

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

In the Matter of Missouri-American)	
Water Company's Request for Authority to)	<u>Case No. WR-2010-0131</u>
Implement a General Rate Increase for)	<u>SR-2010-0135</u>
Water and Sewer Service Provided in)	
Missouri Service Areas.)	

THE OFFICE OF THE PUBLIC COUNSEL'S RECOMMENDATIONS
REGARDING TEST YEAR AND TRUE-UP

COMES NOW the Office of the Public Counsel (Public Counsel) and for its Recommendations Regarding Test Year and True-Up states as follows:

1. On November 2, 2009, Missouri-American Water Company (Missouri-American) filed its Recommendation Concerning Test Year and Request for True-Up Audit and Hearing. In its filing, Missouri-American recommended a test year consisting of the twelve months ended June 30, 2009, adjusted for changes that are known and measurable at this time¹ and which will be effective by the time new rates are anticipated. Additionally, Missouri-American requested a true-up audit and hearing as of April 30, 2010.

2. On November 18, 2009, the Missouri Public Service Commission (Commission) issued its *Order Suspending Tariff, Directing Filings, Setting Conferences and Hearings, and Directing Notice; and Notice of Contested Case*. The Order directed each party, including persons granted intervention, to file pleadings indicating concurrence with, or alternatives to, Missouri-American's recommended test year and recommendation concerning true-up no later than December 11, 2009.

¹ Since this matches the language on page 8 of the Direct Testimony of Dennis R. Williams, Public Counsel assumes that the statement "at this time" means as of October 30, 2009, the date of the filing of this case.

3. Public Counsel has no objection to Missouri-American's recommendation to establish the twelve months ending June 30, 2009 as the test year, adjusted for changes that are known and measurable as of October 30, 2009.

4. Public Counsel opposes Missouri-American's request that the Commission determine at this early stage that a true-up is necessary.

5. Public Counsel was not the moving party in this case and has not yet performed any independent audit or analysis in order to verify whether a true-up proceeding is necessary to reflect a change in the revenue/expense/investment relationship. If Public Counsel's analysis and investigation of Missouri-American's case reveals that a significant cost of service item will change past June 30, 2009, Public Counsel's direct testimony will inform the Commission of this and, if appropriate, recommend a true-up process as part of its direct testimony to be filed in this case.

6. Public Counsel would propose that in the event a party does believe a true-up is necessary, that the Commission direct the parties to true-up the test year for known and measurable changes so as to establish a reasonable level of earnings based on revenue, expenses and investments through April 30, 2010. This will ensure that information used to determine the revenue requirement is not well over a year old as of the operation of law date in this proceeding. The true-up should, at a minimum, include those items contained in the Recommendation Concerning Test Year and Request for True-Up Audit and Hearing filed by Missouri-American on November 2, 2009. The true-up should also contain any other factors any party believes is necessary to properly reflect the revenue/expense/investment relationship as of said date.

7. Although Public Counsel opposes Missouri-American's recommendation for a true-up, Public Counsel recommends that the Commission keep the proposed true-up hearing dates open on the Commission's calendar in the event it is later determined that a true-up is necessary.

8. Public Counsel also recommends that the Commission direct all non-Missouri-American parties to file their true-up recommendations with their direct testimony on revenue requirement.

WHEREFORE, Public Counsel respectfully offers these recommendations regarding test year and true-up.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

/s/ Christina L. Baker

By: _____

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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 11th day of December 2009:

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