Case No. PUR-2017-00149
Sponsor: CITY OF ALEXANDRIA

Exhibit No. 5

Witness: CARL W. EGER, III
Bailiff: RENEE MILES
January 19, 2018

BY ELECTRONIC FILING
Joel H. Peck, Clerk
Virginia State Corporation Commission
1300 East Main Street
Post Office Box 1197
Richmond, Virginia 23218

RE: Application of Virginia-American Water Company for approval to implement an approved WWISC Plan and Rider
Case No.: PUR-2017-00149

Dear Mr. Peck:

Enclosed please find the Direct Testimony of Carl W. Eger, III on behalf of the City of Alexandria, Virginia to be filed in the referenced matter.

Very truly yours,

[Signature]
Andrew R. McRoberts

ARM/ct
Enclosure

cc: Service List
COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

APPLICATION OF

VIRGINIA AMERICAN WATER COMPANY,

For approval to implement Water and
Wastewater Infrastructure Service Charge Plan
and Rider.

CASE NO. PUR-2017-00149

DIRECT TESTIMONY OF

CARL W. EGER III

ON BEHALF OF THE

CITY OF ALEXANDRIA, VIRGINIA

January 19, 2018
WITNESS DIRECT TESTIMONY SUMMARY

Witness: Carl W. Eger, III
Title: Energy Manager for the City of Alexandria

Summary:

My testimony addresses concerns related to various components of the Water and Wastewater Infrastructure Service Charge Program and Rider ("WWISC") application (the "Application") filed by Virginia American Water Company ("Virginia-American" or the "Company").

Specifically, my testimony will address the following areas:

1. I will discuss my concerns that the Company's Application is inconsistent with the purported purposes of a WWISC, and that the Application identifies projects that cannot fairly be described as "in-kind" replacements, such that they are not appropriate for inclusion in this proceeding.
CITY OF ALEXANDRIA, VIRGINIA
DIRECT TESTIMONY OF
CARL W. EGER III
PUR-2017-00149

1.6 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE
RECORD.

A. Carl W. Eger III. My business address is 301 King Street, Alexandria, Virginia 22314.

Q. WHAT IS YOUR POSITION WITH THE CITY OF ALEXANDRIA?

A. I am the Energy Manager for the City of Alexandria.

Q. HOW LONG HAVE YOU HELD THIS POSITION?

A. I have held this position since January 4, 2010.

Q. PLEASE OUTLINE YOUR EDUCATIONAL, BACKGROUND AND EXPERIENCE
WITH THE CITY.

A. I hold a Bachelor of Science in Electrical Engineering, a Bachelor of Science in Computer
Engineering, and a Master of Science in Engineering (Mechanical Engineering and Energy
Engineering concentrations with additional graduate-level education in economics, econometrics,
and public policy) from the University of Dayton in Dayton, Ohio. I am currently completing a
Masters of Professional Studies in Sustainable Urban Planning from the George Washington
University. I am a registered Professional Engineer in the State of Ohio, a Leadership in Energy
and Environmental Design (LEED) Accredited Professional, an International Society of
Sustainability Professionals Sustainability Association, and a Certified Public Manager. In 2017,
I completed the Harvard University Executive Education in Sustainability Leadership and Urban
Land Institute-Washington Regional Land Use Leadership Institute programs. In 2013, I completed Michigan State University Institute of Public Utilities Annual Regulatory Studies Program ("Camp NARUC") training. From 2012 to present, I have served on the Virginia Energy Purchasing Government Authority (VEPGA) Board of Directors. I serve on numerous other boards and commissions throughout the Metropolitan Washington DC area, and in the Commonwealth of Virginia in service to the public.

I joined the City of Alexandria in 2010 as Energy Manager. In 2011, I was promoted to the City of Alexandria’s Senior Management Group. As Energy Manager a portion of my responsibility includes servicing utility billings, including billings for water service, for City-owned or -operated properties and facilities. Moreover, as Energy Manager my responsibilities include providing guidance to the City of Alexandria City Council, City Attorney’s Office, and City Manager’s Office on public utility regulatory matters.

Before serving the citizens and City of Alexandria, from 2004 – 2006, I was Lead Engineer of the US Department of Energy Industrial Assessment Center at the University of Dayton with specializations that include industrial pumping systems, including water treatment and conveyance. From 2007 – 2008, I held position as Energy Manager for the City of Cleveland Division of Water before promotion in 2008 to the position of Energy Manager for the City of Cleveland Mayor’s Office of Sustainability.
Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE ANY REGULATORY AGENCY AS TO MATTERS AFFECTING WATER UTILITY COMPANIES?
A. Yes. I have previously testified before this commission in case numbers PUE-2014-00066, PUE-2015-00097, and PUE-2016-0001.

Q. WHAT ISSUES DID YOU ADDRESS IN THOSE PROCEEDINGS?
A. I testified as a witness on behalf of the City of Alexandria and its ratepayers, in opposition to: (i) Virginia American Water Company's Petition for Rulemaking to Establish a Water and Wastewater Investment Service Charge ("WWISC"); (ii) certain aspects of Virginia American Water Company's Application for a general increase in rates, including the establishment of a WWISC; and (iii) Washington Gas and Light Company's proposed return on equity and Revenue Normalization Adjustment rider.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?
A. The purpose of my testimony is to address Alexandria's concerns related to the Company's proposed WWISC Program and Rider.

Q. HAS THE CITY OF ALEXANDRIA FILED A PETITION FOR APPEAL TO THE SUPREME COURT OF VIRGINIA REGARDING THE AUTHORITY OF THE COMMISSION TO ESTABLISH AND IMPOSE A THREE-YEAR PILOT WATER AND WASTEWATER INFRASTRUCTURE SERVICE CHARGE ("WWISC")?
A. Yes.
Q. HAS THE APPEAL BEEN CERTIFIED BY THE SUPREME COURT OF VIRGINIA?
A. Yes. The Supreme Court of Virginia certified the appeal filed by the City of Alexandria and the City of Hopewell on December 13, 2017.

Q. IS THIS THE SAME THREE-YEAR PILOT WWISC THE COMPANY SEEKS APPROVAL FOR IN THIS PROCEEDING?
A. Yes.

Q. DID THE COMMISSION OUTLINE WWISC ELIGIBLE INFRASTRUCTURE IN ITS FINAL ORDER IN CASE NUMBER PUE-2015-00097?
A. Yes. The Commission adopted Hearing Examiner Howard P. Anderson, Jr.'s recommendation with regard to WWISC-eligible infrastructure, to exclude the following: 1) meters; 2) equipment and infrastructure installed to address primary and secondary drinking water standards; 3) unreimbursed costs of relocating facilities due to highway projects; and 4) pumps, motors, blowers, tanks, mechanical equipment, and other infrastructure installed as in-kind replacements for customers.¹

Q. DOES VIRGINIA AMERICAN WATER COMPANY (VAWC) OUTLINE ADDITIONAL GOALS FOR THE WWISC PILOT IN ALEXANDRIA?
A. Yes. The Virginia American Water Company (VAWC) Application for approval to implement an approved WWISC Plan and Rider outlines five goals for the WWISC pilot in Alexandria.² VAWC indicates these goals include:

¹ Final Order, Case No. PUE-2015-00097, at 6.
² Application for a general increase in rates, Case No. PUE-2015-00097, at 2.

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• An enhanced level of safety for the distribution system, resulting from the reduction or elimination of the highest risk, greatest leak-rate segments of VAWC’s Alexandria water system. The WWISC Plan will initially primarily address small mains of 6-inch or less in diameter and mains constructed of cast iron.

• A more reliable system for all customers as the sections of the system most prone to failure (and thus to interruptions of service) due to corrosion, equipment failures, material failures or natural forces, are replaced in-kind, meeting existing industry standards.

• Over time, a reduction in main failures and associated leakage rates will directly reduce or help reduce unaccounted-for water in the VAWC distribution system. Over time, as replacement of deteriorating segments of mains increases, service reliability will increase, expense of purchasing water will decrease, and the expense of unplanned failures will decrease as fewer main breaks occur.

• Mains and services made of inferior design and poor construction will be replaced with pipe and tubing meeting current code requirements.

• Address primary and secondary water quality issues from aging infrastructure posing a risk to the health and wellbeing of both customers and the community.

Q. DO THE PROJECTS VIRGINIA AMERICAN WATER COMPANY (VAWC) PROPOSES IN THIS APPLICATION (EXHIBIT KEM-1) MEET THE CRITERIA FOR COMMISSION’S DEFINITION OF ELIGIBLE INFRASTRUCTURE AND MEET THE GOALS VAWC OUTLINES IN THEIR APPLICATION?

A. No, not in my opinion. First, nearly all of the projects proposed by VAWC do not correspond to the commonly-understood definition of in-kind replacement. Second, while the

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projects stated as Townes At Cameron Parke (Phase 1) and Townes at Cameron Parke (Phase 2)
reflect the commonly-understood definition of in-kind replacement, the Company does not
provide a narrative of why each type of replacement is consistent with the approved WWISC
Plan, as recommended by Staff Witness Armstrong, adopted by the Hearing Examiner, and
approved in the Final Order. Third, VAWC does not provide material fact to support the
Eisenhower Avenue Interconnect project as meeting the Commission’s definition of eligible
infrastructure nor supports the goals VAWC outlines in its application. Fourth, VAWC does not
provide material fact to support the Freedman Cemetery project as meeting the Commission’s
definition of eligible infrastructure nor supports the goals VAWC outlines in its application.

Q. PLEASE DESCRIBE HOW NEARLY ALL OF THE PROJECTS PROPOSED BY
VAWC DO NOT CORRESPOND TO THE COMMONLY-UNDERSTOOD DEFINITION
OF IN-KIND REPLACEMENT TO QUALIFY FOR TREATMENT IN A WWISC.

A. Of the thirty-two projects proposed with any stated detail of existing size (in inches) and
proposed size (in inches), 23 of the 32 projects (or approximately 72%) include an increase in
size. In general, proposed projects identify an increase from an existing 2-inch in size to between
6-inches and 8-inches in size. Assuming similar pipe wall dimensions between the existing pipe
and proposed pipe, the increase in volume per unit cross-sectional area increases by between
800% and 1500%. Even in the most liberal of interpretations, it is very difficult to interpret such
an increase as in-kind, as these are essentially betterments that will no doubt increase capacity
and revenue for the Company beyond how the Company characterized the WWISC, such that
they should be considered in a regular rate case and judged along with Company profits and

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expenses. The Company simply provides no demonstrable proof related to some projects that they meet the goals the Company described for the WWISC.

Q. CAN YOU GIVE EXAMPLES OF THE TYPES OF PROJECTS YOU ARE SAYING LACK DEMONSTRABLE PROOF THAT THEY MEET THE GOALS OUTLINED FOR THE WWISC?

A. Good examples are the Townes at Camer Parke (Phase 1) and Townes at Cameron Parke (Phase 2).

Q. PLEASE EXPLAIN HOW THE COMPANY PROVIDES NO DEMONSTRABLE PROOF THAT THE TOWNES AT CAMERON PARKE (PHASE 1) AND TOWNES AT CAMERON PARKE (PHASE 2) MEET THE GOALS VAWC OUTLINES IN ITS APPLICATION.

A. VAWC proposes two projects – the Townes at Cameron Parke (Phase 1) and Townes at Cameron Parke (Phase 2) – that reflect the aggregate replacement of 3,490 feet of 8-inch ductile iron pipe with in-kind 8-inch ductile iron pipe. VAWC indicates the existing pipe was installed in the 1990’s.

As stated by Company Witness Akmentins, “the very purpose of proposing a WWISC...is to permit the Company to accelerate its distribution system infrastructure replacement efforts to continue to improve and update the system.”

Further, as stated by Company Witness McGee, “VAWC has prioritized the replacements based upon main break intensity and frequency, as reducing main breaks results in improved customer service and lower non-revenue water (NRW)
volume. The Company also examines pressure, flow, water quality and criticality, and takes into consideration the input of local operations staff and city infrastructure improvement schedules; and of priority mains to which Company-owned lead services are attached when prioritizing mains for replacement.\textsuperscript{5}

Given these projects reflect replacement of relatively new 8-inch pipe existing infrastructure (as compared to the age of infrastructure stated in other projects), and the material of the existing infrastructure is consistent with the materials VAWC proposes for all its projects (i.e. ductile iron), which is inconsistent with the Company's characterization of the need for the WWISC to replace "aging" infrastructure 6 inches or less in diameter with ductile iron, it's curious the Company's Application lacks any explanation regarding this project's inclusion.

Q. ARE THERE OTHER EXAMPLES?
A. Yes. The Eisenhower Avenue Interconnect Project is another example.

Q. PLEASE DISCUSS HOW THE COMPANY PROVIDES NO MATERIAL FACT TO SUPPORT THE EISENHOWER AVENUE INTERCONNECT PROJECT AS MEETING THE COMMISSION'S DEFINITION OF ELIGIBLE INFRASTRUCTURE AND MEETING THE GOALS VAWC OUTLINES IN THEIR APPLICATION.
A. Company Witness Akmentins provides that, "the very purpose of proposing a WWISC...is to permit the Company to accelerate its distribution system infrastructure replacement efforts to continue to improve and update the system."\textsuperscript{6} Company Witness McGee's

\textsuperscript{5}Kristina McGee Direct at 8.
\textsuperscript{6} Akmentins Direct, at 5.
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testimony states that the Eisenhower Avenue Project "...will result in increased service
reliability and water quality for the customers who are historically affected by main breaks in
this area." However, Company Witness McGee does not provide facts to support the
Eisenhower Avenue Interconnect project as meeting the Commission's definition of eligible
infrastructure. Moreover, Company Witness McGee does not provide facts - including water
quality modeling, data on reduction of main breaks resulting from the Eisenhower Avenue
projects, etc. - to support how the Eisenhower Interconnect project will result in increased
service reliability and water quality for the customers in this area.

Q. ANY OTHER EXAMPLES?
A. Yes. The Freedmen Cemetery Project is another example.

Q. PLEASE DISCUSS HOW THE COMPANY PROVIDES NO MATERIAL FACT
to support the Freedmen Cemetery Project as meeting the
Commission's definition of eligible infrastructure and meet the
goals VAWC outlines in their application.

A. Well, it is unclear to me based on the Company's description of this project, whether it
will result in two or more main lines according to information received by the City on June 6,
2017 which reflects the installation (not replacement) of a 12-inch water line extension to create
redundancy to help ensure that various customers in the area do not lose water in the event of a
main break or fire. See Attachment CWE-A. As such, this amounts to more than just a
replacement of failing water mains, and the proposed Freedmen Cemetery project could be
viewed as a betterment project in my opinion.

7 McGee Direct at 9.
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Q. THE COMPANY ALSO INDICATES THAT "BECAUSE THE REPLACEMENT OF
WWISC-ELIGIBLE INFRASTRUCTURE WILL NOT INVOLVE THE ADDITION OF
NEW CUSTOMERS TO THE SYSTEM, IT WILL NOT INCREASE REVENUES." DO
YOU AGREE WITH THAT CONCLUSION?
A. No.

Q. WHY NOT?
A. Each of the projects I reference in my testimony will be increasing the Company's
capacity to convey water to customers as all involve upgrades to larger main lines. Further, each
of the projects discussed in my testimony will be serving known-growth areas in the City,
therefore it is logical that each of the referenced projects will increase revenue to the Company
from additional water sales and customer growth.

Q. DID YOU ATTEND OR ARE YOU AWARE OF MEETINGS THE COMPANY HAD
WITH CITY OFFICIALS, AS DESCRIBED IN THEIR RESPONSE TO CITY OF
ALEXANDRIA INTERROGATORY AND REQUEST FOR PRODUCTION OF
DOCUMENTS NO. 4?
A. I did not attend any meetings, but I am aware that City Executive Staff, and Engineering
and Operations Staff regularly met with representatives from VAWC during that time frame.
However, it is my understanding after conferring with City Staff that those discussions either
involved broad generalities regarding projects identified in their Application and/or logistics
regarding the phasing and coordination of the construction between VAWC and the City.
VAWC made no attempt whatsoever to consult with the City on which projects should be

Application, at 4.
included or whether they met the goals outlined by VAWC for the WWISC or fell within the Commission's ruling on the WWISC.
CERTIFICATE OF SERVICE

I hereby certify that on this 19th day of January, 2018, a copy of the foregoing was emailed and mailed by first-class postage prepaid to:

Timothy E. Biller, Esquire
Lonnie D. Nunley, III, Esquire
Hunton & Williams LLP
Riverfront Plaza, E. Tower
951 East Byrd Street
Richmond, Virginia 23219-4074
Email: tbiller@hunton.com
Email: cnunley@hunton.com

C. Meade Browder, Jr.
Sr. Assistant Attorney General
Cody T. Murphey
Assistant Attorney General
Office of the Attorney General
202 North Ninth Street, 8th Floor
Richmond, Virginia 23219
Email: mbrowder@oag.state.va.us
Email: cmurphey@oag.state.va.us

James L. Banks, Esquire
Karen Snow, Esquire
Alexandria City Attorney’s Office
301 King Street, Suite 1300
Alexandria, Virginia 22314
Email: james.banks@alexandriava.gov
Email: karen.snow@alexandriava.gov

Frederick D. Ochsenhirt, Esquire
K. Beth Clowers, Esquire
State Corporation Commission
Office of General Counsel
P.O. Box 1197
Richmond, VA 23218
Email: Frederick.Ochsenhirt@scc.virginia.gov
Email: Beth.Clowers@scc.virginia.gov

Andrew R. McRoberts, Esquire
Good afternoon—

The city has approved Virginia American Water's site plan to install a 12-inch water line extension at South Washington Street and the VDOT parcel beside Freedmen's Cemetery. Beginning the week of June 12, our contractor, Utilities Unlimited, will perform an archeological test excavation, and AECOM will conduct archeological monitoring and reporting (see attached for work area).

The archeological test excavation will last approximately 3 weeks and work will occur Monday through Friday from 9 a.m. – 3:30 p.m., and Saturdays from 9 a.m. – 6 p.m. Following the test excavation, we will submit the test report to the city and state archeological departments for review. Once Virginia American Water receives archeological approval, we will notify you and city residents, and will begin pipeline construction.

More about the project:

In order to improve water reliability and fire hydrant flow capacity to Bridgeyard Apartments (formerly Hunting Point on the Potomac) and Porto Vecchio Condominiums, Virginia American Water will install a 12-inch water line extension. Currently, only one existing 12-inch water main supplies water to these complexes. A water line extension will create redundancy, helping to ensure that the apartment and condominium homes do not lose water in the event of a main break or fire.

The water line extension will be routed around the west perimeter of Freedmen's Cemetery, located at South Washington and Church Streets. Freedmen's Cemetery is a Civil War-era African-American burial ground, and the site of a memorial commemorating the graves that remain there. Due to the location of the apartment and condominium buildings south of I-495, the only feasible solution for extending the water line is the proposed alignment at the perimeter of Freedmen's Cemetery.

In addition, St. Mary's Catholic Church Cemetery is located on the east side of South Washington Street at the junction where the new 12-inch pipe will connect to an existing pipe.

Alison Bibb-Carson
External Affairs Consultant
Virginia American Water
216.926.3911 mobile

Note my new email address. Please update your address book.