

**In the Matter of a Proposed Rule to
Establish a Procedure for Water Utilities
to Establish an Infrastructure System
Replacement Surcharge**

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STATE OF MISSOURI)
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COUNTY OF COLE)

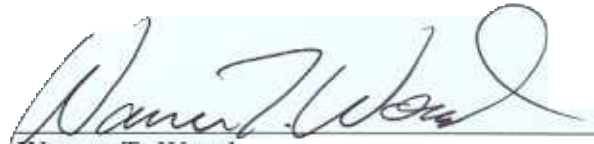
Section 393.1003, RSMo, which was enacted by the General Assembly in 2003 as part of Senate Substitute for Senate Committee Substitute for House Bill 208, provides that a water corporation that is subject to the jurisdiction of the Commission and that satisfies certain other criteria may file a petition and proposed rate schedules with the Commission to establish or change “Infrastructure System Replacement Surcharge” rate schedules that will allow for the adjustment of the water corporation’s rates and charges to provide for the recovery of the costs of its eligible infrastructure system replacements. Other provisions of Sections 393.1000 to 393.1006 describe additional requirements that must be met and standards that must be applied in determining whether an Infrastructure System Replacement Surcharge should be imposed, the amount and duration of the surcharge and the methods to be applied in reconciling the revenues collected under the surcharge with the costs to which the surcharge is to be applied.

2. There is not presently in place any rule that specifies the information that an eligible water corporation must provide to the Commission when it seeks an Infrastructure System

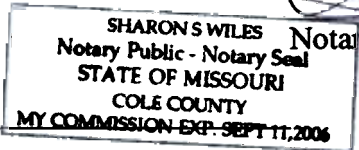

Exhibit B

Replacement Surcharge, the procedure that an eligible water corporation must follow in submitting its request for a surcharge, and the methods that the Commission and an eligible water corporation must follow in administering an Infrastructure System Replacement Surcharge.

3. Senate Substitute for Senate Committee Substitute for House Bill 208 becomes effective on August 28, 2003. On that date, there will be no rule governing the procedure to be followed in implementing an Infrastructure System Replacement Surcharge, unless the Commission promulgates an emergency rule. Thus, adoption of the proposed emergency rule will facilitate Missouri-American Water Company, the only company that is eligible to seek an Infrastructure System Replacement Surcharge pursuant to House Bill 208, in obtaining less costly and expedited review and resolution of rate increase requests, if it seeks to proceed pursuant to the new statute.


Warren T. Wood

Subscribed and sworn to before me, the undersigned notary public this 6th day of August, 2003.

My Commission Expires: _____
  Sharon S. Wiles, Notary Public