

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

In the Matter of the Joint Application of)
Missouri-American Water Company and)
Tri States Utility, Inc. for Authority for)
Missouri-American Water Company to) File No. WO-2013-0517
Acquire Certain Assets of Tri States Utility,)
Inc. and in Connection Therewith, Certain)
Other Related Transactions.)

**THE OFFICE OF THE PUBLIC COUNSEL’S RESPONSE
TO STAFF’S AMENDED RECOMMENDATION**

COMES NOW the Office of the Public Counsel (Public Counsel) and for its Response to Staff’s Amended Recommendation states as follows:

1. On June 12, 2013, Missouri-American Water Company (MAWC) and Tri States Utility, Inc. (Tri States) filed a joint application before the Missouri Public Service Commission (Commission) seeking authority for Tri States to sell substantially all its assets to MAWC.
2. On August 5, 2013, the Staff of the Missouri Public Service Commission (Staff) filed its Recommendation in this case. Subsequently, after discussion with the parties, Staff determined certain changes should be made to the recommendation it filed. As a result of this determination, Staff filed its Amended Recommendation on August 12, 2013.
3. Staff’s Amended Recommendation asked the Commission to approve the joint application seeking authority for Tri States to sell substantially all its assets to MAWC and asked the Commission to issue an order that includes the provisions laid out in Staff’s Memorandum, attached as Appendix A.

4. Public Counsel has reviewed Staff's Amended Recommendation and now states that it will not oppose the Amended Recommendation.

5. As Staff notes in the Official Case File Memorandum attached as Appendix A to the Amended Recommendation, Tri States' accumulated deferred income reserve is not being transferred to MAWC as part of this acquisition. Accordingly, Tri States' customers will lose the benefit of the rate base reduction associated with the accumulated deferred income tax reserve. Public Counsel believes this loss is a customer detriment associated with the proposed transaction.

6. Public Counsel does not necessarily agree that a significant amount of the detriment associated with loss of Tri States' current accumulated deferred income tax reserve, if not all, will be offset by the growth of MAWC's accumulated deferred income tax reserve associated with the Tri States property by the time of MAWC's next general rate case.

7. However, while a detriment does exist due to Tri States' accumulated deferred income reserve not being transferred to MAWC as part of this acquisition; it is Public Counsel's belief that this detriment is adequately offset by the potential benefit of the transfer of this system to MAWC.

8. Therefore, Public Counsel will not object to Staff's Amended Recommendation asking the Commission to approve the joint application seeking authority for Tri States to sell substantially all its assets to MAWC and asking the Commission to issue an order that includes the provisions laid out in Staff's Memorandum, attached as Appendix A.

9. Public Counsel will continue to monitor the accumulated deferred income reserve issue in MAWC's next general rate case, and may further address this concern within that rate proceeding.

WHEREFORE, Public Counsel respectfully submits its Response.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

/s/ Christina L. Baker

By: _____

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to the following this 13th day of August 2013:

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