BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Missouri-American Water Company for Authority (1) Issue up to $200,000,000 of Unsecured Long-Term Debt and (2) to Issue and sell Additional Common Stock to, or Receive Additional Paid-in Capital from Its Parent Company in an Aggregate Amount up to $105,000,000	)))) Case No. WF-2007-0279)))

MOTION TO REOPEN CASE AND FOR SUPPLEMENTAL ORDER

COMES NOW Missouri-American Water Company (hereinafter "Applicant") and for its motion to the Missouri Public Service Commission ("hereinafter "Commission") for a supplemental order concerning its April 5, 2007 Order Granting Financing Application, states the following:

1. On January 24, 2007, Applicant filed an Application with the Commission seeking certain financing approvals, including the ability to issue unsecured long-term debt payable to an affiliate, American Water Capital Corp. ("AWCC"). On April 5, 2007, the Commission issued its Order Granting Financing Application (the "Order") pursuant to which the Commission granted the authority requested subject to certain conditions. Thereafter, on May 30, 2007, the Commission closed the case.

2. With respect to the issuance of new long-term unsecured debt, the authorized interest cost was capped by the Commission at 2.00 percentage points (200 basis points) above the yield on U.S. Government Treasury Bonds having similar terms of maturity. *See*, ¶ Ordered: 2.

3. Applicant anticipates that it will issue additional unsecured indebtedness under the authority granted by the Commission by no later than September 30, 2008; however, the interest rate cap described in paragraph 2 above has become an obstacle to doing so because of current market conditions. On March 29, 2007, AWCC issued twelve- and fifteen-year notes through a private placement that were 1.10 percentage points (110 basis points) and 1.25 percentage points (125 basis points), respectively, above the then-current ten-year U.S. Treasury rate. At that time, issuing debt securities at an interest rate at or below the cap authorized by the Commission was achievable. However, AWCC's recent negotiations with banks interested in purchasing AWCC notes have indicated interest rates on ten- and fifteen-year notes that are 2.80 percentage points (280 basis points) and 3.10 percentage points (310 basis points), respectively, above the then-current ten-year U.S. Treasury note rate. Thus, the increase in the spread to AWCC for the 10-year note from March 2007 to April 2008 is 170 basis points. The increase in the spread to AWCC for the 15-year note over the same time period is 185 basis points. The following Table illustrates how these spreads have increased:

	Date	Term	10-Year U.S. Treasury Yield (%)	Interest Rate (%)	Spread
Private Placement 2007					
5.62% Series E	3/29/2007	12 Yr	4.52	5.62	**1.10**
5.77% Series F	3/29/2007	15 Yr	4.52	5.77	**1.25**
Private Placement 2008					
6.25% Series due 2018	5/15/2008	10 Yr	3.45	6.25	**2.80**
6.55% Series due 2023	5/15/2008	15 Yr	3.45	6.55	**3.10**

The rates quoted to AWCC in April 2008 are a function of changes that have occurred in the credit markets since March 2007. The extent to which market conditions have changed since the Order was entered in this proceeding is illustrated by the increase in the spreads that have occurred between the yield on 10-year U.S. Treasury Bonds and the yields on a composite of A rated and BBB rated 10-year U.S. corporate bonds. As shown in the following table, the spreads for the composite A rated and BBB rated 10-year U.S. corporate bonds above the 10-year U.S. Treasury Bond increased by 130 and 164 basis points, respectively, from March 8, 2007 to April 10, 2008:

Date	10-Year U.S. Treasury Yield (%)	A rated 10-Year U.S. Composite (%)	Spread to 10-Year U.S. Treasury (%)	BBB rated 10-Year U.S. Composite (%)	Spread to 10-Year U.S. Treasury (%)
03/08/07	4.51	5.41	0.90	5.71	1.20
04/10/08	3.54	5.74	2.20	6.38	2.84
Increase in Spread to U.S. Treasuries			1.30		1.64

Source: Bloomberg

The credit spread over U.S. Treasuries has widened significantly since March 2007, due primarily to the crisis in the credit markets nationwide. Thus, Applicant is not currently able to issue new long-term unsecured debt at an interest rate that is at or below 2.00 percentage points (200 basis points) above the yield on a U.S. Treasury Bond possessing a similar term to maturity.

4. Applicant proposes to issue up to and including $97 million of additional long-term indebtedness payable to AWCC under the authority granted to

it by virtue of the Commission's Order. Because of the circumstances described in paragraph 3 above, Applicant submits that there is good cause for the Commission to grant Applicant more flexibility by increasing the interest rate cap limitation from 2.00 percentage points (200 basis points) to 3.25 percentage points (325 basis points) above the yield on U.S. Government Treasury Bonds having similar terms to maturity. This increased cap limitation will ensure that Applicant has the ability to obtain long-term unsecured debt financing through AWCC.

WHEREFORE, for good cause shown, Applicant requests that (1) the case be reopened and (2) the Commission issue a supplemental order modifying its April 5, 2007, Order to authorize Applicant to issue new long-term unsecured indebtedness payable to AWCC at an interest rate, including any applicable spreads/discounts, that shall not exceed 3.25 percentage points (325 basis points) above the yield on U.S. Government Treasury Bonds having similar terms to maturity as published in *The Wall Street Journal* on the date prior to the date on which the terms and conditions of the indebtedness shall be determined.

Respectfully submitted,

BRYDON, SWEARENGEN & ENGLAND

By: /s/ Paul A. Boudreau

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ATTORNEYS FOR APPLICANT MISSOURI-AMERICAN WATER COMPANY

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was electronically transmitted, sent by U.S. Mail, postage prepaid, or hand-delivered, on this 23rd day of May, 2008, to:

Missouri Public Service Commission
General Counsel's Office
Governor Office Building
200 Madison Street, P.O Box 360
Jefferson City, MO 65102

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/s/ Paul A. Boudreau
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