

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 14th day
of November, 2008.

In the Matter of Missouri-American Water)	
Company's Request for Authority to Implement)	
a General Rate Increase for Water and Sewer)	
Service Provided in Missouri Service Areas)	<u>Case No. WR-2008-0311</u>

ORDER APPROVING STIPULATIONS AND AGREEMENTS

Issue Date November 14, 2008

Effective Date: November 24, 2008

Syllabus: This order approves both the Stipulation and Agreement entered into between Missouri-American Water Company and Metropolitan St. Louis Sewer District and the global Stipulation and Agreement between the parties.

Background

On March 31, 2008, Missouri-American Water Company filed with the Missouri Public Service Commission revised tariffs sheets designed to provide an increase of \$49,622,515, or 26.4%, in the company's gross annual water revenues¹ and an increase of \$133,012, or 28.7%, in the company's gross annual sewer revenues.² The revised tariff sheets bore an effective date of April 30, 2008. The Commission issued an order³ suspending the tariff sheets until February 28, 2009. In the same order, the Commission

¹ Case No. WR-2008-0311.

² Case No. SR-2008-0312

³ See Suspension Order and Notice, Order Setting Hearings, Order Directing Filing, and Order Consolidating Cases, *issued* April 3, 2008.

also consolidated the water and sewer cases, with the water case being the lead case. Soon after the Commission issued its order suspending the tariff sheets, a number of entities⁴ sought and were granted intervention.⁵

Local Public Hearings

In response to the Office of the Public Counsel's request, the Commission scheduled and held local public hearings in the Missouri cities of Mexico, Warrensburg, Parkville, Joplin, St. Joseph, St. Charles, Jefferson City, Kirkwood and Warrenton. The Commission also held a local public hearing in St. Louis County. Through the local public hearings, the Commission heard the testimony of approximately 79 witnesses.

Stipulation and Agreement between Missouri-American and Metropolitan St. Louis Sewer District

On September 17, 2008, Missouri-American and Metropolitan St. Louis Sewer District (MSD) filed a Stipulation and Agreement. Although the Office of the Public Counsel initially expressed opposition to the agreement, it filed a pleading on November 10 stating that it no longer opposes the Agreement. Public Counsel was the only party that expressed concern about this Agreement. If no party objects to the agreement it may be treated as unanimous.⁶ Because the Agreement is treated as unanimous, no issue remains for determination after hearing.⁷

⁴ The intervenors are: AG Processing, Inc.; Public Water Supply District Nos. 1 and 2 of Andrew County; Public Water Supply District No. 1 of DeKalb County; City of Jefferson, Missouri; Missouri Industrial Energy Consumers; Missouri Energy Group; Utility Workers Union of America Local 335; City of Joplin, Missouri; Metropolitan St. Louis Sewer District; City of Parkville, Missouri; Park University; City of Lake Waukomis, Missouri; City of Riverside, Missouri; and Missouri Gaming Company.

⁵ See Order Granting Applications to Intervene, *issued* May 2, 2008.

⁶ Commission rule 4 CSR 240-2.115(2)(C).

⁷ *Id.* Subsection (D).

The Agreement requires:

- Missouri-American to provide water usage meter reading data and customer billing information and related services to MSD.
- For the information and related services described above, MSD will pay Missouri-American \$29,166 per month.
- The specific terms and conditions of providing the billing data and related services shall continue to be governed by the Water Usage Data Agreement dated November 29, 2007.⁸
- Neither Missouri-American nor MSD will take any action to alter the terms of the Agreement prior to Missouri-American's next general rate case.

Conclusion

The Commission notes that every decision and order in a contested case shall be in writing and, except in default cases or cases disposed of by stipulation, consent order or agreed settlement, shall include findings of fact and conclusions of law.⁹ Consequently, the Commission need not make findings of fact or conclusions of law in this order. The Commission finds the Stipulation and Agreement reasonable, will approve it and direct the parties to abide by its terms.

Global Stipulation and Agreement

During the course the evidentiary hearings, the parties at various times requested that the hearing be delayed or cancelled on certain days. As a result, negotiations were facilitated and on November 10, 2008, the parties¹⁰ filed a Unanimous Stipulation and Agreement.

⁸ Approved by order of the Commission issued on April 1, 2008, in Case No. WO-2008-0240.

⁹ Section 536.090, RSMo 2000.

¹⁰ City of Parkville, Missouri, Park University and City of Lake Waukomis, Missouri withdrew from the case on October 20, 2008, and are not signatories to the Agreement.

Although the parties characterized the Agreement as unanimous, the City of Jefferson, Missouri is not a signatory. Under Commission rules,¹¹ an agreement entered by fewer than all of the parties is nonunanimous. However, on November 13, Jefferson City filed a statement that it does not oppose the Agreement and does not request a hearing. If no party objects to an agreement, the Commission may treat it as unanimous.¹² The Commission will therefore treat the Agreement as unanimous.

The Terms of the Agreement

Generally, the parties agreed on the following terms. The specific and complete terms are set out in the Agreement, which is attached to this order.

Annual Revenue Requirement

The parties agree that Missouri-American's revenue requirement is \$225,271,638, which shall be achieved by increasing the company's rate base by \$34,471,092 annually.

Rate Design/Cost of Service

The revenue increase shall be allocated to each District as follows:¹³

Brunswick Water	\$107,734
Jefferson City	\$714,952
Joplin	\$3,311,550
Mexico	\$211,736
Parkville Sewer	\$8,312
Parkville Water	\$1,121,132
St. Joseph	(\$432,207)
Warrensburg	\$756,620
Warren County Water	\$68,655
Warren County Sewer	\$49,245
Cedar Hill	\$94,323
St. Louis Metro	\$28,459,040

¹¹ Commission rule 4 CSR 240-2.115(2)(A).

¹² *Id.* (2)(C).

¹³ This information is as set out in Appendix A, attached to the Agreement.

Pension/FAS Tracker Mechanism and OPEB/FAS Tracker Mechanism

Missouri-American and the Staff of the Commission agree that Missouri-American will continue to use the Pension/FAS 87 and OPEB/FAS 106 “Tracker Mechanisms” as established in the stipulation approved by the Commission in Case No. WR-2007-0216. This stipulation is further described in Attachment C to the Agreement.

OPEB Permanent Investment

As is set out in the Agreement; “The Signatories agree that Missouri-American will amortize the OPEB ‘permanent investment’ from Case No. WR-95-205 to expense for ratemaking purposes over a period of not less than five years. The amortization will begin with the first month that new rates become effective as a result of Case No. WR-2008-0311.”

Tank Painting Tracker

As is set out in the Agreement; “The Signatories agree that Missouri-American will continue the regulatory asset or liability for tank painting and inspection expense previously established in Case No. WR-2007-0216. The regulatory asset or liability will increase or decrease each year by the same amount that actual tank painting and inspection expense is either greater or less than \$1,000,000. The tracker will be maintained through the effective date of the rates established in the next general rate proceeding. The method of recovery of any amounts accumulated (under or over) will be determined in the next general rate proceeding.”

Call Center Records

In this regard, Missouri-American currently reports quarterly to Staff and Public Counsel. The parties now agree that these reports will be made monthly. Additionally,

Missouri-American agrees to report technological advances made in the company's Alton, Illinois and Pensacola, Florida call centers in areas such as virtual hold technology and the ability to record all incoming calls.

Customer Records Information

Missouri-American shall retain, through each subsequent rate case, monthly customer records information that would provide to the parties the number of customers for each customer class and meter size.

Bad Debt/Recovery Tracking

Missouri-American agrees to track actual bad debt write-offs and recoveries separately for each operating district within its service area.

Infrastructure System Replacement Surcharge

The parties agree that for any ISRS filings implemented between the effective date of new rates and those of the next rate case, the overall rate of return shall be computed by using a 10% return on common equity and the company's capital structure filed in this case.

Depreciation

Missouri-American shall continue to use the depreciation rates authorized in Commission Case No. WR-2007-0216. The rates are included in Attachment D to the Agreement.

Class Cost of Service Studies

Missouri-American will perform a Class Cost of Service study for each district and file it as part of the Company's next rate filing.

Work Papers

Missouri-American will provide to Staff, Public Counsel and any other requesting Signatory, complete copies of the work papers relating to any cost studies submitted as a part of its next rate filing.

City of Riverside

Missouri-American and the City of Riverside agree to work together informally to address issues relating to infrastructure and fire flows in the City.

Triumph Food, LLC

With the purpose of determining whether the alternative rate continues to be in the best interest of all customers in Missouri-American's St. Joseph service area, Missouri-American agrees not to oppose Public Counsel or Staff's request for Commission review of such rate as set forth in the Contract for Retail Sale and Delivery of Potable Water between Missouri-American and Triumph.

Customer Classifications and Cost Studies

The company agrees to participate in a collaborative working group to perform a review of cost of service issues. The review will be completed within 90 days of the effective date of new rates in this case.

Conclusion

The Commission notes that every decision and order in a contested case shall be in writing and, except in default cases or cases disposed of by stipulation, consent order or agreed settlement, shall include findings of fact and conclusions of law.¹⁴ Consequently, the Commission need not make findings of fact or conclusions of law in this order. The

¹⁴ Section 536.090, RSMo 2000.

Commission finds the Stipulation and Agreement reasonable, will approve it and direct the parties to abide by its terms.

THE COMMISSION ORDERS THAT:

1. The Stipulation and Agreement between Missouri-American Water Company and Metropolitan St. Louis Sewer District filed on September 17, 2008, is approved.
2. Missouri-American Water Company and Metropolitan St. Louis Sewer District shall comply with the terms of the Stipulation and Agreement approved in ordered paragraph 1.
3. The following proposed water and sewer service tariff sheets submitted on March 31, 2008, by Missouri-American Water Company are rejected:

P.S.C. Mo. No. 6

14th Revised Sheet No. RT 1.0, Canceling 13th Revised Sheet No. RT 1.0
14th Revised Sheet No. RT 2.0, Canceling 13th Revised Sheet No. RT 2.0
14th Revised Sheet No. RT 2.1, Canceling 13th Revised Sheet No. RT 2.1
14th Revised Sheet No. RT 2.2, Canceling 13th Revised Sheet No. RT 2.2
11th Revised Sheet No. RT 2.3, Canceling 10th Revised Sheet No. RT 2.3
11th Revised Sheet No. RT 3.0, Canceling 10th Revised Sheet No. RT 3.0
10th Revised Sheet No. RT 3.1, Canceling 9th Revised Sheet No. RT 3.1
12th Revised Sheet No. RT 4.0, Canceling 11th Revised Sheet No. RT. 4.0
14th Revised Sheet No. 5.0, Canceling 13th Revised Sheet No. RT 5.0
14th Revised Sheet No. RT 5.1, Canceling 13th Revised Sheet No. RT 5.1
14th Revised Sheet No. RT 5.2, Canceling 13th Revised Sheet No. RT 5.2
14th Revised Sheet No. RT 7.0, Canceling 13th Revised Sheet No. RT 7.0
14th Revised Sheet No. RT 8.0, Canceling 13th Revised Sheet No. RT 8.0

P.S.C. Mo. No. 3

12th Revised Sheet No. 1, Canceling 11th Revised Sheet No. 1
8th Revised Sheet No. 2, Canceling 7th Revised Sheet No. 2
5th Revised Sheet No. 2A, Canceling 4th Revised Sheet No. 2a
3rd Revised Sheet No. 5A, Canceling 2nd Revised Sheet No. 5A
11th Revised Sheet No. 4, Canceling 10th Revised Sheet No. 4

P.S.C. Mo. No. 2

13th Revised Sheet No. 3, Canceling 12th Revised Sheet No. 3

P.S.C. Mo. No. 1

13th Revised Sheet No. 1, Canceling 12th Revised Sheet No. 1

P.S.C. Mo. No. 7

1st Revised Sheet No. 1, Canceling Original Sheet No. 1
2nd Revised Sheet No. 4, Canceling 1st Revised Sheet No. 4
Original Sheet No. 28
Original Sheet No. 28.1
Original Sheet No. 28.2

P.S.C. No. 2

Revised Sheet No. 2(a), Canceling Original Sheet No. 2(a)
10th Revised Sheet No. A-1, Canceling 9th Revised Sheet No. A-1
10th Revised Sheet No. B-1, Canceling 9th Revised Sheet No. B-1
10th Revised Sheet No. C-1, Canceling 9th Revised Sheet No. C-1
11th Revised Sheet No. D-1, Canceling 10th Revised Sheet No. D-1
9th Revised Sheet No. E-1, Canceling 8th Revised Sheet No. E-1
7th Revised Sheet No. E-4, Canceling 6th Revised Sheet No. E-4
Original Sheet No. E-10
Original Sheet No. E-10.1
Original Sheet No. E-10.2

P.S.C. Mo. No. 8

4th Revised Sheet No. 4, Canceling 3rd Revised Sheet No. 4

P.S.C. Mo. No. 2

5th Revised Sheet No. 4, Canceling 4th Revised Sheet No. 4

P.S.C. Mo. No. 7

2nd Revised Sheet No. 9, Canceling 1st Revised Sheet No. 9

4. The Unanimous Stipulation and Agreement filed on November 10, 2008 is approved as a resolution of all issues except those resolved between Missouri-American Water Company and Metropolitan St. Louis Sewer District.

5. The parties are ordered to comply with the terms of the Unanimous Stipulation and Agreement.

6. Missouri-American Water Company shall file tariff sheets that comply with and are consistent with the terms of the Unanimous Stipulation and Agreement and the Agreement with Metropolitan St. Louis Sewer District.

7. This order shall become effective on November 24, 2008.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', written over a horizontal line.

Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray, Clayton,
Jarrett, and Gunn, CC., concur.

Jones, Senior Regulatory Law Judge