

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 12th day of
October, 2006.

In the Matter of the Petition of Missouri-American)	
Water Company for Approval to Change Its)	<u>Case No. WO-2007-0043</u>
Infrastructure System Replacement Surcharge)	Tariff No. YW-2007-0070
(ISRS))	

**ORDER APPROVING INFRASTRUCTURE SYSTEM REPLACEMENT
SURCHARGE BUT REJECTING TARIFF**

Issue Date: October 12, 2006

Effective Date: October 12, 2006

On August 3, 2006,¹ Missouri-American Water Company ("MAWC") filed a petition with the Missouri Public Service Commission pursuant to sections 393.1000, 393.1003 and 393.1006, RSMo Cum. Supp. 2005; and 4 CSR 240-2.060(1) and 4 CSR 240-3.650, requesting adjustment to its rates and charges through a change to its Infrastructure System Replacement Surcharge ("ISRS") rate schedule.² MAWC indicates that its proposed rate schedule will produce pre-tax ISRS revenues of \$2,007,216. This amount represents an increase of 1.2% based upon the base revenue level approved by the Commission in its most recently completed general rate proceeding on an annualized basis.

¹ All dates throughout this order refer to the year 2006 unless otherwise noted.

² The specific infrastructure system replacements for which MAWC seeks ISRS recognition are located in its St. Louis County District and are set forth in Appendices A and B to MAWC's application.

Section 393.1006.1(2) requires that the Commission publish notice of MAWC's ISRS filing. Therefore, on August 4, the Commission directed that notice be sent to the St. Louis County Commission and to the parties in MAWC's last general rate case. Notice was also made available to the media serving St. Louis County and to the members of the General Assembly representing St. Louis County. In that same order, the Commission directed that any person wishing to intervene in this matter file an application to intervene no later than August 24. On September 20, after filing a timely and unopposed request to intervene, Utility Workers Union of America Local 335, AFL-CIO ("Local 335") was granted intervention.

Section 393.1006.2(3) requires that the Commission act upon MAWC's ISRS application no later than 120 days after it was filed. That means that the Commission must act on or before December 2. Section 393.1006.2(2) requires the Staff of the Commission to file a report regarding MAWC's ISRS application no later than 60 days after it was filed. Thus Staff's report was due October 3.

With its application, MAWC filed a tariff to implement the surcharge effective on September 2. On August 15, the Commission suspended that tariff until December 2, unless sooner approved, to allow adequate time to examine MAWC's proposed ISRS and tariff.

Staff filed its report on October 3, indicating that its Auditing and Water and Sewer Departments have examined MAWC's ISRS application. Based on the results of its examination, Staff recommended that the Commission approve MAWC's petition to implement ISRS rate schedules and that MAWC's ISRS rates should be designed to recover additional annual pre-tax ISRS revenue of \$1,961,076. The Commission

ordered any party wishing to respond to Staff's recommendation or request a hearing do so on or before October 10.

On October 10, MAWC filed a response to the Staff's report accepting its recommendations. No other party filed a response to Staff's report within the time period established by the Commission.

Based on MAWC's application, and Staff's report regarding that application, the Commission concludes that MAWC should be permitted to establish an ISRS sufficient to recover appropriate pre-tax annual revenues of \$1,961,076. MAWC will be authorized to file an ISRS rate for each customer class consistent with the rates set out in Staff's Report. Because the authorized revenues and rates differ from those contained in the tariff previously submitted by MAWC, that tariff will be rejected. MAWC will, however, be authorized to file a new tariff consistent with this order.

IT IS ORDERED THAT:

1. Missouri-American Water Company is authorized to establish an Infrastructure System Replacement Surcharge sufficient to recover appropriate pre-tax annual revenue of \$1,961,076.

2. Missouri-American Water Company is authorized to establish an Infrastructure System Replacement Surcharge rate for each of its customer classes as indicated in Staff's Report.

3. The tariff sheet filed by Missouri-American Water Company on August 4, 2006, and assigned tariff number YW-2007-0070, is rejected. The tariff sheet rejected is:

P.S.C. MO. NO. 6

3rd Revised Sheet No. RT 18.0, Canceling 2nd Revised Sheet No. RT 18.0

4. Missouri-American Water Company is authorized to file a new tariff recovering the revenue, and implementing the rates, authorized in this order.

5. This order shall become effective on October 12, 2006.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', written over a horizontal line.

Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray, Gaw and Appling, CC., concur
Clayton, C., absent

Stearley, Regulatory Law Judge