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September 7, 2001

**FILED<sup>3</sup>**  
SEP 7 2001

Missouri Public  
Service Commission

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

**RE: Missouri-American Water Company, St. Louis County Water Company d/b/a  
Missouri-American Water Company, and Jefferson City Water Works Company  
d/b/a Missouri-American Water Company - Case No. WM-2001-309**

Dear Mr. Roberts:

Enclosed for filing in the above-referenced proceeding please find an original and eight copies of a Stipulation and Agreement. Please stamp the enclosed extra copy "filed" and return same to me.

If you have any questions concerning this matter, then please do not hesitate to contact me. Thank you very much for your attention to this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND P.C.

By:

*Dean Cooper*  
Dean L. Cooper *by Rg*

DLC/rhg  
Enclosures

cc: Mr. Cliff Snodgrass, General Counsel  
Ms. Ruth O'Neill, OPC  
Ms. Jan Bond  
Mr. Robert C. Johnson  
Mr. Lewis Mills

BEFORE THE PUBLIC SERVICE COMMISSION  
STATE OF MISSOURI

In the Matter of the Joint Application )  
of Missouri-American Water Company, St. )  
Louis County Water Company d/b/a )  
Missouri-American Water Company and )  
Jefferson City Water Works Company )  
d/b/a Missouri-American Water Company )  
for Authority to Merge St. Louis County )  
Water Company d/b/a Missouri-American )  
Water Company and Jefferson City Water )  
Works Company d/b/a Missouri-American )  
Water Company with and into )  
Missouri-American Water Company and, in )  
Connection therewith Certain Other )  
Related Transactions. )

Case No. WM-2001-309

FILED<sup>3</sup>  
SEP 7 2001  
Missouri Public  
Service Commission

**STIPULATION AND AGREEMENT**

Come now St. Louis County Water Company d/b/a Missouri-American Water Company ("SLCWC"); Jefferson City Water Works Company d/b/a Missouri-American Water Company ("JCWWC"); Missouri-American Water Company ("MAWC" or the "Company"); the Staff of the Missouri Public Service Commission ("Staff"); the Office of the Public Counsel ("OPC"); the Utility Workers Union of America Local 335 ("Local 335"); and, Barnes-Jewish Hospital, Emerson Electric Company, DaimlerChrysler Corporation, SSM Health Care and Unity Health Systems ("Missouri Energy Group" or MEG), and respectfully state to the Missouri Public Service Commission ("Commission") that as a result of negotiations, the undersigned parties ("Parties"), with the exception of MEG have reached the following stipulations and agreements:

1. **Procedural History.** On November 14, 2000, MAWC, SLCWC and JCWWC (collectively, "Joint Applicants") requested authority to merge SLCWC and JCWWC into

MAWC. On November 28, 2001, the Commission issued its Order Directing Notice wherein, among other things, it ordered that anyone wishing to intervene do so by December 28, 2001.

Thereafter, applications to intervene were filed by MEG and Local 335. The Commission granted these applications to intervene and ordered that a prehearing conference be held on March 7, 2001.

On March 7, 2001, a prehearing conference was held. The parties discussed the possible settlement of this case as well as a proposed procedural schedule. The proposed procedural schedule was filed with the Commission on March 15, 2001. Negotiations between the parties both at, and subsequent to, the prehearing conference have lead to this Stipulation and Agreement.

2. **Approval of the Merger.** The parties to this Stipulation and Agreement respectfully request that the Commission issue an Order approving the merger on the basis that, subject to the conditions and modifications set forth herein, the merger is not detrimental to the public interest and that this Stipulation and Agreement resolves all outstanding issues in this docket. In approving the merger, the Commission should issue its order authorizing:

- (a) The Joint Applicants to merge with and into MAWC, with MAWC being the surviving corporation, and to otherwise accomplish the SLCWC Merger and the JCWWC Merger, in accordance with the SLCWC Merger Agreement and the JCWWC Merger Agreement attached to the Joint Application; and,
- (b) MAWC, as the surviving corporation after the SLCWC Merger and the JCWWC Merger, to provide water service in the current service territories of SLCWC and JCWWC in accordance with the rules, regulations, rates and tariffs of SLCWC and JCWWC as may be on file with and approved by the Commission as of the effective

dates of the SLCWC Merger and JCWWC Merger, except as otherwise provided for herein or as otherwise ordered by the Commission; and,

(c) SLCWC and JCWWC, through the SLCWC Merger and the JCWWC Merger to transfer to MAWC, as the surviving corporation, all of the properties, rights, privileges, immunities, and obligations of SLCWC and JCWWC including, but not limited to, those under SLCWC's and JCWWC's certificates of public convenience and necessity, works, systems and franchises, and all securities, evidences of indebtedness and guarantees, effective as of the date of the closing of the SLCWC Merger and the JCWWC Merger; and,

(d) MAWC to acquire and assume the stocks and bonds, other indebtedness and other obligations of SLCWC and JCWWC, all as more particularly described in and pursuant to the terms of the SLCWC Merger Agreement and the JCWWC Merger Agreement; and,

(e) MAWC, SLCWC and JCWWC to perform in accordance with the terms of the SLCWC Merger Agreement and the JCWWC Merger Agreement; and,

(f) SLCWC and JCWWC to terminate their respective responsibilities as public utilities in the State of Missouri as of the effective date of the SLCWC Merger and the JCWWC Merger; and,

(g) MAWC, SLCWC and JCWWC to enter into, execute and perform in accordance with the terms of all other documents and to take any and all actions which may be reasonably necessary and incidental to the performance of the SLCWC Merger Agreement and the JCWWC Merger Agreement; and,

(h) Granting such other relief as may be necessary and appropriate to accomplish the purposes of the SLCWC Merger Agreement and the JCWWC Merger Agreement and this

Joint Application and to consummate the SLCWC Merger and the JCWWC Merger and related transactions in accordance with the SLCWC Merger Agreement and the JCWWC Merger Agreement and this Joint Application.

3. **Customer Service.** MAWC, as the surviving corporation, will ensure that the merger will have no adverse effect on its efforts to provide high quality service to the Joint Applicants' customers.

The American Water Works system is currently in the process of opening a new call center in Alton, Illinois. This facility will include several improvements from the Joint Applicants' current call centers such as: state of the art telephony systems, advanced customer information database systems, a more functional and ergonomically correct building layout design, and the technology and resources to track key performance statistics. This facility is scheduled to begin operations for the SLCWC customers in the third quarter of 2001 and will begin to come on line for the MAWC and JCWWC customers in late 2002.

In order to allow the Staff and Public Counsel to monitor the progress of this new call center, and to ensure that no disruption in customer service occurs, MAWC will notify the Staff and Public Counsel thirty (30) days before each of MAWC's operating districts and customers transition to the new call center. Upon the transition of each operating district, MAWC will notify affected customers with an on-bill message for a three-month period after the customer call center conversions and will place a paid advertisement in a local newspaper in each district immediately prior to the conversion.

a. *Items to be Tracked.* Beginning with the first MAWC customers transitioned to the new call center, and continuing until two years after all of the Missouri operating districts and customers have been transitioned to the new call center, MAWC will provide quarterly reports to

the Staff and Public Counsel regarding Call Center Abandoned Call Rate (ACR), Average Speed of Answer (percentage measure of the time it takes to answer customer calls), 1<sup>st</sup> Call Effectiveness (percent of calls resolved on first contact) and Average Customer Inquiry Response Time (number of days between credit or billing related inquiry and completion of back office investigation as defined by 1) correspondence sent to the customer with resolution, or 2) field work issued and resolution monitored).

b. *Customer Service Goals.* The Joint Applicants, because of equipment capabilities, have not historically tracked detailed performance data. This capability will develop, however, as a part of the new call center. Accordingly, call center personnel have developed and MAWC will agree to utilize the following customer service performance goals:

- Average Abandoned Call Rate is not to exceed an average of 5.5% on an annual basis plus a 100 basis point variance (a maximum allowable level of 6.5%);
- Average Speed of Answer target is to be at least 80% of customer calls answered in 30 seconds;
- 1<sup>st</sup> Call Effectiveness is to be at least 85% for a defined set of call types<sup>1</sup> ;
- Average Customer Inquiry Response Time target average is to not exceed 3 business days.<sup>2</sup>

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<sup>1</sup> The defined set of "call types" includes all call types with the exception of calls relating to bankruptcy notification, construction related calls, rejected bank payments, customer PSC complaints, outbound calling contacts and billing adjustments.

<sup>2</sup> The number of days between credit or billing related inquiry and completion of back office investigation as defined by 1) correspondence sent to the customer with resolution, or 2) field work issued and resolution monitored.

c. **Reports.** For a period of two years after all of the Missouri operating districts and customers have been transitioned to the new call center, MAWC shall provide the Staff and Public Counsel quarterly reports (within 45 days of quarter-end) on the Customer Service Goals. Statistics for the measures shall be tracked and displayed monthly, reported to Staff and Public Counsel on a calendar year quarterly basis and assessed for compliance annually. Within ninety (90) days after the end of the calendar year, MAWC will submit a report to the Staff and Public Counsel which shall include actual performance as compared to the above goals, explanation of any deviation from the goals, actions to be undertaken to improve performance, where necessary, and modifications to the goals.

4. **Water Quality.** As an additional means to ensure that the merger will have no adverse effect on its efforts to provide high quality service to the Joint Applicants' customers, MAWC agrees to continue to soften water to the extent as is necessary to maintain the following range of water hardness levels for the identified districts that soften for the following two year period:

**St. Louis County Water** – 90 - 170 parts per million;

**Parkville** – 130 - 180 parts per million;

**Jefferson City** – 80 - 185 parts per million;

**Mexico** – 160 - 250 parts per million.

MAWC also agrees to investigate the use of chloramines (which are helpful in reducing incidents of chlorine taste and odor complaints) in all of the Joint Applicants' operations.

5. **Surveillance Reports.** MAWC agrees to provide monthly surveillance reports for MAWC on an ongoing basis.

6. **Collection of Billing Information.** In Commission Cases Nos. WR-2000-281

and WR-2000-844, MAWC and SLCWC agreed to provide on an annual basis to the Staff and the Public Counsel certain billing information. MAWC and SLCWC are currently collecting this information for the year 2000. MAWC will begin collecting the following data for the JCWWC properties for the year 2001:

At a minimum, the additional information shall include billing cycle meter read dates, customer rerouting information and significant billing adjustments for the Company's rate classes.

*a. Volumes And Meters by Billing Month and Rate Class.* The parties understand that the Company will continue to accumulate billing volumes and meter counts by billing month and rate class, as it has historically. The parties also understand that the Company will continue to make the most recent ten (10) calendar years of this information available to the Staff and the OPC when the Company files a rate case in Missouri.

*b. Water Meter Reading Dates.* The purpose of this provision of the agreement is to prevent significant differences in the lengths of billing cycle years from skewing the results of weather normalization calculations. Accordingly, the Company and Staff jointly agree to accumulate scheduled water meter read dates by billing cycle, billing month and rate class (where applicable), for use in weather normalization when rate cases are filed. The scheduled meter read dates shall be accumulated for the 12 billing months in the year ending in December of 2000, and for all billing months thereafter. The Company also agrees to assist the Staff in a reasonable effort to gather meter reading schedules for previous years. When schedules of billing cycle read dates are established or modified, the Company agrees to forward them to the Manager-Water and Sewer Department of the Staff and to the OPC. The Staff agrees to archive the schedules until they are needed for weather normalization in a Company rate case.



When the Company files a rate case, the Company also agrees to notify the Staff and the OPC of those instances when events, such as inclement weather, force the estimation of significant numbers of bills, or when actual meter read dates differ significantly from the scheduled ones. However, the Company, the Staff and the OPC recognize that the billing volumes affected by such events are difficult to estimate, and therefore jointly agree to accept the use of reasonable approximations where necessary.

Finally, when the Company files a rate case, the Company agrees to provide to Staff and OPC billing cycle volumes and reading dates for those large individual Commercial customers whose usage does affect weather normalization calculations. The Staff and OPC shall take reasonable precautions to preserve the confidentiality of these records.

*c. Customer Rerouting.* The purpose of this provision of the agreement is also to prevent significant differences in the lengths of billing cycle years from skewing the results of weather normalization calculations. Accordingly, the Company agrees to accumulate and provide to the staff and OPC meter reading date information relating to the rerouting of significantly large groups of customers from one billing cycle to another. The Company also agrees to accumulate and provide to the Staff and OPC meter reading date information relating to the transition of significantly large groups of customers from quarterly to monthly billing. The Company and Staff recognize, however, that such records are difficult to tabulate, and jointly agree to accept the use of reasonable approximations where necessary.

*d. Billing Adjustments.* The purpose of this provision of the agreement is to prevent large billing errors from skewing the results of weather normalization calculations, rather than to demand detailed accounts of minor billing errors that would have no significant effect. Accordingly, the Company agrees to accumulate and provide to the Staff and OPC billing month

totals of volumes that were applied to bills in each billing month as adjustments for significant errors that occurred in previous billing months. The Company and Staff recognize that such records are difficult to tabulate, and jointly agree to accept the use of reasonable approximations where necessary.

7. **Accounting and Allocation Information.**

The merger of JCWWC, SLCWC and MAWC will reflect the appropriate recording of assets, liabilities, revenues and expenses. To allow for identification of specific cost of service elements, development of a rate base for regulatory purposes and preservation of the ability to maintain separate district specific tariffs, unless ordered otherwise, MAWC will account for the following for MAWC, JCWWC and SLCWC:

a. *Assets and Liabilities.* The following assets and liabilities will be accounted for separately:

- Accounts Receivable and Reserve for Doubtful Accounts
- Inventory Accounts
- Utility plant and Accumulated Depreciation Accounts
- Construction Work in Progress
- Accrued Utility Revenue
- Miscellaneous Accounts Receivable
- Accrued Property Taxes
- Advances for Construction
- Contributions in Aid of Construction

b. *Direct Costs of Each District.* The books and records will account for the direct costs of operating each district including, but not limited to, direct labor, power costs, chemical

costs, maintenance costs, and other direct costs will be accounted for on a district specific basis. Other costs, such as depreciation, property taxes and other similar accounts will also be maintained on a district specific basis. The books and records will account for the direct cost for each operating district .

c. *Indirect Costs of Districts.* Administrative and corporate level expenses of managing the entire corporation will be accounted for in corporate cost centers. These expenses include, but are not limited to, such activities as corporate labor, liability insurance, employee health benefits, pensions, management fee, regulatory expenses, income taxes, debt service and other costs such as leases and building costs related to supporting the entire state-wide operations of MAWC.

d. *Annual Reports.* MAWC will provide the Staff and Public Counsel with an income statement for each operating district, including direct costs and allocation of indirect costs, on an annual basis.

e. *Revenues by District.* The books and records will account for revenues for each operating district.

f. *Operating Statistics.* Operating statistics will be maintained on a monthly basis by district and by operating location within a district where appropriate. These statistics include gallons sold, gallons produced and customers. In addition, statistics will be maintained on other items such as chemical analysis, power efficiency, and other operating statistics.

8. **Capital Investment Commitment.**

MAWC agrees that approval of the proposed merger will not result in a reduction in its commitment to making necessary capital investments throughout the State of Missouri. To that end, MAWC will continue to evaluate the capital needs of each of its operating systems/districts

on an annual basis and will make the capital investments needed to furnish and provide such service instrumentalities and facilities as are necessary for MAWC to provide safe and adequate service to its customers at just and reasonable rates in each of its operating systems/districts. MAWC, as the surviving entity, agrees that all Commission Orders pertaining to the three pre-merger entities, MAWC, JCWWC and SLCWC, will remain in full force and effect unless or until such orders are stayed, reversed by a final decision of the Missouri courts after review, or superceded by a subsequent Order of the Commission. Additionally, MAWC agrees that over the next three years it will make an annual presentation to the Staff and the OPC regarding its annual capital investment needs evaluation, with the presentation to be made after approval of its capital budget by its Board of Directors. MAWC agrees to provide notice of the date and time of this presentation to Local 335 at least fourteen days prior to the presentation so that Local 335 may attend.

9. **Deferred Income Taxes.** The merger of MAWC, SLCWC and JCWWC will not result in the elimination or reduction of any deferred tax liabilities or assets.

10. **Negotiated Settlement.** This Stipulation and Agreement represents a negotiated settlement for the sole purpose of disposing of the issues in Commission Case No. WM-2001-309. None of the parties to this Stipulation and Agreement shall be prejudiced or bound by the terms of this Stipulation and Agreement in any future proceeding, or in this proceeding, in the event that the Commission does not approve this Stipulation and Agreement in its entirety.

11. **Provisions are Interdependent.** Because this Stipulation and Agreement has resulted from negotiations among the Parties, the terms of the Stipulation and Agreement are interdependent. In the event the Commission does not approve and adopt the matters addressed in this Stipulation and Agreement in their entirety, then this Stipulation and Agreement shall be

void and no signatory shall be prejudiced or bound by any of the agreements or provisions hereof for any purpose.

12. **Waiver of Rights to Cross-Examination, Etc.** In the event the Commission approves and adopts the matters addressed in the Stipulation and Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.070(2), RSMo (2000) to call, examine and cross-examine witnesses; their respective rights to present oral argument or written briefs pursuant to Section 536.080.1, RSMo (2000); their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2, RSMo (2000); their respective rights to seek rehearing pursuant to Section 386.500, RSMo (2000); and their respective rights to judicial review pursuant to Section 386.510, RSMo (2000). If this Stipulation and Agreement is not approved by the Commission, the Parties request that a procedural schedule be established which provides for the filing of testimony and a hearing, to include the opportunity for cross-examination.

13. **Staff's Rights.** The Staff shall file suggestions or a memorandum in support of this Stipulation and Agreement and the other parties shall have the right to file responsive suggestions or prepared testimony within five (5) days of receipt of Staff's memorandum, . All memoranda submitted by the Parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all Parties, and shall not become a part of the record of this proceeding or bind or prejudice the Party submitting such memorandum in any future proceeding or in this proceeding, whether or not the Commission approves this Stipulation and Agreement. The contents of any 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.

The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, promptly provide other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

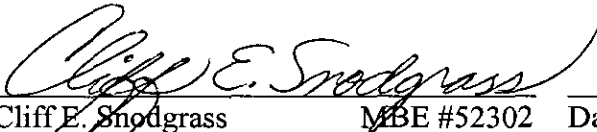
14. **Provision of Additional Information.** To assist the Commission in its review of this Stipulation and Agreement, the Parties also request that the Commission advise them of any additional information that the Commission may desire from the parties relating to the matters addressed in this Stipulation and Agreement, including any procedures for furnishing such information to the Commission.

15. **MEG Does Not Oppose.** While MEG does not join in the Stipulation and Agreement, it affirmatively states that it does not oppose the Stipulation and Agreement and does not request a hearing concerning the issues addressed by the Stipulation and Agreement.

WHEREFORE, the undersigned Parties, with the exception of MEG (which does not oppose the Stipulation and Agreement), respectfully request that the Commission issue its Order:


- a) Approving all of the specific terms and conditions of this Stipulation and Agreement; and,
- b) Granting such further relief as the Commission should find reasonable and just.

Respectfully submitted,

  
Cliff E. Snodgrass MBE #52302

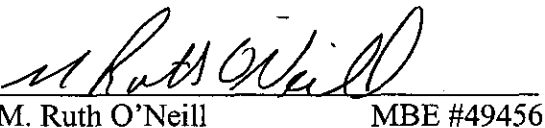
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COMMISSION

  
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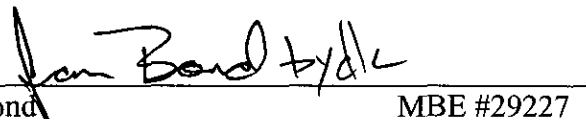
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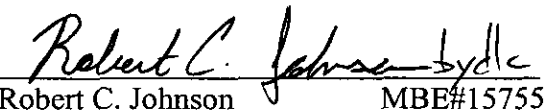
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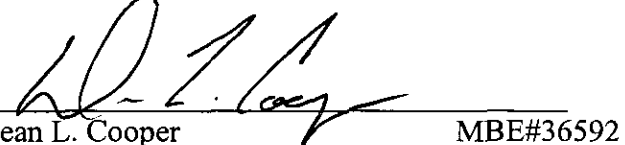
  
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Certificate of Service

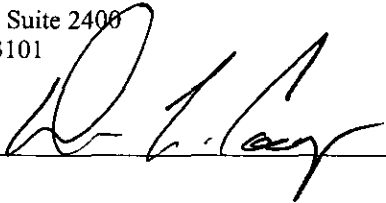
I hereby certify that a true and correct copy of the above and foregoing document was sent by U.S. Mail, postage prepaid, or hand-delivered on this 7<sup>th</sup> day of September, 2001, to the following:

Mr. Cliff Snodgrass  
Missouri Public Service Commission  
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