

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

In the Matter of the Petition and Application)	
of Missouri-American Water Company)	
for Approval to Change its Infrastructure)	<u>Case No. WO-2012-0401</u>
System Replacement Surcharge (ISRS))	

STAFF RECOMMENDATION

COMES NOW the Staff ("Staff") of the Missouri Public Service Commission, and for its Recommendation in this matter hereby states:

1. On June 27,¹ Missouri-American Water Company ("MAWC") filed a petition with the Commission to change its Infrastructure System Replacement Surcharge ("ISRS"). On June 28, the Commission issued its *Order Suspending Tariff, Directing Notice, Setting Intervention Date and Directing Filing*. Among other things, the *Order* directed Staff to file a report in this matter no later than August 24. No applications to intervene have been filed in this case. This filing complies with that order.

2. Sections 393.1000, 393.1003 and 393.1006 RSMo and Commission Rule 4 CSR 240-3.650 provide eligible water corporations with the ability to recover certain infrastructure system replacement costs outside a formal rate case by filing a petition to establish or change an Infrastructure System Replacement Surcharge ISRS.

3. Section 393.1006 and 4 CSR 240-3.650 provides that Staff may examine the water corporation's information and calculations, and indicates that the Commission shall issue an order authorizing the water utility to impose an ISRS if the Commission finds that the petition complies with Sections 393.1000 to 393.1006 RSMo. MAWC's

¹ All dates 2012 unless otherwise stated.

petition in this case indicates the utility seeks an ISRS for water utility plant projects pursuant to 4 CSR 240-3.650(1)(G).

4. Staff's *Memorandum* and attached Appendices, attached here as Schedule A and incorporated by reference, describes the results of Staff's investigation. Staff concluded that the projects meet the requirements of the governing statutes.

5. Based on its investigation and calculations, Staff concluded that MAWC's ISRS rates should be designed to recover annual ISRS revenues of \$4,189,656. This reflects MAWC's capital structure as filed in its last rate case,² a 10 percent return on equity, and MAWC's current depreciation rates, all according to the Stipulation and Agreement approved by the Commission in MAWC's last rate case.

6. The calculations reflect the actual ISRS investment placed in service from January 2012 through July 2012, which is after the December 31, 2011, true-up cutoff date in MAWC's last rate case.

7. Staff's investigation found that MAWC is delinquent on its quarterly payments of assessment fees for fiscal year 2013 due to the implementation of new software. Staff understands that MAWC intends to rectify this in a timely manner. MAWC does not have any delinquencies for prior years' assessments or any past due annual reports.

WHEREFORE, Staff recommends that the Commission issue an order that:

a. Finds that MAWC's filed petition is in compliance with the requirements of Sections 393.1000 to 393.1006 RSMo;

² WR-2011-0337.

b. Approves MAWC's *Petition to Change Its Infrastructure System Replacement Surcharge* with rate schedules reflecting adjustments as described in Staff's *Memorandum*;

c. Approves Staff's determination that MAWC is entitled to receive ISRS surcharge revenues in the amount of \$4,189,656 as shown in Appendix A attached to Staff's *Memorandum*;

d. Rejects the ISRS tariff sheet (YW-2012-0841) filed by MAWC on June 27, 2012; and

e. Requires MAWC to file with the Commission a tariff sheet reflecting an ISRS rate for each customer class as reflected in Appendix B attached to Staff's *Memorandum* no later than ten days of the effective date of the Commission's order.

Respectfully Submitted,

**STAFF OF THE MISSOURI
PUBLIC SERVICE COMMISSION**

/s/ John D. Borgmeyer

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CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing were served electronically to all counsel of record this 24th day of August, 2012.

/s/ John D. Borgmeyer