

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

In the Matter of Missouri-American)	
Water Company' Application for a)	
Certificate of Convenience and)	
Necessity Authorizing it to Install, Own,)	Case No. WA-2008-0125
Acquire, Construct, Operate, Control,)	
Manage and Maintain a Water System)	
in Jefferson County, Missouri.)	
)	

**MISSOURI-AMERICAN WATER COMPANY'S
RESPONSE TO STAFF RECOMMENDATION**

COMES NOW Missouri-American Water Company (MAWC) and for its Response to Staff Recommendation, states to the Missouri Public Service Commission (Commission) as follows:

1. On December 4, 2007, the Commission Staff filed its Recommendation in this matter. That Recommendation suggested that MAWC be granted its requested certificate, subject to certain listed conditions. Also on December 4, 2007, the Commission issued its Order Establishing Time to Respond to Staff's Recommendation, and, therein, directed that responses be filed by December 7, 2007.

2. MAWC hereby states that it has no objection to the Staff Recommendation, to include the listed conditions. However, MAWC does seek to clarify two matters.

3. First, on the first page of the Staff Recommendation, the "Staff recommends that the Commission approve a connection charge of \$1,550 per new connection." On the second page of Attachment A to the Staff Recommendation, the Staff calls this same \$1,550 charge a "contribution-in-aid-of-construction (CIAC) charge" and continues the use of that terminology throughout the remainder of Attachment A. To avoid potential confusion regarding the

appropriate accounting treatment for these charges, the Company believes that the \$1,550 charge should be referred to as a "distribution system extension charge."

4. Second, MAWC notes that the Staff Recommendation includes as a condition that the Commission's order should recognize:

that nothing in this recommendation or in any order issued by the Commission in this case shall bind the Commission on any ratemaking issue in any future rate proceeding. This includes any future review of the surcharge and CIAC charge paid at the time of making a new connection.

5. In the last paragraph on the fourth page of Attachment A to the Staff Recommendation, the Staff recommends "that the Company book a contribution-in-aid-of-construction amount, equal to the net amount of plant in service less accumulated depreciation, to be recognized by MAWC for the purchase of the Paradise Valley Subdivision." For the purposes of expeditiously resolving this docket, the Company does not object to this accounting treatment. However, the Company believes that some, if not all, of the Staff's proposed contribution-in-aid-of-construction amount might be more properly accounted for as utility plant acquisition adjustment. Based on the above statement that the Commission's order would not bind it in future rate cases, the Company seeks to clarify that it reserves the right to more fully address this accounting issue during the Company's next general rate case.

