

FILED

SEP 02 2004

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

Missouri Public  
Service Commission

IN THE MATTER OF MISSOURI-	)	Case No.	WR-2003-0500
AMERICAN WATER COMPANY'S	)	Tariff Nos.	YW-2003-2012
TARIFF TO REVISE WATER AND	)		YW-2003-2013
SEWER RATE SCHEDULES.	)		YW-2003-2014
	)		YW-2003-2015
	)		YS-2003-2060
	)		YW-2003-2061

STATUS REPORT OF  
METROPOLITAN ST. LOUIS SEWER DISTRICT

COMES NOW Metropolitan St. Louis Sewer District ("MSD" or "District") and, for its Status Report in the above-referenced matter, respectfully states the following:

1. On April 6, 2004, the Commission issued its Order Approving Stipulations and Agreements ("Order") in this matter. The Order approved three stipulations agreed to by the parties settling the contested issues related to the tariff additions and changes sought by Missouri-American Water Company ("MAWC").

2. The Order rejected the proposed tariff changes filed by MAWC on May 19, 2003 and ordered MAWC to submit revised tariff sheets reflecting the agreement of the parties in the three stipulations.

3. On April 7, 2004, MAWC submitted tariff sheets purporting to comply with the Commission's direction to MAWC that it was to submit tariff sheets reflecting the agreements reached in the three stipulations.

4. Accompanying MAWC's April 7, 2004 tariff sheet filing was a request by MAWC that the Commission expedite its approval of the tariff sheets so that the tariff sheets could be approved on or before April 16, 2004, the effective date of the Order.

5. Contained in the tariff sheets submitted by MAWC on April 7, 2004 were two sheets affecting MSD. Revised Sheet No. RT 15.0 reflected rate increases in fees to terminate and restore service to customers. Revised Sheet No. RT 16.0 established a new yearly flat-fee tariff of \$760,000.00 for providing customer water usage data and billing information.

6. MAWC's original filing of revised tariff sheets on May 19, 2003 which commenced this proceeding did not contain any new or revised tariffs applicable to the services MAWC provides to MSD.

7. Until terminated by MAWC at the end of 2003 or early 2004, the fee for customer water usage data and billing information was controlled by a contract between MSD and MAWC in conjunction with a tariff. Since termination of the agreement these services have been subject to ongoing negotiations between the parties. For the interim period, the parties agreed to continue under the terms of the expired contract.

8. MSD did not participate as a party to this case because it was attempting in good faith to negotiate a new agreement with MAWC for termination and reconnect services and data services.

9. On April 15, 2004, MSD filed its Application for Rehearing or Reconsideration, requesting that the Commission reject the subject tariff pages. Also on April 15th, the Commission suspended all proposed tariff sheets, made MSD a party to the case and set a hearing for April 19 at which MAWC would be given an opportunity to show cause as to why the proposed tariffs should not be rejected.

10. At the April 19, 2004 hearing, MAWC agreed to voluntarily withdraw the two proposed tariff sheets affecting MSD and engage in good faith negotiations. It was further

agreed by the parties that if agreement was not reached within ninety (90) days, they would report back to the Commission and seek guidance as to an appropriate resolution to any remaining disputes.

11. More than 90 days have passed since the show cause hearing and, despite the best efforts of MSD, no agreement with MAWC has been reached. In fact, as demonstrated by the correspondence between the parties, attached hereto as *Appendix A*, the parties' positions are further apart than they were at the time of the hearing. MAWC now seeks to impose an even greater charge than the flat \$760,000 for the significantly reduced information MSD is requesting.

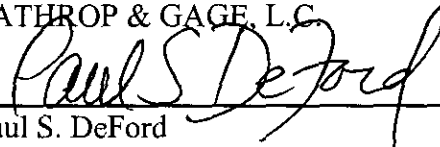
12. MSD seeks to expeditiously resolve this dispute because the status quo requires MSD to continue making substantial payments for information it does not want or need. During the course of the April 19 hearing, the consensus of the parties appeared to be that without an underlying agreement between MSD and MAWC, the Commission could not impose a tariff to resolve disputed issues. In light of these facts, MSD is concerned that the Commission lacks authority or jurisdiction to resolve the dispute between the parties.

13. MSD requests that the Commission expeditiously address the authority that it believes it may exercise to assist in resolving this dispute. If the Commission cannot timely resolve these matters, MSD intends to seek a judicial remedy at the earliest appropriate opportunity.

WHEREFORE, Metropolitan St. Louis Sewer District submits this Status Report and requests that the Commission provide specific guidance to ultimately resolve these matters, including the Commission's position with respect to the jurisdictional issue.

Respectfully submitted,

LATHROP & GAGE, L.C.



Paul S. DeFord

#29509

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#50205

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***ATTORNEYS FOR METROPOLITAN  
ST. LOUIS SEWER DISTRICT***

### CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing document in Docket No. WR-2003-0500 were served upon the following parties by first-class postage prepaid, U.S. Mail, or by electronic mail on August 26, 2004.

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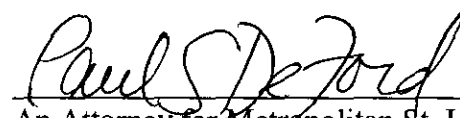
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An Attorney for Metropolitan St. Louis  
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## ***Appendix A***



**Metropolitan  
St. Louis Sewer  
District**

2350 Market Street  
St. Louis, MO 63103-2555  
(314) 768-6200

**VIA HAND DELIVERY AND FIRST CLASS MAIL**

June 24, 2004

Mr. David P. Abernathy  
Vice President, General Counsel and Secretary  
Missouri American Water  
535 North New Ballas Road  
St. Louis, MO 63141-6875

Dear David:

We are in receipt of your response to our May 18, 2004 proposal for terms of a new contract for the provisions of usage data and termination service. We are disappointed that we apparently remain far apart on nearly all significant issues. As you know, one of The Metropolitan St. Louis Sewer District's ("MSD" or the "District") primary goals entering negotiations was to achieve some cost savings from the \$760,000 paid for usage data in the past year. To that end, the District proposed that Missouri American Water provide substantially less usage data for a flat fee of approximately \$391,000 and set a reasonable per unit cost based shut off and reestablish service up to a maximum of \$200,000 per year. Your response would completely frustrate the District's effort to achieve any costs savings and would, in fact, impose substantial additional charges.

First, you agree to provide the lesser amount of data we have requested but then suggest the charge remain at the current annual level of \$760,000. Next, you accept our proposal to pay an annual amount of \$200,000 for turn-off/turn-ons. However, you suggest limiting the number of turn-off/ons to 50 per calendar month. Limiting turn-off/ons to 50 per calendar month will not meet the District's needs and would result in a charge in excess of \$330 per turn-off/on. MSD is unwilling to pay such an exorbitant non-cost based charge. The charge for this service under our prior agreement was between \$17 and \$67, with standard turn-off/ons at \$38, an amount MSD would still agree to pay.

Missouri American further proposes to develop a fee structure for responding to inquiries from MSD related to customer inquiries. The inquiries result in a service order being issued to read a customer's meter and/or customer research being performed by Missouri American's call center's service group, or special accounts group. You propose that the per-unit fee would range between \$15 to \$30 based upon the service provided. As a result of the aforementioned inquiries

to Missouri American, you speculate that MSD will require billing usage data for customer billing quarters not provided under the terms of the contract. Missouri American then proposes to bill MSD an additional \$1.29 per usage data read.

Based upon Missouri American's projected number of inquiries, these potential charges would amount to somewhere between approximately \$15,000 and \$30,000 to MSD. MSD would point out that, in most instances, the reason for the inquiry is that Missouri American initially provided MSD with erroneous data. Because, in most instances, MSD is not responsible for causing the inquiry, we would suggest that the proposed processing charges be included in the amount we agree to pay for the data and that an additional separate charge is not appropriate. In fact, this is consistent with the position contained in the District's May 18, 2004 proposal.

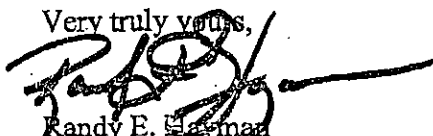
Missouri American has apparently agreed to MSD's request to identify accounts by category (i.e., single family, multi-unit residential and commercial). Missouri American suggests that a one-time cost in programming its customer information system should be imposed. MSD would agree to pay such a charge, assuming we can arrive at a reasonable amount.

Finally, Missouri American has agreed to provide all change of ownership information on a monthly basis. You suggest that a per-unit charge or an annual charge be paid by MSD for that data. MSD would be willing to pay a reasonable annual charge for the change of ownership data.

Even a cursory review of the foregoing reveals that Missouri American's proposals would result in charges to the District exceeding \$1 million per year. As previously indicated, one of the District's primary goals was to achieve a cost saving. The District is simply not in a position or willing to pay more for less data. We believe that our proposal to, in the aggregate, pay approximately \$591,000 for only the data necessary to conduct MSD business, plus a reasonable number of turn-off/ons, is fair to both parties. We remain willing to negotiate for data and turn-off/on services that will allow Missouri American to approach receiving the amount included in revenue requirement of its recent rate case.

Because there appear to be fundamental differences between our views of our rights and responsibilities, we believe we should be prepared to advise the Missouri PSC of our progress and consider what additional steps we can take to resolve our differences.

Very truly yours,



Randy E. Gayman  
General Counsel

cc: Jeff Theerman

bc: Robert J. Baer  
Harold Crumpton  
Jan Zimmerman



Jun-11-04 03:57pm From:MAWC Human Resources

+3149912715

T-651 P.002/004 F-186

**Missouri  
American Water**

David P. Abernathy  
Vice President, General Counsel  
and Secretary

**Mr. Randy E. Hayman**

General Counsel  
Metropolitan St. Louis Sewer District  
2350 Market Street  
St. Louis, MO 63013-2555

11 June 2004

Dear Randy:

This letter is in response to your correspondence dated May 18, 2004, in regard to the negotiation of a new contract for the provision of water usage data to MSD and for the termination of water service to enforce payment of delinquent sewer bills. Missouri American has reviewed the six (6) part proposal by MSD contained therein and evaluated the same in respect to a number of issues, including the impact on our customer's service and rates. As a result of our review and analysis, Missouri American would propose the following:

1. As to water data, the Company accepts MSD's request for water data to be provided as put forth in paragraph 1 of the May 18<sup>th</sup> letter. In summary, Missouri American will provide two quarters of single-family quarterly residential accounts, and all monthly and quarterly customer usages for multi unit residential accounts and commercial accounts.
2. MSD's request to identify the accounts in the categories as noted above may produce an additional, one-time cost in programming our customer information system. In that event, MSD shall bear any additional cost caused thereby.
3. MSD is also requesting that all change of ownership information be provided on a monthly basis. The Company will agree to this request but proposes that a per unit charge, or an annual charge, be paid by MSD for this data. These costs are not reflected in the current fee collected by the Company. Additional time is necessary to develop this charge and present it to MSD for review.
4. Missouri American proposes that the current annual fee for providing the usage data remain at the level of \$760,000 and be subject to an annual inflation adjustment as proposed by MSD in paragraph 3. There are several

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reasons why Missouri American is proposing that the cost of the basic customer usage data remain unchanged. To begin with, it needs to be noted that all of the affected water customer's are also customers of MSD. It is not reasonable to suggest shifting the cost of providing the data unless it is based on a competitive and properly allocated cost to the Company and MSD. If MSD itself was required to read water company meters in order to accurately capture the two quarters of usage data that it needs, a total of approximately 1,015,000 meter reads would be required. This represents 76.5% of the current meter reads by the Company. Using the Company's cost structure, this would result in a cost to MSD of \$1.4 million to read the meters to accurately capture the required data. This cost would not include a reasonable and fair cost to MSD for being provided information and access to the Company's meters. Therefore, the Company proposes to remain at the current annual level of \$760,000.

5. The annual fee of \$760,000 will be adjusted at the time of Missouri American's next general rate case.
6. Missouri American proposes to develop a fee structure for responding to inquiries from MSD related to customer inquiries. Currently, the Company has experienced approximately 900 inquiries on an annual basis from MSD since October 2002. The inquiries result in either a service order being issued to read a customer's meter and/or customer research being performed by our Customer Call Center's service group, or special accounts group. The per unit fee would range from \$15 to \$30 based on the service provided.
7. As a result of the aforesaid inquiries to Missouri American, it is expected MSD will require billing usage data for customer billing quarters not provided to MSD under the terms of the contract. Missouri American would propose to bill MSD an additional \$1.29 per usage data read.
8. The Company is concerned about the impact on customer service/relations and the cost of shutting off customers for delinquent sewer service. As a result, the Company proposes that an annual fee of \$200,000 be paid to the Company by MSD for turning-off and, if necessary, turning-on a customer. These turn off/ons will be subject to a maximum of 50 per calendar month.
9. The term of the contract would be until 120 days after the Missouri Public Service Commission issues a Report and Order in the Company's next general rate case.

Randy, I recognize that the aforesaid proposals may not be exactly what MSD was expecting as a response. However, please be assured that these proposals were

Jun-11-04, 03:58pm From-MAWC Human Resources

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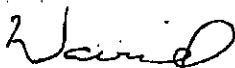
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given some extensive thought and were not provided lightly. If you have questions or concerns, and I assume you will, please feel free to contact me. I would be happy to explain our thinking on any or all of the above proposals.

Thanks for your attention to this matter. I believe that if we continue to communicate openly and constructively, we will get to a resolution of these issues.

Sincerely,



David P. Abernathy



## Metropolitan St. Louis Sewer District

2350 Market Street  
St. Louis, MO 63103-2555  
(314) 768-6200

May 18, 2004

David Abernathy  
General Counsel  
Missouri American Water Company  
535 N. New Ballas Road  
St. Louis, MO 63141-6875

Re: Negotiation of a Contract for Water Usage Data and Termination of Water Service to Enforce Payment of Delinquent Sewer Bills between Missouri American Water and the Metropolitan St. Louis Sewer District (the "District")

Dear David:

In an effort to further our negotiations to reach an agreement for the provision of water usage data and termination of water service to enforce payment of delinquent sewer bills, the District proposes the following terms to form the basis of a contract:

1. Water Data to be provided:
  - Multi-Unit Residential Accounts – Monthly Data
  - Multi-Unit Residential Accounts – Quarterly Data
  - Commercial Accounts – Monthly Data
  - Commercial Accounts – Quarterly Data
  - Single Family Residential Accounts (Winter Usage-2 Quarters)
  - The District to identify accounts by the above categories
  - All change in ownership information - Monthly Data
2. Water Data provided based on flat fee of \$391,057 per year paid in equal installment (\$32,588) the first of each month.
3. Water Data flat fee adjusted annually based on inflation, by a percentage amount equal to the change in the Consumer Price Index (all items), as published by the Federal Reserve from the previous start date of the contract.
4. Missouri American agrees to shut-off service on water accounts with delinquent sewer bills within 30 days of receiving notice from the District of delinquency.
5. The District will pay Missouri American a per unit charge based on Missouri American's cost to shut-off water service and reestablish service, up to a maximum of \$200,000 per year.

David Abernathy  
Missouri American Water Company  
May 18, 2004  
Page 2

6. The term of the contract would coincide with the date the Company is permitted to file its next general rate case.

The District also recognizes Missouri American's desire to address regulatory issues without taking a position that will compromise its ability or opportunity to meet its revenue requirement. With that in mind we would suggest submitting a form of contract to the Commission for its review but not for approval. To the extent that the existing tariffs are not consistent with the contract they would be modified or withdrawn.

The District further suggests that Missouri American request an Accounting Authority Order to allow booking the differential between the expected \$760,000 and the actual contract amount so that recovery may be sought in the Company's next general rate case. This would ultimately result in recognition that revenue received from the District is non-jurisdictional and that the identified portion of the Company's revenue requirement should be recovered from utility customers.

We would like to schedule a meeting to discuss these matters as soon as possible and to that end suggest we meet on the morning of either June 1 or June 3. As always, I look forward to hearing from you soon.

Very truly yours,

METROPOLITAN ST. LOUIS SEWER DISTRICT

By:

*Randy E. Hayman*  
Randy E. Hayman  
General Counsel

REH/dl

cc: Paul DeFord  
Jeff Theerman  
Jan Zimmerman