

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

In the Matter of the Joint Application of)
Missouri-American Water Company and)
Aqua Missouri, Inc., Aqua Development, Inc. and)
Aqua/RU, Inc. d/b/a Aqua Missouri, Inc. for) **File No. WO-2011-0168**
Authority for Missouri-American Water Company)
to Acquire Certain Assets of Aqua Missouri, Inc.,)
Aqua Development, Inc. and Aqua/RU, Inc. d/b/a)
Aqua Missouri, Inc. and, in Connection Therewith,)
Certain Other Related Other Transactions.)

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), by and through counsel, and submits to the Missouri Public Service Commission (“the Commission”) its Staff Recommendation as follows:

1. On December 13, 2010, Missouri-American Water Company (“MAWC”) and Aqua Missouri, Inc., Aqua Development, Inc., and Aqua/RU, Inc. d/b/a Aqua Missouri, Inc., (collectively referred to hereinafter as “Aqua Missouri”) filed two applications seeking Commission authority of a proposed transaction whereby MAWC will acquire most of the Missouri jurisdictional assets of Aqua Missouri (Joint Application). These matters have been consolidated into File No. WO-2011-0168.

2. On January 24, 2011 the Commission issued an order granting Staff’s request for extension of time and directing Staff to file its recommendation regarding this transaction no later than February 25, 2011.

3. Staff recommends, as more fully described in Staff’s Memorandum which is attached and incorporated herein as Appendix A, that the Commission approve the Joint Application.

4. Staff asserts that this transfer is not detrimental to the public interest.

WHEREFORE, Staff respectfully submits its Staff Recommendation and requests that the Commission approve the Joint Application in accordance with Appendix A of this Staff Recommendation.

Respectfully submitted,

/s/ Rachel M. Lewis

Rachel M. Lewis, Deputy Counsel
Missouri Bar No. 56073

Attorney for the
Staff of the Missouri
Public Service Commission
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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered, transmitted by facsimile or e-mailed to all counsel of record on this 25th day of February, 2011.

/s/ Rachel M. Lewis

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. WO-2011-0168
Missouri-American Water Company and Aqua Missouri, Inc. (Development),
Aqua Missouri, Inc. (RU), Aqua Missouri, Inc. (CU), Aqua Development, Inc.,
Aqua Missouri, Inc., Aqua/RU, Inc., AquaSource Development Company,
AquaSource/RU, Inc.

FROM: James A. Busch – Water & Sewer Department
Stephen Rackers – Auditing Department
David Williams – Engineering and Management Services Department
Lisa A. Kremer – Engineering and Management Services Department

<u>/s/ James A. Busch</u>	<u>02/25/2011</u>
Water and Sewer Department	Date
<u>/s/ Rachel Lewis</u>	<u>02/25/2011</u>
Staff Counsel’s Office	Date

SUBJECT: Staff Recommendation Regarding Sale of Utility Assets

DATE: February 25, 2011

BACKGROUND

On December 13, 2010, Missouri-American Water Company (MAWC or Company) and Aqua Missouri, Inc. (Development), Aqua Missouri, Inc. (RU), Aqua Missouri, Inc. (CU), Aqua Development, Inc., Aqua Missouri, Inc., Aqua/RU, Inc., AquaSource Development Company, AquaSource/RU, Inc. (Aqua), collectively referred to herein as the “Applicants,” filed a *Joint Application and if Necessary, Motion for Waiver (Joint Application)* seeking to sell and transfer Aqua’s water and most of Aqua’s sewer system assets to MAWC. This filing created two cases, File No. WO-2011-0168 for the sale of the water assets and SO-2011-0169 for the sale of the sewer assets.

On December 16, 2010, the Commission issued its *Notice of Application, Order Directing Filing and Order Directing Notice* in which, among other things, it prescribed January 18, 2011 as the date by which interested parties should seek to intervene in this case and ordered the Staff to file its recommendation on the application on January 25, 2011.

On December 21, 2010, the Office of the Public Counsel (Public Counsel) filed *The Office of the Public Counsel’s Request for Order Directing Customer Notice* in which it requested the

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Commission order that a customer notice be sent to all affected Aqua customers. The Commission granted Public Counsel's request on January 5, 2011 in its *Order Granting Motion for Customer Notice*. On January 28, 2011, the Applicants filed their *Statement of Notice Provided*.

On December 31, 2010, the Applicants filed a *Motion to Consolidate* requesting that the two files, File No. WO-2011-0168 and SO-2011-0169 be consolidated into one file. This request was granted by the Commission on January 12, 2011.

On January 21, 2011, Staff filed its *Staff Request for an Extension* asking the Commission for additional time to file its Recommendation in this proceeding. The Commission issued its *Order Extending Time* on January 24, 2011, granting Staff until February 25, 2011 to file Staff's Recommendation. The Commission's Electronic Filing and Information System (EFIS) does not reflect any requests by any party to intervene. In addition, the Staff has not received any responses to the customer notice regarding the proposed sale.

Aqua, in its various forms, owns and operates numerous water and sewer systems throughout Missouri. The water systems include: Lake Carmel in Cole County, Maplewood in Pettis County, Lakewood Manor in Stone County, Lake Taneycomo Acres and Riverside Estates in Taney County, Rankin Acres in Greene County, Spring Valley in Christian County, White Branch in Benton County, and Ozark Mountain, Turkey Mountain, Tommahawk Estates, and Lakeside in Barry & Stone Counties. The sewer systems include: approximately 60 systems in the Cole and Callaway Counties, Maplewood in Pettis County, and Ozark Meadows in Morgan County. Of the systems in Cole County, there are eight near the City of Taos that are not included in this transaction.

STAFF'S INVESTIGATION

Staff members from the Auditing Department, the Engineering & Management Services Department, Financial Analysis Department, and the Water and Sewer Department participated in the Staff's investigation of the Application. All Staff participants and the assigned Staff attorney were afforded the opportunity to review and comment on this Memorandum prior to it being filed.

Items reviewed during Staff's investigation of the *Joint Application* included a review of all of the documents filed in the case to date, a review of Aqua's books and records regarding its net plant-in-service (rate base) balances, and a review of Aqua's existing depreciation rates. The review of the net plant-in-service balances was conducted to determine whether the value of the assets reflected the findings of Staff in the most recent rate case and whether the purchase price resulted in an acquisition adjustment. The review of the depreciation rates was conducted to determine if the current rates continue to be appropriate. Additionally, Staff reviewed its inspection records and available information from the Department of Natural Resources ("DNR") regarding Aqua's operations. At present, there are no DNR violations with respect to the involved water and sewer systems, and no significant service issues being addressed by DNR or the Staff.

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MAWC has agreed to adopt all of the rates, rules and regulations that are currently approved for Aqua. As part of a previous rate case, Aqua is currently under a two-year rate filing moratorium. That moratorium expires on September 1, 2011. It is possible that MAWC could file a rate case prior to the end of that moratorium. Should this possibility become a reality, Staff recommends the following in respect to Aqua customers that would be covered and protected from a rate increase due to the moratorium.

Staff recommends that any increase in rates for any current Aqua customer will occur “x” amount of days after the change in rates for current MAWC customers. This “x” amount of days will be the days between the filing of any potential rate request by MAWC and the September 1, 2011 moratorium agreed to by Aqua. For example, if MAWC files a rate request on July 1, 2011, that is 62 days before the September 1, 2011 moratorium. Based upon the outcome of MAWC’s filed rate request, the new rates for current Aqua customers will go into effect 62 days after the rates for current MAWC customers go into effect. In other words, based on a July 1, 2011 filing and a subsequent June 1, 2012 effective date, Aqua system customers rates cannot increase until August 2, 2012. If a decrease in rates is determined for any Aqua system, then that decrease can go into effect when the MAWC rates go into effect.

There are a handful of systems that Aqua also owns that serve areas in and around the City of Taos in Cole County, Missouri. These systems are not included in this transfer of assets to MAWC.

There are no compliance issues with respect to water quality for either Aqua or MAWC.

Staff also investigated the financial aspect of MAWC, Aqua, and this transaction. Both companies have “excellent” business risk profiled and investment grade ratings. Based on responses to data requests, after closing, all financing activities and financial statements will be combined and MAWC anticipates no changes from its current financial operations.

As a result of the proposed asset transfer, Staff notes that the purchase price being paid by MAWC is slightly less than the net book value of the water and sewer utility assets that will be transferred. However, this difference relates to the purchase of plant that is currently under construction and adjustments to the price to reflect a regulatory asset for tank painting and a liability for sludge removal. Therefore, no acquisition adjustment will be recorded. Staff has concluded that the account balances shown in Attachment 1 to this Memorandum should be the account balances used by MAWC to determine the rate base balances for plant, depreciation reserve and contributions in aid of construction, totaling \$3,131,607 as of October 31, 2010.

Regarding the matter of the depreciation rates to be used for the water and sewer systems, Staff believes that the schedules of depreciation rates set out in Attachment 2 and Attachment 3 to this Memorandum should be prescribed by the Commission and used by MAWC from the date of transfer forward, until changed by order of the Commission. These are depreciation rates presently in effect for various corporate forms of Aqua.

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STAFF'S FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

Staff believes, based on its knowledge of Aqua's water and sewer systems, its knowledge of MAWC's water and sewer systems, financial information it has studied for both of these companies, and information filed in the *Joint Application* that MAWC will be capable of merging the operations of the Aqua systems into its operations. Staff has had numerous discussions with MAWC and believes that, based on those discussions, that the proposed acquisition is not detrimental to the public interest. MAWC is aware of issues Staff has had with Aqua in the past and both MAWC and Staff are confident that those issues will continue to be addressed under MAWC should this Application be approved. The EMSD staff will continue to actively monitor the implementation and completion of the recommendations in Attachment 4 to this Memorandum.

To expand on those issues, over the past few years Aqua has been involved in various rate and complaint cases. Due to Staff's investigations during those proceedings, Staff, Aqua, and Public Counsel had agreed to certain recommendations that Aqua was required to perform. Those issues were negotiated among the parties. Generally, the issues arose from customer complaints about billing practices and customer service issues, but some of the issues involved Aqua's record keeping as well. Attached and incorporated by reference herein as Attachment 4 to this Memorandum, are the specific recommendations that were agreed to among the parties to settle those cases that Staff recommends that MAWC continue complying with in the future.

Staff recommends that the Commission approve the transfer as proposed, that the Applicants notify the Commission of the closing of the transfer of assets within five (5) business days after the activity occurs. After the closing of the transfer of assets, MAWC will need to adopt the tariffs for the new service territories that it has acquired that are currently in effect for the various Aqua companies. Additionally, at that time, the Commission will be able to cancel the Certificate of Convenience and Necessities held by Aqua. The following Schedule of Rates, Rules and Regulations, currently in effect for Aqua, will need to be adopted by MAWC by filing an adoption notice:

YW-2004-0853 – Aqua Missouri, Inc. (CU) (Aqua Missouri, Inc. water tariff)
YW-2004-0855 – Aqua Missouri, Inc. (RU)
(AquaSource/RU, Inc. d/b/a Aqua Missouri, Inc. water tariff)

YS-2004-0854 – Aqua Missouri, Inc. (CU) (Aqua Missouri, Inc. sewer tariff)
YS-2004-0856 – Aqua Missouri, Inc. (Development)
(AquaSource Development, Inc. d/b/a Aqua Missouri, Inc. sewer tariff)

Neither MAWC nor Aqua has deficiencies with regard to filing of annual reports and payment of annual assessments. Both MAWC and Aqua have filed annual reports, as shown on the

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Commission's EFIS records for the calendar years 2004 through 2009. Also, both MAWC and Aqua are current on paying their PSC Assessments.

MAWC has several other formal cases pending before the Commission. However, approval of this transfer of assets will have no impact upon any other matter pending before the Commission. It is Staff's assertion that this transfer is not detrimental to the public interest.

SUMMARY

Staff recommends Commission issue an order that:

1. Approves the Applicants' request to sell and to transfer Aqua's water and sewer utility assets to MAWC;
2. Requires the Applicants to notify the Commission within five (5) business days after the assets have been transferred from Aqua to MAWC;
3. Requires the Applicants, if closing on the assets has not occurred within thirty (30) days after the effective date of an order from the Commission approving this transfer of assets, to file a status report with the Commission thirty (30) days after the effective date of the order, and at the end of each subsequent thirty (30) day period until closing and the transfer of assets is complete; and, alternatively if the transfer is not expected to be completed requires the Applicants to file a pleading with the Commission stating such;
4. Requires MAWC, within five (5) business days after the assets have been transferred, to adopt Aqua's currently approved tariffs by filing an adoption notice for each of the four tariffs;
5. After receipt of the notice in No. 2 above, cancels the Certificate of Convenience and Necessity;
6. Due to the "Rate Filing Moratorium" agreed to in the most recent Aqua Informal Rate Proceeding, if the filing date of MAWC's next rate case occurs prior to September 1, 2011, the effective date of rates in that rate case will be extended by the number of days between September 1, 2011 and MAWC's filing date;
7. Requires MAWC to record a value of \$3,131,607 as the amount of plant, depreciation reserve and contributions in aid of construction, as of October 31, 2010;
8. Require MAWC to use the schedule of depreciation rates set out in Attachment 2 and Attachment 3 to this Memorandum that were prescribed by the Commission and used by Aqua, from the date of transfer forward, until changed by further order of the Commission;

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9. Requires MAWC to fully comply with all other recommendations previously agreed to among Staff, Aqua, and Public Counsel set out in Attachment 4 to this Memorandum.

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American Water Company and Aqua Missouri, Inc.,) Case No. WO-2011-0168
Aqua Development, Inc. and Aqua /RU, Inc. d/b/a)
Aqua Missouri, Inc. for Authority for Missouri-)
American Water Company to Acquire Certain Assets)
of Aqua Missouri, Inc., Aqua Development, Inc. and)
Aqua /RU, Inc. d/b/a Aqua Missouri, Inc. and, in)
connection therewith, Certain Other Related)
Transactions)

AFFIDAVIT OF LISA A. KREMER

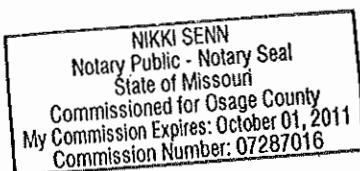
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Lisa A. Kremer, of lawful age, on his oath states: that she has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of her knowledge and belief.



Lisa A. Kremer

Subscribed and sworn to before me this 26th day of February, 2011.





Notary Public

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

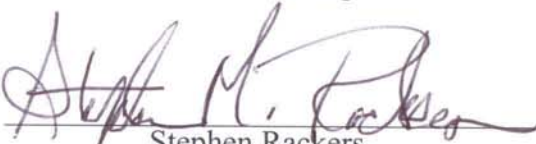
In the Matter of the Joint Application of)
Missouri-American Water Company and Aqua)
Missouri, Inc., Aqua Development, Inc. and)
Aqua /RU, Inc. d/b/a Aqua Missouri, Inc. for)
Authority for Missouri-American Water)
Company to Acquire Certain Assets of Aqua)
Missouri, Inc., Aqua Development, Inc. and)
Aqua /RU, Inc. d/b/a Aqua Missouri, Inc. and,)
in connection therewith, Certain Other Related)
Transactions)

Case No. WO-2011-0168

AFFIDAVIT OF STEPHEN RACKERS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Stephen Rackers, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.


Stephen Rackers

Subscribed and sworn to before me this 25th day of February, 2011.


Notary Public



BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Joint Application of Missouri-)
American Water Company and Aqua Missouri, Inc.,) Case No. WO-2011-0168
Aqua Development, Inc. and Aqua /RU, Inc. d/b/a)
Aqua Missouri, Inc. for Authority for Missouri-)
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of Aqua Missouri, Inc., Aqua Development, Inc. and)
Aqua /RU, Inc. d/b/a Aqua Missouri, Inc. and, in ,)
connection therewith, Certain Other Related)
Transactions)

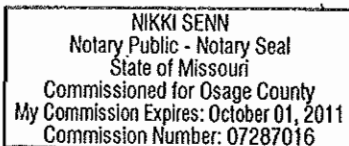
AFFIDAVIT OF DAVID WILLIAMS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

David Williams, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of his knowledge and belief.

David Williams
David Williams

Subscribed and sworn to before me this 25th day of February, 2011.



Nikki Senn
Notary Public

CASE NOS. WO-2011-0168 and SO-2011-0169
PURCHASE PRICE AND REGULATORY TREATMENT

Description	Rate Base
1 Gross investment in assets in service	7,643,385
2 Construction work in process	0
3 Less accumulated depreciation on those assets	(1,763,428)
4 Less contributions in aid of construction	(2,730,908)
5 Plus accumulated amortization on contributions in aid of construction	649,584
6 Less \$125,000 for future sludge removal	0
7 Less Taos Assets	(250,000)
8 Plus the value of tank painting amortization allowed in rates	0
9 Assets not used for utility purposes	(10,000)
10 Assets definitively excluded from rates in prior cases	(143,591)
11 Associated depreciation reserve	6,410
12 Aqua corporate assets which will not be used after the transfer	(395,983)
13 Associated depreciation reserve	126,137
14 Total	<u><u>3,131,607</u></u>

Aqua Missouri, Inc.

DEPRECIATION RATES (WATER)

QW-2005-0009 & QW-2005-0011

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT DESCRIPTION</u>	<u>DEPRECIATION RATE</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>	<u>NET SALVAGE</u>
311	Structures & Improvements	2.5%	40	
312	Collecting & Impounding Reservoirs	2.0%	50	
314	Wells & Springs	2.0%	50	
316	Supply Mains	2.0%	50	
325	Electric Pumping Equipment	10.0%	10	
328	Other Pumping Equipment	4.0%	25	
331	Structures & Improvements	2.5%	40	
332	Water Treatment Equipment	2.9%	35	
341	Structures & Improvements	2.5%	40	
342	Distribution Reservoirs & Standpipes	2.5%	40	
343	Transmission & Distribution Mains	2.0%	50	
345	Services	2.5%	40	
346	Meters	10.0%	10	
348	Hydrants	2.0%	50	
391	Office Furniture & Equipment	5.0%	20	
392	Transportation Equipment	13.0%	7	9%
394	Tools, Shop, Garage Equipment	5.0%	20	
395	Laboratory Equipment	5.0%	20	
396	Power Operated Equipment	6.7%	15	
398	Miscellaneous Equipment	5.0%	20	

Aqua Missouri, Inc. RU

DEPRECIATION RATES (WATER)

WR-2010-0025

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE	AVERAGE SERVICE LIFE (YEARS)	NET SALVAGE
<u>SOURCE OF SUPPLY PLANT</u>				
311	Structures & Improvements	2.5%	40	0%
312	Collection & Impound Reservoirs	2.0%	50	0%
314	Wells & Springs	2.0%	50	0%
316	Supply Mains	2.0%	50	0%
<u>PUMPING PLANT</u>				
325	Electric Pumping Equipment	10.0%	10	0%
<u>WATER TREATMENT PLANT</u>				
331	Structures & Improvements	2.5%	40	0%
332	Water Treatment Equipment	2.9%	35	0%
<u>TRANSMISSION & DISTRIBUTION PLANT</u>				
341	Structures & Improvements	2.5%	40	0%
342	Distribution Reservoirs & Standpipes	2.5%	40	0%
343	Transmission & Distribution Mains	2.0%	50	0%
345	Services	2.5%	40	0%
346	Meters	10.0%	10	0%
347	Meter Installations	2.5%	40	0%
348	Hydrants	2.0%	50	0%
<u>GENERAL PLANT (INCLUDING ADMINISTRATION PLANT)</u>				
390	Structures & Improvements	2.5%	40	0%
391	Office Furniture & Equipment	5.0%	20	0%
391.1	Office Computers & Equipment	14.3%	7	0%
392	Transportation Equipment	13.0%	7	9%
394	Tools, Shop, Garage Equipment	5.0%	20	0%
395	Laboratory Equipment	5.0%	20	0%
396	Power Operated Equipment	6.7%	15	0%
397	Communications Equipment	6.7%	15	0%
398	Miscellaneous Equipment	5.0%	20	0%

Aqua Missouri, Inc. (CU)

DEPRECIATION RATES (WATER)

WR-2010-0027

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE	AVERAGE SERVICE LIFE (YEARS)	NET SALVAGE
<u>SOURCE OF SUPPLY PLANT</u>				
311	Structures & Improvements	2.5%	40	0%
312	Collection & Impound Reservoirs	2.0%	50	0%
314	Wells & Springs	2.0%	50	0%
316	Supply Mains	2.0%	50	0%
<u>PUMPING PLANT</u>				
321	Structures and Improvements	2.5%	40	0%
325	Electric Pumping Equipment	10.0%	10	0%
328	Other Pumping Equipment	4.0%	25	0%
<u>WATER TREATMENT PLANT</u>				
331	Structures & Improvements	2.5%	40	0%
332	Water Treatment Equipment	2.9%	35	0%
<u>TRANSMISSION & DISTRIBUTION PLANT</u>				
341	Structures & Improvements	2.5%	40	0%
342	Distribution Reservoirs & Standpipes	2.5%	40	0%
343	Transmission & Distribution Mains	2.0%	50	0%
345	Services	2.5%	40	0%
346	Meters	10.0%	10	0%
347	Meter Installations	2.5%	40	0%
348	Hydrants	2.0%	50	0%
349	Other Transmission & Distribution Plant	2.5%	40	0%
<u>GENERAL PLANT (INCLUDING ADMINISTRATION PLANT)</u>				
390	Structures & Improvements	2.5%	40	0%
391	Office Furniture & Equipment	5.0%	20	0%
391.1	Office Computers & Equipment	14.3%	7	0%
392	Transportation Equipment	13.0%	7	9%
394	Tools, Shop, Garage Equipment	5.0%	20	0%
395	Laboratory Equipment	5.0%	20	0%
396	Power Operated Equipment	6.7%	15	0%
397	Communications Equipment	6.7%	15	0%
398	Miscellaneous Equipment	5.0%	20	0%
399	Other Tangible Property	5.0%	20	0%

Aqua Missouri, Inc. (Development)

DEPRECIATION RATES (SEWER)

SR-2010-0023

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE	AVERAGE SERVICE LIFE (YEARS)	NET SALVAGE
311	Structures & Improvements	2.5%	40	0%
351	Structures & Improvements	2.5%	40	0%
352.1	Collection Sewers (Force)	2.0%	50	0%
352.2	Collection Sewers (Gravity)	2.0%	50	0%
353	Services to Customers	2.5%	40	0%
354	Flow Measurement Devices	3.3%	30	0%
362	Receiving Wells	4.0%	25	0%
363	Electric Pumping Equipment	10.0%	10	0%
371	Structures & Improvements	2.5%	40	0%
372	Oxidation Lagoons	4.0%	25	0%
373	Treatment & Disposal Equipment	2.5%	40	0%
374	Plant Sewers	2.5%	40	0%
375	Other Treatment & Disposal Plt. Equip.	2.0%	50	0%
390	Structures & Improvements	2.5%	40	0%
391	Office Furniture & Equipment	5.0%	20	0%
391.1	Office Computers & Equipment	14.3%	7	0%
392	Transportation Equipment	13.0%	7	9%
393	Stores Equipment	4.0%	25	0%
394	Tools, Shop, Garage Equipment	5.0%	20	0%
395	Laboratory Equipment	5.0%	20	0%
399	Other Tangible Property	5.0%	20	0%

Aqua Missouri, Inc. (CU)

DEPRECIATION RATES (SEWER)

SR-2010-0026

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT DESCRIPTION</u>	<u>DEPRECIATION RATE</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>	<u>NET SALVAGE</u>
311	Structures & Improvements	2.5%	40	0%
351	Structures & Improvements	2.5%	40	0%
352.1	Collection Sewers (Force)	2.0%	50	0%
352.2	Collection Sewers (Gravity)	2.0%	50	0%
353	Services to Customers	2.5%	40	0%
354	Flow Measurement Devices	3.3%	30	0%
362	Receiving Wells	4.0%	25	0%
363	Electric Pumping Equipment	10.0%	10	0%
371	Structures & Improvements	2.5%	40	0%
372	Oxidation Lagoons	4.0%	25	0%
373	Treatment & Disposal Equipment	2.5%	40	0%
374	Plant Sewers	2.5%	40	0%
375	Other Treatment & Disposal Plt. Equip.	2.0%	50	0%
390	Structures & Improvements	2.5%	40	0%
391	Office Furniture & Equipment	5.0%	20	0%
391.1	Office Computers & Equipment	14.3%	7	0%
392	Transportation Equipment	13.0%	7	9%
393	Stores Equipment	4.0%	25	0%
394	Tools, Shop, Garage Equipment	5.0%	20	0%
395	Laboratory Equipment	5.0%	20	0%
399	Other Tangible Property	5.0%	20	0%

Recommendations for Case with File No. WO-2011-0168

EMSD's Recommendations from Cases with File Nos. SR-2010-0023, WR-2010-0025, SR-2010-0026 WR-2010-0027:

1. Ensure that Missouri-American Water Company (MAWC or Company) call center personnel notify the appropriate Company personnel when a customer requires additional information and verify that the necessary follow-up communication with the customer actually occurs by noting such communication in the customer's account within the Company's database.
2. Document all customer contacts with the Company's Jefferson City office that require follow-up actions and/or communications from the Company, ensure that all customers expecting follow-up actions and/or communications from the Company receive appropriate responses to their requests and make certain that customers are referred to the Company's Call Center when necessary.
3. Ensure adherence to Commission Rule 4 CSR 240-13.020(1) regarding the production of bills within a 26-35 day billing period.
4. Distribute to current and future customers an informational brochure detailing the rights and responsibilities of the utility and its customers. The informational brochure shall adhere to Commission Rule 4 CSR 240-13.040(3).
5. Document on the Company's report of customer bills outside of the 26-35 day billing period the reasons for producing bills that fall outside of the 26-35 day billing period.
6. Include a message on the printed bill of any residential customer receiving a bill for more than 35 days of service indicating that such bill is for a greater number of days than the customer's normal bill, informing the customer of the ability to call the Company to establish a payment arrangement, and providing the telephone number of the Company's call center.
7. Prepare a monthly report summarizing all call center complaints received from customers located in the Missouri service territory and denoting the Company's interpretation as to the reason for each individual complaint. This report shall be designed to facilitate Company management's ability to identify recurring issues, significant trends and corrective actions and shall be provided to the EMSD staff on a quarterly basis.
8. Provide to all new customer service representatives adequate formal training prior to responding to customer calls. This training shall include at a minimum, knowledge of state statutes, knowledge of Company tariffs, knowledge of the Company's computer system and knowledge of the Company's structure.
9. Provide adequate training to all customer service representatives prior to the former Aqua Missouri customers receiving their first bill from MAWC;

Recommendations from Case with File No. SC-2010-0150:

10. Beginning on the effective date of a Commission order approving the terms of this stipulation and agreement the Company shall redirect calls, except developer calls, to the call center and call center calls shall be recorded and maintained for a period of three (3) months, reflecting the database's current capabilities.
11. The Company shall provide Staff with a list comprised of the name(s), title(s) and contact information of all Company employee(s) who have sufficient expertise in Company billing systems and processes as to be able to respond to future Staff billing inquiries and shall make such individuals available to respond to such inquiries in the future.
12. In addition, the Company agrees to amend, implement, and subsequently follow, a "Meter Exchange Black-Out Policy" for the exchange and/or replacement of meters under the commission's water meter removal and inspection schedule found at Commission Rule 4 CSR 240-10.030(38). This policy shall be implemented immediately upon the effective date of a Commission order approving the terms of this stipulation and shall state as follows:
 - i. **"Meter Exchange Black-Out Period"**: All meter exchanges related to the Commission's ten-year meter inspection rules must be completed at least five (5) days prior to a regular billing read and must not commence until three (3) days after a regular billing read. In addition, all meter exchanges conducted in accordance with this policy shall be posted to the Company's customer information system within two (2) calendar days after completion of a meter exchange.
13. Staff acknowledges that in the service areas in and around Shell Knob and Reed Springs there may be instances when the Company will be unable to use its customer information system to process meter exchanges within two (2) calendar days due to the lack of a strong internet connection. Under these circumstances and in only these service areas, the Company will be allotted an additional three (3) calendar days, so that all meter exchanges conducted in these service areas in accordance with the "Meter Exchange Black-Out Period" shall be posted to its customer information system within five (5) calendar days after completion of a meter exchange. The Company agrees to document these occurrences and to provide such documentation to Staff upon request.
14. In addition, the Signatories acknowledge that there will be certain limited instances when additional information from the field is needed to process the meter exchange in the Company's customer information system and the Company will therefore not have the ability to comply with the two (2) calendar day upload timeframe. Under these circumstances the Company will be allotted an additional five (5) calendar days, so that all meter exchanges conducted in accordance with the "Meter Exchange Black-Out Period" shall be posted to its customer information system within seven (7) calendar days after completion of a meter exchange. The Company agrees to document these occurrences and to provide such documentation to Staff upon request.

15. In addition, Staff acknowledges that under certain circumstances (i.e. a malfunction meter, request for meter replacement by a customer, or an inside meter that must be exchanged during a scheduled appointment) meters may have to be exchanged during the “Meter Exchange Black-Out Period” listed above. The Company shall also post these exchanges to its customer information system within seven (7) calendar days after completion of such meter exchanges. The Company agrees to document these meter exchanges and to note on each meter change-out form the reason why such exchange could not be completed in accordance with the above-referenced “Meter Exchange Black-Out Policy”. The Company shall provide a meter reading black-out report documenting those meter exchanges occurring outside of the period covered by the “Meter Exchange Black-Out Period”. Beginning on the effective date of a Commission order approving the terms of this stipulation this report will be provided to the EMSD staff on a quarterly basis until the filing or submission of the Company’s next rate increase request.
16. Should the Company desire to abrogate, amend, or change in any way the above listed “Meter Exchange Black-Out Policy”, the Company shall notify the EMSD staff of the desired change and shall seek from the Commission a formal waiver of any order issued by the Commission incorporating the terms of this stipulation.
17. Within thirty (30) days of the effective date of a Commission order approving the terms of this stipulation and agreement the Company shall provide Staff with documentation demonstrating that all Company employees located in the State of Missouri have been informed of the implementation of the “Meter Exchange Black-Out Policy” listed above.
18. The Company shall take corrective action in the event that a Company employee does not follow Company’s “Meter Exchange Black-Out Policy” when appropriate and shall document such corrective action. This information shall be provided to Staff upon request and shall be designated as “Highly Confidential” material.

Additional Recommendations:

19. The EMSD Staff is currently receiving approximately 60 recorded phone calls each month from Aqua Missouri customers. MAWC shall continue this practice, and provide recorded calls to the EMSD Staff from the former Aqua Missouri customers, for a period of at least 24 months from the effective date of the Commission’s order in Case with File No. WO-2011-0168.
20. The EMSD staff is currently receiving several reports from Aqua Missouri which include: call center metrics (average speed of answer, abandoned call rate, call center staffing and the number of calls offered data), bills issued outside 26-35 days, and all documented customer contacts with the Jefferson City office. MAWC shall continue this practice, and provide these reports to the EMSD staff on a quarterly basis until the EMSD staff deems it no longer necessary.
21. MAWC will provide a “transition schedule” for the actions necessary to successfully transition customers of Aqua Missouri into the MAWC customer information system and

implementation dates for when bills will begin to be issued to Aqua Missouri customers by MAWC.

22. MAWC will provide a list and contact information to the EMSD staff for all relevant Company employees involved in the transition including customer service and billing department representatives.
23. MAWC will provide a sample of 5% of its monthly bills issued to former Aqua Missouri customers to the EMSD staff, in order to check for accuracy. This will begin with the first month of bills to the former Aqua Missouri customers and continue monthly until the EMSD staff deems it no longer necessary.
24. Aqua Missouri will provide to the EMSD staff its customer deposit records of its Missouri customers in response to Commission Rule 4 CSR 240-13.030(5).
25. MAWC will provide to the EMSD staff its customer deposit records of the former Aqua Missouri customers in response to Commission Rule 4 CSR 240-13.030(5). This would begin with the first month of bills to the former Aqua Missouri customers and continue monthly until the EMSD staff deems it no longer necessary.
26. MAWC will provide to the EMSD staff an employee contact to handle any customer service issues that arise during the transition period.

Water and Sewer Department's Recommendations:

1. From Case No. WR-2008-0269: (9) That the Company will maintain and update customers counts on a going forward basis and provide these updated counts to the Managers of the Auditing and Water & Sewer Departments of Staff by April 15th and November 15th of each year.
2. From Case No. WR-2008-0269: (22) That the companies will install water meters in the Rankin Acres service area consistently over the five-year period ending August 1, 2013.
3. From Case No. WR-2008-0266: (24) That the Company's employees will investigate to determine the cause of lost water and take prudent and cost effective steps to correct problems identified at Riverside, Lake Carmel, and Ozark Mountain water systems by April 30, 2009.

Auditing Department's Recommendations:

1. Water meters must be installed at all systems within three years of transfer.
2. Aqua is required to supply all records to MAWC, including all plant records, plant retirements and plant additions.
3. The Sludge Removal liability, recognized in this transaction, will be used to pay for future sludge removal and this expenditure will not be included in the cost of service.

4. Any unexpired Tank Painting amortization established in prior Aqua rate proceedings will continue to be recognized in the cost of service in the future.
5. MAWC will diligently monitor home and business construction in its service territory to accurately determine the number of customers being served.