

**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)
Water and Sewer Services Provided in)
Missouri Service Areas.)

Case Nos. WR-2011-0337
SR-2011-0338

STAFF REPORT REGARDING
DECEMBER 14, 2011, LOCAL PUBLIC HEARING

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through the undersigned counsel, and submits to the Missouri Public Service Commission (Commission) the following *Staff Report Regarding December 14, 2011, Local Public Hearing (Report)*:

1. On December 14, 2011, the Commission conducted a local public hearing in Branson, Missouri wherein several customers testified on the record.
2. One such witness was Mr. Loren Lund, who read a letter into the record and provided Staff Counsel's Office a copy of the letter. After Mr. Lund's testimony, the Commission ordered Staff to respond to this letter within ten days of the local public hearing and to file its response in the case.
3. On December 21, 2011, Jim Busch, Manager of the Water and Sewer Unit, provided a response to the letter received by Mr. Lund, which is incorporated by reference herein as Attachment A to this pleading.

WHEREFORE, Staff respectfully submits its *Report* to the Commission for its information and consideration.

Respectfully submitted,

/s/ Rachel M. Lewis

Rachel M. Lewis
Deputy Counsel
Missouri Bar No. 56073

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered, transmitted by facsimile or by electronic mail to all counsel of record on this 20th day of December, 2011.

/s/ Rachel M. Lewis



Commissioners

KEVIN GUNN
Chairman

JEFF DAVIS

TERRY M. JARRETT

ROBERT S. KENNEY

VACANT

Missouri Public Service Commission

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WESS A. HENDERSON
Director of Administration
and Regulatory Policy

STEVEN C. REED
Secretary/General Counsel

CHERLYN D. VOSS
Director of Regulatory Review

December 21, 2011

Loren & Patricia Lund
1309 Stoneycreek Lane
Branson West, MO 65737

Dear Mr. and Mrs. Lund:

My name is Jim Busch and I am the Manager of the Water and Sewer Unit of the Missouri Public Service Commission (Commission). I attended the local public hearing held in Branson, Missouri on Wednesday, December 14, 2011, when you read your letter to the Commission. The purpose of my letter is to respond to your comments.

First, the mailing that you and every customer received was prepared by Missouri-American Water Company (MAWC or Company). Staff of the Commission (Staff) and the Office of the Public Counsel (Public Counsel), the ratepayer advocate in Missouri, did provide some assistance to the process, but the numbers that you are referring to in your letter were not reviewed or approved by Staff, Public Counsel, or the Commission.

Second, the reason for the use of 3,500 was to try to create an average bill for an average user in your service territory. This method has been used in various MAWC and other utility rate cases for years. Unfortunately, based on comments received at the local public hearing, the average calculated was not representative of the average use of a full-time resident. In addition, even though you are billed on 1,000-gallon increments, utilizing 3,500 would mean that the 1,000 gallon usage rate would be multiplied by 3.5 to determine the usage portion of the bill. The comments by you and your fellow ratepayers were heard and Staff will be making appropriate adjustments to our future communications to consumers to address this issue.

Third, I calculated various charges and compared it to the Company's proposal. I agree that the percentage that was calculated does not match the percentage that was in the letter. The reason for the discrepancy is that the percentage in the letter was the overall increase for the district, not the percent increase for any given customer. Also, the proposed increase of \$16.26 on a district-specific basis or \$11.17 on a statewide rate was specifically calculated on an average usage of 3,500 gallons. Thus, a comparison at 2,000 gallons, 4,000 gallons, or some other usage level would have to have the proposed increase recalculated as well. For instance, a consumer using

Mr. and Mrs. Lund
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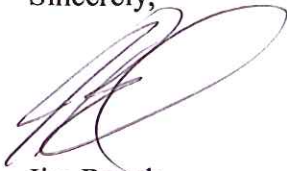
2,000 gallons would see an increase of \$10.44, not \$11.17 if the Company's statewide rate proposal is approved. A consumer using 4,000 gallons would see an increase of \$11.41 if the Company's statewide rate proposal is approved. Regardless, the language was not clear.

Fourth, you mention that you thought a reduction in rates was forthcoming to be competitive with Branson and Branson West. Comparing rates of an investor-owned utility like MAWC with the rates of an unregulated municipality or water/sewer district is misleading. The non-investor entity has different cost characteristics and has the ability to utilize other funding mechanisms to offset the costs of its water and/or sewer system.

If you have any further questions or comments regarding this proceeding or if you have any questions or comments in general, please feel free to contact me. I can be reached via phone at 573-751-7529 or you can email me at jim.busch@psc.mo.gov.

Thank you for taking the time to attend and comment at the local public hearing. We do take all comments and questions seriously and make adjustments as warranted.

Sincerely,



Jim Busch
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Missouri Public Service Commission
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