Exhibit No.:	
Issues:	Minimum Filing Requirements, True-Up, Accounting Schedules, Rate Design, Revenue Stability Mechanism, Revenue, Atrazine Settlement, Uncollectibles, Labor and Labor-Related Expenses, Other Operating Expenses
Witness:	Jeanne M. Tinsley
Exhibit Type:	Direct
Sponsoring Party:	Missouri-American Water Company
Case No.:	WR-2015-0301 SR-2015-0302
Date:	July 31, 2015

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WR-2015-0301
CASE NO. SR-2015-0302

DIRECT TESTIMONY

OF

JEANNE M. TINSLEY

ON BEHALF OF

MISSOURI-AMERICAN WATER COMPANY

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

IN THE MATTER OF MISSOURI-AMERICAN WATER COMPANY FOR AUTHORITY TO FILE TARIFFS REFLECTING INCREASED RATES FOR WATER AND SEWER SERVICE	)))))	**CASE NO. WR-2015-0301** **CASE NO. SR-2015-0302**

AFFIDAVIT OF JEANNE M. TINSLEY

Jeanne M. Tinsley, being first duly sworn, deposes and says that she is the witness who sponsors the accompanying testimony entitled "Direct Testimony of Jeanne M. Tinsley"; that said testimony and schedules were prepared by her and/or under her direction and supervision; that if inquiries were made as to the facts in said testimony and schedules, she would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of her knowledge.

Jeanne M. Tinsley

Jeanne M. Tinsley

State of Missouri
County of St. Louis
SUBSCRIBED and sworn to
Before me this 28th **day of** July **2015.**

Donna S Singler

Notary Public

My commission expires: July 17, 2016

DONNA S. SINGLER
Notary Public, Notary Seal
State of Missouri
St. Louis County
Commission # 12368409
My Commission Expires July 17, 2016

DIRECT TESTIMONY
JEANNE M. TINSLEY
MISSOURI-AMERICAN WATER COMPANY
CASE NO. WR-2015-0301
CASE NO. SR-2015-0302

TABLE OF CONTENTS

DIRECT TESTIMONY
JEANNE M. TINSLEY
TABLE OF CONTENTS
PAGE 2

DIRECT TESTIMONY

JEANNE M TINSLEY

I. INTRODUCTION

Q. PLEASE STATE YOUR NAMEAND BUSINESS ADDRESS.

A. My name is Jeanne M. Tinsley, and my business address is 727 Craig Road, St. Louis, MO, 63141.

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

A. I am employed by American Water Works Service Company ("Service Company") as Manager of Rates and Regulation for Missouri-American Water Company ("Missouri-American" or "MAWC") and Iowa-American Water Company ("Iowa-American").

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

A. The purpose of my testimony is to sponsor the financial schedules that calculate the revenue deficiency and adjustments to the test year financial statements, including:

- the minimum filing requirements that are required by Commission Rule 4 CSR 240-3.030;
- the method of incorporation of acquisitions made during the test year into the Company's pro forma financial statements;
- support and explain the pro forma accounting adjustments to the operating statement which affect revenue, uncollectable revenues, labor and associated benefits, insurance other than group, postage, rate case expense, amortization,

audit fees, property tax, charitable contributions, employee expenses, lobbying, penalties, community relations, membership dues and PSC assessment fees;

- support the basis for allocation of all corporate and joint and common costs to each of the districts;
- support the consolidated pricing proposal;
- support the request to establish a revenue stabilization mechanism;
- support pro forma adjustments related to rate base for Pension and Other Post-Employment Benefits (OPEB's) including the associated tracker balances; and,
- support the proposed treatment of the Atrazine Settlement.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.

A. I graduated from Maryville University, St. Louis, with a Bachelor of Science degree in accountancy and a Master's Degree in business administration. From 1989 to 1993, I was employed as an Accounting Coordinator for Maritz Travel Company. I was responsible for preparing financial statements and annual budgets for four regions. In 1993, I was hired by Mississippi River Transmission Corporation, a regulated interstate natural gas pipeline company. I was responsible for monthly revenue projections, journal entries, and profit and loss statements. In 1996, I was hired as the Accounting Manager for Cardinal Carberry Senior Living Center, a nonprofit organization providing retirement living, assisted living, and nursing care to the elderly and disabled. I was responsible for the supervision and oversight of all accounting, finance, billing, budget, and payroll functions. In September of 1997, I accepted the position of Budget and Rate Analyst for the Metropolitan St. Louis

Sewer District. I was promoted to Manager of Financial Planning in January of 2000 and became responsible for the annual budget, overhead cost allocations, tax rates, impact fees, and rate increase proposals. In October of 2008, I began my work for Service Company as a Financial Analyst III. I was promoted to my current position, Manager of Rates and Regulation, in November of 2012. In this position, I am responsible for all rate and regulatory issues for Missouri-American and Iowa-American.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION ("COMMISSION")?

A. Yes. I have previously provided testimony in Commission Cases Nos. WR-2011-0337, WO-2015-0211, and WC-2014-0260.

II. REASONS FOR RATE RELIEF REQUESTED

Q. WHAT AMOUNT OF RATE RELIEF IS THE COMPANY SEEKING IN THIS CASE?

A. Missouri-American is seeking a rate increase to produce additional base rate revenues (including ISRS revenues) of $51,028,321 per year, or a 19.6% increase. Stated differently, we are seeking a rate increase to produce additional revenues (excluding ISRS revenues) of $25,135,659 per year, or a 9.7% increase. We are seeking an overall rate of return of 8.21% based on cost of equity of 10.7%.

Q. WHAT ARE THE MAJOR DRIVERS FOR THE COMPANY TO FILE THIS RATE CASE?

A. The major drivers for the Company to file this rate case are to:

- Reset the Company's Infrastructure System Replacement Surcharge ("ISRS")[1];
- Seek recovery of non-ISRS capital investments made to maintain and improve the water and wastewater systems, including Business Transformation costs;
- Seek recovery of the shortfall in revenues due to a decrease in water sales;
- Request approval to implement a revenue stabilization mechanism ("RSM");
- Request approval to continue movement toward consolidated tariff pricing;
- Request approval to revise connection fees to move from a fixed amount to actual cost;
- Request approval of revised depreciation rates to fully depreciate the Parkville Treatment Plant by May 2018;
- Establish an Environmental Cost Adjustment Mechanism (ECAM).

The Company's levels of ongoing capital investment are significant. We anticipate that by January 31, 2016, the Company will have invested more than $436 million in capital improvements since the last rate case. For $215 million of those investments, MAWC has not realized any capital cost recovery or depreciation expense. Ongoing

[1] Commission Rule 4 CSR 240-3.650 - Water Utility Petitions for Infrastructure System Replacement Surcharges ("ISRS") - states, in Section (6):

> (6) In no event shall an eligible water utility collect an ISRS for a period exceeding three (3) years unless it has filed for or is the subject of a new general rate proceeding; provided that the ISRS may be collected until the effective date of new rate schedules established as a result of the new general rate proceeding, or until the subject general rate proceeding is otherwise decided or dismissed by issuance of a commission order without new rates being established.

Since it has been almost three years since Missouri-American has collected the Infrastructure System Replacement Surcharge for its Saint Louis County customers, a general rate proceeding filing was necessary in order for the ISRS surcharge to stay in place until the completion of the general rate proceeding.

capital investment, together with the erosive impact of past and projected declines in customer usage, accounts for almost all of the Company's requested increase.

Over the same period of time, Missouri-American's O&M expenses actually have *decreased* as compared to the amounts recognized in the last general rate case. I cannot over-emphasize this point. Total O&M expenses in the test year ending December 31, 2014, are about $7.1 million *less* than they were in 2010, the last general rate case test year (offset by $3.6M of new O&M costs related to acquisitions since the last rate case). This savings in O&M costs offset some of the revenue requirement associated with capital additions in this case.

III. <u>TEST YEAR AND COMPANY REQUEST FOR TRUE-UP</u>

Q. WHAT TEST YEAR HAS MAWC USED IN THIS RATE CASE?

A. MAWC has used a historical test year of the twelve months ending December 31, 2014, adjusted for changes that are known and measurable and that will be effective by the time new rates are anticipated to go into effect.

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

A. Yes.

Q. PLEASE EXPLAIN THE GENERAL NATURE OF THE PRO FORMA ADJUSTMENTS TO RESULTS OF OPERATIONS AT PRESENT AND PROPOSED RATES THAT YOU SPONSOR IN THIS PROCEEDING.

A. Each of the adjustments to results of operations as of the true up period (the twelve months ending January 31, 2016) that is represented in this proceeding is necessary in order to reflect changes in operating conditions, which are not fully reflected in the actual operating results of the historic year (the twelve months ended December 31, 2014). The adjustments to pro forma results of operations at proposed rates that I and other witnesses sponsor in this proceeding are necessary to give effect to the increase in revenue and the incremental increase in cost experienced by Missouri-American in serving its customers as a result of the proposed increase in rates. Consequently, it is necessary to give effect to these adjustments in order to properly determine the pro forma operating revenues, operating expenses and resulting operating income at present and proposed rates.

If prospective rates are to be set that properly reflect the cost of providing service, a true-up of rate base and related operating revenues and costs at a point in time as close as possible to the operation of law date should be permitted. Otherwise, the new rates will not be sufficient to cover all of MAWC's expenses and investments, which will have been incurred to provide safe and adequate service. The Company proposes that components of its revenue requirement in the January 31 true-up include:

1. Number of customers;
2. Capital Structure;
3. Major rate base additions; and,
4. Expenses, including labor, fuel and power, chemicals, purchased water, taxes and other readily identifiable expense items.

The specific items MAWC proposes to true-up will be set forth in its Motion for True-Up.

IV. ACCOUNTING SCHEDULES

Q. PLEASE EXPLAIN THE ACCOUNTING SCHEDULES YOU WILL BE SPONSORING AND FOR WHICH YOU WILL BE PROVIDING TESTIMONY.

A. The first three digits (i.e. CAS) are the abbreviation for Company Accounting Schedules. The following schedules support MAWC's revenue requirement calculation for this case. CAS-1 is a summary schedule for the overall rate increase calculation. Schedules CAS-4 through CAS-7 provide support for the calculation of rate base while Schedules CAS-8 through CAS-13 present revenues, O&M, O&M detail, and income taxes. These schedules represent support for the pro forma calculation of operating income.

- Schedule CAS-1 is a summary schedule for the overall rate increase calculation. This schedule summarizes the financial information needed to calculate the Company's revenue deficiency. The revenue requirement calculation was determined by multiplying the Company's pro forma rate base by the requested rate of return to derive the required operating income. The recommended 8.21% overall rate of return is based upon a 10.7% common equity return requirement, as supported by the testimony of Company witness Dr. Morin. The operating income requirement is then compared to pro forma operating income at present rates to determine the Company's operating income deficiency. When the operating income deficiency is multiplied by the gross revenue conversion factor that adjusts for income taxes and uncollectibles, the result is a revenue deficiency. The revenue deficiency is then added to the adjusted operating revenue to arrive at the total revenue requirement. Schedule CAS-1 calculates the total overall revenue deficiency for the Company, by total water operations and total sewer operations. Immediately following is a separate revenue deficiency calculation for each District as presented on CAS-1, page 1 through page 5.

- CAS-2 and CAS-3 are the December 31, 2014 Pro Forma Income Statement.
- Company Rate Base. Pages 1 of 33, pages 2 of 33, and pages 3 of 33, of CAS-2 and CAS-3 present total company, water, and wastewater information, respectively. The remaining pages (4 – 33) present district specific information.
- Schedules CAS-4 through CAS-13 provides detailed information regarding individual components of the revenue requirement calculation.
- Schedules CAS-4 through CAS-7 provides support for the calculation of rate base while Schedules CAS-8 through CAS-13 present revenues, O&M, O&M detail, and income taxes. These schedules represent support for the pro forma calculation of operating income.
- Schedule CAS-8 is a summary of the test year revenues by revenue classification, the adjustments to these amounts, and the pro forma revenue at present rates.
- Schedule CAS-9 is a summary of the operating and maintenance expense categories and general taxes for the test year, the adjustments to those amounts, and the pro forma expense levels under present rates.
- Schedule CAS-10 provides the Company's income tax calculation.

- Schedules CAS-11 and CAS-12 present a summary of the Company's pro forma test year revenues at both present and proposed rates.
- Schedule CAS-13 includes a narrative discussion of the various pro forma adjustments developed for this case.

V. AQUISITIONS

Q. DURING OR SUBSEQUENT TO THE TEST YEAR, DID MAWC ENTER INTO ASSET PURCHASE AGREEMENTS WITH OTHER UTILITIES REGULATED BY THIS COMMISSION?

A. Yes. During and subsequent to the test year, MAWC closed on one large (over 8,000 customers) wastewater system and several small systems, which under the small systems legislation Section 393.320.1 requires that a small system (less than 8,000 customers) shall, for ratemaking purposes, become part of an existing service area. The Commission issued an Order on March 12, 2014, effective March 22, 2014, in File Nos. WO-2014-0113 and WO-2014-0116, authorized MAWC to acquire substantially all the water and sewer assets of Emerald Pointe Utility Company. Emerald Pointe is combined with MAWC's existing Stonebridge service area. On November 5, 2014, the Commission issued an order effective December 5, 2014, in File No. WA-2015-0019, authorizing the Company to acquire the water and wastewater assets of Anna Meadows Homeowner's Association. Anna Meadows water is combined with MAWC's existing St. Louis Metro service area and Anna Meadows wastewater is combined with MAWC's existing Warren County service area. On March 11, 2015, the Commission, in an order in File No. WO-2015-0108, effective April 10, 2015, approved the transfer of the water distribution assets of

RMB, Inc., the provider of water to the Redfield subdivision, to MAWC. Redfield is combined with MAWC's existing St. Louis Metro service area. Finally, on April 14, 2015, the Commission, in an order in File No. SA-2015-0150, effective April 24, 2015, authorized MAWC to acquire the sewer assets of the City of Arnold. The assets of Emerald Pointe Utility Company and Anna Meadows Homeowners association were recorded on the books and records of the Company at December 31, 2014, and were therefore recorded on the Company's books and included in rate base for this filing. The assets of the other two entities were treated as pro forma adjustments to rate base.

Q. DID THE COMPANY ALSO REFLECT OPERATING REVENUES AND EXPENSES ASSOCIATED WITH THE OPERATION OF THESE ASSETS IN ITS RATE FILING?

A. Yes. The Company acquired the available financial records of each of these entities, analyzed their accounts, and to the extent necessary translated income statement values into accounts to be consistent with MAWC's chart of accounts. These values were included as initial pro forma adjustments to the Company's test year financial statements and then further adjusted for any known and measurable changes that will occur under the Company's ownership.

Q. IN MAKING THOSE FURTHER ADJUSTMENTS, WERE THE SAME METHODS UTILIZED AS WERE USED FOR ADJUSTING THE COMPANY'S EXISTING FINANCIAL STATEMENTS?

A. Yes, to the extent possible. Where sufficient information was not available to use the same method (historical averages, for example), an alternative method was employed or the test year was left unadjusted.

Q. HAVE ALL OF THE ACQUISITIONS APPROVED BY THE COMMISSION CLOSED AT THE TIME OF THE FILING OF YOUR DIRECT TESTIMONY?

A. Yes.

VI. <u>RATE DESIGN</u>

Q. HAS MAWC PREPARED A CLASS COST OF SERVICE STUDY FOR THIS RATE CASE?

A. Yes. MAWC has contracted the services of Paul Herbert of Gannett Fleming to prepare a class cost of service and rate design analysis. District specific cost of service and revenue requirements were prepared as ordered in Case No. WR-2011-0337, paragraph 21. A separate cost of service study was also prepared for all new acquisitions since the last general rate case. Mr. Herbert has prepared and is filing direct testimony and schedules to support the class cost of service study and rate design. Mr. Herbert prepared his study based on the Base-Extra Capacity Method of cost allocation. The Company provided Mr. Herbert the following guidelines regarding rate design: (1) develop consolidated tariff pricing rate schedules applicable to all classes of water customers; (2) develop consolidated tariff pricing rate schedules applicable to all classes of sewer customers; (3) propose customer charges to recover the pro forma customer costs by meter size; and, (4) design private fire line and private hydrant rates to recover the indicated cost of service.

Q. DID THE COMPANY REQUEST A CLASS COST OF SERVICE STUDY BE PERFORMED FOR THE WASTEWATER OPERATIONS?

A. No. The Company did not perform a class cost of service study for the sewer districts because these operations are entirely comprised of residential and commercial customers.

Q. IS THE COMPANY PROPOSING A WASTEWATER OPERATING TARIFF CONSOLIDATION IN THIS CASE?

A. Yes. As explained in the Direct Testimony of Company witness Phil Wood, the Company is proposing that the tariffed Rules, Regulations and Conditions of Service for all its wastewater operations be consolidated into one consistent tariff document. Currently, MAWC operates under a number of separate (and in some cases different) tariff rules depending on the District served. MAWC has grown its wastewater operations over the years through a number of acquisitions and combinations of existing utility systems, each with its own set of existing Rules, Regulations and Conditions of Service.

Q. HAS THE COMPANY ALSO INCLUDED IN ITS FILING A REQUEST FOR CONSOLIDATION OF PRICING THROUGH ITS TARIFFED RATES?

A. Yes. For the reasons indicated in the Direct Testimony of Company witness Karl McDermott, the Company is requesting a return toward consolidated pricing.

VII. <u>COST ALLOCATION STUDY</u>

Q. PLEASE IDENTIFY AND DESCRIBE ALL CORPORATE AND JOINT AND COMMON COSTS ALLOCATED TO AND AMONG THE DISTRICTS.

A. The corporate and joint and common expense items allocated to the Districts include the following:

1) Service Company Costs which provide services necessary to support MAWC's operations. The Service Company functions that primarily serve the Company are the (a) Customer Service; (b) Central Water Testing Laboratory; (c) and Information Technology Services. Additional Service Company functions which provide necessary support services to MAWC are Communications and External Affairs, Supply Chain, Corporate Finance and Accounting, Human Resources, Legal, Rates and Regulations, and Operations Services;

2) Pension, Group Insurance, and Other Post Employment Benefits;

3) Insurance Other than Group which includes the premiums for vehicle, general liability, workers compensation and other utility related insurance costs;

4) Contracted Services for Outside legal costs, external audits and Engineering services;

5) Credit Line fees;

6) Software License fees;

7) Missouri Leadership Labor and Related Expenses which include salaries, benefits, payroll tax, office supplies, telephone, transportation and membership dues;

8) Customer costs which includes postage, forms, uncollectibles, collection agency fees, bill inserts, customer education, community relations, advertising, low income program and bank service fees;

9) Missouri corporate building costs which includes rent, electricity, property taxes and building maintenance;

10) Tank painting costs, rate case expense, and other miscellaneous overhead expense; and

11) Income tax.

The corporate and joint and common rate base items allocated to the Districts include Business Transformation, vehicles, SCADA, Information Technology, Security, and Engineering Studies with associated Accumulated Depreciation, Deferred Taxes, etc. These items are all allocated based on the number of customers in each district with the exception of Deferred Taxes, which were allocated based on the Utility Plant in Service balance.

Q. PLEASE EXPLAIN THE BASIS FOR ALLOCATION OF ALL CORPORATE AND JOINT AND COMMON COSTS AMONG THE VARIOUS DISTRICTS.

A. The corporate and joint and common costs were allocated to the various Districts in two steps. First, all small districts with less than 3,000 customers were allocated an annual amount of $20 per customer. Since smaller districts do not require the same level of service as a larger district, we looked at a few small companies to determine the level of overhead costs they typically incur and used that as a basis for the $20 per customer allocation. The remaining corporate and overhead costs were then allocated to the large districts based upon an identified cost causer for each cost. We identified several different allocation factors that were applied to the various corporate and joint and common costs. The majority of the costs were allocated based on the Massachusetts Formula. The Massachusetts Formula is an allocation method utilized when there is no direct or other reasonable cost benefit relationship that can be determined among multiple services offered in a single organization. In this case, the weighted average of the main drivers of the utility business are calculated and used to allocate administrative and general expenses. The main drivers include a) Utility plant in service, b) Number of Customers, and c) Number of Employees. The Massachusetts Formula was used to allocate power costs, all labor and related benefits, employee expenses, service company expense, contracted services, transportation, rents, insurance other than group, property taxes and various miscellaneous expenses. The remaining costs were allocated based on direct cost causers.

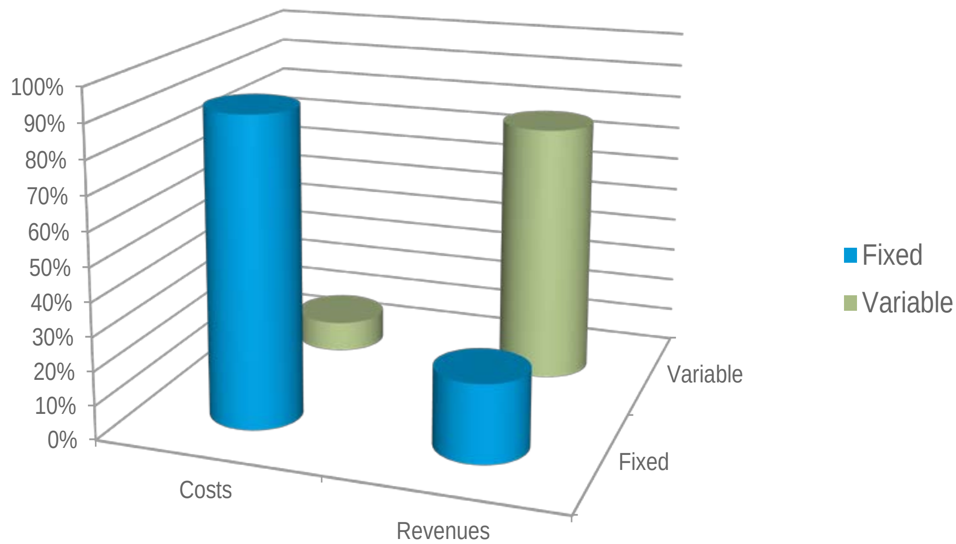
These allocation factors include: 1) number of customers by district used to allocate all miscellaneous and other revenues, postage, printing and telephone; 2) operating revenue to allocate uncollectibles, collection agency costs, regulatory expense, gross receipts tax and PSC Assessment Fees; 3) number of bills to allocate bank service charges, bill inserts, forms, and other taxes a licenses; 4) number of employees to allocate books & publications and administrative supplies; 5) length of mains to allocate tank painting costs and permits; 6) net plant to allocate amortization and removal costs; and, 7) number of water samples to allocate lab supplies. (See Schedule JMT-2). All costs are allocated on a monthly basis.

VII. <u>REVENUE STABILITY MECHANISM ("RSM")</u>

Q. PLEASE DESCRIBE MISSOURI-AMERICAN'S COST STRUCTURE AND REVENUE STRUCTURE.

A. A water utility's business consists predominantly of fixed costs that do not vary with usage. Water utilities operate their source of supply, treatment, and transmission and distribution systems to provide water service to a customer's premises whether that customer uses a minimal amount of water or more per month. Water utilities must be ready to provide and deliver water to customers if and when called upon. In order to do so, water utilities maintain a significant infrastructure to provide and deliver water to customers, to provide customer service, to administer accounting and billing systems and to provide other critical internal and external services. Such fixed costs cannot be avoided in the water industry.

Missouri-American's revenues are derived from its Commission-approved rate schedules. The Company's current schedule of water rates includes a Customer Charge that varies with meter size serving the customer's premises and Usage Charges based on the quantity of water purchased in declining block rate structures.



	Costs	Revenues	Variance
Fixed	**91%**	**23%**	- 68%
Variable	**9%**	**77%**	+ 68%

Chart 1

This chart shows, rather starkly, that most of MAWC's costs to provide water service are fixed costs, while most of our revenues are variable. Under the Company's present rate structure, approximately 23% of its revenues are fixed (including fire protection and miscellaneous revenues), while approximately 77% of its revenues are variable. The Company's rate design does not fully collect fixed costs through fixed charges (or initial consumption blocks), and variable costs through variable charges. Missouri American, therefore, is relying heavily (68%) on its variable (or volumetric) revenues for collecting over two thirds (68%) of its fixed costs.

As explained in the testimony of Greg Roach, the variability in weather and customer usage patterns can have a substantial effect on a water company's actual revenues. Changes in customer usage patterns can reflect seasonal variation in usage (e.g., from winter to summer) as well long term water use trends (for example as a result of sustained water efficiency and conservation efforts). This is true for Missouri-American as well as other water utilities across the country.

Actual weather can work either in favor of or against the Company from a financial standpoint. Missouri-American will collect more revenue in a drought year and less revenue in a cool, wet summer. (MAWC witness Roach, Table GPR-2). Despite weather variability, people in Missouri are using less water. Residential usage per customer is steadily declining by as much as 2.0% annually Missouri's experience is consistent with a national trend of declining water usage per customer.

Q. WHY IS MISSOURI-AMERICAN PROPOSING A REVENUE STABILITY MECHANISM ("RSM") IN THIS CASE?

A. Revenue, driven by declining use per customer, is decreasing, while the nature of investment has shifted largely from plant needed for serving new customers to non-revenue producing infrastructure replacement and compliance with new drinking water standards. As, Messrs. Roach's and Dunn's testimony demonstrates, Missouri–American has seen a continued and persistent trend of declining usage per customer. The resulting reductions in water sales have been a source of fiscal stress for Missouri-American Water, and are a potential disincentive to further investment in efficiency. This problem is exacerbated by the fact that water supply in general is a rising-cost industry.

Tying a water utility company's recovery of fixed costs directly to its volumetric sales has prompted two widespread concerns in modern utility regulation. First, the water utility industry is historically the most capital intensive of the utility industries, and it is expected to incur significant capital expenditure needs over the next 20 years. Those investments aren't for new growth from increasing consumption or a population boom on the horizon. And the need to recover a rate of return on these significant investments does not vary with usage. With such a heavy reliance on variable volumetric sales, as spinning water meters slow down, the costs of operating water systems are not being recovered.

Second, the fact that over three quarters of MAWC's revenues come from volumetric sales means that MAWC is incented to sell more water - the more revenues we collect, the better our financial performance. So our current rate structure rewards us for promoting sales - regardless of whether it is cost-effective, environmentally responsible, or proper for system support and our current rate structure creates a disincentive, even punishes us for efficiency and conservation efforts. This misalignment is troubling because utilities are often the best-positioned to improve water efficiency and promote conservation. Conservationists, for their part, have decried the fact that the traditional profit incentive for utilities inherent in the connection of earnings to the spinning meters may hurt wider sustainability and conservation efforts. [2]

[2] Regardless of the level of consumer water consumption, the water utility must cover the fixed costs of water treatment and delivery and the rising costs of infrastructure repair and replacement. This disconnect between the decline in revenues and the increase in utility costs and capital needs has been labeled the "conservation conundrum" and is now being recognized by utilities, policy makers, regulators and academics.

Our current rate design creates disincentives for MAWC to promote end-use efficiency because revenues are directly tied to the throughput of water. To counter this "throughput disincentive," a number of public utility regulatory commissions have adopted alternative approaches intended to align their utilities' financial interests with the delivery of water efficiency, sustainability and conservation programs. MAWC's proposed RSM is an alternative regulatory mechanism that will advance the Commission's goals and moderate future rate increases on customers. Currently, the way rates are set, if our water customers use less water, our earnings will decline because our revenues will drop. Implementation of this alternative regulatory mechanism will remove a disincentive to promote water efficiency and will support earnings that permit continued water efficiency investments.

Q. CAN YOU POINT TO ADDITIONAL EVIDENCE OF THE WIDESPREAD CONCERN BY PUBLIC UTILITY REGULATORY COMMISSIONS WITH TRADITIONAL WATER AND WASTEWATER UTILITY RATE DESIGN?

A. Yes, I can. At its November 2013 annual meeting, the National Association of Regulatory Utility Commissioners ("NARUC") adopted a resolution that supports

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In August 2012, the non-profit Alliance For Water Efficiency convened twenty-five water rates experts for a summit entitled "Declining Water Sales and Utility Revenues: A Framework for Understanding and Adapting" The following is an excerpt from the "Summary of the Identified Problem" that was the subject of the summit:

Partly due to successful water conservation programs, improved water-saving fixtures and technology, and a number of other factors, both water sales and water-related revenues are falling on a national level. With sales and revenues declining, how can water utilities cover costs of water treatment and delivery? How can they cover the rising costs of infrastructure repair and replacement? More importantly, how can they meet these costs while still encouraging much-needed conservation efforts?

This daunting question – dubbed the "conservation conundrum" – provided the backdrop and framing for the Declining Water Sales and Utility Revenues summit.

consideration of alternative recovery mechanisms for water and wastewater utilities. The NARUC resolution states, in part:

> WHEREAS, Traditional cost of service ratemaking, which has worked reasonably well in the past for water and wastewater utilities, no longer adequately addresses the challenges of today and tomorrow. Revenue, driven by declining use per customer, is flat to decreasing, while the nature of investment (rate base) has shifted largely from plant needed for serving new customers to non-revenue producing infrastructure replacement and compliance with new drinking water standards; and
>
> WHEREAS, The traditional cost of service model is not well adapted to a no/low growth, high investment utility environment and is unlikely to encourage the necessary future investment in infrastructure replacement; and
>
> WHEREAS, Compared to the water and wastewater industry, the electric and natural gas delivery industries have in place a larger number and a greater variety of alternative regulation policies, such as multiyear rate plans and rate stabilization programs, and those set forth in the 2005 Resolution; and
>
> WHEREAS, The U.S. water industry is the most capital intensive sector of regulated utilities and faces critical investment needs that are expected to total $335 billion to $1 trillion over the next quarter century, as noted in the *American Society of Civil Engineers 2013 Report Card for America's Infrastructure*…[3]

NARUC's resolution expressly supports alternative recovery mechanisms for water and wastewater utilities that address the above concerns. The NARUC resolution goes on to state that

[3] *Resolution Endorsing Consideration of Alternative Regulation that Supports Capital Investment in the 21st Century for Water and Wastewater Utilities* - Sponsored by the Committee on Water, Recommended by the NARUC Board of Directors November 19, 2013, Adopted by the NARUC Committee of the Whole November 20, 2013

> WHEREAS, Alternative regulatory mechanisms can enhance the efficiency and effectiveness of water and wastewater utility regulation by reducing regulatory costs, increasing rates for customers, when necessary, on a more gradual basis; and providing the predictability and regulatory certainty that supports the attraction of debt and equity capital at reasonable costs and maintains that access at all times[4]

The NARUC's resolution encourages Commissions to adopt alternative rate mechanisms as a means to remove the disincentives to capital investment from the ratemaking process (e.g., RSM) and provide regulatory incentives to capital investment (e.g., ISRS) as a way of supporting the ongoing need to attract debt and equity capital at reasonable costs. The also recognize that alternative regulatory mechanisms can improve the ratemaking process by reducing regulatory costs and increasing rates, when needed, on a more gradual basis.

Q. HOW WOULD AN RSM BETTER ALIGN THE INTERESTS OF THE MAWC, ITS CUSTOMERS, AND THE STATE OF MISSOURI?

A. An RSM would makes MAWCs indifferent to selling less water, recognizes that normal weather is a condition that will likely never be achieved, and effectively reduces the adverse impacts of weather variability for both the Company and its customers. Implementation of this alternative regulatory mechanism will remove a disincentive to promote water efficiency and will support revenues for continued water efficiency investments. Management decision-making can focus on making least-cost investments to deliver reliable water services to customers even when such investments reduce sales. It provides the appropriate regulatory framework to work

[4] *Id.*

collaboratively toward promoting water and energy efficiency and conservation. The result is a better alignment of shareholder and customer interests to provide for more economically and environmentally efficient resource decisions.

Q. DOES AN RSM ELIMINATE SOME OF THE DIFFICULTIES OF TRYING TO DESIGN AN EFFECTIVE WEATHER NORMALIZATION MECHANISM FOR A WATER UTILITY?

A. Yes, weather itself creates fluctuations in usage, costs, and revenues that are outside the utility's control. As a general rule, usage is increased by hot, dry weather and reduced by cool, wet weather, primarily in the summer months, although the variation is regionally influenced, as well. Weather has never been satisfactorily addressed through traditional ratemaking models. Here again, actual weather can work either in favor of or against the Company from a financial standpoint as it will collect more or less revenue than determined by the revenue requirement. The Company has no effective way of managing or controlling this factor under its current ratemaking channels. Although the ratemaking process has historically tried to take this into consideration by basing rates on "normal" weather conditions, as a practical matter, normal weather is never really achieved. In fact, "weather" is difficult to even define in a statistical sense, and establishing "normal" weather is even more difficult. A mechanism that mitigates the adverse effect of weather variability on revenues recognizes that normal weather is a condition that will likely never be achieved and effectively reduces the adverse impacts of weather variability for both the Company and its customers.

With respect to the variability in weather, there has never been a consistent definition of "weather" that has been adopted for weather normalization purposes in the water industry. There has never been a generally accepted weather normalization adjustment methodology in the water industry. The vagaries of actual weather can work either in favor of, or against the Company from a financial standpoint. Missouri-American Water will collect more revenue in a drought year and less revenue in a cool wet summer. Thus, earnings can be driven by the randomness of weather instead of good or bad management.

Even with weather variability, people in Missouri are using less water every year. Usage per customer is steadily declining between 1.5% and 2.0% annually, and Missouri's experience is consistent with a national trend of declining water usage per customer. We forego additional revenues when we invest in efficiency efforts; yet significant efficiency investments are (likely to be) a necessary component of a least-cost mix of resources.

The current ratemaking structure is simply not well adapted to a declining usage, no growth, high investment utility environment and is unlikely to encourage the necessary future investment to improve efficiency. There is a need for revenue consistency to enable planning and deployment of the most efficient resources to cover operating and maintenance expense as well as ongoing capital projects.

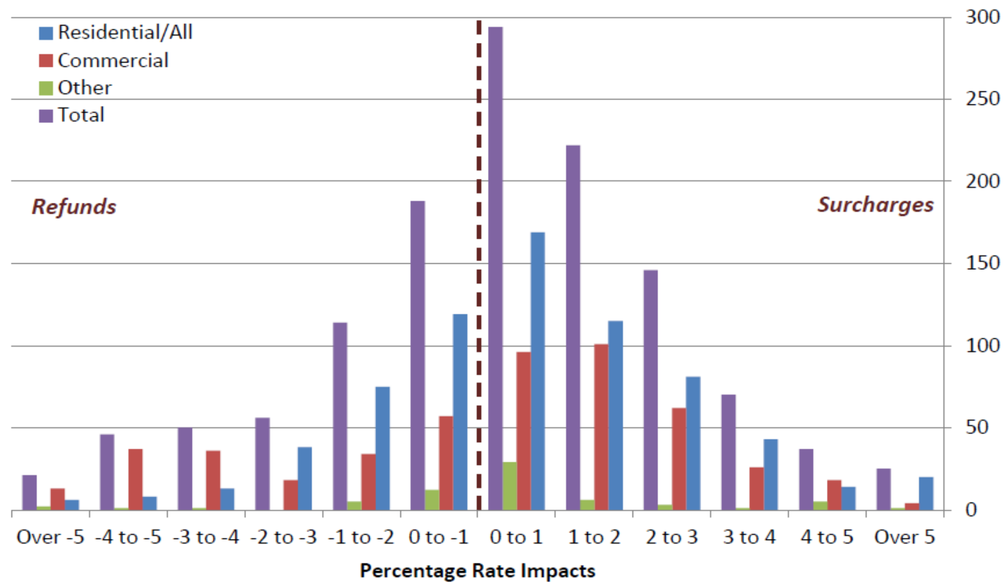
Q. WHAT OTHER BENEFITS WOULD A RSM PROVIDE OVER TRADITIONAL TARIFF DESIGNS?

A. One of the more controversial aspects of traditional rate cases is the forecast level of water sales during the year the new rates will be in effect - regardless whether a particular jurisdiction uses a historic, forecast, or multiyear test years. It is well-documented that for most water companies, water sales per customer are remaining flat or declining. With little to no customer growth to make up the difference in declining use per customer, rates must be raised to provide the lost revenues. Whether through simple daily tasks or the installation of more water efficient products, our customers have found ways to decrease water use in their homes. Nevertheless, many ratepayer advocates continue to argue that any decline in sales is temporary and revenue projections continue to fail to adequately reflect the declining use. An RSM can generally reduce or eliminate most if not all controversies over determining pro forma revenues.

Q. WOULD AN RSM PRODUCE BOTH REFUNDS AND SURCHARGES TO CUSTOMERS?

A. Yes. As discussed above, there are many reasons that actual revenues can deviate from the revenues assumed in the ratemaking process. The primary cause of greater and lower sales volumes, particularly for residential customers, is often weather effects. Other causes include improved water and energy efficiency, customer conservation, price elasticity, and economic conditions. Regardless of the particular combination of causes for any given adjustment, no pattern of either rate increases or decreases emerges.[5]

[5] Pamela Morgan, *A Decade of Decoupling for U.S. Energy Industries*, (Graceful Systems Feb. 2013).



Pamela Morgan, *A Decade of Decoupling for U.S. Energy Industries*,
(Graceful Systems Feb. 2013)

Regardless of whether a refund or a surcharge occurs, decoupling adjustments are (generally) small. Most revenue decoupling rate adjustments are within plus or minus 2% of the retail rate.[6]

Q. IN ADDITION TO REMOVING DISINCENTIVES TO IMPROVING WATER AND ENERGY EFFICIENCY, WHAT OTHER BENEFITS WOULD A REVENUE DECOUPLING MECHANISM PROVIDE?

A. The Company's water rates for its customers are designed on the basis of the projected pro forma volume of water to be sold for these services under normal conditions during the forecasted future test year. Under traditional ratemaking, therefore, the Company will recover its revenue requirement only if the level of sales volumes upon which the rate design is predicated is achieved.

[6] *Id.*

Deviations from the projected pro forma water volumes used in the establishment of the water rates will result in either over or under recovery of the Company's revenue requirement. Insofar as the traditional ratemaking model is premised on determining properly recoverable costs and the expected sales volumes over which costs will be recovered, the traditional ratemaking model clearly fails to achieve its goal if actual sales volumes do not exactly match the projected pro forma volumes used to establish the rates.

Q. HOW WILL AN RSM IMPROVE THE RATEMAKING PROCESS AND REDUCE RATE CASE CONTROVERSY?

A. As a ratemaking tool, MAWC's proposed RSM will effectively reduce or even eliminate the contentiousness related to the process of determining the projected pro forma water volumes used to set water rates, and will help ensure that the Company would receive the authorized revenue, no more and no less, and customers would pay the appropriate price for water service in their monthly bills, whether collected through the fixed service charge or the volumetric charges. Depending on how the RSM is designed, it will generally reduce or eliminate controversies over sales forecasting. If the total revenue target is set directly, forecasting debates become largely irrelevant because any errors are trued up. If, on the other hand, the allowed revenue level per customer approach is used, then the problem shifts from forecasting water sales to forecasting number of customers and use per customer. This is likely to reduce but not eliminate the controversy.

Q. WILL A REVENUE DECOUPLING MECHANISM REDUCE MISSOURI-AMERICAN'S RATE CASE FREQUENCY?

A. Under traditional ratemaking, in an environment of falling sales a company will suffer earnings erosion in between rate cases that will prompt the filing of more frequent rate cases. A revenue decoupling mechanism should help the Company avoid more frequent rate cases, which is a benefit to customers. In an environment of falling sales, the Company will not need to file to recover the shortfalls. On the other hand, when the Company does experience sales growth it will refund the revenue in excess of the allowed amount. So customers should benefit from both a reduction in the less contentious issues in rate cases as well as a reduction in the frequency of rate cases.

Q. PLEASE GENERALLY DESCRIBE THE COMPONENTS OF THE PROPOSED RSM AND HOW THE RSM WOULD WORK.

A. MAWC proposes that the Commission order an RSM having the following described characteristics. The RSM would use the rate case authorized amount of metered revenue and actual metered revenues by customer class and defer/accrue the difference less the applicable change in production expenses on a monthly basis. The classes of customers that would be included in the metered revenue are residential, commercial, OPA, and Sale for Resale. Industrial customers would not be included.[7] Production expenses would include purchased water, power, chemicals and waste disposal.

[7] This is because industrial customers' usage is not as sensitive to weather as residential usage and fluctuations in future use are typically accounted for in the ratemaking process through customer-specific adjustments.

The annual amounts of metered revenues for each class identified and the annual amount of expenses for all production costs would be prorated to monthly amounts. The production costs for the entire class would be divided by the pro forma water sales to determine a cost per thousand gallons. This cost per thousand would be multiplied by the water sales for that customer class, which is then allocated to monthly amounts to establish the monthly allowed amounts. This could be accomplished by using a weighted average of water sales for residential customers, or revenues or water sales over a period of five years or another agreed amount of time. These monthly amounts would be reset in the next base rate case proceeding.

Q. PLEASE DESCRIBE THE MONTHLY DEFERRAL/ACCRUAL.

A. Each month the Company would compare the actual metered revenues for each class of customers to the allowed amount of metered revenue. It would also compare the actual production costs, based on multiplying the actual billed sales to each customer class times the cost per thousand gallons discussed above, to the allowed amount of production costs associated with that class of customers. The difference in the revenue less the expenses would be deferred to a regulatory asset if the actual revenues fell short of the targeted allowed amount of revenues less the difference on the production costs. The difference in the revenue less the expenses would be deferred to a regulatory liability if the actual revenues were more than the targeted allowed amount of revenues less the difference on the production costs. Generally speaking, if the Company has additional revenues due to an increase in water sales, the Company will defer the additional revenue, less the additional cost to produce the water. Whereas, if water sales are lower, than the Company has a shortfall in revenues due to a decrease in water sales, and the Company will accrue the shortfall in revenues less the savings in production expense from producing less water.

Q. HOW WOULD DECLINING USAGE AFFECT THE RSM CALCULATION?

A. Declining usage lowers the pro forma water volume. If the Company projects too great a decline and sales volumes remain higher than forecasted, the Company will refund the over collection of the revenues because it will have more sales than were allowed in the RSM calculation (less the increase in production costs required to produce the greater volume of water). If an adjustment to recognize the declining usage is not adopted and revenues were to actually decline, then the Company would recover the shortfall through the RSM (less the decrease in production costs to produce a lower volume of water). Without the adjustments described, the Company will either over or under collect the fixed service charges due to the fact that the volumetric rates include approximately 77% of the fixed costs of the Company.

Q. HAVE OTHER JURISDICTIONS ADOPTED REVENUE STABILIZATION MECHANISMS FOR WATER, GAS, OR ELECTRIC UTILITIES?

A. Yes. An RSM is a regulatory tool that has been adopted in many states as a way to eliminate the "throughput disincentive" to water and energy efficiency initiatives and investment. Clauses similar to that proposed here have been successfully used for some time for water utilities in the states of New York, California and Connecticut. Revenue decoupling has been approved for gas utilities in 21 states according to the September 2012 report from the American Gas Association entitled Innovative Rates, Non-Volumetric Rates, and Tracking Mechanisms: Current List. The Report also lists that Weather Normalization Adjustments have been allowed in 25 states. The Innovation Electricity Efficiency ("IEE") issued the IEE Report in July 2013 that lists 32 states that have approved fixed cost recovery mechanisms. Revenue decoupling accounts for 14 states with one state pending and Lost Revenue Recovery is allowed in 18 states with two pending.

Q. PLEASE SUMMARIZE THE BENEFITS OF MAWC'S PROPOSED RSM.

A. MAWC's proposed RSM encourages and rewards customers for using water more efficiently because reduced consumption translates into a reduced bill and increased consumption results in a higher bill. In addition, the RSM will make water companies indifferent to selling less water and will mitigate the adverse effect of weather variability on revenues.

An RSM also will improve the ratemaking process – by reducing the contentiousness, complexity, and frequency of rate cases. Once the utility's total revenue target is set, the sales volume debates become largely irrelevant because any sales volume errors are trued up. The reduction or elimination of this contentious obstacle in rate proceedings benefits customers in a couple of ways. First, the savings from less-costly rate proceedings will be passed on to the customers. Secondly, it allows the parties involved in the case to focus upon the issues that are pertinent to providing quality service.

The nature of water utility investment has shifted largely from plant needed for serving new customers to non-revenue producing programs and investments to maintain and improve service reliability, which also supports job creation in local economies. Missouri-American Water is engaged in a broad array of efforts to become more efficient, and an RSM supports more consistent planning and deployment of the most efficient resources. Just as prudent energy efficiency investments are the least-cost investments in energy resources; improving water efficiency reduces operating costs (e.g., energy, treatment and residuals handling/storage costs) and reduces the need to develop new supplies and expand our water infrastructure. Improving water efficiency also reduces withdrawals from limited freshwater supplies, leaving more water for future use and improving the ambient water quality and aquatic habit.

Promoting water efficiency is the preferred way to meet the water and wastewater needs of all Missouri residents and businesses at the least cost and with the greatest reliability, environmental and efficiency benefits. Improving water efficiency is a "win/win/win" providing a wide range of benefits—for consumers, utilities, businesses, and for communities as a whole. Approving an RSM opens the path to achieving that winning combination.

VII. REVENUE

Q. PLEASE EXPLAIN THE COMPANY'S ADJUSTMENT TO THE TEST YEAR LEVEL OF REVENUES.

A. The adjustments to the test year level of revenues can be characterized as follows:

1) Eliminate from or adjust the test year for items that will not recur or are reflected in other adjustments.

2) Annualize revenues for the acquisition of new systems during the test year.

3) Normalize the sales level for the residential customer class and usage declines as supported by a detailed analysis performed by Company Witness Roach.

4) Adjust for the level of current rates associated with the Infrastructure System Replacement Surcharge ("ISRS").

5) Adjust for the level of current rates of competitive tariff customers.

Q. BEFORE YOU BEGIN EXPLAINING THE ADJUSTMENTS TO REVENUES, PLEASE BRIEFLY DESCRIBE SCHEDULES CAS-11 and CAS-12.

A. Schedules CAS-11 and CAS-12 present a summary and detail by district of the Company's pro forma test year revenues at both present and proposed rates. Schedule CAS-11 for each district is a summary by revenue class with CAS-12 providing the detail by revenue class. The proposed rates are primarily based on a cost of service study and other rate design adjustments that are addressed in Company Witness Herbert's Direct Testimony.

Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE REVENUE ADJUSTMENTS.

A. As shown on Schedule CAS-8 for each of the districts, unbilled revenue is being eliminated to reflect the Company's adjustment for annualizing and normalizing customers and sales as of the true-up date.

The next adjustment shown on the schedule is labeled Bill Analysis and Other Adjustments. These adjustments are related to the bill analysis and will adjust the per book revenues to the bill analysis. One example of such an adjustment is to eliminate correcting journal entries made in the Company's books. The next level of adjustments shown is labeled Normalization and Annual Adjustments. These adjustments reflect the use of a normalized level of sales and specific impacts on the Company's revenues based on known and measurable changes for specific customers. The Company adjusted the residential customer class based on Company Witness Roach's water usage analysis. Mr. Roach provided the usage per customer per day used in the revenue normalization. The usage per customer per day adjusted the test year usage to reflect normalized water usage for the residential customer class.

The last adjustment column for the St. Louis Metro District reflects the elimination of $14,289,871 of revenues from per books related to ISRS for the St. Louis Metro District. These surcharges were set to zero by the Company when the Commission authorized an increase in base rates in its Final Order in Case No. WR-2011-0337, dated March 7, 2012.

The Company only performed a study on the water usage patterns of the residential customer class, and therefore made no adjustment to the remaining customer classes. In the past, the Company has used a simple average for the commercial class. However, with the continued downward trend in overall sales, it would be illogical to use an average. By using an average of water sales, the Company would be artificially inflating water sales.

Q. IS THE COMPANY PROPOSING TO ADJUST OTHER OPERATING REVENUE RATES IN THE CURRENT CASE?

A. Yes. The Company is proposing to change the fees for new service connections to reflect actual cost of service. In addition, the new structure reflects a move to consolidate fees by district and replace them with a single fee structure for the entire Company. Currently, the Company has a set of fees for the St. Louis Metro district and another set for those districts outside of the metro service area. The proposed rates are discussed in the Direct Testimony of Company Witness Wood. The summary of this adjustment can be found on Schedule CAS-12.

<u>X. ATRAZINE SETTLEMENT</u>

Q. WHAT IS ATRAZINE?

A. Atrazine is a herbicide widely-used to control broadleaf and grassy weeds in a variety of crops, but is applied primarily to corn fields.

Q WHAT IS THE ATRAZINE SETTLEMENT?

A. Several American Water utility subsidiaries participated in a class action lawsuit filed against the maker of Atrazine, a common herbicide that is on U.S. Environmental Protection Agency's contaminant list. After it is applied to crop lands in the springtime, Atrazine runs off into surface waters. Water utilities must treat water that has been contaminated with Atrazine in order to make it potable. Carbon is used in such treatment. The class action litigation sought damages incurred by the utilities in such treatment.

On October 22, 2012, a settlement of $105 million was approved by the United States District Court for the Southern District of Illinois. A little over 1,000 of the eligible 1,930 class members around the country submitted claims against the settlement fund. A formula was used to determine the amount of the settlement payment to be received by each claimant, based on the number of positive Atrazine tests for each water system since 1983, the age of the tests, and the size of the water system. All water systems that submitted a claim received a minimum of $5,000. The settlement payments cover all periods in the past and ten years into the future.

Q. WHAT WAS THE AMOUNT OF THE SETTLEMENT FUND AWARDED TO MISSOURI-AMERICAN?

A. Missouri-American was awarded $1,161,014.75.

Q. PLEASE EXPLAIN THE PRO FORMA ADJUSTMENT PROPOSED BY MISSOURI-AMERICAN TO ACCOUNT FOR THE ATRAZINE SETTLEMENT.

A. The Company is proposing a 50/50 sharing of the $1,161,014.75 settlement with ratepayers to be amortized over a five year period. This results in pro forma adjustment to decrease Chemicals by $116,101.48, ($1,161,014.75 / 50% / 5) on an annual basis.

Q. WHY DOES MISSOURI-AMERICAN BELIEVE A 50:50 SHARING OF THE SETTLEMENT AMOUNT IS REASONABLE?

A. Missouri-American incurred substantial costs, in time and expense, in pursuing the Atrazine litigation, which enabled the Company to obtain its settlement. Multiple employees gathered documents and information spanning more than 20 years in order to support the Company's claims, including information regarding Atrazine tests and testing results, and information regarding the costs of treatment of Atrazine. Furthermore, the Company conducted additional testing of raw and finished water in connection with the case. As a named plaintiff in the case, which was filed only after Missouri-American Water and several of its affiliate companies agreed to participate, the Company was a driving force in pursuing the claims and obtaining the settlement. Accordingly, we believe that it is reasonable to share the monies received from the settlement on an equal basis with Missouri-American's customers.

XI. UNCOLLECTIBLES

Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES RELATED TO UNCOLLECTIBLES.

A. The purpose of this adjustment is to annualize uncollectible expense to a three-year average ratio of net charge-offs to present billed water and waste water revenues. The three year average ratio is applied to pro forma water and waste water revenues in order to calculate the pro forma uncollectible expense. The summary of this adjustment can be found on Schedule CAS-13.

XI. LABOR AND LABOR-RELATED EXPENSES

Q. PLEASE EXPLAIN THE COMPANY'S PRO FORMA ADJUSTMENT TO LABOR AND LABOR-RELATED EXPENSES.

A. The Company has proposed adjustments to its Labor Expense (including Incentive Plan), Payroll Tax Expense, Group Insurance Expense, and Other Benefits including Defined Contribution Plan (DCP) Expense, 401K Expense, Retiree Medical Expense (also referred to as VEBA) and Employee Stock Purchase Plan (ESPP).

A. LABOR EXPENSE

Q, PLEASE EXPLAIN THE COMPANY'S PRO FORMA ADJUSTMENT TO LABOR.

A. The expenses associated with the labor adjustment include salary, overtime, incentive pay, and shift premium pay. Base salary is calculated by the number of work hours in a normal year multiplied by the appropriate wage rate. The Company used 2,088 hours to calculate an hourly employee's annual salary. The wage rate for a union employee is determined by the contract rate that will be in effect by June 2016. For any contract rates that are not yet negotiated through this date, an hourly rate was calculated using the three year average increase for each union. Non-union employees' wage rates were based upon actual rates in effect at April 1, 2015 and were increased through June 2016 using a three year average. The Operating and Maintenance expense percentage used to allocate each employee's salary was based on the three year average of capital charged by district and total labor. The Company's adjustment for overtime was calculated by taking the three year average of overtime in relation to total payroll by district. Incentive pay was calculated based on the employee's pro forma salary level incentive payout percentage. Incentive pay will be further discussed in the Direct Testimony of Phil Wood. The labor adjustment is summarized on CAS – 13.

B. PAYROLL TAX

Q. PLEASE EXPLAIN THE COMPANY'S ADJUSTMENT TO PAYROLL TAX.

A. The purpose of this adjustment is to annualize the Company's expense associated with Payroll Tax. The employer portion of the tax rate for state unemployment tax, Federal unemployment tax, FICA, and Medicare, respectively, was applied to the lower of each individual's total pro forma payroll or the maximum individual taxable wage. An appropriate capitalization rate was applied to the result to determine pro forma payroll tax expense. A summary of this adjustment is shown on CAS – 13.

C. <u>GROUP INSURANCE</u>

Q. PLEASE EXPLAIN THE COMPANY'S ADJUSTMENT TO GROUP INSURANCE.

A. The purpose of this adjustment is to annualize the Company's expense associated with Group Insurance. Company costs include health, dental and vision coverage, as well as basic life, short and long term disability, and accidental death and dismemberment (AD&D) insurances. The Company's cost for health, dental and vision plans is partially offset by employee contributions. Group Insurance costs are based on the actual employees' plan selections and the current 2015 plan costs and employee contributions. An appropriate capitalization rate was applied to determine pro forma group insurance expense. This adjustment is summarized on CAS-13.

D. <u>401K EXPENSE</u>

Q. PLEASE EXPLAIN THE COMPANY'S ADJUSTMENT TO 401K EXPENSE.

A. The purpose of the 401K adjustment is to annualize the Company's expense associated with 401K. The Company portion of 401K expense was adjusted by multiplying the Company match percentage for each employee by the employee's annual salary. This amount then is further adjusted by applying an appropriate capitalization rate. This adjustment is summarized on CAS – 13.

E. <u>DEFINED CONTRIBUTION PLAN</u>

Q. PLEASE EXPLAIN THE COMPANY'S ADJUSTMENT TO DEFINED CONTRIBUTION PLAN (DCP).

A. The purpose of this adjustment is to annualize the Company's expense associated with Defined Contribution Plan (DCP). DCP is a Company funded retirement savings program for certain employees. Generally, this is for employees who are not eligible for the defined benefit pension program based on their hire date. Pro forma DCP was calculated for eligible employees by multiplying base pay by 5.25%. An appropriate capitalization rate was applied to determine pro forma DCP expense. A summary of this adjustment is shown on CAS – 13.

F. <u>RETIREE MEDICAL EXPENSE</u>

Q. PLEASE EXPLAIN THE COMPANY'S ADJUSTMENT TO RETIREE MEDICAL EXPENSE (VEBA).

A. The purpose of this adjustment is to annualize the Company's expense associated with Retiree Medical Expense (also referred to as VEBA). Retiree Medical Expense is the Company cost for a trust designed to help finance post-employment benefits for certain employees. The gross annual cost is $500 per employee. An appropriate capitalization rate was applied to determine pro forma retiree medical expense. A summary of this adjustment is shown on CAS – 13.

G. <u>EMPLOYEE STOCK PURCHASE PLAN</u>

Q. PLEASE EXPLAIN THE COMPANY'S ADJUSTMENT TO EMPLOYEE STOCK PURCHASE PLAN (ESPP).

A. The purpose of this adjustment is to annualize the Company's expense associated with Employee Stock Purchase Plan (ESPP). ESPP expense relates to the Company funded 10% discount of American Water stock purchases made through payroll deductions by enrolled employees. A summary of this adjustment is shown on CAS – 13.

H. PENSION EXPENSE

Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES RELATED TO PENSION.

A. The Company has included in its pro forma pension expense the actual cost related to the FAS 87 accrual which is supported by American Water's latest actuarial report. Starting in 2006, nonunion employees hired before January 1, 2006, and union employees hired before January 1, 2001, are included as participants in the Company's defined benefit pension plan. The FAS 87 pension cost is based on actuarial studies conducted annually by Towers Watson for the defined benefit participants. The total costs for pension were reduced by the amounts anticipated to be capitalized based on a three year average. The current pension funding levels were added to existing amortization levels for prior pension deferrals. Finally, the level of amortization of the current pension tracker was estimated based upon the deferred balance at December 31, 2014. This balance could increase or decrease based upon market conditions and should be updated at the time of true-up in this case. A summary of this adjustment is found on Schedule CAS-13.

I. OTHER POST EMPLOYMENT BENEFITS

Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES RELATED TO OPEB EXPENSE.

A. The Company used the most recent actuarial report prepared for American Water by Towers Watson to calculate the pro forma cost. The capitalization rate which was based on a three year average was applied to arrive at the pro forma expense. The current PBOP funding levels were added to existing amortization levels for prior PBOP deferrals. Finally, the level of amortization of the current PBOP tracker was estimated based upon the deferred balance at December 31, 2014. This balance could increase or decrease based upon market conditions and should be updated at the time of true-up in this case. The pro forma PBOP expense is included on Schedule CAS - 13.

XIII. OTHER OPERATING EXPENSES

A. REGULATORY EXPENSE

Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES RELATED TO REGULATORY EXPENSE.

A. The purpose of this adjustment is to annualize rate case expense for the costs related to this rate filing. Estimated costs related to the rate filing include legal fees, consultant's costs, travel expenses, and other expenses. It is being proposed that these costs be amortized over a two-year period. A summary of this adjustment can be found at Schedule CAS-13.

B. INSURANCE OTHER THAN GROUP

Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES RELATED TO INSURANCE OTHER THAN GROUP.

A. The purpose of this adjustment is to annualize the expense for Insurance Other than Group to the latest annual insurance premium levels received by the Company. The details of this adjustment can be found at Schedule CAS-13.

C. TRANSPORTATION EXPENSE

Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES RELATED TO TRANSPORTATION LEASES.

A. The Company has calculated its pro-forma Transportation Lease expense based on changes in leased vehicle levels expected to occur by January 2016. Gross vehicle cost was applied to the operation and maintenance ("O&M") percentage to obtain the O&M expense used in the lease portion of the adjustment. Vehicle depreciation expense was removed fully from the pro-forma expense. In addition, all expired vehicle leases were allocated and removed from the pro-forma expense. The summary of this adjustment can be can be found on Schedule CAS-13.

D. POSTAGE EXPENSE

Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES RELATED TO POSTAGE EXPENSE.

A. 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. The summary of this adjustment can be found on Schedule CAS-13.

E. <u>PROPERTY TAX</u>

Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES RELATED TO PROPERTY TAX EXPENSE.

A. The purpose of this adjustment is to annualize property tax expense to a pro forma expense based on the level of Utility Plant in Service included in the Company's pro forma rate base. The details of this adjustment can be found at Schedule CAS-13.

F. <u>PSC ASSESSMENT</u>

Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES RELATED TO PSC ASSESSMENT.

A. The purpose of this adjustment is to annualize the PSC assessment fee. The pro forma amount is based on the most recent assessment rate applied to the pro forma present rate water revenues for the large districts in Missouri. The summary of this adjustment can be can be found on Schedule CAS-13.

G. <u>CHARITABLE CONTRIBUTIONS</u>

Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES RELATED TO CHARITABLE CONTRIBUTIONS.

A. The purpose of this adjustment is to remove any expenses that were posted to Charitable Contribution expenses that were deemed to not benefit the customer. The pro forma costs are based on actual entries that have been removed from Charitable

Contribution Expense via the adjustment. The details of this adjustment can be found at Schedule CAS-13.

H. EMPLOYEE EXPENSE

Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES RELATED TO EMPLOYEE EXPENSE.

A. The purpose of this adjustment is to remove any expenses that were posted to Employee expenses that were deemed to not benefit the customer. The pro forma costs are based on actual entries that have been removed from Employee Expense via the adjustment. The details of this adjustment can be found at Schedule CAS-13.

I. LOBBYING EXPENSE

Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES RELATED TO LOBBYING EXPENSE.

A. The purpose of this adjustment is to remove any expenses that were posted to Lobbying expenses. The details of this adjustment can be found at Schedule CAS-13.

J. RELOCATION EXPENSE

Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES RELATED TO RELOCATION EXPENSE.

A. 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. The details of this adjustment can be found at Schedule CAS-13.

K. PENSION AND OPEB TRACKER

Q. CAN YOU PLEASE EXPLAIN THE PURPOSE OF THE PENSION AND OPEB TRACKER AND THE METHOD FOR CALCULATING?

A. As the result of a stipulation in Case No. WR-2007-0216, the Company agreed to track actual pension and OPEB cost in comparison to the levels included in rates. The concept behind the establishment of tracking mechanisms for pension and OPEB is to protect customers and the Company from the wide variations that can exist in expected costs. Pension and OPEB costs are largely dependent upon market conditions, which can and have experienced great volatility. Therefore a base level of pension and OPEB expense has been established in the Company's rate proceeding. Actual costs above or below that base level are recorded monthly as deferrals on the Company's books. Both excess recoveries and shortages can and have occurred. At the time of the next rate case, the cumulative excess or shortage is included in rate base and amortized. The current amortization period is five years.

The Pension/OPEB Tracker pro forma included in rate base is based upon a projected balance at January 31, 2016. The projected balance includes the amortization of the vintage deferrals, which were based upon balances at December 31, 2010, and authorized to be amortized in the Company's last rate case (WR-2011-0337). The pro forma also includes the deferral of actual cost excesses or shortages from January 1, 2011 to January 31, 2014 as well as the projected deferral of cost excesses or shortages from January 1, 2015 to January 31, 2016. The projected cost deferrals for January 1, 2015 to January 31, 2016 are based upon on actuarial studies conducted annually by Towers Watson and reduced by the amounts anticipated to be capitalized based on a three-year historical average.

L. PENSION ASSET

Q. CAN YOU PLEASE EXPLAIN THE PENSION ASSET THAT IS INCLUDED IN RATE BASE AND HOW IT WAS CALCULATED?

A. The Pension Asset reflects the amount of pension expense accrued per FAS87 and the amount contributed by the Company to the pension trust fund. The FAS 87 accrual is based on actuarial studies conducted annually by Towers Watson for the defined benefit participants. The Pension Asset pro forma included in rate base is based upon a projected balance at January 31, 2016.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

Missouri-American Water Company

Minimum Filing Requirements

4 CSR 240-3.030 (3) (B)

Missouri-American Water Company
For the Test Year Ended December 31, 2014
Case No. WR-2015-0301
Case No. SR-2015-0302

Item #1 - Aggregate Annual Increase

Total Company - Water and Wastewater

The aggregate annual increase over current revenues which the tariffs propose is $51,026,737
which is an overall increase to the customer of 19.92% on a Pro Forma Basis.

Missouri-American Water Company
For the Test Year Ended December 31, 2014
Case No. WR-2015-0301
Case No. SR-2015-0302

Item #2 - Names of Counties and Communities Affected

Brunswick District

County Name	Community Name
Chariton	City of Brunswick

Cedar Hill District

County Name	Community Name
Jefferson	Cedar Hill
	High Ridge

Emerald Pointe District

County Name	Community Name
Taney	Hollister

Jefferson City District

County Name	Community Name
Cole	Jefferson City
Cole	Eugene
Cole	Redfield

Jefferson City Sewer District

County Name	Community Name
Cole	Jefferson City
Callaway	

Joplin District

County Name	Community Name
Newton	City of Joplin
	Dennis Acres
	Leawood
	Loma Linda
	Saginaw
	Shoal Creek Drive

Missouri-American Water Company
For the Test Year Ended December 31, 2014
Case No. WR-2015-0301
Case No. SR-2015-0302

Item #2 - Names of Counties and Communities Affected

	Silver Creek
Jasper	Airport Drive (Village)
	Duquesne
	Jasper Outside
	Webb City

Ozark Meadows

County Name	Community Name
Morgan	Gravois Mills
Morgan/Camden	Laurie

Maplewood/Riverside Stonebridge Village District

County Name	Community Name
Pettis	Sedalia
Benton	Warsaw
Stone	Reeds Spring

Mexico District

County Name	Community Name
Audrain	City of Mexico
	Vandover Village

Ozark Mountain/Lake Taneycomo Acres District

County Name	Community Name
Barry	Shell Knob
Taney	Branson

Platte County District

County Name	Community Name
Platte	Houston Lake
	Parkville
	Platte Woods
	Riverside

Missouri-American Water Company
For the Test Year Ended December 31, 2014
Case No. WR-2015-0301
Case No. SR-2015-0302

Item #2 - Names of Counties and Communities Affected

Rankin Acres District

County Name	Community Name
Greene	Republic

Saddlebrooke District

County Name	Community Name
Taney	Branson
	Springfield

St Joseph District

County Name	Community Name
Buchanan	City of St Joseph
Andrew	City of Elwood
Doniphan County, Ks.	Country Club Village
	Faucett
	Taos
	Wallace
	Willowbrook

St Louis Metro

County Name	Community Name
St Charles	Cottleville
	Dardenne Prairie
	Incline Village
	O'Fallon
	St Charles City
	St Charles County
	St Peters
	Weldon Spring

County Name
St Louis

Community Name	Community Name

Missouri-American Water Company
For the Test Year Ended December 31, 2014
Case No. WR-2015-0301
Case No. SR-2015-0302

Item #2 - Names of Counties and Communities Affected

Affton
Ballwin
Bella Villa
Bellefontaine Neighbors
Bellerive Village
Belnor
Bel-Nor Village
Bel-Ridge
Berdell Hills
Berkeley
Beverly Hills
Black Jack
Breckenridge Hills
Brentwood
Bridgeton
Calverton Park
Castlewood
Charlack
Chesterfield
Clarkson Valley
Clayton
Concord Village
Cool Valley
Country Club Hills
Country Life Acres
Crestwood
Creve Coeur
Crystal Lake Park
Dellwood
Des Peres
Edmundson
Ellisville
Fenton
Ferguson
Flordell Hills
Florissant
Frontenac
Glasgow Village
Glen Echo Park
Glencoe
Glendale
Grantwood Village
Green Park
Ladue
Lakeshire
Lemay
Mackenzie Hills
Manchester
Maplewood
Marlborough
Maryland Heights
Mehlville
Moline Acres
Normandy
Northwoods
Norwood Court
Oakland
Oakville
Olivette
Overland
Pagedale
Pasadena Hills
Pasadena Park
Pine Lawn
Pond
Richmond Heights
Riverview
Rock Hill
Sappington
Shrewsbury
Spanish Lake
St Ann
St John
St Louis County Unincorp
Sunset Hills
Sycamore Hills
Town & Country
Twin Oaks
University City
Uplands Park
Valley Park
Velda City
Velda Village
Velda Village Hills
Village Of Champ
Vinita Park

Missouri-American Water Company
For the Test Year Ended December 31, 2014
Case No. WR-2015-0301
Case No. SR-2015-0302

Item #2 - Names of Counties and Communities Affected

Greendale	Vinita Terrace
Grover	Warson Woods
Hanley Hills	Webster Groves
Hazelwood	Wellston
Hillsdale	Westwood Village
Huntleigh	Wilbur Park
Jennings	Wildwood
Kinlock	Winchester
Kirkwood	Woodson Terrace

County Name	Community Name
Jefferson	Arnold
	Meramec

Spring Valley/Lakewood Manor District

County Name	Community Name
Christian	Ozark
Stone	Shell Knob

Tri-States District

County Name	Community Name
Taney	Branson

Warren County District

County Name	Community Name
Lincoln	Lincoln County
Lincoln	Anna Meadows
Warren	Incline Village

Warrensburg District

County Name	Community Name
Johnson	Warrensburg

Missouri-American Water Company
For the Test Year Ended December 31, 2014
Case No. WR-2015-0301
Case No. SR-2015-0302

Item #3 - Number and Classification of Customer Affected

The number and classifications of the customers affected by the proposed tariffs are as follows:

Description	1017 Total Company
Residential	435,001
Commercial	26,127
Industrial	308
Other Public Authority	1,770
Other Water Utility (Sale for Resale)	28
Fire Protection	8,474
Total	471,708

Missouri-American Water Company
For the Test Year Ended December 31, 2014
Case No. WR-2015-0301
Case No. SR-2015-0302

Item #4

The average increase in dollars and the percentage over the current rate for all customer classifications based on pro forma sales are as

Total Company				
Classification	Pro Forma Revenue at Current Rates	Pro Forma Revenue at New Rates	Dollar Increase	Percent Increase
Residential	$173,579,696	$211,136,515	$37,556,818	21.64%
Commercial	$48,008,371	$57,082,353	$9,073,983	18.90%
Industrial	$8,432,555	$3,943,958	($4,488,597)	-53.23%
Other Public Authority	$4,777,205	$5,406,751	$629,547	13.18%
Other Water Utility	$10,272,685	$10,274,369	$1,684	0.02%
Rate J / Miscellaneous Sale	$6,807,543	$15,056,173	$8,248,630	121.17%
Fire Protection	$4,282,514	$4,287,188	$4,673	0.11%
Total	$256,160,569	$307,187,307	$51,026,737	19.92%

Missouri-American Water Company
For the Test Year Ended December 31, 2014
Case No. WR-2015-0301
Case No. SR-2015-0302

Item #5 - **Proposed annual aggregate increase by general categories of service including dollar amounts and percentage on increase in revenues above revenues derived from current rates.**

Since Missouri-American Water Company's general categories of service are essentially the same as its customer classifications, this information is provided in Item #4 herein.

Missouri-American Water Company
For the Test Year Ended December 31, 2014
Case No. WR-2015-0301
Case No. SR-2015-0302

Item #6 - Press Releases

See attached for copies of the Press Releases.

PRESS RELEASE

MISSOURI AMERICAN WATER

Christie Barnhart
External Affairs Manager
T – 417-627-3800 x 1008
C – 417-529-9781
christie.barnhart@amwater.com

MISSOURI AMERICAN WATER FILES RATE REQUEST

Nearly $140 thousand of capital investments in local infrastructure drives request
Cost for water service remains at about a penny per gallon

Joplin, MO - (July 31, 2015) Today, Missouri American Water filed an application with the Missouri Public Service Commission (MoPSC) to adjust rates for water and sewer service in all of the company's operating districts. Missouri American Water's last general rate case was approved by the MoPSC in April 2012.

The company's investments in water system improvements are the primary driver behind this rate request. From January 1, 2012 to January 31, 2016*,* Missouri American Water will have invested approximately $136 thousand in Brunswick's water infrastructure.

If the rate request is granted in full, the average residential Brunswick customer (using about 2,500 gallons of water per month) would see their water bill **decrease** by about $9.28 per month from $49.18 to $39.89.

Rates will not change until the MOPSC completes a comprehensive audit of the request. The 11-month process includes public hearings and opportunities for public comment. **Four years** will have passed since Missouri American Water's last rate increase in 2012, if the MoPSC maintains its traditional 11-month review schedule.

"Since our last rate case, Missouri American Water has continued to implement efficiencies and best practices throughout the business to reduce our O & M expenses," said Missouri American Water President Kartmann. "We have also kept our focus on quality service by maintaining overall customer satisfaction during the same time period."

"These savings are particularly important as we face a growing need to replace much of our infrastructure that is nearing the end of its useful life," Kartmann continued. "For every dollar in O & M expense we are able to cut, we can invest just over six dollars in infrastructure without impacting customer rates."

The need to upgrade water and sewer systems is a national challenge. The American Society of Civil Engineers says that an estimated $1 trillion in capital spending will be needed across the nation over the next 25 years to replace thousands of miles of pipe, upgrade treatment plants and comply with stricter water quality standards.

Missouri American Water's rates are based on the true costs of providing water and sewer service as reviewed and approved by the MoPSC.

“The communities we serve rely on us to provide reliable, quality water and wastewater service to support the local economy and to provide a high quality of life for residents,” Kartmann said. “These investments will help ensure we are able to keep that commitment to the health and prosperity of our customers and communities in Missouri.”

Missouri American Water

Missouri American Water, a subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water and/or wastewater services to approximately 1.5 million people.

Founded in 1886, American Water (NYSE: AWK) is the largest publicly traded U.S. water and wastewater utility company. With headquarters in Voorhees, N.J., the company employs 6,400 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada. More information can be found at www.amwater.com.

PRESS RELEASE

MISSOURI
AMERICAN WATER

Christie Barnhart
External Affairs Manager
T – 417-627-3800 x 1008
C – 417-529-9781
christie.barnhart@amwater.com

MISSOURI AMERICAN WATER FILES RATE REQUEST

Nearly $12 million of capital investments in local infrastructure drives request
Cost for water service remains at about a penny per gallon

Joplin, MO - (July 31, 2015) Today, Missouri American Water filed an application with the Missouri Public Service Commission (MoPSC) to adjust rates for water and sewer service in all of the company's operating districts. Missouri American Water's last general rate case was approved by the MoPSC in April 2012.

The company's investments in water and sewer system improvements are the primary driver behind this rate request. From January 1, 2012 to January 31, 2016, Missouri American Water will have invested approximately $12 million in Joplin's water infrastructure.

Local water system improvements include the construction of two booster stations (Gateway Zone and 15th Street), the relocation and installation of over 11,000 feet of water pipe and improvements to treatment equipment at the water plant.

These improvements to local water plants, pumps and pipes help to enhance service quality, reliability, environmental performance, public health and fire protection for customers.

If the rate request is granted in full, the average residential Joplin customer (using about 4,700 gallons of water per month) would see their water bill **decrease** by about $1.36 per month from $38.89 to $37.03.

Rates will not change until the MOPSC completes a comprehensive audit of the request. The 11-month process includes public hearings and opportunities for public comment. **Four years** will have passed since Missouri American Water's last rate increase in 2012, if the MoPSC maintains its traditional 11-month review schedule.

"Since our last rate case, Missouri American Water has continued to implement efficiencies and best practices throughout the business to reduce our O & M expenses," said Missouri American Water President Kartmann. "We have also kept our focus on quality service by maintaining overall customer satisfaction during the same time period."

"These savings are particularly important as we face a growing need to replace much of our infrastructure that is nearing the end of its useful life," Kartmann continued. "For every dollar in O & M expense we are able to cut, we can invest just over six dollars in infrastructure without impacting customer rates."

The need to upgrade water and sewer systems is a national challenge. The American Society of Civil Engineers says that an estimated $1 trillion in capital spending will be needed across the nation over the next 25 years to replace thousands of miles of pipe, upgrade treatment plants and comply with stricter water quality standards.

Missouri American Water's rates are based on the true costs of providing water and sewer service as reviewed and approved by the MoPSC.

"The communities we serve rely on us to provide reliable, quality water and wastewater service to support the local economy and to provide a high quality of life for residents," Kartmann said. "These investments will help ensure we are able to keep that commitment to the health and prosperity of our customers and communities in Missouri."

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PRESS RELEASE

MISSOURI AMERICAN WATER

Christie Barnhart
External Affairs Manager
T – 417-627-3800 x 1008
C – 417-529-9781
christie.barnhart@amwater.com

MISSOURI AMERICAN WATER FILES RATE REQUEST

Nearly $6 million of capital investments in local infrastructure drives request
Cost for water service remains at about a penny per gallon

Joplin, MO - (July 31, 2015) Today, Missouri American Water filed an application with the Missouri Public Service Commission (MoPSC) to adjust rates for water and sewer service in all of the company's operating districts. Missouri American Water's last general rate case was approved by the MoPSC in April 2012.

The company's investments in water and sewer system improvements are the primary driver behind this rate request. From January 1, 2012 to January 31, 2016, Missouri American Water will have invested approximately $6 million in Platte County's water infrastructure.

Local water system improvements include the installation and relocation of approximately 8,000 feet of water pipe and equipment replacements at the water treatment plant. These improvements to local water plants, pumps and pipes help to enhance service quality, reliability, environmental performance, public health and fire protection for customers.

If the rate request is granted in full, the average residential Platte County customer (using about 6,500 gallons of water per month) would see their water bill **decrease** by about $6.38 per month from $66.20 to $59.82.

The approximate 100 sewer customers in Platte County would see an increase of about $4.28 per month.

Rates will not change until the MOPSC completes a comprehensive audit of the request. The 11-month process includes public hearings and opportunities for public comment. **Four years** will have passed since Missouri American Water's last rate increase in 2012, if the MoPSC maintains its traditional 11-month review schedule.

"Since our last rate case, Missouri American Water has continued to implement efficiencies and best practices throughout the business to reduce our O & M expenses," said Missouri American Water President Kartmann. "We have also kept our focus on quality service by maintaining overall customer satisfaction during the same time period."

"These savings are particularly important as we face a growing need to replace much of our infrastructure that is nearing the end of its useful life," Kartmann continued. "For every dollar in O & M expense we are able to cut, we can invest just over six dollars in infrastructure without impacting customer rates."

The need to upgrade water and sewer systems is a national challenge. The American Society of Civil Engineers says that an estimated $1 trillion in capital spending will be needed across the nation over the next 25 years to replace thousands of miles of pipe, upgrade treatment plants and comply with stricter water quality standards.

Missouri American Water's rates are based on the true costs of providing water and sewer service as reviewed and approved by the MoPSC.

"The communities we serve rely on us to provide reliable, quality water and wastewater service to support the local economy and to provide a high quality of life for residents," Kartmann said. "These investments will help ensure we are able to keep that commitment to the health and prosperity of our customers and communities in Missouri."

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Ann Dettmer
Communications Manager
T - 314-996-2356
C - 314-623-3822
Ann.Dettmer@amwater.com

MISSOURI AMERICAN WATER FILES RATE REQUEST

St. Louis County (July 31, 2015) Today, Missouri American Water filed an application with the Missouri Public Service Commission (MoPSC) to adjust rates for water and sewer service in all of the company's operating districts. Missouri American Water's last rate changes were approved by the MoPSC in April 2012.

The company's investments in sewer system improvements are a primary driver behind this rate request. In Arnold, this investment is part of Missouri American Water's commitment to invest $5 million in local sewer system improvements over the next four years.

If the rate request is granted in full, the average Arnold residential sewer customer (using 5,000 gallons of water per month) would see their sewer bill increase by about $6.17 per month, from approximately $24.33 to $30.50. This rate change is consistent with the rate commitment made by the company as part of the public referendum for the City's sewer sale to Missouri American Water in November 2014.

Rates will not change until the MoPSC conducts a comprehensive review of the request, anticipated to be complete in mid-2016. Typically an 11-month process, the MoPSC review includes public hearings and opportunities for public comment.

The need to upgrade water and sewer systems is a national challenge. The American Society of Civil Engineers says that an estimated $1 trillion in capital spending will be needed across the nation over the next 25 years to replace thousands of miles of pipe, upgrade treatment plants and comply with stricter water quality standards.

Missouri American Water's rates are based on the true costs of providing water and sewer service as reviewed and approved by the MoPSC.

"The communities we serve rely on us to provide reliable, quality water and wastewater service to support the local economy and to provide a good quality of life for residents," Kartmann said. "These investments will help ensure we are able to keep that commitment to the health and prosperity of our customers and communities in Missouri."

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PRESS RELEASE

MISSOURI AMERICAN WATER

David Treece
Manager of Operations
Missouri American Water - Jefferson City
David.treece@amwater.com
573-634-3801

Ann Dettmer
Communications Manager
T - 314-996-2356
C - 314-623-3822
Ann.Dettmer@amwater.com

MISSOURI AMERICAN WATER FILES RATE REQUEST

Nearly $8.9 million of investments in Jefferson City infrastructure drives request
Cost for water service remains at about a penny per gallon

St. Louis County (July 31, 2015) Today, Missouri American Water filed an application with the Missouri Public Service Commission (MoPSC) to adjust rates for water and sewer service in all of the company's operating districts. Missouri American Water's last rate changes were approved by the MoPSC in April 2012.

The company's investments in water and sewer system improvements are the primary driver behind this rate request. From January 1, 2012 to January 31, 2016*,* Missouri American Water will have invested approximately $7.1 million in Jefferson City's water infrastructure and $1.8 million in sewer infrastructure for the company's operations in Cole, Pettis and Calloway counties.

In Jefferson City, the water system improvements include a new 1.5 million gallon water storage tank and a new water storage facility at our water treatment plant. We have replaced about 2.2 miles of water mains along Industrial Drive, Lafayette Street, Jefferson Street and Wicker Lane.

Sewer system improvements include plant upgrades and new treatment plants designed to meet regulatory requirements and protect the environment.

These improvements to local water and sewer plants, pumps and pipes help to enhance service quality, reliability, environmental performance, public health and fire protection for customers.

If the rate request is granted in full, the average Jefferson City and Redfield residential water customer (using about 4,200 gallons of water per month) would see their water bill increase by about $3.36 per month from approximately $41.03 to $44.40.

Missouri American Water sewer customers in the Cole, Pettis and Callaway County area would see their bills increase by about $4.28 per month, from $65.22 to $69.50 per month.

Rates will not change until the MOPSC completes a comprehensive audit of the request. The 11-month process includes public hearings and opportunities for public comment. Four years will have passed since Missouri American Water's last general rate increase in 2012, if the MoPSC maintains its traditional 11-month review schedule.

“Since our last rate case, Missouri American Water has continued to implement efficiencies and best practices throughout the business to reduce our operation and maintenance (O & M) expenses,” said Missouri American Water President Kartmann. “We have also kept our focus on quality service by maintaining overall customer satisfaction during the same time period.”

“The net effect is a statewide reduction in O&M expense of $7.1 million when comparing our operations in 2010 to those same operations in 2014.”

“These savings are particularly important as we face a growing need to replace much of our infrastructure that is nearing the end of its useful life,” Kartmann continued. “For every dollar in O & M expense we are able to cut, we can invest just over six dollars in infrastructure without impacting customer rates.”

The need to upgrade water and sewer systems is a national challenge. The American Society of Civil Engineers says that an estimated $1 trillion in capital spending will be needed across the nation over the next 25 years to replace thousands of miles of pipe, upgrade treatment plants and comply with stricter water quality standards.

Missouri American Water’s rates are based on the true costs of providing water and sewer service as reviewed and approved by the MoPSC.

“The communities we serve rely on us to provide reliable, quality water and wastewater service to support the local economy and to provide a good quality of life for residents,” Kartmann said. “These investments will help ensure we are able to keep that commitment to the health and prosperity of our customers and communities in Missouri.”

Missouri American Water

Missouri American Water, a subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water and/or wastewater services to approximately 1.5 million people.

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PRESS RELEASE

MISSOURI AMERICAN WATER

Patrick Kelly
Operations Superintendent
Missouri American Water
Mexico District
(573) 581-9389

MISSOURI AMERICAN WATER FILES RATE REQUEST

Nearly $3.5 million of investments in Mexico's water infrastructure drives request
Cost for water service remains at about a penny per gallon

St. Louis County (July 31, 2015) Today, Missouri American Water filed an application with the Missouri Public Service Commission (MoPSC) to adjust rates for water and sewer service in all of the company's operating districts. Missouri American Water's last rate changes were approved by the MoPSC in April 2012.

The company's investments in water and sewer system improvements are the primary driver behind this rate request. From January 1, 2012 to January 31, 2016, Missouri American Water will have invested approximately $3.5 million in Mexico's water infrastructure.

Local water system improvements include replacing a well pump and upgrading the electronic system that is used to manage the operation of the water system. We have replaced almost a mile of water mains along Breckenridge, Dorcas and Margaretta Streets.

These improvements to the local water plants, pumps and pipes help to enhance service quality, reliability, public health and fire protection for customers.

If the rate request is granted in full, the average Mexico residential water customer (using about 3,600 gallons of water per month) would see their water bill increase by about $2.62 per month from approximately $38.49 to $41.11.

Rates will not change until the MOPSC completes a comprehensive audit of the request. The 11-month process includes public hearings and opportunities for public comment. Four years will have passed since Missouri American Water's last general rate increase in 2012, if the MoPSC maintains its traditional 11-month review schedule.

The need to upgrade water and sewer systems is a national challenge. The American Society of Civil Engineers says that an estimated $1 trillion in capital spending will be needed across the nation over the next 25 years to replace thousands of miles of pipe, upgrade treatment plants and comply with stricter water quality standards.

Missouri American Water's rates are based on the true costs of providing water and sewer service as reviewed and approved by the MoPSC.

"The communities we serve rely on us to provide reliable, quality water and wastewater service to support the local economy and to provide a good quality of life for residents," Kartmann said. "These investments will help ensure we are able to keep that commitment to the health and prosperity of our customers and communities in Missouri."

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MISSOURI
AMERICAN WATER

Ann Dettmer
Communications Manager
T - 314-996-2356
C - 314-623-3822
Ann.Dettmer@amwater.com

MISSOURI AMERICAN WATER FILES RATE REQUEST

Nearly $380 million of capital investments in local infrastructure drives request
Cost for water service remains at about a penny per gallon

St. Louis County (July 31, 2015) Today, Missouri American Water filed an application with the Missouri Public Service Commission (MoPSC) to adjust rates for water and sewer service in all of the company's operating districts. Missouri American Water's last general rate case was approved by the MoPSC in April 2012.

The company's investments in water and sewer system improvements are the primary driver behind this rate request. From January 1, 2012 to January 31, 2016, Missouri American Water will have invested approximately $380 million in St. Louis and St. Charles County's water infrastructure.

In St. Louis and St. Charles Counties, these investments include upgrades at all four area water treatment plants including projects that maintain water quality and system reliability. A new 52 million-gallon-per-day pump station replaces a 1930's vintage facility and will help meet peak summer demands. Miles of water main replacement projects and environmental improvements have also been completed.

These improvements to local water plants, pumps and pipes help to enhance service quality, reliability, environmental performance, public health and fire protection for customers.

If the rate request is granted in full, the average St. Louis County residential water customer (using about 19,000 gallons of water **per quarter**) would see their water bill increase by about $8.48 **per quarter** (or about $2.83 per month). The average St. Charles County residential customer would see their water bill increase by about $2.47 per month.

Rates will not change until the MOPSC completes a comprehensive audit of the request. The 11-month process includes public hearings and opportunities for public comment. Four years will have passed since Missouri American Water's last general rate increase in 2012, if the MoPSC maintains its traditional 11-month review schedule.

"Since our last rate case, Missouri American Water has continued to implement efficiencies and best practices throughout the business to reduce our operation and maintenance (O & M) expenses," said Missouri American Water President Kartmann. "We have also kept our focus on quality service by maintaining overall customer satisfaction during the same time period."

"The net effect is a reduction in O&M expense of $7.1 million when comparing our operations in 2010 to those same operations in 2014."

"These savings are particularly important as we face a growing need to replace much of our infrastructure that is nearing the end of its useful life," Kartmann continued. "For every dollar in O & M expense we are able to cut, we can invest just over six dollars in infrastructure without impacting customer rates."

The need to upgrade water and sewer systems is a national challenge. The American Society of Civil Engineers says that an estimated $1 trillion in capital spending will be needed across the nation over the next 25 years to replace thousands of miles of pipe, upgrade treatment plants and comply with stricter water quality standards.

Missouri American Water's rates are based on the true costs of providing water and sewer service as reviewed and approved by the MoPSC.

"The communities we serve rely on us to provide reliable, quality water and wastewater service to support the local economy and to provide a good quality of life for residents," Kartmann said. "These investments will help ensure we are able to keep that commitment to the health and prosperity of our customers and communities in Missouri."

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PRESS RELEASE

MISSOURI AMERICAN WATER

Christie Barnhart
External Affairs Manager
T – 417-627-3800 x 1008
C – 417-529-9781
christie.barnhart@amwater.com

MISSOURI AMERICAN WATER FILES RATE REQUEST

Nearly $16 million of capital investments in local infrastructure drives request
Cost for water service remains at about a penny per gallon

St. Joseph, MO - (July 31, 2015) Today, Missouri American Water filed an application with the Missouri Public Service Commission (MoPSC) to adjust rates for water and sewer service in all of the company's operating districts. Missouri American Water's last general rate case was approved by the MoPSC in April 2012.

The company's investments in water and sewer system improvements are the primary driver behind this rate request. From January 1, 2012 to January 31, 2016, Missouri American Water will have invested approximately $16 million in St. Joseph's water infrastructure.

Local water system improvements include the replacement of the Randolph booster station, relocation and installation of approximately 2000 feet of water pipe, construction of a service center and equipment utilized by employees for customer service and emergency response.

If the rate request is granted in full, the average residential St. Joseph customer (using about 4,400 gallons of water per month) would see their water bill increase by about $3.32 per month from $32.36 to $35.68.

Rates will not change until the MOPSC completes a comprehensive audit of the request. The 11-month process includes public hearings and opportunities for public comment. **Four years** will have passed since Missouri American Water's last rate increase in 2012, if the MoPSC maintains its traditional 11-month review schedule.

"Since our last rate case, Missouri American Water has continued to implement efficiencies and best practices throughout the business to reduce our O & M expenses," said Missouri American Water President Kartmann. "We have also kept our focus on quality service by maintaining overall customer satisfaction during the same time period."

"These savings are particularly important as we face a growing need to replace much of our infrastructure that is nearing the end of its useful life," Kartmann continued. "For every dollar in O & M expense we are able to cut, we can invest just over six dollars in infrastructure without impacting customer rates."

The need to upgrade water and sewer systems is a national challenge. The American Society of Civil Engineers says that an estimated $1 trillion in capital spending will be needed across the nation over the next 25 years to replace thousands of miles of pipe, upgrade treatment plants and comply with stricter water quality standards.

Missouri American Water's rates are based on the true costs of providing water and sewer service as reviewed and approved by the MoPSC.

"The communities we serve rely on us to provide reliable, quality water and wastewater service to support the local economy and to provide a high quality of life for residents," Kartmann said. "These investments will help ensure we are able to keep that commitment to the health and prosperity of our customers and communities in Missouri."

Missouri American Water

Missouri American Water, a subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water and/or wastewater services to approximately 1.5 million people.

Founded in 1886, American Water (NYSE: AWK) is the largest publicly traded U.S. water and wastewater utility company. With headquarters in Voorhees, N.J., the company employs 6,400 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada. More information can be found at www.amwater.com.

MISSOURI
AMERICAN WATER

Christie Barnhart
External Affairs Manager
T – 417-627-3800 x 1008
C – 417-529-9781
christie.barnhart@amwater.com

MISSOURI AMERICAN WATER FILES RATE REQUEST

Nearly $3.5 million of capital investments in local infrastructure drives request
Cost for water service remains at about a penny per gallon

Joplin, MO - (July 31, 2015) Today, Missouri American Water filed an application with the Missouri Public Service Commission (MoPSC) to adjust rates for water and sewer service in all of the company's operating districts. Missouri American Water's last general rate case was approved by the MoPSC in April 2012.

The company's investments in water system improvements are the primary driver behind this rate request. From January 1, 2012 to January 31, 2016*,* Missouri American Water will have invested approximately $3.5 million in Warrensburg's water infrastructure.

Local water system improvements include the installation and relocation of water pipe and enhancements to one of the wells providing drinking water.

If the rate request is granted in full, the average residential Warrensburg customer (using about 4,400 gallons of water per month) would see their water bill increase by about $8.10 per month from $27.49 to $35.59.

Rates will not change until the MOPSC completes a comprehensive audit of the request. The 11-month process includes public hearings and opportunities for public comment. **Four years** will have passed since Missouri American Water's last rate increase in 2012, if the MoPSC maintains its traditional 11-month review schedule.

"Since our last rate case, Missouri American Water has continued to implement efficiencies and best practices throughout the business to reduce our O & M expenses," said Missouri American Water President Kartmann. "We have also kept our focus on quality service by maintaining overall customer satisfaction during the same time period."

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Missouri American Water's rates are based on the true costs of providing water and sewer service as reviewed and approved by the MoPSC.

"The communities we serve rely on us to provide reliable, quality water and wastewater service to support the local economy and to provide a high quality of life for residents," Kartmann said. "These investments will help ensure we are able to keep that commitment to the health and prosperity of our customers and communities in Missouri."

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Missouri-American Water Company
For the Test Year Ended December 31, 2014
Case No. WR-2015-0301
Case No. SR-2015-0302

Item #7 - Summary of Reasons for the Proposed Changes

The proposed changes represent a general rate increase request. The need for an increase in rates is primarily caused by the Company's increasing capital expenditures and revenue loss from declining usage. The rate request is based upon the Company's need to continue to invest in capital improvements and to recognize the impact of declining customer usage. The capital investments are part of an ongoing program to upgrade, expand, and/or replace aging infrastructure and to relocate or replace underground water mains related to highway or other road improvements. These capital and operating increases are necessary in order to maintain system reliability, to keep the water and sewer systems current with environmental and safety standards, and to continue to meet the needs of customers.

4 CSR 240-10.060

Missouri-American Water Company
For the Test Year Ended December 31, 2014
Case No. WR-2015-0301
Case No. SR-2015-0302

Cities and Counties which Applies a Business License Tax on Gross Receipts Tax

Brunswick District

County/Municipality Name	Current Tax Rate	Effective Tax Rate	Estimated Annual Increase in Taxes*	Name	Title	Address			
City of Brunswick	5.00000%	5.26000%	-$1,759	Sims Tax Service	TREASURER	108 E Broadway	BRUNSWICK	MO	65236

Joplin District

County/Municipality Name	Current Tax Rate	Effective Tax Rate	Estimated Annual Increase in Taxes*	Name	Title	Address			
City of Joplin	6.00000%	6.38000%	$32,216	MIKE WOOLSTON	MAYOR	602 S Main	JOPLIN	MO	64801

Mexico District

County/Municipality Name	Current Tax Rate	Effective Tax Rate	Estimated Annual Increase in Taxes*	Name	Title	Address			
City of Mexico	7.00000%	7.53000%	$7,866	ROGER HAYNES	CITY MANAGER	300 N. COAL ST.	MEXICO	MO	65265

Platte County District

County/Municipality Name	Current Tax Rate	Effective Tax Rate	Estimated Annual Increase in Taxes*	Name	Title	Address			
City of Houston Lake	9.10000%	10.01000%	-$298		CITY CLERK	5417 NW ADRIAN DR	KANSAS CITY	MO	64151
City of Parkville	4.76000%	5.00000%	-$6,521	Steve Berg	Treasurer	8880 Clark Avenue	Parkville	MO	64152
City of Platte Woods	4.76000%	5.00000%	-$471		CITY CLERK	6750 NW TOWER DR	PLATTE WOODS	MO	64151
City of Riverside	4.76000%	5.00000%	-$4,456		CITY CLERK	2950 NW VIVION RD	RIVERSIDE	MO	64150

Saddlebrooke District

County/Municipality Name	Current Tax Rate	Effective Tax Rate	Estimated Annual Increase in Taxes*	Name	Title	Address			
Saddlebrooke	5.00000%	5.26320%	$0	CAROL GAINES	CITY ADMINISTRATOR	776 SADDLEBROOKE DRIVE	SADDLEBROOKE	MO	65630

St Joseph District

County/Municipality Name	Current Tax Rate	Effective Tax Rate	Estimated Annual Increase in Taxes*	Name	Title	Address			
City of St Joseph	6.50000%	6.95200%	-$5,508	VINCE CAPELL	CITY MANAGER	1100 FREDERICK AVE. RM 305	ST. JOSEPH	MO	64501

0.005025

St Louis Metro District

Current Effective Estimated Annual

Missouri-American Water Company
For the Test Year Ended December 31, 2014
Case No. WR-2015-0301
Case No. SR-2015-0302

Cities and Counties which Applies a Business License Tax on Gross Receipts Tax

County/Municipality Name	Tax Rate	Tax Rate	Increase in Taxes*	Name	Title	Address			
Ballwin	7.00000%	7.52690%	$88,256	ROBERT A. KUNTZ	CITY ADMINISTRATOR	14811 MANCHESTER RD.	BALLWIN	MO	63011
Bella Villa	5.00000%	5.26320%	$1,207	BARBARA SAVALICK	MAYOR	8842 NATURAL BRIDGE RD.	ST. LOUIS	MO	63121
Bellefontaine Neighbors	7.41000%	8.00300%	$28,178	ROBERT DOERR	MAYOR	9641 BELLEFONTAINE RD.	ST. LOUIS	MO	63137
Bellerive Acres	8.00000%	8.69570%	$4,526		CITY ADMINISTRATOR	7700 NATURAL BRIDGE RD.	NORMANDY	MO	63121
Bel-Nor	5.00000%	5.26320%	$3,358	DIANA KROSNICKI	CITY ADMINISTRATOR/CLERK	8416 NATURAL BRIDGE RD.	BEL-NOR	MO	63121
Berkeley	7.41000%	8.00300%	$36,907	KYRA WATSON	MAYOR	6140 N. HANLEY RD.	ST. LOUIS	MO	63134
Beverly Hills	10.00000%	11.11110%	$2,576	MYRTLE SPANN	MAYOR	7150 NATURAL BRIDGE RD.	ST. LOUIS	MO	63121
Black Jack	3.00000%	3.09280%	$6,144	NORMAN MCCOURT	MAYOR	12500 OLD JAMESTOWN RD.	BLACK JACK	MO	63033
Breckenridge Hills - Non Res	6.50000%	6.95190%	$9,515	ANITA MASON	MAYOR	9623 ST CHARLES ROCK RD	BRECKENRIDGE HILLS	MO	63114
Brentwood - Non Residential	8.00000%	8.69570%	$15,806	PATRICK KELLY	MAYOR	2348 S. BRENTWOOD BLVD.	ST. LOUIS	MO	63144
Bridgeton Town of	5.00000%	5.26320%	$41,949	CONRAD BOWERS	MAYOR	11955 NATURAL BRIDGE RD.	BRGTN	MO	63044
Charlack Village of	11.00000%	12.35960%	$4,833	JAMES BECKMAN	MAYOR	8401 MIDLAND BLVD.	ST. LOUIS	MO	63114
Chesterfield	5.00000%	5.26320%	$150,375	BRUCE GEIGER	MAYOR	690 CHESTERFIELD PARKWAY WEST	CHESTERFIELD	MO	63017
Clayton	8.00000%	8.69570%	$78,785	LINDA GOLDSTEIN	MAYOR	10 N. BEMISTON AVE.	ST. LOUIS	MO	63105
Cool Valley Village	7.00000%	7.52690%	$3,500	VIOLA MURPHY	MAYOR	100 SIGNAL HILL DR.	ST. LOUIS	MO	63121
Country Club Hills Village	8.00000%	8.69570%	$3,285	DAVID POWELL	MAYOR	7422 EUNICE AVE.	ST. LOUIS	MO	63136
Crestwood-Resident	6.00000%	6.38300%	$32,493	JEFF SCHLINK	MAYOR	1 DETJEN DR.	ST. LOUIS	MO	63126
Crestwood-Non Resident	7.00000%	7.52690%	Included above	JEFF SCHLINK	MAYOR	1 DETJEN DR.	ST. LOUIS	MO	63126
Creve Coeur	7.00000%	7.00000%	$71,273	MARK PERKINS	CITY ADMINISTRATOR	300 N. NEW BALLAS RD.	ST. LOUIS	MO	63141
Crystal Lake Park	5.00000%	5.26320%	$1,135	BONNIE TAYLOR	MAYOR	P.O. BOX 31338	ST. LOUIS	MO	63131
Dellwood	7.00000%	7.52690%	$12,013	TOM ZAK	CITY ADMINISTRATOR/CLERK	1415 CHAMBERS RD.	ST. LOUIS	MO	63135
Des Peres	5.00000%	5.26320%	$30,233	DOUGLAS J. HARMS	CITY ADMINISTRATOR/CLERK	12325 MANCHESTER RD.	ST. LOUIS	MO	63131
Edmundson - Non Residenti	6.00000%	6.38300%	$2,736	JOHN GWALTNEY	MAYOR	4440 HOLMAN LN	EDMUNDSON	MO	63134
Ellisville	7.00000%	7.52690%	$31,197	MATT PIRRELLO	MAYOR	1 WEIS AVE.	ELLISVILLE	MO	63011
Fenton Non-Residential	5.00000%	5.26320%	$15,533	MARK SARTORS	CITY ADMINISTRATOR	625 NEW SMIZER MILL RD.	FENTON	MO	63026
Ferguson	6.00000%	6.38300%	$47,397	JERRY KNOWLES	MAYOR	110 CHURCH ST.	ST. LOUIS	MO	63135
Flordell Hills	5.00000%	5.26320%	$1,296	JOSEPH NOETH	MAYOR	5645 JENNINGS RD.	ST. LOUIS	MO	63136
Florissant	7.00000%	7.52690%	$129,560	TOM SCHNEIDER	MAYOR	955 ST. FRANCOIS ST.	FLORISSANT	MO	63031
Frontenac Non-Residential	8.00000%	8.69570%	$7,076	KEITH KRIEG	MAYOR	10555 CLAYTON RD	ST. LOUIS	MO	63131
Frontenac Residential	4.78500%	5.02550%	Included above	KEITH KRIEG	MAYOR	10555 CLAYTON RD	ST. LOUIS	MO	63131
Glendale	9.00000%	9.89010%	$26,219	FRANK MYERS	CITY ADMINISTRATOR/CLERK	424 N. SAPPINGTON RD.	ST. LOUIS	MO	63122
Green Park	5.00000%	5.26320%	$7,267	TONY KONOPKA	MAYOR	11100 MUELLER ROAD SUITE 2	ST. LOUIS	MO	63123
Greendale	5.00000%	5.26320%	$1,223	MONICA HUDDLESTON	MAYOR	7717 NATURAL BRIDGE ROAD	ST. LOUIS	MO	63121
Hazelwood Non-Residential	6.00000%	6.38300%	$32,617	MATTHEW ROBINSON	MAYOR	414 ELM GROVE LANE	HAZELWOOD	MO	63042
Hillsdale	6.00000%	6.38300%	$3,043		CITY CLERK	6428 JESSE JACKSON AVENUE	HILLSDALE	MO	63121
Jennings	7.50000%	8.10810%	$38,954	BENJAMIN C. SUTPHIN	MAYOR	2120 HORD AVE.	ST. LOUIS	MO	63136
Kinloch	6.00000%	6.38300%	$1,098	KEITH CONWAY	MAYOR	5990 MONROE AVE	ST. LOUIS	MO	63140
Kirkwood	7.50000%	8.10810%	$6,362	ART MCDONNELL	MAYOR	139 S. KIRKWOOD RD.	ST. LOUIS	MO	63122
Ladue	7.00000%	7.52690%	$74,406	ANTHONY BOMMARITO	MAYOR	9345 CLAYTON RD.	ST. LOUIS	MO	63124
Lakeshire	5.00000%	5.26320%	$2,294	STEVE ZUMWALT	MAYOR	10000 PUTTINGTON DR.	ST. LOUIS	MO	63123
Manchester	5.00000%	5.00000%	$32,675	DAVID WILLSON	MAYOR	14318 MANCHESTER RD.	MANCHESTER	MO	63011
Maplewood	9.00000%	9.89010%	$37,155	JAMES WHITE	MAYOR	7601 MANCHESTER AVE.	ST. LOUIS	MO	63143
Maryland Heights	5.50000%	5.82010%	$94,743	MARK LEVIN	CITY ADMINISTRATOR	212 MILLWELL DR.	MARYLAND HTS	MO	63043
Moline Acres	5.00000%	5.26320%	$4,469	FRED HODGES	MAYOR	2449 CHAMBERS RD.	ST. LOUIS	MO	63136
Normandy Town of	8.00000%	8.69570%	$13,987	PATRICK GREEN	MAYOR	7700 NATURAL BRIDGE RD.	ST. LOUIS	MO	63121
Northwoods	10.00000%	11.11110%	$14,449	EVERETT THOMAS	MAYOR	4600 OAKRIDGE BLVD.	ST. LOUIS	MO	63121
Oakland	4.00000%	4.16670%	$3,402	PAUL MARTI	MAYOR	P.O. BOX 220511	ST. LOUIS	MO	63122
O'Fallon	5.00000%	5.26320%	$20,521	VICKI BOSCHERT	INTERIM CITY ADMINISTRATOR	100 NORTH MAIN STREET	O'FALLON	MO	63366
Olivette	10.00000%	11.11110%	$40,820	RUTH SPRINGER	MAYOR	9437 OLIVE BLVD.	ST. LOUIS	MO	63132
Overland	6.00000%	6.38300%	$43,161	MIKE SCHNEIDER	MAYOR	9119 LACKLAND RD.	ST. LOUIS	MO	63114
Pagedale	8.00000%	8.69570%	$10,971	MARY LOUISE CARTER	MAYOR	1404 FERGUSON AVE.	ST. LOUIS	MO	63133
Pasadena Hills Village	5.00000%	5.26320%	$1,853	SCOTT LIVINGSTON	MAYOR	3915 ROLAND BLVD.	ST. LOUIS	MO	63121

Missouri-American Water Company
For the Test Year Ended December 31, 2014
Case No. WR-2015-0301
Case No. SR-2015-0302

Cities and Counties which Applies a Business License Tax on Gross Receipts Tax

Pine Lawn	7.00000%	7.52690%	$8,073	SYLVESTER CALDWELL	MAYOR	6250 STEVE MARRE AVE.	ST.LOUIS	MO	63121
Richmond Heights	6.00000%	6.38300%	$31,817	JAMES BECK	MAYOR	1330 BIG BEND BLVD.	ST. LOUIS	MO	63117
Rock Hill	8.00000%	8.69570%	$16,582	DANIEL DIPLACIDO	MAYOR	9620 MANCHESTER RD.	ST. LOUIS	MO	63119
Shrewsbury	7.25000%	7.81670%	$19,764	FELICITY BUCKLEY	MAYOR	5200 SHREWSBURY AVE.	ST. LOUIS	MO	63110
St Louis County	5.00000%	5.26320%	$802,819	CHARLIE DOOLEY	COUNTY EXECUTIVE	41 S. CENTRAL AVE.	CLAYTON	MO	63105
St. Ann	4.00000%	4.16670%	$18,640	GARY GUITTAR	MAYOR	10405 ST. CHARLES ROCK RD.	ST. ANN	MO	63074
St. John Village of	5.00000%	5.26320%	$11,629	LEE ROY TAYLOR	MAYOR	8944 ST. CHARLES ROCK RD.	ST. LOUIS	MO	63114
Sunset Hills - Residential	5.00000%	5.26320%	$36,252	BILL NOLAN	MAYOR	3939 S. LINDBERGH BLVD.	ST. LOUIS	MO	63127
Sunset Hills - Non-Residenti	7.50000%	8.10810%	Included above	BILL NOLAN	MAYOR	3939 S. LINDBERGH BLVD.	ST. LOUIS	MO	63127
Town & Country Non-Reside	7.00000%	7.52690%	$27,330	JON DALTON	MAYOR	1011 MUNICIPAL CENTER DR.	ST. LOUIS	MO	63131
University City	9.00000%	9.89010%	$130,609	SHELLEY WELSCH	MAYOR	6801 DELMAR BLVD	ST. LOUIS	MO	63130
Valley Park	5.00000%	5.26320%	$11,547	NATHAN GRELLNER	MAYOR	320 BENTON ST.	VALLEY PARK	MO	63088
Velda Village (City)	6.00000%	6.38300%	$2,808	ROBERT L. HENSLEY	MAYOR	2803 MAYWOOD AVE.	ST. LOUIS	MO	63121
Velda Village (Hills)	5.00000%	5.26320%	$1,515		CITY ADMINISTRATOR	3501 AVONDALE AVE.	VELDA VILLAGE HILLS	MO	63121
Vinita Park	5.00000%	5.26320%	$8,527	JAMES MCGEE	MAYOR	8374 MIDLAND BLVD.	ST. LOUIS	MO	63114
Warson Woods	9.00000%	9.89010%	$10,254	LAURENCE HOWE	MAYOR	10015 MANCHESTER RD.	WARSON WOODS	MO	63122
Webster Groves	7.00000%	7.52690%	$73,728	GERRY WELCH	MAYOR	4 E. LOCKWOOD AVE.	ST. LOUIS	MO	63119
Wellston	7.00000%	7.52690%	$5,471	LINDA WHITFIELD	MAYOR	1414 EVERGREEN AVE.	ST. LOUIS	MO	63133
Wildwood	5.00000%	5.26320%	$64,437	DANIEL DUBRUIEL	CITY ADMINISTRATOR	16962 MANCHESTER RD.	WILDWOOD	MO	63040
Winchester	6.00000%	6.38300%	$3,417	GAIL WINHAM	MAYOR	109 LINDY BLVD	WINCHESTER	MO	63021
Woodson Terrace	5.00000%	5.26320%	$8,099	LAWRENCE BESMER	MAYOR	9351 GUTHRIE AVE	ST. LOUIS	MO	63134

Warrensburg District

County/Municipality Name	Current Tax Rate	Effective Tax Rate	Estimated Annual Increase in Taxes*	Name	Title	Address			
Warrensburg	6.00000%	6.38000%	$38,512	CURT DYER	MAYOR	102 S HOLDEN ST	WARRENSBURG	MO	64093

*Estimated increased annual taxes are based on test year taxes multiplied by the requested rate increase for that District.

Missouri-American Water						Schedule JMT-2
1701	Corporate Cost Allocations					

Object	Description	TOTAL ALLOCATED TO LARGE DISTRICTS	TOTAL ALLOCATED TO SMALL DISTRICTS	TOTAL CORPORATE COSTS	Allocation Basis
40180100	Oth Wtr Rev-Temp Svc	17	-	17	Customers
40189900	Other Water Revenue	(9,000)	-	(9,000)	Customers
	WATER REVENUE	(8,984)	-	(8,984)	
	SEWER REVENUE	0	-	0	
40310200	OthRev-Rent	232,398	417	232,815	Customers
40310400	OthRev-NSF Ck Chrg	72	0	72	Customers
40310600	OthRev-Usage Data	1,159	9	1,168	Customers
40313000	OthRev-After Hrs Charge	150	0	150	Customers
	OTHER REVENUE	233,779	427	234,181	
	TOTAL OPERATING REVENUE	**224,796**	**427**	**225,198**	
51510016	Purchased Power AG	1,134	-	1,134	Mass Formula
	PURCHASED POWER	1,134	-	1,134	
51800000	Chemicals	(651)	-	(651)	O&M Expense
	CHEMICALS	(651)	-	(651)	
	TOTAL PRODUCTION COSTS	**484**	**-**	**484**	
50100000	Labor Expense	8,757,499	15,523	8,773,022	Mass Formula
50100001	Labor ExpenseAccrual	7,353	43	7,396	Mass Formula
50101400	Labor Oper TD	2,455	-	2,455	Mass Formula
50101415	Labor Oper TD Lines	186	-	186	Mass Formula
50101425	Labor Oper TD MtrIns	29	-	29	Mass Formula
50101515	Labor Oper CA CstRec	59	-	59	Mass Formula
50101600	Labor Oper AG	1,440,118	2,504	1,442,622	Mass Formula
50102100	Labor Maint SS	249	-	249	Mass Formula
50102125	Labor Mnt SS Wells	29	-	29	Mass Formula
50102130	Labor Mnt SS InfGal	427	-	427	Mass Formula
50102135	Labor Mnt SS SupMn	116	-	116	Mass Formula
50102200	Labor Maint P	433	-	433	Mass Formula
50102210	Labor Mnt P Str&Imp	180	-	180	Mass Formula
50102300	Labor Maint WT	889	-	889	Mass Formula
50102400	Labor Maint TD	534	-	534	Mass Formula
50102410	Labor Mnt TD Str&Imp	41	-	41	Mass Formula
50102420	Labor Mnt TD Mains	671	-	671	Mass Formula
50102430	Labor Mnt TD Service	489	-	489	Mass Formula
50102435	Labor Mnt TD Meter	226	-	226	Mass Formula
50109900	Labor Cap Credits	(8,502,950)	(15,092)	(8,518,042)	Mass Formula
50110000	Labor NS OT -Natural	45,420	64	45,484	Mass Formula
50111420	LaborOperNS OT TD Mt	20	-	20	Mass Formula
50111600	LaborOper NS OT AG	13,535	(42)	13,493	Mass Formula
50112130	LaborMaintNSOT SS IG	37	-	37	Mass Formula
50112410	LaborMaintNSOT TD SI	62	-	62	Mass Formula
50119900	LaborNSOT CapCredits	(45,381)	(64)	(45,445)	Mass Formula
50120000	Labor OT - Natural	413,843	757	414,600	Mass Formula
50121200	LaborOper OT P	257	-	257	Mass Formula
50121400	LaborOper OT TD	47	-	47	Mass Formula
50121425	LaborOperOT TD MtrIn	21	-	21	Mass Formula
50121600	LaborOper OT AG	1,506	-	1,506	Mass Formula
50122120	LaborMaint OT TD Hydr	20	-	20	Mass Formula
50122125	LaborMaint OT SS Wll	45	-	45	Mass Formula
50122400	LaborMaint OT TD	42	-	42	Mass Formula
50122420	LaborMaintOT TD DR Main	481	-	481	Mass Formula
50122430	LaborMaintOT TD Svc	145	-	145	Mass Formula
50129900	Labor OT Cap Credits	(413,843)	(757)	(414,600)	Mass Formula
50171000	Annual Incent Plan	296,086	455	296,541	Mass Formula
50171600	Comp Exp-Options	30,810	32	30,842	Mass Formula
50171800	Comp Exp-RSU's	83,931	148	84,079	Mass Formula
50185000	Severance	115,802	182	115,984	Mass Formula
	LABOR EXPENSE	2,251,920	3,752	2,255,672	

Missouri-American Water						Schedule	JMT-2
1701	Corporate Cost Allocations						

Object	Description	TOTAL ALLOCATED TO LARGE DISTRICTS	TOTAL ALLOCATED TO SMALL DISTRICTS	TOTAL CORPORATE COSTS	Allocation Basis
50610000	Pension Expense	3,702,209	6,490	3,708,699	Mass Formula
50610100	Pension Cap Credits	(468,943)	(863)	(469,806)	Mass Formula
	PENSION EXPENSE	3,233,267	5,627	3,238,894	
50510000	PBOP Expense	2,285,193	3,999	2,289,192	Mass Formula
50510100	PBOP Cap Credits	(447,965)	(812)	(448,777)	Mass Formula
50550000	Group Insur Expense	1,694,152	3,007	1,697,159	Mass Formula
50550100	Group Ins Cap Credts	(1,485,249)	(2,645)	(1,487,894)	Mass Formula
	GROUP INSURANCE	2,046,131	3,549	2,049,680	
50421000	401k Expense	172,133	298	172,431	Mass Formula
50421100	401k Exp Cap Credits	(201,537)	(341)	(201,878)	Mass Formula
50422000	DCP Expense	192,035	322	192,357	Mass Formula
50422100	DCP Exp Cap Credits	(173,440)	(285)	(173,725)	Mass Formula
50423000	ESPP Expense	43,789	54	43,843	Mass Formula
50426000	Retiree Medical Exp	23,392	21	23,413	Mass Formula
50426100	Retiree Medical Cap Credit	(28,944)	(27)	(28,971)	Mass Formula
50450014	Other Welfare TD	353	-	353	Mass Formula
50450016	Other Welfare AG	262,781	485	263,266	Mass Formula
50451000	Employee Awards	50,068	77	50,145	Mass Formula
50452000	Emp Physical Exams	1,868	2	1,870	Mass Formula
50456000	Tuition Aid	7,317	8	7,325	Mass Formula
50457000	Training	12,364	9	12,373	Mass Formula
50458000	Referral Bonus	60	-	60	Mass Formula
	OTHER BENEFITS	362,239	623	362,862	
	TOTAL EMPLOYEE RELATED	**7,893,557**	**13,551**	**7,907,108**	
53401000	AWWSC Labor OPEX	14,004,227	24,777	14,029,004	Mass Formula
53401100	AWWSC Pension OPEX	515,602	917	516,519	Mass Formula
53401200	AWWSC Group Ins OPEX	1,672,945	2,973	1,675,918	Mass Formula
53401300	AWWSC Other Ben OPEX	885,680	1,572	887,252	Mass Formula
53401400	AWWSC Cont Svcs OPEX	2,852,063	5,069	2,857,132	Mass Formula
53401500	AWWSC Off Suppl OPEX	799,610	1,408	801,018	Mass Formula
53401700	AWWSC Rents OPEX	904,189	1,606	905,795	Mass Formula
53401900	AWWSC Maint OPEX	1,131,503	1,992	1,133,495	Mass Formula
53402100	AWWSC Oth O&M OPEX	1,720,020	3,052	1,723,072	Mass Formula
53402200	AWWSC Dpr/Amrt OPEX	3,979,105	7,025	3,986,130	Mass Formula
53402300	AWWSC Gen Tax OPEX	1,079,474	1,959	1,081,433	Mass Formula
53402400	AWWSC Interest OPEX	275,403	476	275,879	Mass Formula
53402500	AWWSC Oth Inc OPEX	32,401	65	32,466	Mass Formula
53402600	AWWSC Inc Tax OPEX	84,079	128	84,207	Mass Formula
	SERVICE COMPANY	**29,936,301**	**53,019**	**29,989,320**	
53150013	Contr Svc-Other WT	1,552	-	1,552	Mass Formula
53150014	Contr Svc-Other TD	107,192	182	107,374	Mass Formula
53150016	Contr Svc-Other AG	128,673	211	128,884	Mass Formula
53151016	Contr Svc-Temp EE AG	57,451	96	57,547	Mass Formula
53154000	Contr Svc-Audit Fees	349,508	624	350,132	Mass Formula
53155000	Contr Svc-Legal	252,115	434	252,549	Mass Formula
53157000	Contr Svc-Outplacemt	6,454	12	6,466	Mass Formula
	CONTRACT SERVICES	902,946	1,559	904,505	
52550016	Janitorial AG	6	-	6	Mass Formula
52578013	Trash Removal WT	292	-	292	Mass Formula
52583016	Water & WW AG	39	-	39	Mass Formula
	BUILDING MAINTENANCE	337	-	337	
52574011	Telephone SS	6,410	-	6,410	Customers
52574015	Telephone CA	850	-	850	Customers
52574016	Telephone AG	182,648	311	182,959	Mass Formula
52574111	Cell Phone SS	203	-	203	Mass Formula
52574115	Cell Phone CA	4,262	-	4,262	Customers
52574116	Cell Phone AG	35,073	39	35,112	Mass Formula

Missouri-American Water					Schedule JMT-2
1701	Corporate Cost Allocations				

Object	Description	TOTAL ALLOCATED TO LARGE DISTRICTS	TOTAL ALLOCATED TO SMALL DISTRICTS	TOTAL CORPORATE COSTS	Allocation Basis
52574316	Wireless Serv 1st AG	1,520	-	1,520	Mass Formula
	TELECOMMUNICATIONS	230,965	350	231,315	
52562511	Overnight Shippng SS	25	-	25	Mass Formula
52562516	Overnight Shippng AG	1,638	-	1,638	Mass Formula
52566016	Postage AG	129	-	129	Customers
52566700	Printing	3,991	2	3,993	Mass Formula
	POSTAGE/PRINTING	5,783	2	5,785	
52510016	Bank Svc Charges-AG	(6,177)	(10)	(6,187)	Bills
52512500	Books&Publications	1,542	-	1,542	Employees
52526100	Credit Line Fees I/C	169,608	281	169,889	Mass Formula
52562013	Off&Adm Supplies WT	435	-	435	Mass Formula
52562015	Off&Adm Supplies CA	198	-	198	Mass Formula
52562016	Off&Adm Supplies AG	(18,700)	(47)	(18,747)	Mass Formula
52571500	Software Licenses	156,417	241	156,658	Mass Formula
52582016	Uniforms AG	991	-	991	Mass Formula
	OFFICE SUPPLIES	304,315	465	304,780	
52503000	Advertising	17,543	23	17,566	Mass Formula
52577500	Trade Shows	68	-	68	Mass Formula
	ADVERTISING	17,611	23	17,634	
52534000	Employee Expenses	86,138	122	86,260	Mass Formula
52534200	Conferences & Reg	(3,671)	(28)	(3,699)	Mass Formula
52535000	Meals Deductible	58,165	87	58,252	Mass Formula
52567000	Relocation Expenses	3,110	6	3,116	Mass Formula
	EMPLOYEE EXPENSES	143,742	187	143,929	
52001100	M&S Oper SS	(3,153)	(4)	(3,157)	Customers
52001300	M&S Oper WT	(13)	-	(13)	Customers
52001400	M&S Oper TD	361	-	361	Customers
52001600	M&S Oper AG	(172)	5	(167)	Employees
52501300	Misc Oper WT	(29)	4	(25)	Mass Formula
52501600	Misc Oper AG	152,906	245	153,151	Mass Formula
52514000	Charitb Contr Deduct	17,611	27	17,638	Mass Formula
52514100	Charitb Contr Nonded	251,601	399	252,000	Mass Formula
52514500	Charitb Don-H/Ed/En	46,866	83	46,949	Mass Formula
52514600	Charitb Don-Commnty	32,103	47	32,150	Mass Formula
52514700	Community Partnrshps	18,262	22	18,284	Mass Formula
52514800	Community Cmmrcl In	2,498	2	2,500	Mass Formula
52514900	Cust Education	15,905	18	15,923	Mass Formula
52514905	Cust Edu Comm-Printd	4,179	2	4,181	Mass Formula
52514907	Cust Edu Press Rls	3,481	-	3,481	Mass Formula
52514908	Cust Edu-Media Editor	355	-	355	Mass Formula
52514909	Cust Edu-Video&Photo	2,668	4	2,672	Mass Formula
52515000	Commun Relations-E	67,026	103	67,129	Mass Formula
52515001	Commun Relations-S	10,658	10	10,668	Mass Formula
52522000	Community Relations	397	-	397	Mass Formula
52524000	Co Dues/Mmbrshp Ded	270,276	478	270,754	Mass Formula
52540000	Amort Bus Svc ProjXp	171,916	283	172,199	Mass Formula
52548100	Hiring Costs	190	-	190	Mass Formula
52549500	Inv Phys W/O Scrap	(20,700)	(30)	(20,730)	Mass Formula
52554500	Lab Supplies	705	-	705	Water Samples
52556000	Lobbying Expenses	26,291	26	26,317	Mass Formula
52556500	Low Income Pay Prog	74,273	116	74,389	Customers
52568000	Research & Develop	82,660	147	82,807	Mass Formula
52579000	Trustee Fees	16,895	26	16,921	Mass Formula
52585000	Discounts Available	(152,593)	(258)	(152,851)	Mass Formula
52586000	PO Small Differences	498	-	498	Mass Formula
	MISCELLANEOUS EXPENSE	1,093,924	1,755	1,095,679	
54110016	Rents-Real Prop AG	125,238	215	125,453	Mass Formula

Missouri-American Water Schedule JMT-2

1701 Corporate Cost Allocations

Object	Description	TOTAL ALLOCATED TO LARGE DISTRICTS	TOTAL ALLOCATED TO SMALL DISTRICTS	TOTAL CORPORATE COSTS	Allocation Basis
54140016	Rents-Equip AG	2,143	-	2,143	Mass Formula
	RENTS	127,381	215	127,596	
55000000	Transportation (O&M)	698,473	1,564	700,037	Mass Formula
55000016	Trans Oper AG	26,406	46	26,452	Mass Formula
55000024	Trans Maint TD	(12)	-	(12)	Mass Formula
55000100	Trans Cap Credits	(2,903,912)	(5,488)	(2,909,400)	Mass Formula
55010100	Trans Lease Costs	727,902	1,338	729,240	Mass Formula
55010200	Trans Lease Fuel	592,557	1,024	593,581	Mass Formula
55010300	Trans Lease Maint	712,880	1,270	714,150	Mass Formula
55010500	Trans Reimb EE Prsnl	865	-	865	Mass Formula
	TRANSPORTATION	(144,841)	(246)	(145,087)	
	OPERATING SUPPLIES & SERVICES	**2,682,163**	**4,310**	**2,686,473**	
57010015	Uncoll Accts Exp CA	4,478,384	7,700	4,486,084	Revenue
57010016	Uncoll Accts Exp GA	102,862	157	103,019	Revenue
	UNCOLLECTIBLE	4,581,247	7,857	4,589,104	
52501500	Misc Oper CA	1,299	-	1,299	Customers
52510015	Bank Svc Charges-CA	400,762	715	401,477	Bills
52514906	Cust Edu-Bill Insert	30,289	51	30,340	Bills
52520000	Collection Agencies	467,383	827	468,210	Revenue
52542015	Forms CA	353,957	638	354,595	Bills
52566015	Postage CA	1,265,753	2,232	1,267,985	Customers
	CUSTOMER ACCOUNTING	2,519,443	4,463	2,523,906	
56610000	Reg Exp-Amort	384,071	671	384,742	Revenue
	REGULATORY EXPENSE	384,071	671	384,742	
55110000	Ins Vehicle	154,780	253	155,033	Mass Formula
55710000	Ins General Liabilty	3,616,629	6,462	3,623,091	Mass Formula
55720000	Ins Work Comp	285,144	502	285,646	Mass Formula
55720100	Ins W/C Cap Credits	(254,161)	(448)	(254,609)	Mass Formula
55730000	Ins Other	936,598	1,656	938,254	Mass Formula
	INSURANCE OTHER THAN GROUP	4,738,990	8,425	4,747,415	
62502600	Misc Maint AG	655,035	1,174	656,209	Mass Formula
62512400	Amort Def Maint TD	1,297,693	2,303	1,299,996	Mains
62520824	Misc Maint PermitsTD	2,598	2	2,600	Mains
63110023	Contr Svc-Maint WT	(501)	-	(501)	Mains
63150026	Contr Svc-Maint AG	456	-	456	Mass Formula
	MAINTENANCE SUPPLIES	1,955,281	3,479	1,958,760	
	TOTAL OPERATION & MAINTENANCE	**54,691,536**	**95,775**	**54,787,311**	
68011000	Depr -UPIS General	3,364,890	5,927	3,370,817	Mass Formula
	DEPRECIATION	3,364,890	5,927	3,370,817	
68254000	Amort-RegAsset AFUDC	152,704	252	152,956	Net Plant
68255000	Amort-UPAA	27,061	26	27,087	Net Plant
68257000	Amort-Prop Losses	158,630	263	158,893	Net Plant
68258000	Amort-Reg Asset	6,612	-	6,612	Net Plant
	AMORTIZATION	345,007	541	345,548	
68311000	Rem Costs-ARO/NNS	(18,868)	(32)	(18,900)	Net Plant
	REMOVAL COSTS	(18,868)	(32)	(18,900)	
	DEPRECIATION & AMORTIZATION	**3,691,030**	**6,436**	**3,697,466**	
68520000	Property Taxes	87,620	141	87,761	Mass Formula
68520100	Tax Discounts	(81,445)	(140)	(81,585)	Mass Formula
68532000	FUTA	7,227	13	7,240	Mass Formula
68532100	FUTA Cap Credits	(6,143)	(11)	(6,154)	Mass Formula
68533000	FICA	816,013	1,423	817,436	Mass Formula
68533100	FICA Cap Credits	(669,996)	(1,203)	(671,199)	Mass Formula
68535000	SUTA	(26,072)	(35)	(26,107)	Mass Formula
68535100	SUTA Cap Credits	(18,875)	(32)	(18,907)	Mass Formula
68543000	Othr Taxes &Licenses	64,440	117	64,557	Bills
68544000	Gross Receipts Tax	2,311	2	2,313	Revenue

Missouri-American Water

1701 Corporate Cost Allocations

Schedule JMT-2

Object	Description	TOTAL ALLOCATED TO LARGE DISTRICTS	TOTAL ALLOCATED TO SMALL DISTRICTS	TOTAL CORPORATE COSTS	Allocation Basis
68545000	Utility Reg Assessme	2,176,430	3,817	2,180,247	Revenue
	GENERAL TAXES	2,351,509	4,092	2,355,601	
69011000	FIT - Current	597	(598)	(1)	Revenue
69012000	FIT - Prior Year Adjustment	(484,071)	(1,540)	(485,611)	Revenue
69021000	SIT - Current	109	(110)	(1)	Revenue
69022000	SIT - Prior Year Adjustment	744	(744)	-	Revenue
69062000	Deferred FIT - Prior Year Adjustment	484,072	1,540	485,612	Revenue
69063000	Deferred FIT - Reg Asset/Liability	231,427	399	231,826	Revenue
69065000	Deferred FIT - Other	23,397,965	39,116	23,437,081	Revenue
69072000	Deferred SIT - Prior Year Adjustment	(745)	744	(1)	Revenue
69073000	Deferred SIT - Reg Asset/Liability	44,596	58	44,654	Revenue
69073500	Deferred SIT - Other	4,429,054	7,422	4,436,476	Revenue
69522000	Investment Tax Credits Restored - 3%	(3,042)	-	(3,042)	Revenue
69523000	Investment Tax Credits Restored - 4%	(1,692)	-	(1,692)	Revenue
69524000	Investment Tax Credits Restored - 10%	(23,726)	(22)	(23,748)	Revenue
	INCOME TAXES	28,075,289	46,265	28,121,554	
	TOTAL OPERATING EXPENSE	**88,809,364**	**152,568**	**88,961,932**	