

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 7th day of March, 2012.

In the Matter of Missouri-American Water Company's)
Request for Authority to Implement A General Rate) **File No. WR-2011-0337, et al.**
Increase for Water and Sewer Service Provided in)
Missouri Service Areas)

**ORDER APPROVING NON-UNANIMOUS
STIPULATION AND AGREEMENT**

Issue Date: March 7, 2012

Effective Date: March 16, 2012

Procedural History

On June 30, 2011, Missouri American Water Company ("MAWC") submitted a tariff designed to implement a general rate increase for its water and sewer service; File Nos. WR-2011-0037 and SR-2011-0338. MAWC indicated the new utility service rates were designed to increase its gross annual revenues by approximately \$42.9 million exclusive of applicable gross receipts, sales, franchise or occupational fees or taxes. The submitted tariff sheets carried an effective date of July 30, 2011.

On August 19, 2011, MAWC submitted tariff sheets designed to implement a general rate increase for water and sewer service provided in its recently acquired Roark Division; File Nos. WR-2012-0056 and SR-2012-0057.¹ The revised rates in these schedules were designed to produce an additional \$54,462 in gross annual water revenues and an additional \$116,565 in gross annual sewer revenues for this division, also exclusive of applicable gross receipts, sales, franchise or occupational fees or taxes. Those tariff

¹ The Commission approved this acquisition, effective May 7, 2011, in File No. WO-2011-0213.

sheets carried an effective date of September 19, 2011. The Roark Division revenue requirements were included with the request in File Nos. WR-2011-0337 and SR-2011-0338; however, MAWC could not file the tariff sheets for this division in conjunction with its previous filings until the adoption of the existing tariffs for Roark were approved by the Commission in File No. WO-2011-0213. That approval was effective on August 12, 2011.

The Commission issued notices, set an intervention deadline, suspended the tariff sheets until May 27, 2012, and consolidated MAWC's four rate case files. A procedural schedule was set culminating with an evidentiary hearing to begin on February 21, 2012.

At the parties request, the procedural schedule was suspended, and on February 24, 2012 the majority of the parties filed a Non-Unanimous Stipulation and Agreement ("Agreement") purporting to resolve all issues in this matter.² The signatory parties include MAWC, the Commission's Staff, the Office of the Public Counsel ("Public Counsel"), Ag Processing, Inc. ("AGP"), the Missouri Industrial Energy Consumers ("MIEC"), the Metropolitan St. Louis Sewer District ("MSD"), the City of St. Joseph ("St. Joseph"), BJC HealthCare ("BJC"), Triumph Foods, L.L.C. (Triumph"), The Empire District Electric Company ("Empire") and the City of Warrensburg ("Warrensburg").³ The remaining parties, the Public Water Supply Districts Nos. 1 and 2 of Andrew County (Water Districts"), the City of Brunswick ("Brunswick"), the City of Joplin, Missouri ("Joplin"), the City of Jefferson ("Jefferson City") and the Utility Workers Union of America, Local 335 ("Local 335") have affirmatively indicated that they do not oppose the Agreement and that they will

² EFIS Docket Entry No. 283, *Non-Unanimous Stipulation and Agreement*, filed on February 24, 2012. EFIS is the Commission's Electronic Filing and Information System.

³ The City of Warrensburg requested to become a signatory party on February 28, 2012, after its City Council had an opportunity to vote on the Agreement. Warrensburg's request was granted on March 2, 2012, after no party objected within the response deadline set by the Commission.

not request a hearing on any issue in this matter.⁴ Furthermore, Commission Rule 4 CSR 240-2.115 provides that the Commission may consider a non-unanimous stipulation to be unanimous if no party files an objection within seven days of the filing of the agreement. No party objected to the Agreement within that deadline, so the Commission will treat the Agreement as if it were unanimous.

The Commission held an on-the-record proceeding on March 6, 2012 to direct questions to the parties regarding the Agreement. All of the parties present, and the witnesses that were proffered,⁵ stated that they believed that the terms of the Agreement would set just and reasonable rates that would be sufficient for MAWC to maintain safe and adequate service.⁶

The Agreement

The signatories have agreed to a total annual increase in revenue for MAWC of \$24 million - \$23,255,000 in water revenue and \$725,000 in sewer revenue. They have also agreed to the establishment of 8 water districts and 8 sewer districts.

With regard to the water districts, the signatories propose to combine Warren County with the St. Louis Metro District (St. Louis Metro) and to combine Loma Linda with the Joplin District (Joplin). The signatories further propose to maintain the following individual Districts: Mexico, Jefferson City, Warrensburg, Platte County, and St. Joseph. District 8, in their proposal, will consist of the following water systems: Brunswick, Lakewood Manor,

⁴ Local 335 and Jefferson City filed separate notices of their intents not to oppose the Agreement. See EFIS Docket Entry No. 282, *Notice of UWUA Local 335*, filed on February 24, 2012 and EFIS Docket Entry No. 285, *City of Jefferson's Notice Regarding Non-Unanimous Stipulation filed February 24, 2012*, filed on February 27, 2012.

⁵ The witnesses proffered were: Dennis Williams for MAWC; Jim Busch, Kim Bolin and Mark Oligschlaeger for Staff; Barbara Meisenheimer for Public Counsel; Donald Johnstone for AGP; and Greg Meyer for MIEC.

⁶ All of the parties entered their appearances with the exception of Local 335, Warrensburg and Jefferson City.

Spring Valley, Ozark Mountain, Lake Taneycomo, White Branch, Rankin Acres, Riverside Estates, Roark and Lake Carmel/Maplewood. The systems included in District 8 will be grouped into four groups, with one group that consists of systems that are charged a flat rate (i.e. no commodity charge) while the other three groups are based on similar commodity charges within each group. Appendix A to the Agreement provides the rates and charges for each District.

The signatories also list the sewer districts, and their rates and charges, in Appendix A. Those districts include: Cedar Hill, Warren County, Jefferson City, Maplewood, Ozark Meadows, Platte County, Roark-Rate A and Roark-Rate B. Under the Agreement, Warren County would have a flat customer charge with no commodity charge, while the remaining districts would have both, a customer charge and a commodity charge, with the customer charge varying based upon customer class.

The signatories ask that new rates be allowed to go into effect on April 1, 2012. They further suggest that new rates have a delayed implementation date (63-day delay) for the old Aqua systems to comply with the moratorium imposed on rate increases in Aqua Missouri, Inc.'s last rate case.⁷

The agreement also contains various other provisions, including provisions to address: (1) the pension/FAS 87 tracker mechanism and OPEB/FAS 106 tracker mechanism; (2) the tank painting tracker; (3) revenue recording for the St. Louis Metro District; (4) call center reports; (5) customer service and billing issues; (6) customer records information; (7) bad debt/recovery tracking; (8) the infrastructure system replacement surcharge; (9) depreciation; (10) a depreciation study/continuing property

⁷ See File Nos. SR-2010-0023, WR-2010-0025, SR-2010-0026, WR-2010-0027.

records; (11) the Platte County water treatment facility retirement; (12) the Empire interruptible contract; (13) special accounting for Business Transformation System; (14) the MSD contract; (15) a cost allocation study; (16) customer class definitions; (17) district specific EMS runs; and (18) future acquisitions.

Further, in the event the Commission accepts the terms of the Agreement, the signatories agree that all prefiled testimony not yet admitted into evidence shall be received into evidence without the necessity of the witnesses taking the stand. And finally, the Agreement contains a contingent waiver of rights. If the Commission unconditionally approves the Agreement without modification, the signatories agree to waive their respective rights to present oral argument and written briefs pursuant to §536.080.1, RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to §536.080.2, RSMo 2000; their respective rights to seek rehearing, pursuant to §536.500, RSMo 2000; and their respective rights to judicial review pursuant to §386.510, RSMo 2000.

Ratemaking Standards

The Commission has exclusive jurisdiction to establish public utility rates,⁸ and the rates it sets have the force and effect of law.⁹ A public utility has no right to fix its own rates and cannot charge or collect rates that have not been approved by the Commission.¹⁰ Nor can a public utility change its rates without first seeking authority from the Commission.¹¹ A public utility may submit rate schedules or “tariffs,” and thereby suggest to the Commission

⁸ *May Department Stores Co. v. Union Electric Light & Power Co.*, 107 S.W.2d 41, 57 (Mo.1937).

⁹ *State ex rel. Utility Consumers' Council of Missouri, Inc. v. Pub. Serv. Comm'n*, 585 S.W.2d 41, 49 (Mo. banc 1979).

¹⁰ *Id.*

¹¹ *Deaconess Manor Ass'n v. Pub. Serv. Comm'n*, 994 S.W.2d 602, 610 (Mo. App. 1999).

rates and classifications which it believes are just and reasonable, but the final decision is the Commission's,¹² subject to judicial review on the question of reasonableness.¹³

A “just and reasonable” rate is one that is fair to both the utility and its customers.¹⁴ It is no more than is sufficient to “keep public utility plants in proper repair for effective public service, [and]. . . to insure to the investors a reasonable return upon funds invested.”¹⁵ The Commission’s guiding purpose in setting rates is to protect the consumer against the natural monopoly of the public utility, generally the sole provider of a public necessity.¹⁶ However, the Commission must also afford the utility an opportunity to recover a reasonable return on the assets it has devoted to the public service.¹⁷

The Commission must consider the “public interest” when it makes its determination as to whether the proposed increase in rates is just and reasonable.¹⁸ The public interest is a matter of policy to be determined by the Commission.¹⁹ It is within the discretion of the Commission to determine when the evidence indicates the public interest would be

¹² *May Dep't Stores*, 107 S.W.2d at 50.

¹³ *St. ex rel. City of Harrisonville v. Pub. Serv. Comm'n of Missouri*, 291 Mo. 432, 236 S.W. 852 (1922); *City of Fulton v. Pub. Serv. Comm'n*, 275 Mo. 67, 204 S.W. 386 (1918); *City of St. Louis v. Pub. Serv. Comm'n of Missouri*, 276 Mo. 509, 207 S.W. 799 (1919); *Kansas City v. Pub. Serv. Comm'n of Missouri*, 210 S.W. 381 (1919); *Lightfoot v. City of Springfield*, 361 Mo. 659, 236 S.W.2d 348 (1951).

¹⁴ *St. ex rel. Valley Sewage Co. v. Pub. Serv. Comm'n*, 515 S.W.2d 845 (Mo. App., K.C.D. 1974).

¹⁵ *St. ex rel. Washington University et al. v. Pub. Serv. Comm'n*, 272 S.W. 971, 973 (Mo. banc 1925).

¹⁶ *May Dep't Stores Co.*, 107 S.W.2d at 48 (1937).

¹⁷ *Utility Consumers Council, Inc.*, 585 S.W.2d at 49.

¹⁸ *In re Rahn's Estate*, 291 S.W. 120, 123 (Mo. 1926); *Morrhead v. Railways Co.*, 96 S.W. 261, 271 (Mo. banc 1907); *Missouri Public Service Co. v. City of Trenton*, 509 S.W.2d 770, 775 (Mo. App. 1974). The legislature delegated the task of determining the public interest in relation to the regulation of public utilities to the Commission when it enacted Chapter 386, and all other chapters and sections related to the exercise of the Commission's authority.

¹⁹ *State ex rel. Public Water Supply District v. Pub. Serv. Comm'n*, 600 S.W.2d 147, 154 (Mo. App. 1980); *State ex rel. Mo. Pac. Freight Transport Co. v. Pub. Serv. Comm'n*, 288 S.W.2d 679, 682 (Mo. App. 1956).

served.²⁰ Determining what is in the interest of the public is a balancing process.²¹ In making such a determination, the total interests of the public served must be assessed.²² This means that some of the public may suffer adverse consequences for the total public interest.²³ Individual rights are subservient to the rights of the public.²⁴ The “public interest” necessarily must include the interests of both the ratepaying public and the investing public;²⁵ however, as noted, the rights of individual groups are subservient to the rights of the public in general.

The “just and reasonable,”²⁶ standard for setting utility rates is founded on constitutional provisions, as the United States Supreme Court has explained:

Rates which are not sufficient to yield a reasonable return on the value of the property used at the time it is being used to render the services are unjust, unreasonable and confiscatory, and their enforcement deprives the public utility company of its property in violation of the Fourteenth Amendment.²⁷

²⁰ *State ex rel. Intercon Gas, Inc. v. Public Service Comm'n of Missouri*, 848 S.W.2d 593, 597-598 (Mo. App. 1993). That discretion and the exercise, however, are not absolute and are subject to a review by the courts for determining whether orders of the P.S.C. are lawful and reasonable. *State ex rel. Public Water Supply Dist. No. 8 of Jefferson County v. Public Service Commission*, 600 S.W.2d 147, 154 (Mo. App. 1980).

²¹ *Jefferson County*, 600 S.W.2d at 154; *State ex rel. Churchill Truck Lines, Inc. v. Pub. Serv. Comm'n*, 555 S.W.2d 328, 335 (Mo. App. 1977). *In the Matter of Sho-Me Power Electric Cooperative's Conversion from a Chapter 351 Corporation to a Chapter 394 Rural Electric Cooperative*, Case No. EO-93-0259, Report and Order issued September 17, 1993, 1993 WL 719871 (Mo. P.S.C.). See also Footnote Number 23.

²² *Id.*

²³ *Id.*

²⁴ *Mo. Pac. Freight Transport Co*, 288 S.W.2d at 682. Ordinarily, the citizen has the right to use that which is his own, in such a manner as he pleases, but if the use thereof seriously affects the general public, society and the laws thereof demand a surrender of a part of the individual rights for the general welfare of the public, for such is the basis of all government. *Bellerive Inv. Co. v. Kansas City*, 13 S.W.2d 628, 640 (Mo. 1929).

²⁵ The United States Supreme Court tells us simply that “the fixing of ‘just and reasonable’ rates, involves a balancing of the investor and the consumer interests.” *State ex rel. Missouri Gas Energy v. Public Service Comm'n*, 186 S.W.3d 376, 383 (Mo. App. 2005), *citing to*, *Fed. Power Comm'n v. Hope Nat. Gas Co.*, 320 U.S. 591, 603, (1944). The Missouri Supreme Court has also previously held that the Commission must consider the interests of the investing public and that failure to do so would deny them a right important to the ownership of property. See *State ex rel. City of St. Louis v. Public Service Comm'n of Missouri*, 73 S.W.2d 393, 400 (Mo. banc 1934).

²⁶ *Id.* and Section 393.150.2, RSMo 2000.

²⁷ *Bluefield Water Works & Improvement Co. v. Public Serv. Comm'n of the State of West Virginia*, 262 U.S.

And balancing the interests of the investor with those of the consumers and the public in general has no single formula:

The Constitution does not bind rate-making bodies to the service of any single formula or combination of formulas. Agencies to whom this legislative power has been delegated are free, within the ambit of their statutory authority, to make the pragmatic adjustments which may be called for by particular circumstances.²⁸

Determining whether a rate adjustment is necessary requires comparing MAWC's current net income to its revenue requirement. Revenue requirement is the amount of money that a utility may collect per year, which depends on the requirements for providing safe and effective service at a profit. Those requirements are tangible and intangible:

From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock.²⁹

That and similar holdings have led to a conventional analysis of the resources devoted to service, from which the Commission determines revenue requirement as follows.

To provide service, a utility devotes resources, which accounting conventions classify as either expense or investment. Expenses include operation, replacement of capital items as they depreciate ("current depreciation"), and taxes on the return. Investment is the basis ("rate base") on which the utility seeks profit ("return"). Return is therefore a percentage ("rate of return") of rate base. Rate base includes capital assets ("gross plant"), less historic deterioration of such assets ("accumulated depreciation"), plus other items.

679, 690 (1923).

²⁸ *Federal Power Comm'n v. Natural Gas Pipeline Co.*, 315 U.S. 575, 586 (1942).

²⁹ *Hope Natural Gas Co.*, 320 U.S. at 603 (1944).

Those components relate to each other in the following formula:

Revenue Requirement = Cost of Providing Utility Service or $RR = O + (V - D) R$ where,³⁰

RR = Revenue Requirement;
O = Operating Costs; (such as fuel, payroll, maintenance, etc., Depreciation and Taxes);
V = Gross Valuation of Property Used for Providing Service;
D = Accumulated Depreciation Representing the Capital Recovery of Gross Property Investment.
(V - D) = Rate Base (Gross Property Investment less Accumulated Depreciation = Net Property Investment)
R = Overall Rate of Return or Weighted Cost of Capital
(V - D) R = Return Allowed on Net Property Investment

The overall Rate of Return ("R") for MAWC can be further broken down as follows:³¹

$R = i L + d P + k E$ or Overall Rate of Return (%)

i = Embedded Cost of Debt
L = Proportion of Debt in the Capital Structure
d = Embedded Cost of Preferred Stock
P = Proportion of Preferred Stock in the Capital Structure
k = Required Return on Common Equity (ROE)
E = Proportion of Common Equity in the Capital Structure

But determining the revenue requirement does not end the analysis, because the utility must collect that amount from its customers, and all customers need not receive identical treatment. Rate design is how a utility distributes its revenue requirement among its various classes of customers. Customers vary as to the costs attributable to their service. Just and reasonable rates may account for such differences among customers.

Conclusions³²

A utility has the burden of proving that increased rates are just and reasonable³³ by a preponderance of the evidence.³⁴ In this order, the Commission grants the signatory

³⁰ Staff Exh. 3, Staff Report: Cost of Service, Appendix 2, Schedule 20.

³¹ *Id.*

³² Section 386.420.2, RSMo 2000 requires a report of the Commission's conclusions.

parties' unopposed request to enter all pre-filed testimony and accompanying reports and schedules into the record.³⁵ The record thus contains substantial and competent evidence.³⁶

The Commission recognizes that the recommended revenue requirement proposed in the Agreement is not a trivial amount of money to customers like those who testified at the public hearings. That being said, the Commission also recognizes that the Agreement before the Commission resulted from negotiations between many parties with diverse interests – residential, commercial, industrial and municipal. Local Public Hearings were held and comment cards were directly mailed to MAWC's customers to receive public comment on the proposed rate increase.³⁷ The Commission's Staff provided a neutral analysis of the proposed rate increase and rate design, and Public Counsel was an active party to ensure the rights of the ratepaying public.

Subject matter experts, including accountants, economists and engineers, filed extensive testimony outlining their respective analyses and positions prior to the signatories

³³ Section 393.150.2, RSMo 2000.

³⁴ A preponderance of the evidence is the minimum standard of proof in civil cases. *Jamison v. State, Dept. of Social Services, Div. of Family Services* 218 S.W.3d 399, 415-416 (Mo. banc 2007).

³⁵ See Paragraph 28 of the Agreement.

³⁶ The competent and substantial evidence standard is not a standard of proof but, rather, is a standard of judicial review of an administrative agency's decision pursuant to section 536.140.2, RSMo Cum.Supp.2010. *Schnell v. Zobrist*, 323 S.W.3d 403, 412 (Mo. App. 2010). Indeed, many parties to a contested matter can present substantial evidence, but only one party can meet the preponderance of the evidence standard. Unlike determining whether competent and substantial evidence supports an agency's decision, in determining whether the preponderance of the evidence supports a party's position, the trier of fact must resolve conflicting evidence and decide "which of the parties' positions [is] more probable, more credible and of greater weight." *Id.*

³⁷ Public Hearings were held in: Branson, Missouri (December 14, 2011) Transcript Vol. 6; Joplin, Missouri (December 14, 2011) Transcript Vol. 7; Warsaw, Missouri (December 15, 2011) Transcript Vol. 8; Sedalia, Missouri (December 15, 2011) Transcript Vol. 9; Riverside, Missouri (January 5, 2012) Transcript Vol. 11; St. Joseph, Missouri (January 5, 2012) Transcript Vol. 12; St. Louis, Missouri (January 9, 2012) Transcript Vol. 13; St. Louis, Missouri (January 9, 2012) Transcript Vol. 14; Brunswick, Missouri (January 17, 2012) Transcript Vol. 15; Mexico, Missouri (January 23, 2012) Transcript Vol. 16; Jefferson City, Missouri (January 23, 2012) Transcript Vol. 17. In addition to the public hearings, the Commission also directed MAWC to send customer comment cards to each of its customers. Some 417,000 cards were mailed to MAWC's customers.

reaching a consensus as to the reasonableness of the Agreement. The signatories agree, and the non-signatories did not raise objection, to the conclusion that the proposed revenue requirement and rate design set out in the Agreement are just and reasonable.

The Commission has compared the substantial and competent evidence on the whole record with the Agreement as to both rate adjustment³⁸ and rate design.³⁹ The Commission independently finds and concludes that MAWC has met its burden of proof that the rates proposed in the Agreement, and the rate design determining how those rates are collected among the individual districts and rate classes, are just and reasonable and in the public interest. Further, the Agreement's proposed terms support the provision of safe and adequate service. The revenue increase approved by the Commission today is concluded to be no more than what is sufficient to keep MAWC's utility plants in proper repair for effective public service, and insure to MAWC's investors an opportunity to earn a reasonable return upon funds invested.

³⁸ Although the Agreement is commonly referred to as a "Black Box Settlement," and the signatories parties do not stipulate to a specific capital structure, rate base, return on equity and over-all rate of return, the revenue requirement agreed upon (\$24 million) would be generated using an ROE within the range argued by the parties in their prefiled testimony. Working backwards through the Revenue Requirement formula, and averaging out the differences between the parties' positions on rate base and capital structure, it is clear the agreed upon revenue requirement would be generated using an ROE that falls somewhere between the ROEs recommended by the signatories' subject matter experts. Additionally, in its Cost of Service Report, Staff identified 10% as the average ROE authorized for MAWC's parent company's other water utility subsidiaries for 2010. Adding and subtracting 100 basis points from this 10% creates a zone of reasonableness for the ROE ranging between 9.0% and 11.0%. Again, projecting backward, the recommended revenue requirement would be generated using an ROE within this range.

³⁹ The witnesses for the signatories cited various reasons in their testimony justifying the consolidation of a number of MAWC's current water and sewer districts, as is proposed in the Agreement. Those reasons included similar operating characteristics, source of supply, geographic location, efficient allocation of shared corporate and labor expenses, mitigation of rate shock, and application of the cost causation principle.

The parties expressly ask for an order approving all of the specific terms and conditions of the Agreement.⁴⁰ And, without further discussion, the Commission incorporates all provisions of the Agreement, as if fully set forth, into this order.

THE COMMISSION ORDERS THAT:

1. The Non-Unanimous Stipulation and Agreement (“Agreement”) filed on February 24, 2012 is approved. The provisions of the Agreement are incorporated into this order, as if fully set forth, unconditionally and without modification. The signatory parties shall comply with the terms of the Agreement. A copy of the Agreement shall be attached to this order as “Attachment A.”

2. In conformity with Paragraph 18 of the Agreement, the Commission approves the “Nonunanimous Stipulation and Agreement as to Special Contract” (“Empire Agreement”) executed by Missouri American Water Company and The Empire District Electric Company, (filed on January 19, 2012) subject to the conditions delineated in that paragraph.⁴¹ The provisions of the Empire Agreement are incorporated into this order, as if fully set forth. The signatory parties to the Empire Agreement shall comply with the terms of their agreement. A copy of the Empire Agreement shall be attached to this order as “Attachment B.”

3. In conformity with Paragraph 20 of the Agreement, the Commission approves the continuation of the existing contract rate between the Metropolitan St. Louis Sewer District

⁴⁰ The Agreement waives procedural requirements that would otherwise be necessary before final decision. Section 536.060, RSMo 2000. Also, because the settlement being approved disposes of this action, the Commission need not separately state its findings of fact. Section 536.090, RSMo 2000.

⁴¹ EFIS Docket Entry No. 153, *Nonunanimous Stipulation and Agreement as to Special Contract*, filed January 19, 2012.

and Missouri American Water Company for the provision of customer usage data. The provisions of the “Water Usage Data Agreement” are incorporated into this order, as if fully set forth. The signatory parties to the “Water Usage Data Agreement” shall comply with the terms of their agreement. A copy of the “Water Usage Data Agreement” shall be attached to this order as “Attachment C.”

4. The tariff sheets submitted under Tariff File Nos. YW-2011-0673, YW-2011-0674, YW-2011-0675, YW-2011-0676, YW-2011-0677, YW-2011-0678, YW-2011-0679, YW-2011-0680, YW-2011-0681, YS-2011-0682, YS-2011-0683, YS-2011-0684, YS-2011-0685, YS-2011-0686 on June 30, 2011, by Missouri American Water Company, for the purpose of increasing rates for utility service, are rejected.

5. The tariff sheets submitted under Tariff File Nos. YW-2012-0074, YS-2012-0075 on August 19, 2012, by Missouri American Water Company, for the purpose of increasing rates for utility service, are rejected.

6. The specific tariff sheets rejected are:

P.S.C MO NO. 1
[YW-2011-0673 - Water – St. Joseph]

15th Revised Sheet No. 1 Cancelling 14th Revised Sheet No. 1
1st Revised Sheet No. 1a Cancelling Original Sheet No. 1a
3rd Revised Sheet No. 1B Cancelling 2nd Revised Sheet No. 1B
12th Revised Sheet No. 2 Cancelling 11th Revised Sheet No. 2
1st Revised Sheet No. 3 Cancelling Original Sheet No. 3
1st Revised Sheet No. 4 Cancelling Original Sheet No. 4

P.S.C MO NO. 2
[YW-2011-0674 – Water – Joplin]

15th Revised Sheet No. 3 Cancelling 14th Revised Sheet No. 3
1st Revised Sheet No. 3A Cancelling Original Sheet No. 3A
1st Revised Sheet No. 3B Cancelling Original Sheet No. 3B
1st Revised Sheet No. 3C Cancelling Original Sheet No. 3C

3rd Revised Sheet No. 4 Cancelling 2nd Revised Sheet No. 4
10th Revised Sheet No. 5 Cancelling 9th Revised Sheet No. 5
1st Revised Sheet No. 6 Cancelling Original Sheet No. 6
1st Revised Sheet No. 7 Cancelling Original Sheet No. 7

P.S.C MO NO. 3

[YW-2011-0675 – Water - Jefferson City]

14th Revised Sheet No. 1 Cancelling 13th Revised Sheet No. 1
2nd Revised Sheet No. 1-A Cancelling 1st Revised Sheet No. 1-A
7th Revised Sheet No. 2A Cancelling 6th Revised Sheet No. 2A
12th Revised Sheet No. 3 Cancelling 11th Revised Sheet No. 3
1st Revised Sheet No. 3A Cancelling Original Sheet No. 3A
13th Revised Sheet No. 4 Cancelling 12th Revised Sheet No. 4
4th Revised Sheet No. 5 Cancelling 3rd Revised Sheet No. 5
5th Revised Sheet No. 5A Cancelling 4th Revised Sheet No. 5A
2nd Revised Sheet No. 5B Cancelling 1st Revised Sheet No. 5B

P.S.C MO NO. 4

[YW-2011-0676 – Water - Brunswick]

12th Revised Sheet No. A-1 Cancelling 11th Revised Sheet No. A-1
9th Revised Sheet No. A-2 Cancelling 8th Revised Sheet No. A-2
9th Revised Sheet No. A-3 Cancelling 8th Revised Sheet No. A-3
4th Revised Sheet No. A-4 Cancelling 3rd Revised Sheet No. A-4

P.S.C MO NO. 4

[YW-2011-0676 – Water - Mexico]

12th Revised Sheet No. B-1 Cancelling 11th Revised Sheet No. B-1
9th Revised Sheet No. B-2 Cancelling 8th Revised Sheet No. B-2
9th Revised Sheet No. B-3 Cancelling 8th Revised Sheet No. B-3
4th Revised Sheet No. B-4 Cancelling 3rd Revised Sheet No. B-4

P.S.C MO NO. 4

[YW-2011-0676 – Water – Platte County]

12th Revised Sheet No. C-1 Cancelling 11th Revised Sheet No. C-1
9th Revised Sheet No. C-2 Cancelling 8th Revised Sheet No. C-2
9th Revised Sheet No. C-3 Cancelling 8th Revised Sheet No. C-3
4th Revised Sheet No. C-4 Cancelling 3rd Revised Sheet No. C-4

P.S.C MO NO. 4

[YW-2011-0676 – Water – Warrensburg]

13th Revised Sheet No. D-1 Cancelling 12th Revised Sheet No. D-1

9th Revised Sheet No. D-2 Cancelling 8th Revised Sheet No. D-2
9th Revised Sheet No. D-3 Cancelling 8th Revised Sheet No. D-3
2nd Revised Sheet No. D-5 Cancelling 1st Revised Sheet No. D-5

P.S.C MO NO. 4
[YW-2011-0676 – Water – St. Charles]

11th Revised Sheet No. E-1 Cancelling 10th Revised Sheet No. E-1
1st Revised Sheet No. E-1a Cancelling Original Sheet No. E-1a
9th Revised Sheet No. E-3 Cancelling 8th Revised Sheet No. E-3
1st Revised Sheet No. E-3a Cancelling Original Sheet No. E-3a
1st Revised Sheet No. E-4a Cancelling Original Sheet No. E-4a
6th Revised Sheet No. E-5 Cancelling 5th Revised Sheet No. E-5
2nd Revised Sheet No. E-5A Cancelling 1st Revised Sheet No. E-5A
2nd Revised Sheet No. E-5b Cancelling 1st Revised Sheet No. E-5b
2nd Revised Sheet No. E-5c Cancelling 1st Revised Sheet No. E-5c
2nd Revised Sheet No. E-5d Cancelling 1st Revised Sheet No. E-5d
2nd Revised Sheet No. E-5e Cancelling 1st Revised Sheet No. E-5e
2nd Revised Sheet No. E-5f Cancelling 1st Revised Sheet No. E-5f
1st Revised Sheet No. E-5g Cancelling Original Sheet No. E-5g
1st Revised Sheet No. F-1 Cancelling Original Sheet No. F-1

P.S.C MO NO. 6
[YW-2011-0677 – Water – St. Louis]

16th Revised Sheet No. RT 1.0 Cancelling 15th Revised Sheet No. RT 1.0
1st Revised Sheet No. RT 1.0(a) Cancelling Original Sheet No. RT 1.0(a)
16th Revised Sheet No. RT 2.0 Cancelling 15th Revised Sheet No. RT 2.0
16th Revised Sheet No. RT 2.1 Cancelling 15th Revised Sheet No. RT 2.1
16th Revised Sheet No. RT 2.2 Cancelling 15th Revised Sheet No. RT 2.2
13th Revised Sheet No. RT 3.0 Cancelling 12th Revised Sheet No. RT 3.0
12th Revised Sheet No. RT 3.1 Cancelling 11th Revised Sheet No. RT 3.1
14th Revised Sheet No. RT 4.0 Cancelling 13th Revised Sheet No. RT 4.0
4th Revised Sheet No. RT 4.0(a) Cancelling 3rd Revised Sheet No. RT 4.0(a)
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16th Revised Sheet No. RT 7.0 Cancelling 15th Revised Sheet No. RT 7.0
3rd Revised Sheet No. RT 7.0(a) Cancelling 2nd Revised Sheet No. RT 7.0(a)
16th Revised Sheet No. RT 8.0 Cancelling 15th Revised Sheet No. RT 8.0
2nd Revised Sheet No. RT 10.0 Cancelling 1st Revised Sheet No. RT 10.0

3rd Revised Sheet No. RT 10.0(a) Cancelling 2nd Revised Sheet No. RT10.0(a)
1st Revised Sheet No. RT 11.0 Cancelling Original Sheet No. RT 11.0
7th Revised Sheet No. RT 12.0 Cancelling 6th Revised Sheet No. RT 12.0
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P.S.C MO NO. 7

[YW-2011-0678 – Water – Warren County]

4th Revised Sheet No. 4 Cancelling 3rd Revised Sheet No. 4
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P.S.C MO NO. 9

[YW-2011-0679 – Water – Jefferson City]

5th Revised Sheet No. WR 1 Cancelling 4th Revised Sheet No. WR 1
4th Revised Sheet No. WR 2 Cancelling 3rd Revised Sheet No. WR 2

P.S.C MO NO. 11

[YW-2011-0680 – Water – Taney County]

5th Revised Sheet No. WR 1 Cancelling 4th Revised Sheet No. WR 1
6th Revised Sheet No. WR 2 Cancelling 5th Revised Sheet No. WR 2
5th Revised Sheet No. WR 4 Cancelling 4th Revised Sheet No. WR 4
4th Revised Sheet No. WR 5 Cancelling 3rd Revised Sheet No. WR 5
4th Revised Sheet No. WR 6 Cancelling 3rd Revised Sheet No. WR 6
4th Revised Sheet No. WR 7 Cancelling 3rd Revised Sheet No. WR 7
4th Revised Sheet No. WR 8 Cancelling 3rd Revised Sheet No. WR 8
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P.S.C MO NO. 13

[YW-2011-0681]

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Original Sheet No. RT 14

P.S.C MO NO. 15

[YW-2012-0074 - Water – Stone and Taney Counties]

4th Revised Sheet No. 1, Cancelling 3rd Revised Sheet No. 1
2nd Revised Sheet No. 1a, Cancelling 1st Revised Sheet No. 1a
1st Revised Sheet No. 2, Cancelling Original Sheet No. 2

P.S.C MO NO. 2

[YS-2011-0682 – Sewer – Platte County]

7th Revised Sheet No. 4 Cancelling 6th Revised Sheet No. 4
3rd Revised Sheet No. 5 Cancelling 2nd Revised Sheet No. 5

P.S.C MO NO. 7

[YS-2011-0683 – Sewer – Warren County]

4th Revised Sheet No. 9 Cancelling 3rd Revised Sheet No. 9

P.S.C MO NO. 8

[YS-2011-0684 – Sewer – Cedar Hill]

6th Revised Sheet No. 4 Cancelling 5th Revised Sheet No. 4
Original Sheet No. 4B

P.S.C MO NO. 10

[YS-2011-0685 – Sewer – Cole & Pettis Counties]

5th Revised Sheet No. SR1 Cancelling 4th Revised Sheet No. SR1
4th Revised Sheet No. SR2 Cancelling 3rd Revised Sheet No. SR2
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P.S.C MO NO. 12

[YS-2011-0686 – Sewer – Morgan County]

4th Revised Sheet No. 4 Cancelling 3rd Revised Sheet No. 4
1st Revised Sheet No. 5 Cancelling Original Sheet No. 5

P.S.C MO NO. 14

[YS-2012-0075 – Sewer – Stone and Taney Counties]

4th Revised Sheet No. 1, Cancelling 3rd Revised Sheet No. 1
2nd Revised Sheet No. 1a, Cancelling 1st Revised Sheet No. 1a
1st Revised Sheet No. 2, Cancelling Original Sheet No. 2

7. Pursuant to Commission Rule 4 CSR 240-3.650(17) and Section 393.1006.6(1), RSMo Cum.Supp.2010, MAWC's current Infrastructure System Replacement Surcharge is reset to zero upon the effective date of the new rates in this proceeding. Any new ISRS filings implemented between the dates the new rates are established in this proceeding and the effective date of new rates established in Missouri American Water Company's next rate case proceeding shall follow the terms established for said filing in Paragraph 14 of the Agreement filed on February 24, 2012.

8. The prefiled testimony, including all exhibits, appendices, schedules, etc. attached thereto, as well as all reports of all witnesses, that are already filed in the Commission's Electronic Filing and Information System ("EFIS") are hereby admitted into evidence. A notation in EFIS for the issuance of this order shall stand in lieu of a notation in EFIS for any exhibit's entry into the record.

9. Missouri American Water Company shall file new tariff sheets consistent with this order.

10. The Commission's Staff shall file a recommendation regarding approving Missouri American Water Company's compliance tariffs no later than two days after the tariff sheets referenced in Paragraph 9 are filed.

11. All objections not ruled on are overruled and all pending motions not otherwise disposed of herein, or by separate order, are hereby denied.

12. Paragraphs 1-3 of this order shall become effective on March 16, 2012.

13. Paragraphs 4-11 shall become effective immediately upon this order's issuance.

BY THE COMMISSION

(S E A L)

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

Steven C. Reed
Secretary

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

Stearley, Deputy Chief Regulatory Law Judge