

FORM NO. 13

P.S.C. MO. NO. 6

CANCELLING (3rd Revised)
(2nd Revised)

SHEET NO. RT 18.0

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MISSOURI-AMERICAN WATER COMPANY
NAME OF ISSUING CORPORATIONFOR ST. LOUIS COUNTY, MO
COMMUNITY, TOWN, OR CITY**Rate I – Infrastructure System Replacement Surcharge (ISRS)**

DESCRIPTION: Rate I is designed to recover the costs associated with the Company's eligible main, valve and hydrant replacements, main relocations, and main cleaning and relining projects. This ISRS rate is calculated and implemented in accordance with the provisions of sections 393.1000 to 393.1006 RSMO. Any future changes to this rate will also be made in accordance with those provisions.

APPLICABILITY: This rate is applicable to any customer class who benefits from the subject utility plant projects eligible fro ISRS recovery. The surcharge is calculated consistent with the customer class cost-of-service study recognized by the Missouri Commission in a Company's recent applicable general rate proceeding.

RATE COMPONENTS:

In addition to the other charges provided for in the Company's tariffs, a separate charge for the ISRS will apply for service rendered on and after the effective date.

Surcharge Rate (1)

	<u>Rate per CCF</u>	<u>Rate per 1,000 Gallons</u>
Rate A Customers	\$.1202	\$.1603
Rate B Customers	\$.0234	\$.0312
Rate D Customers	\$.0117	\$.0156
Rate J Customers	\$.0000	\$.0000
Rate K Customers	\$.1202	\$.1603

RULES AND REGULATIONS: The General Rules and Regulations set forth in this tariff shall govern the supply of service under this rate.

(1) Exclusive of every tax or payment imposed upon the Company by any political subdivision of the State of Missouri, for the right to do business in such political subdivision. See P.S.C. MO No. 6 Original Sheet No. RT 11.0

+ Indicates change

DATE OF ISSUE

August 3, 2006
month day year

DATE EFFECTIVE

September 2, 2006
Month day year

ISSUED BY:

Martin D. Kerckhoff, Vice President,
Corporate Counsel and Secretary
Name of Officer, Title727 Craig Road
St. Louis, MO 63141
Address

Missouri-American Water Company
ISRS Revenue Requirements Calculation
 St. Louis District

<u>ISRS Activity:</u>	<u>Total for ISRS-3 Filing</u>
<u>Water Utility Plant Projects--Replacement Mains, and Associated Valves and Hydrants (RM) RSMo 393.1000 (8a):</u>	
Task Orders Placed in Service (TOPS):	
STLC-Replacement Mains and Associated Valves and Hydrants	\$ 14,604,803
Net Contributions in Aid of Construction	(57,428)
Deferred Taxes	(138,496)
Accumulated Depreciation	(70,920)
Total Net 393.1000 (8a)	14,337,959
<u>Water Utility Plant Projects--Main Cleanings and Relinings (RM) RSMo 393.1000 (8b):</u>	
Task Orders Placed in Service (TOPS):	
STLC-Main Cleanings and Relinings	0
Net Contributions in Aid of Construction	0
Deferred Taxes	0
Accumulated Depreciation	0
Total Net 393.1000 (8a)	0
<u>Water Utility Plant Projects--Facilities Relocations (FR) RSMo 393.1000 (8c):</u>	
Task Orders Placed in Service (TOPS):	
STLC-Relocated Facilities	4,311,566
Net Contributions in Aid of Construction	(1,584,912)
Deferred Taxes	(25,908)
Accumulated Depreciation	(16,274)
Total Net 393.1000 (8c)	2,684,473
Total ISRS Rate Base	17,022,432
Overall Rate Of Return per Last Order	7.70%
UOI Required	1,310,727
Income Tax Conversion Factor	1.623077
Revenue Req. Before Interest Deductability	2,127,411
Total ISRS Rate Base	17,022,432
Embedded Cost of Debt per Last Order	3.400%
Interest Expense Deduction	578,763
Combined Federal and State Income Tax Rate	38.388628%
Income Tax Reduction due to Interest	222,179
Tax Conversion Factor	1.623077
Revenue Req Impact - Interest Deductability	360,614
Total Revenue Requirement on Capital	1,766,797
Depreciation Expense	257,340
Property Taxes	0
Less Over Collection from Previous ISRS	0
Total ISRS Revenues	\$ 2,024,138
<u>Allocation of Revenue by Class</u>	
Mains less than or equal to 12"	
Rate A & Oth	\$ 1,886,962
Rate A & Oth	112,088
Total Rate A & Oth	1,999,050
Rate J	0
Rate D	225
Rate B	7,941
Grand Total Revenues Collected in Proposed ISRS	\$ 2,007,216

Missouri-American Water Company
Tariff Rates
ISRS # 3 Filing
St. Louis District

	ISRS Recovery Revenue Requirement	2003 Bill Analysis Sales (CCF) (1)	Rate per CCF	Rate per 1000 Gal.
Rate A & Oth	1,999,050	57,077,471	\$ 0.0350	\$ 0.0467
Rate B	7,941	2,236,698	\$ 0.0036	\$ 0.0048
Rate D	225	126,134	\$ 0.0018	\$ 0.0024
Rate J	0	9,441,890	\$ -	\$ -
	2,007,216			

(1) Per billing determinants approved in determining rates per Commission order in Case WR 2003-0500
 Per Stipulation in Case No. WR-2006-0500, the Company agreed to not recover any ISRS eligible
 replacements until next rate case

	Current Rate	New Rate	Combined Rate Use on Tariff
Rate Per CCF			
Rate A & Oth	0.0852	\$ 0.0350	\$ 0.1202
Rate B	0.0198	\$ 0.0036	\$ 0.0234
Rate D	0.0099	\$ 0.0018	\$ 0.0117
Rate J		\$ -	\$ -
Rate Per 1000 Gal			
Rate A & Oth	\$ 0.1136	\$ 0.0467	\$ 0.1603
Rate B	\$ 0.0264	\$ 0.0048	\$ 0.0312
Rate D	\$ 0.0132	\$ 0.0024	\$ 0.0156
Rate J		\$ -	\$ -

Missouri-American Water Company
Deferred Taxes - Rate Base Reduction
ISRS # 3 Filing
St. Louis District

Composite Tax Rate: 38.388628%

Mains, Valves and Hydrant Replacements

	2006
Additions	14,604,803
Less: Reimbursements	57,503
Additions - net	14,547,300

Bonus Depreciation Rate	
Bonus Depreciation	0
Deferred Tax on Bonus Depr (35%)	0

Adjusted Tax Basis	14,547,300
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Year 2006	138,496
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	138,496
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Total Deferred Taxes	138,496
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Relocations

	2006
Additions	4,311,566
Less: Reimbursements	1,590,202
Additions - net	2,721,364

Bonus Depreciation Rate	0.00%
Bonus Depreciation	
Deferred Tax on Bonus Depr (35%)	0

Adjusted Tax Basis	2,721,364
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Year 2006	25,908
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	25,908
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Total Deferred Taxes	25,908
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Missouri-American Water Company
Cost of Service / Rate Design
ISRS # 3 Filing
St. Louis District

Cost of Service Allocation for Distribution Costs Per Last Case

Rate A, H and K Customers 100%

Cost of Service Allocation for Transmission Costs Per Last Case

Utility Load Common 37.54278%

Load Factor Common 62.45722%

	Rate A & Other	Rate J	Rate D	Rate B
Unity Load - Common	78.06889%	15.22700%	0.20342%	6.50070%
Load Factor - Common	83.90000%	10.59842%	0.14158%	5.36000%

	Rate A & Other	Rate J	Rate D	Rate B
Unity Load - Common	29.309%	5.717%	0.076%	2.441%
Load Factor - Common	52.402%	6.619%	0.088%	3.348%
Total Factor for ISRS	81.711%	12.336%	0.164%	5.789%

Tariff Design	Non-ISRS Revenues Per Last Order	ISRS Revenues	Proposed % Increase
Rate A, H and K Customers	100,087,497	1,999,050	2.00%
Rate J Customers	7,043,547	0	0.00%
Rate D Customers	96,434	225	0.23%
Rate B Customers	1,807,923	7,941	0.44%
	109,035,401	2,007,216	

Missouri-American Water Company
Net CIAC Calculation
ISRS # 2 Filing
St. Louis District

Mains, Valves and Hydrant Replacements

Gross Investment - Replacements	14,604,803
Depreciation Expense - Replacements	231,040
Composite Depreciation Rate:	1.581946%

	2006
Reimbursements	<u>57,503</u>
Year 2006 (1)	76

Accumulated Amortization	<u>76</u>
Gross CIAC	57,503
Less: Accum Amort. - CIAC	<u>(76)</u>
Net CIAC	<u>57,428</u>

Relocations

Gross Investment - Relocations	4,311,566
Depreciation Expense - Relocations	57,379
Composite Depreciation Rate:	1.330805%

	2006
Reimbursements	<u>1,590,202</u>
Year 2006 (1)	5,291

Accumulated Amortization	<u>5,291</u>
Gross CIAC	1,590,202
Less: Accum Amort. - CIAC	<u>(5,291)</u>
Net CIAC	<u>1,584,912</u>

(1) All Reimbursements are assumed to be spread evenly throughout the year; therefore, the amortization is divided by four to arrive at the accumulated amortization.

Missouri-American Water Company
Depreciation Expense Calculation
ISRS # 2 Filing
St. Louis District

	Replacements	Relocations	Total
Base Depreciation Expense	231,040	57,379	288,419
Reimbursements	57,503	1,590,202	
Composite Depreciation Rate	1.5819%	1.3308%	
Depreciation Expense to be Removed	(910)	(21,162)	(22,072)
Depreciation Expense Associated with Retirements			(9,006)
Net Depreciation Expense			<u>257,340</u>