

Missouri-American Water Company  
Summary of Adjustments to Operations and Maintenance Expenses, Depreciation, Amortization and General Taxes  
For the Test Year Ended December 31, 2014  
Schedule: CAS-13

Total Company						Narrative Discussion of Proposed Adjustment
Line Number	Description	Schedule	Test Year Ended 12/31/14	Test Year Adjustments	Pro Forma at Present Rates	
1	Labor	W/P's	\$26,570,122	\$3,670,578	\$30,240,700	Adjustment was calculated by using the December 31, 2014 employee levels plus planned additions through December 2015. Overtime labor was calculated by taking the three year average of overtime in relation to total payroll by district. Labor rates used for union personnel reflect those rates that will be in effect by June 2016 based on contractual agreements. Contract rates not yet negotiated were projected through June 2016 using a three year average increase for each union. Labor rates for non union personnel are projected through June 2016 using a three year average. Gross labor dollars were allocated to O&M expense based on the difference between the historical three year average of capital charged by district and total labor from 20012-2014.
2	Purchased Water	W/P's	851,557	132,022	983,579	Adjustment includes changes for usage rates charged by purchased water providers and inclusion of Arnold acquisition.
3	Fuel and Power	W/P's	12,317,789	406,905	12,724,694	Adjustment includes rate changes charged by utility providers and inclusion of Arnold & Redfield acquisition.
4	Chemicals	W/P's	9,384,117	(434,963)	8,949,154	Adjustment based on 3 year average chemical use divided by 3 year average system delivery. This amount is then multiplied by pro forma system delivery to arrive at pro forma chemical usage. Pro forma chemical usage was adjusted for known changes involving addition of chemicals to the water treatment process. Pro forma chemical usage is multiplied by the current cost per pound. Also, an adjustment is included for Atrazine amortization.
5	Waste Disposal	W/P's	987,907	654,809	1,642,716	Annualized cost of Waste Disposal based on plant cleaning schedule. (Inclusive of Arnold and Redfield) MSD Asset interest acquired with City of Arnold.
6	Support Services	W/P's	29,989,323	(1,307,360)	28,681,963	An overall pro forma decrease in the amount of \$1,014,128 was made to the base year Service Company expense of \$29,989,323. After the adjustments, Service Company expense for the pro forma period is \$28,975,195. This is based on the Service Company actual expense for the base period and adjusted, where appropriate, to reflect known and measurable changes in operating conditions for labor and related, BT function, severance, one-time costs, contracted services, depreciation/LOP interest, and maintenance.
7	Group Insurance - PBOP (Retiree)	W/P's	3,016,800	(2,168,734)	848,066	Adjustment based on actuarial report reduced by capitalized amount based on a three year average. Amortization of current tracker is included.
8	Group Insurance - Employee	W/P's	4,343,091	421,671	4,764,762	Adjustment based on actual employees' plan selections and the current 2015 plan costs and employee contributions. An appropriate capitalization rate is applied to determine pro forma group insurance expense.
9	Pensions	W/P's	4,474,855	(2,883,262)	1,591,593	Adjustment based on actuarial report reduced by capitalized amount based on a three year average. Amortization of current tracker is included.
10	Regulatory Expense	W/P's	384,742	376,333	761,075	Adjustment reflects a two year amortization of the estimated cost of the current rate case. The cost of the current rate case includes costs related to preparation of accounting exhibits, testimony, responding to both PSC, OPC and intervener data requests, review and reconciliation of PSC Staff, OPC and intervener exhibits and testimony, preparation of rebuttal and surebuttal testimony and attending hearings, legal fees, publication cost, outside consultants and associated travel expenses.
11	Insurance, Other than Group	W/P's	5,415,510	(496,273)	4,919,237	Includes current 2015 premiums to date. Three year average of retrospective adjustments. Includes Arnold and Redfield acquisitions.
12	Customer Accounting	W/P's	2,529,943	119,467	2,649,410	The pro-forma adjustment for Postage Expense was calculated by applying 2015 anticipated postal rates from the latest rate filing by the United States Postal Service to the number of test year mailings.
13	Rents	W/P's	385,750	2,549	388,299	Pro forma adjustment related to additional costs projected for the acquisitions of Arnold Wastewater (\$3K).
14	Uncollectible accounts expense	W/P's	4,594,660	(1,653,214)	2,941,446	Three year average for uncollectible percentage (2012 -2014).
15	Miscellaneous - All Other	W/P's	4,798,816	28,644	4,827,460	Pro forma adjustment related to additional costs projected for the acquisitions of Arnold Wastewater (\$26K) and Redfield Water (\$2K).
16	Miscellaneous - Building Maintenance and Services (Electricity & Heating)	W/P's	675,519	37,421	712,940	To adjust for rate changes in the Electricity & Heating Oil expense accounts. Also include trash disposal in Warrensburg incorrectly posted to Waste Disposal. This was adjusted for in Waste Disposal pro forma.
17	Miscellaneous - Charitable Contributions and Donations	W/P's	359,616	(45,589)	314,027	Review and removal any expenses that were posted to Charitable Donation expenses that were deemed to not benefit the customer.
18	Miscellaneous - Community Relations, Penalties, Memberships and Dues	W/P's	440,042	(32,701)	407,341	Removal of excludable items.
19	Miscellaneous - Employee Expenses	W/P's	254,070	(2,735)	251,335	Review and removal any expenses that were posted to Employee expenses that were deemed to not benefit the customer.
20	Miscellaneous - Lobbying Expenses	W/P's	26,668	(26,668)	0	Removal of Lobbying expenses.
21	Miscellaneous - Relocation Expenses	W/P's	44,037	(24,148)	19,889	The purpose of this adjustment is to normalize any expenses that were posted to Relocation expenses. The pro forma costs are based on actual entries over a three year period in order to establish an average yearly cost.
22	Miscellaneous - Transportation	W/P's	2,886,944	(763,840)	2,123,104	Removal of depreciation of vehicles from transportation expense and adjustment based on lease expirations of vehicles in 2015.
23	Miscellaneous - Other Benefits	W/P's	1,657,354	345,566	2,002,920	Adjustment for 401k based on current employee selections and the corresponding company match multiplied by pro forma wages. Adjustment for DCP based on eligible employees and their pro forma wages. Adjustment for Retiree Medical based on eligible employees at \$500 per year. Adjustment for ESPP based current employee selections and their pro forma wages. An appropriate capitalization rate is applied to all but ESPP to determine pro forma expense.
24	Maintenance - Main Breaks	W/P's	3,159,419	121,783	3,281,202	Calculation of main break expenses for St Louis County due to anticipated increases/decreases from the base year of 2014.
25	Maintenance - Other	W/P's	5,964,985	147,163	6,112,148	Pro forma adjustment for additional costs projected for the acquisitions of Arnold Wastewater (\$141K) and Redfield Water (\$6.5K).
26	Total Operations and Maintenance		<u>125,513,636</u>	<u>(3,374,576)</u>	<u>122,139,060</u>	

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27						
28	Depreciation	W/P's	33,070,985	8,031,475	41,102,460	Pro forma depreciation expense based on Dec 2014 asset balances plus additions from the approved Strategic Capital Expenditure Plan (SCEP) for the year 2015-2019 less retirements for the 13-month period ending January 2016. Proposed depreciation rates were used with projected activity to forecast the pro forma depreciation expense.
29	Amortization	W/P's	<u>548,539</u>	<u>364,487</u>	<u>913,026</u>	Updated with MSD Asset amortization acquired in the purchased of the City of Arnold sewer system.
30	Total Depreciation and Amortization		<u>33,619,524</u>	<u>8,395,962</u>	<u>42,015,486</u>	
31						
32	Property Taxes	W/P's	12,509,205	1,412,857	13,922,062	2015 Estimated taxes. Includes Arnold and Redfield acquisitions. Property taxes are kept by county for budget purposes and not broken out. Waste water would be with the water piece. There is no separate stand alone waste water districts. They are always with a water district.
33	Payroll Taxes	W/P's	1,953,570	297,575	2,251,145	Adjustment based on the current payroll tax rates. An appropriate capitalization rate is applied to determine pro forma payroll tax expense.
34	PSC Fees	W/P's	2,180,247	211,223	2,391,470	All PSC Fees allocated to large MO districts. Fee is calculated based on % of payment and applied to present rate revenue.
35	Other General Taxes	W/P's	<u>9,338</u>	<u>0</u>	<u>9,338</u>	No adjustment
36	Total Taxes Other Than Income Taxes		<u>\$16,652,360</u>	<u>\$1,921,655</u>	<u>\$18,574,015</u>	
37						
38						