

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

In the Matter of Missouri-American Water)	
Company's Tariff Sheets Designed to Implement)	<u>Case No. WR-2000-281</u>
General Rate Increases for Water and Sewer)	Tariff No. 200000366
Service Provided to Customers in the Missouri)	Tariff No. 200000367
Service Area of the Company.)	

SECOND ORDER DIRECTING SCENARIOS

The Commission will be aided in its deliberations by receiving information concerning the impact on the revenue requirement of Missouri-American Water Company (MAWC) under different scenarios. The Staff of the Missouri Public Service Commission (Staff), with the assistance and cooperation of the parties, will be ordered to file responses to the scenarios described herein. The Commission will also shorten the time for responses to the filed scenarios as ordered below.

Because the Staff's response to the Commission's Order Directing Scenarios, issued on August 23, 2000, was in a format that was not helpful, and because Staff did not fully explain each calculation as the order required, the Staff shall use the format attached as Attachment A in responding to this order.

Assumptions Common to All Scenarios

For purposes of determining the revenue requirement under the two scenarios, the following assumptions shall be common to each scenario:

The parties shall use the figures from the Staff True-Up Accounting Schedules, filed on June 15, 2000, as modified by the conformed replacement pages filed on July 5, 2000, except as otherwise specifically provided below.

The revenue requirement shall be that proposed by the Staff, recognizing in rate base the full cost of the new St. Joseph Treatment Plant and related facilities (SJTP), with certain reductions as proposed by Staff to reflect the excess capacity of the new SJTP and a different capitalization rate for AFUDC. No offset shall be included for deferred income taxes relating to MAWC's acquisition of Missouri Cities Water Company.

The issue of the Accounting Authority Order, that is, capitalization of post-in-service AFUDC and deferral of depreciation expense between the in-service date of the new SJTP and September 14, 2000, shall be resolved as proposed by Staff.

The allocation of corporate district investment and expense shall be as proposed by the Staff.

Scenarios

A1. The return on equity is 11.654 percent. The premature retirement of the old SJTP shall be treated as proposed by Staff and MAWC.

A2. The return on equity is 11.654 percent. The premature retirement of the old SJTP shall be treated as proposed by Public Counsel.

B1. The return on equity is 10.5 percent. The premature retirement of the old SJTP shall be treated as proposed by Staff and MAWC.

B2. The return on equity is 10.5 percent. The premature retirement of the old SJTP shall be treated as proposed by Public Counsel.

C1. The return on equity is 10.0 percent. The premature retirement of the old SJTP shall be treated as proposed by Staff and MAWC.

C2. The return on equity is 10.0 percent. The premature retirement of the old SJTP shall be treated as proposed by Public Counsel.

The Staff shall fully explain the impact of each variable described in the scenario. The Staff shall fully explain the way in which all calculations in the scenario were performed and shall also fully explain any additional assumptions made in the scenario.

IT IS THEREFORE ORDERED:

1. That the Staff of the Commission, with the assistance and cooperation of the parties, shall file a pleading responding to the scenarios discussed herein no later than 12:00 Noon on August 28, 2000, using the format attached hereto as Attachment A. All requested information shall be provided. Figures shall be shown as positive or negative as necessary to complete the calculations set out in Attachment A. If necessary to accurately provide the information herein requested, the format set out in Attachment A may be modified.

2. That any party that disagrees with the response filed by the Staff of the Commission shall file a pleading explaining why it disagrees with that response and setting forth its own response to the scenarios no later than 4:00 p.m., August 29, 2000.

3. That this order shall become effective on August 28, 2000.

BY THE COMMISSION

A handwritten signature in black ink, reading "Dale Hardy Roberts". The signature is written in a cursive, slightly slanted style.

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

Kevin A. Thompson, Deputy Chief
Regulatory Law Judge, by delegation
of authority pursuant to Section 386.240,
RSMo 1994.

Dated at Jefferson City, Missouri,
on this 24th day of August, 2000.

Attachment A, Page 1
CALCULATION OF RATE BASE

Scenario _____

Item	Description	Amount
1	Utility Plant in Service	
2	Excess Capacity Disallowance	
3	AFUDC Disallowance	
4	Accumulated Depreciation	
5	Accumulated Amortization	
6	Post-in-Service AFUDC	
7	Premature Retirement of Old St. Joseph Plant	
8	SUBTOTAL: Net Utility Plant in Service	
9	Cash Working Capital	
10	Materials & Supplies	
11	Prepayments	
12	OPEBs	
13	SUBTOTAL: Additions to Net Utility Plant in Service	
14	Customer Advances	
15	Contributions in Aid of Construction	
16	Accumulated Deferred ITC	
17	Deferred Income Taxes	
18	Pre-merger Missouri Cities Deferred Income Taxes	
19	Interest & Tax Offsets	
20	SUBTOTAL: Deductions from Net Utility Plant in Service	
21	TOTAL: Net Original Cost Rate Base (8 + 13 + 20)	

CALCULATION OF GROSS REVENUE REQUIREMENT

Item	Description	Scenario A	Scenario B	Scenario C
1	Net Original Cost Rate Base (<i>From Attachment A, Page 1, Line</i>			
2	Rate of Return	11.654%	10.5%	10.0%
3	Net Operating Income Requirement			
4	Net Operating Income Available			
5	SUBTOTAL: Additional Net Operating Income Required			
6	Required Current Income Tax			
7	Test Year Current Income Tax			
8	SUBTOTAL: Additional Current Income Tax Required			
9	TOTAL: Estimated Additional Gross Revenue Requirement (5 + 8)			

Attachment A, Page 3
COMPARISON OF DISTRICTS

Scenario _____

	A	B	C
Line	Description	Rate Base	Rate Base Including Allocated Corporate District Investment and Expense
1	Total Water Company		
2	St. Joseph		
3	Parkville (water)		
4	Joplin		
5	Warrensburg		
6	Mexico		
7	Brunswick		
8	St. Charles		
9	Corporate		0