

## Missouri American Water Company

### Summary of St. Charles Proposed Rates

<u>Line</u>	<u>Description</u>		<u>Current Rates</u> <u>St. Charles</u>	<u>MAWC</u> <u>Proposed</u>	<u>MEG</u> <u>Recommended</u>
1	Present revenues	CAS-8-SCH	\$8,575,508	\$8,682,717	\$8,682,717
	<u>Expenses</u>				
2	Operations and maintenance	Tab O&M, other taxes	3,906,108	3,303,084	3,303,084
3	Depreciation and amortization	Tab O&M, other taxes	915,581	1,157,013	1,155,322
4	Taxes other than income taxes	Tab O&M, other taxes	728,397	841,129	841,129
5	Income taxes	Tab Income taxes	346,880	259,708	259,708
6	Deferred taxes	Tab Income statement	523,009	595,683	595,683
7	Other revenue		-	-	-
8	Subtotal		6,419,975	6,156,617	6,154,926
9	Return at present rates		2,155,533	2,526,100	2,527,791
10	Rate base	Tab Rate Base	31,745,280	33,788,613	33,431,554
11	Rate of return on rate base	In. 9/ In. 10	6.79%	7.48%	7.56%
12	Required rate of return	Tab Return	8.30%	8.30%	7.86%
13	Required return	In. 12 * In. 10	2,634,858	2,804,455	2,629,142
14	Return deficit/(excess)	In. 13 - In. 9	479,325	278,354	101,351
15	Income tax effect	In. 14 * .62742	300,738	174,645	63,589
16	Total increase/(decrease) needed	In. 14 + In. 15	780,063	453,000	164,940
17	Total revenue requirement	In. 1 + In. 16		9,135,717	8,847,657
18	Adjustment to revenue requirement using MEG recommendations				\$288,060

## Missouri American Water Company

	<u>Rate Base</u>			<b>MEG</b>
	<u>Per Books</u>	<u>Adjustments</u>	<u>Pro Forma</u>	<u>Recommended</u>
Utility plant in service	60,762,253	4,412,193	65,174,446	65,174,446
Accumulated depreciation	(11,037,165)	(1,132,470)	(12,169,635)	(12,169,635)
Utility plant acquisition adjustments	<u>-</u>	<u>66,340</u>	<u>66,340</u>	<u>-</u>
Net utility plant	49,725,088	3,346,063	53,071,151	53,004,811
Less				
Customer advances	1,931,719	977,168	2,908,887	2,908,887
Contributions in aid of construction	13,559,689	(266,214)	13,293,475	13,293,475
Accumulated deferred ITDC	-	-	-	-
Deferred income taxes	2,820,888	339,944	3,160,832	3,160,832
Pension liability	<u>298,300</u>	<u>289,450</u>	<u>587,750</u>	<u>587,750</u>
Subtotal	18,610,596	1,340,348	19,950,944	19,950,944
Add				
Cash working capital	-	-	-	(290,719)
Materials and supplies	127,741	-	127,741	127,741
Prepayments	32,351	-	32,351	32,351
OPEB's contributed to external fund	298,070	(7,894)	290,176	290,176
Premature retirement	-	-	-	-
Regulatory deferrals	<u>172,626</u>	<u>45,512</u>	<u>218,138</u>	<u>218,138</u>
Subtotal	630,788	37,618	668,406	377,687
Total Rate Base	31,745,280	2,043,333	33,788,613	33,431,554

From CAS-3-SCH.

## Missouri American Water Company

### Rate of Return

<u>Class of Capital</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost of Capital</u>
Long term debt	\$290,035,000	56.38%	6.22%	3.51%
Short term debt	-	0.00%	0.00%	0.00%
Preferred Stock	2,680,000	0.52%	9.12%	0.05%
Accumulated deferred ITC post 1970	-	0.00%	0.00%	0.00%
Common equity	<u>221,714,180</u>	43.10%	10.00%	<u>4.31%</u>
Total capitalization	\$514,429,180	100.00%		7.86%

From Schedule EJG-1.

# Missouri American Water Company

## Revenue Requirement

<u>Line</u>		<u>Test Year Expense</u>	<u>Adjustment</u>	<u>Pro Forma Present Rates</u>	<u>MEG Recommended</u>
<u>Operating and Maintenance</u>					
1	Labor	\$673,965	\$109,237	\$783,202	\$783,202
2	Purchased water expense	1,757,128	(1,081,070)	676,058	676,058
3	Fuel and Power Expense	63,613	(793)	62,820	62,820
4	Chemical expense	4,567	(4,567)	-	-
5	Waste disposal	-	-	-	-
6	Management fees	469,701	302,828	772,529	772,529
7	Group insurance	226,322	(44,531)	181,791	181,791
8	Pensions	91,904	55,724	147,628	147,628
9	Regulatory expense	33,640	(16,607)	17,033	17,033
10	Insurance other than group	105,236	(35,550)	69,686	69,686
11	Customer accounting	103,315	(5,886)	97,429	97,429
12	Rents	21,042	33,956	54,998	54,998
13	General office expense	52,827	3,285	56,112	56,112
14	Miscellaneous	221,826	39,995	261,821	261,821
15	Maintenance-other	<u>81,022</u>	<u>40,955</u>	<u>121,977</u>	<u>121,977</u>
16	Total O & M	3,906,108	(603,024)	3,303,084	3,303,084
<u>Depreciation &amp; Amortization</u>					
17	Depreciation (remove UPAA amort)	915,581	241,432	1,157,013	1,155,322
18	Amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
19	Total depreciation and amortization	915,581	241,432	1,157,013	1,155,322
<u>Taxes</u>					
20	Property taxes	610,131	118,266	728,397	728,397
21	Payroll taxes	51,798	6,089	57,887	57,887
22	PSC Fees	50,105	-	50,105	50,105
23	Other general taxes	<u>16,363</u>	<u>(11,623)</u>	<u>4,740</u>	<u>4,740</u>
24	Total taxes other than income	\$728,397	\$112,732	\$841,129	\$841,129

From CAS-10-SCH.

<u>St. Charles County District</u>	<u>Proforma Proposed Expense</u>	<u>Average Daily Expense</u>	<u>Revenue Lag</u>	<u>Expense (Lead)/Lag</u>	<u>Net (Lead)/Lag</u>	<u>Cash Requirement</u>
Base payroll	530,932	1,455	39.92	10.23	29.69	43,187
Tax withholding	252,269	691	39.92	17.39	22.53	15,572
Fuel and power	62,819	172	39.92	37.22	2.70	465
Chemicals	-	-	39.92	39.92	-	-
Purchased water	676,058	1,852	39.92	53.15	(13.23)	(24,505)
Service company charges	772,529	2,117	39.92	(4.13)	44.05	93,233
Group insurance	115,758	317	39.92	(8.54)	48.46	15,369
OPEBs	110,564	303	39.92	(0.04)	39.96	12,104
Pensions	147,628	404	39.92	39.92	-	-
ESOP	6,919	19	39.92	39.92	-	-
Insurance other than group	69,686	191	39.92	39.92	-	-
Uncollectables	22,861	63	39.92	39.92	-	-
Rents	54,998	151	39.92	24.37	15.55	2,343
401(k)	67,670	185	39.92	48.80	(8.88)	(1,646)
Other O&M	<u>486,980</u>	1,334	39.92	20.67	19.25	<u>25,683</u>
Total O&M expense	3,377,671					181,805
Depreciation Amortization Expense	1,157,013	3,170	39.92	-	39.92	-
Property Taxes	728,397	1,996	39.92	182.50	(142.58)	(284,534)
Public Service Commission fee	38,017	104	39.92	39.92	-	-
Franchise & environment tax	16,828	46	39.92	110.50	(70.58)	(3,254)
FICA taxes	865	2	39.92	13.44	26.48	63
FUTA taxes	57,015	156	39.92	62.05	(22.13)	(3,457)
SUTA taxes	7	0	39.92	62.05	(22.13)	(0)
Federal income tax current	224,438	615	39.92	60.25	(20.33)	(12,501)
State income tax current	35,269	97	39.92	62.17	(22.25)	(2,150)
Deferred income taxes	595,683	1,632	39.92	-	39.92	-
Interest expense	1,185,743	3,249	39.92	91.15	(51.23)	(166,426)
Preferred dividends	<u>16,891</u>	46	39.92	45.63	(5.71)	<u>(264)</u>
Total working capital requirement	7,433,837					(472,524)
Total cash and working capital requirement used						(290,719)
Total cost of depreciation and deferred income taxes						191,692
Cash working capital including non-cash items						(99,027)

From CAS-7-SCH.

## Missouri American Water Company

### Income Statement

<u>Line</u>	<u>Description</u>	<u>Test Year 12/31/2002</u>	<u>Adjustments</u>	<u>Pro Forma Present Rates</u>	<u>Adjustments</u>	<u>Pro Forma Proposed Rates</u>	<u>MEG Proposed</u>
1	Operating revenues	\$8,575,508	\$107,209	\$8,682,717	\$452,999	\$9,135,716	\$8,847,657
	Operating expenses						
2	Operations and maintenance	3,906,108	(603,024)	3,303,084	1,210	3,304,294	3,303,084
3	Depreciation	915,581	241,432	1,157,013	-	1,157,013	1,155,322
4	Amortization	-	-	-	-	-	-
	Taxes other than income taxes						
5	Property taxes	610,131	118,266	728,397	-	728,397	728,397
6	Payroll taxes	51,798	6,089	57,887	-	57,887	57,887
7	PSC fees	50,105	-	50,105	-	50,105	50,105
8	Other	<u>16,363</u>	<u>(11,623)</u>	<u>4,740</u>	<u>-</u>	<u>4,740</u>	<u>4,740</u>
9	Operating income before income taxes	\$3,025,422	\$356,069	\$3,381,491	\$451,789	\$3,833,280	\$3,548,122
	Income taxes						
10	Federal	243,208	(18,770)	224,438	149,883	374,321	279,719
11	State	103,672	(68,403)	35,269	23,553	58,822	43,956
12	Deferred	523,009	72,674	595,683	-	595,683	595,683
13	Amortization of investment tax credit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
14	Utility operating income	\$2,155,533	\$370,568	\$2,526,101	\$278,353	\$2,804,453	\$2,628,764

From CAS-8-SCH.

Missouri American Water Company

Income Taxes

	<u>At Present Rates</u>		<u>At Proposed Rates</u>		<u>MEG Recommended</u>	
	<u>Federal</u>	<u>State</u>	<u>Federal</u>	<u>State</u>	<u>Federal</u>	<u>State</u>
Utility operating IBIT	\$3,381,491	\$3,381,491	\$3,833,280	\$3,833,280	\$3,548,122	\$3,548,122
Interest expense	<u>1,185,980</u>	<u>1,185,980</u>	<u>1,185,980</u>	<u>1,185,980</u>	<u>1,185,980</u>	<u>1,185,980</u>
Taxable income	2,195,511	2,195,511	2,647,300	2,647,300	2,362,142	2,362,142
Addback (deducts)						
Tax over book depreciation	(1,523,428)	(1,523,428)	(1,523,428)	(1,523,428)	(1,523,428)	(1,523,428)
Non-deductible meals	4,359	4,359	4,359	4,359	4,359	4,359
Amortization preferred stock expense	79	79	79	79	79	79
Non-deductible reserve deficiency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Addbacks (Deducts)	(1,518,990)	(1,518,990)	(1,518,990)	(1,518,990)	(1,518,990)	(1,518,990)
Taxable income	676,521	676,521	1,128,310	1,128,310	843,152	843,152
Effective tax rate	33.1754%	5.2133%	33.1754%	5.2133%	33.1754%	5.2133%
Proforma income tax	224,439	35,269	374,321	58,822	279,719	43,956
Per books amount present rates	243,208	103,672	224,439	35,269	224,439	35,269
Proforma adjustment	(18,769)	(68,403)	149,883	23,553	55,280	8,687