

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

In the Matter of Missouri-American Water)	
Company's Request for Authority to Implement)	Case No. WR-2011-0337
A General Rate Increase for Water and Sewer)	SR-2011-0338
Service Provided in Missouri Service Areas.)	

MAWC REPLY CONCERNING TRUE-UP DATE

Comes now Missouri-American Water Company (MAWC or Company), and, in reply to Staff's Response to Motion for True-Up Date and The Office of the Public Counsel's Response to Missouri-American's Motion for True-Up Date, states as follows to the Missouri Public Service Commission (Commission):

1. On July 26, 2011, MAWC filed its Motion for True-Up Date. Therein, MAWC requested that the Commission issue its order adopting a test year for use in this case comprised of the twelve months ended December 31, 2010, including known and measurable changes, as trued-up through December 31, 2011. MAWC's request included a list of items of revenue, expense and investment, which the Company proposed to true-up for its existing properties, and any properties acquired prior to the conclusion of the true-up period.

2. No party objected to the identified test year and, on August 8, 2011, the Commission issued its Order Establishing Test Year as the twelve month period ending December 31, 2010.

3. The Staff of the Commission (Staff) and the Office of the Public Counsel (OPC) both filed pleadings in regard to MAWC's Motion for True-Up Date. Staff filed its Response to Motion for True-Up Date on August 5, 2011 (Staff Response). Public Counsel filed its Response to Missouri-American's Motion for True-Up Date on August 4, 2011 (OPC Response).

REPLY TO STAFF'S RESPONSE TO MOTION FOR TRUE-UP DATE

4. The Staff Response indicates that with the true-up schedule that has been proposed by the parties, and adopted by the Commission, Staff does not object to the December 31, 2011 true-up date.¹

5. Staff's non-objection is partially premised on the use of its list of true-up items. This list is largely similar to that proposed by MAWC. However, there are some items proposed by MAWC that have been deleted by the Staff. MAWC has discussed these deletions with Staff and, as a result, believes that some clarification of items and additions to the list are acceptable to Staff.

6. MAWC's request sought to true-up the number of active meters on its system as a way to obtain current customer numbers. It is MAWC's understanding that Staff's use of the term "Customer Growth" in its list of items is intended to refer to the same adjustment and that the terms "customers" and "meters" could be used interchangeably. Further, it is MAWC's understanding that Staff's use of the term "Customer Growth" refers to all changes in customer count (whether they be increases or decreases).

7. Lastly, it is MAWC's understanding that Staff has agreed that the following items should be added to its list of acceptable true-up items:

- Tank Painting Expense
- Support Services Expense (labor only)
- Platte County Waste Treatment Contract
- Fuel and Power Expenses
- Chemical Expense (will reflect true-up volumes of water sold, pricing will remain the same)

¹ This further assumes that MAWC will close its 2011 books on or about January 23, 2012, as MAWC expects.

- Purchased Water Expense (will reflect true-up volumes of water sold, pricing will remain the same)

**REPLY TO OPC’S RESPONSE TO
MISSOURI-AMERICAN’S MOTION FOR TRUE-UP DATE**

8. The OPC Response opposes the use of a December 31, 2011 true-up date for a variety of reasons: 1) OPC believes there is not enough time to audit the MAWC books and records; and, 2) OPC does not believe that MAWC can close its books by January 23, 2012. Instead, OPC suggests that a true-up date of October 31, 2011 would be appropriate.

9. OPC’s suggestion should not be followed for a variety of reasons. First, the party with the most responsibility for the audit of the Company’s books – the Staff – has indicated that it has no objection to the December 31, 2011 true-up date. Provided the Company’s books and records are available on or about January 23, 2012, and Staff’s list of items is used, Staff is prepared to move forward with the date proposed by MAWC.

10. Second, the date proposed by MAWC is approximately five months prior to the operation of law date associated with MAWC’s tariff filing. That relationship of true-up to operation of law date is very similar to the relationships found in MAWC’s last several rate cases (WR-2000-281, WR-2003-0500, WR-2007-0216, WR-2008-0311 and WR-2010-0131). A table comparing the period from true-up to operation of law in those causes follows:

Case	True-Up	Operation of Law Date	Days from True-Up to Operation of Law Date
WR-2000-281	April 30, 2000	September 14, 2000	137
WR-2003-0500	November 30, 2003	April 16, 2004	137
WR-2007-0216	May 31, 2007	November 14, 2007	167
WR-2008-0311	September 30, 2008	February 28, 2009	151
WR-2010-0131	April 30, 2010	September 29, 2010	152
WR-2011-0337	December 31, 2011 (Proposed)	May 27, 2012	147

MAWC is not pushing the envelope with its request, but rather remaining consistent with true-up periods ordered or utilized in a series of cases over the last decade.

11. Lastly, the consequence of not utilizing the December 31, 2011 true-up date would be to ignore a significant amount of investment in projects that will be put into service by MAWC. MAWC estimates that it will have approximately \$26.5 million (approximately \$23 million, net of contributions) of investment in projects that will be completed and placed in service from October 31, 2011 and December 31, 2011. This includes the Company's \$10.7 million investment to construct and put into operation new water intake valves in the Jefferson City area. Those intake valves are expected to be placed into service during December 2011.

12. In *In re Kansas City Power & Light Company*, 26 Mo.P.S.C.(N.S.) 104, 110 (1983), the Commission described the test year as follows:

The purpose of using a test year is to create or construct a reasonable expected level of earnings, expenses and investments during the future period in which the rates, to be determined herein, will be in effect. All of the aspects of the test year operations may be adjusted upward or downward to exclude unusual or unreasonable items, or include unusual items, by amortization or otherwise, in order to arrive at a proper allowable level of all of the elements of the Company's operations. *The Commission has generally attempted to establish those levels at a time as close as possible to the period when the rates in question will be in effect.*

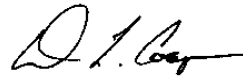
(emphasis added).

13. Without the requested true-up period, the Commission would ignore a significant amount of known investment. Such a situation would not result in the examination of a "reasonable expected level of earnings, expenses and investments" "at a time as close as possible to the period when the rates in question will be in effect." Accordingly, the Company would be denied an opportunity to earn the authorized rate of return which the Commission determines is appropriate in

this proceeding.

WHEREFORE, MAWC respectfully requests the Commission to issue its order adopting a test year for use in this case comprised of the twelve months ended December 31, 2010, including known and measurable changes, as trued-up through December 31, 2011.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 12th day of August, 2011, to:

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