

MISSOURI AMERICAN WATER COMPANY

Effect of Lower Return on Equity

<u>Line</u>	<u>Type of Capital</u>		<u>Amount</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Wtd. RoR</u>
1	Long-Term Debt	Schedule PMA-1,p.1	\$423,114,710	49.4%	6.36%	3.14%
2	Preferred Stock	Schedule PMA-1,p.1	2,306,034	0.3%	9.23%	0.02%
3	Common Equity	Schedule PMA-1,p.1	431,741,678	50.4%	11.30%	5.69%
4	Total		<u>\$857,162,422</u>	100.0%		<u>8.86%</u>
	<u>Type of Capital</u>		<u>Amount</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Wtd. RoR</u>
5	Long-Term Debt		\$423,114,710	49.4%	6.36%	3.14%
6	Preferred Stock		2,306,034	0.3%	9.23%	0.02%
7	Common Equity		431,741,678	50.4%	9.00%	4.53%
8	Total		<u>\$857,162,422</u>	100.0%		<u>7.70%</u>
9	Rate base	Schedule CAS-1,p.1	\$849,106,802			
10	Return 11.3% RoE	In. 9 * In.4, c. 4	75,196,352			
11	Return 9.0% RoE	In. 9 * In. 8, c.4	65,359,616			
12	Difference		<u>\$9,836,736</u>			
13	Debt		\$423,114,710			
			<u>11.3% RoE</u>	<u>9.0% RoE</u>		
14	Operating income	Schedule CAS-2, p.1	\$75,145,964	\$65,309,228		
15	Depreciation	Schedule CAS-2, p.1	30,023,171	30,023,171		
16	Amortization	Schedule CAS-2, p.1	500,278	500,278		
17	Deferred income tax	Schedule CAS-2, p.1	449,557	449,557		
18	Fund from operations (FFO)		<u>\$106,118,970</u>	<u>\$96,282,234</u>		
19	FFO/Debt	In. 18 / In. 13	25%	23%		
			<u>11.3% RoE</u>	<u>9.0% RoE</u>		
20	Operating income		\$75,145,964	\$65,309,228		
21	Depreciation		30,023,171	30,023,171		
22	Amortization		500,278	500,278		
23	Federal income tax	Schedule CAS-2, p.1	26,095,008	21,211,600		
24	State income tax	Schedule CAS-2, p.1	3,990,986	3,449,995		
25	Earnings before inc. tax, depr/amort.		<u>\$135,755,407</u>	<u>\$120,494,273</u>		
26	Debt/EBITDA		3.12	3.51		

Notes: 9.0% RoE federal tax estimated using 33.175%; State tax estimated using 5.213% tax rate.

Tax rates from Schedule CAS-9, p.1.

Rate base from Schedule CAS-1, page 1.