

Missouri American Water Company

Acquisition Adjustment

<u>Line</u>	<u>United Water Jefferson City</u> (1)	<u>Valley Park</u> (2)	<u>Webster Groves</u> (3)	<u>Florissant</u> (4)	<u>Total</u> (5)
<u>St. Louis</u>					
1 Proposed rate base for UPAA	\$800,440	(\$860,745)	\$2,947,822	\$4,626,240	\$7,513,757
2 Annual depreciation cost of UPAA	(20,241)	23,292	(79,380)	(128,040)	(204,369)
<u>St. Charles</u>					
3 Proposed rate base for UPAA	66,340	-	-	-	66,340
4 Annual depreciation cost of UPAA	(1,691)	-	-	-	(1,691)

Notes: Figures from MEG 0016, file UPAA.xls, tab Proforma UPAA.

Missouri American Water Company

Change in Revenue Requirement for St. Charles and St. Louis County Districts

<u>Line</u>			<u>St. Louis County District</u>	<u>St. Charles District</u>
<u>MAWC Proposal</u>				
1	Rate base	Schedule CAS-2-XXX	\$309,427,796	\$33,788,613
2	Rate of return on equity	Grubb Testimony, p.10	11.0%	11.0%
3	Rate of return	Schedule CAS-2-XXX	8.3%	8.3%
4	Return	In. 1 * In. 3	25,682,507	2,804,455
5	Depreciation cost	Schedule CAS-8-XXX	21,108,234	1,157,013
<u>Recommended Changes</u>				
<u>Cash Working Capital</u>				
6	Eliminate non-cash items	Schedule 7 -XXX	(4,120,169)	(191,692)
7	Replace zero balance with negative balance	Schedule 7 -SCH	-	(99,027)
8	Total reduction in rate base from CWC changes		(4,120,169)	(290,719)
<u>Acquisition Adjustment</u>				
9	Remove from rate base	Schedule 1, c. 5	(7,513,757)	(66,340)
10	Remove annual depreciation	Schedule 1, c. 5	(204,369)	(1,691)
11	Recommended rate base	In. 1 + In. 6 + In. 9	297,793,870	33,431,554
12	Return on equity	Schedule 3	10.00%	10.00%
13	Recommended rate of return	sum(In. 3 - In. 5)	7.86%	7.86%
14	Return	In. 11 * In. 13	23,419,263	2,629,142
15	Change in depreciation cost	In. 10	(204,369)	(1,691)
16	Change in return	In. 14 - In. 4	(2,263,244)	(175,313)

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Recommended 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 EJG-1.

Missouri American Water Company

St. Louis County District Cash Working Capital

<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
Difference						4,120,169

From CAS-7-STL

Missouri American Water Company

St. Charles District Cash Working Capital

	<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)
MAWC total cash and working capital requirement used						-

From CAS-7-SCH

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	\$115,918,259	\$117,561,461	\$117,561,461
	<u>Expenses</u>			
2	Operations and maintenance	56,814,845	65,040,035	64,932,974
3	Depreciation and amortization	183,442	21,108,234	20,903,865
4	Taxes other than income taxes	8,404,085	9,563,099	9,563,099
5	Income taxes	3,246,536	2,122,580	2,122,580
6	Deferred taxes		3,243,865	3,243,865
7	Other revenue	-	-	-
8	Subtotal	68,648,908	101,077,813	100,766,383
9	Return at present rates	47,269,351	16,483,648	16,795,078
10	Rate base	299,919,642	309,427,796	297,962,634
11	Rate of return on rate base	15.76%	5.33%	5.64%
12	Required rate of return	8.30%	8.30%	7.86%
13	Required return	24,893,330	25,682,507	23,432,535
14	Return deficit/(excess)	(22,376,021)	9,198,859	6,637,456
15	Income tax effect	(14,209,221)	5,841,459	4,214,917
16	Total increase/(decrease) needed	(36,585,241)	15,040,318	10,852,374
17	Total revenue requirement		132,601,779	128,413,835
18	Effect of MEG recommendations on revenue requirement			\$4,187,944

See workpapers - spreadsheet "Revenue Requirement for St. Louis" for derivation.

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	\$8,575,508	\$8,682,717	\$8,682,717
	<u>Expenses</u>			
2	Operations and maintenance	3,906,108	3,303,084	3,303,084
3	Depreciation and amortization	915,581	1,157,013	1,155,322
4	Taxes other than income taxes	728,397	841,129	841,129
5	Income taxes	346,880	259,708	259,708
6	Deferred taxes	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	31,745,280	33,788,613	33,431,554
11	Rate of return on rate base	6.79%	7.48%	7.56%
12	Required rate of return	8.30%	8.30%	7.86%
13	Required return	2,634,858	2,804,455	2,629,142
14	Return deficit/(excess)	479,325	278,354	101,351
15	Income tax effect	300,738	174,645	63,589
16	Total increase/(decrease) needed	780,063	453,000	164,940
17	Total revenue requirement		9,135,717	8,847,657
18	Adjustment to revenue requirement using MEG recommendations			\$288,060

See workpapers - spreadsheet "Revenue Requirement for St. Charles" for derivation.