

FORM NO. 13

P.S.C. MO. NO. 6

(2<sup>nd</sup> Revised)  
(1<sup>st</sup> Revised)SHEET NO. RT 18.0  
SHEET NO. RT 18.0MISSOURI-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 for 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	\$.0866	\$.1155
Rate B Customers	\$.0204	\$.0272
Rate D Customers	\$.0102	\$.0136
Rate J Customers	\$.0000	\$.0000
Rate K Customers	\$.0866	\$.1155

**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

January 3, 2006  
month day year

DATE EFFECTIVE

February 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-2 Filing</u>
<b><u>Water Utility Plant Projects--Replacement Mains, and Associated Valves and Hydrants (RM) RSMo 393.1000 (8a):</u></b>	
<u>Task Orders Placed in Service (TOPS):</u>	
STLC-Replacement Mains and Associated Valves and Hydrants	\$ 40,217,608
Net Contributions in Aid of Construction	(1,540,192)
Deferred Taxes	(3,583,213)
Accumulated Depreciation	(583,873)
<b>Total Net 393.1000 (8a)</b>	<b>34,510,330</b>
<b><u>Water Utility Plant Projects--Main Cleanings and Relinings (RM) RSMo 393.1000 (8b):</u></b>	
<u>Task Orders Placed in Service (TOPS):</u>	
STLC-Main Cleanings and Relinings	0
Net Contributions in Aid of Construction	0
Deferred Taxes	0
Accumulated Depreciation	0
<b>Total Net 393.1000 (8a)</b>	<b>0</b>
<b><u>Water Utility Plant Projects--Facilities Relocations (FR) RSMo 393.1000 (8c):</u></b>	
<u>Task Orders Placed in Service (TOPS):</u>	
STLC-Relocated Facilities	10,861,090
Net Contributions in Aid of Construction	(5,783,926)
Deferred Taxes	(1,038,835)
Accumulated Depreciation	(174,623)
<b>Total Net 393.1000 (8c)</b>	<b>3,863,706</b>
<b>Total ISRS Rate Base</b>	<b>38,374,036</b>
<b>Overall Rate Of Return per Last Order</b>	<b>7.70%</b>
<b>UOI Required</b>	<b>2,954,801</b>
<b>Income Tax Conversion Factor</b>	<b>1.623077</b>
<b>Revenue Req. Before Interest Deductability</b>	<b>4,795,870</b>
<b>Total ISRS Rate Base</b>	<b>38,374,036</b>
<b>Embedded Cost of Debt per Last Order</b>	<b>3.400%</b>
<b>Interest Expense Deduction</b>	<b>1,304,717</b>
<b>Combined Federal and State Income Tax Rate</b>	<b>38.388628%</b>
<b>Income Tax Reduction due to Interest</b>	<b>500,863</b>
<b>Tax Conversion Factor</b>	<b>1.623077</b>
<b>Revenue Req Impact - Interest Deductability</b>	<b>812,939</b>
<b>Total Revenue Requirement on Capital</b>	<b>3,982,931</b>
<b>Depreciation Expense</b>	<b>579,569</b>
<b>Property Taxes</b>	<b>548,206</b>
<b>Less Over Collection from Previous ISRS (1)</b>	<b>(21,177)</b>
<b>Total ISRS Revenues</b>	<b>\$ 5,089,529</b>
<b><u>Allocation of Revenue by Class</u></b>	
<b>Mains less than or equal to 12"</b>	<b>Rate A &amp; Oth \$ 4,302,281</b>
<b>Mains greater than 12"</b>	<b>Rate A &amp; Oth 643,269</b>
	<b>Total Rate A &amp; Oth 4,945,550</b>
	<b>Rate J 0</b>
	<b>Rate D 1,291</b>
	<b>Rate B 45,574</b>
<b>Grand Total Revenues Collected in Proposed ISRS</b>	<b>\$ 4,992,415</b>

(1) Per Final Commission Order, Case Number WO-2004-0116, dated 12/26/03.

**Missouri-American Water Company**  
**Tariff Rates**  
**ISRS # 2 Filing**  
**St. Louis District**

	<b>ISRS Recovery Revenue Requirement</b>	<b>2003 Bill Analysis Sales (CCF) (1)</b>	<b>Rate per CCF</b>	<b>Rate per 1000 Gal.</b>
Rate A & Oth	4,945,550	57,077,471	\$ 0.0866	\$ 0.1155
Rate B	45,574	2,236,698	\$ 0.0204	\$ 0.0272
Rate D	1,291	126,134	\$ 0.0102	\$ 0.0136
Rate J	0	9,441,890	NA	
	4,992,415			

(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

**Missouri-American Water Company**  
**Property Tax Calculation**  
**ISRS # 2 Filing**  
**St. Louis District**

Total Investment	51,078,698
Less: Retirements	(3,089,567)
Net Change in Property Base	47,989,131
Property Tax Rate	1.1424%
Property Tax Expense	548,206

	<u>2005</u>
Real Estate Tax Paid	5,166,769
Utility Plant- Self Constructed	452,291,050
Rate	1.1424%

Represents Total Real Estate Tax Paid	5,901,778
Less: Parcel Tax	<u>(735,009)</u>
RE Tax on Self-Constructed Property	5,166,769

**Missouri-American Water Company**  
**Deferred Taxes - Rate Base Reduction**  
**ISRS # 2 Filing**  
**St. Louis District**

Composite Tax Rate: 38.388628%

**Mains, Valves and Hydrant Replacements**

	2003	2004	2005	Total
Additions	1,041,751	18,516,162	20,659,695	
Less: Reimbursements	39,356	430,086	1,088,899	
Additions - net	1,002,395	18,086,076	19,570,796	
Bonus Depreciation Rate	50.00%	50.00%		
Bonus Depreciation	501,197	9,043,038	0	
Deferred Tax on Bonus Depr (35%)	175,419	3,165,063	0	
Adjusted Tax Basis	501,198	9,043,038	19,570,796	
Year 2003	2,472	0	0	
Year 2004	4,945	44,609	0	
Year 2005	4,945	89,218	96,542	
	12,362	133,827	96,542	
Total Deferred Taxes	187,781	3,298,890	96,542	3,583,213

**Relocations**

	2003	2004	2005	Total
Additions	861,472	6,189,605	3,810,013	
Less: Reimbursements	906,952	445,073	4,500,165	
Additions - net	(45,480)	5,744,532	(690,151)	
Bonus Depreciation Rate	30.00%	50.00%		
Bonus Depreciation	(13,644)	2,872,266	0	
Deferred Tax on Bonus Depr (35%)	(4,775)	1,005,293	0	
Adjusted Tax Basis	(31,836)	2,872,266	(690,151)	
Year 2003	(157)	0	0	
Year 2004	(314)	14,169	0	
Year 2005	(314)	28,337	(3,404)	
	(785)	42,506	(3,404)	
Total Deferred Taxes	(5,560)	1,047,799	(3,404)	1,038,835

**Missouri-American Water Company**  
**Cost of Service / Rate Design**  
**ISRS # 2 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	4,945,550	4.94%
Rate J Customers	7,043,547	0	0.00%
Rate D Customers	96,434	1,291	1.34%
Rate B Customers	1,807,923	45,574	2.52%
	109,035,401	4,992,415	

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

**Mains, Valves and Hydrant Replacements**

Gross Investment - Replacements 40,217,608  
 Depreciation Expense - Replacements 574,039  
 Composite Depreciation Rate: 1.427332%

	2003	2004	2005	Total
Reimbursements	39,356	430,086	1,088,899	1,558,341 (a)
Year 2003 (1)	47	562	562	
Year 2004 (2)		3,069	6,139	
Year 2005 (2)			7,771	
Accumulated Amortization	47	3,631	14,472	18,150 (b)
Gross CIAC	1,558,341 (a)			
Less: Accum Amort. - CIAC	(18,150) (b)			
Net CIAC	1,540,192			

**Relocations**

Gross Investment - Relocations 10,861,090  
 Depreciation Expense - Relocations 154,231  
 Composite Depreciation Rate: 1.420031%

	2003	2004	2005	Total
Reimbursements	906,952	445,073	4,500,165	5,852,190 (c)
Year 2003 (1)	1,073	12,879	12,879	
Year 2004 (2)		3,160	6,320	
Year 2005 (2)			31,952	
Accumulated Amortization	1,073	16,039	51,151	68,263 (d)
Gross CIAC	5,852,190 (c)			
Less: Accum Amort. - CIAC	(68,263) (d)			
Net CIAC	5,783,926			

(1) All Reimbursements in 2003 were completed in December; therefore, the accumulated amortization is for one month in the first year.

(2) All Reimbursements in 2004 and 2005 are assumed to be spread evenly throughout the year; therefore, the first year's amortization is divided by two to arrive at the first year's accumulated amortization.

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

	<b>Replacements</b>	<b>Relocations</b>	<b>Total</b>
Base Depreciation Expense	574,039	154,231	728,270
Reimbursements	1,558,341	5,852,190	
Composite Depreciation Rate	1.4273%	1.4200%	
Depreciation Expense to be Removed	(22,243)	(83,103)	(105,346)
Depreciation Expense Associated with Retirements			(43,355)
<b>Net Depreciation Expense</b>			<b><u>579,569</u></b>