

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

In the Matter of the Application of Missouri-)
American Water Company for Approval of)
an Agreement with Nestlé Purina PetCare for)
Retail Sale and Delivery of Water)

Case No. WO-2009-0043

Tariff Work ID No.
YW-2009-0117

**STAFF’S RECOMMENDATION REGARDING
MISSOURI-AMERICAN WATER COMPANY’S APPLICATION FOR APPROVAL OF
AGREEMENT AND TARIFF**

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), by and through counsel, and, for its Recommendation Regarding Missouri-American Water Company’s Application for Approval of Agreement and Tariff states to the Missouri Public Service Commission (“Commission”) as follows:

1. On August 13, 2008¹, Missouri-American Water Company (“MAWC” or “Company”) filed its *Application for Approval of Agreement and Tariff* (“Application”) with the Commission, in which it requests that the Commission approve an Agreement between MAWC and Nestlé Purina PetCare (“Nestlé”) for the retail sale and delivery of water. Along with the Application, MAWC also submitted two proposed tariff sheets related to said Agreement, which MAWC requests become effective on September 12.

2. On August 15, the Commission issued its Order Directing Notice and Order Directing Filing, directing its Data Center to send notice of the Application and proposed tariff sheets to all parties in MAWC's pending rate case (Case No. WR-2008-0311), establishing an intervention deadline of August 20, and ordering Staff to file a Recommendation regarding the Agreement and proposed tariff sheets no later than August 26.

¹ Unless otherwise noted, all dates hereafter are in reference to the year 2008.

3. As the Commission is aware, MAWC filed the Application, Agreement, and proposed tariff revisions, under the provisions of its St. Joseph Economic Development Rider (“EDR”). The purpose of the EDR is to encourage industrial and commercial development in the State of Missouri. Within its application, MAWC specifically requests both a waiver from the Availability and Applicability provision of MAWC’s Economic Development Rider Tariff that requires new or additional facilities to provide at least fifty (50) new jobs, and the approval of the MAWC-Nestlé Agreement under the Alternative Incentive Provision of the EDR.

4. Staff’s investigation included a review of the Application, the St. Joseph EDR, the Agreement, the schedules supporting the Application, and the proposed tariff sheets. Staff’s investigation focused specifically upon whether the provisions of the St. Joseph EDR had been met. The provisions of this EDR generally require, in order to qualify for the General Incentive Provision of the EDR, that proposed facilities exceed minimum projected annual load factors, exceed a minimum projected billing demand, and create at least fifty (50) new permanent jobs. The EDR also provides that a customer may qualify under the Alternate Incentive Provision² if the company can demonstrate the inadequacy of the rate provided under the General Incentive Provision in light of viable competitive alternatives in other geographical areas.

5. As it currently stands, Nestlé anticipates approximately (30) new permanent jobs due to this proposed addition to its St. Joseph facility, with potential expansion in the future. Furthermore, Nestlé has been able to demonstrate to Staff viable competitive alternatives in other geographic areas. Absent approval of the Agreement under the Alternative Incentive Provision of the EDR, Nestlé has indicated that these competitive alternatives may be detrimental to its decision to expand the St. Joseph facility.

² Under the Alternate Incentive Provision MAWC and prospective customers may enter into a Special Service Contract that will provide for a competitive rate in lieu of the rate discounts provided for in the General Incentive Provision.

6. Based upon its investigation of this matter, Staff reports to the Commission that the Application, the Agreement, the schedules supporting the Application, and the proposed tariff sheets comply with the provisions of the St. Joseph EDR, with the exception of the requirement that the additional facility create at least fifty (50) new permanent jobs. Staff recommends that in order to promote the economic incentive purpose of the EDR that this availability requirement be waived, as requested by MAWC. Staff also recommends that this Agreement should be allowed to qualify under this Alternate Incentive Provision, as approval of the Agreement and related tariffs will encourage Nestlé's industrial and commercial development in the State of Missouri, in further accordance with the intent of the St. Joseph Economic Development Rider.

WHEREFORE, Staff respectfully recommends that the Commission grant a waiver of the unfulfilled provision of the Economic Development Rider and issue an order approving the Company's Application, the MAWC-Nestlé Agreement, and the proposed tariff revisions.

Respectfully submitted,

/s/ Eric Dearmont

Eric Dearmont
Assistant General Counsel
Pursuant to Missouri Rule 13

/s/ Shelley Syler Brueggemann

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 26th day of August, 2008.

/s/ Eric Dearmont