

**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 Missouri-	)	Case No. ST-2007-0443
American's Warren County and Jefferson County	)	
Sewer Districts.	)	

**STIPULATION AND AGREEMENT
AS TO JEFFERSON CITY ISSUES**

COME NOW Missouri-American Water Company (the "Company"), the Staff of the Missouri Public Service Commission ("Staff"), the Office of the Public Counsel ("Public Counsel") and the City of Jefferson City ("City") and respectfully state to the Missouri Public Service Commission ("Commission") that, as a result of extensive negotiations, the undersigned parties ("Parties")¹ have reached the following stipulations and agreements concerning the issues pertaining to fire suppression and certain infrastructure improvements raised by Jefferson City in the instant cases (the Stipulation):

1. **Previously Filed Stipulations and Agreements (No further issues).** As a result of this Stipulation, no changes shall need to be made to the Nonunanimous Stipulation and Agreement filed previously in this case on August 9, 2007. This Stipulation pertaining to the City's issues respecting fire suppression and, specifically, issues regarding specified features of the Company's infrastructure resolves all issues raised by the City in this proceeding.

¹ The terms "Company," "Staff," "Public Counsel" and "City" as used in this Stipulation shall be construed to include in the appropriate context an authorized representative or authorized representatives of the identified party.

Back Up Power

2. **Installation and Specifications.** The Company agrees that on or before December 31, 2007, it will install and bring to operational readiness a back up or auxiliary power generator at its Jefferson City treatment plant. The generator shall be configured so that it will automatically activate in the event commercial power is interrupted at the plant's high service pumping equipment. The generator shall be manufactured to the specifications found in the attached Appendix A.² The deadline imposed for installation of the generator may be extended for good cause and such an extension will not be unreasonably refused.

3. **Performance and Load Testing.** At a time mutually convenient to the parties, but not later than thirty (30) days after installation, the Company will conduct a performance test of the generator at which the Staff and the City will be allowed to attend. At a minimum, the performance test shall be designed to determine whether: 1) the generator has been properly installed; 2) the output is sufficient to meet or exceed the anticipated load; and 3) an electrical transfer switch will automatically activate the generator as an alternative source of electrical power for Company's pumping equipment and pumping equipment will be energized as intended. In addition to any preventative maintenance required by the manufacturer of the generator, the Company agrees to conduct periodic performance and load testing of the generation equipment not less frequently than once a calendar quarter. The City shall be entitled to written notice of the performance test and an opportunity to observe each test.

Company Storage Capacity and Transmission Mains

4. **Background.** The parties acknowledge that in July, 2005 and again in August 2006, the City exercised rights conferred by ordinance to curtail water usage in the City because

² Appendix A is an excerpt from the Company's instructions to bidders respecting the generating unit and appurtenant equipment.

the Company's water system pumping could not keep up with demand. The conservation measures were required until demand for water subsided in the Jefferson City Service Area. Additionally, the parties acknowledge that there are smaller transmission mains feeding larger mains in the Company's Jefferson City system. These types of connections can be found in areas now being redeveloped or under pressure for redevelopment.³ The Company is currently engaged in a comprehensive study of forecasted consumer loads for purposes of Jefferson City operations and prudent plant improvements. Part of the comprehensive study includes a hydraulic model which should identify opportunities for hydraulic improvements to the transmission grid among other things.

5. **Exchange of Data.** Within thirty days of the effective date of the Report and Order in this case, each party will exchange the results of completed studies (if any) undertaken by such party within the last three years regarding forecasted consumer loads in Jefferson City, the condition or improvement to Company storage or treatment capacity in Jefferson City or Company major transmission mains in Jefferson City.⁴ Privileged information shall be subject to a confidentiality agreement, or alternatively, the parties may apply to the Commission for creation of a case in which the information may be exchanged under protection of 4 CSR 240-2.135. This includes an obligation to provide the disclosing party with a list of persons that will review any privileged information, as would be required by 4 CSR 240-2.135(3)(B). Additionally, the City agrees that once it is provided a copy of the Company's Comprehensive Planning Study (CPS), no additional copies of that study will be produced by the City.

³ The City's witness, Chief Robert Rennick, testified that the varying diameters of the connected transmission mains in the Jefferson City system have created water pressure and flow problems. That the Company has entered this stipulation, and, among other things, has agreed to study its transmission grid shall not be construed as agreements with or endorsements of Chief Rennick's testimony.

⁴ As part of this data exchange, Company also agrees to provide to the City its daily demand records for the previous three years. Company further agrees that it will provide the City its records of daily demand for the period of time the parties agree to exchange data as provided in this stipulation. The process for the exchange of the future demand data will be determined by the Task Force.

6. **Task Force Created.** Within sixty days of the effective date of a Report and Order in this case, Staff, Company, Public Counsel and the City will create a task force from select representatives of each party. The purposes of the task force shall first be to review all existing studies described above or any similar study completed during or within the period of time the parties have agreed to exchange data. As may be mutually agreed to by the parties, the task force shall engage in further studies related to the Company's existing storage, treatment, transmission and pumping facilities. The task force shall then prepare a study respecting: 1) the options for reducing or eliminating the likelihood of emergency water conservation measures in the Jefferson City service area in the future; 2) improvements to the Company's transmission grid where opportunities exist to increase water pressure; and 3) expected rate impacts associated with the construction and maintenance of the capital improvements identified in the report. It is recognized that an examination by the task force of costs and rate impacts, which includes the weighing of costs in relation to the potential benefits, is an integral part of its purpose.

7. **Report Following Study.** The task force shall prepare, or, in the event a task force report is impractical, each party may separately prepare, a report summarizing the activities of the task force and the improvement options. The report shall be submitted to the Commission no later than twelve months after the effective date of the Report and Order in this case.

8. **Continuing Obligation Regarding Exchange of Data.** Between the effective date of the Report and Order in this case and the effective date the Report and Order in the Company's next general rate case, the Company and City agree that pursuant to reasonable request each will provide the other the final results of any study or model performed by either respecting anticipated growth in the Jefferson City service area, projected demand for water

service, replacement of Company facilities for pumping, treatment, storage, transmission or distribution and the costs of any maintenance or any improvements related thereto.

Contingent Waiver of Rights

9. 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.

10. 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.

11. 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.

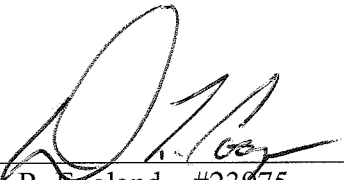
12. In the event the Commission accepts the specific terms of this Stipulation and Agreement without condition or modification, the Signatories waive their respective rights to present oral argument and written briefs pursuant to §536.080.1 RSMo 2000; their respective rights to the reading of the transcript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

13. 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.

14. 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 As To Jefferson City Issues.

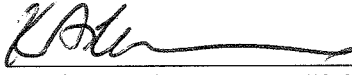

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 23rd day of August, 2007, to:

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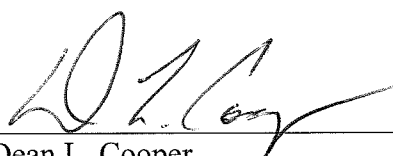
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