

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the of the Task Force Concerning)
Missouri-American Water Company's Facilities) Case No. WO-2008-0167
Located in its Jefferson City District.)

JOINT REPORT

COME NOW Missouri-American Water Company (MAWC), the City of Jefferson (Jefferson City), the Office of the Public Council (OPC), and the Staff of the Missouri Public Service Commission (Staff), and state the following to the Missouri Public Service Commission (Commission) as their Joint Report:

BACKGROUND

1. Within the context of Commission Case No. WR-2007-0216, MAWC, Jefferson City, OPC and the Commission Staff executed a Stipulation and Agreement as to Jefferson City Issues (Stipulation). The Stipulation was filed with the Commission on August 23, 2007, and approved by the Commission by order issued September 8, 2007.

2. This Stipulation required that the parties exchange information and form a Task Force to address certain questions related to MAWC facilities located in the Jefferson City district. It further required MAWC to install and bring to operation a back-up or auxiliary power generator and conduct a performance test at which the Staff and City would attend.

3. The information to be exchanged included the results of completed studies (if any) undertaken by the parties within the last three years regarding forecasted consumer loads in Jefferson City, the condition of, or improvement to, Company storage or treatment capacity in Jefferson City and Company major transmission mains in Jefferson City. The Company also agreed to provide the City its daily demand for the previous three years.

4. The Task Force was to review all existing studies and create other studies as may be needed in respects to 1) the options of reducing or eliminating the likelihood of emergency water conservation measures in the Jefferson City service area in the near future, 2) improvements to the Company's transmission grid where opportunities exist to increase water pressure, and 3) expected rate impacts associated with the construction and maintenance of the capital improvements identified.

5. Not later than twelve months after the effective date of the Report and Order in Case No. WR-2007-0216 (October 20, 2008), the Task Force was to prepare and submit to the Commission a report summarizing the activities of the Task Force and the improvement options. At the request of MAWC and Jefferson City, the Commission established this case to receive the report to be submitted to the Commission by order effective on November 28, 2007.

6. On December 18, 2007, the parties provided the Commission with a pleading indicated that the Task Force had been formed. Persons participating in this project included: Greg Weeks, Gilbert Cole, Robert Fuerman, and Kevin Dunn of MAWC; Chief Robert Rennick and Mark W. Comley on behalf of Jefferson City; Christina Baker and Russ Trippensee of the OPC; and Jim Busch, Jim Merciel, Jerry Scheible, Natelle Dietrich and Kevin A. Thompson of the Commission Staff. These people reviewed and discussed the information provided by the Company and other parties and the matters identified in the Stipulation. As a result, they have developed the following report.

REPORT

The results of the Task Force's coordinated efforts are as follows:

1) Treatment Plant Auxiliary Generator

The generator has been installed and fully tested to operate during a power outage and to accomplish on line testing without disrupting power to the plant. The monthly testing will be conducted on the third Thursday in every month at 10:00 AM.

2) **Main Replacement Program**

For the purpose of this study, small water mains are defined as those of 6 inches or less in diameter. A map of the Jefferson City water distribution system was color-coded to identify these mains; and a database was developed with a listing of these mains by date of installation. The database includes a history of main breaks. Review of this data indicates that most of the small mains are in the older, downtown section of Jefferson City. There are approximately 25,000 feet of water mains, 4 inches or less in diameter, in these areas.

MAWC's mains to be replaced are identified through the use of many sources, such as Jefferson City requests due to street renovations or relocations, dead-end mains, water quality issues and/or frequent maintenance problems. Many of the mains replaced by MAWC are in the older, downtown section of Jefferson City. As these mains are replaced and greater capacity becomes available for fire protection, additional fire hydrants are installed as needed.

In Commission Case No. WR-2003-0500, a stipulation was approved that committed MAWC to minimum annual funding level of \$100,000 for the next 10 years to replace aging water mains. MAWC further agreed to increase the funding level by 3% each year to reflect inflation. This funding level for 2008 is approximately \$110,000. In its annual planning process, MAWC prioritizes mains in the Jefferson City District for replacement. Going forward, MAWC will, during this process, take into consideration pending street improvements and any specific area Jefferson City requests be considered.

There will continue to be an annual meeting between MAWC and Jefferson City by the end of February each year so that the City's specific concerns can be obtained as a part of the main replacement prioritization process. As part of the 2009 annual review with the City, the current hydraulic model will be presented by MAWC and sensitivity analysis regarding fire flows will be examined.

3) Storage Capacity and Transmission Main Improvement

The MAWC Comprehensive Planning Study reported that existing storage capacity for equalization and fire protection was adequate for the City, if an additional fire pump is installed at the plant. However, the Study further indicates that the existing 1.0 MG clearwell at the treatment facility requires replacement and MAWC should consider adding an elevated tank in the system along with a treatment facility clearwell. This would allow the system to float the main zone and eliminate the need for the fire pump as the fire storage would be provided from the elevated tank. The Study also suggests that MAWC consider installing a 1.0 MG elevated tank offsite and 0.5 MG clearwell on the plant site. The additional elevated storage would provide redundant capacity for treatment plant emergencies in addition to providing fire protection needs. Planning and zoning approvals were determined to be necessary to install an elevated tank and if these approvals could not be obtained, MAWC would only pursue clearwell replacement.

An elevated tank would improve equalization and storage, improve flexibility of operations, and provide short term emergency supply during power failure. The Task Force requested the consideration of a 1.5 MG elevated tank as this could present an "economy of scale" over 1.0 MG. There was a concern by MAWC that filling this volume of tank could be a

problem and that turnover of the tank could result in more aged water in the system. An analysis of tank cycles for both sizes was performed and it was determined that the turnover level was not significant. This analysis recommended that an economic analysis of both sizes be performed to select the tank size. MAWC requested budget cost from an elevated tank manufacturer and then estimated the installation cost of each size tank. The 1.5 MG tank would be nearly \$1 million more than a 1.0 MG tank. This tank project would also require approximately 1,900 ft. of 20" main to connect the tank to a proposed transmission line. The budget estimate for this project is \$3.4 million. It must be noted that this cost could increase as steel and iron prices are on the increase and site conditions are unknown.

MAWC and the City have conducted, and continue to conduct, discussions in an attempt to reach a cooperative agreement between the two that may be beneficial to MAWC's customers.

The MAWC Study also reported that 5,800 feet of 20" main is to be installed along Industrial Drive from west of Dix Road to west of Jaycee Drive in order to provide improved pressure in the vicinity of the Unilever facility. This main would reduce head loss to the area and allow for increased pressure. This main would also provide a link from the plant to the elevated tank, if such a tank is installed. Preliminary budget pricing for this project is \$1.3 million. This price could be higher based on final design of the route and the installation conditions.

The City and MAWC intend to continue discussions regarding the 1.5 MG tank. The Task Force will reconvene for a meeting on June 4, 2009, or such other date as the parties may mutually agree, to receive reports from the City and MAWC on the results of those discussions.

4) **Treatment Plant Capacity Improvement**

The MAWC Study notes that maximum day demands in the recent years have pushed the capabilities of the existing plants and water conservation was required. This Task Force investigated ways to reduce or eliminate the likelihood of another conservation event.

The MAWC Study recommends various improvements to the existing water treatment plant and raw water intakes to achieve this goal. The projected base max day demand, including in-plant water use, is 7.4 MGD by 2010 and 8.5 MGD by 2020. The existing treatment plant capacity is 6.5 MGD and requires additional facilities at both the intake and treatment processes of the plant. Analysis of the raw water intakes is critical for deciding if the existing plant can be rehabilitated and additional equipment added to meet the max day projections. MAWC has hired a consultant to evaluate various options for location of a pumping facility to bring surface water to the treatment plant. If these options reach a threshold value of \$10 million or more, it is recommended that the Company reconsider ground water systems. The consultant has just completed geotechnical drillings at the intakes and awaits confirmation from the Army Corps of Engineers concerning the proposed location of intake screens near the edge of the navigable channel. The consultant was expecting this report by mid-October but has not yet received it.

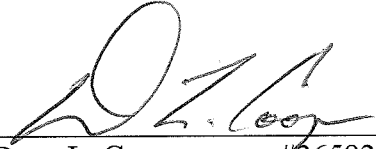
Once the decision as to how to proceed in regard to the raw water intake is complete, MAWC will need to do a further evaluation of improvements to the treatment process. The existing processes will require hydraulic improvements to accommodate the increased capacity. In addition, various pieces of equipment have reached their useful life and will require replacement. The preliminary assessment for the Study recommends improvements/replacements to the presedimentation process, flocculation and clarification equipment, filters, chemical feed systems, high service pumping, and the clearwell. The Study estimates the cost of these items to

be approximately \$11.7 million. However, these costs are very preliminary and could increase because of the challenges of constructing on an existing site of this age and because of site constraints.

The Company has investigated the cost to build a new plant on a green field site and estimates the cost to range from \$30 - \$38 million. This would also require additional cost for piping to the transmission system. This cost is considerably higher than the planning study projected \$19.7 million to rehab and increase flow through the existing plant.

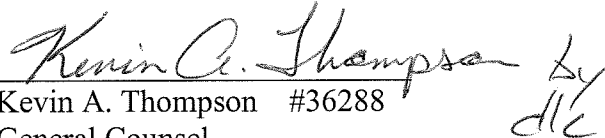
The Task Force will reconvene for a meeting on October 15, 2009, or such other date as the parties may mutually agree, for the purpose of providing an update as to the status of MAWC's plan in regard to the treatment plant.

WHEREFORE, MAWC, Jefferson City, OPC and the Staff respectfully request that the Commission consider this Joint Report and, thereafter, issue its order closing this case and granting such further relief as the Commission should deem to be reasonable and appropriate.

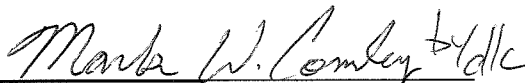

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 20th day of October, 2008, to:

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