

FORM NO. 13

P.S.C. MO. NO. 6

CANCELLING

(6th Revised)

SHEET NO. RT 18.0

(5th Revised)

SHEET NO. RT 18.0

MISSOURI-AMERICAN WATER COMPANY
NAME OF ISSUING CORPORATION

FOR 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	\$.0456	\$.0608
Rate B Customers	\$.0114	\$.0152
Rate D Customers	\$.0058	\$.0077
Rate J Customers	\$.0058	\$.0077
Rate K Customers	\$.0456	\$.0608

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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 29, 2008

month day year

DATE EFFECTIVE

February 28, 2008

Month day year

ISSUED BY:

Martin D. Kerckhoff, Vice President,
General Counsel and Secretary

Name of Officer, Title

727 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-5 Filing</u>
<u>Water Utility Plant Projects--Replacement Mains, and Associated Valves and Hydrants (RM) RSMo 393.1000 (8a):</u>	
<u>Task Orders Placed in Service (TOPS):</u>	
STLC-Replacement Mains and Associated Valves and Hydrants	\$ 20,009,539
Net Contributions in Aid of Construction	20,100
Deferred Taxes	(47,769)
Accumulated Depreciation	(132,727)
Total Net 393.1000 (8a)	19,849,143
<u>Water Utility Plant Projects--Main Cleanings and Relinings (RM) RSMo 393.1000 (8b):</u>	
<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
Total Net 393.1000 (8b)	0
<u>Water Utility Plant Projects--Facilities Relocations (FR) RSMo 393.1000 (8c):</u>	
<u>Task Orders Placed in Service (TOPS):</u>	
STLC-Relocated Facilities	4,042,071
Net Contributions in Aid of Construction	(543,770)
Deferred Taxes	(10,966)
Accumulated Depreciation	(17,634)
Total Net 393.1000 (8c)	3,469,701
<u>Accumulated Depreciation and Deferred Taxes on Investment in Current ISRS</u>	
Depreciation for ISRS-2 Case No. WR-2006-0284	
Depreciation for ISRS-3 Case No. WR-2007-0043	
Deferred Taxes ISRS-2 Case No. WR-2006-0284	
Deferred Taxes ISRS-3 Case No. WR-2007-0043	
Total	0
Total ISRS Rate Base	23,318,844
Overall Rate Of Return per Last Order	7.87%
UOI Required	1,835,193
Income Tax Conversion Factor	1.623077
Revenue Req. Before Interest Deductability	2,978,660
Total ISRS Rate Base	23,318,844
Embedded Cost of Debt per Last Order	3.250%
Interest Expense Deduction	757,862
Combined Federal and State Income Tax Rate	38.388630%
Income Tax Reduction due to Interest	290,933
Tax Conversion Factor	1.623077
Revenue Req Impact - Interest Deductability	472,207
Total Revenue Requirement on Capital	2,506,453
Depreciation Expense	347,174
Property Taxes	259,249
Less Over Collection from Previous ISRS	(412,459)
Total ISRS Revenues	\$ 2,700,417
<u>Allocation of Revenue by Class</u>	
Mains less than or equal to 12"	
Rate A & Oth	\$ 2,229,437
Rate A & Oth	384,842
Total Rate A & Oth	2,614,279
Rate J	47,607
Rate D	11,271
Rate B	27,265
Grand Total Revenues Collected in Proposed ISRS	\$ 2,700,422

**Missouri-American Water Company
Tariff Rates
ISRS # 5 Filing
St. Louis District**

ISRS Rate Adjustment Determination Based on Appendix B and C

	ISRS Recovery Revenue Requirement	2006 Bill Analysis Sales (CCF) (1)	Rate per CCF	Rate per 1000 Gal.
Rate A & Oth	2,614,279	57,279,237	\$ 0.0456	\$ 0.0608
Rate B	27,265	2,389,846	\$ 0.0114	\$ 0.0152
Rate D	11,271	1,927,376	\$ 0.0058	\$ 0.0077
Rate J	47,607	8,140,929	\$ 0.0058	\$ 0.0077
	2,700,422			

(1) Per billing determinants approved in determining rates per Commission order in Case WR 2003-0500

	Current Rate	Adjustment to Current Rate (1)	Proposed Rate Use on Tariff
Rate Per CCF			
Rate A & Oth	\$ -	\$ 0.0456	\$ 0.0456
Rate B	\$ -	\$ 0.0114	\$ 0.0114
Rate D	\$ -	\$ 0.0058	\$ 0.0058
Rate J	\$ -	\$ 0.0058	\$ 0.0058
Rate Per 1000 Gal			
Rate A & Oth	\$ -	\$ 0.0608	\$ 0.0608
Rate B	\$ -	\$ 0.0152	\$ 0.0152
Rate D	\$ -	\$ 0.0077	\$ 0.0077
Rate J	\$ -	\$ 0.0077	\$ 0.0077

(1) Calculated per above

Missouri-American Water Company
Property Tax Calculation
ISRS # 5 Filing
St. Louis District

	Jun - Dec 2007	
Total Investment	24,051,610	
Less: Retirements	(529,839)	
Net Change in Property Base	23,521,771	
Property Tax Rate	1.1022%	
Property Tax Expense	259,249	259,249
		<u>2007</u>
Real Estate Tax Paid		5,442,981
Utility Plant- Self Constructed		493,844,257
Rate		1.1022%
Represents Total Real Estate Tax Paid		6,309,846
Less: Parcel Tax		<u>(866,865)</u>
RE Tax on Self-Constructed Property		5,442,981

Missouri-American Water Company
Deferred Taxes - Rate Base Reduction
ISRS # 5 Filing
St. Louis District

Composite Tax Rate: 38.388630%

Mains, Valves and Hydrant Replacements

	Jun 1 - Dec 31			
	2007			Total
Additions	20,009,539	0	0	
Less: Reimbursements	20,202	0	0	
Additions - net	19,989,337	0	0	
Bonus Depreciation Rate	0.00%			
Bonus Depreciation	0	0	0	
Deferred Tax on Bonus Depr (35%)	0	0	0	
Adjusted Tax Basis	19,989,337	0	0	
Jun 1 - Dec 31 2007	47,769	0	0	
		0	0	
		0	0	
	47,769	0	0	
Total Deferred Taxes	47,769	0	0	47,769

Relocations

	Jun 1 - Dec 31			
	2007			Total
Additions	4,042,071	0	0	
Less: Reimbursements	(546,529)	0	0	
Additions - net	4,588,600	0	0	
Bonus Depreciation Rate	0.00%	0.00%		
Bonus Depreciation	0	0	0	
Deferred Tax on Bonus Depr (35%)	0	0	0	
Adjusted Tax Basis	4,588,600	0	0	
Jun 1 - Dec 31 2007	10,966	0	0	
		0	0	
		0	0	
	10,966	0	0	
Total Deferred Taxes	10,966	0	0	10,966

Missouri-American Water Company
Cost of Service / Rate Design
ISRS # 5 Filing
St. Louis District

Cost of Service Allocation for Distribution Costs Per 2000 Case

Rate A, H and K Customers 100%

Cost of Service Allocation for Transmission Costs Per 2000 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%	12.47657%	2.95385%	6.50070%
Load Factor - Common	83.90000%	8.68404%	2.05596%	5.36000%

	Rate A & Other	Rate J	Rate D	Rate B
Unity Load - Common	29.309%	4.684%	1.109%	2.441%
Load Factor - Common	52.402%	5.424%	1.284%	3.348%
Total Factor for ISRS	81.711%	10.108%	2.393%	5.789%

Tariff Design

	Non-ISRS Revenues Per Last Order	ISRS Revenues	Proposed % Increase
Rate A, H and K Customers	116,833,685	2,614,279	2.24%
Rate J Customers	6,640,171	47,607	0.72%
Rate D Customers	753,523	11,271	1.50%
Rate B Customers	2,253,864	27,265	1.21%
	126,481,243	2,700,422	

Missouri-American Water Company
Net CIAC Calculation
ISRS # 5 Filing
St. Louis District

Mains, Valves and Hydrant Replacements

Gross Investment - Replacements	20,009,539
Depreciation Expense - Replacements	302,381
Composite Depreciation Rate:	1.511183%

	Jun1 - Dec 31 2007			Total	
Reimbursements	20,202	0	0	20,202	(a)
Amortization (1)	102				
Accumulated Amortization	102	0	0	102	(b)
Gross CIAC	20,202	(a)			
Less: Accum Amort. - CIAC	(102)	(b)			
Net CIAC	20,100				

Relocations

Gross Investment - Relocations	4,042,071
Depreciation Expense - Relocations	61,219
Composite Depreciation Rate:	1.514548%

	Jun1 - Dec 31 2007			Total	
Reimbursements	(546,529)			(546,529)	(c)
Amortization (1)	(2,759)				
Accumulated Amortization	(2,759)	0	0	(2,759)	(d)
Gross CIAC	(546,529)	(c)			
Less: Accum Amort. - CIAC	2,759	(d)			
Net CIAC	(543,770)				

(1) All Reimbursements are assumed to be spread evenly throughout the last 7 months of the year; therefore, the half year amortization is calculated to arrive at the accumulated amortization.

Missouri-American Water Company
Depreciation Expense Calculation
ISRS # 5 Filing
St. Louis District

	Replacements	Relocations	Total
Base Depreciation Expense	302,381	61,219	363,600
Reimbursements	20,202	(546,529)	
Composite Depreciation Rate	1.5112%	1.5145%	
Depreciation Expense to be Removed	305	(8,277)	(7,972)
Depreciation Expense Associated with Retirements			(8,454)
Net Depreciation Expense			<u>347,174</u>

MISSOURI AMERICAN WATER **Reconciliation of ISRS Revenues Billed**

	Water Sales					5 Year Average 2002-2008
	2002	2003	2004	2005	2006	
January	3,373,022	3,424,705	5,556,460	4,788,196	6,047,564	9.4%
February	3,324,266	2,480,019	3,353,041	3,316,077	2,919,305	6.2%
March	4,320,315	3,463,154	3,556,109	3,901,087	4,047,569	7.8%
April	2,024,212	2,812,928	3,078,252	3,022,308	2,797,209	5.6%
May	3,588,832	2,708,356	2,751,790	3,233,665	4,014,818	6.6%
June	3,602,245	3,839,723	4,181,817	4,342,380	4,207,392	8.2%
July	4,718,501	3,879,418	3,869,933	4,897,417	4,975,644	9.0%
August	5,686,373	4,222,993	4,573,733	4,725,648	4,912,202	9.8%
September	5,683,139	5,778,199	6,235,660	7,282,852	8,086,236	13.4%
October	5,412,531	4,826,504	4,804,425	5,104,107	4,613,807	10.0%
November	4,392,997	3,986,192	3,386,551	3,886,979	4,821,534	8.3%
December	3,488,798	1,974,213	2,322,122	3,302,500	3,231,059	5.8%
Total	49,615,230	43,396,404	47,649,893	51,803,216	54,674,339	100.0%

	Revenue Per Filing	Computation 5 Yr Avg %	Authorized Revenue Monthly Allocation	Revenue Billed
April, 2006	\$4,850,176	5.6%	\$215,641 ¹	\$10,322
May	\$4,850,176	6.6%	\$319,842	\$150,937
June	\$4,850,176	8.2%	\$395,519	\$310,583
July	\$4,850,176	9.0%	\$438,447	\$461,250
August	\$4,850,176	9.8%	\$473,381	\$503,877
September	\$4,850,176	13.4%	\$648,931	\$640,141
October	\$6,811,252	10.0%	\$542,993 ²	\$487,494
November	\$6,811,252	8.3%	\$564,279	\$511,861
December	\$6,811,252	5.8%	\$394,629	\$371,800
January, 2007	\$6,811,252	9.4%	\$639,124	\$449,708
February	\$6,811,252	6.2%	\$424,229	\$414,833
March	\$6,811,252	7.8%	\$531,591	\$453,818
April	\$9,391,640	5.6%	\$455,023 ³	\$415,963
May	\$9,391,640	6.6%	\$619,327	\$496,725
June	\$9,391,640	8.2%	\$765,864	\$659,771
July	\$9,391,640	9.0%	\$848,987	\$886,317
August	\$9,391,640	9.8%	\$916,631	\$1,166,181
September	\$9,391,640	13.4%	\$1,256,559	\$1,003,195
October	\$9,391,640	10.0%	\$637,430	\$1,167,785
November	\$9,391,640	8.3%	\$0	\$594,789
December	\$9,391,640	5.8%	\$0	\$266,874
January, 2008	\$9,391,640	9.4%	\$0	\$76,664
			\$11,088,427	\$11,500,887
				\$412,459 ⁴

Notes

¹ April '06 monthly allocation is multiplied by 24/30 for 24 days in April to account for new rate implementation.

² October '06 monthly allocation is determined by taking 22/31 for 22 days for the April filing and 9/31 for 9 days for the combined April and October filings.

³ April '07 monthly allocation is determined by taking 14/30 for 14 days for the April & October '06 filings and 16/30 for 16 days for the 3 combined April and October.

⁴ Overcollection to be rolled into next ISRS filing.

Commission Order, Case Number WO-2006-0284 Issued 3/28/06, Eff 4/7/06	\$4,850,176
Commission Order, Case Number WO-2007-0043 Issued 10/12/06, Eff 10/23/06	\$1,961,076
Commission Order, Case Number WO-2007-0272 Issued 4/5/07, Eff 4/15/07	\$2,580,388
	<u>\$9,391,640</u>