

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

In the Matter of the Joint Application of Missouri—)	
American Water Company, St. Louis County Water)	
Company, d/b/a Missouri-American Water Company,)	Case No. WO-2002-273
and Jefferson City Water Works Company, d/b/a)	
Missouri-American Water Company, for an)	
Accounting Authority Order Relating to Security Costs.)	

**Opinion of Chairman Steve Gaw and
Commissioner Lin Applling Concurring
In Part and Dissenting In Part**

In its Report and Order on Remand, the majority grants Missouri-American Water Company an Accounting Authority Order (AAO) which permits the deferral of expenditures made to upgrade security following the events of September 11, 2001. We agree with the majority to the extent that the AAO is designed to permit deferral of expenditures associated with one-time capital additions and one-time non-capital costs. However, to the extent that the AAO provides for the deferral of recurring costs, primarily increased water sampling, we must dissent.

The analysis provided by the majority serves to confuse whether the issue giving rise to the AAO is an extraordinary event and / or an extraordinary expense. As the Report and Order indicates, the Commission has granted AAOs where an extraordinary event has caused a utility to incur certain expenses. For instance, past Commission decisions have granted AAOs for ice storm damage and the rebuild of an electric generating station. In contrast, other Commission decisions have granted deferral where the expense is extraordinary, for instance the ubiquitous replacement of gas and water mains. This uncertainty regarding the underlying basis for an AAO

provides clear indication that the Commission should have taken this opportunity to clarify the current test used for AAO applications.



Steve Gaw
Chairman

Respectfully submitted,



Lin Appling
Commissioner

Dated at Jefferson City, Missouri,
on this 10th day of November, 2004.