

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

In the Matter of the Joint Application of Missouri-)
American Water Company and Emerald Pointe Utility)
Company for Missouri-American Water Company to) File No. WO-2014-0113
Acquire Certain Water and Sewer Assets of the)
Emerald Pointe Utility Company in Connection)
Therewith, Certain Other Related Transactions)

In the Matter of the Joint Application of Missouri-)
American Water Company and Emerald Pointe Utility)
Company for Missouri-American Water Company to) File No. SO-2014-0116
Acquire Certain Water and Sewer Assets of the)
Emerald Pointe Utility Company in Connection)
Therewith, Certain Other Related Transactions)

MAWC'S RESPONSE TO STAFF'S RECOMMENDATION

COMES NOW Missouri-American Water Company (MAWC or Company) and, in response to Staff's Recommendation, states as follows to the Missouri Public Service Commission (Commission):

1. On October 25, 2013, MAWC and Emerald Pointe Utility Company (Emerald Pointe) filed a joint application seeking authority for Emerald Pointe to sell substantially all its assets to MAWC. On January 24, 2014, the Staff of the Commission (Staff) filed a recommendation to approve the joint application subject to a number of conditions (Staff's Recommendation). On January 27, 2014, the Commission issued its order directing MAWC to file a response addressing the conditions in Staff's Recommendation.

2. Staff's Recommendation identifies 16 numbered items that it recommends be included in a Commission order concerning the Joint Application. MAWC has no objection to Staff's Recommendations 1-4 and 6-16. This includes use of Emerald Point's current rates, since

those rates were set so recently and, therefore, likely still more appropriate than would be the case had current rates instead been set by the Commission some time ago or not at all.

3. However, MAWC does object to Staff's Recommendation 5 (requiring MAWC's adoption of the existing Emerald Pointe sewer service rules and regulations) because Staff's Recommendation does not address an issue required by statute. As identified in MAWC's Application, this transaction implicates Section 393.320, RSMo. That section states as follows:

Upon the date of the acquisition of a small water utility by a large water public utility, whether or not the procedures for establishing ratemaking rate base provided by this section have been utilized, ***the small water utility shall, for ratemaking purposes, become part of an existing service area***, as defined by the public service commission, ***of the acquiring large water public utility*** that is either contiguous to the small water utility, the closest geographically to the small water utility, or best suited due to operational or other factors. ***This consolidation shall be approved by the public service commission in its order approving the acquisition.***

(emphasis added).

4. MAWC is a "large water public utility," within the meaning of the statute, as it is "a public utility that regularly provides water service or sewer service to more than eight thousand customer connections and that provides safe and adequate service. . ." (Section 393.320.1(1), RSMo). Emerald Point is a "small water utility," within the meaning of the statute as it is "a public utility that regularly provides water service or sewer service to eight thousand or fewer customer connections. . ." (Section 393.320.1(2), RSMo).

5. Section 393.320.6 requires the Commission, assuming it approves the proposed transaction, to make the Emerald Pointe water and sewer customers a "part of an existing [MAWC] service area" in the Commission's order approving the acquisition. The Staff Recommendation makes no mention of Section 393.320.

6. This statute appears designed to further consolidation of small water and sewer systems into larger utilities in order to provide the economies of scale associated with those operations. Failure to consolidate the small operations for purposes of rules, regulations and rate setting, does nothing to further this objective and complicates matters for the acquiring company's call center, billing and other personnel.

7. Accordingly, MAWC would ask that the Commission direct its Staff to supplement its recommendation with a proposal as to the consolidation of both the Emerald Pointe water and sewer systems that is called for by Section 393.320.6.

WHEREFORE, Missouri-American Water Company prays the Commission consider this Response to Staff's Recommendation and grant such relief as the Commission deems reasonable and just.

Respectfully submitted,

/s/ Timothy W. Luft
Timothy W. Luft, MO Bar 40506
727 Craig Road
St. Louis, MO 63141
timothy.luft@amwater.com
(314) 996-2279 (telephone)
(314) 997-2451 (facsimile)

**ATTORNEY FOR MISSOURI-AMERICAN WATER
COMPANY**

Certificate of Service

I hereby certify that copies of the foregoing have been transmitted by electronic mail to the following on this 6th day of February, 2014:

Amy Moore
Missouri-Public Service Commission
Office General Counsel

Christina Baker
Office of the Public Counsel
opcservice@ded.mo.gov

staffcounsel@psc.mo.gov
amy.moore@psc.mo.gov

Christina.baker@ded.mo.gov

Vincent O'Flaherty
Law Office of Vincent O'Flaherty, Attorney, LLC
voflaherty@voflaw.com

/s/ Timothy W. Luft