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November 24, 1999

FEDERAL EXPRESS

Mr. Dale H. Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
301 West High R530
Jefferson City, Missouri 65102

FILED

NOV 29 1999

Missouri Public
Service Commission

Re: **Missouri-American Water Company**
Missouri PSC Case No. WR-2000-281 et al.

Dear Mr. Roberts:

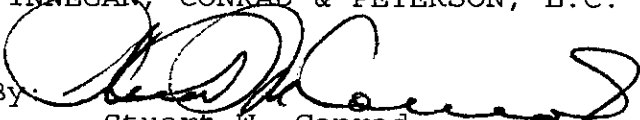
Enclosed are the original and fourteen (14) conformed copies of SUGGESTIONS IN OPPOSITION, which please file in the above matter and call to the attention of the Commission.

An additional copy of the INITIAL PAGE of the material to be filed is enclosed, which kindly mark as received and return to me in the enclosed envelope as proof of filing.

Thank you for your attention to this important matter. If you have any questions, please call.

Sincerely yours,

FINNEGAN, CONRAD & PETERSON, L.C.

By: 
Stuart W. Conrad

SWC:s
Enclosures
cc: All Parties

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STATE OF MISSOURI
MISSOURI PUBLIC SERVICE COMMISSION

NOV 29 1999

Missouri Public
Service Commission

In the Matter of Missouri-American)
Water Company's Tariff Sheets De-)
signed to Implement General Rate)
Increases for Water and Sewer Ser-)
vice provided to Customers in the)
Missouri Service Area of the Compa-)
ny)

WR-2000-281
SR-2000-282
(Consolidated)

SUGGESTIONS IN OPPOSITION TO MISSOURI-AMERICAN'S:

1. RECOMMENDATION CONCERNING PROPER TEST YEAR;
2. MOTION FOR TRUE-UP AUDIT AND HEARING; AND
3. MOTION FOR ACCOUNTING AUTHORITY ORDER

COME NOW AG PROCESSING INC, A COOPERATIVE ("AGP"),
FRISKIES PETCARE, A DIVISION OF NESTLE USA ("Friskies") and WIRE
ROPE CORPORATION OF AMERICA INC. ("Wire Rope") and for their
suggestions in opposition to Missouri-American Water Company's
("MAWC" or "Company") Recommendation Concerning Proper Test Year;
Motion for True-up Audit and Hearing; and Motion for Accounting
Authority Order state as follows:

1. On November 19, 1999, MAWC concurrently filed
three motions designated as: Recommendation Concerning Proper
Test Year; Motion for True-up Audit and Hearing; and Motion for
Accounting Authority Order, hereinafter sometimes referred to
collectively as the Motions.
2. While Intervenorors have no objection to a test year
for a period ended September 30, 1999, with adjustments for known
and measurable changes for a **reasonable** period thereafter, it is
clear from a review of all such Motions together that MAWC is

seeking to abuse the regulatory system by prematurely filing a rate case with a test period that does not include the most significant reason for the requested massive increase, the still under construction St. Joseph water treatment plant. With full knowledge that the ultra costly St. Joseph water treatment plant will not be included in rate base until some 4½ months before the operation of law date in the case it filed, MAWC, in the guise of a true-up audit, is attempting to glean every dollar possible from its ratepayers in the shortest time possible. Instead of waiting until it could present a test year with the St. Joseph plant included, MAWC, is requesting that the Commission grant it a true-up audit and hearing for a period of 7 months beyond the original requested test year, because its new treatment plant will not be brought on line until April 2000. In other words, what MAWC proposes is not really a true-up audit but rather a second rate case within the initial rate case. Furthermore, so as not to leave anything on the table for the ratepayers at all, MAWC also has the chutzpa to ask for an Accounting Authority Order ("AAO") to allow it to continue to capitalize AFUDC on the St. Joseph plant, contrary to the Uniform Systems of Accounts, for the 4½ months that the plant is expected to be in service prior to the time MAWC receives rate relief.

3. In its Recommendation Concerning Proper Test Year, MAWC proposed a test year consisting of the twelve months ended September 30, 1999, updated for certain specified isolated known

and measurable changes, despite the fact that the test year does not include the St. Joseph water treatment plant.

4. In its Motion for True-up Audit and Hearing, MAWC, in addition to the above proposal, requested that the Commission order a true-up audit and hearing in this case for a period of 7 months beyond the test year for the purpose of recognizing in MAWC's revenue requirement and rates, certain revenues, expenses and investments, as well as certain additional isolated items that will be known and measurable as of April 30, 2000, chief among which, of course, is the \$75 million St. Joseph water treatment plant.

5. In its Motion for Accounting Authority Order, MAWC is seeking an AAO to allow it to capitalize AFUDC **after** the time that the plant is placed in service but **before** the time rate relief is expected to be granted contrary to the Uniform System of Accounts and generally accepted accounting principles so that it does not miss the opportunity to earn on the plant from the instant it is placed in service.

6. Intervenors do not object to the recommended test year of September 30, 1999 updated for a reasonable period for **all** known and measurable changes and not just the few changes suggested by MAWC.

7. Intervenors do, however, strenuously object to the motion for true-up audit and hearing for a period of 7 months beyond the recommended test year. MAWC's request goes beyond

"pushing the envelope," it leaves that envelope in tatters. What MAWC is requesting is not merely a true-up audit, but actually two rate case in one. First, there would need to be a rate case based on the September 30, 1999 test year on which hearings have been scheduled for June 5-9, 2000. Inasmuch as the St. Joseph plant is **not** included in the September 30, 1999 test year, this would likely be a relatively small rate case. Second, there would need to be a second rate case for the St. Joseph plant, after the books for April 2000 are closed and for which the Staff would only have a very short time to perform an audit by the end of May 2000, with additional hearings to be scheduled for late June, 2000, or just 2½ months before the operation of law date. Even though time will be substantially truncated for performing the second audit, for propounding discovery requests and obtaining responses to discovery and for preparing testimony for such second rate case, while at the same time preparing for and participating in the hearings on the initial rate case, it is in the second rate case that the big dollar item driving the massive proposed rate increase, the St. Joseph plant, will admittedly be considered. MAWC's proposal is completely unreasonable and unworkable and it would put all other parties to the proceeding at a tremendous disadvantage and would deprive them of due process. **The Commission should not fall into this trap.**

8. It is Intervenor's position that if MAWC wants to have two rate cases, it should file two rate cases and not go

through the subterfuge of a rate case and a alleged true-up audit. The Commission should deny MAWC's request for a true-up audit, and process the rate case MAWC has filed on the September 30, 1999 test year with a reasonable known and measurable changes period. MAWC could then file its second rate case at a time when it can utilize a test year which includes the St. Joseph plant in rate base and all the parties would have an adequate time to prepare without being denied due process. Alternatively, MAWC could dismiss this case or agree to extend the operation of law date by 7 months so that the parties have an adequate time to prepare for the real meat of the case, the inclusion of the St. Joseph treatment plant in rate base and allay the need for hearings on the initial rate case in early June and hearings again in late June without adequate time to prepare for same. The ball is in MAWC's court. This is not a Commission problem. This should not be a problem for all the parties, including Staff of which MAWC is asking to perform two audits.

9. A premature rate case filing is not unheard of in Missouri. In the 1980s Kansas City Power & Light was so eager to include the Wolf Creek nuclear station in its rate base that it prematurely filed the Wolf Creek rate case. In those days, the "known and measurable" period was **properly** used to adjust for something like postage rate increases, new labor contracts or tax increases that were implemented just outside the end of the test year and **that the utility could not reasonably have anticipated**

at the time it filed the rate case. KCPL would have been laughed out of the hearing room to argue that Wolf Creek should be allowed in under a "known and measurable" standard as some sort of a "true up" item. KCPL was required to refile its rate case at a later time and even then had to agree to extend the operation of law date to accommodate sufficient time for a full-blown Staff (and intervenor) audit of the Wolf Creek.

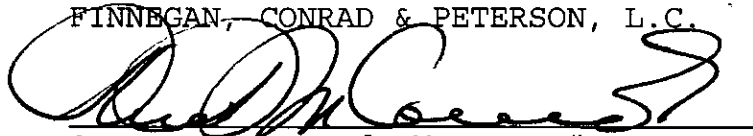
10. This filing should not be accorded different treatment. While not in dollars the size of the Wolf Creek or Callaway nuclear generating stations, the St. Joseph plant addition has been rightly characterized as the "Callaway" of the water utilities. It is inherently unreasonable to attempt to handle a plant addition of this magnitude as a "true up" item.

11. Intervenors also strenuously object to the granting of MAWC's motion for AAO. If the Uniform Systems of Accounts are to have any meaning, they should not be subverted every time a utility seeks to squeeze every cent out of its ratepayers. In its motion, MAWC claims that the AAO "will be in the best interest of both MAWC and its customers" yet MAWC states no reason why it will be in the best interest of its customers. While it is clearly in MAWC's best interest not to be bound by the Uniform System of Accounts on this matter, from the customers standpoint granting the AAO only means that its customers will pay higher rates.

WHEREFORE for the foregoing reasons, Intervenor advise the Commission that they have no objection to the use of a September 30, 1999 test year adjusted for all known and measurable items within a reasonable time thereafter, however, Intervenor strenuously object to and request that the Commission deny MAWC's motions for a true-up audit and hearing and for an accounting authority order.

Respectfully submitted,

FINNEGAN, CONRAD & PETERSON, L.C.



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ATTORNEYS FOR AG PROCESSING INC.,
FRISKIES PETCARE, A DIVISION OF
NESTLE USA and WIRE ROPE CORPORATION
OF AMERICA, INC.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing Application to Intervene by U.S. mail, postage prepaid addressed to the following persons:

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Dated: November 24, 1999



Stuart W. Conrad