had to deal with that.

19 Q. Did you have occasion to need to place a higher  
20 priority over water quality issues in a certain part of  
21 your system than other kinds of replacement concerns?

22 A. Water quality was definitely one of the high  
23 priorities and we did have to do things that delayed  
24 other activities.

25 Q. And is it not true that Mr. Morgan has said that

1 in his --- in the case of the Westin project that has a  
2 relatively high price tag that water quality is a drive  
3 repair as well?

4 A. Yes, except I think there are alternatives that  
5 would be much less expensive.

6 Q. Do you enumerate any of those in your pre-filed  
7 testimony?

8 A. No, I haven't.

9 Q. In your pre-filed testimony, you identify three  
10 projects including one of which was the Dunbar project  
11 that you believe, if I can summarize it correctly, should  
12 have had a higher priority than apparently they have. Is  
13 that fair to say?

14 A. It seemed to have an appropriate priority at  
15 that time.

16 Q. Do you believe that there are other projects  
17 that should have been displaced by the need to do the  
18 three projects you identified?

19 A. Possibly.

20 Q. Possibly. Are you able to name any projects  
21 that the Company did do that you believe were  
22 improvidently or imprudently done because they came  
23 before the three projects you say have not been done?

24 A. No.

25

ATTORNEY CALLAS:



1 I have no further questions.

2 CHAIRMAN ALBERT:

3 All right. You don't have any?

4 ATTORNEY FEINBERG:

5 No.

6 CHAIRMAN ALBERT:

7 Staff?

8 ATTORNEY SADE:

9 No.

10 ATTORNEY ROBINSON:

11 No questions.

12 CHAIRMAN ALBERT:

13 Commissioner?

14 COMMISSIONER MCCABE:

15 No.

16 CHAIRMAN ALBERT:

17 Good to see you, Mr. Stottlemeyer.

18 A. Thank you.

19 CHAIRMAN ALBERT:

20 Always been a pleasure.

21 A. Good to see you.

22 CHAIRMAN ALBERT:

23 Thank you, sir. You're excused.

24 ATTORNEY GUNNOE:

25 Mr. Chairman, the parties have

1 discussed, if it'd be okay with the Commission we can  
2 call Commissioner Hardy now. He's available.

3 -----

4 COMMISSIONER DAVID J. HARDY, HAVING FIRST BEEN DULY  
5 SWORN, TESTIFIED AS FOLLOWS:

6 -----

7 DIRECT EXAMINATION

8 BY ATTORNEY GUNNOE:

9 Q. Commissioner, could you state your name and  
10 address for the record, please?

11 A. Dave Hardy, 409 Virginia Street East, Charleston  
12 25301.

13 Q. And what public office do you currently hold?

14 A. Kanawha County Commissioner.

15 Q. And did you prepare or cause to have prepared  
16 Direct Testimony in this case?

17 A. I did.

18 ATTORNEY GUNNOE:

19 And for the purposes of identification,  
20 I'd like to mark that testimony Kanawha County Commission  
21 Exhibit DJH-D.

22 (Kanawha County Commission Exhibit  
23 DJH-D marked for identification.)

24 CHAIRMAN ALBERT:

25 All right. So marked.

1 BY ATTORNEY GUNNOE:

2 Q. Do you have a copy of that before you?

3 A. Yes, I do.

4 Q. Are there any changes you need to make to it at  
5 this point?

6 A. No. I've reviewed it and there are no changes  
7 needed.

8 Q. And do you sponsor that testimony as your sworn  
9 Direct Testimony in this case?

10 A. I do on behalf of the Kanawha County Commission,  
11 which would also be --- include Commissioner Carper and  
12 Commissioner Shores.

13 ATTORNEY GUNNOE:

14 I would move for admission of the  
15 exhibit marked DJH-D, Direct Testimony and make the  
16 witness available for Cross Examination.

17 CHAIRMAN ALBERT:

18 Without objection, it'll be admitted.  
19 Are you ready for Cross? I mean, are you finished?

20 ATTORNEY GUNNOE:

21 Yes. Yes, sir.

22 ATTORNEY CALLAS:

23 The Company has no questions. Thank  
24 you.

25 ATTORNEY FEINBERG:

1 Mr. Chairman, may I ask him?

2 CHAIRMAN ALBERT:

3 Sure.

4 CROSS EXAMINATION

5 BY ATTORNEY FEINBERG:

6 Q. Commissioner Hardy, hi.

7 A. Hi, Lee.

8 Q. I read your testimony about the rate increase.  
9 Has the Commission been receiving a lot of calls or  
10 letters or communications from citizens in Kanawha County  
11 about it?

12 A. Yes, we have. I've been a Commissioner 14 and a  
13 half years, since January of '01, and in my experience,  
14 this has been --- generated more calls, more inquiries  
15 than any subject that has occurred since I've been a  
16 Commissioner. And that would include things like the  
17 derecho.

18 Q. Do these calls also address in part or totally  
19 the issue of problems that the citizens see with the  
20 water company regarding the main breaks and things that  
21 have occurred over the last year or so?

22 A. I think it's a combination of a lot of things.  
23 I don't think it's any secret that the water company had  
24 a difficult year in 2014, but on top of that, the main  
25 theme of the comments is that Social Security's not going

1 up, the COLA raise this year was zero, I'm on a fixed  
2 income. Is this the time? Is this the time that the  
3 water company in light of some of the recent events  
4 should be asking the public for 28 percent rate increase?

5 It's generally not people like we see in this  
6 room. It's generally not lawyers or physicians or  
7 professional. It's generally older people and  
8 hardworking people that are generally on fixed incomes or  
9 lower incomes that do raise the question. And it's a  
10 very serious question, and it's one that frankly if I  
11 walked through the mall today would be very likely that  
12 would be mentioned to me if I tarried very long in the  
13 mall.

14 ATTORNEY FEINBERG:

15 I think that's all I have, Your Honor.

16 ATTORNEY ROBERTS:

17 Excuse me. I got lost somehow. Thank  
18 you. I'm Jackie Roberts and I'm ---.

19 CHAIRMAN ALBERT:

20 Wait a minute. It's hard to concede  
21 that it's going to be adversarial. Mr. Feinberg went  
22 quite far in asking him to repeat his testimony. Do you  
23 have ---?

24 ATTORNEY ROBERTS:

25 I'm not going to ask him to repeat his

1 testimony and I guess when I ask my questions if you  
2 decide you want to stop me ---.

3 CHAIRMAN ALBERT:

4 Well, I'll tell you what, we'll stop  
5 you right now unless you give me a showing of why you  
6 think it's appropriate that you cross examine this  
7 witness. He's not adversarial to your position. You  
8 have no showing?

9 ATTORNEY ROBERTS:

10 I'm not going to make a showing.

11 CHAIRMAN ALBERT:

12 All right. Thank you. Thank you,  
13 Commissioner.

14 A. I'm not allowed to make --- may I address the  
15 Commission?

16 CHAIRMAN ALBERT:

17 We have your testimony today, Mr.  
18 Commissioner, but --- and we had open mic several times  
19 and ---. I mean, I'm not trying to be flip.

20 A. Well, I do want to address a specific point. It  
21 was provided to me a transcript of an expert that had  
22 questioned my statement that the rate of return might be  
23 a primary driver of the rate increase, and that --- I did  
24 review that one limited amount of the testimony that was  
25 submitted in writing. And let me say this.

1 I think it is extraordinary that American Water  
2 Company and the West Virginia-American, given the  
3 situation we're in here locally, economically and from  
4 what's occurred with the water company in the last two  
5 years to still maintain that it needs to receive the same  
6 rate of return in its investment. I think the pain needs  
7 to be shared not just among the rate paying public, but  
8 among the shareholders as well. So I wanted to address  
9 that point.

10 CHAIRMAN ALBERT:

11 All right, sir. Thank you. Any  
12 questions on that? All right. Thank you, Commissioner.

13 A. Thank you.

14 CHAIRMAN ALBERT:

15 Next witness.

16 ATTORNEY CALLAS:

17 Yes, Your Honor. The Company's last  
18 witness is Mr. Nevirauskas. I'd ask you to come to the  
19 stand.

20 -----  
21 RODMAN P. NEVIRAUSKAS, HAVING FIRST BEEN DULY SWORN,  
22 TESTIFIED AS FOLLOWS:  
23 -----

24 CHAIRMAN ALBERT:

25 Before we start, is your microphone on?

1 Because it wasn't during your testimony yesterday.

2 A. It is.

3 CHAIRMAN ALBERT:

4 All right.

5 DIRECT EXAMINATION

6 BY ATTORNEY CALLAS:

7 Q. Hello, Mr. Nevirauskas. Please provide your  
8 name and business address for the record.

9 A. Rodman Nevirauskas. Business address is 800  
10 West Hershey Park Drive, Hershey, Pennsylvania.

11 Q. How are you employed, sir?

12 A. I am Director of Rates for West Virginia-  
13 American Water Company as well as three other American  
14 Water subsidiary companies.

15 Q. During the course of this case, have you caused  
16 to be prepared written Direct and Rebuttal Testimony?

17 A. I have.

18 Q. Are there copies on the witness stand of those  
19 two pieces of testimony?

20 A. Yes.

21 ATTORNEY CALLAS:

22 Your Honor, I ask that Mr. Nevirauskas'  
23 Direct and Rebuttal Testimony be respectfully marked as  
24 Company Exhibit RPN-D for his Direct consisting of 15  
25 pages, appendix A and three exhibits, two of which are



1 confidential.

2 (West Virginia-American Water's Exhibit  
3 RPN-D marked for identification.)

4 ATTORNEY CALLAS:

5 And his Rebuttal Testimony be marked as  
6 Company Exhibit RPN-R consisting of five pages and  
7 another two exhibits.

8 (West Virginia-American Water's Exhibit  
9 RPN-R marked for identification.)

10 CHAIRMAN ALBERT:

11 It'll be so marked.

12 BY ATTORNEY CALLAS:

13 Q. Mr. Nevirauskas, are there any corrections you  
14 believe are --- need to be made to your testimony?

15 A. I do have one on the --- my Rebuttal Testimony.  
16 It's on Exhibit RPN-2R, page 6 of 7. There are no line  
17 numbers on the page, 2but it's down --- the last question  
18 at the bottom, number 11. Then there's a subset A base  
19 rate case frequency. The second line and I'll read it.  
20 It says, the Company will file based rate cases on ab  
21 interval of not less than three years. The less needs to  
22 be changed to more. Not more than three years.

23 Q. Thank you, Mr. Nevirauskas. With that  
24 correction, do you ask the Commission to accept these two  
25 pieces of Rebuttal Testimony as your sworn testimony in

1 this case?

2 A. I do.

3 ATTORNEY CALLAS:

4 Your Honor, before I move the admission  
5 of that testimony and offer Mr. Nevirauskas for Cross, I  
6 will note that the Commission in an order maybe earlier  
7 this week or late last week in its ruling on a notice of  
8 objection to certain testimony the Company filed decided  
9 to admit --- admitted the pre-filed Rebuttal Testimony of  
10 Mr. Majoros.

11 And in that ruling, the Commission  
12 indicated that it would allow a Company witness to do  
13 oral rebuttal of that testimony given the time that it  
14 was filed. I propose to ask Mr. Nevirauskas about the  
15 questions that go to that material for that purpose.

16 CHAIRMAN ALBERT:

17 All right.

18 ATTORNEY FEINBERG:

19 Let's just make sure. You're talking  
20 about Mr. Majoros' ten-minute testimony in the rate case.

21 ATTORNEY CALLAS:

22 I'm talking about his one-page, one  
23 exhibit Rebuttal, which was, what, all marked as  
24 depreciation case. His testimony was in the rate case.

25 BY ATTORNEY CALLAS:

1 Q. Do you have a copy of that testimony in front of  
2 you?

3 A. I do.

4 Q. Mr. Nevirauskas, what does it appear to you that  
5 Mr. Majoros is trying to demonstrate through that piece  
6 of testimony?

7 A. It's my opinion he's trying to demonstrate that  
8 over the last 15 years the Company has had sufficient  
9 cash flow to run the business despite its earnings level.

10 Q. What is your position, Mr. Nevirauskas, on  
11 whether that testimony in the exhibit that the Company  
12 --- is significant in determining the Company's ability  
13 to earn its authorized cap return?

14 A. I think there's a major flaw in the analysis  
15 that he's prepared. The first column starts with column  
16 labeled operating income or return. If you can think of  
17 an income statement, you have above the line items and  
18 below the line items, and the line is the utility  
19 operating income of the company.

20 And by ignoring the below the line items  
21 primarily represented by interests costs with long-term  
22 debt and short-term debt, he has a skewed the results of  
23 the analysis to arrive at a conclusion that there are  
24 ample amounts of cash available to run the business. And  
25 just by way of example, I believe the average long-term

1 debt interest of the Company is around \$15 million a year  
2 plus short-term debt, and if that is included in column  
3 one over a 15-year period, over on the right he  
4 demonstrates that there's almost \$300 million of excess  
5 cash, so to speak.

6           If we just look at the long-term debt of \$15  
7 million a year average over 15 year, that's \$225 million  
8 right there that would directly come out of that number.  
9 And I'm not even including the short-term debt, which is  
10 volatile and changes year to year. So under that  
11 methodology, his \$296 million of excess cash would almost  
12 disappear had he included all of the Company's cash  
13 obligations.

14 Q.           You've been involved in a number of cases in  
15 West Virginia; have you not?

16 A.           Yes.

17 Q.           Is it your experience that the Commission  
18 regulates utilities on a cash flow basis or does it use  
19 another means to regulate rates?

20 A.           I know of no utility in West Virginia that's  
21 been regulated on a cash flow basis. This is rate base  
22 regulation for all utilities.

23                           ATTORNEY CALLAS:

24                           I have no questions on that point, Mr.  
25 Chairman. I would offer him for Cross at this point.

1                   CHAIRMAN ALBERT:

2                   CAD?

3                   ATTORNEY WHITE:

4                   Thank you.

5 CROSS EXAMINATION

6 BY ATTORNEY WHITE:

7 Q.           Regarding your Rebuttal, ---

8 A.           Yes.

9 Q.           --- I just want to explore one little area.  
10 Rebuttal page three.

11                   CHAIRMAN ALBERT:

12                   Mr. Callas, did you move both of your  
13 Direct and Rebuttal?

14                   ATTORNEY CALLAS:

15                   You know, I don't think I did. If I  
16 did not, I do so now.

17                   CHAIRMAN ALBERT:

18                   All right. Without objection, it'll be  
19 admitted.

20 BY ATTORNEY WHITE:

21 Q.           On page three over to four, you're talking about  
22 capital structure now?

23 A.           Yes.

24 Q.           And you say that the historic test years'  
25 capital structure, which I think it's 43 percent equity,

1 is too low?

2 A. Correct.

3 Q. What is it that you're asking for in this ---  
4 what's the cap structure you're asking for in this case?

5 A. The total dollar amount or the structure?

6 Q. The structure.

7 A. We're asking for the structure to include the  
8 \$30 million equity infusion as proposed in the Company's  
9 rate case, which was proposed at the end of the case, so  
10 to speak, at the time of the order to more accurately  
11 match the Company's capital with its expected investment  
12 level recognized in rates at that time.

13 Q. Well, okay. So you're asking --- that \$30  
14 million infusion has not occurred yet? That's going to  
15 happen sometime next year; right?

16 A. Correct.

17 Q. So I guess it's fair to say you're asking for  
18 future test year treatment of your capital structure?

19 A. We are, and I would submit that to the extent  
20 that does or doesn't happen, the \$30 million could be  
21 adjusted. Because again, the \$30 million is designed to  
22 match the capital with the investment the Company has  
23 made.

24 Q. And we think we'll make?

25 A. Absolutely.

1 Q. Well, can you see that ---? I mean, from my  
2 perspective, nothing is more representative of a utility,  
3 generally speaking, in rate making than the capital  
4 structure in the test year. I mean, that's sort of what  
5 --- how the utility --- it shows the health of the  
6 utility. And can you see how ignoring or just not using  
7 the historic test year capital structure sort of is kind  
8 of an abandonment of our traditional rate making?

9 A. I don't really see it that way. Capital  
10 structures are a point in time calculation based on the  
11 ebb and flow of the business. And clearly in this case,  
12 we've included needed capital and requested capital all  
13 the way through a future test year. That capital needs  
14 to be paid for, generally, in the form of a combination of  
15 debt and equity.

16 So to say that, you know, the test year's  
17 representative of the Company's position at that time is  
18 true. But it's not representative at all of the position  
19 of the Company in this rate case that is looking to earn  
20 a return on invested capital beyond the end of the test  
21 year.

22 Q. What would be the percentage with the 30  
23 percent?

24 A. It'd be 40 ---.

25 Q. I beg your pardon, with the \$30 million as

1 you're requesting?

2 A. It would be 46.5.

3 Q. Okay.

4 A. I might add, still lower than what was reflected  
5 in the APCO order and lower than in the stipulation in  
6 the Mountaineer case, earlier this year.

7 Q. And if we include in there the deferred stock,  
8 is that --- does that include the deferred stock?

9 A. It does. It's at de minimus level.

10 ATTORNEY WHITE:

11 All right. Thank you, sir.

12 A. Thank you.

13 CHAIRMAN ALBERT:

14 Is that all?

15 ATTORNEY WHITE:

16 Yeah.

17 CHAIRMAN ALBERT:

18 Mr. Feinberg?

19 CROSS EXAMINATION

20 BY ATTORNEY FEINBERG:

21 Q. I've got a couple of questions on your Direct  
22 and then a lot on your Rebuttal. On your --- so let's go  
23 to your Direct first. Page five, you talk about cost  
24 equity.

25 A. Yes.



1 Q. And you make reference to 10.75 that's in this  
2 case. Do you agree that Mr. Vander Weide had a range of  
3 9.8 to 11.1 as his return on equity bracket or range?

4 A. Subject to check, I think that was his range.  
5 That's typical of any cost of --- or cost of money  
6 consultant. He'll have a range and generally pick  
7 somewhere within the range as a proposal.

8 Q. Right, and you picked 10.75. And do you agree  
9 that's pretty much on the high end of his range?

10 A. It's above the midpoint.

11 Q. Do you know any other utilities in West Virginia  
12 receiving a 10.75 percent return on equity?

13 A. I'm not aware of any.

14 Q. This one kind of bridges your Direct and  
15 Rebuttal, but I'll refer you to page two of your Rebuttal  
16 so we can actually get the words. I don't think I'll  
17 come back to the Direct, and so ---

18 A. Okay.

19 Q. --- from now on, my questions, if I forget to  
20 say, you'll pretty much follow from the Rebuttal. Page  
21 two of your Rebuttal, lines 15 through 16. Now, in your  
22 Rebuttal, you're talking about the IRP, DSIC --- I think  
23 I'll try to call it the DSIC from now on, since that  
24 seems to be the Company's preferred language, rather than  
25 the IRP or any other name I would slip to. And to quote

1 your --- to quote, it says, fairness and sound rate  
2 making theory demand that the GAAP investment be covered  
3 in base rates.

4           So I kind of have two lines of questions for  
5 you. The first one is --- you've probably noticed I love  
6 to have places in transcripts that set things out  
7 clearly. The historical test year is through December  
8 31, 2014?

9 A.           Yes.

10 Q.          The future test year --- I'm jumping over the  
11 bridge, interim or gap, begins March 1, 2016?

12 A.          Approximately, yes.

13 Q.          Approximately. That's right. So we've got a  
14 period from January 1, 2015 through whatever date in  
15 February that isn't covered by the words historical or  
16 future.

17 A.          That's correct.

18 Q.          That's called throughout this transcript ---  
19 throughout the transcript of this hearing a whole bunch  
20 of things. But the idea is it's an interim period. It's  
21 a bridge year, I think, is the first phrase the company  
22 used, a bridge period.

23 A.          That would work.

24 Q.          There's a lot of known and measurable numbers up  
25 to September 30, 2015.

1 A. And as of tomorrow, through October.

2 Q. Well, ---

3 A. But yes.

4 Q. --- the known ones aren't in the record.

5 They're --- I mean ---.

6 A. Right.

7 Q. And beyond my September 30 date through the end  
8 of February, they're projected --- although, I've heard  
9 all the testimony that a lot of them are pretty well  
10 know, and they're locked in stone. But there is a  
11 distinction in that period?

12 A. With respect to completion of projects, yes.  
13 I'm sure that a lot of those dollars that will be  
14 completed in that time have already --- construction's  
15 already begun. But yes, as far as completion goes.

16 Q. So in a way, the October 1 through February  
17 whatever is more resembling a future test year, and the  
18 other period we've got a lot of information on?

19 A. I would not characterize that period as a future  
20 test year, and here's why. The order will be due out in  
21 late February. At that point, everything prior to that  
22 date will have been in service, used and useful to the  
23 customers. So the true future test year is that period  
24 beyond the date of the order. I would call the period  
25 from October through February part of the bridge period.

1 Q. Well, you would call it part of the bridge  
2 period, but as to having information, there's a lot of  
3 the projection type stuff in it.

4 A. Yes.

5 Q. And just to have the term clear, when people  
6 throughout this case have referred to the rate year, they  
7 mean the period around March 1, 2016 and forward. It may  
8 be, like, February 26th or something like that.

9 A. The rate year is generally regarded as the first  
10 year new rates are in effect.

11 Q. The first full year?

12 A. Correct.

13 Q. And it has nothing to do with the calendar. It  
14 has to do with the first day that the rates go into  
15 effect.

16 A. That's right.

17 Q. All right. So now, let's go back to your  
18 language, fairness and sound rate making. You were, of  
19 course, on those --- that line, talking about from the  
20 Company's perspective, the GAAP has to --- the GAAP  
21 investment needs to be covered for fairness and sound  
22 rate making.

23 A. Yes.

24 Q. Do you agree that, from the customer  
25 perspective, they require fairness and sound rate making

1 also?

2 A. Absolutely.

3 Q. And in this case, there's a 30 percent increase  
4 proposed?

5 A. A little less.

6 Q. 29.6 is the net effect. You're familiar with  
7 the term rate shock; right?

8 A. Yes.

9 Q. Wouldn't you agree with me that a 29.6 increase  
10 is going to constitute a dramatic increase for lots of  
11 customers?

12 A. Well, it would be significant. Two things I'll  
13 say about that. Number one, it's not driven primarily by  
14 this gap period you speak of from October to February;  
15 okay? And number two, it's reflective of the fact that  
16 rates have been less --- have reflected less than the  
17 full customer service based on regulatory lag,  
18 historically.

19 Q. But it's still a dramatic --- I think you used  
20 significant, maybe, as your word. It's a significant  
21 increase?

22 A. I agree.

23 Q. And do you agree with some of the other  
24 witnesses that have testified from the Company that, in  
25 putting all this together, there was no attempt by the

1 Company to deal with the concept of rate shock? It was  
2 put together from the rules and regulations of the  
3 Commission on how Rule 42s were filed and the Company's  
4 best judgment?

5 A. That's not entirely true.

6 Q. Please explain.

7 A. Well, I can give you two instances that I'm  
8 aware of where the Company did mitigate costs that  
9 could've been in its rate case. One is in the area of  
10 depreciation. Our consultant actually had produced  
11 depreciation costs that was in excess of what was  
12 requested in this case.

13 The second one that comes to mind is we had an  
14 option to put a cost into rate base, as an unamortized  
15 balance, which would've been appropriate. We're not a  
16 bank. We're not a finance company. When we spend a lot  
17 of money and we recover it over a long period of time, we  
18 feel the unamortized balance should be in rate base.

19 We chose not to do that, so there were steps  
20 taken to try to mitigate the best we could, understanding  
21 that there's a catch up here involved. And we've spoken  
22 about that many times, about the catch up in rates for a  
23 company earning around 5 percent. It's basically a one-  
24 time catch up to avoid exactly what you're talking about,  
25 20 something percent requests.

1 Q. When you say earning five percent, let's digress  
2 to that for just a minute. You're talking about not  
3 earning your authorized rate of return?

4 A. Well, I'm talking about the actual rate of  
5 return earned, despite what the authorized is. We're  
6 earning in the neighborhood of five percent here.

7 Q. The Company has a lot of control over various  
8 components that go into what happens between rate cases;  
9 right?

10 A. Yes.

11 Q. And obviously, things happen and investments  
12 occur. But isn't it true that when a company looks at  
13 its --- and compares the rate of return it should be ---  
14 it thinks it should be earning or the earnings it should  
15 be earning, it does it from the basis of what it believes  
16 it should have, not necessarily what the last rate case  
17 said?

18 A. Yeah. Revenue requirement calculations bring  
19 right to the front what the Company's entitled to at that  
20 time, based on their expenses and their investment level.  
21 And to answer the first part of your question, the  
22 Company has control between rate cases. We're filing O&M  
23 expenses, operations and maintenance expenses, at a lower  
24 level than we were in the last case. So the Company ---.

25 Q. Right, and I'm not criticizing what you've done,

1 other than constant reference to we're under-earning, but  
2 we're authorized. And I'm saying again, there's a lot of  
3 control over that, and the number that's used as the  
4 start point isn't necessarily the Commission's decision  
5 in the preceding rate case. It's what you thought the  
6 decision should've been in the preceding rate case;  
7 right?

8 A. Can you repeat that?

9 Q. Yeah. On some expense items, you don't  
10 automatically plug, after a rate case --- we'll call it  
11 rate case A. You don't plug in what the Commission's  
12 order said or what a stipulation said. You plug in what  
13 you actually think you were spending at that point in  
14 time and calculate your reduced rate of return from that  
15 number; correct?

16 A. The books and records are what they are and  
17 accurately reflect the expense level and investments.

18 Q. Right.

19 A. So irrespective of the rate treatment, the  
20 numbers are what they are.

21 Q. Okay.

22 A. Yeah.

23 Q. That's what I was after. Let's move on, because  
24 I'm sure we could keep going. Now first, appreciate as  
25 we go through your comments about DSIC that I appreciate



1 what you did is try to come up with your best plan. So  
2 if this sounds like a legion of complaints, it's sort of  
3 the position we're in. And I understand you were doing  
4 your best.

5           So when I go to page two, right at the top of  
6 your Rebuttal, you've got the phrase, in other words, the  
7 20 months of investment between the 13 month average of  
8 the historic test year, et cetera. And you're arguing  
9 there that that has to be recognized.

10 A.           Yes.

11 Q.           But did --- I thought I read in Mr. Eads' plan  
12 --- I thought I read in the Staff's plan to be looking  
13 backward in its first year of a DSIC surcharge to be  
14 covering a time period that looked backward. Did you not  
15 read it that way?

16 A.           No, I didn't. No, we read it to include  
17 investment beginning in March of '16 that would be  
18 recovered during that time going forward.

19 Q.           Okay.

20 A.           And if you think about that, we'd have a  
21 situation where we're earning on investments made  
22 starting March 16, but the 20-month period prior to that  
23 would be left for another three or four years until the  
24 next rate case. That doesn't make a lot of sense.

25 Q.           Well, except to the extent that Mr. --- that the

1 Staff, DSIC, was covering investment looking backwards.  
2 If you're earning --- if you're receiving a surcharge  
3 related to that investment, you're recovering it.

4 A. The surcharge in --- my understanding is the  
5 surcharge for DSIC had nothing to do with the investment  
6 during that 20-month period.

7 Q. And, you know, I'll mask Mr. --- to Mr. Eads.  
8 In your testimony starting about page four --- on page  
9 four of that page on line four of that page, where we  
10 talked about the current staff proposal --- well, it's  
11 what you just said.

12 A. Yes.

13 Q. So we'll go on. As a general question, where  
14 you start saying, let me offer some suggestions about the  
15 DSIC, the Staff's DSIC, you didn't offer any consumer  
16 protections; right? You offered from the Company  
17 standpoint what you all would like the DSIC to look like  
18 and how it would work.

19 A. Yes. That doesn't mean we're ignoring or  
20 opposing consumer protections. I know there's been a lot  
21 flying around, and we have never, to my recollection,  
22 taken issue with most of them.

23 Q. But you haven't --- you didn't put any in your  
24 proposal?

25 A. I didn't put any new ones, no.

1 Q. And do you believe the Staff's proposal had  
2 consumer protections in it? Or do you believe they had a  
3 process that had some protections in the process, but  
4 weren't consumer protections?

5 A. I'm not sure. They had protections in their  
6 proposal.

7 Q. So are you saying that even the kind of marriage  
8 of your proposal and the Staff proposal leaves out the  
9 kind of consumer protections you saw in the Consumer  
10 Advocate's suggestions and in Mr. Baudino's suggestions?

11 A. I wouldn't say that. I would think that any  
12 protections in Staff's proposal were for consumer  
13 benefit.

14 Q. Well, how about --- do you agree that neither  
15 yours nor the Staff's include the consumer protections  
16 offered by Mr. Baudino and offered by the CAD?

17 A. That may be correct at this point. I think the  
18 program here is still under final development and will  
19 evolve.

20 Q. But how do we move from today to final  
21 development? I mean, it seems like, at least at this  
22 moment, final development's occurring as we speak. And  
23 so maybe I'll ask it this way. You don't have it. Do  
24 you agree with the consumer protections that are in Mr.  
25 Baudino's testimony and in the CAD's testimony? Or do

1 you want to say you don't know at this point?

2 A. Yeah, I couldn't comment on each of those at  
3 this time.

4 Q. Yeah.

5 A. I know we did look at them, and some were  
6 acceptable to the Company.

7 Q. You're familiar with DSICs in other states,  
8 particularly Pennsylvania; right?

9 A. Yes.

10 Q. And there are consumer protections in  
11 Pennsylvania?

12 A. Yes. Not nearly as extensive as what's been  
13 proposed here, but yes.

14 Q. Once we get to the bottom of page two of your  
15 Rebuttal, you start focusing on the surcharges. Oh, I  
16 know you've got an attachment. We'll get to that. But  
17 this is where you say the Staff's calculation by Mr. Eads  
18 is incorrect?

19 A. There were a couple errors.

20 Q. And you proceed to offer exhibits, which are  
21 attached, and discussion to show what you would do with  
22 the surcharge?

23 A. They were actually Staff's or Mr. Eads'  
24 schedules that were revised to correct the errors, so I  
25 didn't create any new schedules.

1 Q. And Mr. White's already talked about one. You  
2 want a capital structure that's --- a capital structure  
3 that recognizes the \$30 million, which is the \$30 million  
4 equity infusion, which projects out into 2016?

5 A. To match the Company's level of investment at  
6 that time.

7 Q. But I'm correct, aren't I, that the Staff's DSIC  
8 and even your DSIC have revenues beginning March 1 of  
9 2016?

10 A. Yes.

11 Q. So this equity infusion is out in the front, and  
12 we're going to get a number that comes out of this case  
13 where, again, you're projecting a \$30 million equity  
14 infusion?

15 A. Well, again, the \$30 million ---.

16 Q. Growing in a capital structure?

17 A. The \$30 million isn't solely to cover the future  
18 test year portion in the rate case, which was an average  
19 investment level, non-revenue producing investment level  
20 during the rate year.

21 A. Uh-huh (yes).

22 Q. The \$30 million also covers some of the  
23 investment in the addendum year. Again, everything was  
24 brought forward, and we're just trying to --- which is  
25 appropriate in rate making --- to match the capital

1 structure with the rate base authorized in the rate case.

2 Q. But the \$30 million hasn't happened yet; right?

3 A. Correct.

4 Q. And if it didn't happen or it happened at a  
5 different level, that would change the capital structure  
6 from your proposal?

7 A. Well, let me correct my prior answers. I would  
8 imagine some of the \$30 million has happened. Again, it  
9 wasn't just for that future period, so I think some of it  
10 has happened. To the extent that the rate base is  
11 adjusted in this case, I think it would probably be  
12 appropriate to also adjust the equity infusion. It's,  
13 again, to match our investment with the capital that was  
14 used to pay for that investment.

15 Q. The rate of return that you propose, the return  
16 on equity that you propose for the equity in --- is the  
17 same 10.75 that Dr. Vander Weide proposes.

18 A. That's the Company's proposal in the rate case,  
19 yes.

20 Q. But it's also your proposal for the DSIC?

21 A. Yes, we strongly think that the authorized ROE  
22 for the base rate case should be mirrored in the DSIC.  
23 It should be the same.

24 Q. And if it's not 10.75, you don't think it should  
25 be 10.75 on the DSIC; right?

1 A. That's correct.

2 Q. Isn't the actual collection of the surcharge for  
3 investments made an entirely less risky proposition than  
4 what we historically hear about return on equity in a  
5 rate case?

6 A. Are you talking about the DSIC proposal?

7 Q. Yeah, let me back up and ask it a certain way.

8 A. Yeah.

9 Q. It seems to me that every time you hear an  
10 expert talk about return on equity in a case, any case  
11 like this, they talk about --- one of the risks they talk  
12 about is regulatory lag. If this is going to eliminate  
13 --- help eliminate regulatory lag, why is the risk the  
14 same?

15 A. I think there is slightly less risk with a  
16 future looking period. However, that's been more than  
17 offset by the use of a 43 percent equity ratio.

18 Q. So because you don't like the 43 percent, you  
19 want a bigger rate of return? I think my question is, is  
20 it less risky? And I think you said, yes, you agree.

21 A. Marginally less risky.

22 Q. Why just marginally? I guess I'm trying to  
23 figure out why.

24 Q. Well, one reason is the structure of the DSIC as  
25 set forth here is, right now, not including all capital.

1 It's non-revenue producing. It's limited. So it's not  
2 like we're opening up rate base for all inclusion going  
3 forward.

4 Q. So now, let's turn to your attachment, RPN-2R,  
5 which is actually your plan --- no, I'm sorry, the  
6 Company's plan.

7 A. I have it.

8 Q. Actually, I don't know exactly where this was,  
9 but I bet you remember the phrase. Somewhere in the  
10 testimony, you say, if we get our gap covered, we're,  
11 quote, willing to consider, end quote, an alternative ---  
12 an IRP alternative. Does that suggest --- and let me ---  
13 that what you've attached here is a counter proposal to  
14 the Staff's DSIC plan? The willing to consider is  
15 what ---.

16 A. This is a counter proposal, and it basically  
17 includes more items than the Staff's plans.

18 Q. So I guess what --- another way of what I'm  
19 asking is, you wouldn't be satisfied if the Staff's plan  
20 was adopted?

21 A. We think it falls short of being fully  
22 reflective of what a DSIC is intended to do, which is  
23 promote all types of non-revenue producing investment.

24 Q. How'd you develop this plan? What did you use?  
25 Did it just come out of your thinking or your and other



1 people's thinking? Did you use Pennsylvania? Did you  
2 use other states?

3 A. I would call it a collective effort. I don't  
4 believe it was solely based on, like, any other state.

5 Q. Because I didn't see very much of Pennsylvania  
6 in there. Do you agree?

7 A. Yes.

8 Q. To the extent you looked at other states, you  
9 would agree that outside your plan, other states have  
10 some consumer protections in them; right?

11 A. They do.

12 Q. Okay.

13 A. Mostly with respect to earnings levels, to  
14 companies not earning in excess of its authorized level.  
15 We don't feel that's a huge risk here.

16 Q. Or limiting the DSIC to a percentage magnitude  
17 compared to the total bill, like five percent?

18 A. Yes, some states have caps on the cumulative  
19 DSIC level between rate cases. At a rate case, it gets  
20 built into base rates and it's reset to zero.

21 Q. Right.

22 A. So yes, there are, in some states, caps for the  
23 level the Company can invest and charge as a percentage  
24 of revenues to DSIC.

25 Q. So for instance, Pennsylvania has a cap?

1 A. They do.

2 Q. You can only charge --- is it up to 7.5 percent  
3 of the total bill?

4 A. Yes.

5 Q. Am I correct that historically, those numbers  
6 have been more in the 3 or 4 percent range?

7 A. It depends on the interval between rate cases.  
8 The longer the interval, the more opportunity for the  
9 DSIC, because it's cumulative, to accrue up or to end up  
10 in a surcharge between periods. So I won't say that. We  
11 have actually hit or come very close between rate cases  
12 in Pennsylvania, again, depending on the interval and the  
13 investment level in the DSIC eligible property.

14 Q. Right. Okay. Can you explain for the  
15 Commission in the event --- or all of us what resetting  
16 at zero means?

17 A. Yes. This DSIC program is a capital investment  
18 program designed to --- well, generally it's main  
19 services, hydrants and meters to be invested between rate  
20 cases and afford the Company an immediate return or semi-  
21 immediate return depending on the frequency of the DSIC  
22 surcharge changes. And that'll ramp up between rate  
23 cases, so it starts very low. I can tell you in  
24 Pennsylvania it's, you know, a quarter of one percent the  
25 first time.

1           Now, they're quarterly. The DSIC program is  
2 quarterly in Pennsylvania, so the first quarter that  
3 we're eligible when we come out of a base rate case, it  
4 might be .23, .28, .30. And then the next quarter, ramp  
5 up. Next quarter, ramp up. When you get to year two, it  
6 might be in the 1, 2, 2 and a half percent range. By the  
7 time it's --- we're ready to file a rate case, now,  
8 you're into, say, the third year. The DSIC percentage  
9 may have accumulated up to 5, 6 or even 7 percent.

10           At the time of the rate case, that amount ---  
11 after the case is completed, that amount is --- becomes  
12 part of base rates in the case. So the rate case  
13 basically deals with the non-DSIC items. It deals with  
14 the rest of the plans, the rest of the company's  
15 operations, because DSIC has already been dealt with.  
16 It's been fully vetted by review in between rate cases as  
17 approved; okay? So it does have a final scrutiny at the  
18 time of a rate case.

19           But generally, DSIC programs will ramp up  
20 between rate cases and then become part of the base rates  
21 at the time of the company's next effective date of  
22 rates. And at that time, the next time a DSIC is  
23 eligible, it starts again at zero.

24 Q.           Now, you just said that when it comes time for  
25 the --- and I agree with you about the way the zero

1 works.

2 A. Right.

3 Q. Just so I'm saying ---. But you said that all  
4 gets shoved in rates, but the rate case only deals with  
5 non-investment issues?

6 A. This is in Pennsylvania, because each quarter  
7 that that DSIC has been happening between rate cases,  
8 it's been fully vetted through the Commission and  
9 approved to charge the surcharge, again, your consumer  
10 protection, so to speak. Now, it has been reviewed by  
11 the Commission. We need to get authorization to put that  
12 surcharge in for that next quarter.

13 Q. So now, let's jump to West Virginia and assume  
14 it's active.

15 A. Yes.

16 Q. Doesn't that mean that ---? Well, let me say  
17 this. Do you believe that interveners should be allowed  
18 in the DSIC proceedings?

19 A. Not necessarily. I don't. When the program is  
20 set forth, it's very specific on what plant is eligible,  
21 how it's to be dealt with, how the calculation is made.  
22 The Commission has full responsibility, Commission Staff,  
23 to review that. I would view --- opening up the process  
24 like a mini rate case would be cumbersome and not cost  
25 effective.

1 Q. Well, you anticipated where I'm going, but I  
2 never dreamed you'd say nobody could do it but you and  
3 the Staff. What about CAD?

4 A. I imagine they may be involved.

5 Q. Are you really saying that these investments  
6 would run through a system where all the interveners here  
7 and anybody else that wanted to get in and complain  
8 couldn't complain?

9 A. We were talking about Pennsylvania. I can tell  
10 you in Pennsylvania ---.

11 Q. Yeah, I switched back to West Virginia.

12 A. Well, I know. But let me just finish up.

13 Q. Okay.

14 A. All right. The CAD up there is called the OCA,  
15 Office of Consumer Advocate. They are not involved in  
16 the review of the DSIC every quarter, nor is any other  
17 party. So it's between the company and the Staff, and I  
18 --- and again, I think it would be cumbersome and not a  
19 lot of value for the effort to have multiple parties be  
20 scrutinizing DSIC all the time. It's my opinion.

21 Q. Interesting conversation. I was, of course,  
22 headed toward, aren't these all going to be mini rate  
23 cases that we're setting up? And you're saying, no.  
24 We're going to exclude the rate payers from the process.

25 A. You're not excluding the rate payers when you

1 have Staff and CAD with you; okay? And it sort of  
2 defeats the whole purpose of a DSIC, which should be a  
3 sort of expedited analysis of factors that have already  
4 been well established, and the framework is well  
5 established. You're not breaking any new ground every  
6 quarter or every year, however it's administered; all  
7 right? I think it would be cumbersome and costly and not  
8 necessary.

9 Q. So you're recommending to the Commission that  
10 they set up a process whereby on an annual basis,  
11 ratepayers' rates are raised, say, up to 5 percent, and  
12 the ratepayers are not allowed to be in the case except  
13 to the extent that they're represented by the Staff and  
14 the CAD?

15 A. Well, first, let me correct one thing you said  
16 about on an annual basis, ratepayers could be raised up  
17 to 5 percent. Extremely unlikely that you get there in  
18 one --- and it would be --- if they're being charged by  
19 percentage because the accumulation over years would get  
20 to that point. So they would never be paying another 5  
21 percent in any one year. It would be 1 and then 2 and,  
22 you know ---.

23 But yeah, that's what I'm suggesting. I think  
24 if you set the parameters up and the framework and the  
25 structure and the guidelines, I don't think a review of

1 multiple competing parties is necessary to ensure public  
2 confidence in the process.

3 Q. When does prudence get reviewed?

4 A. At the time of the review for the parties  
5 responsible for the review. And again, the parameters  
6 are so defined that --- I mean, you're going to talk  
7 about ---. The only thing you have to talk about is not  
8 --- it's not going to be a situation where you shouldn't  
9 have done this or that, with respect to any utility plan  
10 account. Prudence would be limited to, within the  
11 framework of this structure, did you follow the  
12 guidelines?

13 Did you invest in those services, hydrants,  
14 meters and mains prudently? And if any one main wants to  
15 --- you know, if somebody wants to, you know, take a  
16 harder look at that. But it's not, like, an open process  
17 where the company comes in and proposes some new thing.  
18 This has all been determined prior, and it works like  
19 that in virtually every state that I'm familiar with.

20 Q. How do you handle what are now certificate  
21 cases? You know what I mean by a certificate case?

22 A. Why don't you define it?

23 Q. Where the company decides it's going to do  
24 something that's significant enough that it needs a  
25 significant need to do it? Not one of these ordinary

1 course of business kind of things.

2 A. Yeah.

3 Q. Like, I have to put in a new pipe at someplace  
4 because, you know ---.

5 A. Well, I would say those have nothing to do with  
6 the DSIC program. The parameters of that have not been  
7 set forth. The type of plant may be something new that  
8 nobody's seen before and a need, you know.

9 Q. Uh-huh (yes).

10 A. And so then you might have an argument to have  
11 more people involved in the project.

12 Q. So from your standpoint, you're not suggesting  
13 that the certificate process be eliminated under the  
14 Commission's jurisdiction?

15 A. You couldn't do that, because again ---.

16 Q. There's a statute limitation?

17 A. Well, yeah, that. But the --- again, the  
18 framework of the DSIC and the items to be included are  
19 set forth upfront. So the certificated process is going  
20 to probably include things not included in the DSIC  
21 currently, so ---.

22 Q. Sadly, I'm only being partly facetious, but I've  
23 read your list. And it's pretty broad, and that'll just  
24 promote more argument as to what's included. I mean,  
25 that's what I'm saying. It sounds like if you cut



1 everybody out, anything that wants to be defined as fair  
2 and reasonable investment is taken away from the  
3 ratepayer.

4 A. We actually tried to mirror what's currently  
5 authorized in the AFFAC, with a couple of variations.

6 Q. Yeah. I mean, you added to it; right?

7 A. Yes.

8 Q. All right. Do I have ---? So let's turn to  
9 page one of RPN-2-R, which is the exhibit. Why don't we  
10 just skim through a couple of things? I mean, this could  
11 go on forever, and I'll try to be short. Third line, you  
12 say to facilitate enhanced investment in qualifying  
13 facilities. Sometimes, you use the word qualifying, and  
14 sometimes you don't throughout this. I assume that was  
15 not artful? You didn't mean anything different? I mean,  
16 that's ---?

17 A. Probably an oversight. It's been the intent of  
18 the program all along that it will have specific  
19 qualifying facilities.

20 Q. And generally, qualifying facilities are what  
21 you described in number one, DSIC facilities?

22 A. Yes.

23 Q. Paragraph two, which is at the top of page two,  
24 describes that the DSIC plan starts on July 1, 2016.  
25 Rather than draw your attention, since you're more or

1 less the author of this and try to point out places, but  
2 you would have the DSIC surcharge start March 1, even  
3 though the plan as defined in two doesn't start until  
4 July 1?

5 A. That's correct, consistent with Mr. Eads'  
6 proposal.

7 Q. Right. Exactly. So July 1, 2016, this plan  
8 gets handed in, but March 1, people start paying  
9 surcharges?

10 A. Yes.

11 Q. Which relate to the plan you're going to hand in  
12 on July 1?

13 A. Yes.

14 Q. And then the ratepayers represented by --- not  
15 represented by the Staff and the CAD aren't there.  
16 They're just paying the surcharge. So if they wanted to  
17 object on July 1 for what they're already paying, they  
18 wouldn't be able to?

19 A. Well, again, you're talking about the review and  
20 scrutiny of items that will have already been, for the  
21 most part, set forth in the parameters of what can and  
22 cannot be included in a DSIC.

23 Q. By the way, so I don't forget, you all didn't  
24 ask for this; right? You didn't ask for any DSIC or IRP  
25 in your filing?

1 A. No, we asked for a future --- a fully forecasted  
2 future test year.

3 Q. Right. And therefore, your notice that was  
4 filed in the paper giving notice to the public did not  
5 include any discussion of a surcharge relating to an  
6 investment replacement program, whatever IRP stands for,  
7 or a DSIC?

8 A. That's correct.

9 Q. Nothing went out to the customers in individual  
10 billing inserts about anything like this?

11 A. No.

12 Q. Even after Mr. Eads' testimony came out for the  
13 first time on September 25th, I believe, you didn't do  
14 anything to alert your customers?

15 A. Well, I'm not aware of anything.

16 Q. Did you read the Mountaineer order on Senate  
17 Bill 390?

18 A. Some time ago.

19 Q. Did your list of things that ought to be  
20 included in the DSIC calculation include all the things  
21 that Mountaineer --- were in the Mountaineer order?

22 A. I honestly --- I don't recall.

23 Q. I won't point out that on page four the dreaded  
24 words regulatory asset are in there. But I have to ask  
25 you, how do you turn this into a regulatory asset? What

1 was your theory there? It's under reconciliation, and  
2 it's line --- no, I don't see line numbers. It's line  
3 four, page four, to establish a regulatory asset or  
4 liability. How'd you mean that?

5 CHAIRMAN ALBERT:

6 Where are you, Mr. Feinberg?

7 ATTORNEY FEINBERG:

8 I'm in the exhibit. It's page four,  
9 line four, right at the end of the line. It's talking  
10 about make accounting accruals necessary to establish the  
11 regulatory asset or liability.

12 A. I think this is referring to a true-up of  
13 the ---.

14 BY ATTORNEY FEINBERG:

15 Q. Well, the paragraph does say reconciliation.

16 A. Yeah.

17 Q. Just so you're not missing ---.

18 A. That's a true-up, and I think that regulatory  
19 asset terminology could be, also, a regulatory liability  
20 depending on which way the true-up went.

21 Q. So you're just talking about whatever accounting  
22 accruals you need to do during the year so that you can  
23 talk about the true-up the next year?

24 A. This is what I believe it refers to. When you  
25 establish the DSIC percentage at the end of the next

1 year, depending on water sales high or lower --- and we  
2 know how that's been going. We may not have recovered  
3 all the revenue that's been set forth to recover because  
4 of lower water sales, or in the unlikely event, higher  
5 water sales. So this would be a tracking account such  
6 that the amount can be trued-up. If we over-collect from  
7 the customers for the DSIC, we refund it. If we under-  
8 collect, it gets built, probably, into the next base rate  
9 case or next surcharge.

10 Q. Now, I may have been losing my attention when I  
11 got to paragraph five, but I'm --- I need you to explain  
12 it a little bit, because I'm --- I never could quite make  
13 it work unless it's some confusing words in there, and  
14 its relationship to number seven, the transition period  
15 in the interim gap. Let's start at seven, and maybe I'm  
16 wrong saying five. It might be three, but it confused  
17 me. Look at seven and the fifth line down from the  
18 start.

19 So one, two, three, four, five. It starts with  
20 the, capital R, rate, capital I, increase under paragraph  
21 three above. Okay. First, the transition period we're  
22 talking about is March 1, 2016 through the year end;  
23 right?

24 A. Yes.

25 Q. And so there's going to be an interim DSIC that

1 covers that nine months.

2 A. That's correct.

3 Q. And it's covering unrecognized cost, which are  
4 described on the preceding page, net of depreciation on  
5 the investment deemed to have been recovered through the  
6 rate increase described in paragraph three. And so when  
7 I go back to paragraph three, I can't figure out what  
8 you're talking about. Can you better explain that? I  
9 mean, three seems to talk about how you calculated DSIC,  
10 but ---.

11 And let me say this, I'm not trying to catch  
12 you. I just went back and forth three or four times  
13 looking back to paragraph three, and I could never figure  
14 out how that rate increase, which seems like it's in the  
15 future, affected DSIC. Is it fair to say that there may  
16 be some glitches in this, given the short period of time  
17 between September 25th and October 15th?

18 A. I'd have to look at it and do what you're trying  
19 to do back and forth. And if there is an overlap of time  
20 or interpretation, we're certainly more than willing to  
21 clean that up.

22 Q. So let's move ahead to your --- the numbered  
23 paragraph six, recommended decision period. And you're  
24 saying that this decision should get done in 150 days.

25 A. Well, I'm really saying it should get done in

1 about 30 days, but this says 150, yes.

2 Q. Number eight, elimination of DSIC facilities  
3 incorporated into rate base. That's basically covered by  
4 our --- go back, our reduced reset to zero discussion;  
5 right? That's what that's trying to say?

6 A. Yes.

7 Q. Tell me the change you made to base rate case  
8 frequency. This is the place where you changed the one  
9 word.

10 A. One of the controls that you can have on a DSIC  
11 run-up is the requirement for the Company to file a base  
12 rate case at regular intervals. And this is intended to  
13 say that the Company will file a case no more than every  
14 three years on three-year intervals. But the way it was  
15 originally written, it was intended to say that. And  
16 that one word made it say the opposite.

17 Q. So a base rate case approximately every three  
18 years --- it could be longer?

19 A. No, it could be shorter. It cannot be longer.

20 Q. All right. Now, I'm with you. That was the  
21 change. Okay. And that's one of the two customer  
22 protections that you have?

23 A. Yes.

24 Q. And the second is that you'll file a  
25 depreciation case every other rate case.

1 A. Yes.

2 Q. All right. Paragraph ten, volume metric. You  
3 know that I don't like that; right? Just so we don't  
4 have to work our way through it completely, you  
5 understand industrials don't like volume metric; right?

6 A. I do. However, we should all note that  
7 investment in company facilities wouldn't be what it is  
8 without the high demands of industrial customers.

9 Q. So let me give you a hypothetical. Well, first  
10 of all, the Mountaineer order. An alternative to volume  
11 metric is calculating the fixed cost that the high volume  
12 user should pay. So using your example in the preceding  
13 paragraph, which talks about allocation, you take the  
14 rate case, whatever the allocation is to the various  
15 categories. You'd establish what fixed cost per month  
16 would cover the estimate for the surcharge, and you'd  
17 charge that instead of doing it on a volume metric basis.  
18 You see that as the alternative; right?

19 A. I haven't seen that used anywhere, but it would  
20 be an alternative.

21 Q. Right. So you might not have picked up that  
22 that's the way it was done in Mountaineer?

23 A. I probably didn't.

24 Q. Subject to check.

25 A. I probably didn't, no.



1 Q. And you might not have picked up that that's the  
2 way Dominion filed their Senate Bill 395. So let me just  
3 put a little --- I have to ask you a hypothetical. You  
4 have two customers. You both have the same size  
5 distribution mains, meters, everything. One uses 500,000  
6 gallons, and one uses 1 million gallons monthly. The guy  
7 with 1 million gallons will get hit much harder with the  
8 rate if it's done on a volume metric basis; right?  
9 Because he's going to be paying 1 million gallons times  
10 whatever the rate is, as opposed to 500,000 gallons like  
11 the guy next door.

12 A. If it's solely limited to volume metric, yes.

13 Q. And in this theory, the guy --- the customer  
14 that's doing 1 million gallon would be subsidizing the  
15 guy paying on the basis of 500,000.

16 A. It's hard to tell, because you said they have  
17 the same sized main, same meter, but there may have been  
18 other investments necessary to serve the higher user.

19 Q. But you're not going to go through and figure  
20 that out, are you?

21 A. Not on a customer basis.

22 Q. Okay.

23 A. Just on a class basis.

24 Q. Yes. And that's what we're talking about.  
25 Everybody in the same class gets a fixed cost.

1 A. Right.

2 ATTORNEY FEINBERG:

3 I'd love to keep this going forever,  
4 but I guess I have to quit, Mr. Chairman. I think I've  
5 run out of questions for him.

6 CHAIRMAN ALBERT:

7 I didn't think you ever did. All  
8 right. Mr. Gunnoe?

9 ATTORNEY GUNNOE:

10 No questions. I have no questions for  
11 this witness. Thank you.

12 ATTORNEY SHERIDAN:

13 Just a few questions, Mr. Chairman.

14 CHAIRMAN ALBERT:

15 Okay.

16 CROSS EXAMINATION

17 BY ATTORNEY SHERIDAN:

18 Q. Mr. Nevirauskas, let me put in front of you a  
19 Company response to a CAD data request regarding income  
20 and dividends.

21 CHAIRMAN ALBERT:

22 Is your microphone on?

23 ATTORNEY SHERIDAN:

24 Yes, it is. Yes, I've got this. Mr.  
25 Chairman, I would ask that this be marked as Advocates'

1 Cross 13.

2 (ASWS's Exhibit 13 marked for  
3 identification.)

4 CHAIRMAN ALBERT:

5 All right. It'll be so marked.

6 BY ATTORNEY SHERIDAN:

7 Q. Mr. Nevirauskas, can you verify from this that  
8 the payout ratio for American Water is just over 50  
9 percent? It would be on the second page, I think.

10 ATTORNEY CALLAS:

11 I'm sorry, Mr. Chairman, but I ask Mr.  
12 Sheridan --- you said that the payout ratio for American  
13 Water? Is that what you said?

14 ATTORNEY SHERIDAN:

15 American Waterworks Company, yes.

16 ATTORNEY CALLAS:

17 Is that to its shareholders?

18 ATTORNEY SHERIDAN:

19 Correct.

20 ATTORNEY CALLAS:

21 Thank you.

22 A. I believe it is in that range.

23 BY ATTORNEY SHERIDAN:

24 Q. 50.33 is what's reflected here; is that right?

25 A. Payout ratio for dividends to stockholders.

1 Q. And between 2014 and 2016, West Virginia-  
2 American Water has budgeted for the Company dividends to  
3 go from essentially \$5.7 million to \$11.5 million; is  
4 that correct?

5 A. Yes.

6 Q. And isn't it also true ---? I don't know if it  
7 is reflected here, but that the --- American Water's plan  
8 is to keep the dividend payout ratio at 50 to 60 percent;  
9 is that correct?

10 A. American Water parent, yes.

11 ATTORNEY SHERIDAN:

12 Thank you. No further questions, and I  
13 would move the admission of Advocates' Cross 13.

14 CHAIRMAN ALBERT:

15 No objection?

16 ATTORNEY CALLAS:

17 No objection.

18 CHAIRMAN ALBERT:

19 Without objection, it will be admitted.

20 Staff?

21 ATTORNEY SADE:

22 Thank you. I have some questions.

23 CROSS EXAMINATION

24 BY ATTORNEY SADE:

25 Q. Good afternoon, Mr. Nevirauskas.

1 A. Good afternoon.

2 Q. You and Mr. Feinberg kind of danced back and  
3 forth from the PA model to something else, and I believe  
4 you testified that in Pennsylvania, there's a quarterly  
5 DSIC?

6 A. Yes.

7 Q. And could you explain a little more how that  
8 works? Does the Company submit something that is then  
9 fully vetted by the Staff?

10 A. Yes.

11 Q. And what happens from that point?

12 A. My hesitation is related to the actual response.  
13 I'm not sure if they give an actual response or if their  
14 silence is implicit approval for that quarter. But it's  
15 fully vetted. We have to file it by the 20th of the  
16 month prior to the effective date, and the Staff has ten  
17 days to review. And at this point, I'm just not sure if  
18 they send something. I don't think so, but that's how  
19 the process works there.

20 Q. And what exactly is involved with Staff vetting  
21 the numbers? So do they do an audit of the entries? Is  
22 the audit of the final amount? How does that work?

23 A. I don't know what you mean by audit. My  
24 impression of what they do --- I know what we submit. We  
25 have to submit a calculation of the surcharge amount from

1 a financial perspective to arrive at a surcharge. And  
2 then we also submit backup paperwork authenticating the  
3 fact that we actually did put that utility plan  
4 investment in service during that prior quarter.

5 Q. And when does that filing get made?

6 A. That gets made with the DSIC filing, so there is  
7 a one month stagger. So you know, if DSIC rates are  
8 effective April 1st, the plan that's considered for that  
9 quarterly effective date will end at the end of February  
10 of that year. So there's a one-month lag, 20 days for us  
11 to get the filing together, 10 days for them to review.  
12 And then ---.

13 Q. Then --- oh, I'm sorry.

14 A. Yeah, so it's --- so it covers the three months,  
15 December, January, February. Then there's a one-month  
16 preparation and approval process. April 1, the surcharge  
17 becomes effective.

18 Q. Is there an order entered by the PUC?

19 A. There is not.

20 Q. So it's automatic once the process of vetting by  
21 staff is complete?

22 A. Yes.

23 Q. And the affidavit or filing is made verifying  
24 the expenses?

25 A. Yes.

1 Q. And are there true-ups at some point, other than  
2 the reset to zero in the rate case?

3 A. Yes. As you go through the whole year, we may  
4 or may not have collected all of the revenue or under-  
5 collected, over or under-collected based on water sales  
6 because the amount established in the prior rate case, as  
7 far as the usage level that could be applied to the DSIC  
8 surcharge, is the amount that's established for DSIC.  
9 Obviously, you're not going to hit that number on the  
10 dollar. So if there's an over or under-collection, that  
11 amount is --- becomes part of the next year's first  
12 quarterly DSIC calculation as an adjustment.

13 Q. So the true-up is annual at the end of the four  
14 periods?

15 A. As far as the collection of the appropriate  
16 revenues for that year, yes.

17 Q. And if you've over-collected, how does the money  
18 get refunded to customers?

19 A. By virtue --- if the --- it's my understanding  
20 that the calculation the next quarter, let's say,  
21 produces a .20 surcharge of the revenue amount. If we  
22 over-collected by, say, .02, then that surcharge will go  
23 out as 1.18.

24 Q. And if there isn't enough in the subsequent  
25 period to fund a refund, does it just move down to the

1 next dividend?

2 A. I've never seen that happen, but I would imagine  
3 that's what would happen. It would stay at zero that  
4 first quarter until it caught up.

5 Q. And now, I think you --- and your preference,  
6 clearly, is as few bodies in the room or parties in the  
7 room as possible; correct?

8 A. Not exactly. I think, you know, it should be  
9 vetted, but what's it take to ---? You know, how many  
10 people to change a light bulb, you know? So ---?

11 Q. Or how many advocates just appear and will be  
12 looking over your shoulder when you do it?

13 A. So ---.

14 Q. Who decided? Was this a function of the  
15 statute, the type of review that was set up, the number  
16 of or types of parties that were allowed to participate?

17 A. You know, I don't know. In Pennsylvania, it was  
18 enacted by statute in 1996, I believe. And I'm not sure  
19 at that point if all the parameters were set forth, or  
20 was that done by the Commission. I'm just not sure.

21 Q. Fair enough. Mr. --- excuse me, Staff's plan  
22 and your response, as far as I can read them, as far as I  
23 can tell, envision a yearly process.

24 A. Yes.

25 Q. Is there any relationship between your



1 preference for as few participants as possible and the  
2 length of time? In other words, would more people be  
3 appropriate for participation in the review if it were a  
4 year process than would be the case ---? I don't know  
5 how they'd, like, get anything done in 30 days. But  
6 assuming you can, your preference is for fewer. Would  
7 there be or should there be more parties eligible to look  
8 at it if the period is a year instead?

9 A. Not necessarily. Again, we would --- you know,  
10 it wasn't set forth here. But obviously, we'd prefer a  
11 shorter interval. Again, the DSIC --- the intent of the  
12 DSIC is to shorten regulatory lag and the more frequent  
13 and timely rate recovery of these sorts of investments  
14 happens. That's the goal that's being achieved. Now, I  
15 mean, I think you're implying that if it goes a year,  
16 there's more sort of opportunity for error or variance or  
17 what have you. I don't know if that's the case or not.  
18 I wouldn't say that would be the sole reason to have more  
19 review.

20 Q. I guess just in response to that, I think I was  
21 thinking that the more time you had, the more bodies you  
22 could fit in a room, so to speak. You said, if I recall  
23 correctly, something to the effect that there's no need  
24 to go back and look whether the expenses claimed or the  
25 --- claimed by the Company, that it qualifies as R&D,

1 that because the definitions of eligible or qualifying  
2 equipment is set out in advance.

3 A. That's not what I said. The scrutiny actually  
4 directly involves going back to that prior quarter to  
5 scrutinize the Company's list of qualified investments to  
6 make sure that none are outside the parameters that were  
7 set forth.

8 Q. And they must be followed, first of all. Your  
9 change in the base rate case frequency that you and Mr.  
10 Feinberg discussed, you said not more than three years  
11 means you're going to file --- or you do file in  
12 Pennsylvania once every three years max?

13 A. We ---.

14 Q. And it can be less?

15 A. We don't have this parameter in the Pennsylvania  
16 DSIC program. This is proposed here, the three year  
17 interval requirement.

18 Q. If you had to pick an average over the last 15  
19 years since the DSIC was approved, what's been the  
20 frequency of Pennsylvania American's ---?

21 A. It's been around three years. I might add that  
22 now that they've adopted the fully forecasted future test  
23 year, our interval in the current period will be longer.

24 Q. As I recall, the Company's --- I won't call it a  
25 commitment, but indication that filings will become less

1 necessary if it gets the relief it wants in this case ---  
2 and I'm assuming especially because you didn't know  
3 anything about the Staff's proposal until after the  
4 Direct was filed, but whatever the reservations you have  
5 or the Company has about the value or utility of the  
6 DSIC, do you not see any prospect for less frequent  
7 filings if that's approved?

8 A. I do. There's a set of investments that the  
9 Company makes each and every year. If some of those  
10 become eligible for a surcharge without having to wait  
11 three plus years for recovery, you would think, depending  
12 on the Company's construction schedule and the needs at  
13 the time and how the money's being invested, that it  
14 could have the effect of extending the interval between  
15 rate cases.

16 Q. Thank you. And do you have any kind of metric  
17 that you would offer that would, you know, give some  
18 indication? And can I write it down and get it in  
19 writing, please?

20 A. I don't. There's so many things that can impact  
21 a rate filing, seen and unforeseen, that it would be  
22 impossible to predict. But just think about it. If  
23 somebody's paying for some of the plant between rate  
24 cases as they go, it not only can extend the interval,  
25 but it mitigates rate shock; all right? When you come to

1 a rate case and you put that DSIC balance into base  
2 rates, customers have already been paying for that for  
3 three years.

4 The rate shock is mitigated. It might look like  
5 a 10 percent increase, but they've already been paying 4  
6 or 5 percent of it. What's the real dollar change in the  
7 bill from one day to the next? It's greatly decreased.

8 ATTORNEY SADE:

9 And the sun will shine on all. Thank  
10 you. That's all I have.

11 COMMISSIONER MCCABE:

12 No, sir.

13 CHAIRMAN ALBERT:

14 Do you have or did you have  
15 Pennsylvania as a secure station?

16 A. Under my responsibility? Yes.

17 CHAIRMAN ALBERT:

18 You said they just went to a future  
19 test year.

20 A. It was authorized, I think, in 2012. We took  
21 advantage of it in our last rate case in 2013.

22 CHAIRMAN ALBERT:

23 How did it work?

24 A. We were able to ---.

25 CHAIRMAN ALBERT:

1                   Mechanically. First of all,  
2 mechanically, how did it work?

3           A.           Okay.

4                   CHAIRMAN ALBERT:

5                   Was it deemed to be a perpetual and  
6 ongoing sort of thing, or was it a one time experiment?

7           A.           Oh, it's enacted by the legislature. What  
8 wasn't set forth were the specific parameters of how it  
9 was going to be administered by the Commission, but the  
10 concept of the future test year was enacted by  
11 legislation. How it worked for us in that first year is  
12 we were able to extend our capital planning and our  
13 operation and maintenance expense adjustments for an  
14 additional 12 months for recovery and rates in that rate  
15 case. And it has the effect of --- and there is a true-  
16 up process. I believe it's every six ---.

17                   CHAIRMAN ALBERT:

18                   That was my next question.

19           A.           Yeah, it's every six months or so. The company  
20 has to certify that it actually invested the capital that  
21 it said it was going to during that future period. And  
22 it has had the effect, at least in this go around, of  
23 extending our filing for at least 12 months.

24                   CHAIRMAN ALBERT:

25                   Is there any kind of phase-in?

1 A. Well, the --- there was not a phase-in. There  
2 was not a phase-in in this case.

3 CHAIRMAN ALBERT:

4 When you say in this case, you mean  
5 that there ---

6 A. I suppose ---.

7 CHAIRMAN ALBERT:

8 --- may have been a phase in, phase-  
9 ins?

10 A. Not under the future test year concept. We only  
11 used it this one last time.

12 CHAIRMAN ALBERT:

13 Okay.

14 A. Yeah. But again, the elimination of regulatory  
15 lag in Pennsylvania caused this to be a situation where,  
16 even with the future test year, we had 11 or so percent  
17 rate increase, 6 and a half percent of which had already  
18 been paid for by the run up of the DSIC between rate  
19 cases.

20 CHAIRMAN ALBERT:

21 Well, that's not the situation we have  
22 here; right?

23 A. You're correct.

24 CHAIRMAN ALBERT:

25 All right. Thank you, sir.

1 A. Thank you.

2 CHAIRMAN ALBERT:

3 Did you have any ---?

4 ATTORNEY CALLAS:

5 Your Honor, I do have a couple of  
6 questions on Redirect.

7 CHAIRMAN ALBERT:

8 All right. Go ahead.

9 ATTORNEY CALLAS:

10 Thank you.

11 REDIRECT EXAMINATION

12 BY ATTORNEY CALLAS:

13 Q. Mr. Nevirauskas, during Mr. White's examination  
14 of you some time ago, we talked about capital structure  
15 and equity components of capital structure at various  
16 times. Do you recall that conversation?

17 A. Yes.

18 Q. And I think you --- the discussion was that at  
19 the end of the historic test year, the equity percentage  
20 was 43 percent and that, with the capital structure that  
21 we proposed --- the company proposed and taking into  
22 account the \$30 million infusion, it would be more like  
23 46 percent?

24 A. Correct.

25 Q. Which of those levels, given your historic

1 experience with the Company, is more reflective of what  
2 is normal?

3 A. Well, I can give you some examples that I'm  
4 familiar with. I mean, the two biggest subsidiary  
5 operating companies in the American Waterworks system are  
6 in Pennsylvania and New Jersey. Our last Pennsylvania  
7 case, the equity ratio authorized was --- or included in  
8 the stipulation authorized for rates was 51.69. And the  
9 last New Jersey case was earlier this year. It was also  
10 in excess of 50 percent.

11 Q. Actually, that was not the question I asked you.  
12 I was asking about your experience with West Virginia-  
13 American, and what is typical equity thickness?

14 A. Well, I named a couple earlier in the  
15 discussion. As far as West Virginia-American, our last  
16 case was in excess of 45 percent. The 43 in this case is  
17 sort of a convergence of time. You know, while the  
18 equity ratio had decreased, the short-term debt ratio has  
19 increased for the short-term debt amount. So it's off  
20 balance right now.

21 You know, the way it really works, there's \$30  
22 million we use to pay down short-term debt that has  
23 already been used to invest in the infrastructure. So  
24 it's just a --- sort of a cyclical thing, and we're just  
25 trying to get the capital structure back in balance and



1 more representative of normal utility operations.

2 Q. Moving on to some of the questions that Mr.  
3 Feinberg asked you about the --- for the DSIC, and I  
4 believe there was quite a few questions, both by him and  
5 by Mr. Sade, about participation in various aspects of  
6 the DSIC filings by other parties. If you look with me  
7 at your RPN-2-R, the Company's proposed DSIC terms, I  
8 guess I might call them, I see in section two, there's  
9 something called a DSIC plan on page two. And in  
10 subsection five, there's something called subsequent  
11 annual filings. You see those as being different in  
12 terms of purpose and perhaps also participation?

13 A. See them as being different?

14 Q. Different in terms of purpose, what the purpose  
15 is?

16 A. Yes.

17 Q. Yes. And could you describe for us what the  
18 differences are between the plan --- initial plan and  
19 then the subsequent annual filings?

20 A. Well, the initial plan sets forth basically the  
21 first year and how the process will work, what's going to  
22 be included. The subsequent filings more or less talks  
23 about the period after that initial year.

24 Q. Yeah, and in the first of those, there's a five-  
25 year forecast. And that's what we talked about, the

1 kinds of things we proposed to invest in?

2 A. Yes.

3 Q. And then the subsequent filings, they would  
4 include --- what would they include?

5 A. A detailed list of facilities expected to be  
6 completed in the following calendar year.

7 Q. Is that also where the reconciliations that have  
8 been discussed would occur?

9 A. Yes.

10 Q. At the end of paragraph four, which I'll  
11 represent is the paragraph about how the reconciliation  
12 is to occur, does the Company provide for any level or  
13 specification of participation by other parties?

14 A. It does.

15 Q. And what does it say?

16 A. The Staff, CAD and other interveners --- so I  
17 stand corrected ---

18 Q. I see.

19 A. --- will have the opportunity to examine the  
20 true-up filing and make appropriate recommendations.

21 Q. So where is it --- the more frequent situation  
22 in Pennsylvania has fewer participants involved. Here,  
23 we would post on an annual filing to have more.

24 A. Yes.

25 Q. Both in Mr. Feinberg's examination and I think

1 earlier in some testimony in the case --- honestly, I  
2 can't remember whose it was. There has been talk about  
3 what the initial DSIC charge that's proposed to go into  
4 effect March of next year would encompass in terms of the  
5 costs to be recovered. You were asked about that, and I  
6 think you said that it was not the full period between  
7 the end of the historic test year and the facilities to  
8 be put into service during the rate year. Is that your  
9 testimony?

10 A. Can you repeat that? It was ---.

11 Q. Yes, I think you said that the scope of coverage  
12 of the initial surcharge to go into effect March of next  
13 year under the Staff's plan would not cover the entirety  
14 of the qualifying investment from the end of the  
15 historical test year through the end of the rate year.  
16 Was that your testimony?

17 A. Yes.

18 Q. And if I can characterize Mr. Feinberg's  
19 testimony, I think he seemed to say there's no ---.

20 ATTORNEY FEINBERG:

21 I'm going to object.

22 ATTORNEY CALLAS:

23 I'm sorry, your question. I think it  
24 went to the assertion that no, it would cover all of  
25 that.

1 BY ATTORNEY CALLAS:

2 Q. Can you explain where the difference lies  
3 between the two of you on that?

4 ATTORNEY FEINBERG:

5 Let me object, and maybe Chris can ask  
6 it a different way. I think I was saying I read Mr.  
7 Eads' plan to say something.

8 ATTORNEY CALLAS:

9 Yes, that's true.

10 ATTORNEY FEINBERG:

11 And then I said, I'll ask Mr. Eads.  
12 But I don't mind him answering and fixing the record or  
13 whatever. It was Mr. Eads I thought I was talking about.

14 ATTORNEY CALLAS:

15 It's true.

16 BY ATTORNEY CALLAS:

17 Q. Can you answer and ---?

18 A. I can. My understanding was that the March 1st  
19 effective date would include plant going forward and that  
20 what we're all calling the gap or bridge period would be  
21 included in the base rate case.

22 ATTORNEY CALLAS:

23 Your Honor, may I approach the witness  
24 with Mr. Eads' testimony on this point?

25 CHAIRMAN ALBERT:

1                   You can.

2                   ATTORNEY CALLAS:

3                   I recognize it's not yet been submitted  
4 for admission into the record.

5 BY ATTORNEY CALLAS:

6 Q.               But I'll suggest to you that there's a paragraph  
7 in his testimony on page 17 that goes to this. And I  
8 also suggest it takes a little bit of careful reading to  
9 understand exactly what his proposal is.

10                   CHAIRMAN ALBERT:

11                   Okay.

12 BY ATTORNEY CALLAS:

13 Q.               Could you read that last question and answer  
14 into the record, Mr. Nevirauskas?

15 A.               What level of investment does the Staff propose  
16 to be reflected in the first IRP surcharge? Answer, for  
17 purposes of developing our IRP surcharge to become  
18 effective March 1st of 2015, the Staff has based the  
19 initial surcharge on an equivalent annual average of  
20 projected investments and T&D means and services as  
21 reflected in the Company's filing for the 26-month period  
22 from January 1st, 2015 to February 28th, 2017. This data  
23 supports an annual investment of \$9 million for T&D mains  
24 and \$3 million for services for a total annual investment  
25 of \$12.7 million.

1 Q. You can stop there, sir. Thank you. Here, Mr.  
2 Eads mentions a lengthy period that traps the period that  
3 Mr. Feinberg spoke about of January 1, 2015 through  
4 February 28th, 2017, does he not?

5 A. On the second line, it says that --- the initial  
6 surcharge on an equivalent annual average of projected  
7 investments.

8 Q. That's the key, is it not?

9 A. It is.

10 Q. Although we're looking at a period that is, as  
11 Mr. Eads says, 26 months long, the proposed coverage of  
12 the initial DSIC as Staff has proposed it is based on an  
13 equivalent annual average of that investment?

14 A. That's correct.

15 Q. Is that where the disconnect between --- in this  
16 discussion lies?

17 A. It clearly would be on my part. That's not  
18 adequate.

19 Q. Because that would not cover the entire period  
20 from the end of the historic test year to and through the  
21 rate year?

22 A. Yes.

23 Q. And that was the missing gap that you were  
24 talking about?

25 A. Yes.

1                   ATTORNEY CALLAS:

2                   Thank you. I have no further  
3 questions.

4                   CHAIRMAN ALBERT:

5                   So I do have one other one, and that  
6 was in connection with your --- or two, in connection  
7 with your work for Pennsylvania American. Were you  
8 responsible for the preparation of the future test year  
9 there?

10                  A.            I was.

11                   CHAIRMAN ALBERT:

12                   And I take it from your  
13 responsibilities here, you were responsible for the one  
14 that was filed here?

15                  A.            Or under my direction.

16                   CHAIRMAN ALBERT:

17                   All right. Is there anything  
18 significantly different between the two?

19                  A.            The one big difference is we used an average  
20 test year in this filing in West Virginia. In  
21 Pennsylvania ---.

22                   CHAIRMAN ALBERT:

23                   You mean you used an average and then  
24 built on it?

25                  A.            Well, we used an average of the 12 months of the

1 rate year from March 1 to February of '17.

2 CHAIRMAN ALBERT:

3 Okay.

4 A. We averaged that. In Pennsylvania, it's based  
5 on what's called a terminal rate base. So in that case,  
6 it was the calendar year of 2014, and we were able to  
7 include a terminal rate base amount, as well as expenses  
8 through the end of the year 100 percent, not averaged.  
9 That's the major difference.

10 CHAIRMAN ALBERT:

11 And the notices that were prepared and  
12 published and given to the customers of the West Virginia  
13 filing were premised on a future test year?

14 A. Yes.

15 CHAIRMAN ALBERT:

16 All right, sir. Thank you.

17 A. Thank you.

18 ATTORNEY CALLAS:

19 May this witness be excuse?

20 CHAIRMAN ALBERT:

21 Yep. Any objections?

22 ATTORNEY CALLAS:

23 Your Honor, that completes the  
24 Company's case in chief in the rate case.

25 CHAIRMAN ALBERT:



1                   It's 4:00. We can stay. Well, it's  
2 clearly --- it's four o'clock on a Friday. I don't  
3 believe we're finishing everybody today. It just seems  
4 unlikely. We do have --- apparently, only local  
5 witnesses remain.

6                   ATTORNEY SADE:

7                   And all four Staff.

8                   ATTORNEY WHITE:

9                   And Ms. Akers.

10                  ATTORNEY SADE:

11                  And Ms. Akers. Yes, that's correct.

12                  ATTORNEY SADE:

13                  I expect at least Mr. Eads to be on  
14 quite a while.

15                  CHAIRMAN ALBERT:

16                  I'm sorry?

17                  ATTORNEY SADE:

18                  For my two cents, I would suggest that  
19 Mr. Eads is likely to be on the stand for some time.

20                  CHAIRMAN ALBERT:

21                  Do you think there'll be a question or  
22 two that I'm throwing at Eads?

23                  ATTORNEY SADE:

24                  I'm sorry?

25                  CHAIRMAN ALBERT:

1 Do you think there'll be a question or  
2 two directed to Mr. Eads? Do you?

3 ATTORNEY SADE:

4 At least.

5 CHAIRMAN ALBERT:

6 We're bumping into ---

7 ATTORNEY WHITE:

8 We would ---.

9 CHAIRMAN ALBERT:

10 --- our deadline, but that's fine with  
11 me. Or we could continue for a while.

12 ATTORNEY ROBERTS:

13 No.

14 ATTORNEY FEINBERG:

15 I'd love to quit now and start up with  
16 fresh faces and the like on Monday.

17 CHAIRMAN ALBERT:

18 Turn the new platoon in?

19 ATTORNEY FEINBERG:

20 I'm going to feel a lot better. I've  
21 really been terrifying everybody else.

22 CHAIRMAN ALBERT:

23 Yeah.

24 ATTORNEY CALLAS:

25 I have no objection to quitting.

1 OFF RECORD DISCUSSION

2 ATTORNEY OSBORN:

3 For what it's worth, we have no  
4 questions of Mr. Eads.

5 ATTORNEY WHITE:

6 Is it just Suzanne?

7 ATTORNEY OSBORN:

8 And perhaps we could put Suzanne on,  
9 Ms. Akers, who's our witness. You know, I think we could  
10 make some progress. Sorry you're tired, but ---.

11 ATTORNEY SADE:

12 Do you want a response? I can do it.

13 CHAIRMAN ALBERT:

14 I know this week was arduous. We'll  
15 meet for ten minutes and we'll be back. All right.

16 SHORT BREAK TAKEN

17 CHAIRMAN ALBERT:

18 It looks like Ms. Akers. Is that what  
19 we decided?

20 ATTORNEY WHITE:

21 Yeah, CAD calls Suzanne Akers.

22 -----

23 SUZANNE AKERS, HAVING FIRST BEEN DULY SWORN, TESTIFIED AS  
24 FOLLOWS:

25 -----

1 DIRECT EXAMINATION

2 BY ATTORNEY WHITE:

3 Q. Could you please state your name?

4 A. Suzanne O. Akers.

5 Q. And how are you employed?

6 A. As a Utilities Analyst with the Consumer  
7 Advocate Division of the Public Service Commission.

8 Q. Did you prepare testimony in this case?

9 A. I did.

10 Q. Do you have it with you?

11 A. I do.

12 Q. That's better.

13 CHAIRMAN ALBERT:

14 My fault.

15 ATTORNEY WHITE:

16 Oh.

17 CHAIRMAN ALBERT:

18 Why don't you start again? I'm sorry.

19 I didn't have the system on.

20 ATTORNEY WHITE:

21 Oh, okay. We'll start over.

22 CHAIRMAN ALBERT:

23 All right.

24 BY ATTORNEY WHITE:

25 Q. Would you state your name?

1 A. Suzanne O. Akers.

2 Q. And how are you employed?

3 A. As a Utilities Analyst with the Consumer  
4 Advocate Division of the West Virginia Public Service  
5 Commission.

6 Q. All right. Did you prepare testimony in this  
7 case?

8 A. I did.

9 Q. Do you have a copy with you?

10 A. I do.

11 ATTORNEY WHITE:

12 And Your Honor, I'd ask that ---. I've  
13 given a copy of the testimony of Ms. Akers to the clerk  
14 and asked that it be marked SOA-D.

15 (CAD Exhibit SOA-D marked for  
16 identification.)

17 BY ATTORNEY WHITE:

18 Q. Are there any corrections that you want to tell  
19 us about?

20 A. No.

21 ATTORNEY WHITE:

22 So with that, I'd move admission of Ms.  
23 Akers' testimony and make her available for Cross.

24 CHAIRMAN ALBERT:

25 All right. Ms. Akers' testimony marked

1 as SOA-D will be admitted without objection. Okay.

2 CROSS EXAMINATION

3 BY ATTORNEY CALLAS:

4 Q. Hello, Ms. Akers.

5 A. Hello.

6 Q. You are rounding out the week. I have a few  
7 questions for you about wage and salary expense in the  
8 Company's case. Is it correct that you have opposed the  
9 Company's inclusion of 2016 wage increases for any of the  
10 union wages other than those under the Huntington union  
11 contract?

12 A. That is correct.

13 Q. And how many other contracts are there?

14 A. From what I understood from the Company filing,  
15 we had three unions. And I believe one of the contracts  
16 in Huntington was signed.

17 Q. How many bargaining units are there that would  
18 have occasion to have contracts with our company? Do you  
19 know?

20 A. I'm not sure off the top of my head.

21 Q. Subject to check, would you agree that it may be  
22 five?

23 A. I believe I heard that during this week, yes.

24 Q. And one of those five is the Huntington one that  
25 you've said it's okay to carry that one into 2016?

1 A. That's correct.

2 Q. And is the reason that you found it okay to do  
3 that --- it was because it set rates that would go  
4 through the entire rate year?

5 A. That is correct.

6 Q. And by contrast, the others, although they ---  
7 they're contracts that go into '16, they don't set rates  
8 for the entire rate year.

9 A. That is correct.

10 Q. Is that the difference that caused you to  
11 recommend a disallowance of those but not the other?

12 A. Yes.

13 Q. We've heard this week during testimony and also  
14 in the Direct and Rebuttal Testimony of some of the  
15 Company's witnesses that there is a national benefit  
16 settlement to which all of the unions are a party and may  
17 benefit that enables them, at the time that their current  
18 contracts expire in 2016 or before, to elect to take an  
19 increase in lieu of negotiating another contract of 2.25  
20 percent. Are you familiar with that testimony?

21 A. I've heard it this week, yes.

22 Q. Yes? Do you have any reason to believe that's  
23 inaccurate?

24 A. I do not.

25 Q. Now, there also has been advocacy on Mr. Tomac's

1 part that he believes that those bargaining units will  
2 either accept that 2.25 percent, meaning make that  
3 election, or they will choose to go another course that  
4 would involve negotiating a contract that would be higher  
5 in amount for them than the 2.25 percent. Do you believe  
6 that it is likely in each case that one of those two  
7 things is going to happen?

8 A. I wouldn't know for sure.

9 Q. Do you think it is likely ---? I understand  
10 that you won't know for sure. Either one could happen.  
11 Is that true?

12 A. According to Mr. Tomac, yes.

13 Q. Well, what is it that you think about it?

14 A. Well, I don't know until we have it signed or  
15 something in writing saying for sure one way or the  
16 other.

17 Q. Do you think it is likely that any of those  
18 bargaining units is going to enter into an arrangement at  
19 the expiration of their contracts in 2016 that's going to  
20 provide for a level of wage increase that's less than  
21 2.25 percent?

22 A. I don't know, but I would say probably not.

23 Q. Do you think that it is reasonable to suspect  
24 then that there won't be a wage increase for each of  
25 those bargaining units of less than 2.25 percent?



1 A. Well, again, I don't know. But I would assume  
2 that's probably correct.

3 Q. Thank you. As for non-union hourly workers, do  
4 you understand that it's been the Company's practice that  
5 it tends to provide wage increases for those employees  
6 that are generally along the lines of the wage increases  
7 that are experienced by its union workforce?

8 A. I suppose so, yes.

9 Q. Would it not make sense to you that, in order to  
10 maintain a non-union hourly workforce, that the Company  
11 would believe it's appropriate --- necessary to provide  
12 wage increases or at least as much as the union workforce  
13 gets?

14 A. I don't disagree with you on that.

15 Q. Do you know whether this expectation has ever  
16 been recognized in any previous Commission orders  
17 involving the Company's rate cases, and in particular,  
18 non-union hourly wage increases?

19 A. I'm not sure off the top of my head, no.

20 Q. I'd like to turn your attention to pages 10 and  
21 11 of your testimony. I have a few more questions.  
22 Here, there's a discussion of recovery of incentive  
23 compensation costs. And on page 11, you indicate that  
24 --- oh, you ask yourself a question on line nine. What  
25 has been the Commission's recent views on incentive pay?

1 What orders did you reference in that discussion?

2 A. The 2010 APCO case.

3 Q. And then the next question and answer, you ask  
4 yourself whether the Commission has agreed with the CAD's  
5 position with regard to incentive pay in recent past  
6 cases. What case was it that you were referencing in  
7 that discussion?

8 A. Again, 2010, a water case, I believe. An APCO.

9 Q. Have there been any more recent incentive  
10 compensation decisions than the 2010 APCO case?

11 A. Yes.

12 Q. Do you know what that case provides on incentive  
13 compensation?

14 A. Well, I believe in the most recent APCO case,  
15 they agreed with the Company on incentive pay. But the  
16 Company did ask for a decrease in incentive pay in that  
17 case, not an increase, as in this case.

18 Q. But as to the recovery of the types of incentive  
19 pay that the Company had requested, does that --- did  
20 that ruling differ from the proposal that you're making  
21 to the Commission here?

22 A. Yes.

23 ATTORNEY CALLAS:

24 I have no further questions. Thank  
25 you.

1                   CHAIRMAN ALBERT:

2                   Mr. Sade, do you have any questions?

3                   ATTORNEY SADE:

4                   No questions, Your Honor.

5                   CHAIRMAN ALBERT:

6                   Mr. Feinberg?

7                   ATTORNEY FEINBERG:

8                   No questions.

9                   ATTORNEY SHERIDAN:

10                  No questions.

11                  CHAIRMAN ALBERT:

12                  Mr. Gunnoe?

13                  ATTORNEY GUNNOE:

14                  No questions.

15                  CHAIRMAN ALBERT:

16                  Brooks?

17                  COMMISSIONER MCCABE:

18                  No questions, Chairman.

19                  CHAIRMAN ALBERT:

20                  I don't have any either. Thank you.

21                  A.           Oh, you're welcome. Thank you.

22                  CHAIRMAN ALBERT:

23                  Oh, I'm sorry.

24                  ATTORNEY WHITE:

25                  We'll do it anyway.

1                   CHAIRMAN ALBERT:

2                   I apologize.

3                   ATTORNEY WHITE:

4                   Just a little question.

5 REDIRECT EXAMINATION

6 BY ATTORNEY WHITE:

7 Q.           Mr. Callas raised this ---.

8                   CHAIRMAN ALBERT:

9                   Your microphone's on?

10                  ATTORNEY WHITE:

11                  Yes. Well, now, that's better, isn't  
12 it?

13 BY ATTORNEY WHITE:

14 Q.           Mr. Callas raised this negotiation that's going  
15 to be ongoing for a 2.25 percent increase of --- for that  
16 Huntington labor union. Do you remember that?

17 A.           Yes.

18 Q.           Do you know if during negotiations for a labor  
19 contract --- oh, strike that. That's awkward. Strike  
20 the question.

21                  ATTORNEY WHITE:

22                  I'm fine. Thank you.

23                  CHAIRMAN ALBERT:

24                  Now, you're excused.

25                  ATTORNEY SADE:

1 Now can we go home?

2 CHAIRMAN ALBERT:

3 Is anybody ---?

4 ATTORNEY WHITE:

5 Mr. Chairman, this is Tom White from  
6 CAD. I thought maybe what we might do is stop now and  
7 start --- because the only parties left are Staff. And  
8 I'm told that they --- the Company has some involved  
9 Cross for all of them, I believe. So maybe if we could  
10 just stop now and start fresh Monday?

11 CHAIRMAN ALBERT:

12 Well, no argument from me. I have a  
13 dental appointment Monday morning at 8:00, but it doesn't  
14 usually take a half an hour to 45 minutes. So we can  
15 start at nine o'clock on Monday or we could do it a  
16 little later. What do --- how many witnesses do we have  
17 left? Three?

18 ATTORNEY SADE:

19 Four.

20 ATTORNEY WHITE:

21 Four.

22 ATTORNEY CALLAS:

23 Four.

24 CHAIRMAN ALBERT:

25 Let's just start at 9:30. I know it's

1 a long weekend, and I doubt this would be a very fruitful  
2 statement, but you know, we're not adverse to settlement,  
3 you know, even after we've been through what we've been  
4 through. As you've listened this week, there are  
5 numerous problems with respect to the various  
6 alternatives that have been suggested for rate relief.

7           But we'll get through it. We'll go  
8 through it. We'll end up with a resolution in this  
9 thing, but I will tell you that we are willing to  
10 entertain --- continue to entertain a possible  
11 resolution. You're creative and intelligent people. I  
12 think that coming up with an agreement you all can live  
13 with is probably better than having one jammed in your  
14 ear, so to speak. Obviously, it has to be reasonable and  
15 legal, and you'd have to live with it. But there's been  
16 some suggestions made and some possibilities talked  
17 about.

18           So I would encourage you not to stop  
19 talking. If you can work something out, we've got, you  
20 know, plenty of time to continue to talk next week, if  
21 you want. As I say, I'm not commanding, and I'm not  
22 urging you. I'm just suggesting to you that it's --- it  
23 always seems like a reasonable approach if you can work  
24 something out on it. And I know the positions are pretty  
25 far apart, but there's been a lot of creative things

1 proffered on the record.

2                   And so we'll just leave it at that. If  
3 anybody has a startling insight over the weekend and  
4 wants to try to amass the portions and talk further,  
5 that's fine. Otherwise, we will see you at 9:30 on  
6 Monday morning.

7                   ATTORNEY SHERIDAN:

8                   Mr. Chairman, yes, well, I have a ---  
9 it'll be a hardship to attend on Monday, and so over the  
10 week, we've finished our own case. So with leave of the  
11 Commission, I would not appear on Monday.

12                   CHAIRMAN ALBERT:

13                   All right.

14                   ATTORNEY SHERIDAN:

15                   Thank you.

16                   CHAIRMAN ALBERT:

17                   You'll miss the settlement.

18                   \* \* \* \* \*

19                   HEARING CONCLUDED AT 4:40 P.M.

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CERTIFICATE

I hereby certify, as the stenographic reporter,  
that the foregoing proceedings were taken  
stenographically by me, and thereafter reduced to  
typewriting by me or under my direction; and that this  
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my ability.



Court Reporter

Jeremy Gilliams