

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Missouri-American)
Water Company's Request for Authority)
to Implement a General Rate Increase)
for Water Service Provided in Missouri)
Service Areas)

Case No. WR-2007-0216

Tariff File Nos. YW-2007-0407, YW-2007-0409, YW-2007-0410, YW-2007-0411, YW-2007-0412, and YW-2007-0413

SUSPENSION ORDER AND NOTICE,
ORDER SETTING HEARINGS,
AND ORDER DIRECTING FILING

ISSUE DATE: January 3, 2007

EFFECTIVE DATE: January 3, 2007

Procedural History

On December 15, 2006, Missouri-American Water Company submitted to the Missouri Public Service Commission certain proposed tariff sheets, Tariff File Nos. YW-2007-0407, YW-2007-0409, YW-2007-0410, YW-2007-0411, YW-2007-0412, and YW-2007-0413. The purpose of the filing, according to Missouri-American, is to implement a general rate increase for water service provided by the Company. Missouri-American states that the revised water rates are designed to produce an additional \$41,387,823 in gross annual water revenues excluding gross receipts and sales taxes, a 24.8% increase over existing water revenues.

The rate schedules attached to Missouri-American's filing bear issue dates of December 15, 2006, and are proposed to become effective on January 14, 2007. Together with its proposed tariff sheets and other minimum filing requirements, the Company also filed prepared direct testimony in support of its requested rate increase.

The Commission's Authority to Suspend Proposed Tariffs:

Section 393.150, RSMo 2000, authorizes the Commission to suspend the effective date of a proposed tariff of a water company for 120 days plus an additional six months so that the Commission may have a hearing on the matter. The statute states:

Whenever there shall be filed with the commission by any . . . water corporation . . . any schedule stating a new rate . . . the commission . . . may suspend the operation of such schedule . . . one hundred and twenty days beyond the time when such rate . . . would otherwise go into effect. [T]he commission may, in its discretion, extend the time of suspension for a further period not exceeding six months

The same statute further imposes the burden of proof on the Company to show that its proposed increased rate is just and reasonable. The statute also directs the Commission to give the rate increase matter preference over other pending items and to decide the matter expeditiously. The statute states:

At any hearing involving a rate sought to be increased, the burden of proof to show that the increased rate or proposed increased rate is just and reasonable shall be upon the . . . water corporation . . . and the commission shall give to the hearing and decision of such questions preference over all other questions pending before it and decide the same as speedily as possible.

Thus, in order to allow sufficient time to study the effect of the proposed tariffs and to determine if they are just, reasonable, and in the public interest, the proposed tariffs will be suspended for a period of 120 days beyond the requested effective date. Furthermore, because a hearing on the proposed tariffs cannot be concluded within the period of suspension above stated, the proposed tariffs will be suspended for an additional six months beyond the 120th day following the requested effective date.

Test Year, True-up and Local Public Hearing Recommendations:

Inasmuch as the Commission is required by law to give rate increase cases preference over all other questions pending before it and to decide such cases as quickly as possible, and since the burden of proof that the proposed rates are just and reasonable is upon the company proposing the rates, the Company must file both its recommendation concerning the proper test year to be used in these proceedings and any request for a true-up. On December 22, 2006, the Company filed its Recommendation Concerning Test Year and Request for True-Up Audit and Hearing.

The Staff, the Public Counsel, and all intervenors must state their positions regarding the Company's true-up and test year proposals as hereinafter ordered. The test year is the 12-month period used to audit a company's books to determine the proper amounts of rate base, expenses, and revenues to use in calculating a revenue requirement for a company. A resolution of the test year issue must be made early in the proceedings so that the parties' testimony can be reconciled to the same period. The test year involves an audit of all books and records of a company so that a total revenue requirement can be calculated.

All test year proposals must include a specific 12-month period as a test year and should include any additional period for which a party has updated significant items from the test year. The test year with the additional period will be called a "test year as updated" or "updated test year." In addition to a proposed test year or a proposed updated test year, a party may request isolated changes, such as those imposed by governmental bodies, as part of its case and the Commission will consider whether those isolated changes are known and measurable and whether they should be included in Company's revenue

requirement. An issue to be considered in this determination is whether the proposed adjustment affects the matching of rate base, expenses and revenue.

In addition to test year and true-up recommendations, the Commission will direct the parties to file recommendations as to the number, date, time, and location of local public hearings to be held in this matter. Local public hearings should not be scheduled until a week has passed after the filing of all direct testimony; that is, both revenue requirement and rate design.

Hearing Dates, Customer Notice, and Prehearing Conference:

The Commission will schedule the evidentiary hearing dates in this order and will reserve dates for a true-up hearing. By establishing the hearing dates now, the Commission will ensure that this matter is heard as expeditiously as possible. Additionally, the early establishment of the hearing dates will allow ample time for notice to be sent to customers. The Company must give notice to customers as directed in the ordered paragraphs below. The Commission will also set an early prehearing conference and require the parties to file a proposed procedural schedule, with additional filing dates for testimony, a second prehearing conference, the statement of issues, the position statements of the parties, and the reconciliation. The Staff of the Commission will have primary responsibility for preparing the proposed procedural schedule. Staff should coordinate the proposed schedule with the Company, the Office of the Public Counsel, and any intervenors, where possible.

Intervention:

The Commission finds that proper persons should be allowed 20 days from the issuance of this order to file an application to intervene. The Commission's Data Center

must serve a copy of this order upon the county commission of each county in the Company's service area and upon the Mayor of any city not within a county in the Company's service area, as well as upon every party to Missouri-American's last rate case. In addition, the Commission's Public Information Office shall make notice of this order available to the media serving the Company's service area and to the members of the General Assembly representing the residents of the Company's service area.

IT IS ORDERED THAT:

1. The proposed water service tariff sheets submitted under Tariff File Nos. YW-2007-0407, YW-2007-0409, YW-2007-0410, YW-2007-0411, YW-2007-0412, and YW-2007-0413 on December 15, 2006, by Missouri-American Water Company for the purpose of increasing rates for water service to customers are suspended for 120 days, from January 14, 2007, to May 14, 2007. The specific sheets suspended are:

P.S.C. Mo. No. 6

13th Revised Sheet No. RT 1.0, Canceling 12th Revised Sheet No. RT 1.0
13th Revised Sheet No. RT 2.0, Canceling 12th Revised Sheet No. RT 2.0
13th Revised Sheet No. RT 2.1, Canceling 12th Revised Sheet No. RT 2.1
13th Revised Sheet No. RT 2.2, Canceling 12th Revised Sheet No. RT 2.2
10th Revised Sheet No. RT 2.3, Canceling 9th Revised Sheet No. RT 2.3
12th Revised Sheet No. RT 2.6, Canceling 11th Revised Sheet No. RT 2.6
10th Revised Sheet No. RT 3.0, Canceling 9th Revised Sheet No. RT 3.0
9th Revised Sheet No. RT 3.1, Canceling 8th Revised Sheet No. RT 3.1
11th Revised Sheet No. RT 4.0, Canceling 10th Revised Sheet No. RT 4.0
13th Revised Sheet No. RT 5.0, Canceling 12th Revised Sheet No. RT 5.0
13th Revised Sheet No. RT 5.1, Canceling 12th Revised Sheet No. RT 5.1
13th Revised Sheet No. RT 5.2, Canceling 12th Revised Sheet No. RT 5.2
13th Revised Sheet No. RT 6.0, Canceling 12th Revised Sheet No. RT 6.0
13th Revised Sheet No. RT 7.0, Canceling 12th Revised Sheet No. RT 7.0
13th Revised Sheet No. RT 8.0, Canceling 12th Revised Sheet No. RT 8.0
2nd Revised Sheet No. RT 10.0(a), Canceling 1st Revised Sheet No. RT 10.0(a)

P.S.C. Mo. No. 3

11th Revised Sheet No. 1, Canceling 10th Revised Sheet No. 1

**7th Revised Sheet No. 2, Canceling 6th Revised Sheet No. 2
4th Revised Sheet No. 2A, Canceling 3rd Revised Sheet No. 2A
9th Revised Sheet No. 3, Canceling 8th Revised Sheet No. 3
11th Revised Sheet No. 1, Canceling 10th Revised Sheet No. 1
10th Revised Sheet No. 4, Canceling 9th Revised Sheet No. 4
2nd Revised Sheet No. 5A, Canceling 1st Revised Sheet No. 5A**

P.S.C. Mo. No. 2

**12th Revised Sheet No. 3, Canceling 11th Revised Sheet No. 3
7th Revised Sheet No. 5, Canceling 6th Revised Sheet No. 5
9th Revised Sheet No. A-1, Canceling 8th Revised Sheet No. A-1
6th Revised Sheet No. A-2, Canceling 7th Revised Sheet No. A-2
6th Revised Sheet No. A-3, Canceling 5th Revised Sheet No. A-3
9th Revised Sheet No. B-1, Canceling 10th Revised Sheet No. B-1
6th Revised Sheet No. B-2, Canceling 5th Revised Sheet No. B-2
6th Revised Sheet No. B-3, Canceling 5th Revised Sheet No. B-3
9th Revised Sheet No. C-1, Canceling 8th Revised Sheet No. C-1
6th Revised Sheet No. C-2, Canceling 5th Revised Sheet No. C-2
6th Revised Sheet No. C-3, Canceling 5th Revised Sheet No. C-3
10th Revised Sheet No. D-1, Canceling 9th Revised Sheet No. D-1
6th Revised Sheet No. D-2, Canceling 5th Revised Sheet No. D-2
6th Revised Sheet No. D-3, Canceling 7th Revised Sheet No. D-3
8th Revised Sheet No. E-1, Canceling 7th Revised Sheet No. E-1
6th Revised Sheet No. E-2, Canceling 5th Revised Sheet No. E-2
6th Revised Sheet No. E-3, Canceling 5th Revised Sheet No. E-3
6th Revised Sheet No. E-4, Canceling 5th Revised Sheet No. E-4**

P.S.C. Mo. No. 1

**12th Revised Sheet No. 1, Canceling 11th Revised Sheet No. 1
1st Revised Sheet No. 1b, Canceling Original Sheet No. 1b
8th Revised Sheet No. 2, Canceling 7th Revised Sheet No. 2**

P.S.C. Mo. No. 7

1st Revised Sheet No. 4, Canceling Original Sheet No. 4

2. The proposed water service tariff sheets suspended in ordered paragraph 1, above, under Tariff File Nos. YW-2007-0407, YW-2007-0409, YW-2007-0410, YW-2007-0411, YW-2007-0412, and YW-2007-0413, are suspended an additional six months beyond

May 14, 2007, to November 14, 2007, unless otherwise ordered by the Missouri Public Service Commission.

3. Any proper person or entity desiring to intervene in this matter must file an application no later than January 16, 2007, with:

Colleen M. Dale, Secretary
Missouri Public Service Commission
Post Office Box 360
Jefferson City, Missouri 65102-0360

and send copies to:

Dean L. Cooper
Brydon, Swearengen & England P.C.
P.O. Box 456
Jefferson City, Missouri 65102-0456

and to:
Attorney for Missouri-American Water Company

Office of the Public Counsel
Post Office Box 7800
Jefferson City, Missouri 65102-7800

4. The Staff of the Missouri Public Service Commission, the Office of the Public Counsel, and any persons or entities requesting intervention must file, on or before January 24, 2007, a pleading either indicating concurrence in Missouri-American Water Company's recommended test year or recommending alternatives to Missouri-American Water Company's recommended test year.

5. The Staff of the Missouri Public Service Commission, the Office of the Public Counsel, and any intervenors must file, on or before January 24, 2007, a pleading stating their recommendation concerning a true-up.

6. An early prehearing conference is hereby scheduled for this case on February 7, 2007, at 10:00 a.m. The early prehearing conference will be held in Room 305 of the Governor Office Building, 200 Madison Street, Jefferson City, Missouri.

7. The parties must file a proposed procedural schedule as described in this order on or before February 14, 2007. The Staff of the Missouri Public Service Commission will have the primary responsibility for preparing and filing the proposed procedural schedule.

8. The Missouri Public Service Commission will conduct local public hearings on the proposed rate increase and will set the times, dates, and locations of these local public hearings in a subsequent order. The parties and intervenors, if any, shall file recommendations as to the times, dates and locations for local public hearings in this case on or before February 14, 2007.

9. An evidentiary hearing is hereby scheduled for this case as follows: June 25, 2007, through June 29, 2007 and July 2, 2007, through July 6, 2007. The hearing will commence at 9:00 a.m. on June 25, 2007. The evidentiary hearing will be held in Room 310 of the Governor Office Building, 200 Madison Street, Jefferson City, Missouri. On June 27, 2007, the hearing will be held in Room 305 of the Governor Office Building. No continuance for negotiation will be granted without the submission of a Stipulation and Agreement covering those matters on which testimony was scheduled for the period of the requested continuance. No motions for continuance will be granted without having a hearing unless the parties submit a unanimous Stipulation and Agreement.

10. July 30, 2007 through August 3, 2007, are reserved for a true-up hearing in this case, in the event that such a hearing is requested, and the Missouri Public Service

Commission grants the request. The true-up hearing will be held in Room 305 of the Governor Office Building, 200 Madison Street, Jefferson City, Missouri.

11. Missouri-American Water Company must notify each affected customer of the hearings scheduled in this case, either by a notice on or accompanying a bill or by a separate notice, at least ten days, but not more than 45 days, prior to any local public hearings, unless otherwise ordered by the Missouri Public Service Commission. The Company is hereby authorized to provide notice either less than ten days or more than 45 days prior to a hearing if by doing so the notice may be included on or with a regular billing. The notice must be substantially in the following form, unless otherwise ordered:

NOTICE

Missouri-American Water Company has filed revised water service tariff sheets with the Missouri Public Service Commission (PSC) which would increase the Company's Missouri jurisdictional annual gross revenues by approximately 24.8 percent.

A local public hearing (or evidentiary hearing) has been set before the PSC at ____ o'clock __.m., ____, at ____ Street, ____, Missouri. If you wish to comment or secure information, you may contact the Office of the Public Counsel, Post Office Box 7800, Jefferson City, Missouri 65102, telephone (573) 751-4857.

The building where the hearing will be held meets accessibility standards required by the Americans with Disabilities Act. If a customer needs additional accommodations to participate in these hearings, please call the Public Service Commission's Hotline at 1-800-392-4211 (voice) or Relay Missouri at 711 prior to the hearing.

12. Missouri-American Water Company must notify each affected customer of the evidentiary hearing and any true-up hearing scheduled in this case, either by a notice on or accompanying a bill or by a separate notice, at least 10 days, but not more than 45 days, prior to the first day of the hearing, unless otherwise ordered by the Missouri

Public Service Commission. The Company is hereby authorized to provide notice either less than ten days or more than 45 days prior to a hearing if by doing so the notice may be included on or with a regular billing. The notice must be substantially in the form stated in ordered paragraph 13, above, unless otherwise ordered.

13. The Data Center of the Missouri Public Service Commission must serve a copy of this order upon the county commission of each county in Missouri-American Water Company's Missouri service area, upon the Mayor of any city not within a county in Missouri-American Water Company's Missouri service area, and upon every party to Missouri-American's last rate case.

14. The Missouri Public Service Commission's Public Information Office must make notice of this order available to the members of the General Assembly representing the residents of Missouri-American Water Company's Missouri service area and to the news media serving the residents of Missouri-American Water Company's Missouri service area.

15. All hearings ordered or contemplated herein will be held in a building that meets accessibility standards required by the Americans with Disabilities Act. If any person needs additional accommodations to participate in any hearing, please call the Missouri Public Service Commission's Hotline at 800-392-4211 (voice) or Relay Missouri at 711 prior to the hearing.

16. This order will become effective on January 3, 2007.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', written in a cursive style.

**Colleen M. Dale
Secretary**

(S E A L)

Colleen M. Dale, Chief Regulatory
Law Judge, by delegation of authority
under Section 386.240, RSMo 2000.

Dated at Jefferson City, Missouri,
on this 3rd day of January, 2007.