

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY
September 27, 2001**

CASE NO: WM-2001-309

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Enclosed find certified copy of an ORDER in the above-numbered case(s).

Sincerely,



**Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge**

At a Session of the Public Service Commission held at its office in Jefferson City on the 27th day of September, 2001.

Case No. WM-2001-309

On November 14, 2000, St. Louis County Water Company d/b/a Missouri-American Water Company (County Water) and Jefferson City Water Works Company d/b/a Missouri-American Water Company (Jefferson City Water) filed an application

requesting approval to merge with and into Missouri-American Water Company (Missouri-American). On September 7, 2001, the parties to this case filed a Stipulation and Agreement. Although one party, the Missouri Energy Group, did not join in the Stipulation and Agreement, it did not request a hearing and the Commission will treat the stipulation as unanimous pursuant to 4 CSR 240-2.115.

The parties recommend that the Commission approve the merger, subject to certain conditions. The conditions fall into six categories: A) customer service; B) water quality; C) surveillance reporting; D) billing information; E) accounting and allocation information; and F) capital investment. The provisions are summarized as follows:

A. The agreement states that American Water Works (the parent of the applicants) is in the process of opening a new call center in Alton, Illinois, and provides that Missouri-American will notify the Staff and Public Counsel 30 days before each of Missouri-American's operating districts and customers are moved to the new call center. It also provides that Missouri-American will notify affected customers with an on-bill message for three months after the customer call center conversions, and will place an advertisement in a local newspaper in each district immediately prior to the conversion. It also provides that Missouri-American will track call center performance data and provide quarterly and yearly reports on the performance.

B. The agreement provides that Missouri-American will continue to soften water to maintain an agreed-upon range of water hardness levels for the identified districts that currently soften water. These agreed-upon levels are to be in effect for two years. In addition, Missouri-American will investigate the use of chloramines in all districts.

C. The agreement provides that Missouri-American will provide monthly surveillance reports on an ongoing basis.

D. The agreement provides that, in addition to the information Missouri-American and County Water provide pursuant to agreements reached in Case Nos. WR-2000-281 and WR-2000-844, Missouri-American will collect data for the Jefferson City Water properties. The agreement provides that specific data related to billing cycle meter read dates, customer rerouting information and significant billing adjustments for all rate classes will be provided to the Commission's Staff and the Office of the Public Counsel.

E. The agreement provides that the accounting for the merger transaction will reflect the appropriate recording of assets, liabilities, revenues and expenses. The agreement provides that Missouri-American will organize its accounting for certain items to allow tracking of revenues, expenses, and rate base by district. These items include asset and liability accounts, direct and indirect costs of each district, revenues, and operating statistics.

F. In the agreement, Missouri-American agrees that it will continue to make the capital investments needed to provide safe and adequate service to its customers at just and reasonable rates in each of its operating systems/districts. It

also agrees to be bound by all Commission orders pertaining to the three pre-merger entities (unless the orders are stayed, reversed, or superceded). In addition, Missouri-American agrees that over the next three years it will make an annual presentation about capital investments to the Staff and Public Counsel, with notice to the Utility Workers Union of America Local 335.

On September 14, the Staff filed its suggestions in support of the agreement. Staff states that there are enough safeguards in the agreement that the proposed merger is not detrimental to the public interest. Staff highlights certain of the conditions, and notes that it obtained substantially all of its compliance and tracking goals related to quality customer service standards.

Pursuant to Section 536.060, RSMo 2000, the Commission may accept a agreement as a resolution of the issues. The Commission has reviewed the agreement, finds it to be reasonable and in the public interest and will, therefore, approve it. The Commission also finds that, with the conditions in the agreement, the proposed merger transactions are not detrimental to the public interest, and the Commission will authorize the transactions.

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement filed on September 7, 2001, is approved, and all parties shall comply with the conditions therein.

2. That St. Louis County Water Company d/b/a Missouri-American Water Company and Jefferson City Water Works Company d/b/a Missouri-American Water Company are authorized to merge with and into Missouri-American Water Company, with Missouri-American Water Company being the surviving corporation, and to otherwise

accomplish the St. Louis County Water Company Merger and the Jefferson City Water Works Company Merger, in accordance with the St. Louis County Water Company Merger Agreement and the Jefferson City Water Works Company Merger Agreement attached to the Joint Application.

3. That Missouri-American Water Company, St. Louis County Water Company and Jefferson City Water Works Company are authorized to perform in accordance with the terms of the St. Louis County Water Company Merger Agreement and the Jefferson City Water Works Company Merger Agreement and to enter into, execute and perform in accordance with the terms of all other documents and to take any and all actions which may be reasonably necessary and incidental to the performance of the St. Louis County Water Company Merger Agreement and the Jefferson City Water Works Company Merger Agreement.

4. That Missouri-American Water Company is authorized to acquire and assume the stocks and bonds, other indebtedness and other obligations of St. Louis County Water Company and Jefferson City Water Works Company, all as more particularly described in and pursuant to the terms of the St. Louis County Water Company Merger Agreement and the Jefferson City Water Works Company Merger Agreement.

5. That Missouri-American Water Company, as the surviving corporation after the St. Louis County Water Company Merger and the Jefferson City Water Works Company Merger, is authorized to provide water service in the current service territories of St. Louis County Water Company and Jefferson City Water Works Company in accordance with the rules, regulations, rates and tariffs of St. Louis County Water


Company and Jefferson City Water Works Company unless otherwise ordered by the Commission.

6. That St. Louis County Water Company and Jefferson City Water Works Company are authorized to terminate their respective responsibilities as public utilities in the state of Missouri as of the effective date of the St. Louis County Water Company Merger and the Jefferson City Water Works Company Merger.

7. That this order shall become effective on October 7, 2001.

8. That this case may be closed after October 8, 2001.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Murray, Lumpe and Gaw, CC., concur
Simmons, Ch., absent

Mills, Deputy Chief Regulatory Law Judge

AL/Secretary:

Mills/Bryce

Date Circulated

9-24

CASE NO.

WM-2001-309

Simmons, Chair

(Absent)

Murray, Commissioner

Lumpe, Commissioner

Gaw, Commissioner

Commissioner

Agenda Date

9-27

Action taken:

3-0 A5

Must Vote Not Later Than

STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and

I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City,

Missouri, this 27th day of Sept. 2001.

Dale Hardy Roberts

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

