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**INFORMATION SHEET MISSOURI-AMERICAN WATER COMPANY 2003**  
**RATE CASE---MEXICO DISTRICT**

Missouri Public  
Service Commission

**Who is the Missouri Public Service Commission?**

It is the state government agency charged with ensuring that consumers receive safe, adequate and reliable utility services at a reasonable rate. Before a utility changes its rates, it must first seek approval from the Public Service Commission. Changes to the rates reflected on your utility bills can only occur after a thorough review of evidence gathered in a rate case (including information received at local public hearings as well as formal hearings in Jefferson City). The Commission must balance the interests of the public--ratepayers as well as company shareholders. In proceedings before the Commission, rates are set to give the utility company an opportunity, **but not a guarantee**, to earn a reasonable return on its investment after recovering its prudently incurred expenses. Utility services and infrastructure are essential to the economy of Missouri. Virtually every Missouri citizen receives some form of utility service (electric, natural gas, telecommunications, water or sewer) from a company regulated by the Missouri Public Service Commission. Regarding water and sewer, the Commission does not regulate the rates of municipal water and/or sewer systems, public water supply districts or public sewer districts.

**When did Missouri-American Water Company file its water and sewer rate cases with the Public Service Commission and what is the Company seeking?**

The Missouri-American Water Company filed its water and sewer rate requests with the Missouri Public Service Commission on May 19, 2003, seeking to increase annual water revenues by approximately \$20 million in all nine of the Company's water districts. In addition, the Company is seeking to increase its sewer revenues by approximately \$1,600 a year for 100 sewer customers in the Platte County District.

**Why is Missouri-American Water Company seeking to increase water revenues in my district?**

Missouri-American Water Company has stated that two of the key reasons for the rate increase request are: 1) heightened security costs since the events of September 11, 2001 and 2) ongoing investment in its infrastructure. In its news releases announcing the rate filing, Missouri-American stated it has taken numerous steps to protect its water treatment plants, water distribution systems, offices, employees and its customers from acts of terrorism. In addition, the Company stated that since its last rate case, it had invested over \$1.6 million in updating the water system in its Mexico District.

**What does this mean to my water bill if the Public Service Commission grants the water rate request in full?**

Under the Company's proposal, the average residential customer in the Mexico District would pay an additional \$6.27 a month for water service if the Company's request were granted in full.

11-5-03

Public Hearing

EX 3

MEXICO

WR-2003-0500

### **Has the Staff of the Missouri Public Service Commission filed its recommendation in this case?**

Yes, on October 3, 2003, the Staff of the Public Service Commission filed its testimony and also filed a complaint against the Missouri-American Water Company seeking to reduce, **on a total Company basis**, annual water revenues by approximately \$20 million. The PSC Staff stated the principal issues that comprise its request to reduce the water revenues of the Missouri-American Water Company include: the cost of capital (the return on common equity and the capital structure) and various depreciation issues.

While the PSC Staff seeks a reduction in the total water revenues of the Missouri-American Water Company, **not all districts** would see a reduction under the recommendation filed by the PSC Staff. The PSC Staff recommendation is just one of many that will be thoroughly reviewed by the Commission in making its decision in the Missouri-American Water Company rate request.

### **When will the Public Service Commission decide these rate cases?**

The Commission is seeking testimony (information and comments) from affected customers during this local public hearing. The Commission will hold nine local public hearings. Parties in these cases have filed written testimony and will present additional oral testimony at formal hearings in Jefferson City starting on December 15, 2003. By state law, the Commission must issue a decision in these rate cases by early April 2004.

### **Who are the parties in these cases?**

The Missouri-American Water Company, the Staff of the Missouri Public Service Commission, the Office of the Public Counsel, the City of Jefferson City, Public Water Supply District No. 1 & 2 of Andrew County, Public Water Supply District No. 1 of DeKalb County, AG Processing, Inc., the City of Warrensburg, the City of Riverside, the Missouri Industrial Energy Consumers (The Boeing Company, DaimlerChrysler, Ford Motor Company, Hussmann Refrigeration, Monsanto Company and Pharmacia), the Missouri Energy Group (Barnes-Jewish Hospital, Emerson Electric Company, SSM HealthCare and St. John's Mercy Health Care), the Utility Workers Union of America Local 335 AFL-CIO, the City of Joplin, the St. Joseph Water Rate Coalition (the City of St. Joseph, Buchanan County, St. Joseph School District, St. Joseph Area Chamber of Commerce, Heartland Health, Sara Lee, Hillyard Companies, Phoenix Scientific, Inc., Prime Tanning Corp., Johnson Controls, Ag Processing, Inc. and Artesian Ice and Cold Storage), and The Empire District Electric Company.

### **Can I comment on service quality issues at this local public hearing?**

Yes. Local public hearings are designed to give **YOU**, the consumer, the opportunity to speak directly to the Public Service Commission. These are the officials who will make the decisions in the Missouri-American Water Company water and sewer rate cases. You are invited to express your views, opinions and concerns about these rate cases and also bring any service related problems to the Commission's attention.

**Will I be able to ask the Commissioners questions?**

No. Commissioners may have follow-up questions for you regarding your testimony as a customer of the Missouri-American Water Company; however, the Commissioners will not be able to respond to your questions. Please keep in mind that the Commissioners are acting as judges in holding this hearing to gather information and that it would be inappropriate for them to respond to questions. You are invited and encouraged to address any questions that you may have to representatives of the PSC Staff, the Company, the Office of the Public Counsel and other parties involved in this case either prior to (during the 30 minute general information session before the local public hearing) or following the formal portion of this local public hearing.

**THANK YOU FOR ATTENDING TODAY'S  
LOCAL PUBLIC HEARING**

**PSC TOLL-FREE CONSUMER SERVICES HOTLINE  
1-800-392-4211**