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May 30, 2000

FEDERAL EXPRESS

Mr. Dale H. Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
301 West High R530
Jefferson City, Missouri 65102

FILED²
MAY 31 2000
Missouri Public
Service Commission

Re: **Missouri-American Water Company**
Missouri PSC Case No. WR-2000-281 et al.

Dear Mr. Roberts:

Enclosed are the original and fourteen (14) conformed copies of **Statement of Position**. This filing was made electronically in the form of a Acrobat PDF file and a WordPerfect file to RLJ Thompson per earlier Commission order. This submission of hard copies is simply to comply with standard Commission practice.

An additional copy of the material to be filed is enclosed, which kindly mark as received and return to me in the enclosed envelope as proof of filing.

Thank you for your attention to this important matter. If you have any questions, please call.

Sincerely yours,

FINNEGAN, CONRAD & PETERSON, L.C.

By: 

Stuart W. Conrad

SWC:s
Enclosures
cc: All Parties

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FILED²

MAY 31 2000

STATE OF MISSOURI
MISSOURI PUBLIC SERVICE COMMISSION

Missouri Public
Service Commission

In the Matter of Missouri-American)
Water Company's Tariff Sheets De-)
signed to Implement General Rate)
Increases for Water and Sewer Ser-)
vice provided to Customers in the)
Missouri Service Area of the Compa-)
ny)

WR-2000-281
SR-2000-282
(Consolidated)

STATEMENT OF POSITION BY
ST. JOSEPH INDUSTRIAL INTERVENORS

COME NOW INTERVENORS AG PROCESSING INC, A COOPERATIVE ("AGP"), FRISKIES PETCARE, A DIVISION OF NESTLE USA ("Friskies") and WIRE ROPE CORPORATION OF AMERICA INC. ("Wire Rope") (collectively herein "Industrial Intervenors" or "St. Joseph Industrial Intervenors") and pursuant to the earlier order of the Commission provide their statement of positions on the issues that have heretofore been identified as follows:^{1/}

1. Issue 1. Accounting Authority Order. The Commission should not issue an accounting authority in this proceeding because: (a) the investment in the new St. Joseph water treatment facility was imprudent and should not be charged to the ratepayers in any manner; and (b) regardless, the investment was not unexpected nor extraordinary.

^{1/}Reference is made to the numbering and statement of issues that was submitted herein on May 25, 2000.

2. **Issue 2. Premature Retirement.** The Commission should not allow any recovery of any costs associated with the "premature retirement" of the side-of-river water treatment facility in St. Joseph because such facility should not have been abandoned and should have been renovated and given additional flood protection in that such actions could have been undertaken for roughly 1/2 the cost of the construction of the new facility, and redundant raw and finished water lines associated therewith.

3. **Issue 3. AFUDC Capitalization Rate.** Inasmuch as we do not believe that the company should be entitled to recover any AFUDC, our position with respect to the proper AFUDC rate to be allowed is 0.0%.

4. **Issue 4. St. Joseph Treatment Plant and Related Facilities ("SJTP") Valuation.** St. Joseph Industrial Intervenors believe that the decision to construct a new facility rather than renovate the existing facility in St. Joseph was imprudent and no effect of that decision should be charged to ratepayers. The only amount that should be included as additional rate base with respect to the St. Joseph district is \$38.2 million, that amount being the amount estimated by Dr. Morris as the cost of renovation and additional floodproofing at the side-of-river water treatment facility in St. Joseph.

5. **Issue 5. SJTP Capacity.** Consistent with our position that the SJTP should not have been constructed and represents imprudently incurred costs that should not be charged to the ratepayers, capacity issues associated with the new facility are irrelevant to our position. Accordingly, we take no position on this issue.

6. **Issue 6. Deferred Taxes.** St. Joseph Industrial Intervenors take no position on this issue.

7. **Issue 7. Return on Equity.** St. Joseph Industrial Intervenors believe that the allowed return on equity should be the absolute minimum deemed necessary for the company to attract capital; consistent, however, with a finding that the company was imprudent in its decision to construct a new treatment plant in its St. Joseph district.

8. **Issue 8. Rate Design.**

- a. **Issue 8a. Single Tariff pricing, District Specific Pricing or Compromise.** District Specific Pricing is not only correct, but the only lawful means of establishing the rates for this utility. This means that costs and rate base that are directly associated with the provision of service to a particular district should be charged only to that

district as supported by Mr. Harwig's testimony. Administrative and general costs should be allocated on a consistent and proper basis to each district, thereby allocating to each district the scale economies of such combined operations as supported by Mr. Harwig. See Issue 8b.

- b. **Issue 8b. Allocation of Corporate District Expense.** These costs should be allocated to the respective districts on the basis proposed by Mr. Harwig.

- c. **Issue 8c. Allocation of Cost/Revenue Among Classes.** Having once established the proper district-specific cost of service for each district, the costs within that district should be allocated to (and rates should be designed to recover from) the respective classes of customers within that district using the base-excess methodology with district-specific allocators. An approach that uses company-wide base-excess allocators misallocates costs. The proposal of Public Counsel to further adjust base-excess allocators is mistaken and should be rejected.

- d. **Issue 8d. Phase-In.** St. Joseph Industrial Inter-venors have not proposed a phase-in. Consistent with their position that the proper choice was to renovate the existing St. Joseph facility, that renovation would have been implemented over a period of several years. That being the model, no "phase-in" as suggested by other parties would be required as company would seek (and presumably obtain) incremental increases associated with the incremental expenditures of renovation as particular projects and portions were constructed and brought on line. The result is a mitigation of the increase for the St. Joseph district, but as a result of the incremental renovation of the existing facility rather than a result of some further artificially-imposed "phase-in."

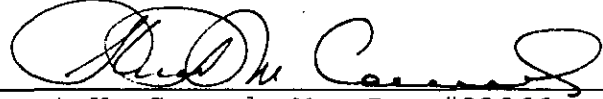
No phase-in of any kind or nature should be required where the transition to district-specific pricing results in a decrease in a district's current rates. Any phase-in of an **increase** associated with the transition to district-specific pricing should be identified on a district-specific basis, should be handled exclusively within

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that district and should be without additional
cost to the ratepayers in that district.

Respectfully submitted,

FINNEGAN, CONRAD & PETERSON, L.C.



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TION OF AMERICA, INC.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing pleading by U.S. mail, postage prepaid addressed to the following persons:

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Dated: May 30, 2000


Stuart W. Conrad