

FORM NO. 13

P.S.C. MO. NO. 6

CANCELLING

(4th Revised)(3rd Revised)

SHEET NO.

RT 18.0

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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)

	Rate per CCF	Rate per 1,000 Gallons
Rate A Customers	\$.1653	\$.2204
Rate B Customers	\$.0300	\$.0400
Rate D Customers	\$.0150	\$.0200
Rate J Customers	\$.0000	\$.0000
Rate K Customers	\$.1653	\$.2204

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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 19, 2007
month day year

DATE EFFECTIVE

February 18, 2007
Month day year

ISSUED BY:

Martin D. Kerckhoff, Vice President,
Corporate 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

ISRS Activity:	Total for ISRS-4 Filing
<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	\$ 17,559,479
Net Contributions in Aid of Construction	32,839
Deferred Taxes	(41,042)
Accumulated Depreciation	(92,498)
Total Net 393.1000 (8a)	17,458,778
<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 (8a)	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	2,922,379
Net Contributions in Aid of Construction	(1,364,355)
Deferred Taxes	(10,042)
Accumulated Depreciation	(11,607)
Total Net 393.1000 (8c)	1,536,375
<u>Accumulated Depreciation and Deferred Taxes on Investment in Current ISRS</u>	
Depreciation for ISRS-2 Case No. WR-2006-0284	(288,931)
Depreciation for ISRS-3 Case No. WR-2007-0043	(128,671)
Deferred Taxes ISRS-2 Case No. WR-2006-0284	(319,082)
Deferred Taxes ISRS-3 Case No. WR-2007-0043	0
Total	(736,684)
Total ISRS Rate Base	18,258,469
Overall Rate Of Return per Last Order	7.70%
UOI Required	1,405,902
Income Tax Conversion Factor	1.623077
Revenue Req. Before Interest Deductability	2,281,887
Total ISRS Rate Base	18,258,469
Embedded Cost of Debt per Last Order	3.400%
Interest Expense Deduction	620,788
Combined Federal and State Income Tax Rate	38.388628%
Income Tax Reduction due to Interest	238,312
Tax Conversion Factor	1.623077
Revenue Req Impact - Interest Deductability	386,799
Total Revenue Requirement on Capital	1,895,088
Depreciation Expense	291,007
Property Taxes	426,392
Less Over Collection from Previous ISRS (1)	-
Total ISRS Revenues	\$ 2,612,487
<u>Allocation of Revenue by Class</u>	
Mains less than or equal to 12"	Rate A & Oth \$ 2,352,283
Mains greater than 12"	Rate A & Oth 212,615
	Total Rate A & Oth 2,564,898
	Rate J 0
	Rate D 427
	Rate B 15,063
Grand Total Revenues Collected in Proposed ISRS	\$ 2,580,388

Missouri-American Water Company
Tariff Rates
ISRS # 4 Filing
St. Louis District

ISRS Rate Adjustment Determination Based on Appendix A and B				
	ISRS Recovery	2003 Bill Analysis		
	Revenue Requirement	Sales (CCF) (1)	Rate per CCF	Rate per 1000 Gal.
Rate A & Oth	2,564,898	56,372,211	\$ 0.0455	\$ 0.0607
Rate B	15,063	2,236,698	\$ 0.0067	\$ 0.0089
Rate D	427	126,134	\$ 0.0034	\$ 0.0045
Rate J	0	9,441,890	NA	
	2,580,388			

(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

	Current Rate	Adjustment to Current Rate (1)	Proposed Rate Use on Tariff
Rate Per CCF			
Rate A & Oth	\$ 0.1198	\$ 0.0455	\$ 0.1653
Rate B	\$ 0.0233	\$ 0.0067	\$ 0.0300
Rate D	\$ 0.0116	\$ 0.0034	\$ 0.0150
Rate J	\$ -	\$ -	\$ -
Rate Per 1000 Gal			
Rate A & Oth	\$ 0.1597	\$ 0.0607	\$ 0.2204
Rate B	\$ 0.0311	\$ 0.0089	\$ 0.0400
Rate D	\$ 0.0155	\$ 0.0045	\$ 0.0200
Rate J	\$ -	\$ -	\$ -

(1) Calculated per above

Missouri-American Water Company
Property Tax Calculation
ISRS # 4 Filing
St. Louis District

	Jul - Dec 2006	Jan - Jun 2006	
Total Investment	20,481,858	18,916,369	
Less: Retirements	(707,553)	(584,624)	
Net Change in Property Base	19,774,305	18,331,745	
Property Tax Rate	1.1190%	1.1190%	
Property Tax Expense	221,267	205,125	426,392
			<u>2006</u>
Real Estate Tax Paid			5,244,520
Utility Plant- Self Constructed			468,695,488
Rate			1.1190%
Represents Total Real Estate Tax Paid			5,964,764
Less: Parcel Tax			<u>(720,244)</u>
RE Tax on Self-Constructed Property			5,244,520

Missouri-American Water Company
Deferred Taxes - Rate Base Reduction
ISRS # 4 Filing
St. Louis District

Composite Tax Rate: 38.388628%

Mains, Valves and Hydrant Replacements

	Jul 1 - Dec 31			
	2006			Total
Additions	17,559,479	0	0	
Less: Reimbursements	32,970	0	0	
Additions - net	17,526,509	0	0	
Bonus Depreciation Rate	0.00%			
Bonus Depreciation	0	0	0	
Deferred Tax on Bonus Depr (35%)	0	0	0	
Adjusted Tax Basis	17,526,509	0	0	
Jul 1 - Dec 31				
2006	41,042	0	0	
		0	0	
		0	0	
	41,042	0	0	
Total Deferred Taxes	41,042	0	0	41,042

Relocations

	Jul 1 - Dec 31			
	2006			Total
Additions	2,922,379	0	0	
Less: Reimbursements	(1,365,927)	0	0	
Additions - net	4,288,306	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	4,288,306	0	0	
Jul 1 - Dec 31 2006	10,042	0	0	
Year 2004	0	0	0	
Year 2005	0	0	0	
	10,042	0	0	
Total Deferred Taxes	10,042	0	0	10,042

Missouri-American Water Company
Cost of Service / Rate Design
ISRS # 4 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	2,564,898	2.56%
Rate J Customers	7,043,547	0	0.00%
Rate D Customers	96,434	427	0.44%
Rate B Customers	1,807,923	15,063	0.83%
	109,035,401	2,580,388	

Missouri-American Water Company
Net CIAC Calculation
ISRS # 4 Filing
St. Louis District

Mains, Valves and Hydrant Replacements

Gross Investment - Replacements	17,559,479
Depreciation Expense - Replacements	280,147
Composite Depreciation Rate:	1.595419%

	Jul 1 - Dec 31 2006			Total
Reimbursements	32,970	0	0	32,970 (a)
Amortization (1)	132			
Accumulated Amortization	132	0	0	132 (b)
Gross CIAC	32,970 (a)			
Less: Accum Amort. - CIAC	(132) (b)			
Net CIAC	32,839			

Relocations

Gross Investment - Relocations	2,922,379
Depreciation Expense - Relocations	40,338
Composite Depreciation Rate:	1.380318%

	Jul 1 - Dec 31 2006			Total
Reimbursements	(1,365,927)			(1,365,927) (c)
Amortization (1)	(1,571)			
Accumulated Amortization	(1,571)	0	0	(1,571) (d)
Gross CIAC	(1,365,927) (c)			
Less: Accum Amort. - CIAC	1,571 (d)			
Net CIAC	(1,364,355)			

(1) All Reimbursements are assumed to be spread evenly throughout the last 6 months of the year; therefore, the amortization is divided by four to arrive at the accumulated amortization.

Missouri-American Water Company
Depreciation Expense Calculation
ISRS # 4 Filing
St. Louis District

	Replacements	Relocations	Total
Base Depreciation Expense	280,147	40,338	320,485
Reimbursements	32,970	(1,365,927)	
Composite Depreciation Rate	1.5954%	1.3803%	
Depreciation Expense to be Removed	526	(18,854)	(18,328)
Depreciation Expense Associated with Retirements			(11,151)
Net Depreciation Expense			291,007