

Exhibit No.:

Issue: Operating Statement and
Adjustments

Witness: L. J. Gutowski

Type of Exhibit: Direct

Sponsoring Party: MAWC

Case No.: WR-2000-281 and
SR-2000-282

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WR-2000-281

CASE NO. SR-2000-282

FILED³

NOV 19 1999

**Direct Testimony of
LINDA J. GUTOWSKI
on Behalf of**

Missouri Public
Service Commission

MISSOURI-AMERICAN WATER COMPANY (MAWC)

JEFFERSON CITY, MISSOURI

NOVEMBER 19, 1999

**DIRECT TESTIMONY OF
LINDA J. GUTOWSKI**

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**MISSOURI-AMERICAN WATER COMPANY
DIRECT TESTIMONY OF
LINDA J. GUTOWSKI**

1 **1. Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE**
2 **RECORD.**

3 A. My name is Linda J. Gutowski and my business address is Marlton Executive Park,
4 701 Route 73, Building One, Suite 300, Marlton, New Jersey 08053.

5 **2. Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by the American Water Works Service Company (hereinafter
7 referred to as the "Service Company") as Assistant Director of Rates and Revenue.

8 **3. Q. WHAT ARE YOUR RESPONSIBILITIES IN THIS POSITION?**

9 A. My responsibilities include the direction and supervision of the preparation of work
10 papers, exhibits, and testimony in support of rate applications of the operating
11 Companies within the Region to which we provide support.

12 **4. Q. PLEASE DESCRIBE YOUR EDUCATION BACKGROUND AND BUSINESS**
13 **EXPERIENCE?**

14 A. I am a graduate of Susquehanna University with a Bachelor of Arts Degree in
15 Economics. I studied Accounting for four semesters at the Wharton School of the
16 University of Pennsylvania. I have attended the NARUC Seminar on Water Utility
17 Regulation, the Advanced Regulatory Concepts School of Arthur Andersen, and the
18 --Edison Electric Institute's Advanced Course on Electric Rates.

19 I began my employment with American Water Works Service Company as an
20 Accountant in 1974. I was promoted to the position of Rate Analyst in 1976.

21 I left the company in 1978 to work for an environmental engineering consulting

1 firm, Betz Converse Murdoch, as a Financial Specialist to obtain federal grants and
2 municipal bonds to finance the construction of regional water and wastewater
3 treatment plants, set rates to cover bond indenture requirements, and perform cash
4 flow analyses for these projects.

5 In 1983, I worked for the Arizona Corporation Commission as an Auditor and in
6 1984 was promoted to Rate Analyst. In that capacity, I prepared audits for water
7 companies, monitored fuel adjustment clauses for electric and gas companies, and
8 testified in Certificate of Convenience and Necessity cases.

9 I left the Arizona Commission in 1986 to work for Arizona Public Service Company
10 as a Rate Analyst. I was promoted to Rate Analyst III in 1988 and remained with
11 that company until 1992. In my capacity as Rate Analyst III, I helped prepare rate
12 cases and support testimony. I also was involved in tariff application and
13 development of new tariffs to complement new technologies in the electric energy
14 field.

15 I returned to American Water Works Service Company in 1994 as a Senior Rate
16 Analyst and was promoted to Revenue Requirement Specialist in 1996 and to
17 Assistant Director of Rates in 1999.

18 **5. Q. HAVE YOU PREVIOUSLY PARTICIPATED IN REGULATORY**
19 **MATTERS?**

20 A. Yes. I have participated in the preparation of rate cases in Pennsylvania, New
21 Jersey, Connecticut, New York, Massachusetts, Delaware, Kentucky, New Mexico,
22 Iowa, Virginia, Maryland, Arizona, Ohio, and Missouri. I have submitted testimony
23 before the various state commissions in Arizona, Maryland, Missouri, and Ohio.

1 6. Q. ARE YOU GENERALLY FAMILIAR WITH THE BUSINESS AND
2 FINANCIAL CONDITION OF MISSOURI-AMERICAN WATER
3 COMPANY?

4 A. Yes, I am.

5 7. Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS
6 CASE?

7 A. The purpose of my testimony is to support the development of a portion of the
8 Revenue Requirement for the Missouri-American Water Company (hereinafter
9 referred to as the "Company" or "MAWC"). I am also supporting operating and
10 maintenance expenses, depreciation and amortization expenses, and taxes other than
11 Income Taxes on the Income Statement as well as certain pro forma adjustments of
12 MAWC.

13 8. Q. WHAT IS THE TEST YEAR THAT THE COMPANY IS PROPOSING TO
14 USE IN THIS PROCEEDING?

15 A. The Test Year is the twelve months ended September 30, 1999.

16 **TRUE-UP CHANGES**

17 9. Q. WILL THE COMPANY BE REQUESTING A TRUE-UP IN THIS
18 PROCEEDING?

19 A. Yes. Company witness Mr. Salser will be addressing the details of the true-up in his
20 direct testimony.

21 10. Q. IS THE COMPANY PROPOSING TO ADJUST THE TEST YEAR FOR ANY
22 KNOWN AND MEASURABLE CHANGES THAT ARE ANTICIPATED TO

1 OCCUR SUBSEQUENT TO THE TRUE-UP DATE OF APRIL 30, 2000?

2 A. Yes. The Company is proposing adjustments to the following items which are
3 anticipated to occur subsequent to April 30, 2000:

- 4 • Rate Case Expense expenditures through conclusion of the rate
5 case;
- 6 • Changing from Quarterly to Monthly Meter Reading in the St.
7 Joseph District at the conclusion of this case;
- 8 • Amortization of an Environmental Audit;
- 9 • Amortization of the Management Study;
- 10 • Amortization of Moving Expenses;
- 11 • Amortization of the Condemnation Proceedings;
- 12 • Amortization of the Premature Retirement of the "old" St. Joseph
13 Treatment Plant;
- 14 • Amortization of the Post-in-Service AFUDC on the "new" St.
15 Joseph Treatment Plant; and
- 16 • Amortization of Deferred Depreciation Expense on the "new" St.
17 Joseph Treatment Plant.

18 These items are discussed in further detail either in direct testimony or in specific
19 schedules attached to the direct testimony of Company witnesses.

20 IDENTIFICATION OF SCHEDULES

21 11. Q. MS. GUTOWSKI, PLEASE IDENTIFY SCHEDULES LJG-1 THROUGH
22 LJG-3.

23 A. I am sponsoring Schedules LJG-1 through LJG-3 which consist of the following:

24	<u>Schedule</u>	<u>Description</u>
25	LJG-1	Overall Revenue Requirement Summary and Statement of

1 Income per Books and Proforma - Total Company
2 LJG-2 Overall Revenue Requirement Summary and Statement of
3 Income per Books and Proforma - Water Districts; details
4 of Income Statement Proforma Adjustments
5 LJG-3 Overall Revenue Requirement Summary and Statement of
6 Income per Books and Proforma - Sewer District; details of
7 Income Statement Proforma Adjustments

8 12. Q. WERE THESE SCHEDULES PREPARED BY YOU OR UNDER YOUR
9 SUPERVISION?

10 A. Yes, these schedules were prepared by me or under my supervision and direction.

11 13. Q. WHAT IS THE SOURCE OF THE ACCOUNTING FIGURES AND OTHER
12 FINANCIAL DATA CONTAINED IN THESE SCHEDULES?

13 A. All of the accounting figures and other financial data contained in these schedules
14 were derived from the accounting books and records and budgets of the Company,
15 except for those items marked as adjustments or as pro forma figures. In those
16 instances, the final figures were based upon the latest known information derived
17 from the source documents of the Company and/or information furnished me by the
18 officers and management of the Company.

19 14. Q. PLEASE BRIEFLY DESCRIBE SCHEDULE LJG-1.

20 A. The Overall Revenue Requirement Summary schedule indicates a Revenue
21 Deficiency of approximately \$16,500,000 based on the requested Rate of Return of
22 9.11% on a Rate Base of over \$177,227,000 (as explained in Mr. Salser's
23 testimony). These figures are the combined total of the Water Districts and the
24 Sewer District for the Company.

WATER ADJUSTMENTS

15. Q. SCHEDULE LJG-2 IS FOLLOWED BY SCHEDULES LJG-2.1 THROUGH LJG-2.xx. PLEASE BRIEFLY DESCRIBE THESE SCHEDULES.

A. These schedules contain an Overall Revenue Requirement Summary and a Statement of Income for the Water Districts. These schedules further contain the detail that supports the pro forma adjustments at Present Rates for the Water Districts.

Schedule LJG-2.1 is a Summary of the Operating and Maintenance Expense categories for the Test Year, the Adjustments to those amounts, and the proforma expense levels under Present Rates.

Schedule LJG-2.2 shows the detail of these pro forma adjustments in a chart format. Along the top horizontal edge are the individual schedules that support the adjustments. Down the left vertical edge are the line items as shown on Schedule LJG-2.1. The chart is very useful since some of the pro forma adjustments affect more than one line on the summary in Schedule LJG-2.1.

Schedule LJG-2.33 through Schedule LJG-2.34 contains a detailed explanation of the various pro forma adjustments requested in this case.

16. Q. DOES THIS CONCLUDE THE INCOME STATEMENT ADJUSTMENTS FOR THE WATER DISTRICTS?

A. Yes, it does.

SEWER ADJUSTMENTS

1 17. Q. COULD YOU PLEASE BRIEFLY DESCRIBE THE ADJUSTMENTS IN
2 SCHEDULE LJG-3?

3 A. Schedule LJG-3, Page 1 is the Overall Revenue Requirement Summary for the
4 Sewer District indicating a revenue deficiency of over \$2,000. Page 2 of this
5 schedule is the Statement of Income per Books and Pro forma for the Sewer District.

6 Schedule LJG-3.1 is a summary of the Operation and Maintenance Expenses and
7 the pro forma adjustments made by line.

8 Schedule LJG-3.2 is the pro forma adjustment to Waste Disposal Expense to
9 annualize the increase of June 1, 1999 from the City of Riverside.

10 On Schedule LJG-3.3, the latest known assessment rate for the Public Service
11 Commission Fee is applied to the Pro forma Present Rate and Proposed Rate
12 revenues, as discussed by Company witness John M. Watkins.

13 Company witness Mr. Salser's testimony will discuss the pro forma adjustments
14 shown on Schedules LJG-3.4 and LJG-3.5 for Income Taxes and for Deferred
15 Income Taxes, respectively.

16 18. Q. DOES THIS CONCLUDE YOUR TESTIMONY?

17 A. Yes, it does.

Overall Revenue Requirement Summary
for the Test Year Ended September 30, 1999

Missouri Public Service Commission
Company: Missouri-American Water Company
Total Company

Cases No. WR-2000-281 and SR-2000-282
Schedule LJG-1
Page 1 of 2

Line No.	Description	Supporting Schedule	Amount
1			
2			
3			
4			
5			
6	Rate Base		\$177,227,290
7			
8	Operating Income at Present Rates	Sch LJG-1, pg 2	\$6,119,019
9			
10	Earned Rate of Return		3.45%
11			
12	Requested Rate of Return	Sch JES-1, pg 1	9.11%
13			
14	Required Operating Income		\$16,145,406
15			
16	Operating Income Deficiency		\$10,026,387
17			
18	Gross Revenue Conversion Factor	Workpaper	1.642856
19			
20	Revenue Deficiency	Sch LJG-1, pg 2	\$16,471,910
21			
22	Adjusted Operating Revenues	Sch LJG-1, pg 2	\$30,715,396
23			
24	Total Revenue Requirement	Sch LJG-1, pg 2	\$47,187,306
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**Statement of Income Per Books and Pro Forma
for the Test Year Ended September 30, 1999**

Cases No. WR-2000-281 and SR-2000-282
Schedule LJG-1
Page 2 of 2

Missouri Public Service Commission
Company: Missouri-American Water Company
Total Company

Line No.	Schedule Reference (Col. 1)	Test Year Ended Sep. 30, 1999 (Col. 2)	Adjustments (Col. 3)	Pro Forma Present Rates (Col. 4)	Adjustments (Col. 5)	Pro Forma Proposed Rates (Col. 6)
1						
2						
3						
4						
5	Operating Revenues	\$30,221,808	\$493,588	\$30,715,396	\$16,483,109	\$47,198,505
6						
7	Operating Expenses					
8	Operating and Maintenance	14,528,482	936,415	15,464,897	92,322	15,557,219
9	Depreciation Expense	3,108,570	2,590,106	5,698,676	0	5,698,676
10	Amortization Expenses	23,698	261,893	285,591	0	285,591
11						
12	Taxes other than Income Taxes					
13	Property Tax	1,636,256	608,353	2,244,609	0	2,244,609
14	Payroll Taxes	353,947	(45,829)	308,118	0	308,118
15	PSC Fees	198,428	3,369	201,797	106,126	307,923
16	Other	64,454	0	64,454	0	64,454
17						
18	Utility Operating Income before Income Taxes	\$10,307,973	(\$3,860,719)	\$6,447,254	\$16,284,661	\$22,731,915
19						
20	Income Taxes					
21	Federal Income Tax	1,983,610	(3,048,758)	(1,065,148)	5,402,494	4,337,346
22	State Income Tax	311,712	(479,092)	(167,380)	848,964	681,584
23	Deferred FIT - liberalized depreciation	0	920,399	920,399	0	920,399
24	Deferred SIT - liberalized depreciation	0	144,634	144,634	0	144,634
25	Deferred FIT - Acquisition Adjustment	91,900	0	91,900	0	91,900
26	Deferred SIT - Acquisition Adjustment	14,430	0	14,430	0	14,430
27	Deferred FIT - other	1,173,569	(749,107)	424,462	0	424,462
28	Deferred SIT - other	174,074	(174,074)	0	0	0
29	Amortization of Investment Tax Credit	(35,062)	0	(35,062)	0	(35,062)
30						
31	Utility Operating Income	\$8,593,740	(\$474,721)	\$8,119,019	\$10,033,203	\$18,152,222

Overall Revenue Requirement Summary
for the Test Year Ended September 30, 1999

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

Case No. WR-2000-281
Schedule LJG-2
Page 1 of 2

Line No.	Description	Supporting Schedule	Amount
1			
2			
3			
4			
5			
6	Rate Base	Sch JES-4	\$177,162,580
7			
8	Operating Income at Present Rates	Sch LJG-2, pg 2	\$6,114,250
9			
10	Earned Rate of Return		3.45%
11			
12	Requested Rate of Return	Sch JES-1, pg 1	9.11%
13			
14	Required Operating Income		\$16,139,511
15			
16	Operating Income Deficiency		\$10,025,261
17			
18	Gross Revenue Conversion Factor	Workpaper	1.642819
19			
20	Revenue Deficiency	Sch LJG-2, pg 2	\$16,469,689
21			
22	Adjusted Operating Revenues	Sch LJG-2, pg 2	\$30,668,140
23			
24	Total Revenue Requirement	Sch LJG-2, pg 2	\$47,137,829
25			
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**Statement of Income Per Books and Pro Forma
for the Test Year Ended September 30, 1999**

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

Case No. WR-2000-281
Schedule LJG-2
Page 2 of 2

Line No.		Schedule Reference (Col. 1)	Test Year Ended Sep. 30, 1999 (Col. 2)	Adjustments (Col. 3)	Pro Forma Present Rates (Col. 4)	Adjustments (Col. 5)	Pro Forma Proposed Rates (Col. 6)
1							
2							
3							
4							
5	Operating Revenues	Sch JMW-2	\$30,174,616	\$493,524	\$30,668,140	\$16,480,746	\$47,148,886
6							
7	Operating Expenses						
8	Operating and Maintenance	Sch LJG-2.1	14,496,041	935,829	15,431,870	92,322	15,524,192
9	Depreciation Expense	Sch LJG-2.1	3,107,021	2,590,106	5,697,127		5,697,127
10	Amortization Expenses	Sch LJG-2.1	21,886	261,893	283,779		283,779
11							
12	Taxes other than Income Taxes						
13	Property Tax	Sch LJG-2.1	1,636,256	608,353	2,244,609		2,244,609
14	Payroll Taxes	Sch LJG-2.1	353,947	(45,829)	308,118		308,118
15	PSC Fees	Sch LJG-2.1	194,764	2,279	197,043	105,889	302,932
16	Other		64,454	0	64,454		64,454
17							
18	Utility Operating Income before Income Taxes		\$10,300,247	(\$3,859,107)	\$6,441,140	\$16,282,535	\$22,723,675
19							
20	Income Taxes						
21	Federal Income Tax		1,983,610	(3,049,654)	(1,066,044)	5,401,789	4,335,745
22	State Income Tax		311,712	(479,233)	(167,521)	848,853	681,332
23	Deferred FIT - liberalized depreciation			920,133	920,133		920,133
24	Deferred SIT - liberalized depreciation			144,592	144,592		144,592
25	Deferred FIT - Acquisition Adjustment		91,900	0	91,900		91,900
26	Deferred SIT - Acquisition Adjustment		14,430	0	14,430		14,430
27	Deferred FIT - other		1,173,569	(749,107)	424,462		424,462
28	Deferred SIT - other		174,074	(174,074)	-		0
29	Amortization of Investment Tax Credit		(35,062)	0	(35,062)		(35,062)
30							
31	Utility Operating Income		\$6,586,014	(\$471,764)	\$6,114,250	\$10,031,893	\$16,146,143

**Summary of Operation and Maintenance Expenses
for the Test Year Ended September 30, 1999**

Case No. WR-2000-281
Schedule LJG-2.1
Page 1 of 1

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

Line
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The schedule below provides a summary list of the operation and maintenance expenses for the test year and pro forma at present rates as indicated. Each pro forma adjustment is keyed to a schedule as shown on Schedule LJG-2.2 which provides additional detail and support.

<u>Expense Description</u>	<u>Schedule Reference</u>	<u>Test Year Expense</u>	<u>Adjustment</u>	<u>Pro forma Present Rates</u>
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
Labor	LJG-2.2	\$4,318,302	(\$107,699)	\$4,210,603
Purchased Water	LJG-2.2	1,402,826	22,904	1,425,730
Fuel and Power	LJG-2.2	1,320,303	13,116	1,333,419
Chemicals	LJG-2.2	392,377	110,669	503,046
Waste Disposal	LJG-2.2	16,682	205,091	221,773
Management Fees		1,624,125	0	1,624,125
Group Insurance	LJG-2.2	1,118,841	71,935	1,190,776
Pensions	LJG-2.2	168,555	28,218	196,773
Regulatory Expense	LJG-2.2	270,854	101,353	372,207
Insurance, Other Than Group	LJG-2.2	295,065	64,270	359,335
Customer Accounting	LJG-2.2	847,630	149,388	997,018
Rents	LJG-2.2	33,767	4,511	38,278
General Office Expense	LJG-2.2	427,999	371	428,370
Miscellaneous	LJG-2.2	1,359,094	7,358	1,366,452
Maintenance - Other	LJG-2.2	899,621	264,344	1,163,965
Total Operations & Maintenance		\$14,496,041	\$935,829	\$15,431,870
Depreciation	LJG-2.2	3,107,021	2,590,106	5,697,127
Amortization	LJG-2.2	21,886	261,893	283,779
Total Depreciation & Amortization		\$3,128,907	\$2,851,999	\$5,980,906
Property Taxes	LJG-2.2	1,636,256	608,353	2,244,609
Payroll Taxes	LJG-2.2	353,947	(45,829)	308,118
PSC Fees	LJG-2.2	194,764	2,279	197,043
Other General Taxes		64,454		64,454
Total Taxes Other Than Income		\$2,249,421	\$564,803	\$2,814,224
Current Federal Income Taxes	LJG-2.2	1,983,610	(3,049,654)	(1,066,044)
Current State Income Taxes	LJG-2.2	311,712	(479,233)	(167,521)
Deferred Income Taxes	LJG-2.2	1,453,973	141,544	1,595,517
Amortization of Investment Tax Credit		(35,062)		(35,062)
Total Income Taxes		\$3,714,233	(\$3,387,343)	\$326,890

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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**Detail of Pro forma Adjustments of Operating Expenses
for the Test Year Ended September 30, 1999**

**Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts**

**Case No. WR-2000-281
Schedule LJC-2.2
Page 2 of 4**

Line
No.

		Schedule LJC-2.11 Rate Case Expense	Schedule LJC-2.12 Insur Other Expense	Schedule LJC-2.13 Mo Mtr Rdg Expense	Schedule LJC-2.14 Postage Expense	Schedule LJC-2.15 Uncollectibles Expense	Schedule LJC-2.16 Rents Expense	Schedule LJC-2.17 ESOP Expense	Schedule LJC-2.18 401k Expense	Schedule LJC-2.19 Vehicle Lease Expense
1										
2										
3										
4										
5										
6	8	Labor								
7	9	Purchased Water								
8	10	Fuel and Power								
9	11	Chemicals								
10	12	Waste Disposal								
11	13	Management Fees								
12	14	Group Insurance								
13	15	Pensions								
14	16	Regulatory Expense	101,353							
15	17	Insurance, Other Than Group		64,270						
16	18	Customer Accounting			81,113	96,568	(28,306)			
17	19	Rents					4,511			
18	20	General Office Expense								
19	21	Miscellaneous		(1,031)				5,108	3,216	(38)
20	25	Maintenance - Other								
21										
22		Total Operations & Maintenance	\$101,353	\$63,239	\$81,113	\$96,568	(\$28,306)	\$4,511	\$5,108	\$3,216 (\$38)
23										
24	27	Depreciation								
25	28	Amortization								
26										
27		Total Depreciation & Amortization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
28										
29	29	Property Taxes								
30	29	Payroll Taxes								
31	29	Gross Receipts Taxes								
32	29	Other General Taxes								
33										
34		Total Taxes Other Than Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
35										
36	29	Current FIT								
37	29	Current SIT								
38	29	Deferred Income Taxes								
39	29	Amrtzn of ITC								
40										
41		Total Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**Detail of Pro forma Adjustments of Operating Expenses
for the Test Year Ended September 30, 1999**

**Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts**

**Case No. WR-2000-281
Schedule LJG-2.2
Page 3 of 4**

Line
No.

		Schedule LJG-2.20 Tank Painting Expense	Schedule LJG-2.21 Depreciation Expense	Schedule LJG-2.22 Amtzn LTUP Expense	Schedule LJG-2.23 Amtzn Envrnm Audit	Schedule LJG-2.24 Amtzn Mgmt Study	Schedule LJG-2.25 Amtzn Moving Expense	Schedule LJG-2.26 Amtzn Condm Proceedings	Schedule LJG-2.27 Amtzn Premat Retrmt	Schedule LJG-2.28 Amtzn Post in Serv AFUDC
1										
2										
3										
4										
5										
6	8	Labor								
7	9	Purchased Water								
8	10	Fuel and Power								
9	11	Chemicals								
10	12	Waste Disposal								
11	13	Management Fees								
12	14	Group Insurance								
13	15	Pensions								
14	16	Regulatory Expense								
15	17	Insurance, Other Than Group								
16	18	Customer Accounting								
17	19	Rents								
18	20	General Office Expense								
19	21	Miscellaneous								
20	25	Maintenance - Other	264,344							
21										
22		Total Operations & Maintenance	\$264,344	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23										
24	27	Depreciation		2,590,106						
25	28	Amortization			(21,274)	10,723	9,353	2,967	15,732	166,645
26										
27		Total Depreciation & Amortization	\$0	\$2,590,106	(\$21,274)	\$10,723	\$9,353	\$2,967	\$15,732	\$166,645
28										
29	29	Property Taxes								
30	29	Payroll Taxes								
31	29	Gross Receipts Taxes								
32	29	Other General Taxes								
33										
34		Total Taxes Other Than Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
35										
36	29	Current FIT								
37	29	Current SIT								
38	29	Deferred Income Taxes								
39	29	Amtzn of ITC								
40										
41		Total Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**Detail of Pro forma Adjustments of Operating Expenses
for the Test Year Ended September 30, 1999**

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

Case No. WR-2000-281
Schedule LJG-2.2
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Line No.		Schedule LJG-2.29 Amrtzn Dfd Deprec Exp	Schedule LJG-2.30 Property Tax Expense	Schedule LJG-2.31 Payroll Tax Expense	Schedule LJG-2.32 PSC Fees Tax Exp	Schedule LJG-2.33 Income Taxes	Schedule LJG-2.34 Deferred Income Taxes		Present Rates Adjustments	Total Present Rates Expense
8	Labor								(\$107,699)	\$4,210,603
9	Purchased Water								22,904	1,425,730
10	Fuel and Power								13,116	1,333,419
11	Chemicals								110,669	503,046
12	Waste Disposal								205,091	221,773
13	Management Fees								-	1,624,125
14	Group Insurance								71,935	1,190,776
15	Pensions								28,218	196,773
16	Regulatory Expense								101,353	372,207
17	Insurance, Other Than Group								64,270	359,335
18	Customer Accounting								149,388	997,018
19	Rents								4,511	38,278
20	General Office Expense								371	428,370
21	Miscellaneous								7,358	1,366,452
25	Maintenance - Other								284,344	1,163,965
22	Total Operations & Maintenance	\$0	\$0	\$0	\$0				\$935,829	\$15,431,870
27	Depreciation								2,590,106	5,697,127
28	Amortization	\$15,768							263,555	285,441
27	Total Depreciation & Amortization	\$15,768	\$0	\$0	\$0				\$2,853,661	\$5,982,568
29	Property Taxes		608,353						608,353	2,244,609
29	Payroll Taxes			(45,829)					(45,829)	308,118
29	Gross Receipts Taxes				2,279				2,279	197,043
29	Other General Taxes								-	64,454
34	Total Taxes Other Than Income	\$0	\$608,353	(\$45,829)	\$2,279				\$564,803	\$2,814,224
29	Current FIT					(3,049,654)			(3,049,654)	(1,066,044)
29	Current SIT					(479,233)			(479,233)	(167,521)
29	Deferred Income Taxes						141,544		141,544	1,595,517
29	Amrtzn of ITC								-	(35,062)
41	Total Income Taxes	\$0	\$0	\$0	\$0	(\$3,528,887)	\$141,544		(\$3,387,343)	\$326,890

Pro forma Adjustment of Labor Expense
for the Test Year Ended September 30, 1999

Case No. WR-2000-281
Schedule LIG-2.3
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Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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The pro forma labor expense for the Company has been calculated based on a labor force of 131 full time employees. This adjustment reflects the annual cost of salaries and wages chargeable to operating and maintenance expense. A year of 2,088 hours was used for straight time and actual overtime hours for the twelve months ended September 30, 1999 were used. For non-union, hourly and salaried employees, wage rates effective July 1, 1999 were annualized. The latest union contract rates were annualized, as follows:

St. Charles rates effective 7/1/99
Parkville rates effective 7/17/99
St. Joseph rates effective 8/6/99
Mexico rates effective 9/1/99

Joplin and Warrensburg union contracts expire during November, 1999. An estimate of a 2.5% increase over the latest known union rates from 11/30/98 and 11/11/98, respectively, was used.

Pro forma expense	\$4,210,603
Less: amount per books - twelve months ended September 30, 1999	<u>4,318,302</u>
Pro forma adjustment	<u>(\$107,699)</u>

Pro forma Adjustment of Purchased Water
for the Test Year Ended September 30, 1999

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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Schedule LJG-2.4
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The St. Charles District purchases all its water supply from St. Charles County and from the City of St. Louis. The total price paid was divided by the total purchased water to derive a pro forma average price per thousand gallons. This average price was applied to the pro forma system delivery which was determined from the historic test period percent of system delivery to sales.

The Parkville Water District purchases a portion of its water supply from the City of Kansas City, Missouri. The City increased their rates on May 1, 1999. The pro forma adjustment annualizes this increase.

Pro forma expense	\$1,425,730
Less: amount per books - twelve months ended September 30, 1999	<u>1,402,826</u>
Pro forma adjustment	<u>\$22,904</u>

**Pro forma Adjustment of Fuel and Power
for the Test Year Ended September 30, 1999**

**Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts**

**Case No. WR-2000-281
Schedule LJC-2.5
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The Company purchases electrical power and natural gas from various companies. A pro forma adjustment was made to reflect a decrease in price of (3.2%) from Kansas City Power & Light in Parkville and for a decrease of (4.25%) from St. Joseph Light & Power in St. Joseph. The pro forma average cost per thousand gallons was applied to the pro forma level of system delivery in each district. The pro forma cost was spread among all the accounts that have fuel and power charges.

Also, the pro forma adjustment includes a \$9,165 estimate of increased fuel and power costs in Warrensburg for the new Ozonation Facilities.

	Fuel & Power	Cust Acctg	Gen'l Office	Misc. Expense
Pro forma expense - Fuel & Power	\$1,333,419	\$5,567	22,313	58,874
Less: amount per books - twelve months ended September 30, 1999	1,320,303	5,554	21,942	58,771
Pro forma adjustment	\$13,116	\$13	\$371	\$103

Pro forma Adjustment of Chemical Expense
for the Test Year Ended September 30, 1999

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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Schedule LJG-2.6
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The Company purchases the majority of its high use chemicals through contracts that are negotiated once a year. The pro forma adjustment uses the Contract Year 1999-2000 prices where available and the latest unit cost where there is no contract. These pro forma prices were applied to the pounds of chemicals used in a historic twelve month period. The resulting cost per District was divided by the system delivery for the same period to derive an average cost per thousand gallons which was then applied to the pro forma system delivery.

Additional adjustments were made in Mexico for changes in the chemicals used due to plant improvements. The pro forma adjustment in St. Joseph includes new chemicals and estimated volumes for the changes expected with the operation of the new treatment plant. The pro forma adjustment in Warrensburg includes the addition of oxygen estimated at \$14,122 per year.

Pro forma expense	\$503,046
Less: amount per books - twelve months ended September 30, 1999	<u>392,377</u>
Pro forma adjustment	<u>\$110,669</u>

Pro forma Adjustment of Waste Disposal Expense
for the Test Year Ended September 30, 1999

Case No. WR-2000-281
Schedule LJG-2.7
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Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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The Company has sludge hauled away in Mexico and Brunswick. No change in the expense is expected. The pro forma adjustment is being made for the projected waste disposal expense due to the new treatment plant in the St. Joseph District. The pro forma estimate for St. Joseph is \$205,179.

Pro forma expense	\$221,773
Less: amount per books - twelve months ended September 30, 1999	<u>16,682</u>
Pro forma adjustment	<u>\$205,091</u>

Pro forma Adjustment of Group Insurance Expense
for the Test Year Ended September 30, 1999

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

Case No. WR-2000-281
Schedule LJG-2.8
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The pro forma Group Insurance Expense has been calculated for a full time labor force of 131 employees. First, the annual base pay for each employee was determined by multiplying "base" labor hours of 2,088 by his or her pro forma rate of pay. This base pay was used to determine the life insurance coverage for each employee. The Company's Group Insurance Plan provides eligible employees with life insurance, medical insurance, dental and prescription drugs coverage. The pro forma expense is calculated based on the coverage provided to the employees and the cost rates per unit of coverage effective January, 2000. The calculated pro forma expense was reduced by employee contributions and Medicare supplement reimbursements. Although the pro forma labor expense is less than the test year, the group insurance expense is increased. There have been major increases in medical insurance due to the escalating healthcare costs across the nation. The increases for the Company have and are projected to be 10% on March 1, 1999, another 10% on October 1, 1999, and another 10% on January 1, 2000.

Pro forma expense	\$706,736
Less: amount per books - twelve months ended September 30, 1999	<u>617,019</u>
Pro forma adjustment	<u>\$89,717</u>

Pro forma Adjustment of OPEB Expense
for the Test Year Ended September 30, 1999

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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The pro forma OPEB Expense is based on the current actuarial report as prepared by the Company's actuary, Towers Perrin.
The pro forma expense also reflects the amortization of the deferred OPEB expenses as recognized by this Commission in the
Company's 1995 rate case, WR-92-205.

Pro forma expense	\$484,040
Less: amount per books - twelve months ended September 30, 1999	<u>501,822</u>
Pro forma adjustment	<u>(\$17,782)</u>

Pro forma Adjustment of Pension Expense
for the Test Year Ended September 30, 1999

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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The pro forma Pension Expense was calculated based on the requirements of the 1999 Towers Perrin FAS 87 Pension Expense Report. The Company's portion was multiplied by the O&M percentage from the payroll study. Costs were added for the Company's portion of the service company Pension expense. Also included is the amortization of the regulatory asset for pension expense as recognized by the Commission in the WR-95-205 rate case.

Pro forma expense	\$196,773
Less: amount per books - twelve months ended September 30, 1999	<u>168,555</u>
Pro forma adjustment	<u>\$28,218</u>

Pro forma Adjustment of Regulatory Expense
for the Test Year Ended September 30, 1999

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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Schedule L/JG-2.11
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The pro forma adjustment to Regulatory Expense reflects a two year amortization of the current case costs along with the costs associated with the Cost of Service and Rate Design Case, No. WO-98-204.

The costs of the current rate case include costs related to the preparation of accounting exhibits, testimony, responding to both PSC and intervenor data requests, review and reconciliation of PSC Staff and intervenor exhibits and testimony, preparation of rebuttal and surrebuttal testimony, preparation and attending hearings, legal fees, cost of capital consultant, publication costs, cost of service study consultant and associated travel costs.

Pro forma expense	\$372,207
Less: amount per books - twelve months ended September 30, 1999	<u>270,854</u>
Pro forma adjustment	<u>\$101,353</u>

Pro forma Adjustment of Insurance Other than Group Expense
for the Test Year Ended September 30, 1999

Case No. WR-2000-281
Schedule LJG-2.12
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Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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The Company has calculated its pro forma Insurance Other than Group Expense by annualizing the latest known costs of each insurance premium. The Company's insurance coverage includes Commercial Automobile, General Liability, Employment Practices Liability, Flood Insurance, Directors & Officers Liability, Fiduciary Liability, Crime, Surety Bonds, Executive Risk Insurance, Commercial Property, Boiler and Machinery, Highway and Street Surety Bonds, License and Permit Bonds, and Performance Bonds.

Also included in the pro forma adjustment is Worker's Compensation Insurance Expense. The pro forma payroll was assigned to Field Personnel and Office Personnel with the proper percentage rate for Worker's Comp applied. Then, the capitalized portion was removed from allowable expense.

	Miscellaneous Expense Line	Insurance Other than Group Line
		General Liability Property Ins.
		Auto Insurance Workers' Comp
Pro forma expense	\$27,108	\$359,335
Less: amount per books - twelve months ended September 30, 1999	28,139	295,065
Pro forma adjustment	<u>(\$1,031)</u>	<u>\$64,270</u>

Pro forma Adjustment of Monthly Meter Reading Costs in St. Joseph District
for the Test Year Ended September 30, 1999

Case No. WR-2000-281
Schedule LJG-2.13
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Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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The Company is proposing to shift from quarterly meter reading to monthly meter reading in the St. Joseph District starting when rates become effective in this case. There will be approximately 270,000 additional bills on an annual basis. This pro forma adjustment adds expenses to the Customer Accounting function for bill forms and envelopes, collection expenses for local agents, processing firms, and mail-ins. Three employees from the St. Joseph production department in the "old" plant will become 3 new meter readers and additional expenses are included for uniforms, shoes, and other miscellaneous supplies.

Pro forma expense	\$145,499
Less: amount per books - twelve months ended September 30, 1999	<u>64,386</u>
Pro forma adjustment	<u>\$81,113</u>

Pro forma Adjustment of Postage & Processing Expense
for the Test Year Ended September 30, 1999

Case No. WR-2000-281
Schedule LJC-2.14
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Missouri Public Service Commission
Company: Missouri-American Water Company
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Postage rates were increased January 10, 1999, to \$0.33 for regular mail and \$0.243 for bulk mail. This adjustment annualizes these prices as well as using the pro forma number of bills projected for April, 2000. In addition, processing of bills moved from the Indiana computer center which was discontinued to the New Jersey computer center. The adjustment annualizes the average cost of processing a bill for the pro forma number of bills at April, 2000. Included in the pro forma number of bills is the change in St. Joseph District reflecting monthly instead of quarterly billing.

Pro forma expense	\$352,283
Less: amount per books - twelve months ended September 30, 1999	<u>255,715</u>
Pro forma adjustment	<u>\$96,568</u>

Pro Forma Adjustment of Uncollectibles Expense
for the Test Year Ended September 30, 1999

Case No. WR-2000-281
Schedule LJG-2.15
Page 1 of 1

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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Pro Forma uncollectible accounts expense at present and at proposed rates was calculated by applying the three-year average ratio of net-charge offs to water revenues to the pro forma present rate water revenues and to the pro forma proposed rate water revenues. The historic three-year average was adjusted in the St. Joseph District to reflect a decrease in net charge-offs due to the change from quarterly to monthly reading schedule.

	Pro Forma Present Rates	Pro Forma Proposed Rates
Pro Forma Water Revenues	\$30,091,269	\$46,572,015
Average Ratio of Net Charge-Offs to Water Revenue	0.5592%	0.5596%
Pro Forma Expense	168,278	260,600
Less: Amount Per Books	196,584	168,278
Pro Forma Adjustment	(28,306)	92,322

Pro forma Adjustment of Rents Expense
for the Test Year Ended September 30, 1999

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Schedule LJC-2.16
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Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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The Company pays rental on Real Estate Leases for Railroad Crossings and Rights of Way. The Company also rents postage machines, copiers, phone lines, and office space. This pro forma adjustments is to annualize expenses that changed during the test year. The office rental increased in Joplin by \$4,050 with the moving of the office. The office rental in Mexico increased by \$218. Copier rentals had a net change of \$175 and miscellaneous other items rented changed by \$68.

Pro forma expense	\$38,278
Less: amount per books - twelve months ended September 30, 1999	<u>33,767</u>
Pro forma adjustment	<u>\$4,511</u>

Pro forma Adjustment of Employee Stock Ownership Plan Expense
for the Test Year Ended September 30, 1999

Case No. WR-2000-281
Schedule LJG-2.17
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Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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The Company's ESOP plan is available to all full time, non-union employees and is based on each employees' wage or salary level. The Company makes a base contribution to the plan for each eligible employee of an amount equal to 0.5% of that employee's salary. The employee can then contribute an amount up to 2% of their salary. The Company will match the amount contributed by the employee, dollar for dollar.

Pro forma expense	\$56,285
Less: amount per books - twelve months ended September 30, 1999	<u>51,177</u>
Pro forma adjustment	<u>\$5,108</u>

Pro forma Adjustment of 401k Plan Expense
for the Test Year Ended September 30, 1999

Case No. WR-2000-281
Schedule LJC-2.18
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Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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Any full time eligible employee is currently allowed to make of contributin of up to 10% of his or her wages. The Company will match \$0.50 for every \$1.00 of employee contribution up to a maximum of the first 4% of employee contribution.
The pro forma adjustment uses pro forma levels of payroll times the latest contribution percentage per eligible employee.

Pro forma expense	\$62,510
Less: amount per books - twelve months ended September 30, 1999	<u>59,294</u>
Pro forma adjustment	<u>\$3,216</u>

Pro forma Adjustment of Vehicle Lease Expense
for the Test Year Ended September 30, 1999

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Schedule L/JG-2.19
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Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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The five districts that were formerly Avatar companies still lease vehicles and some construction equipment.
The vehicles and equipment cost \$3 per month. During the test year, a few of these vehicles were discontinued.
This pro forma adjustment adjusts for the decrease in leased vehicle costs.

Pro forma expense	\$1,039
Less: amount per books - twelve months ended September 30, 1999	<u>1,077</u>
Pro forma adjustment	<u>(\$38)</u>

Pro forma Adjustment of Tank Painting Expense
for the Test Year Ended September 30, 1999

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Schedule LJG-2.20
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Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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A new method for deferred tank painting was approved in the Company's last case, WR-97-237. The current cost of painting all tanks is estimated and spread over 15 years. The cost per square foot has increased since the last case and this adjustment covers that cost.

Pro forma expense	\$659,540
Less: amount per books - twelve months ended September 30, 1999	<u>395,196</u>
Pro forma adjustment	<u>\$264,344</u>

Pro forma Adjustment of Depreciation Expense
for the Test Year Ended September 30, 1999

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Schedule LJC-2.21
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Missouri Public Service Commission
Company: Missouri-American Water Company
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Pro forma depreciation expense was calculated by multiplying the Company's current depreciation rates by net true-up utility plant-in-service at April 30, 2000, plus annual depreciation reserve deficiency amortization.

Pro forma expense	\$5,697,127
Less: amount per books - twelve months ended September 30, 1999	<u>3,107,021</u>
Pro forma adjustment	<u>\$2,590,106</u>

Pro forma Adjustment of Amortization of Limited Term Utility Plant
for the Test Year Ended September 30, 1999

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Schedule L/JG-2.22
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Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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The Company was amortizing improvements made to the "old" Joplin office which was leased. A new office was secured and these amortizations ran out during the test year. This adjustment removes the test year expense.

Pro forma expense	\$0
Less: amount per books - twelve months ended September 30, 1999	<u>21,274</u>
Pro forma adjustment	<u>(\$21,274)</u>

Pro forma Adjustment of Amortization of Environmental Audit
for the Test Year Ended September 30, 1999

Case No. WR-2000-281
Schedule LIG-2.23
Page 1 of 1

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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In accordance with Company Operating Procedure (ADM-17), each Company is required to perform an Environmental Regulatory Compliance Audit every 5 years. The purpose of the audit is to identify all applicable local, state, and federal environmental laws and regulations with which the Company must comply, evaluate the Company's compliance with such, and make specific recommendations for improved compliance when necessary. A written report is prepared and annual progress reports on the recommendations are to be submitted. The Company is requesting amortization of this expense over 5 years.

Pro forma expense	\$10,723
Less: amount per books - twelve months ended September 30, 1999	<u>0</u>
Pro forma adjustment	<u>\$10,723</u>

Pro forma Adjustment of Amortization of a Management Study
for the Test Year Ended September 30, 1999

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

Case No. WR-2000-281
Schedule LJC-2.24
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OSHA has had Process Safety Management (PSM) rules in effect since 1992. These rules require the Company to have a Disaster Plan for on-site potential problems that would affect an employee's safety. In 1996, the EPA issued Risk Management Program (RMP) regulations which require facilities that have a regulated substance above the listed threshold quantities to develop a formal RMP Plan and register that plan with the EPA. The Company falls under this category for use of chlorine. The EPA regulations are concerned with the off-site consequences of a chemical accident. This plans are to be maintained and continuously updated when necessary. The Company is requesting a five year amortization of the costs to perform the study and to develop the plans.

Pro forma expense	\$9,353
Less: amount per books - twelve months ended September 30, 1999	<u>0</u>
Pro forma adjustment	<u>\$9,353</u>

Pro forma Adjustment of Amortization of a Moving Expenses
for the Test Year Ended September 30, 1999

Case No. WR-2000-281
Schedule LJC-2.25
Page 1 of 1

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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The Company incurred moving expenses to relocate an employee, Mike Gray, who replaced Bob Dill in the Platte County District. Mike Gray is the current Operations Superintendent in Platte County. The Company is requesting a five year amortization of this moving expense.

Pro forma expense	\$2,967
Less: amount per books - twelve months ended September 30, 1999	<u>0</u>
Pro forma adjustment	<u>\$2,967</u>

Pro forma Adjustment of Amortization of Condemnation Expenses
for the Test Year Ended September 30, 1999

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

Case No. WR-2000-281
Schedule LJG-2.26
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At the time Missouri-American purchased the Avatar companies, the City of Mexico began condemnation proceedings against the Company. The Company's expenses have been deferred in a deferred debit account.
The company is requesting amortization of this expense over 5 years.

Pro forma expense	\$15,732
Less: amount per books - twelve months ended September 30, 1999	<u>0</u>
Pro forma adjustment	<u>\$15,732</u>

Pro forma Adjustment of Amortization of Premature Retirement Expenses
for the Test Year Ended September 30, 1999

Case No. WR-2000-281
Schedule LJG-2.27
Page 1 of 1

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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The Company is building a new treatment plant in the St. Joseph District. The old plant needs to be prematurely retired.
The Company is requesting to amortize the net original cost of the old plant plus an estimate of \$500,000 in cost of removal
over 20 years.

Pro forma expense	\$166,645
Less: amount per books - twelve months ended September 30, 1999	<u>0</u>
Pro forma adjustment	<u>\$166,645</u>

Pro forma Adjustment of Amortization of Post-In-Service AFUDC
for the Test Year Ended September 30, 1999

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

Case No. WR-2000-281
Schedule LJG-2.28
Page 1 of 1

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The Company has requested Post-in-Service AFUDC on the "new" St. Joseph Treatment Plant to cover the time from the plant's in service date of April 30, 2000 until rates are effective on September 14, 2000. The requested amount on this exhibit is a 20 year amortization of the cost of the new plant times the pro forma cost of long-term debt.

Pro forma expense	\$61,979
Less: amount per books - twelve months ended September 30, 1999	<u>0</u>
Pro forma adjustment	<u>\$61,979</u>

Pro forma Adjustment of Amortization of Deferred Depreciation Expense
for the Test Year Ended September 30, 1999

Case No. WR-2000-281
Schedule LJC-2.29
Page 1 of 1

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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The Company is requesting to defer depreciation expense on the "new" St. Joseph Treatment Plant for the period when the plant is placed in service and new rates are effective. This exhibit amortizes that deferral over the remaining life of the plant, about 36 years.

Pro forma expense	\$15,768
Less: amount per books - twelve months ended September 30, 1999	<u>0</u>
Pro forma adjustment	<u>\$15,768</u>

Pro forma Adjustment of Property Tax Expense
for the Test Year Ended September 30, 1999

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

Case No. WR-2000-281
Schedule LJG-2.30
Page 1 of 1

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The Company has developed its pro forma property tax expense based on its latest actual property tax bills. The pro forma property tax was calculated by dividing the 1998 property tax bills by December 31, 1997 utility plant-in-service and materials & supplies to calculate a property tax rate per \$1 of taxable property base. This rate was multiplied by the true-up utility plant-in-service and materials & supplies at April 30, 2000 to determine the pro forma property tax expense.

Pro forma expense	\$2,244,609
Less: amount per books - twelve months ended September 30, 1999	<u>1,636,256</u>
Pro forma adjustment	<u>\$608,353</u>

Pro forma Adjustment of Payroll Tax Expense
for the Test Year Ended September 30, 1999

Case No. WR-2000-281
Schedule LIG-2.31
Page 1 of 1

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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This adjustment uses the current wage tax basis and tax rates times the pro forma level of operating and maintenance payroll.

Pro forma expense	\$308,118
Less: amount per books - twelve months ended September 30, 1999	<u>353,947</u>
Pro forma adjustment	<u>(\$45,829)</u>

Pro Forma Adjustment of PSG Fees Expense
for the Test Year Ended September 30, 1999

Case No. WR-2000-281
Schedule LJC-2.32
Page 1 of 1

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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The pro forma adjustment to the Public Service Commission Fee was calculated by applying the latest known assessment rate to the pro forma operating revenues at present and proposed rates.

	Pro Forma Present Rates	Pro Forma Proposed Rates
Pro Forma Operating Revenues	\$30,668,140	\$47,148,886
Latest Known Assessment Rate	0.6425%	0.6425%
Pro Forma Expense	197,043	302,932
Less: Amount Per Books	194,764	197,043
Pro Forma Adjustment	2,279	105,889

**Pro forma Adjustment of Income Taxes
for the Test Year Ended September 30, 1999**

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

Case No. WR-2000-281
Schedule LJG-2.33
Page 1 of 1

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The Company's federal and state income taxes will be affected by all of the pro forma adjustments made at present and proposed rates. Federal and state income taxes were calculated below using statutory rates.

		At Present Rates		At Proposed Rates	
		Federal	State	Federal	State
Utility Operating Income		\$6,114,250	\$6,114,250	\$16,146,143	\$16,146,143
Deduct: Interest cost		<u>7,175,084</u>	<u>7,175,084</u>	<u>7,175,084</u>	<u>7,175,084</u>
Add: Federal income tax		(1,066,044)	(533,022)	4,335,745	2,167,873
State income tax		0	(167,521)	0	681,332
Depreciation		5,697,127	5,697,127	5,697,127	5,697,127
Amortization		283,779	283,779	283,779	283,779
Taxable meals and entertainment		11,195	11,195	11,195	11,195
Deferred FIT - liberalized depreciation		920,133	920,133	920,133	920,133
Deferred SIT - liberalized depreciation		144,592	144,592	144,592	144,592
Deferred FIT - Acquisition Adjustment		91,900	91,900	91,900	91,900
Deferred SIT - Acquisition Adjustment		14,430	14,430	14,430	14,430
Deferred FIT - other		424,462	424,462	424,462	424,462
Deferred SIT - other		0	0	0	0
Amortization of investment tax credit		<u>(35,062)</u>	<u>(35,062)</u>	<u>(35,062)</u>	<u>(35,062)</u>
Total add-backs		<u>6,486,512</u>	<u>6,852,013</u>	<u>11,888,301</u>	<u>10,401,761</u>
Deduct: Depreciation - tax basis		8,470,670	8,470,670	8,470,670	8,470,670
Preferred dividend paid credit		848	848	848	848
Total deducts		<u>8,471,518</u>	<u>8,471,518</u>	<u>8,471,518</u>	<u>8,471,518</u>
Taxable Income		<u>(\$3,045,840)</u>	<u>(\$2,680,339)</u>	<u>\$12,387,842</u>	<u>\$10,901,302</u>
State income tax @ 6.25%			(\$167,521)		\$681,331
Federal income tax @ 35%		(\$1,066,044)		\$4,335,745	
Less: Amount charged to operating expenses for the test year ended September 30, 1999		<u>1,983,610</u>	<u>311,712</u>	<u>(1,066,044)</u>	<u>(167,521)</u>
Pro forma adjustments		<u>(\$1,039,568)</u>	<u>(\$479,233)</u>	<u>\$1,374,954</u>	<u>\$216,064</u>

**Pro forma Adjustment of Deferred Income Taxes - Accelerated Depreciation
for the Test Year Ended September 30, 1999**

Case No. WR-2000-281
Schedule LIG-2.34
Page 1 of 1

Missouri Public Service Commission
Company: Missouri-American Water Company
Water Districts

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The pro forma adjustment reflects the calculation of deferred taxes associated with accelerated depreciation for utility plant in service as reflected in the Company's true-up.

	Deferred FIT	Deferred SIT
Pro forma Expense	\$920,133	\$144,592
Less: Amount per books - twelve months ended September 30, 1999	0	0
Pro forma Adjustment	<u>\$920,133</u>	<u>\$144,592</u>

Overall Revenue Requirement Summary
for the Test Year Ended September 30, 1999

Missouri Public Service Commission
Company: Missouri-American Water Company
Sewer District

Case No. SR-2000-282
Schedule LJG-3
Page 1 of 2

Line No.	Description	Supporting Schedule	Amount
1			
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6	Rate Base	Sch JES-5	\$64,710
7			
8	Operating Income at Present Rates	Sch LJG-3, pg 2	\$4,769
9			
10	Earned Rate of Return		7.37%
11			
12	Requested Rate of Return	Sch JES-1, pg 1	9.11%
13			
14	Required Operating Income		\$5,895
15			
16	Operating Income Deficiency		\$1,128
17			
18	Gross Revenue Conversion Factor	Workpapers	1.804612
19			
20	Revenue Deficiency	Sch LJG-3, pg 2	\$2,032
21			
22	Adjusted Operating Revenues	Sch LJG-3, pg 2	\$47,256
23			
24	Total Revenue Requirement	Sch LJG-3, pg 2	\$49,288
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**Statement of Income Per Books and Pro Forma
for the Test Year Ended September 30, 1999**

**Missouri Public Service Commission
Company: Missouri-American Water Company
Sewer District**

**Case No. WR-2000-281
Schedule LJG-3
Page 2 of 2**

Line No.		Schedule Reference (Col. 1)	Test Year Ended Sep. 30, 1999 (Col. 2)	Adjustments (Col. 3)	Pro Forma Present Rates (Col. 4)	Adjustments (Col. 5)	Pro Forma Proposed Rates (Col. 6)
5	Operating Revenues	Sch JMW-3	\$47,192	\$64	\$47,256	\$2,363	\$49,619
7	Operating Expenses						
8	Operating and Maintenance	Sch LJG-3.1	32,441	586	33,027	0	33,027
9	Depreciation Expense	Sch LJG-3.1	1,549	0	1,549	0	1,549
10	Amortization Expenses	Sch LJG-3.1	1,812	0	1,812	0	1,812
12	Taxes other than Income Taxes						
13	Property Tax		0	0	0	0	0
14	Payroll Taxes		0	0	0	0	0
15	PSC Fees	Sch LJG-3.1	3,664	1,090	4,754	237	4,991
16	Other		0	0	0	0	0
18	Utility Operating Income before Income Taxes		\$7,726	(\$1,612)	\$6,114	\$2,126	\$8,240
20	Income Taxes						
21	Federal Income Tax			896	896	705	1,601
22	State Income Tax			141	141	111	252
23	Deferred FIT - liberalized depreciation			266	266	0	266
24	Deferred SIT - liberalized depreciation			42	42	0	42
25	Deferred FIT - Acquisition Adjustment			0		0	
26	Deferred SIT - Acquisition Adjustment			0		0	
27	Deferred FIT - other			0		0	
28	Deferred SIT - other			0		0	
29	Amortization of Investment Tax Credit		0	0		0	
31	Utility Operating Income		\$7,726	(\$2,957)	\$4,769	\$1,310	\$6,079

**Summary of Operation and Maintenance Expenses
for the Test Year Ended September 30, 1999**

Missouri Public Service Commission
Company: Missouri-American Water Company
Sewer District

Case No. SR-2000-282
Schedule LJG-3.1
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The schedule below provides a summary list of the operation and maintenance expenses for the test year and pro forma at present rates as indicated. Each pro forma adjustment is keyed to a schedule as shown on Schedule LJG-2.2 which provides additional detail and support.

<u>Expense Description</u>	<u>Schedule Reference</u>	<u>Test Year Expense</u>	<u>Adjustment</u>	<u>Pro forma Present Rates</u>
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
Labor		\$0	\$0	\$0
Purchased Water		0	0	0
Fuel and Power		0	0	0
Chemicals		0	0	0
Waste Disposal	LJG-3.2	31,217	586	31,803
Management Fees		0	0	0
Group Insurance		0	0	0
Pensions		0	0	0
Regulatory Expense		0	0	0
Insurance, Other Than Group		0	0	0
Customer Accounting		0	0	0
Rents		0	0	0
General Office Expense		(93)	0	(93)
Miscellaneous		717	0	717
Maintenance - Other		600	0	600
Total Operations & Maintenance		\$32,441	\$586	\$33,027
Depreciation		1,549	0	1,549
Amortization		1,812	0	1,812
Total Depreciation & Amortization		\$3,361	\$0	\$3,361
Property Taxes		0	0	0
Payroll Taxes		0	0	0
PSC Fees	LJG-3.3	3,664	1,090	4,754
Other General Taxes		0	0	0
Total Taxes Other Than Income		\$3,664	\$1,090	\$4,754
Current Federal Income Taxes	LJG-3.4	0	896	896
Current State Income Taxes	LJG-3.4	0	141	141
Deferred Income Taxes	LJG-3.5	0	308	308
Amortization of Investment Tax Credit		0	0	0
Total Income Taxes		\$0	\$1,345	\$1,345

Pro Forma Waste Disposal Expense
for the Test Year Ended September 30, 1999

Missouri Public Service Commission
Company: Missouri-American Water Company
Sewer District

Case No. SR-2000-282
Schedule LJG-3.2
Page 1 of 1

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The Parkville Sewer District has a pipeline connected to the City of Riverside to dispose of the sewage from the 101 sewer customers in the District. Up until June 1, 1999, the rate had been \$25.41 per month per residential customer.

On June 1, 1999, the City of Riverside increased the rate to the Parkville District by a little more than 3% to \$26.24 per month per residential customer. A pro forma adjustment is made to reflect 12 months at this increased rate.

Pro forma expense	\$31,803
Less: amount per books - twelve months ended September 30, 1999	<u>31,217</u>
Pro forma adjustment	<u>\$586</u>

Pro Forma Adjustment of PSC Fees Expense
for the Test Year Ended September 30, 1999

Case No. SR-2000-282
Schedule LJG-3.3
Page 1 of 1

Missouri Public Service Commission
Company: Missouri-American Water Company
Sewer District

Line
No.

The pro forma adjustment to the Public Service Commission Fee was calculated by applying the latest known assessment rate to the pro forma operating revenues at present and proposed rates.

	Pro Forma Present Rates	Pro Forma Proposed Rates
Pro Forma Operating Revenues	\$47,256	\$49,619
Latest Known Assessment Rate	10.0595%	10.0595%
Pro Forma Expense	4,754	4,991
Less: Amount Per Books	3,664	4,754
Pro Forma Adjustment	1,090	237

**Pro forma Adjustment of Income Taxes
for the Test Year Ended September 30, 1999**

Missouri Public Service Commission
Company: Missouri-American Sewer Company
Sewer District

Case No. SR-2000-282
Schedule LJG-3.4
Page 1 of 1

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The Company's federal and state income taxes will be affected by all of the pro forma adjustments made at present and proposed rates. Federal and state income taxes were calculated below using statutory rates.

		At Present Rates		At Proposed Rates	
		Federal	State	Federal	State
	Utility Operating Income	\$4,769	\$4,769	\$6,079	\$6,079
	Deduct: Interest cost	<u>2,621</u>	<u>2,621</u>	<u>2,621</u>	<u>2,621</u>
	Add: Federal income tax	896	448	1,601	801
	State income tax		141		252
	Depreciation	1,549	1,549	1,549	1,549
	Amortization				
	Taxable meals and entertainment	0	0	0	0
	Deferred FIT - liberalized depreciation	266	266	266	266
	Deferred SIT - liberalized depreciation	42	42	42	42
	Deferred FIT - Acquisition Adjustment	0	0	0	0
	Deferred SIT - Acquisition Adjustment	0	0	0	0
	Deferred FIT - other	0	0	0	0
	Deferred SIT - other	0	0	0	0
	Amortization of investment tax credit	0	0	0	0
	Total add-backs	<u>2,753</u>	<u>2,446</u>	<u>3,458</u>	<u>2,910</u>
	Deduct: Depreciation - tax basis	2,341	2,341	2,341	2,341
	Preferred dividend paid credit	0	0	0	0
	Total deducts	<u>2,341</u>	<u>2,341</u>	<u>2,341</u>	<u>2,341</u>
	Taxable Income	<u>\$2,560</u>	<u>\$2,253</u>	<u>\$4,575</u>	<u>\$4,027</u>
	State income tax @ 6.25%		\$141		\$252
	Federal income tax @ 35%	\$896		\$1,601	
	Less: Amount charged to operating expenses for the test year ended September 30, 1999	<u>0</u>	<u>0</u>	<u>896</u>	<u>141</u>
	Pro forma adjustments	<u>\$896</u>	<u>\$141</u>	<u>\$705</u>	<u>\$111</u>

Pro forma Adjustment of Deferred Income Taxes - Accelerated Depreciation
for the Test Year Ended September 30, 1999

Missouri Public Service Commission
Company: Missouri-American Sewer Company
Sewer District

Case No. SR-2000-282
Schedule LJG-3.5
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The pro forma adjustment reflects the calculation of deferred taxes associated with accelerated depreciation
for utility plant in service as reflected in the Company's true-up.

Pro forma Expense

Less: Amount per books - twelve months ended September 30, 1999

Pro forma Adjustment

Deferred FIT	Deferred SIT
\$266	\$42
0	0
\$266	\$42