

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 28th day of
September, 2011.

In the Matter of the Petition of Missouri-American)	
Water Company for Approval to Change its)	
Infrastructure System Replacement Surcharge)	<u>File No. WR-2011-0336</u> Tariff No. YW-2011-0644

**ORDER APPROVING PETITION FOR
CHANGE OF INFRASTRUCTURE SYSTEM REPLACEMENT SURCHARGE**

Issue Date: September 28, 2011

Effective Date: October 8, 2011

Background

On June 22, 2011, Missouri-American Water Company, a water corporation, filed a petition with the Missouri Public Service Commission to adjust its infrastructure system replacement surcharge (ISRS). With its application, Missouri-American filed a tariff sheet, effective July 22, intended to produce ISRS revenues of \$2,712,260, an increase of 1.1% of base revenue from its most recent rate case. The company states that it intends to replace mains, valves and hydrants, clean or reline mains, and recover costs for relocating infrastructure due to government construction or improvement. The company further states that all of the infrastructure system replacements: replace or extend the life of existing infrastructure; are currently in service and used and useful; do not increase revenues by directly connecting to new customers; were not included in the company's rate base in the its last general rate case; were not included in any other ISRS filing; and, the associated costs have not been recovered. Missouri-American further states that the ISRS changes are St. Louis County, a charter form of government with a population of more than 1 million.

On June 23, the Commission suspended the tariff sheet until October 20 and set a deadline for applications to intervene. There are no intervenors.

Staff Recommendation

On August 29, 2011, the Staff of the Commission filed its recommendation. Staff informs the Commission that it agrees with and has adopted the methodology used by the company for calculating the ISRS revenue requirement. However, based on Staff's calculation of the revenue requirement, the ISRS revenue should be designed to recover \$2,180,819, rather than the \$2,712,260 requested by Missouri-American. Staff points out that its calculations reflect Missouri-American's capital structure from the last rate case, the company's current depreciation rates, and a 10% return on common equity. On September 15, Missouri-American filed a notice informing the Commission that it agrees with Staff's recommendation.

Discussion

A water corporation, providing service in a county with more than 1 million inhabitants which has a charter form of government, may file a proposed ISRS.¹ Missouri-American is a water corporation and it has filed a request to recover costs incurred in St. Louis County², a charter county with a population of more than 1 million.³ ISRS revenues must be greater than \$1 million but no more than 10% of the company's base revenue approved by the Commission in the company's last rate case.⁴ In its verified petition, Missouri-American states that the requested amount is an increase of 1.1%

¹ Section 393.1003.1, RSMo.

² Petition, page 1, paragraph 2.

³ Petition, page 5, paragraph 8.

⁴ *Id.*

increase based on the base revenue level approved by the Commission in the company's last general rate case.⁵ These facts satisfy requirements of Section 393.1003 RSMo.

Currently, the ISRS rates are as follows:

	Rate per CCF	Rate per 1,000 Gallons
Rate A Customers	\$.0697	\$.0929
Rate B Customers	\$.0067	\$.0089
Rate J Customers	\$.0034	\$.0045
Rate K Customers ⁶	\$.0607	\$.0929

The rates proposed by Missouri-American are as follows:

	Rate per CCF	Rate per 1,000 Gallons
Rate A Customers	\$.1222	\$.1629
Rate B Customers	\$.0087	\$.0116
Rate J Customers	\$.0044	\$.0058
Rate K Customers	\$.1222	\$.1629

⁵ Petition, page 6, paragraph 12

⁶ Rates A, B, J and K customers are respectively: (A) residential and commercial; (B) public water supply districts, the City of Valley Park and the City of Florissant; (J) manufacturers and large quantity users; and, (K) construction rate customers.

The rates determined by Staff, to which the company agrees, are as follows:

	Rate per CCF	Rate per 1,000 Gallons
Rate A Customers	\$.0423	\$.0562
Rate B Customers	\$.0008	\$.0010
Rate J Customers	\$.0004	\$.0005
Rate K Customers	\$.0423	\$.0562

The Commission notes that the ISRS rates will actually decrease.

The Commission finds that the proposed ISRS rates are in compliance with Sections 393.1000 through 393.1006, RSMo and will approve the rates to go into effect. The Commission will therefore reject the proposed tariff sheet filed by Missouri-American and direct the company to file a tariff sheet consistent with Staff's recommendation and this order.

THE COMMISSION ORDERS THAT:

1. The following tariff sheet, Tariff File No. YW-2011-0644, is rejected:

P.S.C. MO NO. 6

12th Revised Sheet No. RT 18.0 Cancelling 11th Revised Sheet RT 18.0

2. Missouri-American Water Company shall file a tariff sheet establishing an Infrastructure System Replacement Surcharge sufficient to recover annual revenues of \$2,180,819, reflecting the ISRS rate of each customer class as set out in Attachment A to the Staff of the Commission's Memorandum.

3. Missouri-American Water Company shall file a tariff sheet consistent with the Staff of the Commission's Recommendation and this order.

4. This order shall become effective on October 8, 2011.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'S. Reed', written in a cursive style.

Steven C. Reed
Secretary

(S E A L)

Gunn, Chm., Davis, Jarrett,
and Kenney, CC., concur.

Jones, Senior Regulatory Law Judge