

**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

**RECOMMENDATION CONCERNING TEST YEAR  
AND REQUEST FOR TRUE-UP AUDIT AND HEARING**

Comes now Missouri-American Water Company (MAWC or Company), and, as its recommendation concerning the proper test year and request for true-up audit and hearing, states as follows to the Missouri Public Service Commission (Commission):

1. For purposes of the instant case, the Company proposes a test year consisting of the twelve months ended June 30, 2006. This test year has been addressed in the Company's prepared direct testimony and schedules.

2. As stated in the Direct Testimony of MAWC witness Edward Grubb (p. 3-4), MAWC recommends that the Commission establish the twelve months ended June 30, 2006, adjusted for known and measurable changes, as the test year for this case.

3. MAWC further requests a true-up audit and hearing. The Company seeks inclusion in its revenue requirement and rates of certain revenues that will be experienced, expenses that will be incurred, investments that will be made and certain items that will be known on or before May 31, 2007. The items of revenue, expense and investment which the company proposes to True-Up are as follows:

- Plant in service and other rate base items (such as depreciation reserve, deferred income taxes, customer advances, contributions, working capital and other deferred regulatory assets and

liabilities)

- Customers/Revenues (associated revenues, production costs and uncollectible expense) – to include, but not be limited to, any impact a decision in Commission Case WC-2007-0400 may have on revenues to be received from Metropolitan St. Louis Sewer District

- Any change in the Commission's annual assessment
- Fuel and Power Expenses
- Capital Structure
- Chemicals
- Waste Disposal
- Rate case expenses
- Employee Levels and Wage Rates and related benefits
- Depreciation Expense
- Income Taxes
- Purchased Water Expense
- Property Tax

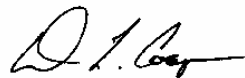
4. MAWC believes that it would be appropriate for Staff to perform an audit on these items as soon as the books for May 2007 are closed. MAWC believes that such an audit could start as early as June 6, 2007. A true-up hearing, if necessary, could then be scheduled well in advance of the operation of law date.

5. The Company believes that it is reasonable and appropriate to grant a true-up audit and hearing for the above-enumerated items because these items represent significant changes in revenues, expenses and investments which will have occurred, or be known and measurable, no later

than the end of May 2007 (or approximately five and one-half months prior to when rates to be set in this proceeding will, in all likelihood, become effective). The Company's request for true-up represents a complete list of revenues, expenses and rate base and, thus, is designed to prevent any improper mismatch in the Company's overall revenue requirement. If, on the other hand, the Company's request for true-up audit and hearing is denied and the above-enumerated items of revenues, expenses and investments are not taken into account in the setting of its rates, the Company will be denied an opportunity to earn the authorized rate of return which the Commission determines is appropriate in this proceeding.

WHEREFORE, MAWC respectfully requests the Commission to issue its order adopting a test year for use in this case comprised of the twelve months ended June 30, 2006, trued-up, to include known and measurable changes, through May 31, 2007.

Respectfully submitted,



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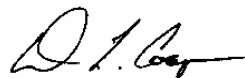
ATTORNEYS FOR MISSOURI-AMERICAN  
WATER COMPANY

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 22<sup>nd</sup> day of December, 2006, to:

General Counsel's Office  
Missouri Public Service Commission  
Governor's Office Building  
200 Madison Street  
P.O. Box 360  
Jefferson City, Missouri 65102

Lewis Mills, Public Counsel  
Governor's Office Building  
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Jefferson City, Missouri 65102



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