

**STATE OF MISSOURI
MISSOURI PUBLIC SERVICE COMMISSION**

In the Matter of Missouri-American)	WR-2003-0500
Water Company's Tariff to Revise)	Tariff Nos.
Water and Sewer Rate Schedules)	YW-2003-2012
)	YW-2003-2013
)	YW-2003-2014
)	YW-2003-2015

**STATEMENT OF POSITION
OF AG PROCESSING INC, A COOPERATIVE**

Pursuant to the ordered procedural schedule in this matter, AG PROCESSING INC A COOPERATIVE ("AGP") submits its statement of position on the issues previously listed.

1. What is the appropriate amount of expense to be included in Missouri-American's (MAWC's) cost of service for pension expense?

AGP supports the position set out by the Commission Staff.

2. Capital Structure: What is the appropriate capital structure for MAWC?

AGP currently supports the position set out by the Commission Staff. However, not all testimony has been fully reviewed on this issue and this position is subject to change.

3. Cost of Capital: What is the appropriate cost of capital, including return on equity, for MAWC?

The overall rate of return that the Commission should adopt in the case is 7.68%, including a 9.50% return on equity.

4. What is the appropriate amount of expense to be included in the calculation of MAWC's income tax expense for an interest expense deduction?

AGP supports the position set out by the Commission Staff.

5. Belleville Laboratory costs: What is the appropriate amount to be included in MAWC's cost of service for its use of the Belleville Laboratory facility?

AGP supports the position set out by the Commission Staff.

6. National Call Center: What is the appropriate level of expense to be included in MAWC's cost of service for services relating to the National Call Center and what is the appropriate way in which to recognize the costs which MAWC has incurred in transitioning to its National Call Center?

AGP supports the position set out by the Commission Staff.

7. Other transition costs: What is the appropriate way in which to recognize the costs which MAWC has incurred in transitioning to its National Shared Services Center?

AGP supports the position set out by the Commission Staff.

8. American Water Resources: What is the appropriate amount of revenues to be included in MAWC's cost of service as compensation for services provided to American Water Resources by MAWC?

AGP supports the position set out by the Commission Staff.

9. Acquisition Premiums and Transaction Cost Adjustment: What is the appropriate treatment of the transaction costs and premium which MAWC incurred to acquire the United Water, Florissant, Webster Groves and Valley Park Water System?

Transition and acquisition costs should be the sole responsibility of the shareholders, not ratepayers.

10. AFUDC: What is the appropriate way to calculate AFUDC? Should such a calculation be applied to adjust plant in service included in this case, or on a prospective basis?

AGP supports the methodology used by the Staff.

11. Security AAO: What is the appropriate way to treat costs deferred by MAWC pursuant to the Commission's Security AAO?

Prudent capital expenditures for security measures should be included in the utility's rate base. On-going actual cash expenses that are prudent and are incurred in the test year should be included as an appropriately annualized cost of service item after review. This does not include legal expenses related to the AAO.

AGP believes that the AAO was issued in error by the Commission, has sought judicial review of that order and asserts the positions with respect thereto that it asserted in its Application for Rehearing filed in that matter.

12. Employee expense: What is the appropriate amount of expense to be included in MAWC's cost of service for employee relocations, training and conferences, incentive compensation, and customer service bonuses?

AGP supports the position set out by the Commission Staff.

13. Lobbying: What is the appropriate level of expense to be included in MAWC's cost of service for its Governmental Affairs Department?

AGP supports the position set out by the Commission Staff. Generally lobbying expenses should be the sole responsibility of shareholders.

14. Dues and Donations: What is the appropriate amount of expense to be included in MAWC's cost of service for dues and donations?

AGP supports the position set out by the Commission Staff.

a. Transportation Expense: What is the appropriate level of transportation expense to be included in MAWC's cost of service for transportation expense?

AGP supports the position set out by the Commission Staff.

15. Old St. Joseph plant retirement: What is the appropriate way in which to recognize MAWC's undepreciated investment and net cost of removal associated with its old St. Joseph treatment plant?

The Commission should disallow recognition of any undepreciated investment and net cost of removal of the old St. Joseph treatment plant because that plant is no longer used or useful in providing services to the Company's customers. The Company does not own the old treatment plant, having disposed of it prior to the test year.

16. New St. Joseph plant capacity costs: Is MAWC experiencing excess capacity at its new St. Joseph treatment plant? If so, how is that excess capacity identified and treated for ratemaking purposes?

MAWC has excess capacity at its new St. Joseph treatment plant. The Commission should disallow all costs associated with excess capacity because it is unused and is not useful. AGP believes that the Staff has correctly identified the amount of excess capacity and supports the Staff's formula for excluding the excess capacity from rates in this case.

Depreciation

17. What are the appropriate depreciations rates to be applied to MAWC's depreciable plant?

AGP supports the position set out by the Commission Staff.

18. In establishing depreciation rates for MAWC, what is the appropriate way to account for cost of removal, net of salvage?

AGP supports the position set out by the Commission Staff.

19. What are the appropriate asset lives to be used in prescribing depreciation rates for MAWC?

AGP supports the position set out by the Commission Staff.

20. Should the Commission allow the existing reserve deficiency amortization to continue for the St. Louis district?

AGP supports the position set out by the Commission Staff.

Rate Design

21. What is the appropriate way to allocate costs among MAWC's various operating districts?

The costs for each district should be determined based upon the costs directly assigned or associated with actually providing service in that district.

22. What is the appropriate way in which to allocate costs among customer classes within each operating district?

AGP takes no position on cost allocations among customer classes within any district other than the St. Joseph district. In the St. Joseph District, customer class allocations should be as recommended by Mr. Johnstone in his testimony.

23. What is the appropriate way to design rates for each customer class?

Class cost of service pricing should be used in the St. Joseph District. Mr. Johnstone has proposed to develop rates in that district based on the 1997 rates that were the last lawful rates approved by this Commission for that district, ratioing those rates upward to account for the revenue requirement determined by the Commission in this case for the St. Joseph District.

24. Should there be any revenue contribution among districts to mitigate the impact of full, cost of service rates for any district?

St. Joseph District rates excessive and unreasonable because of excessive and unnecessary investment by the utility and an irrational and unreasonable rate design. Aside from correcting these errors, ratepayers in that district should not be required to subsidize service in any other district.

25. Should there be consolidated billing?

AGP is reviewing this proposal and has not yet formulated a position. Accordingly a position is reserved on this issue.

26. Should there be an interruptible rate, and if so, what is an appropriate rate for that service?

AGP would support an appropriately designed interruptible rate as suggested in Mr. Johnstone's testimony.

25. What are the appropriate customer class definitions for the Platte County and St. Joseph Districts?

If customers should be grouped in accordance with common load and usage characteristics, not by end-use or the nature of the customers' business operations. Classifications that are not based on cost of service characteristics are discriminatory. See *State ex rel. Laundry Inc. v Pub. Serv. Comm'n.*

26. Weather normalization: What is the appropriate weather-normalized revenue to be included in MAWC's cost of service for weather normalized sales?

AGP supports the position set out by the Commission Staff.

27. Fuel, power, and chemicals: What is the appropriate amount of expense to be included in MAWC's cost of service for weather normalized sales?

AGP supports the position set out by the Commission Staff.

28. St. Joseph Chemicals: What is the appropriate amount of expense to be included in MAWC's cost of service for chemicals in its St. Joseph District?

AGP supports the position set out by the Commission Staff.

29. St. Joseph Waste Disposal: What is the appropriate amount of expense to be included in MAWC's cost of service for waste disposal in its St. Joseph District?

AGP supports the position set out by the Commission Staff.

30. Property Taxes: What is the appropriate amount of expense to be included in MAWC's cost of service for property taxes?

AGP supports the position set out by the Commission Staff.

31. Cash Working Capital: What is the appropriate amount to be included in MAWC's rate base for cash working capital as it

relates to depreciation, deferred taxes and the management fees expense lag?

AGP supports the position set out by the Commission Staff.

32. Advertising: What is the appropriate expense to be included in MAWC's cost of service for advertising?

Institutional advertising should not be recovered in rates. AGP believes that the Commission should continue to evaluate advertising expense in the manner as per *Re: Kansas City Power and Light Company*.

33. Credits and Billing Adjustments: What is the appropriate amount of revenue to be included in MAWC's cost of service for credits and billing adjustments?

AGP supports the position set out by the Commission Staff.

34. Jefferson City Fire Suppression: Are MAWC's Jefferson City fire suppression facilities adequate?

AGP takes no position on this issue,

35. Affiliate Transaction Rule: Should the Commission promulgate an affiliate transaction rule that would apply to MAWC?

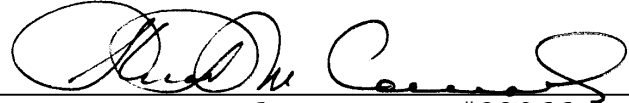
Yes.

36. Cost allocation manual: Should the Commission direct the Company to modify its cost allocation manual, and if so, how?

AGP supports the position set out by the Commission Staff.

Respectfully submitted,

FINNEGAN, CONRAD & PETERSON, L.C.

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

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ATTORNEYS FOR AG PROCESSING INC A
COOPERATIVE

CERTIFICATE OF SERVICE

I certify that I have served a copy of the foregoing Statement of Position on each party to this proceeding either by postage-paid U.S. mail, by e-mail or by facsimile.

Dated: December 8, 2003

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