

**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)	<u>Case No. WR-2008-0311</u>
Water and Sewer Service Provided in)	
Missouri Service Areas.)	

**OFFICE OF THE PUBLIC COUNSEL'S RECOMMENDATIONS
REGARDING TEST YEAR AND TRUE-UP**

COMES NOW the Office of the Public Counsel (Public Counsel) and for its Recommendations Regarding Test Year and True-Up states as follows:

1. On January 3, 2007, the Missouri Public Service Commission (Commission) issued its *Suspension Order and Notice, Order Setting Hearings, Order Directing Filing and Order Consolidating Cases*. The Order directed Missouri-American Water Company (Missouri-American) to file any request for true-up audit and hearing not later than April 17, 2008. The Order also directed the Staff of the Missouri Public Service Commission (Staff), Public Counsel and any intervenors to file pleadings indicating concurrence with, or alternatives to, Missouri-American's recommended test year and recommendation concerning true-up no later than May 1, 2008.

2. On April 15, 2008, Missouri-American filed its recommendation that the Commission establish the twelve months ending December 31, 2007 as the test year for its proposed general rate increase. Missouri-American also requested that a true-up hearing be scheduled to consider certain items as of September 30, 2008.

3. Public Counsel concurs with Missouri-American's recommendation to establish the twelve months ending December 31, 2007 as the test year.

4. Public Counsel opposes Missouri-American's request that the Commission determine at this early stage that a true-up is necessary.

5. Public Counsel was not the moving party in this case and has not yet performed any independent audit or analysis in order to verify whether a true-up proceeding is necessary in this case to reflect a change in the revenue/expense/rate base relationship. If Public Counsel's analysis and investigation of Missouri-American's case reveals that a significant cost of service item will change past December 31, 2007, Public Counsel's direct testimony will inform the Commission of this and, if appropriate, recommend a true-up process as part of its direct testimony to be filed in this case.

6. Public Counsel would propose that in the event a party does not believe a true-up is necessary, that the Commission direct the parties to update the test year for known and measurable changes through March 2008. This will ensure that information used to determine the revenue requirement is not well over a year old as of the operation of law date in this proceeding. The update for known and measurable changes should, at a minimum, include those items contained in the Recommendation Concerning Test Year and Request for True-Up Audit and Hearing filed by Missouri-American on April 15, 2008. The update should also contain any other factors any party believes is necessary to properly reflect the revenue/expense/rate base relationship as of said date.

7. Although Public Counsel opposes Missouri-American's recommendation for a true-up, Public Counsel recommends that the Commission keep the proposed true-up hearing dates open on the Commission's calendar in the event it is later determined that a true-up is necessary.

8. Public Counsel also recommends that the Commission direct all non-Missouri-American parties to file their true-up recommendations with their direct testimony on revenue requirement.

WHEREFORE, Public Counsel respectfully offers these recommendations regarding test year and true-up.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

/s/ **Christina L. Baker**

By:_____

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to the following this 1st day of May 2008:

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