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December 10, 2001

**FILED<sup>2</sup>**  
DEC 10 2001  
Missouri Public  
Service Commission

Mr. Dale Hardy Roberts  
Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102

**RE: Missouri-American Water Company - Case No. WO-2002-273**

Dear Mr. Roberts:

Enclosed for filing in the above-referenced proceeding please find an original and eight copies of an Application for Accounting Authority Order Requested to be Issued Prior to January 4, 2002, and Motion for Expedited Treatment. Please stamp the enclosed extra copy "filed" and return same to me.

If you have any questions concerning this matter, then please do not hesitate to contact me. Thank you very much for your attention to this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND P.C.

By:

*Dean L. Cooper*  
Dean L. Cooper *by Ps*

DLC/rhg

Enclosures

cc: Office of the Public Counsel  
Mr. Keith Krueger  
Mr. Dale Johansen  
Mr. David Abernathy

FILED<sup>2</sup>

DEC 10 2001

Missouri Public  
Service Commission

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

In the Matter of the Joint Application )  
of Missouri-American Water Company, )  
St. Louis County Water Company d/b/a )  
Missouri-American Water Company and )  
Jefferson City Water Works Company )  
d/b/a Missouri-American Water Company )  
for an accounting authority order relating )  
to security costs. )

Case No. WO-2002-273

**APPLICATION FOR ACCOUNTING AUTHORITY ORDER  
REQUESTED TO BE ISSUED PRIOR TO JANUARY 4, 2002  
AND MOTION FOR EXPEDITED TREATMENT**

COME NOW St. Louis County Water Company d/b/a Missouri-American Water Company ("SLCWC"); Jefferson City Water Works Company d/b/a Missouri-American Water Company ("JCWWC"); Missouri-American Water Company ("MAWC") (collectively, the "Companies"), pursuant to Section 393.140 RSMo. 2000, 4 CSR 240-50.030 and 4 CSR 240-2.080(17), and hereby respectfully request that the Missouri Public Service Commission ("Commission") issue an Accounting Authority Order ("AAO") which includes the specific requests set forth below. In support of their Application, the Companies state as follows to the Commission:

**PARTIES**

1. MAWC is a Missouri corporation with its principal office and place of business at 535 N. New Ballas Road, St. Louis, Missouri 63141. MAWC is a Missouri corporation in good standing. A Certificate of Good Standing from the Office of the Missouri Secretary of State was filed in Commission Case No. WM-2001-309 and is hereby incorporated by reference in accordance with Commission Rule 4 CSR 240-2.060(2)(E). MAWC provides water service to the public in and around the cities of St. Joseph, Joplin, Brunswick,

Mexico, Warrensburg, Parkville and parts of St. Charles County, Missouri. It currently serves approximately 97,623 customers. MAWC is a "water corporation" and a "public utility" as those terms are defined in Section 386.020 RSMo. 2000, and is subject to the jurisdiction and supervision of the Commission as provided by law. MAWC currently has a general rate case pending appeal before the Missouri Court of Appeals. MAWC has no overdue Commission annual reports or assessment fees.

2. SLCWC is a Missouri corporation legally authorized to do business using the fictitious name of Missouri-American Water Company. A registration certificate from the Missouri Secretary of State's office authorizing SLCWC to do business using such fictitious name was filed in Commission Case No. WM-2001-309 and is hereby incorporated by reference in accordance with Commission Rule 4 CSR 240-2.060(2)(E). The corporation's principal office and place of business is located at 535 N. New Ballas Road, St. Louis, Missouri 63141. SLCWC is a Missouri corporation in good standing and a Certificate of Good Standing from the Office of the Missouri Secretary of State was filed in Commission Case No. WM-2001-309 and is hereby incorporated by reference in accordance with Commission Rule 4 CSR 240-2.060(2)(E). SLCWC provides water service to the public in all of St. Louis County and parts of Jefferson County, Missouri. SLCWC currently serves approximately 309,799 customers. SLCWC is a "water corporation" and a "public utility" as those terms are defined in Section 386.020 RSMo. 2000, and is subject to the jurisdiction and supervision of the Commission as provided by law. SLCWC currently has a general rate case pending before the Commission which is case No. WR-2000-844. SLCWC has no overdue Commission annual reports or assessment fees.

3. JCWWC is a Missouri corporation also legally authorized to do business

using the fictitious name of Missouri-American Water Company. A registration certificate from the Missouri Secretary of State's office authorizing JCWWC to do business using such fictitious name was filed in Commission Case No. WM-2001-309 and is hereby incorporated by reference in accordance with Commission Rule 4 CSR 240-2.060(2)(E). The corporation's principal office and place of business is located at 535 N. New Ballas Road, St. Louis, Missouri 63141. JCWWC is a Missouri corporation in good standing and a Certificate of Good Standing from the Office of the Missouri Secretary of State was filed in Commission Case No. WM-2001-309 and is hereby incorporated by reference in accordance with Commission Rule 4 CSR 240-2.060(2)(E). JCWWC provides water service to the public in the city of Jefferson City, Missouri. JCWWC currently serves approximately 10,667 customers. JCWWC is a "water corporation" and a "public utility" as those terms are defined in Section 386.020 RSMo. 2000, and is subject to the jurisdiction and supervision of the Commission. JCWWC has no actions pending which relate to customer rates. JCWWC has no overdue Commission annual reports or assessment fees.

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

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David Abernathy  
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### **FACTS**

5. The Companies have adopted new procedures, updated existing procedures,

and installed facilities to further safeguard their water plant and systems in light of the events of September 11, 2001. These steps have been taken after consultation with certain governmental entities, to include the following:

- Federal Bureau of Investigation;
- Local Emergency Planning Commission of St. Louis County, Missouri;
- Missouri State Highway Patrol;
- Governor's Special Advisor for Homeland Security;
- State Emergency Management Agency.

6. The Commission itself realizes the significance of such preparations having recently opened Case No. GO-2002-202 for the purpose of gauging Public Utility preparedness. In that case, the Commission Staff proposed to "survey Missouri utilities concerning their preparedness for disaster and emergency situations including procedures for dealing with terrorist threats or attacks." Case No. OO-2002-202, Order Establishing Case.

#### **ACCOUNTING AUTHORITY ORDER**

7. In order to justify the issuance of an AAO to permit the deferral of costs, the costs incurred by the utility must result from an event or circumstance that is extraordinary, unusual and unique, and not recurring. See *In re The Application of Missouri Public Service for the Issuance of an Accounting Authority Order*, 1 Mo. P.S.C. 3d 200, 205 (1991). The events of September 11, 2001, and the threat resulting therefrom, were extraordinary in nature and beyond the imagination of many in this country.

8. The steps taken by the Companies to address this threat have a significant cost that under the current law might not be recoverable if it does not fall within a rate case

test year.

9. These costs for the water industry are of particular significance because of the direct impact water has on the health of the Companies' customers and the past treatment of water as a generally safe substance.

10. There has been general support for addressing public utility security cost issues on a national level. The Federal Energy Regulatory Commission ("FERC") recently issued a Statement of Policy (96 FERC ¶ 61,299, Docket No. PL01-6-000) which indicated a willingness to address security expenses. The FERC stated as follows:

In light of tragic events that have taken place in our country this week and the high state of alert the country is now experiencing, the Commission believes it is appropriate to provide regulatory guidance on certain energy infrastructure reliability and security matters that may be affected by this Commission's rate jurisdiction. The Commission understands that electric, gas, and oil companies may need to adopt new procedures, update existing procedures, and install facilities to further safeguard their electric power transmission grid and gas and oil pipeline systems. The Commission is aware that there may be uncertainty about companies' ability to recover the expenses necessary to further safeguard our energy infrastructure, especially if they are operating under frozen or indexed rates. In order to alleviate this uncertainty, the Commission wants to assure the companies we regulate that we will approve applications to recover prudently incurred costs necessary to further safeguard the reliability and security of our energy supply infrastructure in response to the heightened state of alert. Companies may propose a separate rate recovery mechanism, such as a surcharge to currently existing rates or some other cost recovery method.

11. Additionally, on November 13, 2001, the Board of Directors for the National Association of Regulatory Utility Commissioners ("NARUC") approved a Resolution on Commission Procedures Related to the increased Security Measures Undertaken by Water Utilities. A copy thereof is attached as Appendix A.

12. The NARUC Resolution stated in part as follows:

WHEREAS, The safety and protection of our nation's water utilities are

critical and essential to the health, safety, well-being and continued economic development of our communities; and

WHEREAS, Water utilities may be making unexpected and, in some cases, potentially significant expenditures for the assessment and implementation of new, improved and/or more comprehensive security measures in response to potential threats or terrorist attacks; and

WHEREAS, To assist with efficient cost recovery of prudently-incurred security-related expenditures, and to reduce uncertainty regarding the ability to recover prudently-incurred security related costs, Public Utility Commissions may wish to consider the following mechanisms which acknowledge the special needs surrounding these new expenditures, noting that these expenditures are neither revenue producing nor are items that are likely to produce efficiencies by reducing expenses over time:

- A separate cost recovery method, such as a single issue rate case, limited proceeding, "pass-through," or a surcharge, if applicable; or
- Deferral of expenses for accounting purposes only until a more comprehensive rate case expense review can take place at the time of the utility's next base rate case filing;
  - Two commonly used expense deferral mechanisms are the use of account balancing coupled with the creation of regulatory assets or a request for special accounting treatment via a Petition for Declaratory Order;

13. MAWC filed its last rate case with the Commission on October 15, 1999. The resulting rates were effective September 17, 2000.

14. SLCWC filed its last rate case with the Commission on June 23, 2000. The resulting rates were effective May 18, 2001.

15. JCWWC filed its last rate case in with the Commission on February 2, 1999. The resulting rates were effective January 1, 2000 and December 1, 2000.

16. All three rate cases were initiated and resulted in effective rates that predated the events of September 11, 2001. Further, the test years used in the above rate cases significantly pre-date the effective date of the rates ordered therein.

17. The Company hereby requests the Commission to issue its AAO prior to January 4, 2002, which includes the following language:

- a) The Companies are authorized to maintain on their books a regulatory asset which represents the operation and maintenance, carrying costs, depreciation expenses associated with the adoption of new procedures, updating existing procedures, and installation of facilities to further safeguard their water plant continuing until the effective date of a Report and Order in the Companies next general rate proceeding, a period of no longer than four (4) years from the issuance of this AAO; and,
- b) That the Commission intends that rates established in the Companies' next general rate case will include, among other things, treatment of the Companies' prudently incurred costs pertaining to security of water plant, as described above, and, if amortized, an amortization of the Companies' prudently incurred costs deferred pursuant to this AAO, over a period of time ending no later than three years after rates become effective in the Companies' next rate case.

#### **MOTION TO EXPEDITE**

18. The Companies request that the Commission expedite its treatment of the above Application, as necessary, so that it may be addressed prior to January 4, 2002.

19. Since the events of September 11, 2001, the Companies have been working to address security issues and have only now been able to more fully assess the costs resulting therefrom. The Companies seek a decision by January 4, 2002, so that any impact such order may have on the Companies accounting records may be addressed in the 2001 accounting records.

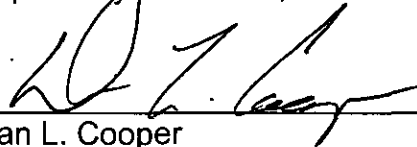
20. This motion is being filed as soon as it reasonably could have been after the



Companies had the necessary information to make the filing.

WHEREFORE, the Companies respectfully request the Commission, on an expedited basis, to the extent necessary to reach a decision prior to January 4, 2002, issue its Accounting Authority Order, consistent with the request made herein, and for such further orders as the Commission should find reasonable and just.

Respectfully submitted,



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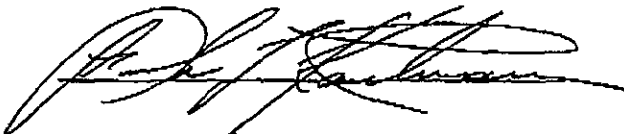
ATTORNEYS FOR APPLICANTS

STATE OF MISSOURI )

COUNTY OF ST. LOUIS )

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I, Frank L. Kartmann, state that I am a Vice-President Operations of St. Louis County Water Company d/b/a Missouri-American Water Company ("SLCWC"); Jefferson City Water Works Company d/b/a Missouri-American Water Company ("JCWWC"); Missouri-American Water Company ("MAWC") (collectively, the "Companies"); that I have read the above and foregoing document; that the statements contained therein are true and correct to the best of my information, knowledge and belief; and, that I am authorized to make this statement on behalf of MAWC, SLCWC and JCWWC.



Subscribed and sworn to before me this 10th day of December, 2001.

  
Notary Public

My Commission Expires:

(SEAL)

STACIA OLSEN  
Notary Public - Notary Seal  
STATE OF MISSOURI  
St. Charles County  
My Commission Expires Mar. 20, 2005