

FORM NO. 13

PSC MO No. 13

Original

Sheet No. R 65

Missouri-American Water Company  
Name of Issuing Corporation

For

Missouri Service Area  
Community, Town or City

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Rules And Regulations Governing The Rendering of  
Water Service

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**Taxable Advances or Contributions in Aid of Construction**

Effective June 12, 1996, the Company shall not accept into its system any taxable Advances or Contributions in Aid of Construction, whether in cash or property (except amounts paid for remote meter reading service), unless accompanied by an amount equal to the Tax Impact of such acceptance as defined as follows:

$$\text{Tax Impact (TI)} = \frac{1 - PV}{1 - T} - 1 \times C$$

Where PV = Present Value of tax savings from tax depreciation as follows:

$$PV = \frac{CF_1}{(1 + R)^1} + \frac{CF_2}{(1 + R)^2} + \dots + \frac{CF_n}{(1 + R)^n}$$

CF<sub>j</sub> = Annual cash flow per \$1 of "C" for year j from tax savings due to depreciation on "C" as defined below calculated based on:

- (a) Company's projected tax depreciation life and method in effect for the year in which Taxes on "C" will be incurred with "n" equal to the tax life in years, and
- (b) Company's projected, combined, marginal, statutory income tax rate for each year in which the tax savings will be realized, including state and federal income taxes.

R = Company's most recently allowed Rate of Return on original cost rate base.

T = Company's projected, combined, marginal, statutory income tax rate for the year in which the taxes will be Incurred, including state and federal income taxes. Calculated as follows:

$$T = F + S$$

F = Marginal Statutory Federal Rate x (1 - S)

S = Marginal Statutory State Rate x (1 - F)

C = Amount of cash advance or fair market value of Advance or Contribution in Aid of Construction, or in the case of refunds un Rule 18, all excluding the tax impact.

The foregoing Tax Impact shall be added to all costs charged to an applicant for all service installations under Rule 4.

\* Indicates new rate or text  
+ Indicates change

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