

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

In the Matter of the Joint Application of)	
Missouri-American Water Company and both)	
Osage Water Company and Environmental)	
Utilities, L.L.C. for Authority for Missouri-)	
American Water Company to acquire the water)	Case No. WO-2005-0086
and sewer assets of both entities, and for the)	Case No. SO-2005-0087
transfer to Missouri-American Water Company of)	
Certificates of Convenience and Necessity to)	
continue operation of such assets as Water and)	
Sewer Corporations regulated by the Missouri)	
Public Service Commission.)	

RESPONSE TO FILINGS OF THE STAFF

COMES NOW Missouri-American Water Company (MAWC or the Company), and, in response to the rate filings of the Missouri Public Service Commission (Commission) Staff (Staff), states as follows:

1. On January 25, 2005, the Commission issued its *Order Adding Party and Directing Filing*. The Order, among other things, directed Osage Water Company and Environmental Utilities, LLC to provide small company rate case information. The Staff was then directed to proceed with an audit and evaluation of this information and to file the results in this case.
2. The Staff subsequently filed its *Response to Order Adding Party and Directing Filing* on February 18, 2005, its *Supplemental Response to Order Adding Party and Directing Filing* on February 25, 2005, and its *Staff Reconciliation Relating to the Post-Sale Ratemaking Rate Base Value Attributable to Facilities Currently Owned/Leased/Used by Osage Water Company and Environmental Utilities* on March 4, 2005.
3. The Commission's Order Directing Response, issued February 28, 2005, directed that

MAWC file a response to the Staff pleadings no later than March 11, 2005.

4. As stated in MAWC's Notice Regarding Cedar Glen Sewer, which was filed with the Commission on March 9, 2005, MAWC does not have a contract to purchase the Cedar Glen sewer assets and is not interested in amending its original application to include entering into a contract to acquire the assets known as the "Cedar Glen Sanitary Sewer" system.

5. Accordingly, MAWC's response will relate only to the rates applicable to the assets that are the subject of the Joint Application in this case.

6. MAWC's analysis indicates that an overall rate increase of 44.75% should be reflected in the tariffs for the Osage Water and Environmental Utilities service areas, if MAWC were to purchase the subject assets. Marked Appendix A, and attached hereto, are spreadsheets representing MAWC's calculations of this increase amount.

7. The primary differences between Staff's and MAWC's analysis are as follows:

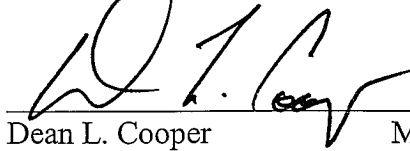
- a) Labor - MAWC's numbers are based on the actual wages paid to employees in this area that have the necessary qualifications to perform water and wastewater work;
- b) Telephone - MAWC's number is higher due to the necessary installation of telemetry to monitor the Osage systems from Jefferson City; and,
- c) Water/Effluent testing - Staff did not include any expenses for this item. MAWC will require supplies to perform the tests.

8. Additionally, MAWC notes that the Staff scenario does not include a process for addressing the substantial capital improvements that would be required during the first year to both comply with state and federal statutes and regulations and to provide high quality service to the

customers.

WHEREFORE, MAWC respectfully requests that the Commission consider this response.

Respectfully submitted,



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ATTORNEYS FOR
MISSOURI-AMERICAN WATER COMPANY

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by U.S. Mail, postage prepaid, or electronic mail, on March 11, 2005, to the following:

Cliff Snodgrass
Office of the General Counsel
Governor Office Building, 8th Floor
Jefferson City, Mo 65101

Ruth O'Neill
Office of the Public Counsel
Governor Office Building, 6th Floor
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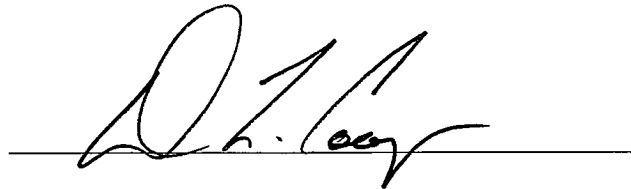
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**Osage Water Company & Environmental Utilities
Rate-making Income Statement - Combined COS**

Without Cedar Glen	MAWC W/O
Revenue at Current Rates	\$ 172,542

Cost of Service		Amount	
Item			
1 Salaries - O & M		\$ 47,087	Salary based on similar salary paid to existing Jefferson City employees
2 Salaries - Supervision		\$ -	
3 Salaries - Secretary		\$ -	
4 Payroll Taxes		\$ 3,873	
5 Employee Pension & Benefits		\$ 10,482	
6 Transportation Expense		\$ 8,730	
7 Accounting (customer)		\$ 4,524	100 miles/day for 5 days per week @ \$.295/mile plus bridge crossing fee \$1/month/customer
8 Legal		\$ -	
9 Insurance		\$ 2,899	Average cost per customer
10 Telephone - Telemetry		\$ 1,980	Telemetry to monitor system
11 Rents & Utilities		\$ -	
12 Water/Effluent Testing		\$ 3,020	Costs for materials and supplies to perform tests
13 Materials & Supplies		\$ 4,479	Same as allowed for OWC/EU (test year annualized)
14 Electric Expense		\$ 16,846	Most recent electric bills
15 PSC Assessment		\$ 7,207	Same as allowed for OWC/EU (test year annualized)
16 DNR Fees		\$ 3,950	Same as allowed for OWC/EU (test year annualized)
17 Hancock Debenture Payment		\$ -	
18 Sludge Removal		\$ 2,760	Estimate based on similar systems
19 Miscellaneous Expense		\$ 2,600	
20 Taxes Other Than Income Taxes		\$ -	
21 Outside Services/Contracts		\$ -	
22 Equipment Rental		\$ -	
23 System Repairs		\$ 5,635	Same as allowed for OWC/EU (test year annualized)
24 Bank Service Charges		\$ -	
25 System Operating Expenses		\$ -	
26 Chemicals		\$ -	
27 Sales Tax (water sales only)		\$ 1,200	Addition of chlorine and fluoride
28 Sub-Total		\$ 127,271	
29 Property Tax		\$ 9,583	Based on assessed value
30 Sub-Total		\$ 136,855	
31 Depreciation Expense		\$ 22,052	
32 Sub-Total		\$ 158,907	
33 Long-Term Debt (interest expense)		\$ 29,847	
34 Return on Rate Base (equity)		\$ 37,748	
35 Sub-Total		\$ 226,502	
36 Income Taxes		\$ 23,256	
37 Total Cost of Service		\$ 249,758	
38 Overall Revenue Change Needed		\$ 77,216	
39 Percent Revenue Change		44.75%	

**Osage Water Company & Environmental Utilities
Annualized Operating Revenues at OWC Rates**

Sewer Rate Revenues

System	Customers	Revenues
KK	35	\$ 10,513
F-12	26	\$ 7,809
SB-5	79	\$ 23,728
Cedar Glen	0	\$ -
TOTALS	140	\$ 42,050

Sewer Legal Fee Revenues

System	Customers	Revenues
KK	35	\$ 420
F-12	26	\$ 312
SB-5	79	\$ 948
Cedar Glen	0	\$ -
TOTALS	140	\$ 1,680

Total Sewer Revenues	\$ 43,730
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Water Rate Revenues

System	Metered Customers	Non-Metered Customers	Total Customers	Mo. Min. Revenue	Commodity Revenue	Total Revenue
Super 8	1	0	1	\$ 184	\$ 4,968	\$ 5,152
F-12	29	0	29	\$ 5,345	\$ 2,928	\$ 8,273
SB-5	14	64	78	\$ 14,377	\$ 5,025	\$ 19,402
OBN	24	0	24	\$ 4,424	\$ 35,175	\$ 39,599
OBS	3	0	3	\$ 553	\$ 812	\$ 1,365
KK	20	15	35	\$ 6,451	\$ 2,585	\$ 9,036
Cedar Glen	165	42	207	\$ 38,154	\$ 3,306	\$ 41,460
TOTALS	256	121	377	\$ 69,489	\$ 54,799	\$ 124,288

Note: Commodity revenues include estimated revenues for non-metered customers.

Water Legal Fee Revenues

System	Customers	Revenues
Super 8	1	\$ 12
F-12	29	\$ 348
SB-5	78	\$ 936
OBN	24	\$ 288
OBS	3	\$ 36
KK	35	\$ 420
Cedar Glen	207	\$ 2,484
TOTALS	377	\$ 4,524

Total Water Revenues	\$ 128,812
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Total Operating Revenues

System	Sewer	Water	Total
Super 8	\$ -	\$ 5,164	\$ 5,164
F-12	\$ 8,121	\$ 8,621	\$ 16,743
SB-5	\$ 24,676	\$ 20,338	\$ 45,015
OBN	\$ -	\$ 39,887	\$ 39,887
OBS	\$ -	\$ 1,401	\$ 1,401
KK	\$ 10,933	\$ 9,456	\$ 20,389
Cedar Glen	\$ -	\$ 43,944	\$ 43,944
TOTALS	\$ 43,730	\$ 128,812	\$ 172,542