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August 24, 2001

**FILED**

AUG 24 2001

Mr. Dale Hardy Roberts  
Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102

Missouri Public  
Service Commission

**RE: Missouri-American Water Company, St. Louis County Water Company d/b/a Missouri-American Water Company, and Jefferson City Water Works Company d/b/a Missouri-American Water Company - Case No. WM-2001-309**

Dear Mr. Roberts:

Enclosed for filing in the above-referenced proceeding please find an original and eight copies of Joint Applicants' Statement of Position on Contested Issues. Please stamp the enclosed extra copy "filed" and return same to me.

If you have any questions concerning this matter, then please do not hesitate to contact me. Thank you very much for your attention to this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND P.C.

By:

*Dean L. Cooper*  
Dean L. Cooper

DLC/rhg  
Enclosures

cc: Mr. Cliff Snodgrass, General Counsel  
Ms. Ruth O'Neill, OPC  
Ms. Jan Bond  
Mr. Robert C. Johnson

BEFORE THE PUBLIC SERVICE COMMISSION  
STATE OF MISSOURI

FILED

AUG 24 2001

Missouri Public  
Service Commission

In the Matter of the Joint Application )  
of Missouri-American Water Company, St. )  
Louis County Water Company d/b/a )  
Missouri-American Water Company and )  
Jefferson City Water Works Company )  
d/b/a Missouri-American Water Company )  
for Authority to Merge St. Louis County )  
Water Company d/b/a Missouri-American )  
Water Company and Jefferson City Water )  
Works Company d/b/a Missouri-American )  
Water Company with and into )  
Missouri-American Water Company and, in )  
Connection therewith Certain Other )  
Related Transactions. )

Case No. WM-2001-309

**JOINT APPLICANTS'  
STATEMENT OF POSITION  
ON CONTESTED ISSUES**

Come now St. Louis County Water Company d/b/a Missouri-American Water Company ("SLCWC"), Jefferson City Water Works Company d/b/a Missouri-American Water Company ("JCWWC"), and Missouri-American Water Company ("MAWC") (collectively, the "Joint Applicants"), and respectfully state as follows to the Missouri Public Service Commission ("Commission") their positions on the list of issues to be heard at the evidentiary hearing in this case on September 10-11, 2001:

- I. Are the proposed merger transactions with MAWC as the surviving entity not detrimental to the public interest?**

**Joint Applicants' Position:** There is no detriment or threat to the public interest associated with the proposed merger transactions. All of the Joint Applicants are currently subsidiary companies of American Water Works Company, Inc. ("American").

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It is proposed that SLCWC and JCWWC be merged with and into MAWC, with MAWC being the surviving corporation. American will continue to own the surviving entity. MAWC, SLCWC and JCWWC customers will continue to experience the same day-to-day utility service, from the same personnel, at the same rates.

**II. A. Are conditions necessary to ensure that the public interest is not harmed by these proposed transactions?**

**Joint Applicants' Position:** No. As stated above, there is no detriment associated with the proposed merger transactions. The ultimate ownership, the operations, and the rate structures of all three companies will remain constant. Any speculation about possible detriment necessarily invokes issues that are present with or without the mergers.

**B. If so, what conditions proposed by the Staff and OPC should be implemented by the Commission to ensure that the public interest in Missouri is protected?**

**Joint Applicants' Position:** If the Commission should decide to consider the conditions proposed by the Commission Staff ("Staff") and the Office of the Public Counsel ("OPC"), the Joint Applicants have provided testimony indicating their agreement with, or opposition to, the individual proposals. The Joint Applicants' positions as to the proposed conditions are as follows:

**A. Capital Investment Condition**

The Joint Applicants are opposed to the Capital Investment condition, both as

originally proposed by the OPC and as modified by the Staff. There is no evidence or allegation that the Joint Applicants' service is now or will be in the future as a result of the mergers, unsafe or inadequate. Even if this would result at some point, the regulatory process has been created to monitor the Joint Applicants' performance in providing safe and adequate service and already carries consequences where the standard is not achieved.

**B. Water Quality Condition**

Through the state Safe Drinking Water Act primacy laws (section 640.100, RSMo), the Department of Natural Resources ("DNR") and the systems themselves must perform sampling of the water quality in the Joint Applicants' systems, to include water hardness. This information already exists and can be obtained by the Staff and OPC. It serves no purpose for the Commission to add an additional and redundant testing and reporting requirement. Additionally, any concerns about water hardness and treatment levels are unrelated to the proposed mergers.

**C. Cost Allocation Manual Condition**

The OPC recommends three "Cost Allocation Manual" ("CAM") conditions be imposed in this case by the Commission. The Joint Applicants do not object to the first recommendation which requires compliance with the CAM requirements that were placed on SLCWC in Commission Case No. WR-2000-844.

The Joint Applicants do object to the second recommendation that the various reporting requirements of the CAM that the Commission directed in Case No. WR-2000-844 be directed "downstream" to the "districts" of MAWC. The allocation of the AWWSC costs down to the district level books and records would be cumbersome,

redundant, and inefficient. It is more cost efficient and effective to record the costs of the American Water Works Service Company ("AWWSC") to a corporate level business unit (cost center). However, this does not prohibit allocation of these costs to the district level. MAWC has prepared many rate cases where the AWWSC costs have been allocated from a corporate level business unit to individual districts. The Joint Applicants can continue to do this when necessary. The Joint Applicants merely do not want the additional costs and requirement of making the allocations on a monthly basis.

Lastly, the OPC recommends that to the extent there are joint or common costs incurred at the MAWC level for the benefit of the Missouri "districts," that documentation being maintained for the AWWSC CAM also be created and maintained in comparable detail for such "common Missouri" costs. The Joint Applicants believe this will only add unnecessary administrative costs to the Company. The Joint Applicants' existing business unit structure captures common costs in "pools" that are separate from those costs directly assignable to the districts. The eight (8) business units used to capture common "Missouri" costs are easy to audit and monitor without the additional requirement and expense of creating a CAM.

#### **D. Billing, Record Keeping and Deferred Tax Conditions**

While it is unclear to the Joint Applicants why the Billing, Record Keeping and Deferred Tax Conditions proposed by the Staff are necessary, they do not object to these three conditions.

#### **E. District Specific Information**

Once again, the Joint Applicants do not believe this addresses any situation that is related to the proposed mergers. However, as this is something that the Joint

Applicants do as a normal course of business, they do not specifically object to this condition.

**F. Surveillance Condition**

The Joint Applicants have no objection to this proposed condition as it serves to clear up an unknown – how the Commission would like for the surviving company to file its surveillance report.

**G. Call Center Condition**

Again, this condition is unrelated to the proposed mergers. The SLCWC, MAWC and JCWWC customers will be serviced by the new American call center whether or not the proposed mergers are approved and completed. However, this having been said, with slight modification, the Joint Applicants do not object to the Staff's proposed call center condition.

As to the notice provision suggested by Staff, the Joint Applicants agree that providing notice to their customers of the change to a 24 hour a day, seven day a week call center is important. However, billing "inserts," or bill "stuffers," add an unnecessary cost to the process. The Joint Applicants would instead suggest that notification be provided by message printed directly on the bill for a three-month period after the customer call center conversions.

As to the reporting requirements suggested by the Staff, the Joint Applicants do not object to providing the requested information so long as the "objectives" identified by the Staff are indeed only objectives and not required standards.

WHEREFORE, the Joint Applicants respectfully request that the Commission consider their positions stated herein.

Respectfully submitted,



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ATTORNEYS FOR JOINT APPLICANTS

Certificate of Service

I hereby certify that a true and correct copy of the above and foregoing document was sent by U.S. Mail, postage prepaid, or hand-delivered on this 24th day of August, 2001, to the following:

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