

**CALCULATIONS RELATED TO PROPOSED LANGUAGE FOR 3.650  
PERTAINING TO THE INITIAL FILING OF AN I.S.R.S. RATE SCHEDULE**

<b>A Parameters for Calculations</b>		
1	Original Cost of Annual Water Utility Plant Projects Eligible for Recovery thru an ISRS	10,000,000
2	Annual Retirements Related to Water Utility Plant Projects Eligible for Recovery thru an ISRS	1,000,000
3	Months Elapsed Since Last Rate Case at the Time of the Filing of the Initial ISRS Petition	18
4	Composite Annual Depreciation Rate	2.0%
5	Composite Annual Property Tax Rate	1.2%

<b>B Calculation of "ISRS Costs" Eligible for Recovery</b>		
Calculations Shown to Reflect Proposed Language for 3.650(1)(E)		
1	Original Cost of Water Utility Plant Projects Eligible for Recovery thru an ISRS	15,000,000
2	[10,000,000 annual additions x (18 months/12 months per year)]	
3	Plant Retirements Related to Water Utility Plant Projects Eligible for Recovery thru an ISRS	1,500,000
4	[1,000,000 annual retirements x (18 months/12 months per year)]	
5	Net Change in Water Utility Plant Projects Eligible for Recovery thru an ISRS	13,500,000
6	[original cost of additions less related retirements]	
7	[15,000,000 - 1,500,000]	
8	<b>Annual Depreciation Expense Recoverable thru the ISRS</b>	<b>270,000</b>
9	[13,500,000 x .02]	
10	<b>Annual Property Tax Expense Recoverable thru the ISRS</b>	<b>162,000</b>
11	[13,500,000 x .012 and assumes that all will be paid within 12 months of ISRS petition filing date]	
12	<b>Annual Recoverable "ISRS Costs"</b>	<b>432,000</b>
13	[depreciation expense + property taxes]	
14	[270,000 + 162,000]	

**Exhibit No. 2**  
**Case No(s) WX-2004-0093**  
**Date 12-11-03 Rptr H.C.**

**FILED**

**JAN 08 2004**

**Missouri Public  
Service Commission**

**CALCULATIONS RELATED TO PROPOSED LANGUAGE FOR 3.650  
PERTAINING TO THE INITIAL FILING OF AN I.S.R.S. RATE SCHEDULE**

<b>A</b>	<b>Parameters for Calculations</b>	
1	Balance of All Plant Eligible for Recovery thru an ISRS at End of Last Rate Case	50,000,000
2	Original Cost of Annual Water Utility Plant Projects Eligible for Recovery thru an ISRS	10,000,000
3	Annual Retirements Related to Water Utility Plant Projects Eligible for Recovery thru an ISRS	1,000,000
4	Months Elapsed Since Last Rate Case at the Time of the Filing of the Initial ISRS Petition	18
5	Composite Annual Depreciation Rate	2.0%
6	Composite Annual Deferred Income Tax Rate	8.0%
<b>B</b>	<b>Calculation of the ISRS "Rate Base" for the Initial ISRS Filing</b>	
	Calculations Shown to Reflect Proposed Language for 3.650(18)(G)	
1	Original Cost of Water Utility Plant Projects Eligible for Recovery thru an ISRS	15,000,000
2	Deductions from Original Cost of Water Utility Plant Projects Eligible for Recovery thru an ISRS	
3	Accumulated Depreciation on All Plant Eligible for Recovery thru an ISRS at End of Last Rate Case	1,500,000
4	[50,000,000 x .02 x (18 months/12 months per year)]	
5	Accumulated Deferred Taxes on All Plant Eligible for for Recovery thru an ISRS at End of Last Rate Case	6,000,000
6	[50,000,000 x .08 x (18 months/12 months per year)]	
7	Total Deductions from Original Cost of Water Utility Plant Projects Eligible for Recovery thru an ISRS	7,500,000
8	<b>ISRS "Rate Base" to Use for Calculating the Allowable Increase in Net Operating Income</b>	7,500,000
9	[original cost of eligible water utility plant projects less accumulated depreciation and accumulated deferred taxes]	
10	[15,000,000 - 1,500,000 - 6,000,000]	

**CALCULATIONS RELATED TO PROPOSED LANGUAGE FOR 3.650  
PERTAINING TO THE FIRST CHANGE TO AN I.S.R.S. RATE SCHEDULE**

A	Parameters for Calculations	
1	Original Cost of Annual Water Utility Plant Projects Eligible for Recovery thru an ISRS	10,000,000
2	Annual Retirements Related to Water Utility Plant Projects Eligible for Recovery thru an ISRS	1,000,000
3	Months Elapsed between Filing of the Initial ISRS Petition and the Filing of the First Change to the ISRS	9
4	Composite Annual Depreciation Rate	0
5	Composite Annual Property Tax Rate	0
B	Calculation of "ISRS Costs" Eligible for Recovery	
Calculations Shown to Reflect Proposed Language for 3.650(1)(E)		
1	Original Cost of Water Utility Plant Project Additions Eligible for Recovery thru the ISRS	7,500,000
2	[10,000,000 annual additions x (9 months/12 months per year)]	
3	Plant Retirements Related to Water Utility Plant Project Additions Eligible for Recovery thru the ISRS	750,000
4	[1,000,000 annual retirements x (9 months/12 months per year)]	
5	Net Change in Water Utility Plant Project Additions Eligible for Recovery thru the ISRS	6,750,000
6	[original cost of additions less related retirements]	
7	[7,500,000 - 750,000]	
7	<b>Annual Depreciation Expense on Water Utility Plant Additions Recoverable thru the ISRS</b>	<b>135,000</b>
8	[6,750,000 x .02]	
9	<b>Annual Property Tax Expense on Water Utility Plant Additions Recoverable thru the ISRS</b>	<b>81,000</b>
10	[6,750,000 x .012 <u>and</u> assumes that all will be paid within 12 months of ISRS petition filing date]	
11	<b>Annual Recoverable "ISRS Costs" Related to the Water Utility Plant Additions</b>	<b>216,000</b>
12	[depreciation expense + property taxes]	
13	[135,000 + 81,000]	
14	<b>Annual Recoverable "ISRS Costs" from Initial Filing</b>	<b>432,000</b>
15	<b>Total Annual Recoverable "ISRS Costs"</b>	<b>648,000</b>
16	[sum of costs from initial filing and "change" filing]	
17	[216,000 + 432,000]	

**CALCULATIONS RELATED TO PROPOSED LANGUAGE FOR 3.650  
PERTAINING TO THE FIRST CHANGE TO AN I.S.R.S. RATE SCHEDULE**

<b>A</b>	<b>Parameters for Calculations</b>	
1	Balance of All Plant Eligible for Recovery thru an ISRS at End of Last Rate Case	50,000,000
2	Amount of Water Utility Plant Projects Included for Recovery in the Initial ISRS	13,500,000
3	Amount of ISRS "Rate Base" from Initial Filing	7,500,000
4	Original Cost of Annual Water Utility Plant Projects Eligible for Recovery thru an ISRS	10,000,000
5	Annual Retirements Related to Water Utility Plant Projects Eligible for Recovery thru an ISRS	1,000,000
6	Months Elapsed between Filing of the Initial ISRS Petition and the Filing of the First Change to the ISRS	9
7	Composite Annual Depreciation Rate	2.0%
8	Composite Annual Deferred Income Tax Rate	8.0%
<hr/>		
<b>B</b>	<b>Calculation of ISRS "Rate Base" for the First Change to the ISRS</b>	
	Calculations Shown to Reflect Proposed Language for 3.650(18)(G)	
1	Original Cost of Water Utility Plant Project Additions Eligible for Recovery thru the ISRS	7,500,000
2	Amount of ISRS "Rate Base" from Initial Filing	7,500,000
3	Deductions from Original Cost of Water Utility Plant Project Additions Eligible for Recovery thru the ISRS	
4	Accumulated Depreciation on Plant Included for Recovery in the Initial ISRS	202,500
5	[13,500,000 x .02 x (9 months/12 months per year)]	
6	Accumulated Deferred Taxes on Plant Included for Recovery in the Initial ISRS	810,000
7	[13,500,000 x .08 x (9 months/12 months per year)]	
8	Deductions from ISRS "Rate Base" from Initial Filing	
9	Accumulated Depreciation on All Plant Eligible for Recovery thru the ISRS at End of Last Rate Case	750,000
10	[50,000,000 x .02 x (9 months/12 months per year)]	
11	Accumulated Deferred Taxes on All Plant Eligible for Recovery thru an ISRS at End of Last Rate Case	3,000,000
12	[50,000,000 x .08 x (9 months/12 months per year)]	
13	Total Deductions to Use in Calculating New ISRS "Rate Base"	4,762,500
14	New ISRS "Rate Base" to Use for Calculating Allowable Increase in Net Operating Income	10,237,500
15	[(ISRS "rate base" from initial filing plus original cost of water utility plant project additions in "change" filing) less (total accumulated depreciation and total accumulated deferred taxes)]	
16	[(7,500,000 + 7,500,000) - (135,000 + 500,000) - (540,000 + 2,000,000)]	