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February 24, 2004

Mr. Dale Hardy Roberts, Secretary
Missouri Public Service Commission
P. O. Box 360
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FILED²

FEB 24 2004

Missouri Public
Service Commission

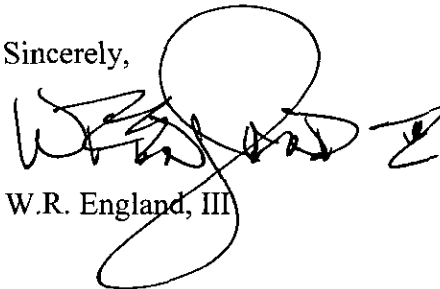
Re: Case No. WR-2003-0500 (Lead Case)
Case No. WC-2004-0168

Dear Mr. Roberts:

Enclosed for filing in the above-referenced matter, please find an original and eight copies of a Stipulation and Agreement as to Revenue Requirement.

Please see that this filing is brought to the attention of the appropriate Commission personnel. A copy of this filing is being provided to parties of record. If there are any questions, please direct them to me at the above number. I thank you in advance for your cooperation in this matter.

Sincerely,



W.R. England, III

WRE/da

Enclosure

cc: RLJ Kevin Thompson
Parties of Record

FILED²

FEB 24 2004

Missouri Public
Service Commission

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

In the Matter of the General Rate Increase)	
for Water and Sewer Service Provided)	Case No. WR-2003-0500,
by Missouri-American Water Company.)	Lead case
)	
Staff of the Missouri Public Service)	
Commission,)	
)	
Complainant,)	
)	
v.)	Case No. WC-2004-0168
)	
Missouri-American Water Company,)	
)	
Respondent.)	

STIPULATION AND AGREEMENT AS TO REVENUE REQUIREMENT

COME NOW Missouri-American Water Company (the "Company"); the Office of Public Counsel ("OPC"); the Staff of the Missouri Public Service Commission ("Staff"); Barnes-Jewish Hospital, Emerson Electric Company, SSM Health Care and St. John's Mercy Health Care ("Missouri Energy Group" or "MEG"); The Boeing Company, Daimler Chrysler Corporation, Ford Motor Company, Hussman Refrigeration, Mallinckrodt, Inc. and Monsanto Company ("Missouri Industrial Energy Consumers" or "MIEC"); Public Water Supply District No. 1 and 2 of Andrew County, and Public Water Supply District No. 1 of DeKalb County ("Water Districts"), The Empire District Electric Company ("Empire"); City of Joplin ("Joplin"); Ag Processing, Inc. ("AGP"); St. Joseph Water Rate Coalition ("Coalition"); City of Riverside ("Riverside"); City of Warrensburg ("Warrensburg"); City of Jefferson City ("Jefferson City"); and the Utility Workers Union of America Local 335 ("Local 335") and respectfully state to the

Missouri Public Service Commission (“Commission”) that as a result of extensive negotiations, the undersigned parties (“Parties”), with the exception of MEG, MIEC, Water Districts, Empire, AGP, Coalition, Riverside, Warrensburg, Local 335 and Jefferson City (who do not oppose the Stipulation, as more fully described herein), have reached the following stipulations and agreements concerning the revenue requirement (Stipulation and Agreement) issues in the instant cases:

1. Revenue Requirement. The Company shall be authorized to file revised tariff sheets containing rate schedules for water service rendered on and after April 16, 2004, which are designed to produce a neutral revenue impact (i.e. neither an increase nor a decrease in the level of revenues currently received) in its Brunswick, Jefferson City, Mexico, Parkville Water, St. Charles, St. Joseph, St. Louis County, Warrensburg, Mexico, St. Joseph and Parkville Sewer operating districts. In the Joplin District, the Company shall be authorized to file revised tariff sheets, to be effective on and after April 16, 2004, which will produce a decrease in overall gross annual water revenues, exclusive of applicable taxes, of \$350,000.

No change is necessary to the existing rate schedules for the St. Charles, St. Louis County and Parkville Sewer Districts, if this Stipulation and Agreement is adopted by the Commission. The rate schedules to be filed in accordance with this Stipulation and Agreement for all other districts will be consistent with the Stipulation and Agreement as to Rate Design previously submitted to the Commission.

2. Depreciation Rates. Effective January 1, 2004, the Company shall be authorized to implement new depreciation rates for its depreciable plant accounts as set forth in Appendix A attached hereto and incorporated herein by reference. In addition, effective January 1, 2004, the

Company will begin expensing cost of removal and salvage and discontinue the reserve deficiency amortizations currently in effect. The Company and the Staff will collaborate to develop district specific historical data bases of utility plant activity using the Commission approved account numbers and descriptions. The collaboration will begin no later than six months from the effective date of the Report and Order to be issued in this case. The Company will update the depreciation data bases annually and submit the data bases in future rate case filings.

3. Infrastructure System Replacement Surcharge. The infrastructure system replacement surcharge (ISRS) currently in effect will be reset to zero, effective April 16, 2004. The Company agrees that it will not file a proposed tariff to adjust its rates to recover water infrastructure costs through an ISRS, as set forth in Section 393.1000 et. seq. RSMo. Supp. 2003, prior to December 16, 2005. In any ISRS filing made on or after December 16, 2005, and before the date rates become effective in the Company's next general rate case, the Company will use the following weighted cost of capital:

Common Equity	3.91%
Preferred Equity	0.39%
Debt	<u>3.40%</u>
TOTAL	7.70%

Only investments in infrastructure replacements made after November 30, 2003 will be eligible for inclusion in any ISRS filed on or after December 16, 2005. In addition, in any ISRS filing made on or after December 16, 2005, the Company shall not seek to recover any infrastructure replacement costs attributable to its Rate J customers through an ISRS until the date rates

become effective in the Company's next general rate case. The Company further agrees that it shall not seek to recover the foregone ISRS revenue attributable to Class J customers from any other customers in any other rate class in either an ISRS or a subsequent general rate proceeding.

4. Infrastructure Replacements. The Company agrees to expend in the St. Louis District a minimum of \$12,000,000 in infrastructure replacements in calendar year 2004; \$18,000,000 in infrastructure replacements in calendar year 2005; and \$25,000,000 in infrastructure replacements in calendar year 2006. These expenditures for infrastructure replacements are those related to water utility plant projects as defined in §393.1000(8)(a) RSMo 2003.

5. Rate Case Moratorium. Neither the Company, the Staff nor the OPC may file a general rate increase case or a general rate decrease case before December 31, 2005, to change the Company's rates, unless a significant, unusual event that has a major impact on the Company occurs such as:

- (i) terrorist activity or an act of God;
- (ii) a significant change in federal or state tax laws; or
- (iii) a significant change in federal or state utility or environmental laws or regulations.

6. Affiliated Transaction Rule. The Company, OPC and Staff will use their best efforts to see that a rule regarding affiliate transactions is promulgated by the Commission no later than April 16, 2005. The Company also agrees to provide to the Staff and the OPC a copy of all statutes and commission rules that currently exist in the states where American Water and

its subsidiaries operate which address affiliated transactions and codes of conduct with affiliates by March 17, 2004.

7. Cost Allocation Manual (CAM). The Company will provide the Staff and OPC by March 16th of each year its updated CAM. The CAM will include the information that was provided as a schedule to Mr. Grubb's Direct Testimony in this case. The information in the CAM will be updated each year. If any allocation factor should change during the year, this change will be provided to the Staff and OPC. Also included in the CAM will be reports that are routinely prepared on a monthly basis. Any report that is prepared specifically for the CAM would only have to be prepared on an annual basis. The reporting has been agreed to by the Company, Staff and OPC. These reports would be available monthly if requested by Staff in the context of a general rate case. Staff's CAM requirement regarding monthly expense detail would not be required as part of the annual filing of the CAM. This information would be available as part of a future general rate case.

8. Weather Reporting. The Company agrees to provide monthly/quarterly aggregations of billing cycle data (i.e., number of customers or accounts billed, billing cycle sales volumes in M-gallons, and rate revenue) for all of its Missouri service areas, regularly transmitted to the Staff by district, rate class, billing month, billing cycle number, beginning read-date and ending read-date. The mechanics of this procedure will be worked out and agreed to by the Staff and the Company. If the Staff and Company cannot agree on the mechanics of this procedure, the matter will be brought to the Commission for its resolution.

9. Consumer Services. The Company agrees to respond to inquiries/complaints from Staff's Consumer Services Department within three (3) business days, except for

interruption of service issues, which will be responded to within twenty-four (24) hours. The Company's response will include a receipt notice, a current account status and an estimated timeframe for complete review/resolution.

10. True-Up. The Parties agree that if this Stipulation and Agreement as to Revenue Requirement is accepted, there will be no need for a true-up audit and hearing in the instant case.

11. Call Center Reporting. The Company agrees to continue the quarterly reporting of the information regarding Call Center performance as required by the Stipulation and Agreement in Case No. WM-2001-309. The Company further agrees to add the following three specific types of data as part of its reporting: the customer opinion survey response data; staffing levels at the Call Center; and the total monthly call volumes received (specifying Missouri and non-Missouri calls) at the Call Center.

12. Bill Consolidation. In addition to the Company's agreement to perform a study of the reasonableness of bill consolidation for contiguous, owner occupied properties, as part of the Stipulation and Agreement as to Rate Design, Company further agrees to propose tariff language in its next general rate case that will specifically allow for bill consolidation in its St. Louis District.

13. Non Signatories. While MEG, MIEC, Water Districts, Empire, AGP, Coalition, Riverside, Warrensburg, Local 335 and Jefferson City do not join in this Stipulation and Agreement, they nevertheless state that they do not oppose the Stipulation and Agreement as to Revenue Requirement and do not request a hearing concerning the issues addressed by this Stipulation and Agreement as to Revenue Requirement.

14. This Stipulation and Agreement is being entered into solely for the purpose of settling all Revenue Requirement issues in these cases. None of the signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any method of cost determination or cost allocation or revenue related methodology, and none of the signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in this or any other proceeding, whether this Stipulation and Agreement is approved or not, except as otherwise expressly specified herein.

15. This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not approve this Stipulation and Agreement by the issuance date of its Report and Order in this case, or approves this Stipulation and Agreement with modifications or conditions that a party to this proceeding objects to prior to the effective date of the Order approving this Stipulation and Agreement, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof, except as referenced in paragraph 14 above.

16. If the Commission does not unconditionally approve this Stipulation and Agreement without modification, and notwithstanding its provision that it shall become void therein, neither this Stipulation and Agreement, nor any matters associated with its consideration by the Commission, shall be considered or argued to be a waiver of the rights that any Party has for a decision in accordance with §536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the Parties shall retain all procedural and due process rights as fully as though this Stipulation and Agreement had not been presented for approval, and any suggestions or


memoranda, testimony or exhibits that have been offered or received in support of this Stipulation and Agreement shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any further purpose whatsoever.

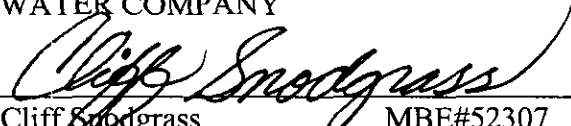
17. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the signatories waive their respective rights to present oral argument and written briefs pursuant to §536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to §536.080.2 RSMo 2000; their respective rights to seek rehearing, pursuant to §386.500 RSMo 2000; and their respective rights to judicial review pursuant to §386.510 RSMo 2000. This waiver applies only to a Commission Report and Order respecting this Stipulation and Agreement issued in this proceeding, and does not apply to any matters raised in any prior or subsequent Commission proceeding, or any matters not explicitly addressed by this Stipulation and Agreement.

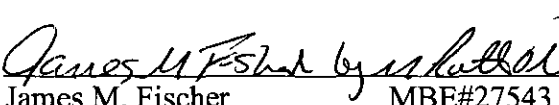
18. The Staff shall file suggestions or a memorandum in support of this Stipulation and Agreement. Each of the Parties shall be served with a copy of any such suggestions or memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's suggestions or memorandum, responsive suggestions or a responsive memorandum which shall also be served on all Parties. The contents of any suggestions or memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

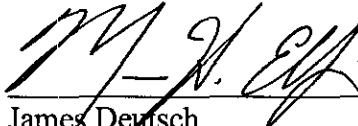
19. The Staff also shall have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from the Staff. The Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any protective order issued in this case.

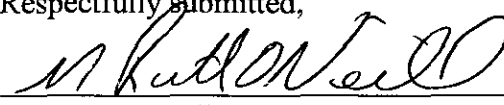
WHEREFORE, for the foregoing reasons, the undersigned Parties respectfully request that the Commission issue its Order approving all of the specific terms and conditions of this Stipulation and Agreement as to Revenue Requirement.


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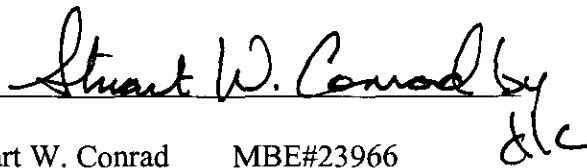

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Respectfully submitted,

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MISSOURI AMERICAN WATER COMPANY

WR-2003-0500

APPENDIX A, SECTION 1 - ST LOUIS DISTRICT DEPRECIATION RATES

ACCOUNT NUMBER	TITLE	STIPULATED DEPRECIATION RATES
(1)	(2)	(3)
311.00	S&I - SOURCE OF SUPPLY	2.00%
316.00	SUPPLY MAINS**	1.75%
321.10	S&I - PUMPS	0.98%
321.20	S&I - BOOSTERS	0.56%
323.00	OTHER POWER EQUIPMENT	4.00%
325.10	ELECTRIC PUMPING EQUIPMENT - PRIOR TO 1946*	0.00%
325.20	ELECTRIC PUMPING EQUIPMENT - 1946 & SUB	1.72%
325.30	ELECTRIC PUMPING EQUIPMENT - BOOSTERS*	0.00%
326.00	DIESEL PUMPING EQUIPMENT	2.70%
331.00	S&I - WATER TREATMENT**	1.11%
332.00	WATER TREATMENT EQUIPMENT**	1.85%
341.00	S&I - TRANSMISSION AND DISTRIBUTION	1.82%
341.63	S&I - RIVER CROSSING	10.00%
342.00	DISTRIBUTION RESERVOIRS AND STANDPIPES	1.85%
343.11	TRANSMISSION MAINS - DUCTILE IRON	1.15%
343.12	TRANSMISSION MAINS - LOCK JOINT	0.72%
343.13	TRANSMISSION MAINS - CAST IRON	1.00%
343.21	DISTRIBUTION MAINS - CAST IRON - 1900-1928	0.78%
343.22	DISTRIBUTION MAINS - CAST IRON - 1929-1956	1.33%
343.23	DISTRIBUTION MAINS - CAST IRON - 1957 & SUB	1.14%
343.24	DISTRIBUTION MAINS - ASBESTOS CEMENT	0.83%
343.25	DISTRIBUTION MAINS - DUCTILE IRON - 10" & LESS	1.67%
343.26	DISTRIBUTION MAINS - DUCTILE IRON - 12"	1.35%
343.27	DISTRIBUTION MAINS - CAST IRON - 12"	0.83%
343.30	DISTRIBUTION MAINS - GALVANIZED*	0.00%

MISSOURI AMERICAN WATER COMPANY

WR-2003-0500

APPENDIX A, SECTION 1 - ST LOUIS DISTRICT DEPRECIATION RATES

ACCOUNT NUMBER	TITLE	STIPULATED DEPRECIATION RATES
(1)	(2)	(3)
345.00	SERVICES	2.00%
346.10	METERS	2.44%
346.20	METERS - ARB EQUIPMENT	2.56%
347.10	METER INSTALLATIONS	0.88%
347.20	METER INSTALLATIONS - ARB EQUIPMENT	2.50%
348.00	FIRE HYDRANTS	1.35%
390.00	S&I - MISCELLANEOUS	1.89%
390.92	S&I - LEASEHOLD	2.50%
390.93	S&I - LEASEHOLD - SCADA	10.00%
391.11	OFFICE FURNITURE	1.85%
391.12	OFFICE EQUIPMENT	4.35%
392.01	TRANSPORTATION EQUIPMENT - AUTOS*	0.00%
392.02	TRANSPORTATION EQUIPMENT - TRUCKS	12.50%
393.00	STORES EQUIPMENT	2.27%
394.10	SHOP & GARAGE EQUIPMENT*	0.00%
394.20	TOOLS	4.76%
395.10	LABORATORY FURNITURE*	0.00%
395.20	LABORATORY EQUIPMENT	3.23%
396.00	POWER OPERATED EQUIPMENT	11.11%
397.00	COMMUNICATION EQUIPMENT	4.76%
398.00	MISCELLANEOUS EQUIPMENT	3.23%
399.00	OTHER TANGIBLE PROPERTY*	0.00%

* ACCOUNT HAS ACCRUED ITS ORIGINAL COST AND DEPRECIATION RATE HAS BEEN SET TO ZEI

** ORDERED RATE SHOWN IS A WEIGHTED COMPOSITE OF THE RATES ORDERED FOR THE ACC

**MISSOURI AMERICAN WATER COMPANY
WR-2003-0500**

**APPENDIX A - SECTION 2 BRUNSWICK, JOPLIN, MEXICO,
PARKVILLE, ST CHARLES, ST JOSEPH AND WARRENSBURG
DISTRICTS DEPRECIATION RATES**

ACCOUNT NUMBER	TITLE	STIPULATED DEPRECIATION RATES
(1)	(2)	(3)
303.00	MISCELLANEOUS INTANGIBLE PLANT - OTHER*	0.00%
311.00	S&I - SOURCE OF SUPPLY	2.00%
312.00	COLLECTING AND IMPOUNDING RESERVOIRS***	1.00%
313.00	LAKE, RIVER AND OTHER INTAKES	2.00%
314.00	WELLS AND SPRINGS***	2.00%
316.00	SUPPLY MAINS	1.75%
321.00	S&I - POWER AND PUMPING	0.98%
322.00	BOILER PLANT EQUIPMENT	0.00%
323.00	POWER GENERATION EQUIPMENT	2.70%
325.00	ELECTRIC PUMPING EQUIPMENT	1.72%
331.00	S&I - WATER TREATMENT	1.11%
332.00	WATER TREATMENT EQUIPMENT	1.85%
332.00	MISCELLANEOUS WATER TREATMENT - OTHER	1.85%
341.00	S&I - TRANSMISSION AND DISTRIBUTION	1.82%
342.00	DISTRIBUTION RESERVOIRS & STANDPIPES	1.85%
343.00	MAINS - TRANSMISSION AND DISTRIBUTION**	1.30%**
344.00	MAINS - FIRE**	1.30%**
345.00	SERVICES	2.00%
346&347	METERS AND METER INSTALLATIONS	2.44%
348.00	FIRE HYDRANTS	1.35%
349.00	MISCELLANEOUS TRANS. & DISTR. - OTHER**	1.30%**
390.00	S&I - SHOP AND GARAGE***	2.50%
390.10	S&I - OFFICE BUILDINGS***	2.50%
390.30	S&I - MISCELLANEOUS	1.89%

MISSOURI AMERICAN WATER COMPANY

WR-2003-0500

APPENDIX A - SECTION 2 BRUNSWICK, JOPLIN, MEXICO,
PARKVILLE, ST CHARLES, ST JOSEPH AND WARRENSBURG
DISTRICTS DEPRECIATION RATES

ACCOUNT NUMBER	TITLE	STIPULATED DEPRECIATION RATES
(1)	(2)	(3)
391.00	OFFICE FURNITURE	1.85%
391.20	COMPUTER HARDWARE***	14.29%
391.25	COMPUTER SOFTWARE***	14.29%
391.26	MISCELLANEOUS INTANGIBLE PLANT - SOFTWARE*	0.00%
391.30	OTHER EQUIPMENT	4.35%
392.02	TRANSPORTATION EQUIPMENT - AUTOS	25.00%
392.11	TRANSPORTATION EQUIPMENT - LIGHT TRUCKS	12.50%
392.12	TRANSPORTATION EQUIPMENT - HEAVY TRUCKS	12.50%
392.30	TRANSPORTATION EQUIPMENT - OTHER*	0.00%
393.00	STORES EQUIPMENT	2.27%
394.00	TOOLS, SHOP AND GARAGE EQUIPMENT **	4.35% **
395.00	LABORATORY EQUIPMENT	3.23%
396.00	POWER OPERATED EQUIPMENT	11.11%
397.00	COMMUNICATION EQUIPMENT - NON-TELEPHONE	4.76%
397.20	COMMUNICATION EQUIPMENT - TELEPHONE	4.76%
398.00	MISCELLANEOUS EQUIPMENT	3.23%
399.00	OTHER TANGIBLE PROPERTY ***	4.76%

* ACCOUNT HAS ACCRUED ITS ORIGINAL COST AND DEPRECIATION RATE HAS BEEN SET TO

** PROPOSED RATE SHOWN IS A WEIGHTED COMPOSITE OF THE RATES PROPOSED
FOR THE ST LOUIS DISTRICT ACCOUNT'S SUBACCOUNTS

*** ACCOUNT ASSIGNED STAFF'S STANDARDIZED DEPRECIATION RATES

MISSOURI AMERICAN WATER COMPANY

WR-2003-0500

APPENDIX A, SECTION 3 - JEFFERSON CITY DEPRECIATION RATES

ACCOUNT NUMBER	TITLE	STIPULATED DEPRECIATION RATES
(1)	(2)	(3)
311.00	S&I - SOURCE OF SUPPLY	2.00%
313.00	LAKE, RIVER AND OTHER INTAKES	2.00%
321.00	S&I - POWER AND PUMPING	0.98%
325.00	ELECTRIC PUMPING EQUIPMENT	1.72%
331.00	S&I - WATER TREATMENT	1.11%
332.00	WATER TREATMENT EQUIPMENT	1.85%
341.00	S&I - TRANSMISSION AND DISTRIBUTION	1.82%
342.00	DISTRIBUTION RESERVOIRS & STANDPIPES	1.85%
343.00	MAINS - TRANSMISSION AND DISTRIBUTION**	1.30% **
345.00	SERVICES	2.00%
346.00	METERS	2.44%
347.00	METER INSTALLATIONS	0.88%
348.00	FIRE HYDRANTS	1.35%
390.10	S&I - OFFICE BUILDINGS***	2.50%
391.00	OFFICE FURNITURE	1.85%
391.20	COMPUTER HARDWARE***	14.29%
392.02	TRANSPORTATION EQUIPMENT - AUTOS	25.00%
392.11	TRANSPORTATION EQUIPMENT - LIGHT TRUCKS	12.50%
393.00	STORES EQUIPMENT	2.27%
394.00	TOOLS, SHOP AND GARAGE EQUIPMENT **	4.35% **
395.00	LABORATORY EQUIPMENT	3.23%
396.00	POWER OPERATED EQUIPMENT	11.11%
397.00	COMMUNICATION EQUIPMENT	4.76%
398.00	MISCELLANEOUS EQUIPMENT	3.23%

** PROPOSED RATE SHOWN IS A WEIGHTED COMPOSITE OF THE RATES PROPOSED FOR THE ST LOUIS DISTRICT ACCOUNT'S SUBACCOUNTS

*** ACCOUNT ASSIGNED STAFF'S STANDARDIZED DEPRECIATION RATES

MISSOURI AMERICAN WATER COMPANY
WR-2003-0500
APPENDIX A - SECTION 4 PARKVILLE
DISTRICT SEWER SYSTEM DEPRECIATION
RATES

<u>ACCOUNT NUMBER</u>	<u>TITLE</u>	<u>STIPULATED DEPRECIATION RATES</u>
(1)	(2)	(3)
352.20	COLLECTION SEWERS - GRAVITY	2.00%
353.00	SERVICES	2.00%
374.00	OUTFALL SEWER LINE	2.00%

*** ACCOUNT ASSIGNED STAFF'S STANDARDIZED DEPRECIATION RATES