

Missouri American Water
 Taxable CIAC Example
 WW-2018-0388

APPENDIX A

Estimated Developer Project Costs		
1	Length of Distribution Main Paid for by Developer (feet)	3,000
2	Estimated Price per Foot	\$140
3	Number of Hydrants	3
4	Price per Hydrant	\$2,800
5	Estimated Developer Incurred Project Costs	\$428,400
6	Inspection Costs	50,000
7	Total Project Costs	\$478,400
8	Less: Refund (per Rule 23)	5.0% (23,920)
9	Net Taxable Amount (C)	\$454,480

Calculation of Tax Impact

Tax Impact = (Company's Current Year Tax) - (Present Value of Future Tax Benefits)

Tax Rate (T)	
Federal Tax Rate (F)	21.00%
State Tax Rate (S)	6.25%
Tax Rate (T)	24.63%

Company's Current Year Tax	
Taxable Contribution (C)	\$454,480
Tax Rate (T)	24.63%
Company's Current Year Tax	\$111,916

Present Value of Future Tax Benefits	
Tax Life in Years (N)	25
Annual Cash Flow (CF)	\$4,477
MAWC Rate of Return (R)	7.67%
PV of Future Tax Benefits	\$49,165

Tax Impact	
Company's Current Year Tax	\$111,916
PV of Future Tax Benefits	(49,165)
Tax Impact	\$62,750

Upfront Payment Due to Missouri American Water From Developers

28	Inspection Costs	\$50,000
29	Tax Impact	62,750
30	Total Payment	\$112,750

Note: Per Rule 23, developer projects receive refunds on total projects costs equal to 5% in St. Louis and St. Charles Counties, and 14% in other service areas.