

STATE OF MISSOURI
MISSOURI PUBLIC SERVICE COMMISSION

In the Matter of Missouri-American)	
Water Company's Request for Author-)	
ity to Implement a General Rate)	
Increase for Water Service Provided)	WR-2007-0216
in Missouri Service Areas)	

AG PROCESSING INC A COOPERATIVE'S
STATEMENT OF POSITION ON SELECTED ISSUES
AND AMENDMENT TO LIST OF ISSUES

COMES NOW Ag Processing Inc a Cooperative (AGP) and pursuant to the procedural schedule herein submits its Statement of Position on Selected Issues in lieu of a Prehearing Brief.

As to issues that are not addressed herein AGP indicates that it is either taking no position or will indicate a position following any hearing on those issues. All other rights, including the ability to brief particular issues are reserved.

Additionally, AGP adds one issue that was originally included but appears to have been omitted from the version of the list of issues submitted by Missouri-American.

1. Revenue Annualization: What is the appropriate level of customers and water usage revenues to be used in determining MAWC's test year annualized revenue?

An adjustment is appropriate for Triumph/Premium Pork in the St. Joseph District to reflect reasonable and representative volumes and a reasonable contribution to fixed charges for the benefit of nonparticipating customers.

In an earlier case in which this discount contract was approved, the Commission made no determination regarding revenue requirement and necessarily relied upon projections and representations contained in the associated application and supporting document. That case was not contested.

The reality of the service to Premium Pork has changed markedly. It is not believed reasonable for the differential to be shifted to other customers in the St. Joseph district that did not assume the responsibility of supporting this discount through their rates. Moreover, it is poor public policy to shift revenue responsibility for granting discounts to non-consenting customers and away from the utility granting the discount. That approach will assure a lack of adequate arms-length bargaining by the utility if it can simply recover the discount it grants from other customers within the district.

Arguments that a rate is not "harmful" if that rate exceeds assertions of variable cost were and are unproven and are no longer based on current operating expenses for the utility in the St. Joseph district.

2. Customer Charge Revenue: Should there be any adjustment related to the capacity charge MAWC has proposed in Case No. ST-2007-0443?

AGP believes that this issue is miscategorized and is not a classic "revenue" issue. It is our understanding that the proposals are that the Company will treat this as a customer contribution. Accordingly, either "rate base" or "miscellaneous" is a better category. That said, AGP takes no position on this issue at this time but reserves its rights to take a position following review of the evidence.

3. Rate Design/Cost-of-Service: How should any revenue increase for MAWC that results from this case be implemented in rates?

The rate increase should be developed and collected from customers based on the revenues and costs attributable to each district. Within the St. Joseph District the cost-of-service is unknown at a class level because essential class usage data and characteristics

have not been measured and do not exist except by assumption.

4. District Pricing v. Other: What is the appropriate way to allocate costs among MAWC's various operating districts?

Corporate costs should be allocated according to cost of service principles, as reflected in Staff EMS runs. Costs specific to particular districts should be directly assigned to the respective districts.

5. District Specific Costs: What are the costs of each district?

District Specific Costs, including an allocation of corporate costs are reasonably reflected in Staff EMS runs.

6. Triumph Foods/ St. Joseph Issue: Should an adjustment be made associated with the rate paid by Triumph Foods, LLC in St. Joseph?

An adjustment is appropriate to reflect a reasonable volumes and a reasonable contribution for the benefit of non-participating customers (see above discussion).

7. District Specific Revenues: What are the normalized revenues associated with each district?

Revenues appear to be as put forth by Staff except as to Triumph/Premium Pork in the St. Joseph District where an adjustment is required (see above discussion).

8. Class Identification/Cost of Service: What is the appropriate way in which to identify classes and to allocate costs among customer classes within each operating district?

What constitutes customer classes in the St. Joseph District is ambiguous because there are no definitions. Results of the alleged class cost-of-service studies are fiction as to the St. Joseph District because essential class usage characteristics have not been measured and do not exist except by assumption.

Absent any reasonable basis for assigning customers to classes and serving them at different rates, such a practice is discriminatory under Missouri law.^{1/} Under Sections 393.130 and 393.140 RSMo it is unlawful discrimination to charge differing utility rates to customers whose usage characteristics are materially identical. There is no demonstrable basis in the St. Joseph District or in any district to have different classes without proof that the usage characteristics of the classes differs. Said another way, a residential customer who uses 100,000 gallons a month does and should pay the same rate as an industrial customer or any other customer who uses 100,000 gallons a month until such time as there are classifications based on differing usage characteristics, which cost the company more to serve one customer than the other.

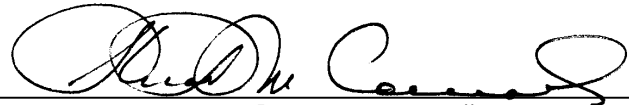
9. ***The following issue was omitted from the list of issues as submitted by Missouri-American: Volumetric Charges:***

How should volumetric charges be calculated within a given district, in particular, St. Joseph?

In order to move in the direction of rectifying non-cost-based charges in current rates, volumetric charges in the St. Joseph District should be rationalized (adjusted) according to the testimony of Mr. Johnstone.

Respectfully submitted,

FINNEGAN, CONRAD & PETERSON, L.C.



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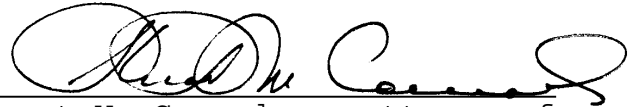
ATTORNEYS FOR AG PROCESSING INC A
COOPERATIVE

^{1/}*State ex rel Laundry, Inc. v. Public Service Commission*,
34 S.W. 2d 37 (Mo. 1931).

CERTIFICATE OF SERVICE

I certify that I have served a copy of the foregoing pleading on the designated attorneys or representatives of each party in accord with Commission Orders and the service list maintained in this proceeding by the Secretary of the Commission on EFIS.

Dated: August 2, 2007

A handwritten signature in black ink, appearing to read "Stuart W. Conrad", written over a horizontal line.

Stuart W. Conrad, an attorney for
Ag Processing Inc a Cooperative.