

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

<b>In the Matter of the Petition of Missouri-</b>	)	
<b>American Water Company For Approval</b>	)	<b><u>Case No. WO-2010-0190</u></b>
<b>to Change its Infrastructure System</b>	)	Tariff File No. YW-2010-0413
<b>Replacement Surcharge (ISRS)</b>	)	

**REVISED BALANCES TO STAFF RECOMMENDATION**

**COMES NOW** the Staff of the Missouri Public Service Commission (Staff) and for its *Revised Balances to Staff Recommendation* states to the Missouri Public Service Commission (Commission) as follows:

1. On February 19, 2010 Staff filed its Recommendation in response to Missouri-American Water Company's (MAWC) filed *Petition to Change its Infrastructure System Replacement Surcharge (ISRS)* (Petition).

2. Staff's Recommendation specifically requested the Commission issue an order which: "3. Approves the Staff's determination that the Company is entitled to receive ISRS surcharge revenues in the amount of \$2,274,736, as shown in Attachment A.

3. Staff's Notice of Correction to Recommendation, filed on March 3, 2010, specifically requested the Commission also issue an order which " 4.... direct MAWC to file a compliance tariff reflecting the Commission's order approving the ISRS surcharge revenues in the amount of \$2,274,736."

4. Staff received updated plant balances for ISRS investment placed in service in December 2009 and January 2010 and has recalculated the associated revenue requirement items, attached hereto as Revised Attachment A (Staff's ISRS Revenue Requirements Calculation). Staff has also attached hereto the ISRS Rate Design Calculation as Attachment B.

5. Due to the updated ISRS plant balances through January 2010 and the recalculation of the associated revenue requirement items, Staff revises its recommendation and

determines that MAWC is entitled to receive ISRS surcharge revenues in the revised amount of \$3,156,668.

6. Staff recommends the Commission issue an order that:
  1. Finds that MAWC's filed Petition is in compliance with the requirements of sections 393.1000 to 393.1006 RSMo (Cumm Supp 2008);
  2. Approves MAWC's Petition to implement ISRS rate schedules; and
  3. Approves Staff's revised determination that the Company is entitled to receive ISRS surcharge revenues in the amount of \$3,156,668, as shown in Revised Attachment A.
  4. Rejects MAWC's revised ISRS tariff sheet P.S.C. MO. No. 6, 9<sup>th</sup> Revised Sheet No. RT 18.0, Canceling 8<sup>th</sup> Revised Sheet No. RT 18.0 pending in Tariff File No. YW-2010-0413, to be effective on April 22, 2010, and direct MAWC to file a compliance tariff reflecting the Commission's order approving the ISRS surcharge revenues in the amount of \$3,156,668.

**WHEREFORE**, the Staff respectfully requests that the Commission issue an order consistent with the revised calculations and recommendations set out herein.

Respectfully submitted,

**/s/Shelley Syler Brueggemann**

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#### **CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed or hand-delivered, transmitted by facsimile or emailed to all counsel of record this 8<sup>th</sup> day of March, 2010.

**/s/Shelley Syler Brueggemann**

**Missouri-American Water Company**  
**ISRS Revenue Requirements Calculation**  
St. Louis District

<u>ISRS Activity:</u>	<b>Total for ISRS-7 Filing</b>
<b><u>Water Utility Plant Projects--Replacement Mains, and Associated Valves and Hydrants (RM) RSMo 393.1000 (8a):</u></b>	
Task Orders Placed in Service (TOPS):	
STLC-Replacement Mains and Associated Valves and Hydrants	\$ 25,383,639
Net Contributions in Aid of Construction	(154,141)
Deferred Taxes	(4,225,527)
Accumulated Depreciation	(256,034)
<b>Total Net 393.1000 (8a)</b>	<b>20,747,938</b>
<b><u>Water Utility Plant Projects--Main Cleanings and Relinings (RM) RSMo 393.1000 (8b):</u></b>	
Task Orders Placed in Service (TOPS):	
STLC-Main Cleanings and Relinings	0
Net Contributions in Aid of Construction	0
Deferred Taxes	0
Accumulated Depreciation	0
<b>Total Net 393.1000 (8a)</b>	<b>0</b>
<b><u>Water Utility Plant Projects--Facilities Relocations (FR) RSMo 393.1000 (8c):</u></b>	
Task Orders Placed in Service (TOPS):	
STLC-Relocated Facilities	2,933,270
Net Contributions in Aid of Construction	(754,671)
Deferred Taxes	(415,532)
Accumulated Depreciation	(31,366)
<b>Total Net 393.1000 (8c)</b>	<b>1,731,701</b>
<b><u>Accumulated Depreciation and Deferred Taxes on Investment in Current ISRS</u></b>	
Depreciation for ISRS-6 Case No. WO-2009-0379	(285,893)
Deferred Taxes ISRS-6 Case No. WO-2009-0379	(128,355)
<b>Total</b>	<b>(414,247)</b>
<b>Total ISRS Rate Base</b>	<b>22,065,391</b>
<b>Overall Rate Of Return per Last Order</b>	<b>8.01%</b>
<b>UOI Required</b>	<b>1,766,550</b>
<b>Income Tax Conversion Factor</b>	<b>1.623077</b>
<b>Revenue Req. Before Interest Deductability</b>	<b>2,867,247</b>
<b>Total ISRS Rate Base</b>	<b>22,065,391</b>
<b>Embedded Cost of Debt per Last Order</b>	<b>3.207%</b>
<b>Interest Expense Deduction</b>	<b>707,742</b>
<b>Combined Federal and State Income Tax Rate</b>	<b>38.388630%</b>
<b>Income Tax Reduction due to Interest</b>	<b>271,692</b>
<b>Tax Conversion Factor</b>	<b>1.623077</b>
<b>Revenue Req Impact - Interest Deductability</b>	<b>440,978</b>
<b>Total Revenue Requirement on Capital</b>	<b>2,426,269</b>
<b>Depreciation Expense</b>	<b>395,720</b>
<b>Property Taxes</b>	<b>334,678</b>
<b>Add Under Collection from Previous ISRS</b>	<b>-</b>
<b>Total ISRS Revenues</b>	<b>\$ 3,156,668</b>
<b><u>Allocation of Revenue by Class</u></b>	
Mains less than or equal to 12"	Rate A & Oth \$ 2,820,199
Mains greater than 12"	Rate A & Oth 310,056
	Total Rate A & Oth 3,130,255
	Rate J 16,992
	Rate B 9,421
<b>Grand Total Revenues Collected in Proposed ISRS</b>	<b>\$ 3,156,668</b>

**Missouri-American Water Company**  
**Tariff Rates**  
**ISRS # 7 Filing**  
**St. Louis District**

	<b>ISRS Recovery Revenue Requirement</b>	<b>2007 Bill Analysis Sales (CCF) (1)</b>	<b>Rate per CCF</b>	<b>Rate per 1000 Gal.</b>
Rate A & Oth	3,130,255	53,911,327	\$ 0.0581	\$ 0.0775
Rate B	9,421	2,482,523	\$ 0.0038	\$ 0.0051
Rate J	16,992	6,194,592	\$ 0.0027	\$ 0.0036