

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

In the Matter of Missouri-American Water)	
Company's Request for Authority to Implement)	Case No. WR-2008-0311
A General Rate Increase for Water and Sewer)	SR-2008-0312
Service Provided in Missouri Service Areas.)	

RESPONSE CONCERNING TEST YEAR/ TRUE-UP ISSUES

Comes now Missouri-American Water Company (MAWC or Company), and, in response to the Missouri Public Service Commission's (Commission) Order Adopting Procedural Schedule, states as follows:

1. On June 30, 2008, the Commission issued its Order Adopting Procedural Schedule. Therein, among other things, the Commission stated as follows:

The parties also agree that the test year should be the year ending December 31, 2007. Finally, the parties do not agree on a date up to which known and measurable changes in the test year might be accounted for. Staff and the Office of the Public Counsel suggest that this date be March 31, 2008. Missouri-American suggests that it be September 30. . . . [B]ecause all of the parties do not agree on the date up to which known and measurable changes should be accounted for, the Commission will issue a subsequent order resolving this issue. The Commission will, however, reserve a date for a true-up hearing if one is necessary.

2. MAWC believes that there is less disagreement in regard to the update period and the true-up, than may be suggested by this portion of the order.

3. MAWC's initial filing proposed, and was premised on, a test year for the twelve months ending December 31, 2007.

4. MAWC further proposed that a true-up audit and hearing be conducted for certain specified items of revenue, expense and investment through September 30, 2008 (a date five

months prior to the operation of law date in this case (February 28, 2009)). Recommendation Concerning Test Year and Request for True-Up Audit and Hearing, filed April 15, 2008.

5. MAWC explained that it expects approximately \$125 million of plant to be placed into service between January 1, 2008, and September 30, 2008. *Id.* The true-up process would allow the Commission to establish rates based upon the most current data available, while maintaining the proper balance of rate elements. A true-up is not uncommon in a MAWC rate case as a true-up process has been provided for in at least the last four general rate cases in which the Company has been involved (Cases Nos. WR-2000-281, WR-2000-844, WR-2003-0500 and WR-2007-0216).

6. In response, Staff proposed that MAWC's suggested test year be "updated for known and measurable changes through March 31, 2008" because "an update to the test year information for known and measurable changes provides more current data on which Staff bases its direct testimony." Staff's Test Year and True-Up Recommendations, filed May 1, 2008.

7. Staff's Test Year and True-Up Recommendations did not take a position as to MAWC's request for a true-up audit and hearing. Staff stated that it would first need to complete its audit and that thereafter Staff would "provide a statement of its position as to Company's true-up request simultaneously with its revenue requirement direct testimony" (now August 18, 2008). Staff's Test Year and True-Up Recommendations, filed May 1, 2008.¹

8. Similarly, the Office of the Public Counsel (Public Counsel) indicated a need to perform its audit before taking a position as to MAWC's true-up request. Office of the Public Counsel's Recommendations as to Test Year and True-Up, filed May 1, 2008. Public Counsel

¹ Staff also expressed concern about the true-up request in relation to the evidentiary hearing dates that were

further stated that it would inform the Commission as to its position on the true-up request as part of its direct testimony to be filed in this case. *Id.*

9. No other party took a position as to MAWC's true-up request.

10. Neither MAWC nor any other party opposes Staff's proposed update period.

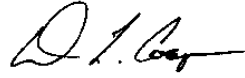
Therefore, the Commission should be in a position to issue its order establishing that, in addition to the test year ended December 31, 2007, the test year will be updated for known and measureable changes through March 31, 2008.

11. Staff and Public Counsel have deferred taking a position as to the true-up request and no other party has opposed MAWC's request for true-up. As a part of its Order Adopting Procedural Schedule, the Commission has reserved hearing dates for a true-up hearing. Thus, procedural opportunity for the true-up audit and hearing has been preserved and there does not appear at this time to be a disagreement for the Commission to resolve in regard to the true-up.

then in place for this case. The Procedural Schedule adopted by the Commission on June 30, 2008, has changed the evidentiary hearing dates and should, to some extent, eliminate that concern.

WHEREFORE, MAWC respectfully requests the Commission consider this response.

Respectfully submitted,



William R. England, III MBE#23975
Dean L. Cooper MBE#36592
BRYDON, SWEARENGEN & ENGLAND P.C.
312 East Capitol Avenue
P.O. Box 456
Jefferson City, MO 65102-0456
Telephone: (573) 635-7166
Facsimile: (573) 635-0427
trip@brydonlaw.com
dcooper@brydonlaw.com

ATTORNEYS FOR MISSOURI-AMERICAN
WATER COMPANY

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 18th day of July, 2008, to:

Keith Krueger
General Counsel's Office
Keith.Krueger@psc.mo.gov

Christina Baker
Office of the Public Counsel
christina.baker@ded.mo.gov

Michael A. Evans
Hammond, Shinnars, et al.
mevans@hstly.com
saschroder@hstly.com

Marc H. Ellinger
Blitz, Bardgett & Deutsch
MEllinger@blitzbardgett.com
jsmith@blitzbardgett.com

Stuart Conrad
Finnegan, Conrad & Peterson
stucon@fcplaw.com

Lisa C. Langeneckert
The Stolar Partnership
llangeneckert@stolarlaw.com

Joseph P. Bednar, Jr.
Armstrong Teasdale LLP.
jbednar@armstrongteasdale.com
jmcclelland@armstrongteasdale.com

James M. Fischer
Fischer & Dority
jfischerpc@aol.com
lwdority@sprintmail.com

Jeremiah Finnegan
Finnegan, Conrad & Peterson
jfinnegan@fcplaw.com

Diana M. Vuylsteke
Bryan Cave, L.L.P.
dmvuylsteke@bryancave.com

Byron E. Francis
Armstrong Teasdale LLP
bfrancis@armstrongteasdale.com
jbednar@armstrongteasdale.com
jlevey@armstrongteasdale.com

Mark W. Comley
Newman, Comley & Ruth
comleym@ncrpc.com

