

Company will begin expensing cost of removal and salvage and discontinue the reserve deficiency amortizations currently in effect. The Company and the Staff will collaborate to develop district specific historical data bases of utility plant activity using the Commission approved account numbers and descriptions. The collaboration will begin no later than six months from the effective date of the Report and Order to be issued in this case. The Company will update the depreciation data bases annually and submit the data bases in future rate case filings.

3. Infrastructure System Replacement Surcharge. The infrastructure system replacement surcharge (ISRS) currently in effect will be reset to zero, effective April 16, 2004. The Company agrees that it will not file a proposed tariff to adjust its rates to recover water infrastructure costs through an ISRS, as set forth in Section 393.1000 et. seq. RSMo. Supp. 2003, prior to December 16, 2005. In any ISRS filing made on or after December 16, 2005, and before the date rates become effective in the Company's next general rate case, the Company will use the following weighted cost of capital:

Common Equity	3.91%
Preferred Equity	0.39%
Debt	<u>3.40%</u>
TOTAL	7.70%

Only investments in infrastructure replacements made after November 30, 2003 will be eligible for inclusion in any ISRS filed on or after December 16, 2005. In addition, in any ISRS filing made on or after December 16, 2005, the Company shall not seek to recover any infrastructure replacement costs attributable to its Rate J customers through an ISRS until the date rates