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September 7, 2000

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Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
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Jefferson City, MO 65102

RE: Case No. WR-2000-281

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of **STAFF'S MOTION FOR CLARIFICATION AND FOR EXPEDITED TREATMENT**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Keith R. Krueger
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KRK/dkf
Enclosure
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED

SEP 7 2000

Missouri Public
Service Commission

In the Matter of Missouri-American Water)
Company's Tariff Sheets Designed to)
Implement General Rate Increases for)
Water and Sewer Service Provided to)
Customers in the Missouri Service Area of)
the Company)

Case No. WR-2000-281, et al.

STAFF'S MOTION FOR CLARIFICATION
AND FOR EXPEDITED TREATMENT

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and, for its Motion for Clarification and for Expedited Treatment, states to the Missouri Public Service Commission ("Commission") as follows:

1. The Commission issued its Report and Order in the above-captioned matters on August 31, 2000, to become effective on September 14, 2000 (the "Report and Order"). Ordered Paragraph 6 of the Report and Order provided: "That Missouri-American Water Company is hereby authorized to file proposed tariff sheets in compliance with this Report and Order."

2. Inasmuch as the Staff possesses much of the data that is necessary for the preparation of tariff sheets that comply with the Report and Order, the Staff plans to assist Missouri-American Water Company ("MAWC" or "Company") with the preparation of the tariff sheets. However, in order to prepare the authorized tariff sheets, the Staff believes that it needs clarification from the Commission concerning some aspects of the rate design that the Commission has ordered.

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3. The Staff understands the total additional water revenue requirement of the Company, for all seven districts combined, as established by the Report and Order, to be \$10,230,952. The said sum was determined as follows:

Company filed request	\$16,446,277
Impact of settled and noncontested issues on Company request	<u>3,277,563</u>
Company revised request	\$13,168,714
Adjustments for resolution of contested issues	
Capitalization rate for AFUDC	(180,711)
Capacity of the new St. Joseph Plant	(318,266)
Premature retirement of the old St. Joseph Plant	(346,747)
Accounting authority order	(292,629)
Return on equity, at 10.00%	<u>(1,799,409)</u>
Ordered additional revenue requirement	\$10,230,952

The “additional revenue requirement” shown above is slightly less than the “increased revenue requirement” shown in Paragraph 3 of the Motion for Clarification that the Company filed on September 6, 2000. The apparent reason for this discrepancy is that the Staff’s calculation of the effect of the early retirement issue is slightly different than the Company’s calculation of this effect.

4. The text of the Report and Order, page 58, provides, in part, as follows: “The Commission will move away from STP and toward DSP ... MAWC, therefore, must set its rates separately for each service area in order to recover the appropriate revenue requirement for each service area ... In moving toward DSP, however, the Commission will adhere to the principle that no district will receive a rate decrease.”

5. The Staff's evidence in this case included a rate design proposal that called for DSP, with one significant modification that would shift some of the revenue requirement, as determined under DSP, from MAWC's Brunswick District to MAWC's Joplin District. According to the Staff's evidence, under unmodified DSP, MAWC's Brunswick District would receive a substantial revenue requirement increase, whereas MAWC's Joplin District would experience a revenue requirement decrease of approximately \$880,000. Under the Staff's class rate design proposal, the rates for the Brunswick District would be set equal to the highest rates that would be placed into effect in any of MAWC's other districts if DSP were implemented without modification. Because this limitation on the rates in the Brunswick District would cause MAWC to receive less revenue than its overall revenue requirement, the Staff's rate design proposal also included a provision that the amount of the revenue decrease from the Joplin District be reduced by an amount equal to the decrease in the revenue from the Brunswick District that results from capping the rates for the Brunswick District as described above. The amount of revenue requirement that would be transferred from the Brunswick District to the Joplin District under this proposal is about \$225,000. With this modification to DSP, the Joplin District would experience a revenue requirement decrease of approximately \$655,000 under the Staff's proposal for modified DSP.

6. The Staff filed in this case a class cost of service study, which incorporated the provisions and assumptions underlying the transfer of a portion of the Brunswick District's revenue requirement to the Joplin District, as described in Paragraph 5 hereof.

7. Page 61 of the Report and Order provides, in part, as follows: "Having considered the evidence and the arguments of the parties, the Commission concludes that Staff's class cost of service study, developed using the BXC method, is the appropriate method by which to allocate

costs among customer classes in each district and to design rates by which to recover appropriate revenues within each district.”

8. The provision quoted in Paragraph 7 hereof does not specifically mention the Staff’s proposal to transfer a portion of the Brunswick District’s revenue requirement to the Joplin District. It does, however, include the provision that the Staff’s class cost of service study (which does include, as an essential element, the transfer of a portion of the Brunswick District’s revenue requirement to the Joplin District) “is the appropriate method by which to allocate costs ...”.

9. The Staff is not certain whether the Commission has approved the transfer of a portion of the Brunswick District’s revenue requirement to the Joplin District, and the Staff therefore requests that the Commission clarify the Report and Order in this regard.

10. Because the Commission ordered that “no district will receive a rate decrease,” the customers in the Joplin District will be required to pay either about \$880,000 more than would be required (under unmodified DSP), or about \$655,000 more than would be required (under DSP as modified), under the Staff’s proposal. The Staff is inquiring whether this sum of about \$880,000, or of about \$655,000, as the case may be, should be offset against the rate increases that would otherwise occur in some or all of MAWC’s other six districts under DSP or under modified DSP.

11. The Staff is not certain if and/or how the Commission desires to spread this offset among MAWC’s other six districts, and the Staff therefore requests that the Commission clarify the Report and Order in this regard.

12. The Staff desires to assist the Commission in resolving this issue, and would like to provide various scenarios showing how this offset might be distributed among the other six

districts. However, because the specific rate design chosen by the Commission (i.e., DSP, but no rate decrease for the Joplin District) was not presented by any of the parties, the record does not contain specific evidence relating to this option and the Staff is therefore unable to provide various scenarios. One possible method of spreading this offset would be as follows:

- a. First, determine the DSP revenue requirement for each of the seven districts.
- b. Second, decrease the revenue requirement for the Brunswick District and increase the revenue requirement for the Joplin District by a corresponding amount, as required to effect the transfer of a portion of the Brunswick District's revenue requirement to the Joplin District as discussed above, if that is ordered.
- c. Third, increase the revenue requirement for the Joplin District as necessary, so that the Joplin District will not receive a rate decrease.
- d. Fourth, spread the amount determined in Step c, above, among the other six districts by reducing the overall DSP revenue requirement of each district (or, in the case of the Brunswick District, the DSP requirement after transferring a portion of the Brunswick District's revenue requirement to the Joplin District, if applicable) by the same percentage.
- e. Fifth, allocate the resulting revenue requirement of each district among the classes of that district by implementing the Staff's class cost of service study.

There are other possible scenarios. However neither the foregoing scenario nor any of the other possible scenarios are in the record in this case.

13. As noted above, the Report and Order concluded that "Staff's class cost of service study ... is the appropriate method by which to allocate costs among customer classes in each district ...". However, the Staff's class cost of service study does not include any provision for allocating the abovementioned revenue decrease of either about \$880,000 or about \$655,000 among the customer classes in the Joplin District, while adhering to the principle of no decrease to any district.

14. The Staff is therefore not certain how the Commission desires to allocate the said sums among the customer classes in the Joplin District, and requests that the Commission clarify the Report and Order in this regard.

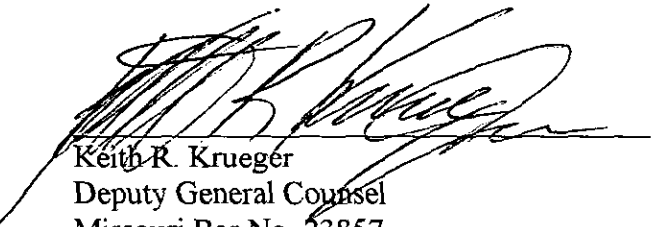
15. MAWC has informed the Staff that it wants to file tariffs by Friday, September 8, 2000, in order to give other parties a chance to review these tariffs prior to the proposed effective date of September 14, 2000. The Company cannot file valid tariffs without the requested clarifications. The Staff therefore requests that the Commission grant its motion for expedited treatment and issue an order for clarification.

16. The Staff is transmitting a copy of this Motion for Clarification to all other parties by e-mail today, in addition to sending hard copies to all parties, in order to give all parties an opportunity to review this motion. The Staff requests that the Commission give all of the other parties the opportunity to respond to this motion, either by filing written responses or by personal appearance before the Commission.

WHEREFORE, the Staff prays that the Commission issue its order granting the Staff's motion for expedited treatment and clarifying the Report and Order as to the foregoing issues.

Respectfully submitted,

DANA K. JOYCE
General Counsel

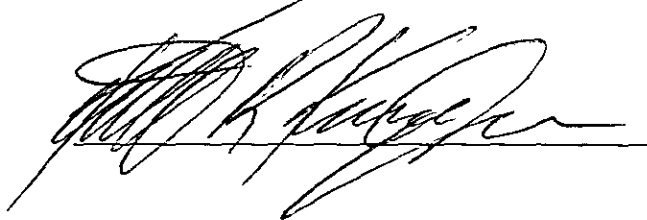


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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 7th day of September 2000.



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Case No. WR-2000-281, et al.
September 7, 2000**

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