

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office in  
Jefferson City on the 17th day  
of March, 2010.

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

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

Issue Date: March 17, 2010

Effective Date: March 27, 2010

**Background**

On December 23, 2009, Missouri-American Water Company filed a petition with the Missouri Public Service Commission to adjust its infrastructure system replacement surcharge (ISRS) rate schedule to provide recovery of costs for infrastructure system replacement and relocations eligible for ISRS. Missouri law<sup>1</sup> affords the company the ability to recover certain infrastructure system replacement costs without the need to file a formal rate case.

Missouri-American indicates that its proposed rate schedule will produce \$2,314,258.<sup>2</sup> This amount represents an increase of 1.2% based on the base revenue level approved by the Commission in its most recently completed general rate proceeding.<sup>3</sup> To implement the surcharge, Missouri-American filed a tariff with an effective date of January 22, 2010.

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<sup>1</sup> §§ 393.1000, 393.1003, 303.1006, RSMo (Cum. Supp. 2009), and Commission rule 4 CSR 240-3.650.

<sup>2</sup> Missouri-American application, Schedule A.

<sup>3</sup> Missouri-American application, paragraph 12.

On December 24, 2009, the Commission issued an order suspending the tariff until April 22, 2010, and directed that notice be sent to the St. Louis County Commission, members of the General Assembly representing St. Louis County and to the parties in Missouri-American's most recent general rate case. The Commission also required that any applications to intervene be filed no later than January 13. There were no requests to intervene.

### **Staff Recommendation**

The Staff of the Commission filed its recommendation on February 19. Staff agrees with and has adopted the methodology utilized by the company for the calculation of the ISRS revenue requirement. However, Staff's recommendation differs in that Staff proposes to include additional accumulated depreciation and deferred income tax reserves through the month of the effective date to better reflect the actual levels that will exist for these items. On March 8, after receiving from Missouri-American updated balances for ISRS investment placed in service in December of 2009 and January 2010, Staff revised its recommendation to include the additional months. Because the company filed its application in December, the months of December and January are not included in its request.

Staff's calculations<sup>4</sup> reflect Missouri-American's filed capital structure and a 10% return on equity as agreed to in its most recent general rate case.<sup>5</sup> Staff recommends that the Commission issue an order that:

1. Finds that Missouri-American filed its petition in compliance with the requirements of sections 393.1000 to 393.1006, RSMo (Cum Supp 2009);
2. Approves Missouri-American's petition to implement ISRS rate schedules;

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<sup>4</sup> Shown in Attachment A to Staff's recommendation.

<sup>5</sup> Commission Case No. WR-2007-0216.

3. Approves the Staff's determination that the company is entitled to receive ISRS surcharge revenues in the amount of \$3,156,668<sup>6</sup> as shown in Attachment A; and
4. Rejects Missouri-American's proposed tariff, Tariff File No. YW-2010-0413, and directs the company to file a tariff that is consistent with Staff's recommendation.

On March 11, Missouri-American filed a notice informing the Commission that it agrees with Staff's recommendation.

### **Discussion**

Based on Missouri-American's application and Staff's report, the Commission finds that Missouri-American's application is in compliance with the requirements of §§ 393.1000 to 393.1006. The Commission concludes that Missouri-American should be permitted to establish an ISRS sufficient to recover annual revenues of \$3,156,668. Missouri-American 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 Missouri-American, that tariff will be rejected. Missouri-American will, however, be allowed to file a new tariff consistent with this order.

### **THE COMMISSION ORDERS THAT:**

1. Missouri-American Water Company is authorized to establish an Infrastructure System Replacement Surcharge sufficient to recover appropriate annual revenue of \$3,156,668.
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.

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<sup>6</sup> Staff's initial recommendation, which does not include the months of December 2009 and January 2010, was for an ISRS amount of \$2,274,736.

3. The tariff sheet filed by Missouri-American Water Company on December 23, 2009, and assigned tariff number YW-2010-0413, is rejected. The tariff sheet rejected is:

P.S.C. MO. No. 6

9<sup>th</sup> Revised Sheet No. RT 18.0, Cancelling 8<sup>th</sup> 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 March 27, 2010.

**BY THE COMMISSION**



Steven C. Reed  
Secretary

( S E A L )

Clayton, Chm., Davis, Jarrett,  
Gunn, and Kenney, CC., concur.

Jones, Senior Regulatory Law Judge