Missouri Public Service Commission

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August 24, 2000

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

RE: Case No. WR-2000-281

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of **STAFF'S RESPONSE TO ORDER DIRECTING SCENARIOS.**

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Keith R. Krueger
Deputy General Counsel
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KRK/dkf
Enclosure
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

STAFF'S RESPONSE TO ORDER DIRECTING SCENARIOS

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and, for its Response to Order Directing Scenarios, states to the Missouri Public Service Commission ("Commission") as follows:

1. On August 22, 2000, the Commission issued an Order Directing Scenarios, in which it ordered the Staff, with the assistance and cooperation of the parties, to file with the Commission a pleading that shows the impact on the revenue requirement for each variable in the scenario and the total impact of the revenue requirement of that scenario.

2. The Order Directing Scenarios required the Staff to show the total revenue requirement under each of two scenarios, with the following assumption common to both scenarios: 1) utilize Staff's trued-up accounting schedules, as modified by the conformed replacement pages Staff filed; 2) recognize in rate base the full cost of the St. Joseph Treatment Plant and related facilities ("SJTP"), with Staff's adjustment for excess capacity; 3) eliminate the offset for deferred income taxes that Staff proposed; 4) treat premature retirement of the old SJTP as Staff proposed; and 5) resolve the accounting authority issue as Staff proposed.

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3. On August 15, 2000, the Staff filed with the Commission its Response to Order Directing Filing Concerning Financial Impact of Its Position. Attached to that document as page 1-1 was a reconciliation of the positions of the parties with regard to total revenue requirement. The Staff's position, as shown on that reconciliation, was that the revenue requirement for "Total Company Water" was $10,448,812. That figure reflects all of the assumptions described in Paragraph 2 hereof, with one exception. That exception pertains to the deferred income taxes issue (designated as Assumption 3 in Paragraph 2 hereof).

4. Adjusting the Staff's proposed revenue requirement as required by paragraph 2 hereof increases the Staff's proposed revenue requirement of $10,448,812 (as shown on the said page 1-1) by $199,098 (as also shown on said page 1-1), to a "Total Company Water" revenue requirement of $10,647,910. This is the total revenue requirement that results from applying all of the "Assumptions Common to All Scenarios," except that it is based on the midpoint of Staff's range for return on equity (i.e. 10.125%).

5. The Commission's Order Directing Scenarios then requests two scenarios depicting what the total revenue requirement would be if the return on equity is 11.654 percent, and what the return on equity would be in the return on equity is 10.5 percent, but if all of the Assumptions Common to All Scenarios are unchanged. Thus, there is a single variable – the return on equity.

6. If the return on equity changes to 11.654 percent, the total revenue requirement becomes $12,318,739, which is an increase of $1,670,829 over the total revenue requirement based upon all of the Assumptions Common to All Scenarios and the midpoint of Staff recommended range for return on equity.

7. If the return on equity changes to 10.5 percent, the total revenue requirement is 10.5 percent, the total revenue requirement becomes $11,058,012, which is an increase of $410,102

over the total revenue requirement based upon all of the Assumptions Common to All Scenarios and the midpoint of Staff's recommended range for return on equity.

8. The impact of changing from a return on equity of 10.5 percent to a return on equity of 11.654 percent is $1,260,727.

9. The Staff has communicated with a representative of the Company in preparing this Response to Order Directing Scenarios, but has not been able to talk to other parties, due to time constraints; however the Staff believes all of the information in this pleading is accurate.

WHEREFORE, the Staff submits its Response to Order Directing Scenarios.

Respectfully submitted,

DANA K. JOYCE
General Counsel

Keith R. Krueger
Deputy General Counsel
Missouri Bar No. 23857

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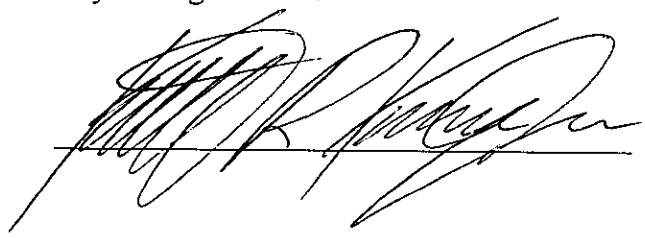
Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 24th day of August 2000.



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Case No. WR-2000-281, et al.
August 24, 2000

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