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December 7, 1999

**FILED<sup>3</sup>**

DEC 07 1999

Mr. Dale H. Roberts  
Secretary/Chief Regulatory Law Judge  
Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102

Missouri Public  
Service Commission

**RE: Missouri-American Water Company  
Case Nos. WR-2000-281 et al.**

Dear Mr. Roberts:

Enclosed for filing in the above-referenced case please find the original and fourteen copies of **Office of the Public Counsel's Recommendation Concerning True-Up Audit and Hearing**. Please "file" stamp the extra enclosed copy and return it to this office.

Thank you for your attention to this matter.

Sincerely,

  
Shannon Cook

Assistant Public Counsel

SC:mm

Enclosure

cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED<sup>3</sup>  
DEC 07 1999

Missouri Public  
Service Commission

In the Matter of Missouri-American Water )  
Company's Tariff Sheets Designed to )  
Implement General Rate Increases for )  
Water and Sewer Service provided to )  
Customers in the Missouri Service Area )  
of the Company. )

Case No. WR-2000-281 et al.

**Office of the Public Counsel's Recommendation**  
**Concerning True-Up Audit and Hearing**

COMES NOW the Office of the Public Counsel (OPC) and for its Recommendation  
Concerning True-Up Audit and Hearing herein states as follows:

**I. Missouri-American Water Company's true-up request and this Commission's  
Order requesting true-up recommendation is premature.**

1. On November 19, 1999, Missouri-American Water Company (Company) filed its  
Motion for True-Up Audit and Hearing.

2. In its Motion, Company requests that the Commission order a true-up audit and  
hearing in this case for a period of seven months beyond the test year for the purpose of  
recognizing in Company's revenue requirement and rates certain revenues, expenses and  
investments, as well as certain additional isolated items that will be known and measurable as of  
April 30, 2000, among which is the \$75 million St. Joseph Water Treatment Plant.

3. On October 28, 1999 the Commission issued its Suspension Order and Notice and  
Order Consolidating Cases. Ordered paragraph 11 of that Suspension Order required Staff,  
Public Counsel and intervenors to file a pleading stating their recommendation concerning a  
true-up.

4. Missouri-American Water Company's request for a true-up audit and this Commission's October 28, 1999 Order requiring Staff, Public Counsel and intervenors to file a pleading stating their recommendation concerning a true-up audit in this proceeding is premature at best. At this juncture of the proceeding, the parties have no way of knowing whether a true-up is necessary or appropriate.

5. The true-up process should be utilized on a limited as needed basis. Such a determination should only be made after the audit has been conducted. The Commission has recognized Public Counsel's and Staff's need to conduct an audit before recommending a true-up since it usually orders the Staff and Public Counsel to make a true-up recommendation at the time of direct testimony. See the "Suspension Order and Notice" in ER-97-394 (Missouri Public Service, April 4, 1997); GR-97-272 (Associated Natural Gas Company, January 28, 1997); GR-96-285 (Missouri Gas Energy, March 13, 1995). See: Exhibit A a partial copy of the January 28, 1997 Suspension Order and Notice in Associated Natural Gas ¶ 8.

6. Public Counsel is not opposed in principle to the idea of a true-up in this case. However, only after an audit can Public Counsel determine the advisability and scope of a true-up. Thus, there is no need for the Commission to make its decision on a true-up at this time. The Commission has plenty of time to make a decision on the need for a true-up after Public Counsel's direct testimony and true-up recommendation is filed.

**II. MAWC's true-up proposal does to allow Public Counsel enough time to conduct a true-up audit.**

7. The Company has requested a true-up of certain items that are known and measurable on or before April 30, 2000. The Company has stated that the books and records for the month of April 30, 2000 would not be closed until late May, 2000. Thus the parties would have to conduct an audit of a possible \$74,000,000 plant addition in less than one month in order

to give the Commission adequate time to consider the issues and meet its statutory requirement of issuing a Report and Order by the operation-of-law date of September 14, 2000. It is not unusual for problems to arise with recently closed information. MAWC's schedule does not allow enough time to resolve any problems.

**III. True-ups are not a substitute for the proper timing of a rate case.**

8. The true-up process is used on an exception basis only. The determination to utilize a true-up is made on a case-by-case basis under certain circumstances. Public Counsel does not know if those circumstances exist in this case because it has not fully conducted its audit.

9. If there are significant items, such as the St. Joseph water plant in service date that the Company wants to include in this case, the Company should time the filing of the rate case so that this item would be included in the test year. Since a utility controls when it will file for a rate increase, the true-up procedure should not be used to correct rate case timing miscalculations.

WHEREFORE, Public Counsel requests that the Commission make a determination on the need for and conduct of a true-up audit after Public Counsel has examined the books and records of the company. Thus Public Counsel requests it be ordered to file its true-up recommendation when it files its direct testimony in this proceeding.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

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## CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to the following this 7th day of December, 1999:

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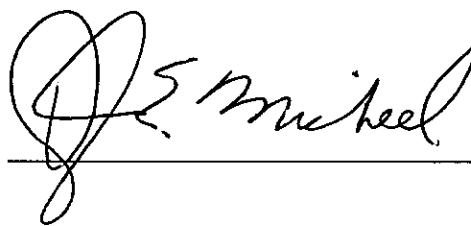
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