

**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-2010-0131
A General Rate Increase for Water and Sewer) SR-2010-0135
Service Provided in Missouri Service Areas.)

**STIPULATION AND AGREEMENT
AS TO CERTAIN ISSUES**

COME NOW Missouri-American Water Company (MAWC or Company), the Office of the Public Counsel (Public Counsel) and the Staff of the Missouri Public Service Commission (Staff), and respectfully state to the Missouri Public Service Commission (Commission) that, as a result of negotiations, the undersigned parties (Signatories) have reached the stipulations and agreements contained herein in order to settle the certain issues specified below.

1. **Issues Settled.** This Stipulation and Agreement is intended to settle among the Signatories the following issues previously identified by the Signatories through testimony and or schedules. The Signatories recommend that the Commission accept this Stipulation and Agreement as a fair compromise of their respective positions on the following enumerated issues:

| |
|-----------------------------------|
| 10. Comprehensive Planning Study |
| 11. Business Transformation Costs |

STIPULATION AND AGREEMENT

3. MAWC has participated in the development of a Comprehensive Planning Study (the CPS) to identify the information technology-based needs of the regulated American Water Companies. This study identifies the investments to replace, upgrade, enhance and/or redesign core business processes and systems. As a result of the

findings of the CPS, the Company is participating in an initiative to enhance processes and upgrade supporting information technology systems identified through what Company refers to as the Business Transformation Project.

4. Costs associated with the CPS and the Business Transformation Project shall be accounted for on the books of the Company as construction work in progress (CWIP). In accordance with the National Association of Regulatory Utility Commissioners (NARUC) 1973 Uniform System of Accounts, as revised July 1976, Accounting Instruction No. 3 Subpart (17), the Company shall accrue allowance for funds used during construction (AFUDC) on the related CWIP balances at the Company's monthly calculated AFUDC rate. The Company shall transfer the CWIP balances to Utility Plant in Service when in-service in accordance with the NARUC Uniform System of Accounts and, beginning in the month immediately following transfer, shall record depreciation thereon at the appropriate Commission approved depreciation rate.

5. Nothing in this agreement shall be considered a finding by the Commission or agreement of the Signatories as to the reasonableness, prudence or future regulatory ratemaking of the expenditures involved.

6. **Revenue Requirement.** The settlement of the issues identified in this Stipulation and Agreement requires no change to the Company's revenue requirement, as computed by the Staff.

Contingent Waiver of Rights

7. This Stipulation and Agreement is being entered into solely for the purpose of settling the identified issues in this case that are listed above. Unless

otherwise explicitly provided herein, none of the Signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any other method of cost determination or cost allocation or revenue-related methodology. Other than explicitly provided herein, none of the Signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in this or any other proceeding regardless of whether this Stipulation and Agreement is approved.

8. This Stipulation and Agreement has resulted from extensive negotiations among the Signatories and the terms hereof are interdependent. If the Commission does not approve this Stipulation and Agreement unconditionally and without modification, then this Stipulation and Agreement shall be void and no Signatory shall be bound by any of the agreements or provisions hereof, except as explicitly provided herein.

9. If the Commission does not unconditionally approve this Stipulation and Agreement without modification, and notwithstanding the provision herein that it shall become void; neither this Stipulation and Agreement nor any matters associated with its consideration by the Commission shall be considered or argued to be a waiver of the rights that any Signatory has for a decision in accordance with §536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the Signatories shall retain all procedural and due process rights as fully as though this Stipulation and Agreement had not been presented for approval, and any suggestions, memoranda, testimony, or exhibits that have been offered or received in support of this Stipulation and Agreement shall become privileged as reflecting the substantive content of settlement discussions

and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any purpose whatsoever.

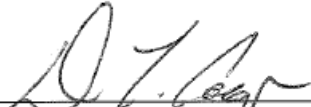
10. In the event the Commission unconditionally accepts the specific terms of this Stipulation and Agreement without modification, the Signatories waive their respective rights to present oral argument and written briefs pursuant to §536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to RSMo §536.080.2 RSMo 2000; their respective rights to seek rehearing, pursuant to §536.500 RSMo 2000; and their respective rights to judicial review pursuant to §386.510 RSMo 2000. This waiver applies only to a Commission order unconditionally approving this Stipulation and Agreement issued in this proceeding and only to the issues that are resolved hereby. It does not apply to any matters raised in any prior or subsequent Commission proceeding or any matters not explicitly addressed by this Stipulation and Agreement.

Right to Disclose

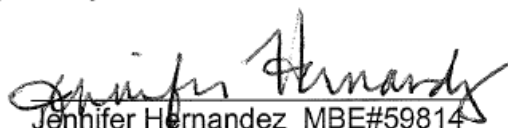
11. The Staff may file suggestions or a memorandum in support of this Stipulation and Agreement. Each of the Parties shall be served with a copy of any such suggestions or memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's suggestions or memorandum, responsive suggestions or a responsive memorandum, which shall also be served on all Parties. The contents of any suggestions or memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other Signatories to this Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

WHEREFORE, for the foregoing reasons, the undersigned Signatories respectfully request that the Commission issue its Order approving all of the specific terms and conditions of this Stipulation and Agreement.

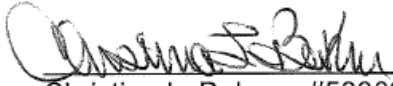
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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 14th day of May, 2010, to:

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