

Missouri-American Water: Saddlebrooke Water
Case No. WA-2012-0066

				Cost of Capital			
	Amount	Percent	Cost	Weighted Cost	Weighted Cost		
Equity	\$ 1,978,022	100.000%	**	**	7.58%	7.58%	7.58%
Preferred Stock	-	0.000%	0.000%	0.00%	0.00%	0.00%	0.00%
Long Term Debt	-	0.000%	6.000%	0.00%	0.00%	0.00%	0.00%
Short Term Debt	-	0.000%	0.000%	0.00%	0.00%	0.00%	0.00%
Total	\$ 1,978,022	100.000%		Rate of Return	7.58%	7.58%	7.58%
Tax Weighted Rate of Return							
Tax Multiplier (1/(1-tax rate))					1.259129	1.259129	1.259129
Weighted cost of equity					7.58%	7.58%	7.58%
Tax weighted cost of equity					9.54%	9.54%	9.54%
Weighted cost of debt					0.00%	0.00%	0.00%
Tax Weighted Rate of Return					9.54%	9.54%	9.54%

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Revenue Requirement

Line	(A)		7.58% Equity Return (B)
1	Net Original Cost Rate Base	(From Accounting Schedule 2)	\$ 201,240
2	Rate of Return		7.58%
3	Net Operating Income Requirement		\$ 15,254
4	Net Operating Income Available	(From Accounting Schedule 3)	13,912
5	Additional Net Operating Income Requirement		\$ 1,342
6	Income Tax Requirement:	(From Accounting Schedule 4)	
7	Required Current Income Tax		\$ 3,953
8	Test Year Current Income Tax		3,605
9	Additional Current Income Tax Requirement		\$ 348
10			
11	Gross Revenue Requirement		\$ 1,690

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Rate Base

Line	Description (A)	Amount (B)
1	Plant in Service (From Accounting Schedule A)	\$ 2,121,872
2	Less:	
3	Accumulated Depreciation Reserve (From Accounting Schedule A)	261,245
4	Net Plant in Service	<u>\$ 1,860,627</u>
5	Other Rate Base Items:	
6	Contributions In Aid of Construction (CIAC)	(1,645,000)
7	CIAC Offset	182,924
8	Unamortized Purchase Discount (CIAC)	(197,311)
9		
10	Total Rate Base	\$ 201,240

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Income Statement

Line	(A) Account No.	(B) Description	(C) Total Company
1		Operating Revenues:	
2		Annualized Rate Revenue	\$ 56,747 \$
3		Late Payment Fees	0
4		Other Revenue	0
5		Total Revenues	\$ 56,747 \$
6			
7		Operations Expenses:	
8	601.000	Operations Labor & Expenses	\$ 6,075 \$
9	619.000	Water Testing	5,832
10	623.000	Fuel / Purchased Power	14,350
11	630.000	Chemicals	900
12		Total Operations Expense	27,157
13			
14		Administrative & General Expenses:	
15	920.100	Corporate Allocations	1,620
16	930.200	Misc. General Exp	1,000
17		Total Administrative & General Expense	\$ 2,620 \$
18			

19		Other Operating Expenses:		
20	403,000	Depreciation	\$ 32,776	\$
21		Depreciation - CIAC Offset	(22,866)	
22	404,000	Amortization of CIAC (Purchase Discount)	(4,100)	
23		Total Other Operating Expense	<u>5,810</u>	\$
24				
25		Tax Other Than Income Tax:		
26	408,100	Property Tax	<u>3,644</u>	\$
27		Total	<u>3,644</u>	\$
28				
29		Total Operating Expenses	\$ 39,231	\$
30				
31		<u>Net Income Before Income Taxes</u>	<u>\$ 17,516</u>	<u>\$</u>
32				
33		Income Taxes:		
34	409,000	Current Income Tax	\$ 3,605	\$
35	410,000	Deferred Income Tax	0	
36	412,000	Amortization of ITC	<u>0</u>	
37		Total Income Taxes	<u>3,605</u>	\$
38				
39		<u>Net Operating Income</u>	<u>\$ 13,912</u>	<u>\$</u>

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Income Tax Calculation

Line	Description (A)	Test Year (B)	7.58% Return (C)
1	Net Operating Income (Acct. Schs. 3 & 1)	\$ 13,912	\$ 15,254
2			
3	Add:		
4	Current Income Tax	\$ 3,605	\$ 3,953
5	Total Additions	\$ 3,605	\$ 3,953
6			
7	Subtractions to Net Income Before Income Tax:		
8	Interest Expense @ 0.00%	\$	\$
9	Total Subtractions	\$ 0	\$ 0
10			
11	Net Taxable Income	\$ 17,516	\$ 19,207
12			
13	Provision for Federal Income Tax		
14	Net Taxable Income	\$ 17,516	\$ 19,207
15	Deduct Missouri Income Tax @ 100.00%	1,009	1,107
16	Deduct City Tax @ 100.00%	141	154
17	Federal Taxable Income	\$ 16,367	\$ 17,946
18	Federal Income Tax @ 15.00%	\$ 2,455	\$ 2,692
19			
20	Provision for Missouri Income Tax		
21	Net Taxable Income	\$ 17,516	\$ 19,207
22	Deduct Federal Income Tax @ 50.00%	1,228	1,346
23	Deduct City Tax @ 100.00%	141	154
24	Missouri Taxable Income	\$ 16,148	\$ 17,707
25	Missouri Income Tax @ 6.25%	\$ 1,009	\$ 1,107
26			
27	Provision for City Earnings Tax		
28	Net Taxable Income	\$ 17,516	\$ 19,207
29	Deduct Federal Income Tax @ 100.00%	2,455	2,692
30	Deduct Missouri Income Tax @ 100.00%	1,009	1,107
31	City Taxable Income	14,052	15,408
32	City Income Tax @ 1.00%	\$ 141	\$ 154
33			
34	Summary of Provision For Income Tax		
35	Federal Income Tax	\$ 2,455	\$ 2,692
36	State Income Tax	1,009	1,107
37	City Income Tax	141	154
38			
39	Total Current Income Tax	\$ 3,605	\$ 3,953

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					Cost of Capital			
	Amount	Percent	Cost	Weighted Cost	**			
Equity	\$ 2,143,480	100.000%	**	**	7.58%	7.58%	7.58%	7.58%
Preferred Stock	-	0.000%	0.000%	0.00%	0.00%	0.00%	0.00%	0.00%
Long Term Debt	-	0.000%	0.000%	0.00%	0.00%	0.00%	0.00%	0.00%
Short Term Debt	-	0.000%	0.000%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	\$ 2,143,480	100.000%		Rate of Return	7.58%	7.58%	7.58%	7.58%

Tax Weighted Rate of Return

Tax Multiplier (1/(1-tax rate))	1.259131	1.259131	1.259131
Weighted cost of equity	7.58%	7.58%	7.58%
Tax weighted cost of equity	9.54%	9.54%	9.54%
Weighted cost of debt	0.00%	0.00%	0.00%
Tax Weighted Rate of Return	9.54%	9.54%	9.54%

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Revenue Requirement

Line	(A)		(B)
			7.58% Equity Return
1	Net Original Cost Rate Base	(From Accounting Schedule 2)	\$ 148,760
2	Rate of Return		7.58%
3	Net Operating Income Requirement		\$ 11,276
4	Net Operating Income Available	(From Accounting Schedule 3)	12,355
5	Additional Net Operating Income Requirement		\$ (1,079)
6	Income Tax Requirement:	(From Accounting Schedule 4)	
7	Required Current Income Tax		\$ 2,922
8	Test Year Current Income Tax		3,201
9	Additional Current Income Tax Requirement		\$ (279)
10			
11	Gross Revenue Requirement		\$ (1,358)

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Rate Base

Line	Description (A)	Amount (B)
1	Plant in Service	\$ 2,256,588
2	Less:	
3	Accumulated Depreciation Reserve	403,772
4	Net Plant in Service	\$ 1,852,816
5	Other Rate Base Items:	
6	Contributions In Aid of Construction (CIAC)	(1,855,000)
7	CIAC Offset	296,800
8	Unamortized Purchase Discount (CIAC)	(145,856)
9		
10	Total Rate Base	\$ 148,760

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Income Statement

Line	(A) Account No.	(B) Description	(C) Total Company
1		Operating Revenues:	
2		Annualized Rate Revenue	\$ 44,158
3		Late Payment Fees	0
4		Other Revenue	0
5		Total Revenues	\$ 44,158
6			
7		Collections Operations Expenses:	
8	601.000	Operations Labor & Expenses	\$ 6,075
9		Total Collections Operations Expense	\$ 6,075
10			
11		Pumping Operations Expense	
12	623.000	Fuel / Purchased Power	2,484
13		Total Pumping Operations Expense	2,484
14			
15		Water Treatment Expense	
16		Maintenance - Testing	5,832
17		Total Water Treatment Expense	5,832
18			

19				
20		Administrative & General Expenses:		
21	920.100	Corporate Allocations	1,620	
22	930.200	Misc. General Exp	1,000	
23		Total Administrative & General Expense	<u>2,620</u>	\$
24				
25		Other Operating Expenses:		
26	403.000	Depreciation	50,472	\$
27		Depreciation - CIAC Offset	(37,100)	
28	404.000	Amortization of CIAC (Purchase Discount)	(4,857)	
29		Total Other Operating Expense	<u>8,515</u>	\$
30				
31		Tax Other Than Income		
32	408.100	Property Tax	3,076	
33		Total	<u>3,076</u>	\$
34				
35		Total Operating Expenses	28,602	\$
36				
37		<u>Net Income Before Income Taxes</u>	<u>15,556</u>	\$
38				
39		Income Taxes:		
40	409.000	Current Income Tax	3,201	\$
41	410.000	Deferred Income Tax	0	
42	412.000	Amortization of ITC	0	
43		Total Income Taxes	<u>3,201</u>	\$
44				
45		<u>Net Operating Income</u>	<u>12,355</u>	\$

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Income Tax Calculation

Line	Description (A)	Test Year (B)	7.58% Return (C)
1	Net Operating Income (Acct. Schs. 3 & 1)	\$ 12,355	\$ 11,276
2			
3	Add:		
4	Current Income TaxBook Depreciation	\$ 3,201	\$ 2,922
5	Total Additions	\$ 3,201	\$ 2,922
6			
7	Subtractions to Net Income Before Income Tax:		
8	Interest Expense @ 0.00%	\$	\$ 0
9	Total Subtractions	\$ 0	\$ 0
10			
11	Net Taxable Income	\$ 15,556	\$ 14,198
12			
13	Provision for Federal Income Tax		
14	Net Taxable Income	\$ 15,556	\$ 14,198
15	Deduct Missouri Income Tax @ 100.00%	896	818
16	Deduct City Tax @ 100.00%	125	114
17	Federal Taxable Income	\$ 14,535	\$ 13,266
18	Federal Income Tax @ 15.00%	\$ 2,180	\$ 1,990
19			
20	Provision for Missouri Income Tax		
21	Net Taxable Income	\$ 15,556	\$ 14,198
22	Deduct Federal Income Tax @ 50.00%	1,090	995
23	Deduct City Tax @ 100.00%	125	114
24	Missouri Taxable Income	\$ 14,341	\$ 13,089
25	Missouri Income Tax @ 6.25%	\$ 896	\$ 818
26			
27	Provision for City Earnings Tax		
28	Net Taxable Income	\$ 15,556	\$ 14,198
29	Deduct Federal Income Tax @ 100.00%	2,180	1,990
30	Deduct Missouri Income Tax @ 100.00%	896	818
31	City Taxable Income	12,480	11,390
32	City Income Tax @ 1.00%	\$ 125	\$ 114
33			
34	Summary of Provision For Income Tax		
35	Federal Income Tax	\$ 2,180	\$ 1,990
36	State Income Tax	896	818
37	City Income Tax	125	114
38			
39	Total Current Income Tax	\$ 3,201	\$ 2,922