

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

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. SM-2004-0275

UNANIMOUS STIPULATION AND AGREEMENT

COME NOW Missouri-American Water Company (“MAWC”), Cedar Hill Utility Company, Inc. (“Cedar Hill”), the Missouri Public Service Commission (“Commission”) Staff (“Staff”) and the Office of the Public Counsel (“OPC”), and submit this Unanimous Stipulation and Agreement (“Stipulation”) for approval by the Commission. The Parties have reached the following stipulations and agreements, which resolve all remaining issues in this proceeding.

1. **CIAC.** MAWC will record on its books and records an amount of contributions in aid of construction (“CIAC”) equal to the balance in Cedar Hill’s escrow account related to Northwest High School’s contribution for the expansion of the Sand Creek wastewater treatment plant (\$158,677 as of July 31, 2004, plus all additional interest earned on this balance up to the date of completion of the transactions contemplated by the application that is the subject of this case).

2. **Sand Creek Wastewater Treatment Plant.** MAWC commits to complete the plant expansion at the Sand Creek facility by December 31, 2005.

3. **Rate Base.** MAWC will record the rate base value calculated by the Staff, and attached hereto as Appendix A, on its books and records and use this rate base amount as the

starting point for all future capital additions. However, MAWC may present evidence in its next rate case as to the value of these assets for ratemaking treatment if the Company finds evidence of unrecorded assets or assets not properly recorded on the books of Cedar Hill.

4. **Customers.** Cedar Hill's customers will not experience a change in their current billing arrangement, other than the fact that the name appearing on the bill will change to MAWC and that the format will be different in that it will conform to the current MAWC bill format. Additionally, MAWC will continue billing Cedar Hill's customers under the provisions of Cedar Hill's current Commission approved tariff until MAWC's next general rate case is resolved.

5. **Next Rate Case.** MAWC will include the Cedar Hill operations as a part of its next general rate case filing.

6. **Acquisition premium.** MAWC agrees to not seek recovery of any acquisition premium associated with the purchase of Cedar Hill's assets as part of this case or any future proceeding. MAWC does not, however, waive its option to seek recovery of an acquisition premium as to any acquisition, other than Cedar Hill.

7. **Refund.** Cedar Hill must refund to Northwest High School the amount of \$4,162 to which it is contractually entitled to receive before the asset transfer actually takes place.

8. **Preliminary Design Work.** Cedar Hill must provide all preliminary design work that has been completed for the future Sand Creek expansion to MAWC as part of the asset transfer.

9. **Approval.** The Commission should issue its Order:
a. authorizing MAWC to acquire the identified assets of Cedar Hill Utility Company, Inc.;

b. granting MAWC a certificate of convenience and necessity for Cedar Hill's service area as reflected in Commission Case No. 17,862, pursuant to the request in the Joint Application that the Commission grant 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 ¹;

c. authorizing MAWC to file an adoption notice for Cedar Hill's tariff; and

d. authorizing MAWC to enter into, execute and perform in accordance with the terms described in The Contract For Sale of Sanitary Sewer System Assets and its First Amendment and to take any and all other actions which may be reasonably necessary and incidental to the performance of the acquisition.

10. This Stipulation shall become effective upon Commission approval without modification by final Commission order. Such order becomes "final" either by issuance of a Commission order on rehearing or, if no rehearing request is filed, thirty (30) days after issuance of the Commission's order approving the Stipulation, or such other effective date as selected by the Commission.

11. This Stipulation has resulted from negotiations among the Parties and the terms hereof are interdependent. In the event the Commission does not adopt this Stipulation in total, then this Stipulation shall be void and no Party shall be bound by any of the agreements or provisions hereof. The stipulations herein are specific to the resolution of this proceeding, and all stipulations are made without prejudice to the rights of the Parties to take other positions in other proceedings. The Parties agree that any and all discussions related hereto shall be

¹ Commission practice has been that certificates of convenience and necessity are not transferred from one regulated entity to another. As a result, the Parties agree that the Commission should specifically grant MAWC a "new" certificate for Cedar Hill's established service area, and that the Commission may do so under the referenced provisions of the Joint Application.

privileged and shall not be subject to discovery, admissible in evidence, or in any way used, described or discussed in any proceeding other than during any Stipulation presentation scheduled by the Commission in this proceeding.

12. It is specifically understood and agreed that this Stipulation represents a negotiated settlement of the issues in this proceeding, settled in a manner that is in the public interest. Neither MAWC, the Commission, its Staff, the OPC, nor Cedar Hill, shall be deemed to have approved, accepted, agreed, or consented to any accounting principle, ratemaking principle or cost of service determination underlying, or supposed to underlie, any of the issues provided for herein.

13. The Parties further understand and agree that the provisions of this Stipulation relate only to the specific matters referred to in the Stipulation, and no Party or person waives any claim or right that it otherwise may have with respect to any matters not expressly provided for in this Stipulation. The Parties further reserve the right to withdraw their support for the settlement in the event that the Commission modifies the Stipulation in a manner which is adverse to the Party withdrawing its support and, further, the Parties reserve the right to contest any such Commission order modifying the settlement in a manner that is adverse to the party contesting such Commission order.

14. In the event the Commission accepts the specific terms of this Stipulation, the Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.070(2), RSMo 2000 to call, examine and cross-examine witnesses; their respective rights to present oral argument or written briefs pursuant to Section 536.080.1, RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2, RSMo 2000; their respective rights to seek rehearing pursuant to Section 386.500,

RSMo 2000; and their respective rights to judicial review pursuant to Section 386.510, RSMo 2000.

15. The Staff shall file either a pleading or a case file memorandum containing its suggestions in support of this Stipulation within five (5) days after the filing of the Stipulation, and the other parties shall have the right to file responsive suggestions within five (5) days after the Staff files its suggestions. The Parties acknowledge that the contents of any suggestions provided by any Party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Stipulation, whether or not the Commission approves and adopts this Stipulation.

16. The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, promptly provide other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

17. To assist the Commission in its review of this Stipulation, the Parties also request that the Commission advise them of any additional information that the Commission may desire from the Parties relating to the matters addressed in this Stipulation, including any procedures for furnishing such information to the Commission.

WHEREFORE, the undersigned Parties respectfully request that the Commission issue its Order:

(a) Approving all of the specific terms and conditions of this Unanimous Stipulation and Agreement as a resolution of all issues in this case;

(b) Authorizing MAWC to acquire the identified assets of Cedar Hill Utility Company, Inc.;

(c) Granting MAWC a certificate of convenience and necessity for Cedar Hill's service area as reflected in Commission Case No. 17,862;

(d) Authorizing MAWC to file an adoption notice for Cedar Hill's tariff;

(e) Authorizing MAWC to enter into, execute and perform in accordance with the terms described in The Contract For Sale of Sanitary Sewer System Assets and its First Amendment and to take any and all other actions which may be reasonably necessary and incidental to the performance of the acquisition; and

(f) Directing Cedar Hill to file a notice in this case notifying the Commission when the transactions contemplated by the subject Joint Application have closed so that the Commission can issue an Order canceling Cedar Hill's certificate of convenience and necessity.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail, on September 9, 2004, to the following:

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