

## Missouri American Water Company

### Summary of St. Louis Proposed Rates

<u>Line</u>	<u>Description</u>		<u>Current Rates</u> <u>St. Louis</u>	<u>MAWC</u> <u>Proposed</u>	<u>MEG</u> <u>Recommended</u>
1	Present revenues	CAS-8-STL	\$115,918,259	\$117,561,461	\$117,561,461
	<u>Expenses</u>				
2	Operations and maintenance	Tab O&M, other taxes	56,814,845	64,932,974	64,932,974
3	Depreciation and amortization	Tab O&M, other taxes	183,442	21,108,234	20,903,865
4	Taxes other than income taxes	Tab O&M, other taxes	8,404,085	9,563,099	9,563,099
5	Income taxes	Tab Income taxes	3,246,536	2,122,580	2,122,580
6	Deferred taxes	Tab Income statement		3,243,865	3,243,865
7	Other revenue		-	-	-
8	Subtotal		68,648,908	100,970,752	100,766,383
9	Return at present rates		47,269,351	16,590,709	16,795,078
10	Rate base	Tab Rate Base	299,919,642	309,427,796	297,962,634
11	Rate of return on rate base	In. 9/ In. 10	15.76%	5.36%	5.64%
12	Required rate of return	Tab Return	8.30%	8.30%	7.86%
13	Required return	In. 12 * In. 10	24,893,330	25,682,507	23,432,535
14	Return deficit/(excess)	In. 13 - In. 9	(22,376,021)	9,091,798	6,637,456
15	Income tax effect	In. 14 * .62742	(14,209,221)	5,773,473	4,214,917
16	Total increase/(decrease) needed	In. 14 + In. 15	(36,585,241)	14,865,271	10,852,374
17	Total revenue requirement	In. 1 + In. 16		132,426,732	128,413,835
18	Effect of MEG recommendations on revenue requirement				\$4,012,897

## Missouri American Water Company

### Rate Base

	<u>Per Books</u>	<u>Adjustments</u>	<u>Pro Forma</u>	<u>Recommended</u>
Utility plant in service	\$620,777,338	\$28,348,755	\$649,126,093	\$649,126,093
Accumulated depreciation	(189,388,413)	(12,616,514)	(202,004,927)	(202,004,927)
Utility plant acquisition adjustments	<u>6,633,337</u>	<u>711,656</u>	<u>7,344,993</u>	<u>-</u>
Net utility plant	438,022,262	16,443,897	454,466,159	447,121,166
Less				
Customer advances	47,815,792	4,130,370	51,946,162	51,946,162
Contributions in aid of construction	70,182,659	(587,022)	69,595,637	69,595,637
Accumulated deferred ITDC	-	-	-	-
Deferred income taxes	29,051,437	462,651	29,514,088	29,514,088
Pension liability	<u>3,599,204</u>	<u>3,492,409</u>	<u>7,091,613</u>	<u>7,091,613</u>
Subtotal	150,649,092	7,498,408	158,147,500	158,147,500
Add				
Cash working capital	7,313,000	-	7,313,000	3,192,831
Materials and supplies	2,295,953	-	2,295,953	2,295,953
Prepayments	390,340	-	390,340	390,340
OPEB's contributed to external fund	-	-	-	-
Premature retirement	-	-	-	-
Regulatory deferrals	<u>2,547,179</u>	<u>562,665</u>	<u>3,109,844</u>	<u>3,109,844</u>
Subtotal	12,546,472	562,665	13,109,137	8,988,968
Total Rate Base	\$299,919,642	\$9,508,154	\$309,427,796	\$297,962,634

From Schedule CAS-3-STL.

## Missouri American Water Company

<u>Rate of Return</u>				
<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</u> <u>Expense</u>	<u>Adjustment</u>	<u>Pro Forma</u> <u>Present Rates</u>	<u>MEG</u> <u>Recommended</u>
<u>Operating and Maintenance</u>					
1	Labor	\$18,039,116	\$1,345,881	\$19,384,997	\$19,384,997
2	Purchased water expense	6,302	200,000	206,302	206,302
3	Fuel and Power Expense	6,059,149	78,615	6,137,764	6,137,764
4	Chemical expense	3,982,747	20,444	4,003,191	4,003,191
5	Waste disposal	452,113	(44,377)	407,736	407,736
6	Management fees	8,673,213	647,895	9,321,108	9,321,108
7	Group insurance	2,849,322	1,709,695	4,559,017	4,559,017
8	Pensions	909,122	2,286,685	3,195,807	3,195,807
9	Regulatory expense	405,885	(200,367)	205,518	205,518
10	Insurance other than group	2,046,250	(90,430)	1,955,820	1,955,820
11	Customer accounting	1,858,338	(171,032)	1,687,306	1,687,306
12	Rents	552,761	460,801	1,013,562	1,013,562
13	General office expense	904,377	67,391	971,768	971,768
14	Miscellaneous	5,116,082	198,526	5,314,608	5,314,608
15	Maintenance-other	<u>4,960,068</u>	<u>1,608,402</u>	<u>6,568,470</u>	<u>6,568,470</u>
16	Total O & M	56,814,845	8,118,129	64,932,974	64,932,974
<u>Depreciation &amp; Amortization</u>					
17	Depreciation (remove UPAA amort)	18,344,212	2,764,022	21,108,234	20,903,865
18	Amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
19	Total depreciation and amortization	18,344,212	2,764,022	21,108,234	20,903,865
<u>Taxes</u>					
20	Property taxes	6,222,053	1,183,192	7,405,245	7,405,245
21	Payroll taxes	1,383,463	60,013	1,443,476	1,443,476
22	PSC Fees	604,549	-	604,549	604,549
23	Other general taxes	<u>194,020</u>	<u>(84,191)</u>	<u>109,829</u>	<u>109,829</u>
24	Total taxes other than income	\$8,404,085	\$1,159,014	\$9,563,099	\$9,563,099

From CAS-10-STL.

<u>St. Louis 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	13,141,091	36,003	62.087	8.21	53.88	1,939,733
Tax withholding	6,243,908	17,107	62.087	13.47	48.62	831,671
Fuel and power	6,137,763	16,816	62.087	35.47	26.62	447,586
Chemicals	4,003,191	10,968	62.087	62.09	-	-
Purchased water	206,302	565	62.087	62.09	-	-
Service company charges	9,321,108	25,537	62.087	45.60	16.49	421,033
Group insurance	1,783,940	4,888	62.087	(8.54)	70.63	345,190
OPEBs	1,065,382	2,919	62.087	(0.04)	62.13	181,340
Pensions	3,195,807	8,756	62.087	45.00	17.09	149,608
ESOP	145,993	400	62.087	45.00	17.09	6,834
Insurance other than group	1,955,820	5,358	62.087	45.00	17.09	91,559
Uncollectables	848,564	2,325	62.087	62.09	-	-
Rents	1,013,562	2,777	62.087	(14.21)	76.30	211,868
401(k)	2,675,415	7,330	62.087	45.00	17.09	125,246
Other O&M	<u>16,016,535</u>	43,881	62.087	26.10	35.99	<u>1,579,143</u>
Total O&M expense	67,754,381					6,330,811
Depreciation Amortization Expense	21,108,234	57,831	62.087	-	62.09	-
Property Taxes	7,405,245	20,288	62.087	182.50	(120.41)	(2,442,980)
Public Service Commission fee	514,755	1,410	62.087	(30.00)	92.09	129,869
Franchise & environment tax	199,623	547	62.087	(77.50)	139.59	76,342
FICA taxes	22,711	62	62.087	13.31	48.78	3,035
FUTA taxes	1,420,772	3,893	62.087	76.38	(14.29)	(55,636)
SUTA taxes	(7)	(0)	62.087	76.38	(14.29)	0
Federal income tax current	1,834,325	5,026	62.087	60.25	1.84	9,232
State income tax current	288,251	790	62.087	62.17	(0.08)	(66)
Deferred income taxes	3,114,675	8,533	62.087	-	62.09	-
Interest expense	10,860,357	29,754	62.087	91.15	(29.06)	(864,752)
Preferred dividends	<u>154,706</u>	424	62.087	45.63	16.46	<u>6,975</u>
Total working capital requirement	114,678,028					3,192,831
Total cash and working capital requirement used						3,192,831
MAWC total cash and working capital requirement used						7,313,000

From CAS-7-STL.

## 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	\$115,918,259	\$1,643,202	\$117,561,461	\$14,654,035	\$132,215,496	\$128,413,835
	Operating expenses						
2	Operations and maintenance	56,814,845	8,118,128	64,932,973	107,062	65,040,035	64,932,974
3	Depreciation	18,344,212	2,764,022	21,108,234	-	21,108,234	20,903,865
4	Amortization	-					-
	Taxes other than income taxes						
5	Property taxes	6,222,053	1,183,192	7,405,245	-	7,405,245	7,405,245
6	Payroll taxes	1,383,463	60,013	1,443,476	-	1,443,476	1,443,476
7	PSC fees	604,549	-	604,549	-	604,549	604,549
8	Other	<u>194,020</u>	<u>(84,191)</u>	<u>109,829</u>	<u>-</u>	<u>109,829</u>	<u>109,829</u>
9	Operating income before income taxes	\$32,355,117	(\$10,397,962)	\$21,957,155	\$14,546,973	\$36,504,128	\$33,013,897
	Income taxes						
10	Federal	2,276,243	(441,918)	1,834,327	4,826,016	6,660,343	5,502,445
11	State	970,293	(682,042)	288,253	758,377	1,046,630	864,674
12	Deferred	8,276,655	(5,032,790)	3,243,865	-	3,243,865	3,243,865
13	Amortization of investment tax credit	<u>(129,190)</u>	<u>-</u>	<u>(129,190)</u>	<u>-</u>	<u>(129,190)</u>	<u>(129,190)</u>
14	Utility operating income	\$20,961,116	(\$4,241,212)	\$16,719,900	\$8,962,579	\$25,682,480	\$23,532,103

From CAS-8-STL.

## Missouri American Water Company

### Income Taxes

	<u>At Present Rates</u>		<u>At Proposed Rates</u>		<u>MEG Proposed</u>	
	<u>Federal</u>	<u>State</u>	<u>Federal</u>	<u>State</u>	<u>Federal</u>	<u>State</u>
Utility operating IBIT	\$21,957,155	\$21,957,155	\$36,504,128	\$36,504,128	\$33,013,897	\$33,013,897
Interest expense	<u>10,860,916</u>	<u>10,860,916</u>	<u>10,860,916</u>	<u>10,860,916</u>	<u>10,860,916</u>	<u>10,860,916</u>
Taxable income	11,096,239	11,096,239	25,643,212	25,643,212	22,152,981	22,152,981
<b>Addback (deducts)</b>						
Tax over book depreciation	(8,103,778)	(8,103,778)	(8,103,778)	(8,103,778)	(8,103,778)	(8,103,778)
Non-deductible meals	52,600	52,600	52,600	52,600	52,600	52,600
Amortization preferred stock expense	955	955	955	955	955	955
Non-deductible reserve deficiency	<u>2,483,162</u>	<u>2,483,162</u>	<u>2,483,162</u>	<u>2,483,162</u>	<u>2,483,162</u>	<u>2,483,162</u>
Total Addbacks (Deducts)	(5,567,061)	(5,567,061)	(5,567,061)	(5,567,061)	(5,567,061)	(5,567,061)
<b>Taxable income</b>	5,529,178	5,529,178	20,076,151	20,076,151	16,585,920	16,585,920
<b>Effective tax rate</b>	33.1754%	5.2133%	33.1754%	5.2133%	33.1754%	5.2133%
<b>Proforma income tax</b>	1,834,327	288,253	6,660,343	1,046,630	5,502,445	864,674
<b>Per books amount present rates</b>	2,276,243	970,293	2,276,243	970,293	2,276,243	970,293
<b>Proforma adjustment</b>	(441,916)	(682,040)	4,826,016	758,377	3,226,202	(105,619)

From CAS-12-STL.