

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

In the Matter of the Joint Application of)
Missouri-American Water Company and)
Meramec Sewer Co. for Authority for)
Missouri-American Water Company to Acquire)
Certain Assets of Meramec Sewer Co. and, in)
Connection Therewith, Certain Other)
Related Transactions.)

**JOINT APPLICATION AND,
IF NECESSARY, MOTION FOR WAIVER**

COME NOW Missouri-American Water Company (“MAWC”) and Meramec Sewer Co. (“Meramec”) and, pursuant to Section 393.190, RSMo 2000 and 4 CSR 240-3.310, state the following to the Missouri Public Service Commission (“Commission”) as their Joint Application and, if necessary, Motion for Waiver:

BACKGROUND INFORMATION

1. MAWC is a Missouri corporation with its principal office and place of business at 727 Craig Road, St. Louis, Missouri 63141. MAWC is a Missouri corporation in good standing. A certified copy of MAWC’s certificate of good standing was submitted in Case No. SA-2007-0316 and is incorporated by reference. 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, Warren, Jefferson, Morgan, Pettis, Benton, Barry, Stone, Greene, Taney, Christian and Platte Counties, and most all of St. Louis County, Missouri. MAWC currently provides water service to approximately 454,000 customers. MAWC provides sewer service to approximately 3,200 customers in Callaway, Jefferson, Pettis, Cole, Morgan, Platte, and Warren Counties, 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. MAWC has no overdue Commission annual reports or assessment fees. There is no pending action or final unsatisfied judgment or decision against MAWC from any state or federal agency or court which involves customer service or rates, which action, judgment or decision has occurred within three years of the date of this Joint Application.

2. Meramec is a Missouri corporation with its principal office and place of business at 381 Green Jade Estates Drive, Fenton, Missouri 63026. A certified copy of Meramec's certificate of good standing is attached as Appendix A and incorporated herein by reference. Meramec is the holder of a Certificate of Convenience and Necessity from the Commission to operate a sewer utility in and around Jefferson County, Missouri, Case No. SA-77-167. Meramec currently provides sewer service to approximately 991 customers in Jefferson County, Missouri. Meramec is 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. Presently, Meramec has overdue Commission assessment fees. There is no pending action or final unsatisfied judgment or decision against Meramec from any state or federal agency or court which involves customer service or rates, which action, judgment or decision has occurred within three years of the date of this Joint Application.

3. Communications in regard to this Joint Application should be addressed to the undersigned counsel and:

Greg Weeks, Vice President
Missouri-American Water Company
727 Craig Road

St. Louis, Missouri 63141
(314) 996-2351
(314) 997-2451 (facsimile)
greg.weeks@amwater.com

Frederick Reinhold
Meramec Sewer Co.
381 Green Jade Estates
Fenton, MO 63026
636-343-9923

THE TRANSACTION

4. MAWC and Meramec have entered into an Asset Purchase Agreement dated September 15, 2011 as amended by an Amendment to Asset Purchase Agreement date July 31, 2012 (collectively "Agreement"), a copy of which is attached as Appendix B and incorporated herein by reference. Appendix B has been identified as Highly Confidential in accordance with Commission Rule 4 CSR 240-2.135, as market specific information and information representing strategies employed in contract negotiations. Pursuant to the Agreement, MAWC proposes to purchase substantially all of the assets of Meramec as specifically described in the Agreement under the terms and provisions further described in the Agreement. Such assets include the Meramec Certificate of Convenience and Necessity as reflected in Commission Case No. SA-77-167.

5. Because Meramec 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 . . . water corporation or 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

6. MAWC's verification of authority authorizing the purchase of the subject assets and related transactions contemplated by the Agreement is attached as Appendix C and incorporated herein by reference. Meramec's verification of authority authorizing the purchase of the subject assets and related transactions contemplated by the Agreement is attached as Appendix D and incorporated herein by reference

7. A balance sheet and income statement with adjustments showing the results of the acquisition of the property for MAWC is attached as Appendix E and incorporated herein by reference.

8. The sale of assets should have no impact on the tax revenues of relevant political subdivisions as both MAWC and Meramec are private entities.

PUBLIC INTEREST

9. For the following reasons, the proposed acquisition of the specified assets of Meramec 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.

A. The assets of Meramec 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 water and sewer utility services to residents of the State of Missouri.

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

APPLICABLE RATES, RULES AND REGULATIONS

10. MAWC proposes to utilize the MAWC rates, rules and regulations and other tariffs

currently on file with and approved by the Commission as MAWC's P.S.C. Mo. No. 8 sewer tariff (service in areas of Jefferson County previously served by Cedar Hill Utility Company, Inc.), until such time as they may be modified according to law.

CONTINGENT REQUEST FOR WAIVER

11. This case is not likely to be a contested case within the meaning of Commission rule 4 CSR 240-4.020(2) because previous applications addressing the same issues presented in this filing have generally not become contested proceedings. However, in the event that the Commission nevertheless concludes that the filing of this Joint Application is likely to be a contested case, Applicants request a waiver of the sixty (60) day notice for good cause shown as permitted by Commission rule 4 CSR 240-4.020(2)(A).

12. The reason for this request relates to the nature of an asset purchase negotiation as that which resulted in the execution of the subject Agreement and the filing of this Joint Application. Due to the nature of this particular transaction, this Joint Application has been filed as soon as possible. It would serve no purpose to wait sixty days before filing the application for Commission approval. Accordingly, to the extent that the Commission may find it to be applicable, the parties request a waiver from the provisions of Commission Rule 4 CSR 240-4.020(2) to allow for the filing of this Joint Application.

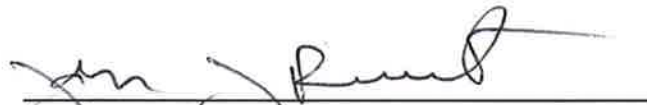
WHEREFORE, MAWC and Meramec respectfully request that the Commission issue its order:

(A) authorizing Meramec to sell and MAWC to acquire the assets identified herein of Meramec to include the certificates held by these entities or, in the alternative grant MAWC a new certificate to provide sewer service in the areas now served by Meramec;

(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,



John J. Reichart, MBE #59479

Corporate Counsel

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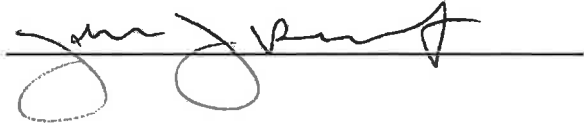
(636) 797-3505 facsimile

beden@wegmannlaw.com

ATTORNEY FOR MERAMEC SEWER CO.

CERTIFICATE OF SERVICE

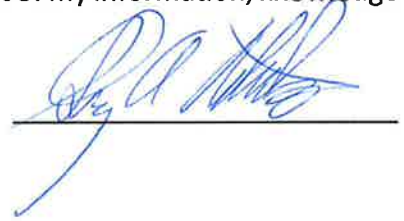
The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail or by U.S. Mail, postage prepaid, on November 2nd, 2012, to all parties to Case No. WR-2011-0337.

A handwritten signature in black ink is written over a solid horizontal line. The signature is cursive and appears to be "John J. [unclear]".

AFFIDAVIT

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

I, Greg Weeks, 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 27th day of November, 2012.



Notary Public

AFFIDAVIT

State of Missouri)
) ss
County of Jefferson)

I, Frederick Reinhold, having been duly sworn upon my oath, state that I am the President for Meramec Sewer Co., that I am duly authorized to make this affidavit on behalf of Meramec Sewer Co., 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.

Frederick Reinhold

Subscribed and sworn before me this 18 day of Oct, 2012.



BRENDA J. TATE
My Commission Expires
August 29, 2014
St. Louis County
Commission #10428998

Brenda J. Tate
Notary Public

APPENDICES

- Appendix A Meramec Certificate of Good Standing
- Appendix B Asset Purchase Agreement between Missouri-American Water Company and Meramec Sewer Co. dated September 15, 2011 – Highly Confidential
- Appendix C MAWC Verification of Authority
- Appendix D Meramec Verification of Authority
- Appendix E Pro Forma Balance Sheet and Income Statement for MAWC

STATE OF MISSOURI



Robin Carnahan
Secretary of State

**CORPORATION DIVISION
CERTIFICATE OF GOOD STANDING**

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

**MERAMEC SEWER CO.
00183214**

was created under the laws of this State on the 28th day of April, 1976, and is in good standing, having fully complied with all requirements of this office.

IN TESTIMONY WHEREOF, I have set my hand and imprinted the GREAT SEAL of the State of Missouri, on this, the 2nd day of October, 2012

A handwritten signature in cursive script that reads "Robin Carnahan".

Secretary of State



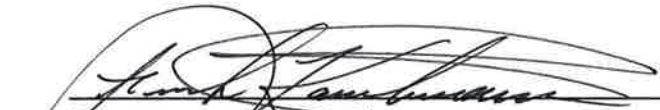
APPENDIX C

VERIFICATION OF AUTHORITY

COMES NOW the undersigned, the President of Missouri-American Water Company ("MAWC"), and does hereby verify that MAWC had and has the requisite authority to enter into the Asset Purchase Agreement dated September 15, 2011 by and between MAWC and Meramec Sewer Co. (the "Agreement") and to carry out all the obligations contained in the Agreement.

IN WITNESS WHEREOF, the undersigned has hereto set his hand the 2ND day of NOVEMBER, 2012.

MISSOURI-AMERICAN WATER COMPANY



Frank Kartmann, President
Missouri-American Water Company

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

I, Frank L. Kartmann, having been duly sworn upon my oath, state that I am the President of Missouri-American Water Company, that I am duly authorized to make this Verification on behalf of Missouri-American Water Company, that the matters and things stated in the foregoing Verification are true and correct to the best of my information, knowledge and belief.



Subscribed and sworn before me this 2ND day of November, 2012.



Notary Public



APPENDIX D

VERIFICATION OF AUTHORITY

COMES NOW the undersigned, the President of Meramec Sewer Co. ("Meramec"), and does hereby verify that Meramec had and has the requisite authority to enter into the Asset Purchase Agreement dated September 15, 2011 by and between Meramec Sewer Co. and Missouri-American Water company (the "Agreement") and to carry out all the obligations contained in the Agreement.

IN WITNESS WHEREOF, the undersigned has hereto set his hand the 18 day of Oct 2012, 2012.

MERAMEC SEWER CO.



Frederick Reinhold, President
Meramec Sewer Co.

State of Missouri)
) ss
County of Jefferson)

I, Frederick Reinhold, having been duly sworn upon my oath, state that I am the President of Meramec, that I am duly authorized to make this Verification on behalf of Meramec, that the matters and things stated in the foregoing Verification are true and correct to the best of my information, knowledge and belief.



Brenda J. Tate

Subscribed and sworn before me this 18 day of Oct, 2012.



BRENDA J. TATE
My Commission Expires
August 29, 2014
St. Louis County
Commission #10428998



Notary Public

APPENDIX E

MISSOURI AMERICAN WATER COMPANY PRO FORMA BALANCE SHEET AT AUGUST 31, 2012 (Dollars in Thousands)

<u>ASSETS</u>	<u>Missouri-American Water Company</u>	<u>Meramec Acquisition</u>	<u>Pro Forma Missouri-American Water Company</u>
<u>Utility Plant In Service:</u>			
Total Plant in Service	\$ 1,687,756	\$ 1,104	\$ 1,688,860
Construction Work in Progress	32,666	-	32,666
Utility Plant Acquisition Adjustment	7,998	-	7,998
Less: Depreciation Reserve	(377,801)	(543)	(378,344)
Net Plant In Service	\$ 1,350,619	\$ 561	\$ 1,351,180
Non-Utility Property	\$ 15	-	\$ 15
<u>Current Assets:</u>			
Cash and Cash Equivalents	\$ (3,570)	\$ -	\$ (3,570)
Customer Accounts Receivable	28,796	-	28,796
Allowance for Uncollectible Accounts	(1,506)	-	(1,506)
Unbilled Revenues	29,569	-	29,569
Miscellaneous Receivables	2,329	-	2,329
Materials and Supplies	4,592	-	4,592
Other	789	-	789
Current Assets	\$ 60,999	\$ -	\$ 60,999
<u>Deferred Debits:</u>			
Debt and Preferred Stock Expense	\$ 10,181	\$ -	\$ 10,181
Deferred Rate Case Proceedings	1,077	-	1,077
Regulatory Asset - Income Tax Recovery	23,461	-	23,461
Other Deferred Debits	11,870	-	11,870
Deferred Debits	\$ 46,589	\$ -	\$ 46,589
Other Investments and Long-Term Assets	\$ 40	\$ -	\$ 40
Total Assets	\$ 1,458,262	\$ 561	\$ 1,458,823
<u>LIABILITIES AND CAPITALIZATION</u>			
<u>Company Capitalization:</u>			
Common Stock Equity, Net	\$ 463,321	\$ -	\$ 463,321
Long-term Debt (including current maturities)	435,774	-	435,774
Company Capitalization	\$ 899,095	\$ -	\$ 899,095
<u>Current Liabilities:</u>			
Short-term Debt	\$ 15,914	\$ 506	\$ 16,420
Accounts Payable	20,172	-	20,172
Accrued Taxes	15,028	-	15,028
Accrued Interest	6,871	-	6,871
Customer Deposits	24,024	-	24,024
Current Liabilities	\$ 82,009	\$ 506	\$ 82,515
<u>Deferred Credits:</u>			
Customer Advances for Construction	\$ 56,984	\$ -	\$ 56,984
Deferred Income Taxes	179,628	-	179,628
Deferred Investment Tax Credits	3,495	-	3,495
Regulatory Liabilities	37,026	-	37,026
Other	2,847	-	2,847
Deferred Credits	\$ 279,980	\$ -	\$ 279,980
Contributions in Aid of Construction	\$ 197,178	\$ 55	\$ 197,233
Total Capitalization and Liabilities	\$ 1,458,262	\$ 561	\$ 1,458,823

MISSOURI AMERICAN WATER COMPANY
PRO FORMA BALANCE SHEET AT AUGUST 31, 2012
(Dollars in Thousands)

	<u>Missouri-American Water Company</u>	<u>Meramec Acquisition</u>	<u>Pro Forma Missouri-American Water Company</u>
<u>Operating Revenues</u>	\$ 270,412	\$ 284	\$ 270,696
<u>Operating Expenses:</u>			
Operating and Maintenance Expenses	\$ 124,419	\$ 274	\$ 124,693
Depreciation and Amortization Expenses	29,145	33	29,178
Taxes, Other than Income Taxes	14,683	20	14,703
Operating Expenses	<u>\$ 168,247</u>	<u>\$ 327</u>	<u>\$ 168,574</u>
Net Operating Income	<u>\$ 102,165</u>	<u>\$ (44)</u>	<u>\$ 102,121</u>
<u>Other Income and Deductions:</u>			
Interest Income	\$ (14)	\$ -	\$ (14)
Interest on Long-Term Debt	25,548	-	25,548
Amortization of Debt Discount/Premium, net	641	-	641
Interest on Short-Term Debt	128	3	131
AFUDC - Equity Component	(2,508)	-	(2,508)
AFUDC - Debt Component	(905)	-	(905)
Miscellaneous Income	(193)	-	(193)
Miscellaneous Amortization	100	-	100
Miscellaneous Other Deductions	242	-	242
Total Other Income and Deductions	<u>\$ 23,039</u>	<u>\$ 3</u>	<u>\$ 23,042</u>
Income (Loss) Before Income Taxes	\$ 79,126	\$ (46)	\$ 79,080
State Income Taxes	5,034	(2)	5,032
Federal Income Taxes	26,136	(15)	26,121
Net Income	<u>\$ 47,956</u>	<u>\$ (28)</u>	<u>\$ 47,928</u>