

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 3rd day of May, 2016.

In the Matter of the Joint Application of Missouri-)
American Water Company and Woodland Manor)
Water Company, LLC for MAWC to Acquire Certain) **File No. WM-2016-0169**
Water Assets of Woodland Manor and, in Connection)
Therewith, Certain Other Related Transactions)

ORDER APPROVING STIPULATION AND AGREEMENT

Issue Date: May 3, 2016

Effective Date: May 13, 2016

On January 5, 2016¹, Missouri-American Water Company (“MAWC”) and Woodland Manor Water Company, LLC, (“Woodland Manor”) filed a joint application (“Application”) with the Commission. The Application asks the Commission to approve MAWC’s purchase of Woodland Manor’s assets.

The Staff of the Commission (“Staff”) filed its Recommendation on February 22. Staff recommended the Commission approve the application, subject to several conditions. MAWC responded on March 3, accepting all conditions contained in the Staff Recommendation except one; namely, a condition that would require MAWC to use certain balances related to rate base. Staff replied on March 22, still adhering to the condition to which MAWC objects.

On April 26, MAWC, Woodland Manor, Staff and the Office of the Public Counsel filed a Stipulation and Agreement (“Stipulation”). After reviewing the Stipulation, the

¹ Calendar references are to 2016.

Commission independently finds and concludes that the stipulation and agreement, as clarified, is a reasonable resolution of the issues addressed by that stipulation and agreement and that such stipulation and agreement should be approved. The Commission will authorize the applicants to perform in accordance with the terms of their merger agreement, subject to the terms and conditions set forth in the stipulation and agreement.

Because no party opposes the relief granted in this order and because the parties request that the Commission approves the stipulation and agreement as soon as possible, the Commission will make this order effective in ten days.

THE COMMISSION ORDERS THAT:

1. The stipulation and agreement filed on April 26, 2016, is approved and the signatories to that stipulation and agreement are ordered to comply with its terms. A copy of the stipulation and agreement and addendum are attached to this order.

2. In conjunction with the acquisition of Woodland Manor Water Company, LLC, Missouri American Water Company shall not seek to recover any acquisition premium, nor shall it seek to recover any transaction costs, in any subsequent rate proceeding.

3. In conjunction with the acquisition of Woodland Manor Water Company, LLC, Missouri American Water Company is authorized to record transition costs (up to a maximum of \$40,000) as a deferred debit in Uniform System of Accounts (USOA) Account 186 – Miscellaneous Deferred Debit. The deferred debit shall be amortized to expense over a five-year period (USOA Account 405 – Amortization Other UP) beginning with the sooner of:

a. The first month following the end of services provided in the Transition Services Agreement; or

- b. Two years after the date of closing of the Woodland Manor acquisition.
4. “Transition costs” will largely consist of those payments made in accordance with a Transition Services Agreement with the prior owner of Woodland Manor Water Company, LLC, (not the entity), with payments not to exceed \$40,000 over a two-year period (i.e. \$40,000 maximum).
5. All ratemaking determinations regarding transition costs resulting from the Woodland Manor Water Company, LLC’s acquisition will be reserved to Missouri American Water Company’s next general ratemaking proceeding.
6. The Commission approves the proposed transfer of assets from Stephen and Mona Fennema d/b/a Woodland Manor Water Company, and/or Woodland Manor Water Company, LLC, to Missouri-American Water Company.
7. The Commission authorizes, upon their completing closing on the assets, Stephen and Mona Fennema d/b/a Woodland Manor Water Company, and/or Woodland Manor Water Company, LLC, to cease providing water service, and for Missouri-American Water Company to begin providing water service.
8. The Commission transfers the certificate of convenience and necessity now held by Stephen and Mona Fennema d/b/a Woodland Manor Water Company, to Missouri-American Water Company, effective upon the parties completing closing on the assets.
9. Missouri-American Water Company shall submit a statement that closing on the assets has occurred within five business days after closing has occurred.
10. Missouri-American Water Company shall adopt the existing Woodland Manor Water Company, LLC, water tariff, including existing rates, rules and service area, by filing

a tariff adopting notice sheet, as a 30-day filing, within ten (10) days after closing on the assets, and, Missouri-American Water Company is authorized to operate under the Woodland Manor Water Company, LLC, tariff on an interim basis until the adoption notice tariff sheet becomes effective.

11. Missouri-American Water Company shall adopt the current water depreciation rates that were ordered by the Commission for Woodland Manor Water Company, LLC, in Case No. WR-2013-0326, as shown on Attachment A to the Staff Recommendation.

12. Missouri-American Water Company shall keep its financial books and records for rate base, revenues and operating expenses associated with the Woodland Manor Water Company, LLC, system in accordance with the NARUC Uniform System of Accounts.

13. The Commission authorizes no recognition for accounting purposes of any “acquisition adjustment” or “acquisition premium” by Missouri-American Water Company associated with this asset transfer transaction in this case.

14. Missouri-American Water Company shall adhere to Commission Rule 4 CSR 240-13.020(1) regarding the production of customer bills with a 26-35 days of service billing period within thirty (30) days of the Commission order approving the Application.

15. Missouri-American Water Company shall distribute to Woodland Manor Water Company, LLC, service area customers an informational brochure detailing the rights and responsibilities of the utility and its customers prior to the first billing from Missouri-American Water Company, consistent with the requirements of Commission Rule 4 CSR 240-13.040(3).

16. Missouri-American Water Company shall include the Woodland Manor Water Company, LLC, service area customers, along with existing Missouri-American Water Company customers, for its monthly reporting to the Consumer and Management Analysis staff for 1) Average Abandoned Call Rate, 2) Average Speed of Answer, 3) 1st Call Effectiveness, 4) Average Customer Response Time, 5) Call Volumes, 6) Call Center Staffing Levels, including job titles and the number of people employed in each category, 7) the number of actual monthly meter reads in total and by district, 8) the number of monthly estimated meter reads, 9) the number of consecutive estimated reads and 10) the meter reader staffing levels.

17. Missouri-American Water Company shall provide adequate training to all customer service representatives prior to the current Woodland Manor Water Company, LLC, customers receiving their first bill from Missouri-American Water Company.

18. Missouri-American Water Company shall provide to the Consumer and Management Analysis Unit staff on a monthly basis a document detailing the bills to Woodland Manor Water Company, LLC, service area customers that were issued for greater than thirty-five (35) days of service.

19. Missouri-American Water Company shall provide to the Consumer and Management Analysis Unit staff within thirty (30) days of billing a sample of ten (10) billing statements of the first three months' bills issued to Woodland Manor Water Company, LLC, service area customers, in order to check for accuracy.

20. If deposits are retained, deposits should be refunded plus accrued interest on all accounts with a satisfactory payment history as defined in Commission Rule 4 CSR 240-13.030(4)(D).

21. Missouri-American Water Company shall provide an example of its communication with the Woodland Manor Water Company, LLC, service area customers regarding the acquisition of the Woodland Manor Water Company, LLC, utility assets, and how customers may reach Missouri-American Water Company.

22. The Commission makes no finding that would preclude the Commission from considering the ratemaking treatment to be afforded any matters pertaining to the granting or transfer of the certificate of convenience and necessity to Missouri-American Water Company, including expenditures related to the certificated service area, in any later proceeding.

23. This order shall become effective on May 13, 2016.

24. This file shall be closed on May 14, 2016.



BY THE COMMISSION

A handwritten signature in black ink that reads "Morris L. Woodruff".

Morris L. Woodruff
Secretary

Hall, Chm., Stoll, Kenney,
Rupp, and Coleman, CC., concur.

Pridgin, Deputy Chief Regulatory Law Judge