

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

In the Matter of the General Rate Increase)	
for Water and Sewer Service Provided)	Case No. WR-2003-0500,
by Missouri-American Water Company.)	Lead case
Staff of the Missouri Public Service)	
Commission,)	
)	
Complainant,)	
)	
v.)	Case No. WC-2004-0168
)	
Missouri-American Water Company,)	
)	
Respondent.)	

RESPONSE TO ORDER DIRECTING FILING

COMES NOW Missouri-American Water Company (“MAWC” or “Company”), and states the following to the Missouri Public Service Commission (“Commission”) as MAWC’s Response to Order Directing Filing:

1. On March 19, 2004, the Commission conducted an on-the-record presentation concerning the stipulations and agreements that have been filed in this case.

2. On March 22, 2004, the Commission issued its Order Directing Filing (the “Order”).

The Order stated, in part, as follows as to the on-the-record presentation:

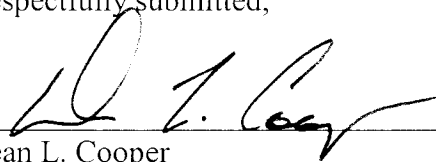
At the hearing, counsel for Missouri-American Water Company stated that the Company’s adoption for settlement purposes of Staff proposed treatment of depreciation and net salvage would result in improved cash flow. The Company will file a pleading providing a more detailed explanation of this statement, including a comparison of projected figures to test year figures.

3. MAWC must first state that its counsel's comments were intended to convey that MAWC believes it has given up cash flow in exchange "for earnings," and not to imply that cash flow will be increased. If anything, the Stipulation and Agreement, because it calls for a small rate decrease, decreases cash flow. MAWC has agreed to this result, in part, because the stipulation, as structured, will improve MAWC's earnings before income taxes. This results from the fact that the stipulation calls for MAWC to adopt the Staff's depreciation rates. The Staff depreciation rates represent a reduction in MAWC's annual depreciation expenses (all other things remaining constant) as opposed to the existing depreciation rates.

4. Lastly, it may be important to note that while Staff's depreciation rates do vary from MAWC's existing depreciation rates in part because of Staff's treatment of net salvage, they also vary because of the use of different service lives and the elimination of amortizations of reserve deficiencies.

WHEREFORE, MAWC respectfully requests that the Commission consider its response to Order Directing Filing contained herein.

Respectfully submitted,



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Certificate of Service

I hereby certify that a true and correct copy of the above and foregoing document was sent by U.S. Mail, postage prepaid, or electronic mail on this 27th day of March, 2004, to the following:

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