



DRAFT INITIAL NOTICE

ISRS Helps Us Invest In Our Future....*Today*

Missouri American Water maintains more than 4,000 miles of water mains in St. Louis County. Throughout our system, many of the older water mains are wearing out due to age and corrosion. The resulting main breaks cause frequent service interruptions, damage to property, and inconvenience for our customers.

Beginning in (*month*), 2006, Missouri American Water's St. Louis County customers will see a new charge listed on their water bills. As a result of the Infrastructure System Replacement Surcharge (ISRS), Missouri American Water will replace aging water lines more quickly, using a planned, systematic approach. This will reduce the number of water main breaks, improve service reliability, and fire protection; while enhancing the integrity of the water system for future generations. The ISRS will be listed as a separate charge on customers' bills. The surcharge rates are as follows:

Customer	Rate per CCF	Rate per 1,000 gallons
Residential, Commercial, Other		
Public Authority	\$.0866	\$.1155
Public Water Supply Districts)	\$.0204	\$.0272
Resale by Customers	\$.0102	\$.0136
Manufacturers/Large Users	\$.0000	\$.0000
Construction	\$.0866	\$.1155

ISRS is being implemented pursuant to Sections 393.1000, 393.1003, 393.1006 RSMo; 4 CSR 240-2.060 (1) and 4 CSR 240-3.650.

As water mains and other eligible infrastructure are replaced, the costs are accumulated and reviewed by the Missouri Public Service Commission. A surcharge on customer bills can then be approved to recover over time the cost of the system improvements. By utilizing ISRS, Missouri American will be able to increase investment in these non-revenue producing system improvements, while lowering the costs paid by our customers in future general rate cases.

How does ISRS benefit water service customers in St. Louis County?

- Increases the replacement of water mains nearing the end of their useful lives, which need to be upgraded to meet water service requirements

Appendix 1

- Reduce the frequency of water service interruptions and help to prevent property damage from main breaks
- Improved service reliability and fire protection
- Only non-revenue producing projects are eligible for ISRS
- The Public Service Commission reviews and approves all ISRS charges
- Costs to make these necessary improvements will only continue to grow...by making these improvements today; we will save money in the long term and ensure the reliability of the water infrastructure for future generations
- ISRS simply allows the company to recover costs sooner for necessary and prudent infrastructure improvements. This enables the company to accelerate the main replacement program and reduces the frequency of expensive future rate cases.

The Challenge

- ✓ Many communities in Missouri and across the United States are facing the dilemma of aging infrastructure. To continue to ensure safe drinking water, the nation's water utilities will need to make **an estimated \$277 billion in investments over the next 20 years**, according to United States EPA. This large national need reflects the challenges confronting water utilities as they deal with aging infrastructures that were constructed 50 to 100 years ago in many cases.
- ✓ Piping systems are wearing out due to age and corrosion
- ✓ Water service interruptions and damage to property are likely to occur due to increased water main breaks
- ✓ Cost will soar tomorrow if we don't do something today.

- ✓ **The Benefits of the ISRS Solution**
- ✓ Improved fire protection
- ✓ Improved service reliability
- ✓ Lengthens time between rate filings
- ✓ Lowers rate case filings expenses for utilities ratepayers and taxpayers throughout Missouri
- ✓ Integrity to the water distribution system will be achieved for future generations