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February 28, 2000

FILED

FEB 28 2000

Mr. Dale Hardy Roberts
Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

Missouri Public
Service Commission

**RE: Missouri-American Water Company - Consolidated Case Nos. WR-2000-281
SR-2000-282**

Dear Mr. Roberts:

Enclosed for filing in the above-referenced proceeding please find an original and fourteen copies of MAWC's Reply to Response in Opposition to Motion for Reconsideration of Order Concerning Accounting Authority Order. Please stamp the enclosed extra copy "filed" and return same to me.

Thank you very much for your attention to this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND P.C.

By:



Dean L. Cooper

DLC/rhg
Enclosures

cc: Office of the Public Counsel
Mr. Keith Krueger
Ms. Shannon Cook
Mr. Louis Leonatti
Mr. Jim Fischer
Mr. Leland Curtis
Mr. Brent Stewart
Mr. James Duetsch

Mr. Joseph Moreland
Mr. Stu Conrad
Ms. Lisa Robertson
Ms. Diana M. Vuylsteke

FILED

FEB 28 2000

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

Missouri Public
Service Commission

In the Matter of Missouri-American)	
Water Company's Tariff Sheets Designed)	
to Implement General Rate Increases for)	Case No. WR-2000-281
Water and Sewer Service provided to)	Case No. SR-2000-282
Customers in the Missouri Service Area)	
of the Company.)	

MAWC'S REPLY TO RESPONSE IN OPPOSITION TO
MOTION FOR RECONSIDERATION OF
ORDER CONCERNING ACCOUNTING AUTHORITY ORDER

COMES NOW Missouri-American Water Company ("MAWC" or "Company") and, pursuant to 4 CSR 240-2.160, states as follows to the Missouri Public Service Commission ("Commission") in reply to the Response in Opposition to MAWC's Motion for Reconsideration of that portion of the Commission's Order Concerning Test Year, True Up, Accounting Authority Order, and Local Public Hearings ("Order") which addresses MAWC's Motion for Accounting Authority Order ("AAO"):

1. On February 18, 2000, AG Processing Inc., Friskies Petcare and Wire Rope Corporation of America Inc. filed a Response in Opposition to MAWC's Motion for Reconsideration.

2. In this Response in Opposition, there several "reasons" stated as to why the intervenors believe MAWC's Motion for Reconsideration should be denied. Most of these reasons concern not the effect of an AAO, but instead, arguments concerning the possibility of future inclusion of the subject amounts in rates.

3. These reasons are misleading as to the current state of the case law concerning AAOs. In *Missouri Gas Energy v. Public Service Commission*, 978 S.W.2d 434 (Mo.App. 1998), the Missouri Court of Appeals stated as follows:

. . . AAOs are not the same as ratemaking decisions, and . . . AAOs create no expectation that deferral terms within them will be incorporated or followed in rate application proceedings. . . . The whole idea of AAOs is to defer a final decision on current extraordinary costs until a rate case is in order.

Id.

4. By its motion, MAWC seeks only to maintain the status quo as to the accounting treatment for these expenses so that it would not suffer an immediate detrimental impact as of the “in service” date of the St. Joseph treatment plant and facilities. This would allow MAWC the opportunity to present the post-in-service AFUDC and deferred depreciation expenses to the Commission for decision within the context of this rate case. If, on the other hand, the AAO is not granted, it will have an immediate detrimental impact on MAWC’s financial condition as of the in service date of the St. Joseph treatment plant and facilities.

5. The only way by which the Commission can “take this issue with the case” and allow the parties to “fully present this issue in testimony and brief,” is to reconsider its previous order and, thereafter, grant the AAO.

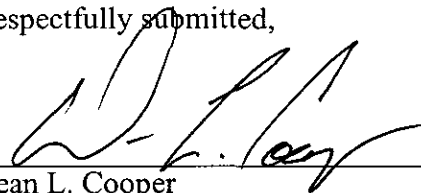
WHEREFORE, MAWC respectfully requests that the Commission reconsider that portion of its Order Concerning Test Year, True Up, Accounting Authority Order, and Local Public Hearings which addresses MAWC’s motion for accounting authority order and, thereafter, issue its order

(a) authorizing MAWC to continue the capitalization of AFUDC and to defer the accrual of depreciation expense on the St. Joseph treatment plant and related facilities from their in-service date until the effective date of a Commission rate order which includes the St. Joseph treatment plant and related facilities in MAWC’s rate base and includes depreciation expense in MAWC’s operating expenses;

(b) authorizing MAWC to use a rate of 7.22% to capitalize AFUDC on the St. Joseph treatment plant and related facilities from their in-service dates until the effective date of a Commission rate order including the St. Joseph treatment plant and related facilities in MAWC's rate base; and,

(c) including such further relief as the Commission deems appropriate in the circumstances.

Respectfully submitted,



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ATTORNEYS FOR MISSOURI-AMERICAN
WATER COMPANY

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 hand-delivered on this 28th day of February, 2000, to the following:

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