

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the General Rate Increase)	
for Water and Sewer Service Provided)	Case No. WR-2007-0216
by Missouri-American Water Company.)	SR-2007-0217

In the Matter of Missouri-American Water)	
Company's Filing of Revised Sewer Tariff)	
Sheets to Implement a Capacity Charge for)	Case No. ST-2007-0443
Missouri-American's Warren County and)	
Jefferson County Sewer Districts.)	

**NONUNANIMOUS
STIPULATION AND AGREEMENT**

COME NOW Missouri-American Water Company (MAWC or Company), the Staff of the Missouri Public Service Commission ("Staff"), the Office of the Public Counsel (Public Counsel), AG Processing Inc. (AGP), Missouri Energy Group (MEG), City of Warrensburg (Warrensburg), Public Water Supply District Nos. 1 and 2 of Andrew County and Public Water Supply District No. 1 of DeKalb County (Water Districts), Missouri Industrial Energy Consumers (MIEC), Metropolitan St. Louis Sewer District (MSD), the City of Parkville (Parkville), and the Home Builders Association of St. Louis and Eastern Missouri, Inc. (HBA), and respectfully state to the Missouri Public Service Commission (Commission) that, as a result of negotiations, the undersigned parties (Signatories) have reached the stipulations and agreements contained herein.

1. **Issues Settled.** This Stipulation and Agreement is intended to settle among the Signatories for purposes of the above captioned cases all issues previously identified by some or all of the Signatories through testimony and or schedules in both Case No. WR-2007-0216 and Case No. ST-2007-0443, except for the Jefferson City

issues. The Signatories recommend that the Commission accept this Stipulation and Agreement as a fair compromise of their respective positions on these issues.

2. **Parties Not Objecting.** While they are not Signatories, the following parties have affirmatively stated that they have no objection to this Stipulation and Agreement and do not request a hearing concerning the matters resolved by this Stipulation and Agreement: City of Jefferson (Jefferson City); City of St. Joseph (St. Joseph).

3. **Annual Revenue Requirement.** In settlement of the above issues, the Parties agree that the Company's annual revenue requirement for purposes of these cases is \$195,617,595. In order to achieve this revenue requirement, the Parties agree that the Company's base rates shall be increased by \$29,000,000¹ annually. Revenue amounts referenced in this paragraph are exclusive of any applicable license, occupation, franchise, gross receipts taxes or other similar tax or taxes. The current Infrastructure System Replacement Surcharge (ISRS) in the St. Louis District will be reset to zero and the property tax surcharge in the St. Joseph District will be terminated for service rendered on and after the effective date of rates in this case.

4. **Rate Design/Cost of Service.** The Signatories agree that the revenue increase established in this case shall be allocated to each district and each rate class in accordance with the amounts set forth on **Appendix A** hereto. This includes: 1) Calculations consistent with the District class revenues as shown in Appendix A-1; 2) Change of current class revenue to reflect rate block adjustments for St. Joseph as shown in Appendix A-2, then equal percent increase in rate elements; 3) St. Louis

¹ The net increase will be \$28,700,000, after imputation of the \$300,000 of revenues to the St. Joseph district referenced in paragraph 4. The total revenue requirement of \$195,617,595 includes the reduction of \$300,000 for the St. Joseph District's imputation of revenues.

revenue adjustments as shown in Appendix A-3; 4) For districts other than St. Louis and St. Joseph, class rate elements within the districts will be adjusted by an appropriate percentage amount to achieve the agreed-to increases; and, 5) the imputation of \$300,000 in annual revenues for St. Joseph.

5. **Billing Determinants.** For purposes of Rate Design, the Signatories will use the agreed to billing determinants attached hereto as **Appendix B**.

6. **Capacity Charge.** MAWC shall implement a capacity charge of \$1,500 applicable to all new sewer connections in its Warren County and Cedar Hill districts as set forth in **Appendix C** hereto. This Stipulation and Agreement, if accepted by the Commission, disposes of all issues in Case No. ST-2007-0443.

7. **Sewer Rates.** Sewer base rates in MAWC's Warren County district shall be increased by \$55,465 (or approximately 62%), sewer base rates in MAWC's Cedar Hill district shall be increased by \$57,552 (or approximately 31%) and sewer base rates in MAWC's Parkville district shall be increased by \$7,300 (or approximately 14%).

8. **Experimental Consolidated Billing.** MAWC shall implement an experimental consolidated billing tariff for its St. Louis County district as set forth in **Appendix D** hereto.

9. **Effective Date of Rates.** The Signatories request that the Commission consider and approve this Stipulation and Agreement, and the resulting tariffs, to be effective for service rendered on and after October 1, 2007, or as soon thereafter as is reasonably practicable.

10. **OPEBs/FAS 106 Tracker Mechanism.** The Signatories agree that MAWC will establish an OPEBs/FAS 106 "Tracker Mechanism" as described in the

attached **Appendix E**. The sum of \$1,804,996, of which \$1,027,584 is included in operating and maintenance expense, will be used as the starting point for the OPEBs/FAS 106 Tracker Mechanism until MAWC's next rate proceeding.

11. **Pensions/FAS 87 Tracker Mechanism.** The Signatories agree that MAWC will establish a Pensions/FAS 87 "Tracker Mechanism" as described in the attached **Appendix E**. The sum of \$5,078,794, of which \$2,891,358 is included in operating and maintenance expense, will be used as the starting point for the Pensions/FAS 87 Tracker Mechanism until MAWC's next general rate proceeding.

12. **National Call Center and Shared Services Center Transition Costs.** The Signatories agree that starting with the effective date of the Report and Order approving this Stipulation and Agreement, MAWC shall be authorized to transfer from Utility Plant in Service and Utility Plant Depreciation Reserve to a regulatory asset (in Account 186) the net investment that was made to plan, design and implement the National Call Center and the National Shared Services Center. This asset shall be amortized and recovered in rates over a fifty (50) year period beginning with the effective date of the Final Order in this case. The unamortized balance of the regulatory asset shall not be included in rate base in any future rate proceeding. MAWC will maintain this regulatory asset on its books until such time as the amortization has been completed.

13. **Tank Painting Tracker.** The Signatories agree that MAWC will establish a regulatory asset or liability for tank painting and inspection expense. The regulatory asset or liability will increase or decrease each year by the same amount that actual tank painting and inspection expense is either greater than or less than \$1,000,000.

The tracker will be maintained through the effective date of the rates established in the next regulatory proceeding and the disposition of any amounts accumulated (under or over) will be determined in the next general rate proceeding. The continuation of the tank painting tracker will be addressed and evaluated in that proceeding.

14. **Depreciation.** The Signatories agree that MAWC shall be authorized as of January 1, 2008, to use the depreciation rates attached hereto as **Appendix F**, as to all of its operating districts.

15. **ISRS.** As required by state and Commission rule, MAWC's current ISRS shall be reset to zero upon the effective date of new rates in this proceeding. The Signatories agree that, for any ISRS filings implemented between the date new rates are established in this proceeding and the effective date of new rates established in the Company's next general rate case proceeding, the overall rate of return shall be computed by utilizing a 10% return on common equity and the Company's capital structure filed in this case. Plant in service additions to be included in a future ISRS may include those additions placed in service after May 31, 2007.

16. **Customer Service Reports.** MAWC agrees to continue the reporting of the information regarding Call Center performance as required by the Stipulation and Agreements in Case Nos. WM-2001-0309 and WR-2003-0500.

In addition to the current reporting, MAWC agrees to provide to Staff and Public Counsel, and any other requesting Signatory, the following monthly information within forty-five days of the end of each quarterly period: (a) the number of actual monthly meter reads in total and per district, listed by St. Louis County and each of the other districts/cities; (b) the number of monthly estimated meter reads in total and per district,

listed by St. Louis County and each of the other districts/cities; (c) the number of consecutive estimated reads for St. Louis County for 3+ and 12+ months; (d) the number of consecutive estimated reads for each of the other districts/cities for 3+ and 12+ months; and, (e) meter reader staffing levels separated for St. Louis County and the other districts/cities.

Data will distinguish quarterly versus monthly billed service territories as well as definitions for specific types of read categories presented on the reports, such as automatic, radio, card, estimated, inside, manual, office estimate, remote, service order and telephone. All other report definitions will also be provided including regulatory estimates, read meters, percentage of estimates and percentage of reads.

17. **Consumer Service.** The Company agrees to respond to inquiries/complaints from Staff's Consumer Services Department within three (3) business days, except for interruption of service issues, which will be responded to within twenty four (24) hours. The Company's response will include a receipt notice, a current account status and an estimated timeframe for complete review/resolution.

18. **Cost Allocation Manual (CAM).** The Company will continue to provide the Staff and Public Counsel by March 16th of each year its updated CAM. The CAM will include all information in its annual CAM filing that was agreed to as part of the stipulation and agreement from Case No. WR-2003-0500. The information in the CAM will be updated each year. If any allocation factor should change during the year, this change will be provided to the Staff and Public Counsel. Also included in the CAM will be reports that are routinely prepared on a monthly basis. Any report that is prepared specifically for the CAM would only have to be prepared on an annual basis. The

reporting has been agreed to by the Company, Staff and Public Counsel. These reports would be available monthly if requested by Staff, Public Counsel or any other Signatory, in the context of a general rate case. Staff's CAM requirement regarding monthly expense detail would not be required as part of the annual filing of the CAM. This information would be available as part of a future general rate case.

19. **Weather Reporting.** The Company agrees to provide monthly/quarterly aggregations of billing cycle data (i.e., number of customers or accounts billed, billing cycle sales volumes in M-gallons, and rate revenue) for all of its Missouri service areas, transmitted quarterly to the Staff by district, rate class, billing month, billing cycle number, beginning read-date and ending read date. This data shall be provided following all procedures ultimately agreed to by the Staff and Company as part of Case No. WR-2003-0500. This data will be made available to Public Counsel and other Signatories upon request.

Contingent Waiver of Rights

20. This Stipulation and Agreement is being entered into solely for the purpose of settling the identified issues in the cases that are listed above. Unless otherwise explicitly provided herein, none of the Signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any method of cost determination or cost allocation or revenue-related methodology. Other than explicitly provided herein, none of the Signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in these or any other proceeding regardless of whether this Stipulation and Agreement is approved.

21. This Stipulation and Agreement has resulted from extensive negotiations among the Signatories and the terms hereof are interdependent. If the Commission does not approve this Stipulation and Agreement unconditionally and without modification, then this Stipulation and Agreement shall be void and no Signatory shall be bound by any of the agreements or provisions hereof, except as explicitly provided herein.

22. If the Commission does not approve this Stipulation and Agreement without condition or modification, and notwithstanding the provision herein that it shall become void; neither this Stipulation and Agreement nor any matters associated with its consideration by the Commission shall be considered or argued to be a waiver of the rights that any Party has for a decision in accordance with §536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the Signatories shall retain all procedural and due process rights as fully as though this Stipulation and Agreement had not been presented for approval, and any suggestions, memoranda, testimony, or exhibits that have been offered or received in support of this Stipulation and Agreement shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any purpose whatsoever.

23. In the event the Commission accepts the specific terms of this Stipulation and Agreement without condition or modification, the Signatories waive their respective rights to present oral argument and written briefs pursuant to §536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to RSMo §536.080.2 RSMo 2000; their respective rights to seek rehearing, pursuant to

§536.500 RSMo 2000; and their respective rights to judicial review pursuant to §386.510 RSMo 2000. This waiver applies only to a Commission order approving this Stipulation and Agreement without condition or modification issued in this proceeding and only to the issues that are resolved hereby. It does not apply to any matters raised in any prior or subsequent Commission proceeding nor any matters not explicitly addressed by this Stipulation and Agreement.

Right to Disclose

24. The Staff may file suggestions or a memorandum in support of this Stipulation and Agreement. Each of the Parties shall be served with a copy of any such suggestions or memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's suggestions or memorandum, responsive suggestions or a responsive memorandum, which shall also be served on all Parties. The contents of any suggestions or memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

25. The Staff also shall have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests; provided, that the Staff shall, to the extent reasonably practicable, provide the other Parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from the Staff. The Staff's oral explanation shall be subject to

public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to Commission Rule 4 CSR 240-2.135.

WHEREFORE, for the foregoing reasons, the undersigned Parties respectfully request that the Commission issue its Order approving all of the specific terms and conditions of this Stipulation and Agreement.

Respectfully submitted,



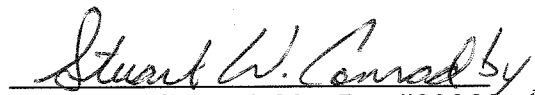
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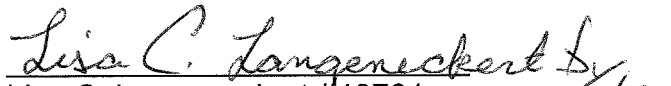


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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 9th day of August, 2007, to:

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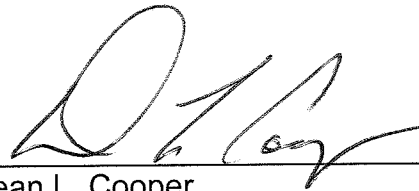
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