

Exhibit No.:

Issue: Capital Structure, Post-in-  
Service, AFUDC & Deferred  
Depreciation, Rate Base and  
Income Taxes

Witness: James E. Salser

Type of Exhibit: Direct

Sponsoring Party: MAWC

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

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. WR-2000-281**

**CASE NO. SR-2000-282**

**FILED**

**NOV 19 1999**

**Direct Testimony of**

**JAMES E. SALSER**

**on Behalf of**

**MISSOURI-AMERICAN WATER COMPANY (MAWC)**

**Missouri Public  
Service Commission**

**NOVEMBER 19, 1999**

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**MISSOURI-AMERICAN WATER COMPANY  
DIRECT TESTIMONY  
JAMES E. SALSER**

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1   **1.   Q.   PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2       A.   My name is James E. Salser and my business address is 38 Summit Ct., Marlton,  
3       New Jersey 08053.

4   **2       Q.   BY WHOM ARE YOU EMPLOYED?**

5       A.   I am self employed providing consulting services to public utility companies in the  
6       areas of rate, acquisition and economical analyses.

7   **3.       Q.   PLEASE OUTLINE YOUR EDUCATION AND BUSINESS EXPERIENCE.**

8       A.   I have a Bachelors Degree in Business Administration from West Virginia State  
9       College. I also attended the NARUC Water Utility Rate Seminar in 1973.

10       On January 1, 1966, I was employed by the American Water Works Service  
11       Company (herein after the "Service Company") as a staff accountant assigned to the  
12       property section of the Midwest Division, located in Richmond, Indiana.  
13       Approximately a year later, I was promoted to the Accounting Department.

14       On August 1, 1968, I was transferred to Charleston, West Virginia, and the Southern  
15       Region of the Service Company. In Charleston, I was assigned to the Rate  
16       Department. My principal duties in Charleston were to prepare and testify on  
17       accounting exhibits for the operating companies' rate filings. While in Charleston,  
18       I testified before the West Virginia Public Service Commission and the Virginia  
19       State Corporation Commission on many occasions as an accounting witness.

1 On March 1, 1980, I transferred to Massachusetts to establish a Rate Department for  
2 the New England Division of the Service Company.

3 On November 1, 1983, I was elected Treasurer and Vice President of the nine (9)  
4 operating companies comprising the New England Division. On January 1, 1984, I  
5 was promoted to Manager of Finance for the New England Division. During my  
6 assignment in the New England Division, I testified as the accounting and financial  
7 witness before the regulatory commissions in the states of Connecticut, New York,  
8 Rhode Island, New Hampshire, and the Commonwealth of Massachusetts. I have  
9 also testified on the sale of preferred stock in the State of Rhode Island, and on the  
10 sale of bonds and common stock in the State of Connecticut.

11  
12 In the spring of 1986, I was given an additional assignment to set up a complete on-  
13 line, real-time billing and accounting system on personal computers for the  
14 Massachusetts and New Hampshire companies. All of the companies were on the  
15 system by July 1, 1987.

16 On September 1, 1987, I transferred to the Corporate Office in New Jersey as  
17 Director of System Accounting-Accounting Systems. In this position, I was a  
18 member of a team investigating the possibilities of setting up an on-line, real-time  
19 accounting and financial system for the total American Water System at one location.  
20 I was also in charge of the budgeting process system-wide. During the summer of  
21 1988, I was involved in the development of on-line accounting and financial system  
22 for the Western Region of the Service Company.

23 On January 1, 1989, I transferred to Richmond, Indiana, as Director of the Rates and  
24 Revenue Department of the Mid-America Regional Office. During the assignment  
25 at the Mid-American Region, I submitted financial testimony in rate cases for  
26 Iowa-American Water Company, Illinois-American Water Company,

1 Indiana-American Water Company, Ohio-American Water Company and  
2 Missouri-American Water Company (herein after "MAWC" or the "Company").

3 On January 1, 1994, I accepted a transfer to Mount Laurel, New Jersey, as Director  
4 of the Rates and Revenue Department of the new Region Office. Since January 1,  
5 1994, I have submitted testimony, among other things, related to rate increase  
6 applications for Kentucky-American Water Company, Virginia-American Water  
7 Company, Ohio-American Water Company, Maryland-American Water Company,  
8 Iowa-American Water Company, Michigan-American Water Company,  
9 Tennessee-American Water Company and the last four rate cases for  
10 Missouri-American Water Company.

11 On September 1, 1999, I retired from American Water Works Service Company to  
12 establish my own consulting practice. Shortly thereafter I was retained by the Service  
13 Company - Region Office as a Rate Consultant for five of the operating companies.

14 **4. Q. WHEN YOU WERE THE DIRECTOR OF RATES AND REVENUE FOR**  
15 **THE REGION, WOULD YOU PLEASE ELABORATE UPON YOUR**  
16 **DUTIES.**

17 **A.** I had responsibility for the preparation and presentation of applications for rate  
18 adjustments with the regulatory bodies having jurisdiction over twelve (12) operating  
19 subsidiaries of American Water Works Company Inc., including MAWC.

20 As Director of Rates and Revenue, I directed the management, development and  
21 operation of the office and personnel engaged in the preparation of rate applications  
22 and other related matters for the operating companies assigned to the Region.  
23

24 I was also responsible for the preparation of the financial and economic aspects of  
25 rate increase applications in accordance with the financial objectives established for

1 the operating companies assigned to the Region including, but not limited to, the  
2 following:

- 3 1. Supervise and coordinate the preparation of applications in regulatory proceedings  
4 including supporting documents and exhibits as prescribed by management  
5 policies and respective regulatory commissions.
- 6 2. Testify before regulatory commissions on various regulatory matters, as required.
- 7 3. Communicate with staff members of regulatory commissions.
- 8 4. Review operating companies' financial statements and reports and supervise rate  
9 analysis thereof, including recommendations for rate applications.
- 10 5. Prepare studies relating to the impact that proposed rates will have on the  
11 revenues, rate of return and tariff structure of the operating company involved.
- 12 6. Supervise and coordinate the implementation of regulatory orders, including the  
13 development of tariff pricing to produce the authorized revenue.
- 14 7. Prepare the projected rate increases required in the five-year business plan to  
15 maintain the company's ability to attract additional capital to finance construction  
16 projects.

17 **5. Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

18 **A.** The purpose of my testimony is to discuss on behalf of MAWC:

- 19 (1) The reason why the Company is seeking a rate increase;
- 20 (2) The test year and the Company's request for a true-up;
- 21 (3) The Company's capital structure and immediate financing plans;
- 22 (4) The Company's pro forma level of certain operations and maintenance expenses;
- 23 (5) The depreciation and amortization of the premature retirement of the old St. Joseph  
24 treatment plant;
- 25 (6) The property, state income and federal income taxes; and
- 26 (7) The rate base, including the Company's request for post-in-service AFUDC and  
27 deferred depreciation expense related to the new St. Joseph treatment plant.

1 **REASON FOR FILING RATE CASE**

2 **6.. Q. PLEASE DESCRIBE THE RATE INCREASE REQUESTED BY MAWC IN**  
3 **THIS PROCEEDING.**

4 A. MAWC seeks a rate increase that would produce additional annual water revenues  
5 district of approximately \$16.4 million, or an approximately 54%. The Company  
6 now seeks an increase in sewer rates to produce additional annual revenues of  
7 \$2,363 or a 5% increase

8 **7. Q. WHY DOES THE COMPANY SEEK A RATE INCREASE?**

9 A. The Company's ability to provide water service is dependent on a consistent level of  
10 adequate earnings. Adequate earnings are those which justify the investment of  
11 capital in the Company. Revenues must be sufficient to cover operating expenses,  
12 such as employee payroll and benefits, taxes, depreciation and costs associated with  
13 maintenance and operation, and, thereafter, provide for the payment of capital costs  
14 which include interest and dividends. Revenues generated by the current rates the  
15 Company is authorized to charge for water and sewer service will not adequately  
16 accomplish this task. Therefore, a water rate increase of approximately \$16.4  
17 million and a sewer rate increase of approximately \$2,400 is requested.

18 The water rate increase is primarily due to the following capital investment  
19 projections:

- 20 1) St. Joseph's new source of supply, treatment facilities, and related source of  
21 supply and transmission mains (\$74,684,000).  
22 2) Warrensburg's additional source of supply (\$950,000), well shaft replacement  
23 (\$150,000) and hydrogen sulfide removal plant (\$4,200,000).  
24 3) Mexico's plant improvements (\$5,000,000), well and water transmission main  
25 (\$675,000) and a new pump and column (\$85,000).  
26 4) Platte County's new one million gallon tank and booster (\$2,338,000).

- 1           5)    St. Charles's relocation of mains (\$2,208,000).  
2           6)    Joplin's additional well and apparatus (\$500,000), Grand Falls Dam improvements  
3               (\$225,000) and renovation of filter piping and controls (\$108,000).

4           All of these projects have been undertaken since the Company's last rate case and  
5           will be placed in service no later than April 30, 2000.

6           In addition, since its last rate case, MAWC's utility operating income will have  
7           declined by over \$1,050,000. Interest costs are projected to increase by over  
8           \$3,250,000 annually despite the fact that the overall cost rate on long-term debt has  
9           declined from 7.78% to projected 7.22%.

10   8.    **Q       MR. SALSER, WHAT TEST YEAR HAS MAWC USED IN THIS RATE**  
11           **CASE?**

12        A.   MAWC has used a historical test year ending September 30, 1999, adjusted for  
13        changes that are known and measurable at this time and will be effective by the time  
14        rates are scheduled to go into effect.

15                                   **TRUE-UP TEST YEAR**

16   9.    **Q       IS THE COMPANY PROPOSING A TRUE-UP IN THIS CASE?**

17        A.   Yes. If rates are to be set properly reflecting the cost of providing service, a true-up  
18        of rate base and related operating costs at a point in time as close as possible to the  
19        operation of law date should be permitted. Otherwise, the new rates will not be  
20        sufficient to cover all of MAWC's expenses and investments which have been  
21        incurred or made to provide safe and adequate service. In this case the Company is  
22        proposing a true-up at April 30, 2000.



1

## SPONSORING SCHEDULES

2 10. Q. MR. SALSER ARE YOU SPONSORING ANY SCHEDULES?

3 A. Yes. I am sponsoring Schedules JES-1 through JES-5 which consist of the  
4 following:

<u>Schedule</u>	<u>Description</u>
JES-1	Proforma Rate of Return Summary
JES-2	Post-in-Service AFWDC & Deferred Depreciation Expense
JES-3	Total Company Rate Base
JES-4	Water District Rate Base
JES-5	Sewer District Rate Base

12 11. Q. WERE THESE SCHEDULES PREPARED BY YOU OR UNDER YOUR  
13 SUPERVISION?

14 A. Yes they were.

15 12. Q. WHAT IS THE SOURCE OF THE INFORMATION FOUND ON THESE  
16 SCHEDULES?

17 A. The historical information contained in these schedules is taken from MAWC's  
18 financial books and records at September 30, 1999. The books and records are  
19 maintained in accordance with the Uniform System of Accounts for Class A water  
20 utilities prescribed by the National Association of Regulatory Utility Commissioners  
21 (NARUC), and are audited annually by an independent accounting firm which  
22 certifies that such books and records are maintained in accordance with generally  
23 accepted accounting principals. The Company also utilized the 1999 and 2000  
24 investment budget to arrive at rate base elements at September 30, 1999, and April  
25 30, 2000, respectively.

1 **PRO FORMA CAPITAL STRUCTURE**

2 **13. Q. MR. SALSER, WOULD YOU PLEASE DISCUSS THE COMPANY'S**  
3 **CAPITAL STRUCTURE?**

4 A. MAWC's capital structure is set forth on Schedule JES-1 and has been calculated  
5 as of the proposed true-up date (i.e., April 30, 2000).

6 It is comprised of 56.01% of long-term debt; .16% preferred equity; 1.49% of  
7 preference equity; 42.05% of common equity and .30% of post 1970 deferred  
8 investment tax credits.

9 **14. Q. MR. SALSER, HOW DID YOU ARRIVE AT THIS STRUCTURE?**

10 A. The beginning point was the actual capital structure that existed at September 30,  
11 1999. In addition, MAWC has included in its projected capitalization a proposed  
12 \$35.0 million long-term debt financing as well as \$23.5 million of additional  
13 common stock which it will issue to its parent, American Water Works Company,  
14 Inc. It is anticipated that these financings will close in the Spring of 2000. The  
15 proceeds from these financings will be used to (1) cover MAWC's issuance cost,  
16 and (2) redeem short-term bank loans that were used to repay sinking fund  
17 requirements and finance additional investments over and above internally  
18 generated funds.

19 **15. Q. MR. SALSER, WHAT COST RATE SHOULD BE ASSIGNED TO THE**  
20 **VARIOUS COMPONENTS OF YOUR CAPITAL STRUCTURE FOR**  
21 **RATE MAKING PURPOSES?**

22 A. As shown on Schedule JES-1, the embedded cost rates I have developed are:  
23 7.22% on the Company's long-term debt, 5.81% on MAWC's preferred equity and  
24 9.11 % on its preference equity. Included in my calculation of the cost of the  
25 long-term debt component are three issues of long term debt of \$16,000,000,

1 \$3,000,000 and \$6,000,000 with an estimated coupon rate of 7.75%, 5.75% and 8%  
2 on the proposed new issues along with issuing costs of \$240,000, \$1,040,000 and  
3 \$90,000, respectively . A benefit of the proposed true-up will be to allow the  
4 Company to establish a more current and committed rate at that time. The cost rate  
5 assigned to the common equity component is 11%.

6 **16. Q. WHAT IS THE BASIS OF THE 11% RATE ASSIGNED TO MAWC'S**  
7 **COMMON EQUITY COMPONENT?**

8 A. The common equity cost component has been developed based upon a  
9 recommendation by Mr. Harold Walker of Gannett Fleming, MAWC's consultant in  
10 this area, who has concluded that MAWC should be afforded an opportunity to earn  
11 a return on common equity of at least 11.8% and probably higher. In an effort to  
12 lessen the impact of this increase, MAWC has elected to file its case on the basis of  
13 the lower end of the recommended range of returns on equity, or 11.65%.

14 **17. Q. MR. SALSER, IS THE COMPANY REQUESTING AN ACCOUNTING**  
15 **AUTHORITY ORDER (AAO) TO ALLOW IT TO BOOK POST-IN-**  
16 **SERVICE AFUDC AND DEFER DEPRECIATION ON THE NEW ST.**  
17 **JOSEPH TREATMENT PLANT AND RELATED FACILITIES?**

18 A. Yes, the Company is filing a motion to that effect contemporaneously with the filing  
19 of its direct testimony.

20 **18. Q. WHY IS IT IMPORTANT THAT THE COMMISSION GRANT THE AAO?**

21 A. The St. Joseph treatment plant and related facilities are scheduled to be placed in  
22 service by April 30, 2000. Once this project is placed in service, without the granting  
23 of the AAO, the Company will stop recording AFUDC and begin recording  
24 depreciation expense for approximately five months before this major project is  
25 reflected in customer rates. The lag is too great and it will have a substantial adverse  
26 effect on the Company's earnings.

1  
2 **19. Q. MR. SALSER HAVE YOU PREPARED A CALCULATION SHOWING**  
3 **THE AFFECT ON THE COMPANY'S NET INCOME FOR THE FIVE**  
4 **MONTHS WITH AND WITHOUT POST AFUDC AND DEFERRED**  
5 **DEPRECIATION?**

6 A. Yes. Shown on Schedule JES-2 is the calculation of the post-in-service AFUDC and  
7 the deferral of depreciation expense and their net income affect. In other words, if the  
8 Company is not allowed to book from the date the new plant and related facilities are  
9 placed in service until the new rates become effective the Company's net income will  
10 be reduced to \$1,736,407.

11 **20. Q. MR. SALSER, HAVE YOU EVER REQUESTED AND RECEIVED A**  
12 **ORDER GRANTING POST-IN-SERVICE AFUDC AND THE DEFERRED**  
13 **DEPRECIATION EXPENSE?**

14 A. Yes. The Public Utility Commission of Ohio (PUCO) has approved Post-in-Service  
15 AFUDC and deferred depreciation expense in three separate orders for Ohio-  
16 American Water Company. The Indiana Commission has approved Post-in-Service  
17 AFUDC and deferred depreciation a number of times for Indiana-American Water  
18 Company. Also, the Iowa Board has approved Post-in-Service AFUDC for  
19 Iowa-American Water Company.

20 **21. Q. MR. SALSER, WILL YOU BRIEFLY DESCRIBE THE TYPE OF PROJECTS**  
21 **THAT WERE APPROVED BY THESE THREE COMMISSIONS?**

22 A. The Ohio Commission approved projects that cost over \$500,000 which were  
23 incurred to comply with the Federal EPA, the Ohio EPA or the Ohio Commission  
24 regulations such as replacing or improving treatment plant facilities, developing  
25 additional sources of supply and increasing distribution storage capacity. In the states  
26 of Indiana and Iowa, the Commission/Board approved projects that replaced or  
27 renovated treatment facilities which had similar financial impact on the respective

1 companies as the new St. Joseph treatment plant will have on Missouri-American  
2 Water Company.

3 **POST IN SERVICE AFUDC AND DEFERRAL OF DEPRECIATION EXPENSE**

4 **22. Q. MR. SALSER, HOW HAS THE COMPANY REFLECTED THE**  
5 **POST-IN-SERVICE AFUDC AND THE DEFERRED DEPRECIATION IN**  
6 **THE RATE CASE?**

7 A. The post-in-service AFUDC of \$2,246,744 has been included in the rate base and  
8 is being amortized over 36.75 years (the life associated with the composite  
9 depreciation rate) or \$61,136 annually. The deferred depreciation of \$619,482 will  
10 also be amortized over 36.75 years or \$61,857 annually.

11 **RATE BASE**

12 **23. Q. PLEASE DISCUSS THE CALCULATION OF EACH COMPONENT OF**  
13 **RATE BASE?**

14 A. The Company's rate base is shown on JES-3 that includes the actual September 30,  
15 1999 balance for Utility Plant In Service ("UPIS"), Accumulated Reserve, Customer  
16 Advances, Contributions In Aid of Construction ("CIAC"), and Deferred ITC. UPIS  
17 is updated for budgeted additions through April 30, 2000. Accumulated  
18 depreciation is updated for budgeted UPIS at April 30, 2000, utilizing depreciation  
19 rates approved in MAWC's Case No. WR-95-205. Customer advance were not  
20 updated except for refunds to the developers related to the customer advances as of  
21 September 30, 1999. The CIAC and Deferred ITC were updated for the amortization  
22 through April 30, 2000. Prepayments and material and supplies are based on a 13-  
23 month average. The Post-Employment Benefits ("OPEB's") contributed to external  
24 funds included \$752,918 of permanent investment recognized by the Commission in  
25 Case No. WR-95-205 and \$395,276 of investment of September 30, 1999, updated

1 for amortization through April 30, 2000. Post-in-service AFUDC is included in the  
2 Company's rate base because the stockholders will be paying the carrying costs on  
3 the new St. Joseph Treatment Plant and related facilities from April, 2000 (the month  
4 placed in service) to September 14, 2000 (the effective date that new rates will  
5 recognize the new St. Joseph Treatment Plant in the customer bill). The \$74,684,000  
6 is such a significant amount that the normal regulatory lag will put this Company in  
7 severe financial hardship if post-in-service AFUDC is not recognized in the  
8 Company's rate base.

9 **24. Q. MR. SALSER, WOULD YOU ADDRESS WHY THE COMPANY HAS**  
10 **INCLUDED A PREMATURE RETIREMENT AMOUNT (\$3,332,906) IN**  
11 **DETERMINING THE RATE BASE?**

12 A. The Premature Retirement is related to the existing St. Joseph treatment plant and  
13 related facilities. The \$3,332,906 is the original cost of the old St. Joseph Treatment  
14 Plant and related facilities anticipated to be retired from service at April 30, 2000,  
15 less, the estimated accumulated depreciation. This amount also includes \$500,000  
16 for cost of removal to cut off all connection from the existing St. Joseph treatment  
17 plant to the distribution system and to secure the structure from vandalism and  
18 remove facilities that create a liability to the company. Mr. Young will provide  
19 more detail of the actual work to be done.

20 **25. Q. COULD YOU PLEASE DISCUSS THE TWO REMAINING ELEMENTS OF**  
21 **THE COMPANY'S RATE BASE?**

22 A. Yes. The working capital is calculated using the lead/lag study method and deferred  
23 taxes were calculated based on all plant in service at April 30, 2000, which is the  
24 proposed true-up date.

25 **26. Q. WHAT IS WORKING CAPITAL AND WHY IS IT APPROPRIATE TO BE**  
26 **INCLUDED IN RATE BASE?**

1 A. Working capital is the amount of the investor supplied capital that is used to fund  
2 the day-to-day operations of the Company. This investor supplied capital is  
3 necessary to provide service to the ratepayers and, as such, the investors  
4 should be compensated for this investment. Accordingly, a working capital  
5 allowance is traditionally included as part of the Company's rate base.

6 **27. Q. WOULD YOU PLEASE DESCRIBE THE LEAD/LAG STUDY METHOD IN**  
7 **CALCULATING THE WORKING CAPITAL ALLOWANCE?**

8 A. The Lead/Lag Study method measures the net time lag between the date when the  
9 customers receive service from the Company and the date when they pay for those  
10 services (revenue lag), and the lag between the date the Company receives goods  
11 and services and the date it pays for those goods and services (expense lag). If  
12 applied correctly, a lead/lag study is a useful tool in calculating the appropriate  
13 level of working capital for rate making purposes.

14 **28. Q. SHOULD THE COMPANY PREPARE A LEAD/LAG STUDY FOR EACH**  
15 **CASE?**

16 A. No. A comprehensive study was undertaken in Case No. WR-95-205 and was  
17 updated for the Joplin District's conversion to monthly meter reading and billing in  
18 the last Rate Case (No. WR-97-237). In this case the Company is proposing that the  
19 St. Joseph District move from quarterly meter reading and billing to monthly as  
20 discussed by Mr. Amman. Therefore, the same type of adjustment was made for St.  
21 Joseph in this case as was done for Joplin in the last rate case. With those  
22 adjustments the lead/lag study performed in Case No. WR-95-205 is, in my opinion,  
23 still valid for purposes of this case.

24 **INCOME TAXES**

25 **29. Q. BASED ON THE LEAD/LAG STUDY (AS ADJUSTED), WHAT IS THE**

1           **LEVEL OF WORKING CAPITAL ALLOWANCE THAT THE COMPANY**  
2           **IS PROPOSING IN THIS CASE?**

3           A.    The Company is proposing a working capital allowance of \$479,000.

4   **30. Q.    PLEASE DESCRIBE THE RATE BASE DEDUCTION FOR DEFERRED**  
5           **INCOME TAXES?**

6           A.    MAWC defers federal and state income taxes associated with accelerated  
7           depreciation on post 1980 property in accordance with the 1981 Economic  
8           Recovery Tax Act. These deferred taxes are paid by the ratepayers. Therefore, the  
9           balance of deferred income taxes associated with accelerated depreciation on  
10          post 1980 property is used to reduce rate base.

11   **31. Q.    DID THE COMPANY ADJUST THE LEVEL OF DEFERRED INCOME**  
12          **TAXES THAT IS BEING USED TO REDUCE RATE BASE?**

13          A.    Yes. MAWC has updated its September 30, 1999 balance of deferred taxes to  
14          reflect a true-up date balance (i.e. April 30, 2000). This was done to properly reflect  
15          the Company's rate base as of the true-up date. MAWC also adjusted deferred taxes  
16          to eliminate the deferred taxes associated with the Acquisition Adjustment. In the  
17          Company's last two rate cases, the Commission disallowed any recognition of the  
18          Acquisition Adjustment in rate base and removed the associated deferred taxes from  
19          rate base as well.

20   **32. Q.    PLEASE ADDRESS THE PRO FORMA EXPENSE ITEMS THAT YOU ARE**  
21          **SUPPORTING IN THE COMPANY'S RATE FILING?**

22          A.    I will be sponsoring rate case expense and income taxes. MAWC is proposing a  
23          proforma level rate case expense (Schedule LJG-2.11), amortization of deferred  
24          depreciation expense (Schedule LJG-2.29), and income taxes (Schedule LJG-2.33).  
25          These schedules are attached to the direct testimony of Company witness Linda  
26          Gutowski. Each of these schedules provides a detailed narrative explanation of the



1 Company's proposed adjustment to the expense item.

2 **33. Q. HOW WAS THE DEFERRED DEPRECIATION EXPENSE**  
3 **CALCULATED?**

4 A. The deferred depreciation was identified earlier in my testimony in the amount of  
5 \$799, 409 for the five month period. The Company is proposing to amortize this  
6 deferred amount over the life of assets that generated the deferred depreciation  
7 amount. The amortization of the deferred depreciation is shown on Schedule  
8 LJG-2.29.

9 **34. Q. PLEASE DISCUSS THE CALCULATION OF INCOME TAXES?**

10 A. The calculation of current federal and state income taxes is shown on Schedule  
11 LJG-2.33. Pro forma Utility Operating Income is adjusted for the statutory  
12 additions and deductions to arrive at taxable income. Statutory tax rates for  
13 federal (35%) and state (6.25%) were used to calculate the current federal and  
14 state income taxes at present and proposed rates in the Company's rafiling.  
15 Deferredred taxes associated with accelerated depreciation are shown on Schedule  
16 LJG-2.34. The calculation is based on current and prior tax codes and reflects  
17 deferred taxes on utility plant installed after 1980 in accordance with the 1981  
18 Economic Recovery Tax Act. The deferred tax expense was reduced to eliminate  
19 deferrassociatedccociated with the Acquisition Adjustment. A corresponding  
20 adjustment was also made to eliminate the tax deduction for accelerated  
21 depreciation associated with the Acquisition Adjustment. Other deferred taxes  
22 were eliminated. The calculation of MAWC's federal and stax liabilitytaxliability  
23 included a normalized level of these items, and therefore, these tax timing  
24 differences do not exist on a pro forma basis.

25 **35. Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

26 A. Yes, it does.



**Pro Forma Rate of Return Summary**  
**Test Year Ending September 30, 1999**

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

Case No. WR-2000-281  
 Schedule JES-1  
 Page 1 of 3

Line No.		Amount	Percent to Total	Cost Rate	Weighted Cost of Capital
1					
2	<u>Class of Capital</u>				
3					
4					
5	Long-Term Debt	\$95,409,103	58.10%	7.22%	4.05%
6					
7	Preferred Equity	253,734	0.15%	5.90%	0.01%
8					
9	Preference Equity	2,540,782	1.49%	9.11%	0.14%
10					
11	Accumulated Deferred ITC Post 1970 (JDITC)	\$509,460	0.30%	9.11%	0.02%
12					
13	Common Equity	<u>\$71,355,391</u>	<u>41.96%</u>	11.654%	<u>4.89%</u>
14					
15	Total Capitalization	<u>\$170,068,470</u>	<u>100.00%</u>		<u>9.11%</u>
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**Pro Forma Cost of Long-term Debt**  
**Test Year Ending September 30, 1999**

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

Case No. WR-2000-281  
 Schedule JES-1  
 Page 2 of 3

Line No.	Debt Issue Type, Coupon Rate	Issue Date	Maturity Date	Principal Amount	Pro Forma Outstanding @ 4/30/00	Unamortized Debt Exp.	Net Proceeds	Annual Interest	Annual Amortization	Total Annual Cost
6	<u>General Mortgage Bonds</u>									
8	9.01% Series	03/20/90	02/15/05	\$5,700,000	\$5,700,000	\$16,770	\$5,683,230	\$513,570	\$3,470	\$517,040
9	5.50% Series	05/18/93	01/01/23	5,000,000	4,950,000	294,229	4,655,771	272,250	12,981	285,231
10	7.14% Series	03/16/94	03/01/31	12,500,000	12,500,000	283,263	12,216,737	892,500	8,371	900,871
11	10% Series	10/28/87	10/15/02	5,000,000	905,000	3,512	901,488	90,500	2,451	92,951
12	7.125% Series	02/01/91	Called 2/98	4,500,000	0	122,132	(122,132)	0	94,274	94,274
13	8.58% Series	04/21/95	03/01/25	3,000,000	3,000,000	64,001	2,935,999	257,400	2,595	259,995
14	5.85% Series	07/26/96	07/01/26	6,000,000	6,000,000	388,175	5,611,825	351,000	14,930	365,930
15	7.79% Series	06/01/97	06/01/27	8,000,000	8,000,000	102,269	7,897,731	623,200	3,799	626,999
16	5.00% Series	02/01/98	02/01/28	4,500,000	4,500,000	326,331	4,173,669	225,000	11,831	236,831
17	5.00% Series	11/01/98	11/01/28	19,000,000	19,000,000	1,189,438	17,810,562	950,000	41,980	991,980
18	7.75% Series	12/31/99	12/31/29	16,000,000	16,000,000	237,333	15,762,667	1,240,000	8,000	1,248,000
19	5.75% Series	12/31/99	12/31/29	13,000,000	13,000,000	1,028,444	11,971,556	747,500	34,667	782,167
20	8% Series	04/30/99	04/30/29	6,000,000	6,000,000	90,000	5,910,000	480,000	3,000	483,000
22	Total			\$108,200,000	\$99,555,000	\$4,145,897	\$95,409,103	\$6,642,920	\$242,349	\$6,885,269

Cost of Long-Term Debt [Total Annual Cost/Net Proceeds]

7.22%

### Pro Forma Cost of Preferred Stock

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

**Case No. WR-2000-281**  
**Schedule JES-1**  
**Page 3 of 3**

Type, Dividend Rate, Par Value	Issue Date	Outstanding Amount	Unamortized Issuance Expense	Carrying Value	Annual Dividends	Annual Amortization	Total Annual Cost
<b>Cumulative Preferred Stock</b>							
4 1/4% Series, \$100 par	12/28/49	\$14,000	\$266	\$13,734	\$595	\$266	\$861
5 7/8% Series, \$100 par	10/11/66	240,000	0	240,000	14,100	0	14,100
<b>Total</b>		<b>254,000</b>	<b>266</b>	<b>253,734</b>	<b>14,695</b>	<b>266</b>	<b>14,961</b>
Cost of preferred stock [Total Annual Cost/Carrying Value]							5.90%
<b>Preference Stock</b>							
9.18% Series, \$100 par	10/03/91	2,500,000	40,782	2,540,782	229,500	1,854	231,354
Cost of preference stock [Total Annual Cost/Carrying Value]							9.11%



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

Line  
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	<u>Net Income Affect</u>
Post-in-Service AFUDC	\$2,246,745
Post-in-Service Deferred Depreciation Expense	<u>571,577</u>
Pre tax income	2,818,322
State income tax @ 5.21326%	(146,926)
Federal income tax @ 35%	<u>(934,988)</u>
Net income affect	<u>\$1,736,407</u>





**Rate Base Summary**  
For the Test Year Ended September 30, 1999

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

Case No. WR-2000-281 and SR-2000-282  
Schedule JES-3  
Page 1 of 1

Line No.	Rate Base Component	Supporting Reference	Test Year Ended September 30, 1999	Adjustments	Pro Forma Rate Base
1					
2					
3					
4					
5	Utility Plant in Service	Sch JES-4.1, JES-5.1	\$144,420,369	\$87,137,007	\$231,557,376
6					
7	Accumulated Provision for Depreciation	Sch JES-4.2, JES-5.2	(31,831,469)	2,979,637	(28,853,433)
8					
9	Post -in-Service AFUDC	Sch JES-2	0	2,421,006	2,421,006
10	Other Utility Plant Adjustments				
11					
12	Net Utility Plant		<u>112,588,900</u>	<u>92,537,649</u>	<u>205,124,949</u>
13					
14					
15	Less:				
16	Customer Advances	Sch JES-4.3	(4,941,612)	0	(4,941,612)
17	Contributions in Aid of Construction	Sch JES-4.3	(23,189,415)	0	(23,189,415)
18	Accumulated Deferred ITC (3%)	Workpapers	(61,736)	2,801	(58,935)
19	Deferred Income Taxes	Workpapers	(4,905,886)	(346,387)	(5,252,273)
20					
21	Subtotal		<u>(33,098,649)</u>	<u>(343,586)</u>	<u>(33,442,235)</u>
22					
23	Add:				
24	Cash Working Capital	Sch JES-4.4	479,000	0	479,000
25	Materials and Supplies	Sch JES-4.5	429,776	0	429,776
26	Prepayments	Sch JES-4.6	153,099	0	153,099
27	OPEB's Contributed to External Fund	Workpapers	1,166,161	(17,967)	1,148,194
28	Premature Retirement of St Joseph Plant	Workpapers	0	3,332,906	3,332,906
29					
30	Subtotal		<u>2,228,036</u>	<u>3,314,939</u>	<u>5,542,975</u>
31					
32	Total Original Cost Rate Base		<u>\$81,718,288</u>	<u>\$95,509,002</u>	<u>\$177,225,690</u>



**Rate Base 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 JES-4  
Page 1 of 1

Line No.	Rate Base Component	Supporting Reference	Test Year Ended September 30, 1999	Adjustments	Pro Forma Rate Base
1					
2					
3					
4					
5	Utility Plant in Service	Sch JES-4.1	\$144,338,768	\$87,137,007	\$231,475,773
6					
7	Accumulated Provision for Depreciation	Sch JES-4.2	(31,809,935)	2,978,837	(28,831,098)
8					
9	Post-In-Service AFUDC	Sch JES-2		2,421,006	2,421,006
10	Other Utility Plant Adjustments				
11					
12	Net Utility Plant		<u>112,528,831</u>	<u>92,536,849</u>	<u>205,065,681</u>
13					
14					
15	Less:				
16	Customer Advances	Sch JES-4.3	(4,941,612)	0	(4,941,612)
17	Contributions in Aid of Construction	Sch JES-4.3	(23,189,415)	0	(23,189,415)
18	Accumulated Deferred ITC (3%)	Workpapers	(61,736)	2,801	(58,935)
19	Deferred Income Taxes	Workpapers	(4,905,888)	(347,228)	(5,253,114)
20					
21	Subtotal		<u>(33,098,649)</u>	<u>(344,427)</u>	<u>(33,443,076)</u>
22					
23	Add:				
24	Cash Working Capital	Sch JES-4.4	476,000	0	476,000
25	Materials and Supplies	Sch JES-4.5	429,776	0	429,776
26	Prepayments	Sch JES-4.6	153,099	0	153,099
27	OPEB's Contributed to External Fund	Workpapers	1,166,161	(17,967)	1,148,194
28	Premature Retirement of St Joseph Plant	Workpapers	0	3,332,906	3,332,906
29					
30	Subtotal		<u>2,225,036</u>	<u>3,314,939</u>	<u>5,539,975</u>
31					
32	Total Original Cost Rate Base		<u>\$81,655,219</u>	<u>\$95,507,361</u>	<u>\$177,162,580</u>
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Utility Plant in Service  
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 JES-4.1  
Page 1 of 2

Line No.	Acct. No.	Account Description	Balance at 9/30/99	Adjustments	Pro Forma Utility Plant
1					
2		<u>Intangible Plant</u>			
3		Organization	68,022	228,840	296,862
4	301	Franchises & Consents	39,500	0	39,500
5	302	Miscellaneous Intangible Plant Studies	284,735	13,000	297,735
6	303.99	Sub-total	392,257	241,840	634,097
7		<u>Source of Supply Plant</u>			
8		Land & Land Rights	365,939	5,000	370,939
9	310	Structures & Improvements	67,869	0	67,869
10	311	Collection & Impound Reservoirs	111,068	225,000	336,068
11	312	Lake, River, & Other Intakes	1,306,511	(1,247,527)	58,984
12	313	Wells & Springs	1,779,888	1,284,871	3,074,559
13	314	Supply Mains	1,317,402	9,366,884	10,684,286
14	316	Sub-total	4,948,475	9,644,228	14,592,703
15		<u>Pumping Plant</u>			
16		Pumping Land & Land Rights	22,675	368,162	390,837
17	320	Pumping Structures & Improvements	2,394,523	5,174,232	7,568,755
18	321	Boiler Plant Equipment	348	0	348
19	322	Force Mains	317,348	35,000	352,348
20	323	Steam Pumping Equipment	6,907	0	6,907
21	324	Electric Pumping Equipment	7,911,607	3,162,854	11,074,461
22	325	Diesel Pumping Equipment	110,608	0	110,608
23	326	Other Pumping Equipment	235,160	0	235,160
24	328.3	Sub-total	10,999,174	8,740,248	19,739,422
25		<u>Treatment Plant</u>			
26		Water Treatment Land & Land Rights	33,418	0	33,418
27	330	Water Treatment Structures & Improvements	1,684,421	22,827,613	24,512,034
28	331	Water Treatment Equipment	8,913,849	29,562,213	38,476,062
29	332	Water Treat. Equip. - Filter Plant	3,073	0	3,073
30	332.4	Sub-total	10,634,761	52,389,826	63,024,587
31		<u>Transmission &amp; Distribution Plant</u>			
32		Transmission & Distribution Land	381,304	277,545	658,849
33	340	Trans. & Dist. Structures & Improvements	467,058	0	467,058
34	341	Distribution Reservoirs & Standpipes	6,400,652	1,033,088	7,433,740
35	342	Transmission & Distribution Mains Conv	26,905,912	9,563,884	36,469,796
36	343	Transmission & Distribution Mains <4"	1,629,129	(12,164)	1,616,965
37	343.1	Transmission & Distribution Mains 6"-8"	21,573,058	80,213	21,653,271
38	343.2	Transmission & Distribution Mains >10"	21,760,895	94,173	21,855,068
39	343.3	Fire Mains	295,414	0	295,414
40	344	Services	12,535,844	984,184	13,520,028
41	345	Subtotal	91,949,266	12,020,923	103,970,189
42					
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**Utility Plant in Service**  
**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 JES-4.1  
 Page 2 of 2

Line No.	Acct No.	Account Description	Balance at 9/30/99	Adjustments	Pro Forma Utility Plant
1					
2					
3		<u>Transmission &amp; Distribution Plant</u>	Bal. Fwd. 91,949,266	12,020,923	103,970,189
4	346.1	Meters - Bronze Case	10,378	(5,653)	4,725
5	346.2	Meters - Plastic Case	119,874	(18,491)	103,383
6	346.3	Meters - Not Class By Type	1,557,745	560,531	2,118,276
7	346.1	Meters - Bronze Magnetic	1,732,047	505,066	2,237,113
8	347	Meter Installations	6,058,451	(9,245)	6,047,206
9	348	Hydrants	7,106,220	100,048	7,206,268
10	349	Other Transmission & Distribution Plant	18,610	0	18,610
11		Sub-total	108,550,591	13,155,179	121,705,770
12					
13		<u>General Plant</u>			
14	389	General Land & Land Rights	201,703	0	201,703
15	390	Stores Shops Equip. Struct	192,747	1,898,367	2,091,114
16	390.1	Office Structures	1,453,650	0	1,453,650
17	390	Gen Structures-HVAC	71,296	0	71,296
18	390.3	Miscellaneous Structures	114,564	0	114,564
19	391	Office Furniture & Equip.	655,232	97,363	752,595
20	391.2	Computers & Peripheral Equip.	1,222,437	0	1,222,437
21	391.25	Computer Software	718,098	813,229	1,531,327
22	391.26	Personal Computer Software	207,829	0	207,829
23	391.3	Other Office Equipment	58,455	0	58,455
24	392.11	Transportation Equipment - Light Trucks	753,015	27,035	780,050
25	392.12	Transportation Equipment - Heavy Trucks	109,694	0	109,694
26	392.2	Transportation Equipment - Cars	275,009	(34,221)	240,788
27	392.3	Transportation Equipment - Other	30,280	0	30,280
28	393	Stores Equipment	25,379	0	25,379
29	394	Tools, Shop, & Garage Equipment	784,367	134,928	919,295
30	395	Laboratory Equipment	246,094	(75,165)	170,929
31	396	Power Operated Equipment	434,348	(7,433)	426,915
32	397	Communication Equipment(non telephone)	216,206	(11,345)	204,861
33	397.2	Telephone Equip.	64,688	0	64,688
34	398	Miscellaneous Equip.	116,493	122,928	239,421
35	339.2	Other Tangable Property	861,924	0	861,924
36		Sub-total	8,813,508	2,965,666	11,779,194
37					
38		<u>Total Plant in Service</u>	<u>144,338,766</u>	<u>87,137,007</u>	<u>231,475,773</u>
39					
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**Accumulated Depreciation and Amortization  
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 JES-4.2  
Page 1 of 2

Line No.	Acct No.	Account Description	Balance at 9/30/99	Adjustment	Pro Forma Accum. Deprec.
1					
2		<u>Intangible Plant</u>			
3					
4	301	Organization	0	0	0
5	302	Franchises & Consents	0	0	0
6	303.99	Miscellaneous Intangible Plant Studies	99,661	33,222	132,883
7		Sub-total	99,661	33,222	132,883
8		<u>Source of Supply Plant</u>			
9	310	Land & Land Rights	0	0	0
10	311	Structures & Improvements	35,744	1,316	37,060
11	312	Collection & Impound Reservoirs	70,914	4,667	75,581
12	313	Lake, River, & Other Intakes	564,521	(807,045)	(242,524)
13	314	Wells & Springs	387,416	28,974	416,390
14	316	Supply Mains	523,662	(189,342)	334,319
15		Sub-total	1,582,256	(961,430)	620,826
16		<u>Pumping Plant</u>			
17	320	Pumping Land & Land Rights	0	0	0
18	321	Pumping Structures & Improvements	482,509	(148,424)	334,085
19	322	Boiler Plant Equipment	37,421	0	37,421
20	323	Force Mains	5,049	3,968	9,017
21	324	Steam Pumping Equipment	0	0	0
22	325	Electric Pumping Equipment	1,802,028	(716,436)	1,085,591
23	326	Diesel Pumping Equipment	17,537	1,470	19,007
24	328	Other Pumping Equipment	60,204	3,101	63,305
25		Sub-total	2,404,748	(856,323)	1,548,425
26		<u>Treatment Plant</u>			
27	330	Water Treatment Land & Land Rights	0	0	0
28	331	Water Treatment Structures & Improvements	603,517	(208,893)	394,624
29	332	Water Treatment Equipment	2,888,554	(2,211,804)	676,750
30		Sub-total	3,492,071	(2,420,697)	1,071,374
31		<u>Transmission &amp; Distribution Plant</u>			
32	340	Transmission & Distribution Land	0	0	0
33	341	Trans. & Dist. Structures & Improvements	177,193	13,790	190,983
34	342	Distribution Reservoirs & Standpipes	1,687,154	73,296	1,760,450
35	343	Transmission & Distribution Mains Conv	12,698,279	588,896	13,287,175
36	344	Fire Mains	34,551	2,520	37,071
37	345	Services	3,058,257	135,166	3,193,423
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41		Subtotal	17,655,434	813,668	18,469,102
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**Accumulated Depreciation and Amortization  
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 JES-4.2  
Page 2 of 2

Line No.	Acct. No.	Account Description	Balance at 9/30/99	Adjustment	Pro Forma Accum. Deprec.
1					
2					
3					
4		<u>Transmission &amp; Distribution Plant</u> Bal. Fwd.	17,655,434	813,668	18,469,102
5	346	Meters	1,045,018	50,048	1,095,066
6	347	Meter Installations	1,534,189	66,739	1,600,928
7	348	Hydrants	1,160,418	117,029	1,277,447
8	349	Other Transmission & Distribution Plant	2,759	331	3,090
9		Sub-total	21,397,817	1,047,815	22,445,632
10					
11		<u>General Plant</u>			
12	389	General Land & Land Rights	0	0	0
13	390	Stores Shops Equip. Struct	482,770	(2,376)	480,394
14	391	Office Furniture & Equip.	737,285	161,725	899,010
15	392	Transportation Equipment	619,973	44,391	664,364
16	393	Stores Equipment	24,251	134	24,385
17	394	Tools, Shop, & Garage Equipment	208,323	11,999	220,322
18	395	Laboratory Equipment	66,580	(28,046)	38,534
19	396	Power Operated Equipment	167,462	2,992	170,454
20	397	Communication Equipment(non telephone)	172,888	7,181	180,069
21	398	Miscellaneous Equip.	47,476	(7,763)	39,713
22	339.2	Other Tangable Property	304,682	10,052	314,734
23		Sub-total	2,811,689	200,289	3,011,958
24					
25		Total Plant in Service	31,788,223	(2,957,124)	28,831,099
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**Customer Advances and Contributions in Aid of Construction**  
**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 JES-4.3  
 Page 1 of 1

Line No.			Balance at 9/30/99	Adjustment	Pro Forma Balance
1					
2					
3	<b>Acct No.</b>	<b>Account Description</b>			
4					
5		<b>Customer Advances</b>			
6	252.11	Advances For Construction - Extensions	(\$1,322,272)	(\$1,415,334)	(\$2,737,606)
7	252.71	Advances For Construction - Tax. Extensions	(3,619,340)	0	(3,619,340)
8					
9		<b>Total Customer Advances</b>	<u>(\$4,941,612)</u>	<u>(\$1,415,334)</u>	<u>(\$6,356,946)</u>
10					
11		<b>Contributions in Aid of Construction</b>			
12	271.11	Contributions in Aid - NT Mains	(721,635)	0	(721,635)
13	271.12	Contributions in Aid - NT Ext Deposit	(1,140,005)	0	(1,140,005)
14	271.21	Contributions in Aid - NT Services	(2,054)	0	(2,054)
15	271.30	Contributions in Aid - NT Meters	(31,941)	0	(31,941)
16		Contributions in Aid - NT Hydrants	(801,890)	0	(801,890)
17		Contributions in Aid - NT Other	(105,567)	0	(105,567)
18	271.71	Contributions in Aid - Tax Mains	(20,884,754)	0	(20,884,754)
19	271.12	Contributions in Aid - Tax Extension Deposit	(3,625,573)	0	(3,625,573)
20	271.27	Contributions in Aid - Tax Services	(18,814)	0	(18,814)
21	271.37	Contributions in Aid - Tax Meters	(286,574)	0	(286,574)
22	271.47	Contributions in Aid - Tax Hydrants	(28)	0	(28)
23	Various	Accum. Amort. - CIAC	4,429,420	0	4,429,420
24					
25		<b>Total Contributions in Aid of Construction</b>	<u>(\$23,189,415)</u>	<u>\$0</u>	<u>(\$23,189,415)</u>
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**Working Capital**  
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 JES-4.4  
Page 1 of 1

Line No.	Expense Category	Pro Forma Proposed Expense	Average Daily Expense	Revenue Lag	Expense (Lead)Lag	Net (Lead)Lag	Cash Requirement
1		4,210,803	11,538	45.03	10.23	34.80	401,453
2		1,370,897	3,756	45.03	15.05	29.98	112,605
3		1,333,419	3,653	45.03	37.22	7.81	28,530
4	Base Payroll	503,046	1,378	45.03	32.03	13.00	17,914
5	Tax Withholding	1,624,125	4,450	45.03	(4.13)	49.16	218,762
6	Fuel & Power	1,190,776	3,262	45.03	(8.54)	53.57	174,745
7	Chemicals	196,773	539	45.03	0.00	45.03	24,271
8	Service Company Charges	56,285	154	45.03	(79.50)	124.53	19,178
9	Group Insurance	359,335	984	45.03	(58.72)	103.75	102,090
10	Pensions	168,278	461	45.03	0.00	45.03	20,759
11	ESOP	38,278	105	45.03	24.37	20.68	2,169
12	Insurance Other Than Group	62,510	171	45.03	48.80	(3.77)	(645)
13	Uncollectables	5,688,442	15,585	45.03	20.67	24.38	379,651
14	Rents	16,802,767					1,501,482
15	401 K						
16	Other O & M						
17	Total O & M Expenses						
18		5,980,906	16,386	45.03	0.00	45.03	737,862
19	Depreciation Expense	2,244,609	6,150	45.03	182.50	(137.47)	(845,441)
20	Property Taxes	197,043	540	45.03	(29.38)	74.41	40,181
21	Public Service Commission Fee	64,454	177	45.03	30.14	14.89	2,836
22	Franchise and Environment Tax	302,541	829	45.03	13.44	31.59	28,188
23	FICA Taxes	5,577	15	45.03	62.05	(17.02)	(255)
24	FUTA Taxes	0	0	45.03	62.05	(17.02)	0
25	SUTA Taxes	0	0	19.91	73.35	(53.44)	0
26	Gross Receipts Tax	468,792	1,284	19.91	38.90	(18.99)	(24,383)
27	Sales Tax	0	0	45.03	62.05	(17.02)	0
28	Federal Income Tax - current	0	0	45.03	62.05	(17.02)	0
29	State Income Tax - current	0	0	45.03	0.00	45.03	0
30	Deferred Income Taxes	7,119,181	19,505	45.03	91.25	(46.22)	(901,521)
31	Synchronized Interest	263,673	722	45.03	46.63	(1.60)	(1,155)
32	Synchronized Preferred Dividends	33,449,543					535,594
33	Total Working Capital Requirement						
34							
35	Total Cash Working Capital Requirement Used					\$	536,000
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**Average Balance of Materials and Supplies**  
**Test Year: Twelve Months Ended: 9/30/99**

Missouri-American Water Company  
 Company: Missouri-American Water Company  
 Water Districts

Case No. WR-2000-281  
 Schedule JES-4.5  
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	Stock A A/C 151200	Stock C A/C 151300	Stock E A/C 151100	Total Company
Month:				
September-98	1,039	82,503	294,613	378,155
October-98	727	85,206	289,209	375,142
November-98	667	69,410	283,684	353,760
December-98	527	67,479	269,279	337,284
January-99	527	81,492	277,542	359,561
February-99	423	72,946	302,654	376,223
March-99	1,313	78,332	364,780	444,425
April-99	1,194	74,108	389,512	464,813
May-99	1,143	69,106	437,759	508,007
June-99	1,001	71,611	408,645	481,257
July-99	618	85,221	422,125	507,963
August-99	1,491	76,546	421,827	498,864
September-99	1,328	72,705	426,604	500,637
Total	11,996	986,663	4,588,432	5,587,092
Test Year Average	\$ 923	\$ 75,897	\$ 352,956	\$ 429,776

**Average Balance of Prepayments**  
**Test Year: Twelve Months Ended: 9/30/99**

Missouri-American Water Company  
 Company: Missouri-American Water Company  
 Water Districts

Case No. WR-2000-281  
 Schedule JES-4.6  
 Page 1 of 1

Line No.		Prepaid Taxes A/C 165100	Prepaid Insurance A/C 165200	Prepaid Expenses A/C 165300	Prepaid ESOP A/C 165400	Total Company
1						
2						
3						
4						
5	Month:					
6	September-98	17,070	57,265	15,844	11,762	101,941
7	October-98	57,349	132,749	21,130	7,841	219,070
8	November-98	28,675	99,088	18,487	3,921	150,171
9	December-98	28,402	139,734	15,844	(0)	183,979
10	January-99	74,371	106,184	11,180	(0)	191,734
11	February-99	53,577	87,995	14,532	(3,921)	152,184
12	March-99	35,273	128,461	9,902	0	173,637
13	April-99	29,120	96,547	5,273	36,870	167,810
14	May-99	10,818	61,006	8,590	32,262	112,674
15	June-99	42,912	97,887	12,366	27,653	180,818
16	July-99	83,759	62,389	7,737	23,044	176,928
17	August-99	44,519	26,890	11,054	18,435	100,898
18	September-99	21,297	21,897	21,422	13,826	78,442
19						
20	Total	527,140	1,118,091	173,360	171,693	1,990,285
21						
22	Test Year Average	\$ 40,549	\$ 86,007	\$ 13,335	\$ 13,207	\$ 153,099
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**Rate Base 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 JES-5  
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Line No.	Rate Base Component	Supporting Reference	Test Year Ended September 30, 1999	Adjustments	Pro Forma Rate Base
1					
2					
3					
4					
5	Utility Plant in Service	Sch JTS-5.1	\$81,603	\$0	\$81,603
6					
7	Accumulated Provision for Depreciation	Sch JTS-5.2	(21,534)	800	(22,334)
8					
9	Other Utility Plant Adjustments		0	0	0
10	Other Utility Plant Adjustments		0	0	0
11					
12	Net Utility Plant		<u>60,069</u>	<u>800</u>	<u>60,869</u>
13					
14					
15	Less:				
16	Customer Advances	Sch JTS-5.3	0	0	0
17	Contributions in Aid of Construction	Sch JTS-5.3	0	0	0
18	Accumulated Deferred ITC (3%)		0	0	0
19	Deferred Income Taxes	Workpapers	0	841	841
20					
21	Subtotal		<u>0</u>	<u>841</u>	<u>841</u>
22					
23	Add:				
24	Cash Working Capital	Sch JTS-5.4	3,000	0	3,000
25	Materials and Supplies	Sch JTS-5.5	0	0	0
26	Prepayments	Sch JTS-5.6	0	0	0
27			0	0	0
28			0	0	0
29					
30	Subtotal		<u>3,000</u>	<u>0</u>	<u>3,000</u>
31					
32	Total Original Cost Rate Base		<u>\$63,069</u>	<u>\$1,841</u>	<u>\$64,710</u>
33					
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**Utility Plant in Service**  
**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 JES-5.1  
 Page 1 of 1

Line No.					
1					
2	<u>Acct No.</u>	<u>Account Description</u>	<u>Balance at 9/30/99</u>	<u>Adjustments</u>	<u>Pro Forma Utility Plant</u>
3					
4		<u>Sewer Plant</u>			
5	352.2	Collecting Mains_SWR	30,459	0	30,459
6	353	Services Sewer	7,951	0	7,951
7	370.1	Miscellaneous Land-SWR	9,300	0	9,300
8	374	Outfall Sewer Lines	33,743	0	33,743
9		Total Plant in Service	<u>81,603</u>	<u>0</u>	<u>81,603</u>
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**Accumulated Depreciation and Amortization  
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 JES-5.2  
Page 1 of 2

Line No.	Acct No.	Account Description	Balance at 9/30/99	Adjustment	Pro Forma Accum. Deprec.
1					
2					
3	301	Organization			0
4	302	Franchises & Consents			0
5	303.99	Miscellaneous Intangible Plant Studies			0
6		Sub-total		0	0
7		<u>Source of Supply Plant</u>			
8	310	Land & Land Rights			0
9	311	Structures & Improvements			0
10	312	Collection & Impound Reservoirs			0
11	313	Lake, River, & Other Intakes			0
12	314	Wells & Springs			0
13	316	Supply Mains			0
14		Sub-total		0	0
15		<u>Pumping Plant</u>			
16	320	Pumping Land & Land Rights			0
17	321	Pumping Structures & Improvements			0
18	322	Boiler Plant Equipment			0
19	323	Force Mains			0
20	324	Steam Pumping Equipment			0
21	325	Electric Pumping Equipment			0
22	326	Diesel Pumping Equipment			0
23	328	Other Pumping Equipment			0
24		Sub-total		0	0
25		<u>Treatment Plant</u>			
26	330	Water Treatment Land & Land Rights			0
27	331	Water Treatment Structures & Improvements			0
28	332	Water Treatment Equipment			0
29		Sub-total		0	0
30		<u>Transmission &amp; Distribution Plant</u>			
31	340	Transmission & Distribution Land			0
32	341	Trans. & Dist. Structures & Improvements			0
33	342	Distribution Reservoirs & Standpipes			0
34	343	Transmission & Distribution Mains Conv			0
35	344	Fire Mains			0
36	345	Services			0
37					
38					
39					
40		Subtotal		0	0
41					
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**Accumulated Depreciation and Amortization  
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 JES-5.2  
Page 2 of 2

Line No.	Acct No.	Account Description	Balance at 9/30/98	Adjustment	Pro Forma Accum. Deprec.
1					
2					
3					
4		<u>Transmission &amp; Distribution Plant</u> Bal. Fwd.	0	0	0
5	348	Meters			0
6	347	Meter Installations			0
7	348	Hydrants			0
8	349	Other Transmission & Distribution Plant			0
9		Sub-total		0	0
10					
11		<u>Sewer Plant</u>			
12	352.2	Collecting Mains_SWR	12,235	237	12,472
13	353	Services Sewer	4,958	91	5,049
14	370.1	Miscellaneous Land-SWR	2,543	-	2,543
15	374	Outfall Sewer Lines	1,976	294	2,270
16		Sub-total	21,712	622	22,334
17					
18		<u>General Plant</u>			
19	389	General Land & Land Rights			0
20	390	Stores Shops Equip. Struct			0
21	391	Office Furniture & Equip.			0
22	392	Transportation Equipment			0
23	393	Stores Equipment			0
24	394	Tools, Shop, & Garage Equipment			0
25	395	Laboratory Equipment			0
26	396	Power Operated Equipment			0
27	397	Communication Equipment(non telephone)			0
28	398	Miscellaneous Equip.			0
29	339.2	Other Tangable Property			0
30		Sub-total		0	0
31					
32		Total Plant in Service	21,712	622	22,334
33					
34					
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**Customer Advances and Contributions in Aid of Construction  
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 JES-5.3  
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**Not Applicable**

**Working Capital**  
**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 JES-5.4**  
**Page 1 of 1**

Line No.	Expense Category	Pro Forma Proposed Expense	Average Daily Expense	Revenue Lag	Expense (Lead)Lag	Net (Lead)Lag	Cash Requirement
1							
2							
3							
4	Base Payroll	0					
5	Tax Withholding	0					
6	Fuel & Power	0					
7	Chemicals	0					
8	Service Company Charges	0					
9	Group Insurance	0					
10	Pensions	0					
11	ESOP	0					
12	Insurance Other Than Group	0					
13	Uncollectables	0					
14	Rents	0					
15	401 K	0					
16	Other O & M	33,027					
17	Total O & M Expenses	33,027					
18							
19	Depreciation Expense	3,361					
20	Property Taxes	0					
21	Public Service Commission Fee	4,754					
22	Franchise and Environment Tax	0					
23	FICA Taxes	0					
24	FUTA Taxes	0					
25	SUTA Taxes						
26	Gross Receipts Tax						
27	Sales Tax						
28	Federal Income Tax - current						
29	State Income Tax - current						
30	Deferred Income Taxes						
31	Synchronized Interest						
32	Synchronized Preferred Dividends						
33	Total Working Capital Requirement						
34							
35	Total Cash Working Capital Requirement Used						
36							
37							
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**Average Balance of Materials and Supplies**  
**Test Year: Twelve Months Ended: 9/30/99**

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

**Case No. SR-2000-282**  
**Schedule 5.5**  
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**Not Applicable**

Average Balance of Prepayments  
Test Year: Twelve Months Ended: 9/30/99

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

Case No. SR-2000-282  
Schedule 5.6  
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Prepaid Taxes A/C 165100	Prepaid Insurance A/C 165200	Prepaid Expenses A/C 165300	Prepaid ESOP A/C 165400	Total Company
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Not Applicable