

MAWC 43

Exhibit No.:  
Issues: Rate Base Items: UPIS,  
Corporate Allocation of Assets,  
CIAC, Cash Working Capital,  
Capitalized Depreciation  
Deduction, and General Ledgers.

Witness: Todd P. Wright  
Exhibit Type: Rebuttal  
Sponsoring Party: Missouri-American Water  
Company  
Case No.: WR-2015-0301  
SR-2015-0302  
Date: February 11, 2016

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. WR-2015-0301  
CASE NO. SR-2015-0302**

**REBUTTAL TESTIMONY**

**OF**

**TODD P. WRIGHT**

**ON BEHALF OF**

**MISSOURI-AMERICAN WATER COMPANY**

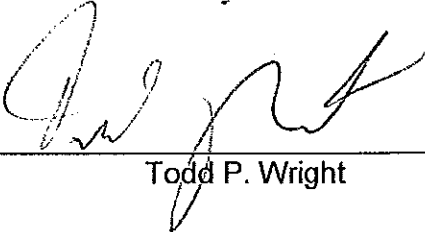
MAWC Exhibit No. 43  
Date 3-21-16 Reported TW  
File No. WR-2015-0301

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

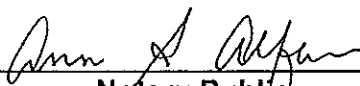
IN THE MATTER OF MISSOURI-AMERICAN )	
WATER COMPANY FOR AUTHORITY TO )	
FILE TARIFFS REFLECTING INCREASED )	CASE NO. WR-2015-0301
RATES FOR WATER AND SEWER )	CASE NO. SR-2015-0302
SERVICE )	

AFFIDAVIT OF TODD P. WRIGHT

Todd P. Wright, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Rebuttal Testimony of Todd P. Wright"; that said testimony and schedules were prepared by him and/or under his direction and supervision; that if inquiries were made as to the facts in said testimony and schedules, he would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of his knowledge.

  
\_\_\_\_\_  
Todd P. Wright

State of New Jersey  
County of Camden  
SUBSCRIBED and sworn to  
Before me this 9<sup>th</sup> day of FEBRUARY 2016.

  
\_\_\_\_\_  
Notary Public

ANN G. ALFANO  
NOTARY PUBLIC OF NEW JERSEY  
ID # 50014130  
Expires 4/15/2020

My commission expires: 4/15/2020

**REBUTTAL TESTIMONY  
TODD P. WRIGHT  
MISSOURI-AMERICAN WATER COMPANY  
CASE NO. WR-2015-0301  
CASE NO. SR-2015-0302**

**TABLE OF CONTENTS**

I.	Witness Introduction.....	1
II.	Purpose of Testimony .....	1
III.	Rate Base .....	2
	A. Overall Rate Base Adjustments .....	2
	B. Utility Plant in Service .....	3
	C. CIAC .....	4
	D. Working Capital.....	5
IV.	Capitalized Depreciation Deduction.....	13
V.	General Ledger.....	14

**REBUTTAL TESTIMONY**

**TODD P. WRIGHT**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21

**I. WITNESS INTRODUCTION**

- Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**
- A. My name is Todd P. Wright, Financial Analyst III, and my business address is 131 Woodcrest Road, Cherry Hill, New Jersey 08034.
- Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS PROCEEDING?**
- A. Yes, I have previously submitted direct testimony in this proceeding on behalf of Missouri-American Water Company (MAWC or Company).

**II. PURPOSE OF TESTIMONY**

- Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS PROCEEDING?**
- A. The purpose of my rebuttal testimony is to respond, on behalf of MAWC, to the Staff Report and the Office of the Public Counsel (OPC) direct testimony, regarding the following Rate Base issues:
- A. Overall Rate Base Adjustments;
  - B. Utility Plant In Service;
  - C. Depreciation Reserve;
  - D. Contributions in Aid of Construction (CIAC);

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

E. Working Capital;

My testimony will also discuss the Capitalized Depreciation (IV) and General Ledger (V) issues, in Staff's report.

**III. RATE BASE**

**A. OVERALL RATE BASE ADJUSTMENTS**

**Q. DOES MAWC AGREE WITH THE RATE BASE COMPUTED BY STAFF IN ITS COST OF SERVICE REPORT?**

A. No. MAWC disagrees with Staff's computation and disallowances provided in the Staff Report for the rate base items addressed in this testimony.

**Q. ARE STAFF'Ss RATE BASE COMPUTATIONS DIRECTLY COMPABABLE TO THE RATE COMPUTATIONS PROVIDED BY MAWC IN ITS DIRECT TESTIMONY?**

A. No. Staff utilized rate base amounts as of September 30, 2015, with no adjustments made for the remaining true-up period through January 31, 2016. The Company made the pro forma adjustments based on rate base activity through January 31, 2016, which includes, but is not limited to, Utility Plant in Service, Accumulated Depreciation, Customer Advances, and Contributions in Aid of Construction. Based on discussions with Staff and information in its report and testimony, Staff's computations will be adjusted after Staff receives the Company True-up data.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23

**B. UTILITY PLANT IN SERVICE**

**Q. WHAT ISSUE DID STAFF RAISE IN REGARD TO THE COMPANY'S UTILITY PLANT IN SERVICE?**

A. Staff raised an issue concerning assets listed in water utility plant accounts associated with certain sewer districts. Staff recommends that this issue be addressed by re-aligning the balances in water accounts to sewer accounts.

**Q. WHAT IS THE ORIGIN OF THIS UTILITY ACCOUNT ISSUE?**

A. This utility account issue stems from assets being recorded in the Missouri-American corporate district. MAWC records its corporate assets to water accounts since the majority of customers of Missouri-American are water customers and the assets should be non-depreciable or general plant related. When the Missouri-American corporate assets are allocated to the sewer districts, the water utility accounts utilize the same account numbers for transparency and reconciliation purposes. On the Company Accounting Schedule (CAS-4), these corporate allocated water account assets are lumped into a line called "Other including Allocated Plant". This differentiates the corporate plant from the sewer plant located in that district.

**Q. ARE THERE CORPORATE ASSETS RECORDED IN WATER UTILITY PLANT ACCOUNTS BEYOND NON-DEPRECIABLE OR GENERAL PLANT?**

1 A. Yes. There are assets recorded in the corporate district that are outside of non-  
2 depreciable and general plant. These assets are generally infrastructure related  
3 and the majority of the assets have a vintage of 2010 or earlier.  
4

5 **Q. WILL ADJUSTMENTS BE MADE TO THE CORPORATE ASSETS FOR**  
6 **THE TRUE-UP PERIOD?**

7 A. Yes. Adjustments will be made to the corporate assets to address any assets,  
8 generally infrastructure related, that should have been allotted to a specific district  
9 or utility account.  
10

11 **C. CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)**  
12

13 **Q. WHAT ISSUE DID STAFF RAISE CONCERNING THE COMPANY'S CIAC?**

14 A. Staff raised an issue with Saddlebrooke Water and Saddlebrooke Sewer having  
15 negative rate base due to CIAC for the September 2015 balances. Staff also noted  
16 that CIAC accounts in the sewer districts were not depreciated using Commission  
17 authorized, depreciation rates.  
18

19 **Q. PLEASE EXPLAIN WHY SADDLEBROOKE WATER AND SEWER SHOW**  
20 **A NEGATIVE RATE BASE FOR THE SEPTEMBER 2015 UPDATE?**

21 A. The acquisition amounts for CIAC accumulated amortization were not recorded to the  
22 proper district on the general ledger and remained in the corporate district. During  
23 September 2015 update, this was not manually adjusted to allocate 100% of these  
24 amounts to either Saddlebrooke Water or Sewer.

1

2 **Q. WILL SADDLEBROOKE WATER AND SEWER BE ADJUSTED FOR IN**  
3 **THE TRUE-UP INFORMATION?**

4 A. Yes. The CIAC accumulated amortization will be adjusted in the January 2016 True-  
5 up data. The amounts will be removed from corporate and re-assigned to proper  
6 corresponding district based on the acquisition.

7

8 **Q. DOES THE COMPANY AGREE WITH STAFF REGARDING THE CIAC**  
9 **DEPRECIATION RATES FOR SEWER?**

10 A. Yes. We agree with Staff on this issue. The sewer districts are currently utilizing the  
11 water depreciation rates related to the CIAC accounts. This will be adjusted for in the  
12 January 2016 true-up data in order to apply the appropriate sewer rates for these  
13 accounts.

14

15 **D. WORKING CAPITAL**

16

17 **Q. WHAT ISSUE DID THE STAFF RAISE IN REGARD TO THE COMPANY'S**  
18 **WORKING CAPITAL?**

19 A. The Staff's issues with the Company's working capital calculation are primarily  
20 found in three categories: service company prepayments; billing lag; and, collection  
21 lag.

22

23 **Q. PLEASE SUMMARIZE THE NEED FOR CASH WORKING CAPITAL.**



1 A. The Staff Report summarizes this on page 44. Staff states, “Cash Working  
2 Capital (CWC) is a rate base component that represents a measurement of the  
3 amount of funds, on average, required for the payment of a utility’s day-to-day  
4 expenses, as well as an identification of whether a utility’s customers or its  
5 shareholders are responsible for providing these funds in the aggregate. If, on  
6 average, a utility has the funds to pay an expense necessary to the provision of  
7 service before customers provide payment to the utility, it is the shareholders who  
8 are the source of funding, indicating a requisite increase to the rate base.  
9 Alternatively, if, on average, the utility pays expenses necessary for the provision  
10 of service only after receiving payments from customers, the ratepayers have  
11 provided the requisite funding to pay day-to-day expenses before payment is  
12 required on the expenses. Ratepayers are compensated for this funding through a  
13 reduction to rate base.”

14

15 **Q. HOW IS THE CASH WORKING CAPITAL CALCULATED?**

16 A. The Company conducted a Lead Lag Study to calculate the cash working capital.  
17 A Lead Lag Study is a detailed review of a utility’s actual payment patterns for its  
18 costs to provide service to its customers and how long it takes for the customers to  
19 pay for their utility service. As noted above, if the receipt of revenues from  
20 customers takes longer than the average time to pay its costs, then the utility’s  
21 investors are required to invest in working capital, which increases rate base. For  
22 Missouri American, its investors have made an investment in working capital.

23

1 **Q. DO ALL BUSINESSES, INCLUDING UTILITIES, REQUIRE CASH**  
2 **WORKING CAPITAL?**

3 A. Yes. Generally speaking, most businesses and utilities require some amount of  
4 cash working capital. If a business bills its customers in arrears for its services,  
5 then there would a need for cash working capital. If a business bills its customers  
6 in advance of providing service, then there could be a minimal or no need for cash  
7 working capital. In any event, if there is a need for cash working capital, there is  
8 a real cost to a business or utility to have the cash working capital to provide its  
9 product or service to its customers.

10

11 **Q. WHAT IS THE FIRST ISSUE MAWC HAS WITH STAFF'S WORKING**  
12 **CAPITAL CALCULATION?**

13 A. Staff is proposing to use its "miscellaneous cash vouchers" calculation and apply  
14 it to the Company's Service Company expenses, instead of using the actual  
15 expense lag calculated by the Company for the Service Company expenses,  
16 because the Staff takes issue with the payment pattern of this expense item.  
17 Generally, MAWC pays the monthly Service Company bill on or about the 7<sup>th</sup> or  
18 8<sup>th</sup> day of the month services are to be provided. This actual payment pattern  
19 supports a negative expense lag of 6.01 days as compared to the positive lag of  
20 66.58 days for the St. Louis District and the 58.59 days for all other Districts that  
21 Staff is recommending.

22

23 **Q. WHY IS STAFF MAKING THESE RECOMMENDATIONS?**

1 A. Staff contends that requiring prepayment from MAWC for Service Company  
2 invoices, “results in MAWC incurring costs prior to the districts’ receipt of any  
3 benefit of the related services.” Staff also notes that the vast majority of the  
4 goods and services that MAWC receives from other vendors are paid for in  
5 arrears. Staff contends that the sole reason for the payment of the Service  
6 Company bill in advance is due to the affiliate relationship that MAWC has with  
7 the Service Company.

8

9 **Q. DO YOU HAVE ANY COMMENTS REGARDING THE STAFF’S**  
10 **RECOMMENDATION OF USING TWO DIFFERENT EXPENSE LAGS FOR**  
11 **THE SERVICE COMPANY (ST. LOUIS V. THE REST OF THE SERVICE**  
12 **TERRITORIES)?**

13 A. Yes. Staff’s usage of two different lags for the Service Company when only one  
14 invoice is issued each month and paid by MAWC makes no sense and highlights  
15 how arbitrary and unreasonable it is to use an expense lag based on a calculation  
16 of a collection of “miscellaneous cash vouchers” from other vendors. The  
17 methodology utilized by Staff is hypothetical in nature and does not take into  
18 account the actual payments on MAWC’s books.

19

20 **Q. DO YOU AGREE WITH STAFF’S CONCLUSION ON THIS ISSUE?**

21 A. No. I do not agree with Staff’s final conclusion on the issue. Staff concludes that  
22 the customers are paying a higher return on rate base than would be required  
23 under normal business billing practices. The customers are not paying a higher  
24 return on rate base. The overall cost of capital return does not change as a result

1 of the payment pattern of the Service Company bill. What changes is the level of  
2 rate base, which in turn results in an increase in the required return on that  
3 investment. In addition, what is also missing in the Staff's recommendation is  
4 recognition of the increase in Service Company costs that would be billed to  
5 MAWC if the Service Company billed the Company in arrears as is being  
6 proposed by the Staff.

7  
8 **Q. WHAT WOULD BE THE INCREASED COSTS TO MAWC IF THE**  
9 **SERVICE COMPANY BILLED ITS SERVICES TO THE COMPANY IN**  
10 **ARREARS?**

11 A. As I discussed above, if a business bills its customers in arrears for its services,  
12 then there would a need for a significant amount of cash working capital. If a  
13 business bills its customers in advance of providing service, then there could be a  
14 minimal or no need for cash working capital. In the case of the Service Company,  
15 if it began billing its customers in arrears, there would be a need for cash working  
16 capital, where very little exists today. This need for cash working capital has a  
17 real cost that must be paid. This would increase the costs of the Service Company  
18 which would then increase its billings to Missouri American. The Staff in its  
19 recommendation ignores this situation and assumes that the Service Company  
20 would incur no additional cost if it began billing MAWC in arrears. This contrary  
21 to Staff's recognition on pages 44 and 45 of its Report, that if funds are required  
22 to pay an expense necessary to the provision of service before a customer  
23 provides payment, the shareholders are the source of funding, indicating an  
24 increase in costs.

1

2 **Q. HAVE YOU QUANTIFIED THE AMOUNT OF ADDITIONAL COST FROM**  
3 **THE SERVICE COMPANY THAT WOULD RESULT IF THE SERVICE**  
4 **COMPANY BEGAN TO BILL MAWC IN ARREARS?**

5 A. Yes. Using the Service Company billing data from the Lead Lag Study, I assumed  
6 that the Service Company billed MAWC in arrears based on Staff's assumed lag.  
7 As shown in my Rebuttal Schedule TW-1, the total cost to MAWC would be  
8 \$501,678 on an annual basis. However, this is not the total increase in cost.  
9 Because MAWC is billed currently in advance, the Service Company avoids cash  
10 working capital costs in the amount of \$53,526, which benefits MAWC. Thus, if  
11 the Service Company began billing MAWC in arrears, then the cost of cash  
12 working capital for the Service Company would go from a \$53,526 benefit, to a  
13 cost of \$501,678, for a total increase in costs to MAWC of \$558,551.

14

15 **Q. WHAT IS THE CAPITAL COST RETURN COMPONENT THAT YOU USED**  
16 **IN THE CALCULATION OF THE CASH WORKING CAPITAL FOR THE**  
17 **SERVICE COMPANY?**

18 A. Since cash working capital is viewed as a permanent investment component, it is  
19 generally financed using long term capital. In the case of MAWC, its cash  
20 working capital is financed with a mix of long-term debt, preferred stock and  
21 common equity. Therefore, it would not be unreasonable to utilize an overall cost  
22 of capital rate in analyzing the cost effect of changes in the cash working capital  
23 for the Service Company. For this analysis, I used the average of the Staff's

1 recommended overall cost of capital of 7.29% and the Company's recommended  
2 overall cost of capital of 8.21%.

3  
4 **Q. DO YOU HAVE ANY OTHER OBSERVATIONS REGARDING SERVICE**  
5 **COMPANY PREPAYMENT?**

6 A. Yes. First, MAWC's Service Company payment is handled similar to the  
7 Commission's assessment. The Company pays its PSC assessment on a quarterly  
8 basis, in advance. Presumably, this payment to the Commission in advance  
9 provides to the Commission with the necessary cash flow to pay its bills. This  
10 would indicate that the Commission does not require a significant amount of cash  
11 working capital since the utilities that it regulates provide upfront funding of the  
12 Commission's costs. On the other hand, if the PSC Assessment was paid 60 plus  
13 days in arrears, the Commission would require a significant amount of cash  
14 working capital that would require financing and additional costs to the utilities  
15 that it regulates.

16 Second, the analysis above shows that Staff is willing to reduce rate base with an  
17 arbitrary adjustment to the expense lag associated with the Service Company's  
18 monthly billing for the simple reason that there is an affiliate relationship between  
19 MAWC and the Service Company, without regard to the benefits for MAWC's  
20 customers.

21 And third, Staff does not include any of the additional costs in its revenue  
22 requirement that would be required if the Service Company MAWC's Service  
23 Company payment was paid 60 days in arrears, as suggested by Staff.

1 The Commission should reject the Staff's proposal on this issue and reflect the  
2 actual expense lag for the Service Company expense lag in the determination of  
3 the Company's cash working capital.  
4

5 **Q. WHAT IS THE SECOND ISSUE WITH STAFF'S WORKING CAPITAL**  
6 **CALCULATION?**

7 **A.** The second issue is that Staff utilized a billing lag of 2.09 days. This was derived  
8 from an average of five other large utilities under the Commission's jurisdiction.  
9

10 **Q. DOES THE COMPANY BELIEVE THIS BILLING LAG IS APPROPRIATE?**

11 **A.** No. The billing lag of other companies should not be utilized to calculate  
12 working capital for MAWC. Ameren UE, KCPL-GMO, Empire, MGE, and  
13 Laclede are all separate utilities that operate independently of each other as well  
14 as MAWC's water and sewer operations.  
15

16 **Q. WHAT IS THE THIRD ISSUE STAFF HAS WITH THE COMPANY'S**  
17 **WORKING CAPITAL?**

18 **A.** The third issue is with the collection lag. Staff utilized a different collection lag  
19 for St. Louis Metro and all other districts. This was derived by Staff using the  
20 same accounts receivable balances as the Company, but with a different allocation  
21 methodology. The Company agrees with Staff's methodology as to this issue.  
22

23 **IV. CAPITALIZED DEPRECIATION**  
24

1 **Q. WHAT IS CAPITALIZED DEPRECIATION?**

2 A. Capitalized depreciation is Staff's assertion that MAWC should capitalize a portion  
3 of transportation and power operated equipment that has already has been purchased  
4 and capitalized.

5

6 **Q. WHAT IS THE STAFF'S POSITION REGARDING THIS CAPITALIZED  
7 DEPRECIATION?**

8 A. On page 63 of the Staff Report, Staff addresses capitalized depreciation and that the  
9 Company should subtract a capitalized amount from depreciation expense in order to  
10 prevent double recovery. The double recovery is based on the assumption that a  
11 capitalized portion of depreciation has been included in the test year activity in  
12 MAWC's filing.

13

14 **Q. IS ANY PORTION OF MAWC'S DEPRECIATION BEING CAPITALIZED  
15 IN THIS FILING?**

16 A. No. There are zero amounts of depreciation expense being capitalized in this filing.  
17 The depreciation expense workpaper does not utilize a capital ratio in order to  
18 capitalize depreciation, nor has there been a corresponding adjustment to rate base for  
19 a capitalized portion of this annual expense.

20

21 **Q. DOES MAWC BELIEVE IT SHOULD CAPITALIZE DEPRECIATION?**

22 A. No. Depreciation is the recording of expense related to the wear and tear on assets,  
23 over their estimated useful lives, purchased to service MAWC's customers. MAWC  
24 should recover the costs of those assets over the same period.



1 **V. GENERAL LEDGER**

2

3 **Q. WHAT IS STAFF'S CONTENTION REGARDING MAWC'S GENERAL**  
4 **LEDGER?**

5 A. On page 89 of Staff's report, Staff contention with MAWC's general ledger can be  
6 separated in two issues, general ledger data format and utilization of NARUC USOA  
7 Chart 1976 for both water and sewer districts.

8

9 **Q. DOES MAWC AGREE WITH THE GENERAL LEDGER DATA FORMAT**  
10 **CONTENTION?**

11 A. No. Staff's asserts that MAWC was "unable to produce" a general ledger that has a  
12 beginning balance, monthly activity, and an ending balance. This is misleading as a  
13 general ledger by definition is transactional and data requests W0015 and W0027 do  
14 not request the data in this format. The format being requested also is a reporting  
15 format versus a general ledger format.

16

17 **Q. WHAT DID MAWC PROVIDE IN DATA REQUEST W0015?**

18 A. In an update, MAWC provided monthly balances for all general ledger accounts from  
19 January 2014 through October 2015. Each month's ending balance becomes the next  
20 month's beginning balance and the difference between each month would be the  
21 monthly activity for that account and district.

22

23 **Q. DOES MAWC BELIEVE THEY HAVE PROVIDED ADEQUATE FORMATS**  
24 **OF GENERAL LEDGER DATA**

1 A. Yes. MAWC believes the data formats provided has been adequate and complete in  
2 nature, supporting the company's books.

3

4 **Q. WHAT STAFF'S CONTENTION WITH THE NARUC USOA ACCOUNTS?**

5 A. Staff's issue relates to MAWC providing sewer districts with water USOA accounts.

6

7 **Q. CAN MAWC PROVIDE SEWER DISTRICTS DATA WITH SEWER USOA**  
8 **ACCOUNTS?**

9 A. Yes, MAWC provides an annual Public Service Commission report utilizing the  
10 sewer USOA accounts from 1976.

11

12 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

13 A. Yes.

Missouri-American Water Company  
 Additional Cost to MAWC for Paying Support Services After Services Received

Rebuttal Exhibit TW-01

Line No.	Date Paid	Total Service Company Bill	Service Period		Recording Month	Average Amount During Month	Total Amount Paid for Services	Capital Cost %: 7.75%		Total Capital Cost (3)
			From	To				Capital Cost (1)	Capital Cost (2)	
1	3/20/2014	\$5,731,329	1/1/2014	1/31/2014	1/31/2014	\$2,865,664.45	\$5,731,328.89	\$18,507	\$58,412	\$76,920
2	4/16/2014	2,258,164	2/1/2014	2/28/2014	2/28/2014	1,129,082	2,258,164	7,292	22,535	29,827
3	5/18/2014	2,261,192	3/1/2014	3/31/2014	3/31/2014	1,130,596	2,261,192	7,302	23,046	30,347
4	6/16/2014	2,527,494	4/1/2014	4/30/2014	4/30/2014	1,263,747	2,527,494	8,162	25,223	33,385
5	7/17/2014	3,482,745	5/1/2014	5/31/2014	5/31/2014	1,741,373	3,482,745	11,246	34,756	46,002
6	8/17/2014	3,115,838	6/1/2014	6/30/2014	6/30/2014	1,557,919	3,115,838	10,062	31,756	41,818
7	9/16/2014	2,706,144	7/1/2014	7/31/2014	7/31/2014	1,353,072	2,706,144	8,739	27,006	35,744
8	10/17/2014	3,409,523	8/1/2014	8/31/2014	8/31/2014	1,704,762	3,409,523	11,010	34,025	45,035
9	11/16/2014	2,859,151	9/1/2014	9/30/2014	9/30/2014	1,429,576	2,859,151	9,233	28,533	37,765
10	12/17/2014	3,300,007	10/1/2014	10/31/2014	10/31/2014	1,650,003	3,300,007	10,656	33,213	43,869
11	1/16/2015	3,246,205	11/1/2014	11/30/2014	11/30/2014	1,623,102	3,246,205	10,483	32,395	42,878
12	2/17/2015	2,837,946	12/1/2014	12/31/2014	12/31/2014	1,418,973	2,837,946	9,164	28,924	38,088
13										
14		<u>\$37,735,738</u>								<u>501,678</u>
15										<u>(56,903)</u>
16										<u>\$558,581</u>
17										
18										

19 Capital Cost (1) amount is calculated by multiplying the average amount during month by the capital cost % and dividing it by 12 for capital cost during month.

20 Capital cost (2) amount is calculated by multiplying total amount paid for services by capital cost % then dividing it by 365 days and then multiplying it by the  
 21 # of days from the end of the month to the date that the bill is paid by MAWC to arrive at capital costs incurred after the end of month but before bill is paid.

22 Total Capital Cost (3) is sum of Capital Cost (1) and Capital Cost (2)

23 (3) Paid date is set to reflect a 60.59 day lag in payment of Service Co invoice as recommended by Staff's use of 66.58 days for St Louis District and 58.59 days for all  
 24 other districts. The 60.59 day is based on a simple average of the two recommended lags by Staff.

25

Missouri-American Water Company  
 Reduced Cost to MAWC for Paying Support Services Before Services Received

Rebuttal Exhibit TW-01

Line No.	Date Paid	Total Service Company Bill	Service Period		Recording Month	Average Amount During Month	Total Amount Paid for Services	Capital Cost %: 7.75%		Total Capital Cost (3)
			From	To				Capital Cost (1)	Capital Cost (2)	
1	1/8/2014	\$5,731,329	1/1/2014	1/31/2014	1/31/2014	\$2,865,664.45	\$5,731,329	(\$9,871)	\$0.00	(\$9,871)
2	2/25/2014	2,258,164	2/1/2014	2/28/2014	2/28/2014	1,129,082.21	2,258,164	5,672	0.00	5,672
3	3/7/2014	2,261,192	3/1/2014	3/31/2014	3/31/2014	1,130,595.77	2,261,192	(4,381)	0.00	(4,381)
4	4/8/2014	2,527,494	4/1/2014	4/30/2014	4/30/2014	1,263,747.13	2,527,494	(4,222)	0.00	(4,222)
5	5/9/2014	3,482,745	5/1/2014	5/31/2014	5/31/2014	1,741,372.52	3,482,745	(5,248)	0.00	(5,248)
6	6/9/2014	3,115,838	6/1/2014	6/30/2014	6/30/2014	1,557,919.18	3,115,838	(4,510)	0.00	(4,510)
7	7/9/2014	2,706,144	7/1/2014	7/31/2014	7/31/2014	1,353,071.76	2,706,144	(4,078)	0.00	(4,078)
8	8/6/2014	3,409,523	8/1/2014	8/31/2014	8/31/2014	1,704,761.68	3,409,523	(7,340)	0.00	(7,340)
9	9/8/2014	2,859,151	9/1/2014	9/30/2014	9/30/2014	1,429,575.51	2,859,151	(4,776)	0.00	(4,776)
10	10/7/2014	3,300,007	10/1/2014	10/31/2014	10/31/2014	1,650,003.40	3,300,007	(6,394)	0.00	(6,394)
11	11/6/2014	3,246,205	11/1/2014	11/30/2014	11/30/2014	1,623,102.26	3,246,205	(6,868)	0.00	(6,868)
12	12/8/2014	2,837,946	12/1/2014	12/31/2014	12/31/2014	1,418,973.02	2,837,946	(4,888)	0.00	(4,888)
13										
14		<u>\$37,735,738</u>					Total Service Company Capital Cost Savings Resulting From Billing MAWC after Services Provided			<u>(\$56,903)</u>
15										

16 Capital Cost (1) amount is calculated by subtracting the capital costs savngs of the MAWC prepayment from the capital cost requirements for the  
 17 services provided to MAWC  
 18 Total Capital Cost (3) is sum of Capital Cost (1) and Capital Cost (2)  
 19  
 20