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January 5, 2004

FILED

JAN 05 2004

**Missouri Public
Service Commission**

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102

RE: *In the Matter of the Joint Application of Missouri-American Water Company and Cedar Hill Utility Company, inc. for Authority for Missouri-American Water Company to Acquire Certain Assets of Cedar Hill Utility Company, Inc., and, in Connection Therewith, Certain Other Related Transactions.*

Mr. Roberts:

Enclosed for filing in the above-referenced matter are the original and eight (8) copies of the Joint Application of Cedar Hill Utility Company, Inc. and Missouri-American Water Company and the original and eight (8) copies of a Motion for Protective Order. Copies of the foregoing Joint Application and Motion for Protective Order have been hand-delivered or mailed this date to all parties.

Thank you for your attention to this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND P.C.

By:


Dean L. Cooper

DLC/jar

Enclosures

cc: Office of the Public Counsel
Dana K. Joyce, General Counsel
Karen M. Jordan
David P. Abernathy

FILED

JAN 05 2004

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

**Missouri Public
Service Commission**

In the Matter of the Joint Application of)
Missouri-American Water Company and Cedar)
Hill Utility Company, Inc., for Authority for)
Missouri-American Water Company to Acquire)
Certain Assets of Cedar Hill Utility Company, Inc.,)
and, in Connection Therewith, Certain Other)
Related Transactions.)

Case No. _____

JOINT APPLICATION

COME NOW Cedar Hill Utility Company, Inc. ("Cedar Hill"), and Missouri-American Water Company ("MAWC"), and, pursuant to Section 393.190, RSMo 2000 and 4 CSR 240-3.605, state the following to the Missouri Public Service Commission ("Commission") as their Joint Application:

BACKGROUND INFORMATION

1. MAWC is a Missouri corporation with its principal office and place of business at 535 N. New Ballas Road, St. Louis, Missouri, 63141. MAWC is a Missouri corporation in good standing. A Certificate of Good Standing from the Office of the Missouri Secretary of State was filed in Commission Case No. WM-2001-309 and is hereby incorporated by reference in accordance with Commission Rule 4 CSR 240-2.060(1)(G).

2. MAWC currently provides water service to the public in and around the cities of St. Joseph, Joplin, Brunswick, Mexico, Warrensburg, Parkville, Riverside, Jefferson City, and parts of St. Charles and Platte Counties Missouri, and most all of St. Louis County, Missouri. MAWC currently provides water service to approximately 445,000 customers. MAWC provides sewer service to approximately 100 customers near Parkville, Missouri. MAWC is a "water corporation," a "sewer corporation" and a "public utility" as those terms are defined in Section

386.020 RSMo. 2000, and is subject to the jurisdiction and supervision of the Commission as provided by law.

3. MAWC currently has an Application for an accounting authority order relating to security costs (WO-2002-273), a general rate case pending appeal (WR-2000-281), a general rate case pending before the Commission (WR-2003-0500), and an Infrastructure Replacement System Surcharge case pending before the Commission (WO-2004-0116). MAWC has no other pending action or final unsatisfied judgment or decision against it from any state or federal agency or court involving customer service or rates and having occurred within three years of the date hereof. MAWC has no overdue Commission annual reports or assessment fees.

4. Cedar Hill is a Missouri corporation with its principal office and place of business at P.O. Box 200, 8115 S. Industrial Drive, Cedar Hill, Missouri, 63016. Cedar Hill is a Missouri corporation in good standing. A Certificate of Good Standing from the Office of the Missouri Secretary of State is attached hereto as Appendix A.

5. Cedar Hill is the holder of a Certificate of Convenience and Necessity from the Commission to provide sanitary sewer service in a specified area of Jefferson County, Missouri.

6. Cedar Hill has no overdue Commission annual reports or assessment fees and no pending action or final unsatisfied judgment or decision against it from any state or federal agency or court involving customer service or rates and having occurred within three years of the date hereof.

7. On behalf of MAWC, Communications in regard to this Application should be addressed to:

Dean L. Cooper, Attorney
Brydon, Swearingen & England P.C.
312 East Capitol Avenue
P.O. Box 456
Jefferson City, Missouri 65102
Phone: (573) 635-7166

David P. Abernathy
Vice President & General Counsel
Missouri-American Water Co.
535 N. New Ballas Road
St. Louis, MO 63141
Phone: (314) 996-2276

Fax: (573) 635-3847
dcooper@brydonlaw.com

Fax: (314) 997-2451
dabernathy@mawc.com

8. On behalf of Cedar Hill, Communications in regard to this Application should be addressed to:

Karen M. Jordan, Attorney
Sonnenschein Nath & Rosenthal LLP
One Metropolitan Square, Suite 3000
St. Louis, MO 63102
Phone: (314) 259-5840
Fax: (314) 259-5959
E-mail: kjordan@sonnenschein.com

THE TRANSACTION

9. MAWC and Cedar Hill have entered into a Contract For Sale of Sanitary Sewer System Assets of the Cedar Hill Utilities Co., Inc. to Missouri-American Water Company dated December 18, 2003 ("Agreement"), a copy of which will be marked **Appendix B** and late-filed with the Commission. Pursuant to the Agreement, MAWC proposes to obtain and acquire certain assets of Cedar Hill as specifically described in the Agreement under the terms and provisions further described in the Agreement. Such assets include the Cedar Hill certificate of convenience and necessity as reflected in Commission Case No. 17,862 (October 24, 1973). The Agreement is not included as it is considered by the applicants to be highly confidential in nature. It will be late-filed with the Commission upon the issuance of the Commission's standard protective order.

10. Because Cedar Hill is a sewer corporation doing business in the State of Missouri, it is subject to the provisions of Section 393.190.1, RSMo 2000, which states, in pertinent part, that "no . . . sewer corporation shall hereafter sell, assign, lease, transfer, mortgage or otherwise dispose of or encumber the whole or any part of its franchise, works or system, necessary or useful in the performance of its duties to the public . . . without having first secured from the Commission an order authorizing it so to do."

ADDITIONAL INFORMATION

11. A certified copy of the resolutions of the Board of Directors of MAWC and Cedar Hill authorizing the purchase and sale, respectively, of the subject assets and related transactions contemplated by the Agreement are marked Appendix C, attached hereto, and made a part hereof for all purposes.

12. A balance sheet and income statement with adjustments showing the results of the acquisition of the property for MAWC is marked Appendix D, attached hereto, and made a part hereof for all purposes.

13. The sale of assets should have no impact on the tax revenues of relevant political subdivisions, as both MAWC and Cedar Hill are both private entities.

PUBLIC INTEREST

14. For the following reasons, the proposed acquisition of the specified assets of Cedar Hill and the related transactions are not detrimental to the public interest of the State of Missouri and in fact will be consistent with and will promote the public interest.

15. The assets of Cedar Hill would be acquired by MAWC, a Missouri public utility, and remain subject to the jurisdiction of the Commission. MAWC has considerable expertise and experience in providing utility services to residents of the State of Missouri.

16. MAWC is fully qualified, in all respects, to own and operate the systems currently being operated by Cedar Hill and to otherwise provide safe, reliable and affordable service.

17. MAWC will continue to utilize the rates, rules and regulations and other tariffs currently on file with and approved by the Commission for Cedar Hill and will continue to operate under those rates, rules and regulations until such time as they may be modified according to law.

18. The acquisition of the subject assets by MAWC will improve the ability of these properties to attract capital required to undertake and complete additions, improvements and replacements to its facilities necessary for it to meet the needs of its customers and to satisfy environmental requirements.

19. In order to protect the interests of both MAWC and the customers of Cedar Hill, MAWC seeks an order/agreement as follows:

A. That the rates existing at the time MAWC acquires the assets will continue in effect until the operation of law date associated with MAWC's next general rate filing after May 1, 2004, and/or thereafter, until changed as a result of a Commission Order. Except as provided in subsection B below, neither MAWC, the Commission Staff nor the Office of the Public Counsel ("OPC") will before May 1, 2004 file a case to change the rates in effect at the time of this acquisition.

B. Neither MAWC, the Commission Staff nor the OPC may file a general rate increase case or a general rate decrease case before May 1, 2004 to change the Cedar Hill rates, unless a significant, unusual event that has major impact on the Cedar Hill operating district occurs, such as:

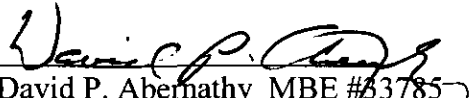
- (i) terrorist activity or an act of God;
 - (ii) a significant change in federal or state tax laws;
 - (iii) a significant change in federal or state utility laws or regulations;
- or,
- (iv) an unexpected extended outage or shutdown of the Cedar Hill water supply or sewer service.

C. Nothing herein shall prohibit rate filings concerning MAWC's operating districts other than Cedar Hill.

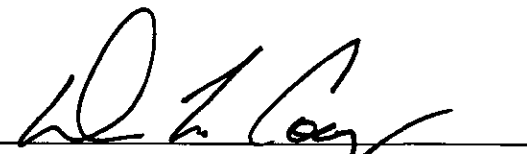
WHEREFORE, MAWC and Cedar Hill respectfully request that the Commission process of this application such that the transaction contemplated by the Agreement can be consummated and thereafter issue its order:

- a. authorizing MAWC to acquire the assets identified herein of Cedar Hill;
- b. authorizing MAWC to enter into, execute and perform in accordance with the terms described in the Agreement attached to this Joint Application and to take any and all other actions which may be reasonably necessary and incidental to the performance of the acquisition; and,
- c. granting such other relief as may be deemed necessary and appropriate to accomplish the purposes of the Agreement and the Joint Application and to consummate related transactions in accordance with the Agreement.

Respectfully submitted,

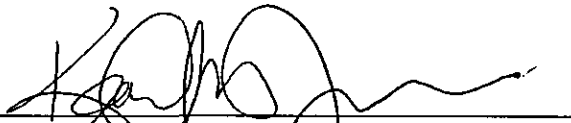


David P. Abernathy MBE #33785
Missouri-American Water Company
535 N. New Ballas Road
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Jefferson City, MO 65102
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ATTORNEYS FOR MISSOURI-AMERICAN WATER COMPANY



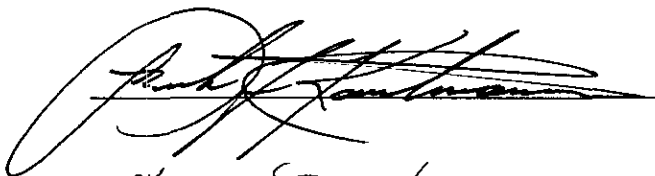
Karen M. Jordan MBE #50366
SONNENSCHN NATH & ROSENTHAL LLP
One Metropolitan Square, Suite 3000
St. Louis, MO 63102
Phone: (314) 259-5802
Fax: (314) 259-5959
kjordan@sonnenschein.com

ATTORNEYS FOR CEDAR HILL UTILITY COMPANY, INC.

AFFIDAVIT

State of Missouri)
) ss
County of St. Louis)

I, ~~FRED L. KNEWMAN~~ having been duly sworn upon my oath, state that I am the Vice President of Missouri-American Water Company, that I am duly authorized to make this affidavit on behalf of Missouri-American Water Company, that the matters and things stated in the foregoing Application and appendices thereto are true and correct to the best of my information, knowledge and belief.



Subscribed and sworn before me this 30th day of December, 2003.



Notary Public

STACI A. OLSEN
Notary Public - Notary Seal
STATE OF MISSOURI
St. Charles County
My Commission Expires: Mar 20, 2005

AFFIDAVIT

State of Missouri)
) ss
County of St. Louis)

I, Elizabeth A. Goad, having been duly sworn upon my oath, state that I am the Vice President of Cedar Hill Utility Company, Inc., that I am duly authorized to make this affidavit on behalf of Cedar Hill Utility Company, Inc., that the matters and things stated in the foregoing Application and appendices thereto are true and correct to the best of my information, knowledge and belief.

Elizabeth A. Goad

Subscribed and sworn before me this 30th day of December, 2003.

Staci A. Olsen
Notary Public

STACI A. OLSEN
Notary Public - Notary Seal
STATE OF MISSOURI
St. Charles County
My Commission Expires Mar. 20, 2005

APPENDICES

- Appendix A Certificate of Good Standing of Cedar Hill
- Appendix B Contract For Sale of Water Distribution System Assets and Sanitary Sewer Systems Assets of the Cedar Hill Water & Sewer Company to Missouri-American Water Company dated December 18, 2003
- Appendix C Certified copy of the resolutions of the Board of Directors of MAWC and Cedar Hill authorizing acquisition of the assets and the consummation of related transactions contemplated by the Agreement and this Application
- Appendix D Pro Forma Balance Sheet and Income Statement for MAWC

STATE OF MISSOURI



Matt Blunt
Secretary of State


**CORPORATION DIVISION
CERTIFICATE OF GOOD STANDING**

I, MATT BLUNT, Secretary of the State of Missouri, do hereby certify that the records in my office and in my care and custody reveal that

**CEDAR HILL UTILITY COMPANY, INC.
00162228**

was created under the laws of this State on the 6th day of June, 1973, and is in good standing, having fully complied with all requirements of this office.

IN TESTIMONY WHEREOF, I have set my hand and an imprinted the GREAT SEAL of the State of Missouri, on this, the 17th day of December, 2003


Secretary of State



Certification Number: 6286372-1 Page 1 of 1 Reference:

Verify this certificate online at <http://www.sos.mo.gov/businessentity/certification/>

APPENDIX B

**APPENDIX B IS HIGHLY CONFIDENTIAL
AND WILL BE FILED UPON THE ISSUANCE
OF A PROTECTIVE ORDER**

MISSOURI-AMERICAN WATER COMPANY
CERTIFIED COPY OF CORPORATE RESOLUTION

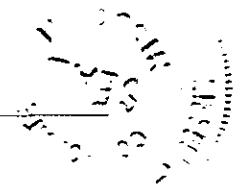
I, Meredith E. Perkins, Assistant Secretary of Missouri-American Water Company, hereby certifies that the following is a true and accurate copy of a resolution of the Board of Directors of said Company approved by Unanimous Written Consent, dated October 31, 2003, which action shall have the same validity and effect as if such had been taken at a meeting of the Board of Directors of said Company, duly called and held, at which all members of the Board of Directors attended and voted therefor and that said resolutions are still in full force and effect:

RESOLVED, that the President, any Vice President, the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Company be, and they hereby are, authorized and directed, per the parameters as presented to the Board of Directors, to execute on behalf of the Company, any agreement for the purchase of the water system assets of Cedar Hill Utilities Co., Inc. and to take all other and further actions as they deem necessary or desirable to consummate the transaction contemplated therein, including obtaining all requisite approval thereof from any regulatory agency having jurisdiction thereover.

IN WITNESS WHEREOF, I have hereunto set my hand as Assistant Secretary of Missouri-American Water Company, and have caused the corporate seal of said Company to be hereunto affixed, this 19th day of December, 2003.



Meredith E. Perkins
Assistant Secretary



**STATEMENT OF UNANIMOUS CONSENT
IN LIEU OF SPECIAL MEETING
OF THE BOARD OF DIRECTORS
OF
CEDAR HILL UTILITY COMPANY, INC.**


The undersigned, all of the directors of Cedar Hill Utility Company, Inc., a Missouri corporation (the "Company"), acting pursuant to Section 351.340 of the General Business Corporation Law of the State of Missouri, do hereby consent to the adoption of the following resolutions so that the same shall be in full force and effect as if unanimously adopted at a duly held meeting of the directors of the Company.


RESOLVED, that the Contract for Sale of Sanitary Sewer System Assets of the Cedar Hill Utility Company, Inc. to Missouri-American Water Company (the "Agreement") to be executed by and between the Company and Missouri-American Water Company, a Missouri corporation, in substantially the form previously submitted to and reviewed by the directors of the Company is hereby approved in all respects; and

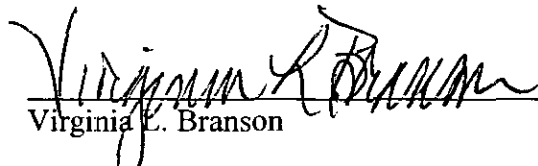
FURTHER RESOLVED, that the officers of the Company, or any one or more of them, be, and each of them hereby is, authorized and directed, for and on behalf of the Company, to execute, seal, attest and deliver all such instruments, certificates, agreements and other documents, to pay all such fees and expenses, and to do and perform all such acts and things as may be necessary or desirable to consummate the transactions contemplated by the Agreement; and

FURTHER RESOLVED, that any acts of the officers of the Company in connection with the transaction contemplated by the Agreement, and of any person or persons designated and authorized to act by any officer of the Company in furtherance of such transactions, which acts would have been authorized by the foregoing resolutions except that such acts were taken prior to the adoption of such resolutions, are hereby severally ratified, confirmed, approved and adopted in all respects.

Dated: December 19, 2003


Victoria K. Presnell


Elizabeth A. Goad


Virginia L. Branson

**STATEMENT OF UNANIMOUS CONSENT
OF SOLE SHAREHOLDER
OF
CEDAR HILL UTILITY COMPANY, INC.**

December 19, 2003

The undersigned, being the sole shareholder of Cedar Hill Utility Company, Inc., a Missouri corporation (the "Company"), acting pursuant to Section 351.273 of the General Business Corporation Law of the State of Missouri, hereby consents to the adoption of the following resolutions so that the same shall be in full force and effect as if unanimously adopted at a duly held special meeting of the shareholders of the Company.

WHEREAS, the sole shareholder of the Company (the "Shareholder") has determined that it is in the best interest of the Company to sell the sanitary sewer system assets of the Company; and

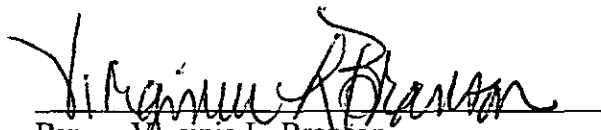
WHEREAS, the Board of Directors of the Company (the "Board") has approved in all respects a draft of the Contract for Sale of Sanitary Sewer System Assets of the Cedar Hill Utility Company, Inc. to Missouri-American Water Company (the "Agreement") to sell the sanitary sewer system assets of the Company; a copy of which is attached hereto as Exhibit A;

NOW, THEREFORE, BE IT RESOLVED, that the Agreement is hereby approved in all respects;

FURTHER RESOLVED, that the officers of the Company, or any one or more of them, be, and each of them hereby is, authorized and directed, for and on behalf of the Company, to execute, seal, attest and deliver all such instruments, certificates, agreements and other documents, to pay all such fees and expenses, and to do and perform all such acts and things as may be necessary or desirable to consummate the transactions contemplated by the Agreement; and

FURTHER RESOLVED, that any acts of the officers of the Company in connection with the transaction contemplated by the Agreement, and of any person or persons designated and authorized to act by any officer of the Company in furtherance of such transactions, which acts would have been authorized by the foregoing resolutions, except that such acts were taken prior to the adoption of such resolutions, are hereby severally ratified, confirmed, approved and adopted in all respects.

NORMAN GOAD CONSTRUCTION
COMPANY


By: Virginia L. Branson
Its: Secretary

Balance Sheet at November 2003

	Missouri American Water	Cedar Hill Acquisition	Adjusted Missouri American Water
Assets			
Utility Plant In Service:			
Total Plant in Service	\$948,840,518	\$385,000	\$949,225,518
Construction Work In Progress	8,810,799	0	\$8,810,799
Utility Plant Acquisition Adjustment	10,640,382	0	\$10,640,382
Less: Depreciation Reserve	<u>(257,164,819)</u>	<u>(2,522)</u>	<u>(\$257,167,341)</u>
Net Plant in Service	<u>711,126,880</u>	<u>382,478</u>	<u>711,509,358</u>
Non-Utility Property	30,650	0	30,650
Current Assets:			
Cash and Cash Equivalents	8,375,327	0	8,375,327
Customer Accounts Receivable	11,353,221	0	11,353,221
Allowance for Uncollectible Accounts	(471,954)	0	(471,954)
Unbilled Revenues	14,564,028	0	14,564,028
FIT Refund Due	4,186,943	0	4,186,943
Miscellaneous Receivables	1,717,692	0	1,717,692
Materials and Supplies	3,484,056	0	3,484,056
Other	<u>2,652,475</u>	<u>0</u>	<u>2,652,475</u>
Current Assets	<u>45,861,788</u>	<u>0</u>	<u>45,861,788</u>
Deferred Debits:			
Debt and Preferred Stock	11,811,849	0	11,811,849
Expense of Rate Proceeding	718,627	0	718,627
Regulatory Asset—Income Tax Recovery	25,726,788	0	25,726,788
Other	<u>10,310,016</u>	<u>0</u>	<u>10,310,016</u>
Deferred Debits	<u>48,567,280</u>	<u>0</u>	<u>48,567,280</u>
Total Assets	<u>\$805,586,598</u>	<u>\$382,478</u>	<u>\$805,969,076</u>
Liabilities and Capitalization			
Company Capitalization:			
Common Stock Equity, Net	\$220,162,731	\$151,478	\$220,314,209
Preferred Stock (Par or Stated Value Outstanding)	2,680,000	0	2,680,000
Long-term Debt (including current maturities)	<u>290,005,000</u>	<u>231,000</u>	<u>290,236,000</u>
Company Capitalization	<u>512,847,731</u>	<u>382,478</u>	<u>513,230,209</u>
Current Liabilities:			
Short-term Debt	0	0	0
Accounts Payable	3,452,514	0	3,452,514
Taxes Accrued	19,425,445	0	19,425,445
Interest Accrued	4,502,536	0	4,502,536
Customer Deposits	159	0	159
Dividends Declared	0	0	0
Other	<u>11,505,226</u>	<u>0</u>	<u>11,505,226</u>
Current Liabilities	<u>38,885,880</u>	<u>0</u>	<u>38,885,880</u>
Deferred Credits:			
Customer Advances for Construction	54,748,622	0	54,748,622
Deferred Income Taxes	70,280,932	0	70,280,932
Deferred Investment Tax Credits	4,610,133	0	4,610,133
Regulatory Liability	3,651,268	0	3,651,268
Other	<u>18,840,329</u>	<u>0</u>	<u>18,840,329</u>
Deferred Credits	<u>152,131,284</u>	<u>0</u>	<u>152,131,284</u>
Contributions in Aid of Construction	<u>101,721,703</u>	<u>0</u>	<u>101,721,703</u>
Total Capitalization and Liabilities	<u>\$805,586,598</u>	<u>\$382,478</u>	<u>\$805,969,076</u>

Operating Statement November 2003 YTD

	Missouri American <u>Water</u>	Cedar Hill <u>Acquisition</u>	Adjusted Missouri American <u>Water</u>
Operating Revenues	\$154,936,880	\$175,485	\$155,112,365
Operating & Maintenance Expenses	75,077,815	145,235	75,223,050
Depreciation & Amortization Expenses	25,465,603	2,522	25,468,125
Taxes, Other Than Income Taxes	12,432,963	0	12,432,963
Income Taxes, Current, Federal & State	1,929,562	5,666	1,935,228
Provision for Deferred Income Taxes, Net	9,250,907	0	9,250,907
Investment Tax Credit Adjustment, Net	(157,909)	0	(157,909)
Operating Expenses	<u>123,998,941</u>	<u>153,423</u>	<u>124,152,364</u>
Net Operating Income	<u>30,937,939</u>	<u>22,062</u>	<u>30,960,001</u>
Non-Operating Income	<u>3,075,538</u>	<u>0</u>	<u>3,075,538</u>
Gross Income	<u>34,013,477</u>	<u>22,062</u>	<u>34,035,539</u>
Interest on Long-Term Debt	16,401,658	12,269	16,413,927
Amortization Debt Discount/Premium, Net	599,164	0	599,164
Interest on Short-Term Debt	120,875	0	120,875
Other Interest	8,747	0	8,747
Gross Interest Expense	<u>17,130,444</u>	<u>12,269</u>	<u>17,142,713</u>
AFUDC--Equity Component	1,655,001	0	1,655,001
AFUDC--Debt Component	815,536	0	815,536
AFUDC	<u>2,470,537</u>	<u>0</u>	<u>2,470,537</u>
Net Interest Expense	<u>14,659,907</u>	<u>12,269</u>	<u>14,672,176</u>
Net Income	<u>\$19,353,570</u>	<u>\$9,793</u>	<u>\$19,363,363</u>