

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

In the Matter of Missouri-American Water Company)
for a Certificate of Convenience and Necessity)
Authorizing it to Install, Own, Acquire, Construct,) Case No. WA-2012-0066
Operate, Control, Manage, and Maintain Water and)
Sewer Systems in Christian and Taney Counties,)
Missouri.)

**THE OFFICE OF THE PUBLIC COUNSEL’S RESPONSE
TO STAFF’S RECOMMENDATION**

COMES NOW the Office of the Public Counsel (Public Counsel) and for its Response to Staff’s Recommendation states as follows:

1. On August 26, 2011, Missouri-American Water Company (MAWC) filed an Application with the Missouri Public Service Commission (Commission) requesting that the Commission grant it permission, approval and a Certificate of Convenience and Necessity (CCN) authorizing MAWC to: a) install, acquire, build, construct, own, operate, control, manage and maintain water and sewer systems for the public within the areas referred to in its Application; b) acquire the assets identified in the Application of Saddlebrooke; and, c) take such other actions as may be deemed necessary and appropriate to accomplish the purposes of the Agreement and the Application and to consummate related transactions in accordance with the Agreement.
2. On January 6, 2012, the Staff of the Public Service Commission (Staff) filed its Recommendation which requested the Commission issue an Order granting MAWC Certificates of Convenience and Necessity authorizing it to install, own, acquire, construct, operate, control, manage, and maintain water and sewer systems in Christian and Taney Counties, Missouri, subject to

the provisions laid out in the sixteen numbered paragraphs under the section labeled “Staff’s Recommendation” in Appendix A.

3. Public Counsel now states that it has no opposition to Staff’s recommendation that the Commission issue an Order granting MAWC’s request for Certificates of Convenience and Necessity. However, Public Counsel objects to Staff’s recommended rates for service and the arbitrary establishment of rates without additional protections for consumers.

4. In its Application, MAWC requested adoption of the existing water and sewer “Rate B” rates, along with the water and sewer rules currently applicable to the Stone and Taney Counties Service District. However, Staff’s recommendation proposes to set new rates for residential customers in this area:

Based upon its investigation, which included estimating expenses and its calculation of net plant in service adjusted for capacity in use, Staff recommends that new rates be developed specifically for Saddlebrooke, instead of utilizing the existing water Rate B and sewer Rate B currently effective in MAWC’s Stone and Taney Counties Service District, formerly Roark, as was requested in the *Application*. Rates recommended by Staff for residential service in Saddlebrooke, using a 5/8 inch water meter, are as follows:

Water Customer Charge -- \$15.30 per month

Commodity Charge -- \$2.83 per 1,000 gallons usage

Sewer Customer Charge -- \$12.57 per month

Commodity Charge -- \$4.32 per 1,000 gallons. For residential customers, this charge shall be applied to the average water usage during the months of December, January and February, and that amount will be included for billings for each of the following twelve (12) months.¹

5. The Staff Recommendation also made the following statement regarding Staff’s proposed rates:

Due to the uncertainty of current operating expenses, customer revenues, other revenues that might be forthcoming, and estimates of rate base, Staff will review

¹ Staff Recommendation, Appendix A – Official Case File Memorandum, page 5.

Saddlebrooke rates in the context of actual operating historical records, in any future rate case.²

Staff states that the rates approved in this CCN case would be subject to change when MAWC files its next company-wide request for a rate increase with the Commission.

6. Staff's filing demonstrates that the current available financial and capital information is not sufficiently reliable to ensure that rates are just and reasonable. Public Counsel only received Staff's work papers regarding the proposed rates on January 12, 2012 and the work papers received are not detailed enough to determine exactly how Staff's proposal was calculated. However, a cursory review reveals that Staff's recommendation is based on unaudited and estimated expenses, income and calculation of rate base. Staff's work papers also show the inclusion of plant not yet in service as well as the inclusion of a return on an acquisition discount between the purchase price and the estimated rate base. Therefore, Public Counsel objects to Staff's recommended rates for service in this case.

7. Public Counsel also believes that the Commission must protect the ratepayers from possible overpayment due to the use of purely estimated water and sewer rates. Additionally, as MAWC currently has a pending rate case before the Commission, any rates set in this CCN case could be in place for a significant amount of time before they could be reviewed. Therefore, Public Counsel requests that the Commission add the requirement that any water and sewer rates approved in this case be interim subject to customer refund or credit based on the rates established in MAWC's next company-wide request for a rate increase.

WHEREFORE, Public Counsel respectfully submits its Response to Staff's Recommendation.

² Id., page 6.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

/s/ Christina L. Baker

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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 13th day of January 2012:

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