

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

In the Matter of Missouri-American Water)
Company's Request for Authority to)
Implement a General Rate Increase for) Case No. WR-2011-0337
Water and Sewer Services Provided in)
Missouri Service Areas.)

**POSITION STATEMENT OF
MISSOURI INDUSTRIAL ENERGY CONSUMERS**

Comes now the Missouri Industrial Energy Consumers (“MIEC”), and pursuant to the Commission’s February 10, 2012 *Order Granting Extension of Time* provides the following Statement of Position, with issues numbered according to the *Joint Issues List* dated February 9, 2012.

B. Cost of Capital Issues:

1. Capital Structure:

What is the appropriate capital structure for ratemaking purposes?

The Commission should authorize a capital structure of 49.36% long-term debt, 0.27% preferred stock, and 50.37% common equity.

2. Return on Equity:

What is the appropriate return on common equity for ratemaking purposes?

The Commission should authorize a return on common equity of 9.40%.

C. Revenue Issues:

1. Revenue (Water Usage Volumes)

How should the volume of water used by residential and commercial customers be calculated?

Missouri-American Water Company's ("Company") St Louis Metro daily customer usage estimate of 232.19 gallons per day and 236.35 gallons per day for the residential class in St. Louis County and St. Charles County, respectively, is unreasonably low and is unsupported by historical usage. Historical usage utilizing a 6 year average for the residential class shows that an accurate daily customer usage estimate is 246.45 gallons per day for St Louis County residential customers and 257.58 gallons per day for St. Charles County residential customers.

The Company's St Louis Metro daily customer usage estimate of 976.40 gallons per day and 1,092.94 gallons per day for the commercial class in St. Louis County and St. Charles County, respectively, is unreasonably low and is unsupported by historical usage. Historical usage utilizing a 6 year average for the commercial class shows that an accurate daily customer usage estimate is 1,126.21 gallons per day for St Louis County commercial customers and 1,264.74 gallons per day for St. Charles County commercial customers.

D. Expense Issues

1. Chemical Expense:

What prices and what quantities should be used in calculating chemical expense?

The Company has overstated the chemical expense estimate for the St. Louis Metro District. Correction of the Company's estimate would reduce chemical expense by \$1,131,054.

10. Non-Revenue Water

What is the appropriate amount of non-revenue water?

The Company has recorded an excessive 19.9 percent lost and unaccounted water factor. The Commission should adopt a more reasonable lost water factor of 15 percent, which better reflects industry practices and standards.

14. Fuel & Power Expense:

What is the appropriate amount of fuel and power expense?

The Company has overstated the fuel and power estimate for the St. Louis Metro District. Correction of the Company's estimate would reduce fuel & power expense by \$570,362.

E. Rate Design and Miscellaneous Issues

1. Cost of Service/Revenue Requirements

How should rates be designed in order to collect the revenue requirement from each customer class (i.e., district specific, single tariff or hybrid)?

MIEC recommends that the Company's districts continue to be priced at District-Specific Pricing ("DSP") and that the Commission reject the Company's proposal for consolidated tariff pricing.

Should any district provide a revenue support or subsidy to another district? If so, which districts should receive support and which districts should be required to provide that support?

MIEC supports DSP, which requires prices within a district support the district costs. Therefore, no district subsidy would be necessary.

Should water service provide a revenue support or subsidy to sewer?

MIEC supports DSP, which requires prices within a district support the district costs. Therefore, no subsidy to sewer operations would be necessary.

2. Class Cost of Service & Rate Design

What are the proper allocations for costs not directly assigned to a particular system?

MIEC takes no position on this issue at this time.

What is the appropriate basis upon which to allocate costs to each customer class?

MIEC takes no position on this issue at this time.

What is the appropriate way to establish the customer charge?

MIEC takes no position on this issue at this time.

Should the customer charge be uniform across all districts?

MIEC takes no position on this issue at this time.

Should the commodity charge be set as a declining block rate or should the commodity charge be uniform for all levels of usage?

MIEC supports the current commodity blocks for Rate J customers. This rate structure reflects the intra-class cost of service for customers who take service under Rate J.

How should any rate increases or rate decreases resulting from this case be spread or allocated?

MIEC supports an equal percentage increase or decrease across all rate revenues.

6. MAWC/PSC Small Water system Acquisition Policy

Should the Commission develop a policy regarding the acquisition of small water and/or sewer systems by the Company?

The Commission should develop a policy that requires utilities to perform due diligence of the target acquisition and limit the acquisition price to an amount that can be supported at reasonable water/wastewater service prices.

The MIEC reserves the right to assert additional positions or respond to positions asserted by the other parties.

Respectfully submitted,

/s/Diana Vuylsteke

Diana M. Vuylsteke, #42419
211 N. Broadway, Suite 3600
St. Louis, Missouri 63102
Telephone: (314) 259-2543
Facsimile: (314) 259-2020
E-mail: dmvuylsteke@bryancave.com

Attorney for the Missouri Industrial Energy
Consumers

Certificate of Service

I hereby certify that copies of the foregoing have been transmitted by electronic mail to all parties this 15th day of February 2012.

/s/Diana Vuylsteke