

**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 Service Provided in)
Missouri Service Areas.)

THE OFFICE OF THE PUBLIC COUNSEL'S POSITION STATEMENT

COMES NOW the Office of the Public Counsel (Public Counsel) and states its position on the issues in this case as follows:

A. Rate Base Issues:

1. Cash Working Capital

What is the appropriate amount of Cash Working Capital to include in Rate Base?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

2. Tank Painting Tracker

Should the Tank Painting Tracker be discontinued? If not, at what level should the Tank Painting Tracker be continued?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

3. Accrued Pension Liability

What is the appropriate amount of accrued Pension Liability to include in Rate Base?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

4. Pension Tracker

Should the Pension Tracker be modified as proposed by Staff?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

Should the Pension Tracker apply to Service Company employees as well as MAWC employees?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

5. Acquisition Adjustment

How should the rate base of acquired small systems be established?

It is Public Counsel's position that the rate base of the acquired system should be reviewed and a determination made on a case by case basis.

How should acquisition premiums and discounts be treated?

It is Public Counsel's position that MAWC should not be allowed to earn a return on a valuation of the purchased assets that exceeds the amount of the net book value of the assets purchased (acquisition premium). It is also Public Counsel's position that MAWC should not be allowed to earn a return on asset values that exceed their purchase cost (acquisition discount).

6. Security Costs – AAO

Should the unamortized balance of the security costs regulatory asset be included in Rate Base?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

7. OPEB Contribution to External Fund (related to St. Louis County Water Company Amount)

Should the regulatory asset (Tracker) associated with the unrecovered St. Louis County Water Company FAS 106 transition cost be included in rate base?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

B. Cost of Capital Issues:

1. Capital Structure

What is the appropriate capital structure for ratemaking purposes?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

2. Return on Equity

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

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

C. Revenue Issues:

1. Revenue (Water Usage Volumes)

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

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

2. Other Water/Sewer Revenue (Billing for municipals)

Should the revenues received by the Company for providing billing services to municipalities be treated as an offset to revenue requirement as Staff has proposed?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

3. MSD Contract

Is the compensation received by the Company under its contract with MSD adequate? If not, should an additional amount of revenue be imputed to the Company in this case?

No, it is Public Counsel's position that MSD pays an unreasonably low rate for the service it receives.

Yes, it is Public Counsel's position that the annual amount should be based on an allocation of the fully-distributed, not incremental or negotiated, actual costs incurred to produce the information.

D. Expense Issues:

1. Chemical Expense

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

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

2. Tank Painting Expense

What is the appropriate amount of tank painting expense?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

3. Bad Debt Expense – Bad Debt Factor Up

What is the appropriate amount of bad debt expense? Should bad debt expense be projected to increase with any increase in revenue requirement?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

4. Service Company Expense

What is the appropriate amount of Service Company expense to include in MAWC's revenue requirement?

It is Public Counsel's position that all Service Company employee Annual Incentive Plan (AIP) compensation and related AIP expenses be disallowed from calculating the revenue requirement for this case.

5. Rate Case Expense

What is the appropriate amount of rate case expense?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

6. Incentive Compensation

What is the appropriate amount of incentive compensation expense related to AIP and LTIP for employees of MAWC and Service Company?

It is Public Counsel's position that all MAWC employee Annual Incentive Plan (AIP) compensation and related AIP expenses be disallowed from calculating the revenue requirement in this case.

Public Counsel did not file testimony on LTIP compensation for MAWC and Service Company employees and reserves the right to base a final position on the testimony provided at hearing.

7. Income Taxes

What is the appropriate income tax rate?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

8. Amortization of OPEB Assets (related to St. Louis County Water Company)

What is the appropriate level of expense to be included in MAWC's cost of service for recovery of the regulatory asset created by OPEBs associated with the former St. Louis County Water Company?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

9. Pension Expense

What is the appropriate amount of pension expense?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

10. Non-Revenue Water

What is the appropriate amount of non-revenue water?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

11. Roark Sewer Plant Operating Expenses

What is the appropriate amount of Roark Sewer Plant operating expenses?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

12. Platte County Water Treatment Facility Depreciation Rate

Should the rate of depreciation be accelerated on the Platte County Water Treatment Facility in order to account for the Company’s anticipated retirement date for that facility?

It is Public Counsel’s position that accelerating the depreciation rate on the Platte County Water Treatment Facility is not warranted at this time, and thus depreciation rates should remain unchanged from agreed to rates per the last rate case, Case No. WR-2010-0131.

13. Belleville Laboratory Expense

What is the appropriate amount of Belleville Laboratory expense to allocate to MAWC?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

14. Fuel & Power Expense

What is the appropriate amount of fuel and power expense?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

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)?

It is Public Counsel’s position that district rates should align with district costs and class rates should align with class costs with due consideration to other relevant factors. To mitigate rate shock, the Commission should approve the method of implementing class cost shifts described in Public Counsel witness Meisenheimer’s direct and rebuttal testimony. Where district rates vary substantially from district costs the Commission should approve phase-ins of

up to three years with carrying costs to be paid by the respective district to the Company at a rate equal to the Company's Allowance for Funds Used During Construction (AFUDC).

As an alternative, it is Public Counsel's position that if the Commission determines district rate consolidation is appropriate, the Commission should focus on consolidating smaller districts with similar cost characteristics and the consolidation districts should move toward cost with phase-ins implemented to minimize consumer impacts.

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?

In general it is Public Counsel's position that the Commission should implement district specific rates without a revenue support or subsidy to another district. However, it is Public Counsel's position that if the Commission allows district rate consolidation, the Commission should focus on consolidating smaller districts with similar cost characteristics with phase-ins implemented to minimize consumer impacts.

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

No.

2. Class Cost of Service & Rate Design

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

It is Public Counsel's position that the total cost of activities and facilities used in providing service among customer classes should be based on cost allocations that reflect the underlying customer characteristics that drive costs.

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

It is Public Counsel's position that the Commission should assign costs as described in the direct and rebuttal testimony of Public Counsel witness Meisenheimer.

What is the appropriate way to establish the customer charge?

It is Public Counsel's position that the fixed monthly customer charge should include those costs directly related to the number of customers by class including meters, services, operations and maintenance, and depreciation expenses related to meters and services, meter reading and arguably some portion of customer records expense.

Should the customer charge be uniform across all districts?

No, it is Public Counsel's position that the customer charge should be based on district specific costs.

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

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

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

It is Public Counsel's position that the Commission should move customer classes toward district specific cost of service by first implementing a revenue neutral shift among classes and second spreading any net increase or decrease in district revenue to the classes as an equal percentage.

3. Continuous Property Records

Is the Company adequately maintaining Continuous Property Records (CPR)?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

4. Customer Billing and Service

Is the Company in compliance with the Commission’s Rule 4 CSR 240-13.015, in providing bills to customers within the appropriate billing period? If not, what must the Company do to comply with the rule?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

Are the Company’s Customer Billing procedures adequate in other respects?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

Is the Company providing adequate Customer Service?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

Does the Company have appropriate prevention and detection controls in place to ensure adequate Customer Service?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

Should the Company continue to routinely meet with Staff to ensure compliance with Commission rules and to address any Customer Service issues raised by Staff?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

5. Union Issues

Should the Company expand its Valve Exercise Program?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

Is MAWC appropriately utilizing union workers?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

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?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

7. Riverside – Public Safety and Adequacy of Service

Is the service provided in Riverside adequate from a public safety perspective? If not, what must the Company do?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

8. Empire Special Contract

Should the January 19, 2012, Stipulation and Agreement as to a Special Contract for The Empire District Electric Company be approved? If the Stipulation and Contract is not approved, should the Company's interruptible tariff remain in effect?

It is Public Counsel's position that the Stipulation and Agreement between MAWC and Empire should not be approved.

It is Public Counsel's position that if the Stipulation and Contract is not approved the Company's interruptible tariff should remain in effect.

9. Special Accounting for Business Transformation Project/Request for AAO

What is the appropriate accounting treatment to use for the Business Transformation Project at this time?

It is Public Counsel's position that the Commission should deny MAWC's request for an Accounting Authority Order (AAO) for the Business Transformation project.

10. Jefferson City Upgrades

What is the status of the Jefferson City upgrades?

Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

WHEREFORE, Public Counsel respectfully submits its Position Statement on the issues in this case.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to the following this 15th day of February 2012:

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