

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

In the Matter of the Application and Petition)
Of Missouri-American Water Company)
Requesting the Commission Promulgate) File No. _____
An Environmental Cost Adjustment)
Mechanism For the Water Industry.)

**APPLICATION AND PETITION
FOR PROMULGATION OF RULE**

COMES NOW Missouri-American Water Company (MAWC) and, pursuant to Section 386.250, RSMo, Section 386.266, RSMo, Section 393.140, RSMo and 4 CSR 240-2.180, states as follows to the Missouri Public Service Commission (Commission):

BACKGROUND INFORMATION

1. MAWC is a Missouri corporation with its principal office and place of business at 727 Craig Road, St. Louis, Missouri 63141. MAWC is a Missouri corporation in good standing. A certified copy of MAWC's certificate of good standing was submitted in Case No. SA-2007-0316 and is incorporated by reference. MAWC currently provides water service to the public in and around the cities of St. Joseph, Joplin, Brunswick, Mexico, Warrensburg, Parkville, Riverside, Jefferson City, and parts of St. Charles, Warren, Jefferson, Morgan, Pettis, Benton, Barry, Stone, Greene, Taney, Christian and Platte Counties, and most all of St. Louis County, Missouri. MAWC currently provides water service to approximately 454,000 customers. MAWC provides sewer service to approximately 3,200 customers in Callaway, Jefferson, Pettis, Cole, Morgan, Platte, and Warren Counties, Missouri.

2. MAWC is a "water corporation," a "sewer corporation" and a "public utility" as those terms are defined in Section 386.020 RSMo, and is subject to the jurisdiction and supervision of the Commission as provided by law. MAWC has no overdue Commission annual reports or assessment

fees. There is no pending action or final unsatisfied judgment or decision against MAWC from any state or federal agency or court which involves customer service or rates, which action, judgment or decision has occurred within three years of the date of this Application and Petition.

3. Communications in regard to this Application and Petition should be addressed to the undersigned counsel and:

Dennis R. Williams
Missouri-American Water Company
727 Craig Road
St. Louis, Missouri 63141
(314) 740-1410
denny.williams@amwater.com

SB 179

4. During the 2005 legislative session, the Missouri General Assembly passed Senate Bill (SB) 179. SB 179 was later signed by the Governor on July 14, 2005, and became effective on January 1, 2006.

5. SB 179, among other things, included a statute providing for a periodic rate adjustment mechanism for water corporations related to costs of compliance with any federal, state, or local environmental law, regulation, or rule (what became Section 386.266 of the Revised Statutes of Missouri).

6. Section 386.266.2, RSMo states as follows:

Subject to the requirements of this section, any electrical, gas, or water corporation may make an application to the commission to approve rate schedules authorizing periodic rate adjustments outside of general rate proceedings to reflect increases and decreases in its prudently incurred costs, whether capital or expense, to comply with any federal, state, or local environmental law, regulation, or rule. Any rate adjustment made under such rate schedules shall not exceed an annual amount equal to two and one-half percent of the electrical, gas, or water corporation's Missouri gross jurisdictional revenues, excluding gross receipts tax, sales tax and other similar pass-through taxes not included in tariffed rates, for regulated services as established

in the utility's most recent general rate case or complaint proceeding. In addition to the rate adjustment, the electrical, gas, or water corporation shall be permitted to collect any applicable gross receipts tax, sales tax, or other similar pass-through taxes, and such taxes shall not be counted against the two and one-half percent rate adjustment cap. Any costs not recovered as a result of the annual two and one-half percent limitation on rate adjustments may be deferred, at a carrying cost each month equal to the utilities net of tax cost of capital, for recovery in a subsequent year or in the corporation's next general rate case or complaint proceeding.

7. Section 386.266, RSMo further directed that “the commission shall have the authority to promulgate rules under the provisions of chapter 536 as it deems necessary, to govern the structure, content and operation of such rate adjustments, and the procedure for the submission, frequency, examination, hearing and approval of such rate adjustments. Such rules shall be promulgated no later than one hundred fifty days after the initiation of such rulemaking proceeding.”

8. The Commission promulgated rules associated with an environmental cost recovery mechanism for electric corporations. (See Case No. EX-2008-0105) However, the Commission has not yet promulgated rules to provide for a similar mechanism for the water industry.

PETITION TO PROMULGATE

9. Section 536.041, RSMo states as follows:

Any person may petition an agency requesting the adoption, amendment or repeal of any rule. Any agency receiving such a petition or other request in writing to adopt, amend or repeal any rule shall forthwith furnish a copy thereof to the joint committee on administrative rules and to the commissioner of administration, together with the action, if any, taken or contemplated by the agency as a result of such petition or request, and the agency's reasons therefor.

10. Consistent with the above statute, Commission Rule 4 CSR 240-2.180(1) states that “Promulgation, amendment, or rescission of rules may be initiated by the commission

through an internally-generated rulemaking case, or pursuant to a rulemaking petition filed with the commission.”

11. MAWC hereby petitions the Commission to promulgate an Environmental Cost Adjustment Mechanism for water corporations.

12. MAWC provides a product that is ingested by its customers. As such, MAWC follows strict statutes and regulations created by the United States Environmental Protection Agency and Missouri Department of Natural Resources — statutes and regulations that help to provide high-quality drinking water. Timely recovery of costs of compliance with these regulations and other environmental requirements is in the public interest.

PROPOSED RULE

13. Attached hereto as **Appendix A** is the full text of proposed Commission Rule 4 CSR240-50.050, the rule MAWC requests the Commission promulgate. MAWC does not seek to amend or rescind any existing Commission rule.

14. When the Commission promulgated the electric corporation environmental cost recovery mechanism rule (4 CSR 240-20.091), it suggested the following as its estimation of the effect of the rulemaking on private persons or entities with respect to required expenditures of money or reductions in income:

PUBLIC COST: This proposed rule will not cost state agencies or political subdivisions more than \$500 in the aggregate.

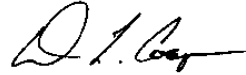
PRIVATE COST: This proposed rule will not cost private entities more than \$500 in the aggregate.

MAWC believes that its proposed rule will have similar impact on costs as was estimated for the electric environmental cost recovery mechanism rule.

WHEREFORE, MAWC respectfully requests that the Commission consider the information

provided herein and, thereafter, promulgate the Environmental Cost Adjustment Mechanism attached hereto as Appendix A.

Respectfully submitted,



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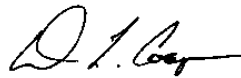
**ATTORNEYS FOR MISSOURI-AMERICAN
WATER COMPANY**

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail or by U.S. Mail, postage prepaid, on November 9, 2012, to the following:

Office of the General Counsel
Governor Office Building
Jefferson City, MO 65101
gencounsel@psc.mo.gov

Office of the Public Counsel
Governor Office Building
Jefferson City, MO 65101
opcservice@ded.mo.gov



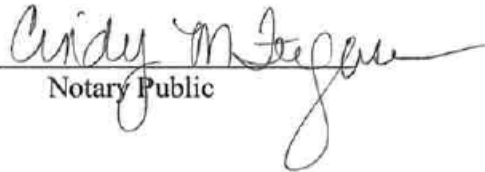
AFFIDAVIT

State of Missouri)
) ss
County of _____)

I, Frank L. Kartmann, having been duly sworn upon my oath, state that I am the President of Missouri-American Water Company, that I am duly authorized to make this affidavit on behalf of Missouri-American Water Company, and that the matters and things stated in the foregoing Application and Petition are true and correct to the best of my information, knowledge and belief.



Subscribed and sworn before me this 7th day of November, 2012.


Notary Public

