

**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.)	

MOTION FOR TRUE-UP DATE

Comes now Missouri-American Water Company (MAWC or Company), and, moves the Missouri Public Service Commission (Commission) to establish a true-up date, as described herein:

TEST YEAR

1. For purposes of the instant case, the Company proposes a test year consisting of the twelve months ended December 31, 2010, adjusted for changes that are known and measurable at this time and which will be effective by the time new rates are anticipated. This test year and true-up has been addressed in the Company's prepared direct testimony and schedules. *See* the Direct Testimony of Dennis R. Williams (p. 15-18).

REQUEST FOR TRUE-UP

2. The Commission's Order Directing Notice, Setting Intervention Dealing, Setting Hearings, Directing Filings and Setting Procedural Schedule, issued on July 5, 2011, has provided for true-up testimony and a true-up hearing. MAWC moves the Commission to establish a true-up date as of December 31, 2011. 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).

3. The true-up process is a tool that can be used to accomplish the goal of establishing 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.” The Commission further stated in *Kansas City Power & Light Company* that “[t]he true-up procedure has received broad acceptance as a proper ratemaking tool. A true-up permits adjustments outside of the test year without improperly disturbing the revenue-expense relationship.” *Id.*

4. The water industry is subject to a great amount of infrastructure investment. A true-up is generally appropriate if for no other reason than to capture the increased level of capital investment being made by the Company through the true-up. In fact, a true-up process has been provided for in at least the last six general rate cases in which the Company has been involved (Cases Nos. WR-2000-281, WR-2000-844, WR-2003-0500, WR-2007-0216, WR-2008-0311 and WR-2009-0131).

5. Further, the true-up date suggested by MAWC is approximately five months prior to the operation of law date in this case (May 27, 2012). MAWC believes that a true-up audit could start as early as January 23, 2012.

6. MAWC’s proposal in this case is driven by the significant amount of investment that will be placed into service. Based on current projections, MAWC anticipates that

approximately \$69.4 million¹ of plant will be placed into service between January 1, 2011 and December 31, 2011.

7. This includes a significant capital project that is currently underway to construct and put into operation new water intake valves in the Jefferson City area. The required investment in this project is expected to be approximately \$10.7 million. The following projects are further examples of those that will be completed and placed in service from January 1, 2011 through December 31, 2011:

South Plant Lagoon Project	\$ 1.7 m
Misc Main Replacements	\$ 36.5 m
Misc Main Relocated	\$ 7.3 m
Meters Replaced	\$ 5.2 m
Production Facility Replacements	\$ 2.3 m

8. Accordingly, the Company seeks inclusion in its revenue requirement and rates of certain revenues that will be experienced, expenses that will be incurred, investments that will be made and certain items that will be known on or before December 31, 2011. The items of revenue, expense and investment which the company proposes to True-Up for its existing properties, and any properties acquired prior to the conclusion of the true-up period, are as follows:

Rate Base:

- Plant in service
- Accumulated Reserve for Depreciation

¹ UPIS Net Additions (minus assumed retirements and advances/contributions). Gross UPIS additions would

- Accumulated Deferred Income Taxes
- Customer Advances
- Contributions in Aid of Construction
- Materials and Supplies
- Prepayments
- Tank Painting Tracker Balance
- Pension Tracker Balance
- OPEB Tracker Balance
- Other Deferred Regulatory Assets and Liabilities
- Impact of Closed Acquisitions
- Related Cash Working Capital Impact

Cost of Capital:

- Capital Structure
- Cost of Debt
- Cost of Preferred Stock

Revenue and Expense:

- Number of Meters
- Fuel and Power Expenses
- Chemical Expense
- Purchased Water Expense
- Waste Disposal

be approximately \$85.0 million.

- Support Services Expense
- Transportation Fuel and Maintenance
- Payroll – Employee Levels, Wage Rates and Related Benefits
- Rate Case Expense
- Bad Debt Expense
- Depreciation and Amortization Expense
- Production Maintenance Expense
- Tank Painting Expense
- Pension and OPEB Expense
- Injuries and Damages Expense
- Property Taxes
- PSC Assessment
- Impact of Closed Acquisitions
- Platte County Waste Treatment Contract
- Accruals for Sludge Removal
- Related Income Tax Impact

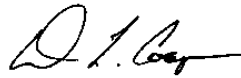
9. If the Company’s request for true-up audit and hearing is denied and the above-enumerated items of revenues, expenses and investments are not taken into account in the setting of its rates, the Company will be denied an opportunity to earn the authorized rate of return which the Commission determines is appropriate in this proceeding.

10. MAWC’s package of adjustments is proposed with the intent of maintaining the proper matching of revenue, expense and rate base. The true-up process allows the Commission

to establish rates based upon the most current data available, while maintaining the proper balance of rate elements. MAWC believes that its use in this case would accomplish that goal.

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,



William R. England, III MBE# 23975
Dean L. Cooper MBE# 36592
BRYDON, SWEARENGEN & ENGLAND P.C.
312 East Capitol Avenue
P.O. Box 456
Jefferson City, MO 65102-0456
Telephone: (573) 635-7166
Facsimile: (573) 635-3847
trip@brydonlaw.com
dcooper@brydonlaw.com

ATTORNEYS FOR MISSOURI-AMERICAN
WATER COMPANY

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 26th day of July, 2011, to:

Rachel Lewis
General Counsel's Office
rachel.lewis@psc.mo.gov

Christina Baker
Office of the Public Counsel
christina.baker@ded.mo.gov

Michael A. Evans
Hammond, Shinnars, et al.
mevans@hammondshinnars.com

Thomas Schwarz
Marc H. Ellinger
Blitz, Bardgett & Deutsch
MEllinger@blitzbardgett.com
tschwarz@blitzbardgett.com

Stuart Conrad
David Woodsmall
Finnegan, Conrad & Peterson
stucon@fcplaw.com
dwoodsmall@fcplaw.com

Lisa C. Langeneckert
Sandberg Phoenix, et al.
llangeneckert@sandbergphoenix.com

Eric Steinle
Joseph P. Bednar, Jr.
Spencer Fane
jbednar@spencerfane.com
esteinle@spencerfane.com

James Fischer
Larry Dority
Fischer & Dority
lwdority@sprintmail.com
jfischerpc@aol.com

Diana M. Vuylsteke
Bryan Cave, L.L.P.
dmvuylsteke@bryancave.com

Gary Lentz
Spencer, Scott & Dwyer P.C.
glentz@ssdlawyers.com

Byron E. Francis
Kent Lowry
Armstrong Teasdale LLP
bfrancis@armstrongteasdale.com
klowry@armstrongteasdale.com

Mark W. Comley
Newman, Comley & Ruth
comleym@ncrpc.com

Lisa Gilbreath
Sonnenschein Nath, et al.
lisa.gilbreath@snrdenton.com

William D. Steinmeier
William D. Steinmeier, P.C.
wds@wdspsc.com

Leland B. Curtis
Curtis Heinz, et al.
lcurtis@lawfirmemail.com

