

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

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)	

**THE OFFICE OF THE PUBLIC COUNSEL’S
REPLY TO STAFF’S RESPONSE**

COMES NOW the Office of the Public Counsel (“Public Counsel”) and for its Reply states:

1. On January 5, 2016, Missouri American Water Company (“MAWC”) and Woodland Manor Water Company, LLC (“Woodland Manor”) filed a joint application with the Missouri Public Service Commission (“Commission”) authorizing Woodland Manor to sell all of its assets to MAWC. On February 22, 2016, Staff filed its recommendation that the Commission approve the application subject to several conditions. MAWC responded with a filing stating it “has no objection to the Staff Recommendation, except for Condition g of the Staff Recommendation (Condition 8 of the Memorandum), which requires MAWC to utilize certain balances related to rate base[.]” (*See* Doc. No. 7). Staff replied that it met with MAWC to discuss the company’s opposition to Condition (g) but Staff’s position remains unchanged (Doc. No. 9). Thereafter, the Commission issued an order setting a prehearing conference for April 7, 2016 (Doc. No. 10).

2. Staff’s memorandum explains, based on discussions with MAWC, its understanding that “MAWC is requesting authorization to create two regulatory assets in relation to this acquisition; an ‘operational synergies savings’ regulatory asset and ‘transition costs’ regulatory asset.” (Doc. No. 9, Appendix A, p. 1).

3. Staff explains it is opposed, in part, to the authorization of an operational synergies regulatory asset because any purported operation savings are inherently subjective because any estimated net savings “must be computed utilizing an ‘as if’ scenario assuming that the acquisition transaction never took place.” *Id.* Staff concludes a change in ownership does not justify deviation from normal accounting for ongoing costs. *Id.* at 2. Public Counsel agrees.

4. As it relates to MAWC’s request to track “transition costs,” Staff’s memorandum indicates “Staff is not opposed to authorizing MAWC to book a regulatory asset for its incurred incremental transition costs associated with the Woodland Manor operations, for possible consideration in future rate proceedings.” *Id.* Staff suggests its proposed resolution “be conditioned upon MAWC agreeing to start amortizing any transition costs regulatory assets over a five-year period, commencing one year from the effective date of the Woodland Manor acquisition.” *Id.* On this point, Public Counsel takes issue.

5. The Commission should not permit MAWC to defer these costs as a regulatory asset. Public Counsel supports discussing a resolution that accommodates MAWC’s request to defer certain costs but believes a different approach should be pursued. In particular, Public Counsel would not oppose MAWC recording transition costs as a “deferred debit” in account “186 Miscellaneous Deferred Debits” with certain conditions. First, there should be no presumption of future rate recovery. Second, there should be no rate base accounting treatment for any transition costs booked to the “186 Miscellaneous Deferred Debit” account. Third, any amortization of the deferred debit for transition costs should start in the month of the acquisition. Depending on the size of the transition costs, Public Counsel is open to discussing the appropriate amortization period.

6. Public Counsel offers these comments in its reply so that the other parties may consider them in advance of the scheduled pre-hearing conference.

WHEREFORE, Public Counsel respectfully submits its Reply.

Respectfully,

OFFICE OF THE PUBLIC COUNSEL

/s/ **Tim Opitz**

Tim Opitz

Senior Counsel

Missouri Bar No. 65082

P. O. Box 2230

Jefferson City MO 65102

(573) 751-5324

(573) 751-5562 FAX

Timothy.opitz@ded.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all counsel of record this 5th day of April 2016:

Missouri Public Service Commission

Department Staff Counsel
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102
staffcounsel@psc.mo.gov

Missouri Public Service Commission

Kevin Thompson
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102
Kevin.Thompson@psc.mo.gov

Missouri-American Water Company

Dean L Cooper
312 East Capitol
P.O. Box 456
Jefferson City, MO 65102
dcooper@brydonlaw.com

Missouri-American Water Company

Timothy W Luft
727 Craig Road
St. Louis, MO 63141
Timothy.Luft@amwater.com

Woodland Manor Water Company, LLC

Karl Finkenbinder
500 West Main Street , Suite 305
Branson, MO 65616
karl@sfalawfirm.com

/s/ Tim Opitz
