

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. WO-2004-0116 -- Missouri-American Water Company

FROM: Stephen Rackers -- Project Coordinator
Auditing Department

Dale Johansen -- Water & Sewer Department

Jim Merciel -- Water & Sewer Department

Exhibit No. 1
Case No(s). WO-2004-0116
Date 11-21-03 **Rptr** TR

/s/ Stephen M. Rackers 10/31/03
Project Coordinator Date

/s/ Keith R. Krueger 10/31/03
General Counsel's Office Date

SUBJECT: Staff Report and Recommendation Regarding the Application And Petition Of Missouri-American Water Company Seeking The Missouri Public Service Commission's Approval To Establish An Infrastructure System Replacement Surcharge

DATE: October 31, 2003

BACKGROUND

On September 2, 2003, Missouri-American Water Company ("Company" or "MAWC") filed its Application and Petition For Establishment of an Infrastructure System Replacement Surcharge ("ISRS") with the Missouri Public Service Commission ("Commission"). The Company submitted its Application based upon new Missouri statutory sections in Chapter 393 RSMo, which became effective on August 28, 2003 as part of House Bill No. 208. Attached to this Memorandum as Attachment A is that portion of House Bill No. 208 that applies to a Missouri Water Corporation's ISRS filings. The new Missouri statutory sections, 393.1000, 393.1003 and 393.1006, contained within House Bill No. 208, provide eligible water corporations with the ability to recover certain ISRS costs without a formal rate case filing.

On October 16, 2003, the Commission issued its Order Adopting Procedural Schedule in this case, which included a date by which the Staff was to file its report to the Commission concerning the Company's Application. This Memorandum is being filed in response to that Order.

STAFF'S INVESTIGATION

As noted at the beginning of this Memorandum, Staff members from the Auditing and Water & Sewer Departments participated in the Staff's investigation of the Application. All Staff participants,

APPENDIX A

the participants' up-line supervisors and the assigned attorney from the General Counsel's Office were provided the opportunity to review and comment on this Memorandum prior to it being filed. Steve Rackers of the Auditing Department created the initial draft of this Memorandum and comments received from the reviewers were incorporated therein to create this final version of the Memorandum.

The Staff's investigation into the Application included a review of the Application and the supporting documentation, a review of the new Missouri statutory sections 393.1000, 393.1003 and 393.1006 in Chapter 393 RSMo and review of additional data provided by MAWC. Additionally, information regarding the status of MAWC's assessment payment histories and annual report filing histories are set out below.

THE APPLICATION

Specifically, the Company is seeking approval of a surcharge designed to recover the pre-tax ISRS revenues necessary to produce net operating income equal to MAWC's weighted cost of capital multiplied by the net original cost of the requested infrastructure replacements and facilities relocations. MAWC also seeks recovery of all federal, state and local income or excise taxes applicable to such ISRS income and to recover all other ISRS-related costs, which include depreciation expense and property taxes. MAWC is seeking recovery from its customers who are physically located in St. Louis County, Missouri, which is part of the Company's St. Louis district.

MAWC has indicated that all of the eligible infrastructure system replacements meet the following criteria:

1. They replace or extend the useful life of existing infrastructure;
2. They are in service and are used and useful;
3. They do not increase revenues by directly connecting the infrastructure replacement to new customers; and
4. They were not included in the Company's most recent general rate case, WR-2000-844, for St. Louis County Water Company, which was merged with MAWC in 2001.

MAWC has also indicated that its water utility plant projects consist only of the following:

1. Mains, and associated valves and hydrants, installed as replacements for existing facilities that have worn out or are in deteriorated condition; and
2. Facilities relocations required due to construction or improvement of a highway, road, street, public way or other public work by or on behalf of the United States, this state, a political subdivision of this state, or another entity having the power of

eminent domain, less any reimbursements received by the water corporation for these projects.

In its Application, the Company requested an adjustment to its rates and charges through the implementation of an ISRS rate schedule. The Company intends for the ISRS to generate \$4,038,923 of additional revenues on an annual basis. The Company's proposed ISRS tariff would take effect on December 31, 2003 and would remain in effect until the operation of law date, April 19, 2004, associated with the current rate case, WR-2003-0500. Based on the period the ISRS would remain in effect, the Company's calculation of \$4,038,923 of additional annual revenues would produce approximately \$1,206,144 of ISRS revenues, which would be collected from its ratepayers that reside in St. Louis County, from December 31, 2003 through April 16, 2004.

MAWC'S REVENUE CALCULATION

The Staff's believes its calculation, which is discussed later in this recommendation, is the appropriate methodology for determination of the ISRS revenues to be collected. However, regardless of the methodology approved by the Commission, the items described below, which are included in MAWC's calculation of the ISRS revenues, should be adjusted.

1. The amount of reimbursements received by MAWC that are associated with facilities relocations, \$1,962,266, must be subtracted from the amount of the investment.
2. The Company has increased the amount of investment to reflect the change in the accumulated depreciation reserve associated with cost of removal and salvage. The Company has been collecting cost of removal and salvage as part of depreciation expense and accumulating it in the depreciation reserve. This accumulation should offset the amount of cost of removal and salvage incurred.
3. The Company has included property tax associated with all of the plant additions that are included in the ISRS. The amount of property tax appropriately included in the ISRS calculation should only reflect the property taxes that will be due within twelve months of the Company's filing. The only property taxes due within twelve months of the ISRS filing are the taxes that will be paid in December of 2003 associated with plant in service as of January 1, 2003. Therefore, no plant placed in service during 2003 should be included in the calculation of property tax.
4. The Company's calculation has not included all the available deferred income taxes.

STAFF'S REVENUE CALCULATION

The Staff's calculation of the ISRS revenues to be collected incorporates the adjustments discussed above. In addition, the Staff believes the amount of the accumulated depreciation reserve, which is used as a reduction to the replacement mains and facilities relocations, less reimbursements, should be based on a ratio of the Company's investment in this ISRS plant to the total change in the amount of MAWC's investment in plant-in-service, since the last rate case. The ratio for replacement mains was calculated by dividing the amount of replacement mains by the total change in plant, less contributions in aid of construction and customer advances. The ratio for facilities relocations was calculated by dividing the amount of facilities relocations, less reimbursements, by the total change in plant, less contributions in aid of construction and customer advances. These ratios, multiplied by the total change in the accumulated depreciation reserve, provide the amount of the reduction to the replacement mains and facilities relocations.

THE ISRS RATE SCHEDULES

When reviewing the Company's Application and supporting documentation, the Staff anticipated that the proposed ISRS rate schedules would include a volumetric rate for each affected customer class, with the rate to be determined through the use of the customer class billing determinants from the Company's last rate case and the ISRS revenues allocated to each affected customer class. Instead, however, the Company has proposed that the rate be a percentage "add-on" to the affected customers' bills. What is not clear at this point about this subject is whether the percentage add-on will be applied to customers' entire bill or just the usage portion of the bill. The Staff has inquired of the Company regarding this matter, but has not yet received a response to that inquiry.

STAFF'S CONCLUSIONS

Based on its investigation and calculations, the Staff has determined that the Company's ISRS rates should be designed to recover annual revenues of \$1,887,301. The Staff's determination of this amount and the supporting calculations are shown in Attachment B to this Memorandum. These calculations reflect the weighted cost of debt from the most recent rate case multiplied by MAWC's investment in replacement mains, associated valves and hydrants, and facilities relocations, less reimbursements. In its calculations, the Staff has also reduced the ISRS investments by deferred income taxes and the associated pro-rata amount of the accumulated depreciation reserve. The Staff's determination of the ISRS revenues also includes the annual depreciation expense on the ISRS investment, less associated reimbursements and plant retirements. Based on the period the ISRS will remain in effect, the Staff's calculation of \$1,887,301 of additional annual revenues will produce approximately \$563,605 of ISRS revenues, from December 31, 2003 through April 16, 2004.

Based on a "spot-check" of the projects included for recovery in the Company's proposed ISRS, the Staff believes that the projects included meet the requirements of the governing statutes, as are summarized on page 2 of this Memorandum in the discussion of the Company's Application. However, the Staff does believe that further review of the projects included is necessary and will perform that review during the time between the effective date of the subject ISRS rate schedules and the time when a reconciliation of the subject ISRS revenues will be done. Accordingly, the Staff reserves the right to propose adjustments to any future ISRS if it finds that any projects included in this filing should not have been included.

Regarding the proposed ISRS rates, the Staff would prefer that a volumetric rate be established for each affected customer class. However, if the Company's proposed percentage add-on is to be applied only to the usage portion of customer bills, the Staff will not object to the use of that method for this initial ISRS filing.

ASSESSMENTS AND ANNUAL REPORTS

In accordance with established practice regarding the submission of Staff recommendations to the Commission, the Staff has reviewed the status of the Applicant's assessment payments and annual report filings. In this regard, the Staff reviewed electronic information maintained by the Commission's Internal Accounting Department and Data Center, and information in the Commission's Electronic Filing and Information System. The assessment information reviewed covers fiscal years (FY) 1996 through 2004, and the annual report information reviewed covers calendar years 1997 through 2002. Based on its review of this information, the Staff notes that MAWC has no delinquent assessments for fiscal years 1996 thru 2003 and is also current on its payments for its FY2004 assessment (it is making quarterly payments). Likewise, MAWC does not have any past due annual reports.

STAFF'S RECOMMENDATIONS

Based upon the above, the Staff recommends that the Commission issue an order in this case that:

1. Approves MAWC's Application to implement ISRS rate schedules; and
2. Approves the Staff's determination the ISRS surcharge revenues in the amount of \$1,887,301 on an annual basis, as it appears in Attachment B hereto.

Statutory Provisions for Water Utility Infrastructure System Replacement Surcharge

393.1000. As used in sections 393.1000 to 393.1006, the following terms mean:

(1) "Appropriate pretax revenues", the revenues necessary to produce net operating income equal to:

(a) The water corporation's weighted cost of capital multiplied by the net original cost of eligible infrastructure system replacements, including recognition of accumulated deferred income taxes and accumulated depreciation associated with eligible infrastructure system replacements which are included in a currently effective ISRS; and

(b) Recover state, federal, and local income or excise taxes applicable to such income; and

(c) Recover all other ISRS costs;

(2) "Commission", the Missouri public service commission;

(3) "Eligible infrastructure system replacements", water utility plant projects that:

(a) Replace or extend the useful life of existing infrastructure;

(b) Are in service and used and useful;

(c) Do not increase revenues by directly connecting the infrastructure replacement to new customers; and

(d) Were not included in the water corporation's rate base in its most recent general rate case;

(4) "ISRS", infrastructure system replacement surcharge;

(5) "ISRS costs", depreciation expenses, and property taxes that will be due within twelve months of the ISRS filing;

(6) "ISRS revenues", revenues produced through an ISRS, exclusive of revenues from all other rates and charges;

(7) "Water corporation", every corporation, company, association, joint stock company or association, partnership, and person, their lessees, trustees, or receivers appointed by any court whatsoever, owning, operating, controlling, or managing any plant or property, dam or water supply, canal, or power station, distributing or selling for distribution, or selling or supplying for gain any water to more than ten thousand customers;

(8) "Water utility plant projects", may consist only of the following:

(a) Mains, and associated valves and hydrants, installed as replacements for existing facilities that have worn out or are in deteriorated condition;

(b) Main cleaning and relining projects; and

(c) Facilities relocations required due to construction or improvement of a highway, road, street, public way, or other public work by or on behalf of the United States, this state, a political subdivision of this state, or another entity having the power of eminent domain provided that the costs related to such projects have not been reimbursed to the water corporation.

393.1003. 1. Notwithstanding any provisions of chapter 386, RSMo, and this chapter to the contrary, as of August 28, 2003, a water corporation providing water service in a county with a charter form of government and with more than one million inhabitants may file a petition and proposed rate schedules with the commission to establish or change ISRS rate schedules that will allow for the adjustment of the water corporation's rates and charges to provide for the recovery of costs for eligible infrastructure system replacements made in such county with a charter form of government and with more than one million inhabitants; provided that an ISRS, on an annualized basis, must produce ISRS revenues of at least one million dollars but not in excess of ten percent of the water corporation's base revenue level approved by the commission in the water corporation's most recent general rate proceeding. An ISRS and any future changes thereto shall be calculated and implemented in accordance with the provisions of sections 393.1000 to 393.1006. ISRS revenues shall be subject to refund based upon a finding and order of the commission, to the extent provided in subsections 5 and 8 of section 393.1006.

2. The commission shall not approve an ISRS for a water corporation in a county with a charter form of government and with more than one million inhabitants that has not had a general rate proceeding decided or dismissed by issuance of a commission order within the past three years, unless the water corporation has filed for or is the subject of a new general rate proceeding.

3. In no event shall a water corporation collect an ISRS for a period exceeding three years unless the water corporation has filed for or is the subject of a new general rate proceeding; provided that the ISRS may be collected until the effective date of new rate schedules established as a result of the new general rate proceeding, or until the subject general rate proceeding is otherwise decided or dismissed by issuance of a commission order without new rates being established.

393.1006. 1. (1) At the time that a water corporation files a petition with the commission seeking to establish or change an ISRS, it shall submit proposed ISRS rate schedules and its supporting documentation regarding the calculation of the proposed ISRS with the petition, and shall serve the office of the public counsel with a copy of its petition, its proposed rate schedules and its supporting documentation.

(2) Upon the filing of a petition, and any associated rate schedules, seeking to establish or change an ISRS, the commission shall publish notice of the filing.

2. (1) When a petition, along with any associated proposed rate schedules, is filed pursuant to the provisions of sections 393.1000 to 393.1006, the commission shall conduct an examination of the proposed ISRS.

(2) The staff of the commission may examine information of the water corporation to confirm that the underlying costs are in accordance with the provisions of sections 393.1000 to 393.1006, and to confirm proper calculation of the proposed charge, and may submit a report regarding its examination to the commission not later than sixty days after the petition is filed. No other revenue requirement or ratemaking issues shall be examined in consideration of the petition or associated proposed rate schedules filed pursuant to the provisions of sections 393.1000 to 393.1006.

(3) The commission may hold a hearing on the petition and any associated rate schedules and shall issue an order to become effective not later than one hundred twenty days after the petition is filed.

(4) If the commission finds that a petition complies with the requirements of sections 393.1000 to 393.1006, the commission shall enter an order authorizing the water corporation to impose an ISRS that is sufficient to recover appropriate pretax revenues, as determined by the commission pursuant to the provisions of sections 393.1000 to 393.1006.

3. A water corporation may effectuate a change in its rate pursuant to this section no more often than two times every twelve months.

4. In determining the appropriate pretax revenues, the commission shall consider only the following factors:

(1) The current state, federal, and local income or excise tax rates;

(2) The water corporation's actual regulatory capital structure as determined during the most recent general rate proceeding of the water corporation;

(3) The actual cost rates for the water corporation's debt and preferred stock as determined during the most recent general rate proceeding of the water corporation;

(4) The water corporation's cost of common equity as determined during the most recent general rate proceeding of the water corporation;

(5) The current property tax rate or rates applicable to the eligible infrastructure system replacements;

(6) The current depreciation rates applicable to the eligible infrastructure system replacements;

(7) In the event information called for in subdivisions (2), (3), and (4) is unavailable and the commission is not provided with such information on an agreed-upon basis, the commission shall refer to the testimony submitted during the most recent general rate proceeding of the water corporation and use, in lieu of any such unavailable information, the recommended capital structure, recommended cost rates for debt and preferred stock, and recommended cost of common equity that would produce the average weighted cost of capital based upon the various recommendations contained in such testimony.

5. (1) An ISRS shall be calculated based upon the amount of ISRS costs that are eligible for recovery during the period in which the surcharge will be in effect and upon the applicable customer class billing determinants utilized in designing the water corporation's customer rates in its most recent general rate proceeding. The commission shall, however, only allow such surcharges to apply to classes of customers receiving a benefit from the subject water utility plant projects or shall prorate the surcharge according to the benefit received by each class of customers; provided that the ISRS shall be applied in a manner consistent with the customer class cost-of-service study recognized by the commission in the water corporation's most recent general rate proceeding, if applicable, and with the rate design methodology utilized to develop the water corporation's rates resulting from its most recent general rate proceeding.

(2) At the end of each twelve-month calendar period that an ISRS is in effect, the water corporation shall reconcile the differences between the revenues resulting from an ISRS and the appropriate pretax revenues as found by the commission for that period and shall submit the reconciliation and a proposed ISRS adjustment to the commission for approval to recover or refund the difference, as appropriate, through adjustment of an ISRS.

6. (1) A water corporation that has implemented an ISRS pursuant to the provisions of sections 393.1000 to 393.1006 shall file revised rate schedules to reset the ISRS to zero when new base rates and charges become effective for the water corporation following a commission order establishing customer rates in a general rate proceeding that incorporates in the utility's base rates subject to subsections 8 and 9 of this section eligible costs previously reflected in an ISRS.

(2) Upon the inclusion in a water corporation's base rates subject to subsections 8 and 9 of this section of eligible costs previously reflected in an ISRS, the water corporation shall immediately thereafter reconcile any previously unreconciled ISRS revenues as necessary to ensure that revenues resulting from the ISRS match as closely as possible the appropriate pretax revenues as found by the commission for that period.

7. A water corporation's filing of a petition to establish or change an ISRS pursuant to the provisions of sections 393.1000 to 393.1006 shall not be considered a request for a general increase in the water corporation's base rates and charges.

8. Commission approval of a petition, and any associated rate schedules, to establish or change an ISRS pursuant to the provisions of sections 393.1000 to 393.1006 shall in no way be binding upon the commission in determining the ratemaking treatment to be applied to eligible infrastructure system replacements during a subsequent general rate proceeding when the commission may undertake to review the prudence of such costs. In the event the commission disallows, during a subsequent general rate proceeding, recovery of costs associated with eligible infrastructure system replacements previously included in an ISRS, the water corporation shall offset its ISRS in the future as necessary to recognize and account for any such overcollections.

9. Nothing contained in sections 393.1000 to 393.1006 shall be construed to impair in any way the authority of the commission to review the reasonableness of the rates or charges of a water corporation, including review of the prudence of eligible infrastructure system replacements made by a water corporation, pursuant to the provisions of section 386.390 RSMo.

10. The commission shall have authority to promulgate rules for the implementation of sections 393.1000 to 393.1006, but only to the extent such rules are consistent with, and do not delay the implementation of, the provisions of sections 393.1000 to 393.1006. Any rule or portion of a rule, as that term is defined in section 536.010, RSMo, that is created under the authority delegated in this section shall become effective only if it complies with and is subject

to all of the provisions of chapter 536, RSMo, and, if applicable, section 536.028, RSMo. This section and chapter 536, RSMo, are nonseverable and if any of the powers vested with the general assembly pursuant to chapter 536, RSMo, to review, to delay the effective date, or to disapprove and annul a rule are subsequently held unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted after August 28, 2003, shall be invalid and void.

Missouri-American Water Company
ISRS Revenue Requirements Calculation
St. Louis District

ISRS Activity:

Total for
ISRS-1 Filing

Water Utility Plant Projects--Replacement Mains, and Associated Valves and Hydrants (RM) RSMo 393.1000 (8a):

STLC-Replacement Mains and Associated Valves and Hydrants	\$20,723,376
Deferred Taxes	(1,633,436)
Accumulated Depreciation	<u>(11,897,494)</u>
Total Net 393.1000 (8a)	<u>7,192,446</u>

Water Utility Plant Projects--Main Cleanings and Relinings (RM) RSMo 393.1000 (8b):

STLC-Main Cleanings and Relinings	0
Deferred Taxes	0
Accumulated Depreciation	<u>0</u>
Total Net 393.1000 (8a)	<u>0</u>

Water Utility Plant Projects--Facilities Relocations (FR) RSMo 393.1000 (8c):

STLC-Relocated Facilities	8,324,597
Reimbursements	(1,962,266)
Deferred Taxes	(727,525)
Accumulated Depreciation	<u>(3,652,677)</u>
Total Net 393.1000 (8c)	<u>1,982,130</u>

Total ISRS Rate Base	9,174,576
Overall Rate Of Return per Last Order (WR-2000-0844)	8.59%
UOI Required	788,096
Income Tax Conversion Factor	<u>1.623077</u>
Revenue Req. Before Interest Deductibility	<u>1,279,140</u>

Total ISRS Rate Base	9,174,576
Embedded Cost of Debt per Last Order (WR-2000-0844)	<u>3.440%</u>
Interest Expense Deduction	315,605
Combined Federal and State Income Tax Rate	<u>38.388626%</u>
Income Tax Reduction due to Interest	121,157
Tax Conversion Factor	<u>1.623077</u>
Revenue Req Impact - Interest Deductibility	<u>196,646</u>

Total Revenue Requirement on Capital	1,082,494
Depreciation Expense	564,043
Property Taxes	<u>240,765</u>
Total ISRS Revenues	<u>\$ 1,887,301</u>

Missouri-American Water Company
ISRS # 1 Filing
St. Louis District
Determination Of Net Plant

	<u>WR-2000-844</u>	<u>Final July 2003</u>	<u>Change</u>	<u>Infrastructure Replacement</u>	<u>Facilities Relocations</u>
Plant In Service	528,153,860	635,902,631	107,748,771	20,723,376	8,324,597
Advances	40,813,916	47,382,273	6,568,357		
CIAC (Including Reimbursements)	<u>64,883,811</u>	<u>72,748,267</u>	<u>7,864,456</u>		<u>1,962,266</u>
Invested Plant	422,456,133	515,772,091	93,315,958	20,723,376	6,362,331
Depreciation Reserve	147,574,762	201,148,371	53,573,609	11,897,494	3,652,677

(1)

(1)	<u>WR-2003-0500 Company Direct 12/31/2002</u>			<u>JULY 2003</u>	
	<u>Total Co.</u>	<u>STL</u>	<u>% of Total</u>	<u>Corporate</u>	<u>STL</u>
Plant In Service	889,575,461	620,777,338	69.78%	9,193,210	629,487,283
Acc. Depr. Res.	233,583,554	189,388,413	81.08%	439,701	200,791,864
Customer Adv.	54,601,235	47,815,792	87.57%	175,209	47,228,838
CIAC	97,358,619	70,182,659	72.09%		72,748,267

Final July 2003 equals JULY 2003 STL plus Corporate allocated on the % of Total

Missouri-American Water Company
ISRS # 1 Filing
St. Louis District
Deferred Income Taxes

Composite Tax Rate: 38.3886%

Mains, Valves and Hydrant Replacements

	2001	2002	2003	
Additions Pre- 9/11	7,553,853	-	-	
Year 2001	25,518	-	-	
Year 2002	51,037	-	-	
Year 2003	34,025	-	-	
Total	110,580	-	-	
Additions Post- 9/11	1,707,727	8,465,843	2,995,953	
Bonus Depreciation	512,318	2,539,753	898,786	
Deferred Tax on Bonus Depr (35%)	179,311	888,914	314,575	
Adjusted Tax Basis	1,195,409	5,926,090	2,097,167	
Year 2001	4,191	20,777	7,353	
Year 2002	8,382	41,554	14,705	
Year 2003	5,588	27,702	9,804	
Total	18,161	90,033	31,862	
Total Deferred Taxes	308,053	978,947	346,437	1,633,436

Relocations

	2,001	2,002	2,003	
Additions Pre- 9/11	561,448	-	-	
Less: Reimbursements	480,435	-	-	
Additions Pre- 9/11	81,013	-	-	
Year 2001	274	-	-	
Year 2002	547	-	-	
Year 2003	365	-	-	
	1,186	-	-	
Additions Pre- 9/11	478,069	4,452,367	2,832,714	
Less: Reimbursements	409,087	1,045,444	27,300	
Additions Post- 9/11	68,982	3,406,923	2,805,414	
Bonus Depreciation	20,695	1,022,077	841,624	
Deferred Tax on Bonus Depr (35%)	7,243	357,727	294,568	
Adjusted Tax Basis	48,287	2,384,846	1,963,790	
Year 2001	169	8,361	6,885	
Year 2002	339	16,723	13,770	
Year 2003	226	11,148	9,180	
	734	36,232	29,835	
Total Deferred Taxes	9,162	393,959	324,403	727,525
Depreciation Differential	Year 1	0.88%		
	After Year	1.76%		

**Missouri-American Water Company
ISRS # 1 Filing
St. Louis District
Other Expenses**

Property Tax Calculation

Total ISRS Investment at 1/1/2003	23,219,306
Less: Retirements	<u>(1,874,854)</u>
Net Change in Property Base	21,344,452
Property Tax Rate	<u>1.1280%</u>
Property Tax Expense	<u><u>240,765</u></u>
2002 Real Estate Tax Paid	5,004,901
Utility Plant- Self Constructed	<u>443,685,503</u>
Rate	1.1280%

Represents Total 2002 Real Estate Tax Paid	5,716,363
Less: Parcel Tax	<u>(711,462)</u>
RE Tax on Self-Constructed Property	5,004,901

Depreciation Expense Summary

Replacements Depreciation Expense	\$ 486,148
Relocations Depreciation Expense	\$ 165,362
Retirements Depreciation Expense	\$ (48,418)
Depreciation associated with Relocation Reimbursements	<u>\$ (39,049)</u>
Depreciation Expense	<u><u>\$ 564,043</u></u>