

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

In the matter of the Application of	)	
Missouri-American Water Company for	)	Case No. _____
Approval of an Agreement with	)	
Nestlé Purina PetCare for Retail Sale	)	
And Delivery of Water	)	

**APPLICATION FOR APPROVAL OF AGREEMENT AND TARIFF**

COMES NOW Missouri-American Water Company ("MAWC"), and, in accordance with 4 CSR 240-2.060(4), Section 393.150, RSMo. and MAWC's Economic Development Rider Tariff for the St. Joseph area (P.S.C. Mo. No. 1, Original Sheets No. 49 through 60, and in support of its Application for approval of an Agreement and First Amendment to the agreement (the "Agreement") with Nestlé Purina PetCare for the retail sale and deliver of water, and related tariff sheets, respectfully represents and states as follows to the Missouri Public Service Commission:

**APPLICANT**

1. MAWC is a Missouri corporation duly organized and existing under the laws of the State of Missouri with its principal office and place of business located at 727 Craig Road, St. Louis, MO 63141. A Certificate of Good Standing from the Office of the Missouri Secretary of State was filed in Commission Case No. SA-2007-0316 and is hereby incorporated by reference in accordance with Commission Rule 4 CSR 240-2.060(1)(g).
2. 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 and Platte Counties Missouri, and most all of St. Louis County, Missouri. MAWC currently provided water service to approximately 459,000 customers. MAWC provides sewer service to approximately 1,000 customers near Parkville, Cedar Hill and Warren County, Missouri. MAWC is a "water corporation" and a "public

utility” as those terms are defined in Section 386.020 and 393.1000(7) RSMo. 2000, and is subject to the jurisdiction and supervision of the Commission as provided by law.

3. MAWC currently has one general water rate case pending before the Commission (WR-2008-0311) one general sewer rate case pending before the Commission (SR-2008-0312), two (2) general rate cases pending appeal (WR-2000-0281 and WR-2007-0216), an a financing case pending before the Commission (WF-2007-0279), one operational case pending before the Commission (WO-2008-0167), and two complaint cases pending before the Commission (WC-2008-0350 and WC-2008-0354). MAWC has no other pending action or final unsatisfied judgments against it from any state or federal agency or court within the past three (3) years that involve customer service. MAWC has no annual report or assessment fees that are overdue.

4. Pleadings, notices, orders and other correspondence concerning this Application should be addressed to:

Dean L. Cooper  
Brydon, Swearengen & England, P.C.  
312 E. Capitol Avenue  
Jefferson City, Missouri 65102  
(573) 635-7166  
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John Reichart  
Missouri-American Water Company  
727 Craig Road  
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[John.reichart@amwater.com](mailto:John.reichart@amwater.com)

## FACTS

5. MAWC makes this Application by authority of Section 393.150, RSMo 2000. Section 393.150 stated in pertinent part:

Commission may fix rates after hearing – stay increase-burden of proof. – 1. Whenever there shall be filed with the commission by any ... water corporation ... any new form of contract or agreement ... relating to ... any privilege ... the commission shall have, and it is hereby given, authority, to enter upon a hearing concerning the propriety of such ... form of contract or agreement ...; and after full hearing; whether completed before or after the ... form of the contract or agreement ... goes into effect, the commission may make such order in reference to such ... form of contract or agreement ... or practice as would be proper in a proceeding ...

6. The Economic Development Rider Tariff for the St. Joseph area is used to encourage industrial and commercial development in Missouri. This Rider is only

available in conjunction with local, regional, and state governmental economic development activities where incentives have been offered and accepted by a customer who is requesting service, in conjunction with the location of new or expanding facilities, in the Company's service territory.

7. The reasons for this Application are as follows:

- a. Nestlé Purina PetCare is undertaking an expansion of its can pet food products plant located within the city limits of St. Joseph, Missouri. The total investment in the plant is approximately \$26 million. Approximately 30 additional jobs are associated with the expansion of the facility.
- b. It has been represented to MAWC that the proposed water rate is very important to the efforts to attract Nestlé Purina PetCare in St. Joseph.
- c. MAWC has negotiated an Agreement with Nestlé Purina PetCare for the retail sale and delivery of water ("Agreement"). This Agreement is conditioned on Commission approval. A copy of the Agreement is attached here to as Appendix A. The Agreement is considered by MAWC to be highly confidential in nature pursuant to Commission Rule 4 CSR 240-2.135.
- d. The Agreement has been negotiated to operate for a period of ten (10) years. Further, MAWC and Nestlé Purina PetCare mutually acknowledge the Commission's authority to review the rates set forth therein, which acknowledgments are set forth within the Agreement itself (see Appendix A).
- e. Attached as Appendix B are copies of the following proposed tariff sheets: P.S.C. Mo. No. 1, 3rd Revised Sheet No. C; and, P.S.C No. No. 1, Original Sheet No. 62. These tariff sheets are designed to implement the provisions of the Agreement attached as Appendix A. They carry an issue date of August 13, 2008, and a proposed effective date of September 12, 2008.

8. Pursuant to 4 CSR 240.2.060(4), MAWC requests a waiver from the Availability and Applicability provision of MAWC's Economic Development Rider Tariff that requires new or additional facilities provide at least fifty (50) new jobs in order to be eligible for this tariff. Nestlé Purina PetCare initially supports thirty (30) new permanent jobs with this expansion with the potential to add more jobs in the future. By granting this waiver, the Nestlé Purina PetCare facility in St. Joseph, Missouri will be in a more

competitive position for future expansion of the facility, thereby increasing the number of new jobs in St. Joseph. Without this waiver and approval of the contractual rate, the St. Joseph facility will not be as attractive to Nestlé Purina PetCare for future expansion and jobs will be lost to other locations outside of Missouri. MAWC will be the only public utility affected by this waiver.

9. MAWC requests that the Commission authorize it to perform under the Agreement for the following reasons:

- a. The City of St. Joseph alleges that the economic impact on the community from this project will be significant, to include: approximately 30 new jobs for St. Joseph with base wages of \$34,866 per job annually, plus benefits. As such, Nestlé Purina PetCare has received other local, regional and state incentives as shown on Appendix C. The annual load factor for this facility is projected to be 115.13%, with the average billing demand is projected to be 1.05% of the total district consumption as shown on Appendix D.
- b. In order to expand its plant in St. Joseph, Nestlé Purina PetCare must be assured that it may operate pursuant to the terms of the Agreement. These terms are necessary for the project to proceed because the General Incentive Provisions of the Economic Development Rider Tariff currently approved by this Commission are not sufficient. The General Incentive rates are not competitive with rates for water service offered by other communities in which Nestlé Purina PetCare has considered expanding its plant. Attached hereto marked Highly Confidential as Appendix E are letters of Mr. John Brocke and Mr. Raj Kumar of Nestlé Purina PetCare, dated October 10, 2006, June 25, 2007 and March 25, 2008 that explains Nestlé Purina PetCare's consideration of several other communities outside of Missouri for placement of its new expansion project, and that the "decision to expand the St. Joseph plant was partially based on the financial incentives in the form of reduced water costs". Mr. Brocke further states "we are planning for a possible phase III expansion....The approval of this tariff could have a direct impact on" where Purina decides to locate. Therefore, unless the proposed Agreement is approved, Nestlé Purina PetCare will likely choose not to proceed

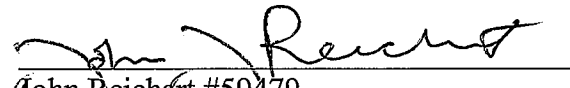
with future expansion plans in St. Joseph, because the cost for water service would be prohibitive.

- c. Nestlé Purina PetCare has compared and analyzed the costs of obtaining water service from alternative suppliers, the results of which appear in Appendix F described above. As reflected therein, Nestlé Purina PetCare's costs for obtaining water service under the Agreement would be competitive with rates offered by the other communities being considered by Nestlé Purina PetCare. As stated by Mr. Brocke in his letter, Nestlé Purina PetCare was likely to pursue another, more competitive rate option available in a different community if the terms of the Agreement were not approved.
  - d. The revenue generated by the Agreement will ultimately help offset certain of MAWC's fixed costs and will, to that extent, benefit MAWC's customers in terms of the rates they would otherwise pay. A copy of a schedule that quantifies the offset/benefit to existing ratepayers is marked Highly Confidential and is attached hereto as Appendix G. Appendix G also sets forth the "level of contribution towards all other costs associated with the provision of service" Nestlé Purina PetCare will be required to pay under the Agreement.
  - e. The terms of the Agreement will pose no detriment or hardship to other ratepayers within MAWC's affected service territory or to the interests of the State of Missouri. Approval of the Agreement (and the resulting construction/operation of Nestlé Purina PetCare's expanded plant) will further provide immediate and continuing economic benefit to the St. Joseph and surrounding area.
10. Appendix G states the quantifying "variable and assignable costs", specifically "variable production cost" of water that MAWC will incur as a result of the Agreement with Nestlé Purina PetCare is found. There will be no additional facilities specifically attributable to serving Nestlé Purina PetCare.
11. The "change in revenues"; i.e. the change in annual revenue that would be recovered under general tariff vs. those to be recovered under the Agreement are also identified on line 36 on Appendix G.
12. MAWC seeks approval of the proposed tariff sheets so that they become effective on September 12, 2008, or as soon thereafter as possible.

WHEREFORE, for the foregoing reasons, MAWC respectfully requests that the Commission expedite the processing of this application and thereafter issue its order:

- a) authorizing MAWC to perform in accordance with the Agreement;
- b) approving MAWC's tariff sheets attached hereto as Appendix B to be effective on September 12, 2008, or as soon thereafter as possible; and,
- c) granting such further relief as is consistent with this application.

Respectfully submitted,

  
John Reichart #59479  
Corporate Counsel  
Missouri-American Water Company  
727 Craig Road  
Saint Louis, MO 63141  
(314) 996-2287  
(314) 997-2451-facsimile  
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Certificate of Service

I hereby certify that a true and correct copy of the above and foregoing document, along with attached Exhibits, was sent by U.S. Mail, postage prepaid, hand delivered or by electronic mail on this 13<sup>th</sup> day of August, 2008, to:

The Office of the Public Counsel  
Governor State Office Building, 6<sup>th</sup> Floor  
P.O. Box 7800  
Jefferson City, MO 65102-7800

General Counsel  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, MO 650102

