

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 28th day
of March, 2006.

In the Matter of the Petition of Missouri-American)	
Water Company for Approval to Change its)	<u>Case No. WO-2006-0284</u>
Infrastructure System Replacement Surcharge)	Tariff File No. YW-2006-0520

ORDER APPROVING
INFRASTRUCTURE SYSTEM REPLACEMENT SURCHARGE
BUT REJECTING TARIFF

Issue Date: March 28, 2006

Effective Date: April 7, 2006

On January 3, 2006, Missouri-American Water Company (MAWC) filed a Petition to Change its Infrastructure System Replacement Surcharge (ISRS). MAWC's request to establish an ISRS was accompanied by an implementing tariff. The Commission has suspended that tariff until May 3, 2006.

In its ISRS Petition, MAWC seeks to implement an ISRS rate schedule that will allow it to recover costs for infrastructure system replacements that are eligible for ISRS recognition under Sections 393.1000, 393.1003 and 393.1006, RSMo Supp 2005, the controlling statutes. The specific infrastructure system replacements for which MAWC seeks ISRS recognition are set forth in Appendix A to MAWC's application.

Section 393.1006.1(2) requires that the Commission publish notice of MAWC's ISRS filing. Therefore, on January 5, the Commission directed that notice of the filing be mailed to the county commission of the counties served by MAWC. It also directed that notice be given to the media serving the counties served by MAWC. In that same order, the

Commission directed that any person wishing to intervene in this matter file an application to intervene no later than January 25. The Commission did not receive any applications to intervene.

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 May 3. Section 393.1006(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 March 3.

Staff filed its report on March 3, indicating that its Auditing and Water & Sewer Departments have examined MAWC's ISRS application. Based on the results of its examination, Staff recommended that adjustments be made to MAWC's calculation of: 1) deferred income taxes; 2) the ISRS investment; and 3) property taxes. Based on its adjustments, Staff recommends that MAWC be allowed to recover ISRS revenues of \$4,850,176. MAWC having requested ISRS revenues of \$4,992,415, this results in a downward adjustment of \$142,239. Staff's determination of its amount and the supporting calculations are shown in Attachment A to Staff's Memorandum.

On March 6, 2006, MAWC filed a response accepting the recommendations contained in Staff's report. Neither Staff, nor the Office of the Public Counsel, filed a reply to MAWC's response.

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 annual pre-tax revenues of \$4,850,176. 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 annual pre-tax revenue of \$4,850,176.

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 January 3, 2006, and assigned tariff number YW-2006-0520, is rejected. The tariff sheet rejected is:

P.S.C. MO. No. 6

2nd Revised Sheet No. RT 18.0, Cancelling 1st 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 April 7, 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, Clayton,
and Appling, CC., concur.
Gaw, C., absent.

Jones, Regulatory Law Judge