

Exhibit No.:  
Issues: Executive Summary, Minimum Filing Requirements (MFRs), Reasons for Rate Request, Test Year and Company's Request for a True-Up, Summary of Witnesses, Accounting Schedules, Rate Design, Consolidated Tariffs, Joplin Tornado, Business Transformation Program, Income Taxes  
Witness: Dennis R. Williams  
Exhibit Type: Direct  
Sponsoring Party: Missouri-American Water Company  
Case No.: WR-2011-0337  
SR-2011-0338  
Date: June 30, 2011

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. WR-2011-0337  
CASE NO. SR-2011-0338**

**DIRECT TESTIMONY**

**OF**

**DENNIS R. WILLIAMS**

**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-2011-XXXX CASE NO. SR-2011-XXXX
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**AFFIDAVIT OF DENNIS R. WILLIAMS**

Dennis R. Williams, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Direct Testimony of Dennis R. Williams"; that said testimony and schedules were prepared by him and/or under his direction and supervision; that if inquires were made as to the facts in said testimony and schedules, he would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of his knowledge.



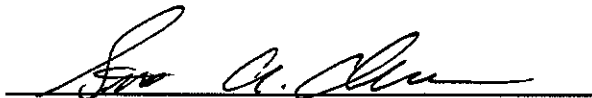
Dennis R. Williams

State of Missouri

County of St. Louis

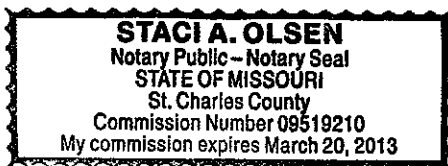
SUBSCRIBED and sworn to

Before me this 24<sup>th</sup> day of June 2011.



Notary Public

My commission expires:



**DIRECT TESTIMONY  
DENNIS R. WILLIAMS  
MISSOURI-AMERICAN WATER COMPANY  
CASE NO. WR-2011-0337  
SR-2011-0338**

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**DIRECT TESTIMONY**

**DENNIS R. WILLIAMS**

1

**I. WITNESS INTRODUCTION**

2

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

3

A. My name is Dennis R. Williams. I am employed by American Water Works Service Company, Inc. (“AWWS”), 727 Craig Road, St. Louis, Missouri 63141.

6

7

**Q. WHAT IS YOUR POSITION WITH MISSOURI-AMERICAN WATER COMPANY (“MISSOURI-AMERICAN” OR “MAWC” OR THE “COMPANY”)?**

9

10

A. I am employed as Senior Manager – Rates and Regulation for the Western Region of AWWS, which includes Missouri-American.

11

12

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**Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.**

14

15

A. I received a Bachelor of Science in Business Administration, summa cum laude, from the University of Central Missouri, with majors in accounting and finance. After graduation, I was licensed in Missouri as a Certified Public Accountant and employed as an auditor in the Regulated Industries division of Arthur Andersen & Company. After leaving Arthur Andersen, I was employed for five years with a regulatory consulting firm. Thereafter, I joined the Regulatory Services department of Aquila, Inc., formerly an electric and

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1 gas utility, headquartered in Kansas City. I served in a number of roles at  
2 Aquila, progressing to the position of Vice President – Regulatory Services. I  
3 joined AWWWS in my current capacity in May 2008. Over the years I have  
4 participated in regulatory proceedings in 19 jurisdictions and provided  
5 testimony in ten states, Canada and Australia.

6

7

## II. EXECUTIVE SUMMARY

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

9 A. The purpose of my testimony is to introduce and explain the financial  
10 information supporting the Company's rate request to the Missouri Public  
11 Service Commission ("Commission") and discuss other relevant information  
12 pertaining to that request. MAWC seeks a rate increase that would produce  
13 additional permanent annual water and wastewater revenues of  
14 approximately \$42.9 million, or 17.98%. As a result of the existing ISRS  
15 surcharge being rolled into permanent rates and reset to zero, the net  
16 percentage increase to customers would be about 17.7%. My testimony will  
17 outline the Company's presentation of its case; sponsor the financial  
18 schedules that calculate the revenue deficiency and adjustments to the test  
19 year financial statements, including the method of incorporation of  
20 acquisitions made during the test year into the Company's pro forma financial  
21 statements; support the pro forma income tax calculation; sponsor the  
22 minimum filing requirements that are required by Commission Rule 4 CSR  
23 240-3.030; and explain accounting authority requests as a result of unique  
24 circumstances the Company is facing. I also will provide a comparison of

1 average residential customer rates under consolidated pricing (sometimes  
2 referred to as single-tariff pricing) versus district specific pricing.

3

4 **Q. TO WHAT SPECIAL CIRCUMSTANCES DO THE ACCOUNTING**  
5 **PROPOSALS THAT YOU WILL BE MAKING RELATE?**

6 A. They relate to the ongoing development of accounting, billing, customer  
7 information and other systems that are a part of the Company's business  
8 transformation efforts. Specifically, I will discuss the Company's proposal for  
9 treatment of depreciation rates and in-service treatment related to that  
10 project. I also will discuss the Company's proposal for accounting treatment  
11 for extraordinary costs incurred in connection with a devastating tornado that  
12 struck the Joplin, Missouri area on May 22, 2011.

13

14

### **III. MINIMUM FILING REQUIREMENTS (MFRs)**

15 **Q. HAS THE COMPANY INCLUDED IN ITS FILING THE MINIMUM FILING**  
16 **REQUIREMENTS IDENTIFIED BY COMMISSION RULE 4 CSR 240-3.030?**

17 A. Yes. Attached to my testimony is Schedule DRW-1, which contains the  
18 required information for filing a request to change rates and charges before  
19 this Commission.

20

21

### **IV. REASONS FOR RATE REQUEST**

22 **Q. WHEN WERE MAWC'S BASE RATES LAST ADDRESSED IN A GENERAL**  
23 **RATE CASE?**

1 A. On June 16, 2010, the Commission addressed the Company's base rates in  
2 its Report and Order in Case No. WR-2010-0131. The Commission's Order  
3 approved an increase in base rates of \$28 million for MAWC. As a result of  
4 the change in the base rates, the Infrastructure System Replacement  
5 Surcharge ("ISRS") was reset to zero. Thus, the Company's net increase in  
6 revenues was approximately \$22.2 million or 9.9%.

7

8 **Q. SINCE BASE RATES WERE ADDRESSED IN CASE NO. WR-2010-0131,**  
9 **HAVE THERE BEEN ADJUSTMENTS TO MAWC'S RATES?**

10 A. Yes. On March 9, 2011, the MPSC issued an Order authorizing the Company  
11 to establish an ISRS to recover annual pre-tax revenues of \$3,624,121 or  
12 1.47%. The newly designed ISRS surcharge tariff was approved on March  
13 11, 2011, with an effective date of March 21, 2011. The ISRS was authorized  
14 by the Missouri General Assembly in 2003 for St. Louis County only.

15

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

17 A. For the twelve months ended December 31, 2010, the Company's pro forma  
18 earned rate of return is 5.77%. This overall return is well below the current  
19 cost of capital proposed by Company witness Ahern. This case has been  
20 filed to provide the Company with an opportunity to earn a more appropriate  
21 return. The Company's ability to provide water service is dependent on a  
22 consistent level of adequate earnings. Adequate earnings are those which  
23 justify the investment of capital in the Company. Revenues must be sufficient  
24 to cover operating expenses, such as employee payroll and benefits,

1 insurance, taxes, depreciation, and costs associated with maintenance and  
2 operations, and, additionally, to provide for the payment of capital costs which  
3 include interest and dividends. Revenues generated by the current rates the  
4 Company is authorized to charge for water and sewer service will not  
5 adequately accomplish this result.

6

7 **Q. WHAT ARE THE PRIMARY REASONS DRIVING THE NEED FOR THE**  
8 **INCREASE IN RATES?**

9 A. The rate increase request is primarily due to the following factors:

- 10 • **Infrastructure investments** - Across the state, the Company will have  
11 invested about \$115 million in the communities it serves from the true-up  
12 date in the last case to the true-up date proposed in this case -- including  
13 replacing and installing water lines, meters, hydrants and improvements at  
14 water treatment, pumping and storage facilities, all of which enhance  
15 customer service and support local economic development. MAWC  
16 witness Kevin Dunn will provide more specific detail regarding these  
17 investments.
- 18 • **Wastewater Compliance Investments** – More than \$1 million in  
19 investment will have been made in recently acquired properties to bring  
20 those properties into compliance with existing EPA and Missouri DNR  
21 regulations.
- 22 • **Property Taxes and Depreciation** – Increases in utility plant also result  
23 in higher property tax and deprecation expenses.



- 1 • **Fuel and Power** – The costs of fuel and power primarily used for lift and  
2 pumping stations to transfer water from its source to a treatment facility  
3 and then distribute that water through the Company's distribution system  
4 have experienced an increase of over 22% compared to levels authorized  
5 in the Company's last case.
- 6 • **Increases in Operating Costs** - MAWC has experienced continued  
7 increases in costs for labor and labor related costs, maintenance, and  
8 other operating costs since the last rate order.
- 9 • **Rate of Return** - Like all water utilities, MAWC must continually invest in  
10 the water plants, towers and pipelines that serve our communities. In  
11 order to attract the capital needed to fund these improvements, the  
12 Company must earn a fair rate of return. This rate increase will allow  
13 MAWC to earn a fair rate of return which will allow us to continue with  
14 infrastructure investment needs across the state.
- 15 • **Reduced Sales** - The Company continues to see a decline in overall  
16 sales levels, both in terms of number of customers and in usage per  
17 customer. Pro forma present rate revenues have declined over \$7 million  
18 from the revenue levels authorized by this Commission in the Company's  
19 last rate case.

20  
21 **V. MISSOURI-AMERICAN RISK FACTORS**

22 **Q. ARE THE FACTORS DRIVING YOUR RATE INCREASE REQUEST A**  
23 **RESULT OF ISSUES UNIQUE TO THE WATER INDUSTRY?**

1 A. Yes, many are. Reduced sales, for example, have been caused by a number  
2 of factors, some of which may impact other industries and others that are  
3 unique to water operations. The decline in demand has resulted from  
4 extremely wet summers in the past three years, persistent conservation  
5 messages communicated to water customers, and the impact of the  
6 economic downturn. Many industries have been affected by the overall  
7 economy. Some industries, including gas and electric utilities may be  
8 impacted by conservation. But, the water industry is obviously more  
9 negatively impacted by increased efficiency of water using fixtures and  
10 appliances, a lack of growth in new water consuming products and wet  
11 weather. There has been no proliferation of devices and appliances entering  
12 the market place that increase the use of water, as has been the case for the  
13 electric utility industry with the introduction of products such as I pads, cellular  
14 telephone devices, electric cars, and GPS devices to name a few. Moreover,  
15 weather impacts water consumption not only as a result of cooling degree day  
16 variations, but also because of ground moisture, rain and even the threat of  
17 rain.

18

19 **Q. CAN YOU IDENTIFY OTHER RISKS THAT HAVE A GREATER IMPACT**  
20 **ON THE FINANCIAL RESULTS OF WATER COMPANIES AS OPPOSED**  
21 **TO ELECTRIC AND GAS UTILITY OPERATIONS?**

22 A. Yes. The water industry is extremely capital intensive, much more so than  
23 electric, gas or any other utility regulated by this Commission. A 2008 study  
24 by AUS indicated that the ratio of dollars invested in utility plant per dollar of

1 revenue for the water industry is slightly more than double that of the  
2 comparable ratio for the electric utility industry, nearly three times that of the  
3 gas distribution utility industry and more than ten times that of the S&P 500.  
4 This fact often goes unacknowledged because much of the water industry  
5 infrastructure is out of public view. Because of the larger amount of capital  
6 required to develop water infrastructure and the need to replace existing  
7 infrastructure, issues related to capital utilization and financing are more  
8 significant for water utilities than other utilities. The immediacy of the problem  
9 of aging water infrastructure is not well understood but is becoming better  
10 known. The results of the 2011 Metro Water Infrastructure Partnership  
11 Survey conducted in the Greater St. Louis area determined that only 8.8% of  
12 respondents considered the drinking water system to be in poor or failing  
13 condition. While 83 percent of those respondents who expressed an opinion  
14 believed that aging water and wastewater infrastructure will become a  
15 problem in the next five to ten years, only about a third of the respondents  
16 were aware that it will cost billions of dollars to upgrade the region's water  
17 and sewer system. It is clear that the general public does not understand the  
18 immediacy of the problem or the substantial cost to fix the problem. This lack  
19 of understanding adds to the risk faced by those companies in need of funds  
20 to meet the challenge of maintaining and replacing a failing system. Much of  
21 this country's investment in water and wastewater systems was made near  
22 the beginning of the twentieth century and is in dire need of replacement.  
23 "The Story of Our Water Infrastructure, 2009", a documentary of the  
24 University of Pennsylvania broadcast on the PBS network, cites the need for

1 hundreds of billions of dollars nationwide for water and wastewater  
2 investment over the next twenty years. The EPA Office of Water, Drinking  
3 Water Infrastructure Needs Survey issued in 2009 found that the total  
4 nationwide infrastructure need is \$334.8 billion over the subsequent 20-year  
5 period. In the state of Missouri the USEPA's drinking water infrastructure  
6 investment need over this same time horizon is estimated at over \$7 billion.  
7 The EPA Office of Clean Water Needs Survey issued in 2008 reported that  
8 \$190 billion was needed for wastewater treatment, collection systems, and  
9 sewer overflow corrections. The American Society of Civil Engineers in 2009  
10 gave water infrastructure in America a grade of D- and stated that the nation's  
11 drinking water and wastewater systems require a \$255 billion dollar  
12 investment in the next five years. Along with the sheer risk associated with  
13 replacing existing infrastructure, the water industry faces increasing  
14 maintenance costs, not covered by rates due to regulatory lag. Main breaks  
15 from aging infrastructure can cause fish kills from discharge into ponds and  
16 streams resulting in fines and lawsuits. Moreover, greater capital  
17 expenditures result in higher business risk associated with contracts and  
18 vendors.

19 In addition to infrastructure concerns, the water industry provides a product  
20 that is critical for the health and safety of every living person. As a result, the  
21 standards of availability and provision of water resources are established by  
22 governmental entities and statute. Water and wastewater operations are  
23 subject to federal, state and local laws and regulations which control  
24 environmental protection, health and safety, water quality, and collection,

1 treatment and discharge of wastewater. Under the Safe Drinking Water Act,  
2 the requirements for monitoring and/or treatment of additional contaminants  
3 continue to increase over time and are subject to some uncertainty. Today  
4 the Safe Drinking Water Act requires the monitoring and/or treatment of 98  
5 potential contaminants. The USEPA has recently issued a list of 105 new  
6 contaminants from which candidates for new monitoring and/or treatment may  
7 be developed. With respect to wastewater constituent limits placed on new or  
8 renewed National Pollution Discharge Elimination System (“NPDES”), permits  
9 issued by the USEPA and MoDNR are becoming increasingly stringent,  
10 requiring investment in new technology and infrastructure for the treatment of  
11 wastewater prior to its discharge into receiving streams. MAWC has a very  
12 good example of this in several of its systems recently acquired from Aqua-  
13 Missouri. Between the time of acquisition of these systems and the proposed  
14 true-up date in this case, MAWC will have invested over \$1 million in  
15 improvements required to meet already expired or quickly approaching  
16 regulatory compliance dates associated with new NPDES permit  
17 requirements. These improvements support less than 2,300 customers.  
18 Security of water facilities is critical for the health and safety of customers and  
19 therefore a failure in security systems is more substantial than in other  
20 industries. Increased oversight results in protection for consumers but also in  
21 increased risks of fines and litigation in the event of system failures or even  
22 perceived failures. For example, changes in system pressure as a result of a  
23 power outage outside the control or influence of the water company can, as a  
24 result of existing regulations, result in costly boil advisories, even though the

1 water treatment and delivery system was in no way compromised and no  
2 health risk was involved.

3

4 **Q. ARE THERE RISKS THAT ARE SPECIFIC TO MAWC AS COMPARED TO**  
5 **THE WATER INDUSTRY AS A WHOLE?**

6 **A.** Yes. Specific Company risks are generally those associated with Missouri-  
7 American's sources of supply and the make-up of its service territory. The  
8 availability and quality of source water impacts the Company's ability to serve  
9 the current and future needs of its customers. MAWC does not own or  
10 control the water it treats and supplies for distribution. There are regional  
11 needs to secure long-term sources of water, particularly in the southwest part  
12 of the state due to rapid growth in that region and an aquifer that is the  
13 primary supply source being significantly depleted. Missouri-American and  
14 others have worked with political leaders and the U.S. Army Corps of  
15 Engineers to study alternatives that are now pointing at development of a  
16 major reservoir and a transmission system estimated to cost over a billion  
17 dollars. In addition, the availability of MAWC's water supply is established  
18 through requirements set by governmental entities and other provisions of  
19 law.

20 The surface water supplies from the Missouri River are exposed to increased  
21 treatment cost requirements and potential interruption of water supplies from  
22 river transportation related accidents. River traffic transporting non-hazardous  
23 materials often carry thousands of gallons of diesel fuel. Hazardous cargos  
24 transported may be in the quantity of hundreds of thousands of gallons per

1 tow. The water quality and quantity risks associated with surface water  
2 supplies generally and the Missouri River specifically include the raw water  
3 quality, especially with respect to Crypto sporidium and Giardia. Quantity  
4 issues exist in St. Joseph and Parkville due to the scouring of the Missouri  
5 River in the Kansas City reach of the river. With respect to Jefferson City, St.  
6 Louis County and St. Charles, the Missouri River is an agricultural watershed  
7 with grazing livestock and bringing with it Crypto sporidium and Giardia along  
8 with herbicides and pesticides. Water quality risks associated with rapid  
9 changes in turbidity in the smaller watersheds of the Meramec River and  
10 Shoal Creek affect St. Louis and Joplin. Surface water supplies from the  
11 Meramec River and Shoal Creek, in addition to the Missouri River, are the  
12 source for the St. Louis (North, Central, South, and Meramec), Jefferson City  
13 and Joplin water treatment plants. These facilities make up over 83% of  
14 Missouri- American's water supply capacity. There are also long-term  
15 concerns regarding the quantity of water available from the Missouri River as  
16 the Northern states are utilizing more water upstream. Flow on the Missouri  
17 River is driven by political concerns regarding water rights, conservation,  
18 environmental concerns and navigation.

19

20 **Q. IS FLOODING A SUBSTANTIAL RISK IN REGARD TO THE COMPANY'S**  
21 **FACILITIES?**

22 A. Yes. Unlike groundwater supplies or surface water supplies from  
23 impoundments, surface water supplies from rivers are often susceptible to  
24 flood damage from those rivers. The series of levees along the Missouri River

1 and levees and dams along the Mississippi control the recurrent risk of annual  
2 flooding, but increase the potential for catastrophic failures. Several of  
3 MAWC's pumping and treatment facilities are located within the floodplains of  
4 the Missouri River, Meramec River, Grand River, and Shoal Creek. Although  
5 physically protected to 100 year flood elevations, these facilities are exposed  
6 to potential flooding impacts ranging from interruption of service to structural  
7 and electrical damage from severe flood events. In 1993, for example, the St.  
8 Louis Central Plants 1 & 2 were inundated by the Missouri River and unable  
9 to produce water for several weeks. Missouri-American facilities located  
10 within floodplains include: St. Louis County, Jefferson City Intake, Joplin  
11 Intake, Brunswick, Parkville, and the St. Joseph Well Field. These facilities  
12 represent over 460 MGD or more than 97% of MAWC's combined supply and  
13 treatment capacity.

14

15 **Q. WHAT ADDITIONAL RISK DOES THE COMPANY FACE AS A RESULT OF**  
16 **ITS PHYSICAL MAKE-UP AND SERVICE TERRITORY?**

17 A. Missouri-American has facilities reaching from the far southwestern part of  
18 the state to the eastern border. About 80% of its investment and revenue  
19 stream is concentrated in the St. Louis metropolitan area. This make-up  
20 creates a couple of unique risks. First, given the fact that the Company's  
21 operations are geographically dispersed throughout the state and vary in  
22 operational parameters, it must comply with a wide range of regulatory  
23 requirements in multiple locations. Regulatory variations include groundwater  
24 and surface water sources, expansive water main distribution systems and



1 multiple discharge points. The higher variability in regulatory requirements  
2 necessitates increased management focus and creates greater risk of failure,  
3 resulting in potential penalties and fines, due to non-compliance. At the same  
4 time, the concentration of resources in a single metropolitan area increases  
5 the potential impact from a catastrophic event such as tornado or earthquake  
6 along the New Madrid fault.

7 Moreover, MAWC's increasing presence in the wastewater industry has  
8 increased its risk profile as a result of the fact that a significant number of  
9 existing wastewater systems are very small, subject to even more regulation  
10 than are water operations, and often are not fully compliant with those  
11 regulations.

12

13 **Q. DOES THE COMPANY HAVE SPECIFIC REGULATORY RISKS?**

14 A, Yes. Currently about 80 percent of the typical MAWC bill issued to its  
15 customers is volumetric and therefore more subject to fluctuation, uncertainty  
16 and impact from some of the potential events previously described. Straight  
17 fixed-variable rate designs are not in place for MAWC, nor are pass-through  
18 surcharges for expenses such fuel and purchased water that would reduce  
19 regulatory lag currently authorized. The existing complexity of rate design  
20 reflected in district specific pricing for 23 separate districts increases the risk  
21 of confusion, error and loss of revenue or penalty. The geographical reach of  
22 the Company results in greater complexity of rates and results in greater rate  
23 case intervention and cost. Finally, despite having comparably low expenses  
24 per customer and expense to sales ratios (indicating operational efficiency),

1 the Company has consistently been unable to approach earning its  
2 authorized rate of return over at least the past decade.

3

4 **VI. TEST YEAR AND COMPANY'S REQUEST FOR A TRUE-UP**

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

6 A. MAWC has used a historical test year of the twelve months ending December  
7 31, 2010, adjusted for changes that are known and measurable and that will  
8 be effective by the time new rates are anticipated to go into effect.

9

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

13 A. Yes. The Commission issued an Order on November 3, 2010, effective  
14 November 13, 2010 in File Number WO-2011-0213, approving the transfer of  
15 the assets of Loma Linda Water Company to MAWC. On April 6, 2011, the  
16 Commission issued an order effective April 16, 2011, in File Number WO-  
17 2011-0213, authorizing the Company to acquire the assets of Aqua Missouri,  
18 Inc., Aqua Development, Inc., and Aqua/Ru Inc, all doing business as Aqua  
19 America. Finally, on April 27, 2011, the Commission, in an order in File  
20 Number WO-2011-0015, effective May 7, 2011, authorized MAWC to acquire  
21 substantially all the assets of Roark Water and Sewer, Inc. The assets of  
22 Loma Linda Water Company were recorded on the books and records of the  
23 Company at December 31, 2010 and were therefore recorded on the

1 Company's books and included in rate base for this filing. The assets of the  
2 other entities were treated as pro forma adjustments to rate base.

3

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

7 A. Yes. The Company acquired the 2010 financial records of each of these  
8 entities, analyzed their accounts, and to the extent necessary translated  
9 income statement values into accounts to be consistent with MAWC's chart of  
10 accounts. These values were included as initial pro forma adjustments to the  
11 Company's test year financial statements and then further adjusted for any  
12 known and measurable changes that will occur under the Company's  
13 ownership.

14

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

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

21

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

1 A. No. The agreement to acquire the assets of Roark Water and Sewer, Inc.  
2 has not closed pending the approval by the Board of Aldermen of the City of  
3 Branson of the assignment of an existing interceptor agreement. The  
4 Company expects the assignment to be approved by August 2011, with the  
5 closing to take place immediately thereafter. After closing, the Company will  
6 file new tariff sheets for proposed rates for the Roark systems and ask that  
7 the request for new rates be consolidated with this filing.

8

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

10 A. Yes. If prospective rates are to be set that properly reflect the cost of  
11 providing service, a true-up of rate base and related operating revenues and  
12 costs at a point in time as close as possible to the operation of law date  
13 should be permitted. Otherwise, the new rates will not be sufficient to cover  
14 all of MAWC's expenses and investments, which will have been incurred to  
15 provide safe and adequate service. For example, a significant capital  
16 investment is currently underway to construct and put into operation new  
17 water intake valves in the Jefferson City area. While this plant is not in  
18 service at the time of the filing of this testimony, it is expected to be complete  
19 and operational prior to the end of the year. To balance the desire of some  
20 parties to review the costs associated with changes in investment and  
21 operations against the need for the Company to minimize regulatory lag and  
22 earn an equitable return on its investments, the Company is proposing a true-  
23 up at December 31, 2011. The Company proposes that the following

1 components of its revenue requirement be included in the December 31 true-  
2 up:

- 3 1. Number of customers
- 4 2. Capital Structure
- 5 3. Major Rate Base components
- 6 4. Expenses, including labor, fuel and power, chemicals, purchased  
7 water, taxes and other readily identifiable, major components of  
8 expense.

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

11

12

## **VII. SUMMARY OF WITNESSES**

13

**Q. WHAT WITNESSES WILL BE FILING DIRECT TESTIMONY IN SUPPORT  
14 OF MAWC'S PROPOSED RATE INCREASE AND TARIFF SHEETS AND  
15 WHAT SUBJECTS WILL THEY BE ADDRESSING?**

16

A. In addition to myself, the following persons will be filing testimony in support  
17 of MAWC's proposed tariffs:

18

1) Gary Naumick, Senior Director of Engineering, will provide testimony  
19 relative to the general decline in water usage per customer, explain why that  
20 trend has occurred and is expected to continue and propose a solution for the  
21 annualization of customer usage in the determination of rates;

22

2) Kevin Dunn, Director, Engineering, will testify concerning capital additions  
23 since the last rate case and the retirement of the Platte County Water  
24 Treatment facility prior to the end of its book life. He also will discuss the

1 trend of water usage per customer in the Missouri-American service territory  
2 and how that trend should be reflected in annualizing pro forma revenues;

3 3) Peter Thakadiyil, Financial Analyst II, will testify concerning Revenues at  
4 Present Rates, Revenue Adjustments, Chemical Costs, Insurance Other Than  
5 Group, Uncollectible Bills, Property Taxes, Postage and Depreciation and  
6 Amortization. He will also discuss a number of rate base items including  
7 Plant, Accumulated Depreciation and Amortization, Contributions and  
8 Advances, Materials and Supplies, Prepayments, and Deferrals;

9 4) Gina Tierney, Financial Analyst II, will testify to Working Capital, Labor  
10 Related Costs, Fuel and Power, Purchased Water and PSC Assessments;

11 5) Jeanne Tinsley, Financial Analyst III will support the Company's  
12 Amortization of Regulatory Assets, Tank Painting Expense, Maintenance of  
13 Mains, and the Pension and OPEB liabilities and trackers reflected in rate  
14 base;

15 6) Greg Weeks, Vice President Operations, will testify regarding tank painting  
16 costs and the need to increase the current tank painting tracker mechanism.  
17 He will also recommend and support changes in special fees charged by the  
18 Company;

19 7) Michi Chao, Director of Finance, will support the level of Service Charges  
20 to be included in rates;

21 8) Pauline Ahern, Consultant with AUS, will testify concerning the Company's  
22 recommended capital structure and cost of capital;

23 9) Karl McDermott, Ameren Professor of Business and Government at the  
24 University of Illinois – Springfield and a special consultant with NERA, will

1 explain the need for consolidated water and wastewater rate structures and  
2 support the Company's rationale for moving to that form of pricing; and,  
3 10) Paul Herbert, Consultant with Gannett Fleming, will testify to a Class  
4 Cost of Service Study and Tariff Design, including incorporation of the  
5 consolidated tariff pricing concept.

## 6 7 **VIII. ACCOUNTING SCHEDULES**

### 8 **Q. PLEASE EXPLAIN THE NUMBERING OF ACCOUNTING SCHEDULES** 9 **CAS-1 THROUGH CAS-14.**

10 A. The first three digits (i.e. CAS) are the abbreviation for Company Accounting  
11 Schedules. Schedule CAS-1 is a summary schedule for the overall rate  
12 increase calculation. This schedule summarizes the financial information  
13 needed to calculate the Company's revenue deficiency. The revenue  
14 requirement calculation was determined by multiplying the Company's pro  
15 forma rate base by the requested rate of return to derive the required  
16 operating income. The recommended 8.85% overall rate of return is based  
17 upon an 11.30% common equity return requirement, as supported by the  
18 testimony of Company witness Ahern. The operating income requirement is  
19 then compared to pro forma operating income at present rates to determine  
20 the Company's operating income deficiency. When the operating income  
21 deficiency is multiplied by the gross revenue conversion factor that adjusts for  
22 income taxes and uncollectibles, the result is a revenue deficiency. The  
23 revenue deficiency is then added to the adjusted operating revenue to arrive  
24 at the total revenue requirement. Schedule CAS-1, page 2 of 3 calculates the

1 overall revenue deficiency for the Company's water operations. The  
2 wastewater revenue requirement calculation is presented on CAS-1, page 3  
3 of 3.

4

5 **Q. PLEASE SUMMARIZE THE OTHER COMPANY ACCOUNTING**  
6 **SCHEDULES.**

7 A. CAS-2 is the December 31, 2010 Pro Forma Income Statement and CAS-3  
8 presents the Pro Forma December 31, 2010 Company Rate Base. Pages 1  
9 of 3, pages 2 of 3 and pages 3 of 3 of CAS – 2 and CAS -3 present total  
10 company, water, and wastewater information, respectively. Schedules CAS-4  
11 through CAS-14 provide specific information regarding individual components  
12 of the revenue requirement calculation. Schedules 4 through 7 provide  
13 support for the calculation of rate base. Schedules 8 through 11 present  
14 revenues, O&M, O&M detail, and income taxes. These schedules represent  
15 support for the pro forma calculation of operating income.

16 Schedule CAS-8 is a summary of the test year revenues by revenue  
17 classification, the adjustments to these amounts, and the pro forma revenue  
18 at present rates.

19 Schedule CAS-9 is a summary of the operating and maintenance expense  
20 categories and general taxes for the test year, the adjustments to those  
21 amounts, and the pro forma expense levels under present rates.

22 Schedule CAS-10 shows the detail of the pro forma adjustments on CAS-9 in  
23 a chart format by individual adjustment. Down the left column are the line  
24 items as shown on Schedule CAS-9. The chart is useful because some of



1 the pro forma adjustments affect more than one line on the summary in  
2 Schedule CAS-9.

3 Schedule CAS-11 provides the Company's income tax calculation.

4 Schedules CAS 12 and 13 present a summary of the Company's pro forma  
5 test year revenues at both present and proposed rates and are supported by  
6 Company Witness Thakadiyil. These schedules show information for each  
7 district because, even though the Company is requesting consolidated pricing  
8 in this filing, the format of these schedules requires comparison to revenues  
9 at present rates, which currently vary from district to district.

10 Schedule CAS-14 includes a narrative discussion of the various pro forma  
11 adjustments developed for this case and identifies the sponsoring witness.

12

13

#### **IX. RATE DESIGN**

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

16 A. Yes. MAWC has contracted the services of Paul Herbert of Gannett Fleming  
17 to prepare a class cost of service and rate design analysis. Mr. Herbert has  
18 prepared and is filing direct testimony and schedules to support the class cost  
19 of service study and rate design. Mr. Herbert prepared his study based on  
20 the Base-Extra Capacity Method of cost allocation. The Company provided  
21 Mr. Herbert the following guidelines regarding rate design: (1) develop  
22 consistent pricing for all customer classes using consolidated investment  
23 cost, expense and revenue data; (2) develop consolidated tariff pricing rate  
24 schedules applicable to all classes of customers state-wide; (3) incorporate

1 new fee schedules as reflected in the testimony of Greg Weeks; (4) propose  
2 customer charges to recover the pro forma customer costs by meter size; (5)  
3 design single-block volumetric rates for Rate A, Rate B and Rate J so that  
4 proposed revenues by customer classification move toward or approximate  
5 the indicated class cost of service; (6) design private fire line and private  
6 hydrant rates to recover the indicated cost of service; and (7) develop  
7 consolidated tariff rates for all wastewater service areas.

8

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

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

14

15 **Q. IS THE COMPANY PROPOSING A REVENUE CONTRIBUTION AS A**  
16 **PART OF ITS RATE DESIGN?**

17 A. Yes, it is. The results of the class cost of service study conducted by Mr.  
18 Herbert indicated that sewer rates would require substantial increases to  
19 existing customers of up to almost 400%. The Company believes that such a  
20 substantial rate design correction should be achieved over time and is  
21 therefore recommending a revenue contribution from water to wastewater  
22 operations in the amount of \$1.4 million.

23

24

## **X. CONSOLIDATED TARIFFS**

1 **Q. HAS THE COMPANY BEEN WORKING WITH OTHER PARTIES IN A**  
2 **COLLABORATIVE EFFORT TO REVIEW AND PROPOSE CHANGES TO**  
3 **ITS RULES, REGULATIONS AND CONDITIONS OF SERVICE FOR ITS**  
4 **WATER OPERATIONS?**

5 A. Yes. MAWC has grown over the years through a number of acquisitions and  
6 combinations of existing utility systems, each with its own set of existing  
7 Rules, Regulations and Conditions of Service. As a result, there are  
8 inconsistencies in the way various districts operate, which leads to  
9 inefficiency and confusion. The Company proposed in its last rate, Case  
10 Number WR-2010-0131, that the tariffed Rules, Regulations and Conditions  
11 of Service be consolidated into one consistent tariff document. Consolidation  
12 did not take place at that time; but, as a result of the Stipulation and  
13 Agreement in that case, a number of task forces or groups were established  
14 to work collaboratively to develop a consolidated set of tariffs, to study  
15 existing main extension rules, and to review residential fire sprinkler service.  
16 Parties worked diligently over a period of about a year and in late June of this  
17 year appeared to have reached agreement on a consolidated set of rules and  
18 regulations to be submitted to the Commission for approval. Pending the  
19 filing of the consolidated tariff in the near future, the Company has proposed  
20 no changes to its Rules, Regulations and Conditions of Services in this  
21 proceeding.

22

1 **Q. DID THE COMPANY PROPOSE SIMILAR CONSOLIDATION OF RULES,**  
2 **REGULATIONS AND CONDITIONS OF SERVICE FOR ITS WASTEWATER**  
3 **OPERATIONS?**

4 A. Not at this time. Our existing focus has been on a collaborative process,  
5 which was an outgrowth of the Company's last rate case, to consolidate the  
6 rules and regulations portion of our water tariffs. As evidenced by the  
7 extensive amount of time spent on the collaborative process, this has been a  
8 time consuming effort. After completion of the water tariff consolidation, the  
9 Company anticipates that it will begin a similar process pertaining to its  
10 wastewater tariffs. Moreover, many of our newly acquired wastewater  
11 properties already have Commission-approved consolidated tariffs for both  
12 rules and pricing.

13

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

16 A. Yes. For the reasons indicated in the testimony of Company witness Karl  
17 McDermott, the Company is requesting a return to consolidated pricing. As  
18 noted previously in my testimony, the Company has, over time, combined  
19 through merger and acquisition a number of smaller regulated utility  
20 operations, each which originally had its own set of consolidated tariffs and  
21 rates. As these entities were consolidate, a single set of rates was generally  
22 applied to all operating districts. This changed toward the end of the  
23 twentieth century when a major investment in new water treatment facilities  
24 was required in the St. Joseph area and, shortly thereafter, St. Louis County

1 operations were added to the mix. Various parties took positions that St.  
2 Joseph customers only should bear the cost of the new water treatment  
3 facility. Some parties expressed concern that the age of the St. Louis County  
4 system would require extensive maintenance that only customers residing  
5 therein should bear. In the end, district specific pricing was implemented  
6 leading to the thirteen distinct sets of rates addressed in the last rate case.  
7 As mentioned previously, there have been additional properties added over  
8 the past year. While some of those properties already have some degree of  
9 consolidated pricing, if the Company approached its pricing structure in the  
10 same manner as in the case two years ago, this Commission, the Company  
11 and its customers would be faced with twenty-seven different sets of rates in  
12 the current case. With the well publicized infrastructure aging problem in the  
13 water and wastewater industries, consolidation of the industry is likely to  
14 continue and the problem of multiple sets of rates will only be exacerbated.

15

16 **Q. ARE YOU OF THE OPINION THAT RATES ARE SIGNIFICANTLY**  
17 **IMPACTED, OVER TIME, WHEN COMPARING CONSOLIDATED PRICING**  
18 **TO DISTRICT SPECIFIC PRICING?**

19 A. No. As long as the district in question is sufficient in size to exhibit economic  
20 scale, rates will normally balance out in the long run. For example, when the  
21 St. Joseph water treatment facility mentioned previously was absorbed  
22 entirely in St. Joseph rates, customers in St. Joseph received a short-term  
23 detriment and customers in other districts received a short-term benefit as a  
24 result of the district specific pricing structure. But, just a few years later when

1 similar investments were made in Joplin, the impact was reversed. Similarly,  
2 in the short-term, consolidated pricing is currently beneficial to Joplin in light  
3 of the devastating tornado that displaced so many residents. Under district  
4 specific pricing, the loss in customers would mean that fixed costs would be  
5 spread over fewer customers, rather than being partially absorbed by all  
6 customers.

7 However, some customer groups, such as those in Brunswick that do not  
8 have sufficient scale to economically spread the fixed cost of service over a  
9 large group of customers, may be significantly impacted over the long term as  
10 a result of different pricing approaches. For example, included as Schedule  
11 DRW-2 is an analysis, using data provided by Company witness Herbert,  
12 which compares the impact by district and primary rate schedule of proposed  
13 rates under consolidated versus district specific pricing. The difference for an  
14 average Brunswick residential customer would be almost 200% higher under  
15 district specific pricing.

16

17 **Q. IS THE SCHEDULE YOU ARE DESCRIBING SIMILAR TO THE ANALYSIS**  
18 **THAT WAS ORDERED TO BE PREPARED BY MAWC IN ANOTHER**  
19 **DOCKET?**

20 A. Yes, it is. On October 14, 2010, the Commission opened an investigatory  
21 docket, with File Numbers SW-2011-0103 and WR-2011-0337, to explore  
22 issues associated with rate structures of district specific versus consolidated  
23 pricing in relation to water and sewer utilities. Missouri-American participated  
24 in an on the record discussion in those proceedings. On May 11, 2011, the

1 Commission issued an order closing SW-2-11-0103 and requiring the  
2 Company to file a “comparative analysis of employing district-specific pricing  
3 and single tariff pricing to demonstrate the effect of each structure on its  
4 classes of rate payers...” within 45 days after filing its formal rate case in the  
5 present proceeding. As noted earlier, a comparative summary for water rates  
6 is presented as Schedule DRW-2 and a similar summary is presented for  
7 wastewater rates on Schedule DRW-3.

8

9 **Q. PLEASE EXPLAIN THE FORMAT AND INFORMATION CONTAINED ON**  
10 **SCHEDULES DRW-2 AND DRW-3.**

11 A. The vast majority of the water end-use customers (residential, commercial,  
12 other public authority, and industrial) would be served under the Company’s  
13 proposed Rate J or Rate A tariff sheets. Rate J is a single block rate that  
14 applies to large industrial customers. Rate A is also a single block rate that  
15 applies to residential, commercial and small industrial customers. The  
16 customer charge within Rate A varies depending upon the size of the  
17 customer’s meter. Most residential customers are served by 5/8 inch meters,  
18 commercial customers by 1 inch meters, other public authority customers by  
19 2 inch meters and industrial customers with 6 inch and greater meters. In  
20 addition, there are quarterly billed customers, most of whom are residential,  
21 that are subject to a lower monthly customer charge to reflect their lower cost  
22 of service. Since over time no customer’s usage is exactly the same as any  
23 other, the only way to determine the impact of consolidated versus district  
24 specific pricing on any single customer would be to calculate that particular

1 customer's usage under the two different rates. Instead, Schedule DRW-2  
2 selects three levels of monthly consumption typical of customers for each of  
3 the rates and meter types discussed above and prices out that usage based  
4 upon the two different pricing structures. These comparisons are made for  
5 each of the Company's existing rate districts. In this way the schedule is able  
6 to reflect the impact, by district, of consolidated versus district specific pricing  
7 for several levels of consumption and the individual customer can ascertain  
8 the general impact relative to his/her own specific consumption pattern.  
9 Schedule DRW-3 provides similar information for wastewater rates but is  
10 much simpler in presentation because there are fewer distinctions among the  
11 proposed customer rate structures.

## 12 13 **XI. JOPLIN TORNADO**

14 **Q. EARLIER YOU MENTIONED THE DEVASTATING STORM THAT STRUCK**  
15 **JOPLIN, MISSOURI ON MAY 22<sup>ND</sup>. DID THAT STORM RESULT IN**  
16 **SIGNIFICANT OPERATING LOSS TO THE COMPANY?**

17 A. Yes. Missouri-American was impacted in three ways. First, a service center  
18 structure was destroyed, and there was physical damage to facilities at the  
19 Company's water treatment plant, damage to vehicles, and infrastructure  
20 damage throughout the system.

21 Second, the Company assembled a rapid response team from across the  
22 state to respond to the severe damage sustained by the Company and the  
23 community as a whole. Due to breaks throughout the system, the reserve  
24 water supply was essentially depleted and for a short time water pressure fell



1 to almost zero. The Company issued a precautionary boil order until the  
2 system could be completely flushed. Within a day water pressure was  
3 restored and within six days the system had been completely flushed. Crews  
4 also concentrated on walking the damaged portions of the system, repairing  
5 and replacing the distribution system where possible and disconnecting  
6 supply where necessary. Obviously, the Company incurred substantial cost  
7 in terms of overtime, lodging, meals, equipment, materials and supplies  
8 associated with this effort.

9 Finally, many customers had their homes substantially damaged or  
10 destroyed. Accordingly, the Company has dedicated specific human  
11 resources to handle the incoming calls for information and assistance and  
12 waived billing for water usage that had occurred, but not yet been billed, prior  
13 to the storm. The Company is still evaluating the loss in customer usage,  
14 both temporary and permanent, that will be experienced as a result of the  
15 tornado's impact.

16

17 **Q. IS THE COMPANY PROPOSING AN INCREASE IN THE EXISTING**  
18 **OVERALL RATES FOR THE CUSTOMERS IN THE JOPLIN DISTRICT?**

19 A. No. Under the Company's consolidated tariff pricing proposal, there would be  
20 a slight overall rate decrease. No residential customer would experience any  
21 increase in their current rate.

22

23 **Q. HAS THE COMPANY INCLUDED IN ITS REVENUE REQUIREMENT**  
24 **DETERMINATION RECOVERY FOR ANY OF ITS LOSSES?**

1 A. No. Sufficient information did not exist at the time of filing to fully quantify the  
2 losses associated with this storm. The Company believes that substantially  
3 all of its property loss, less a \$100,000 deductible, will be covered by  
4 insurance. Any unrecovered capital investments and ongoing customer  
5 usage levels should be reasonably known by the end of the year and if the  
6 Company's proposed true-up period is accepted, those items will be  
7 reconciled in the normal course of the true-up. The Company is still  
8 assessing its total losses and additional expenses, net of insurance proceeds,  
9 in order to determine whether it will make a separate filing to request that the  
10 Commission allow it to defer these extraordinary costs and recover them over  
11 time. Timing is such that the determination of total costs, net of insurance  
12 proceeds, should be reasonably known by the proposed true-up date and  
13 amortization of those deferred costs could be included in the determination of  
14 the revenue requirement in this case.

15  
16 **XII. BUSINESS TRANSFORMATION PROGRAM**

17 **Q. FOR PURPOSES OF YOUR TESTIMONY, WHAT IS MEANT BY THE**  
18 **TERM BUSINESS TRANSFORMATION?**

19 A. In late 2008, AWWWS began a comprehensive review and analysis of the state  
20 of its information technology systems, culminating in recommendations for  
21 their improvement as reflected in what was termed the Comprehensive  
22 Planning Study ("CPS"). As a result of the CPS, AWWWS identified the  
23 investments necessary to replace and upgrade applicable system  
24 components. The initiative to carry out the system replacement and upgrade

1 is referred to as the Business Transformation program, the scope of which  
2 includes a range of core functional areas, including: human resources,  
3 finance and accounting, purchasing and inventory management, capital  
4 planning, cash management, and customer and field services. There are  
5 three projects that comprise the core of the Business Transformation  
6 program: Enterprise Resource Planning (“ERP”); Enterprise Asset  
7 Management (“EAM”); and Customer Information System (“CIS”). ERP  
8 includes human resource, finance and accounting, supply chain, and  
9 procurement management. EAM includes the management of asset  
10 lifecycles including the design, construction, commissioning, operations,  
11 maintenance and decommissioning/replacement of plant, equipment and  
12 facilities, as well as, work management for both customer service field work  
13 (service turn-ons, leak inspections, etc.) and transmission and distribution  
14 system work. CIS includes all billing and personal data pertaining to  
15 customers, including billing rates, water consumption, associated charges,  
16 meter information and the strategy for managing and nurturing interactions  
17 with its customers.

18

19 **Q. HAS THE CPS AND BUSINESS TRANSFORMATION PROGRAM BEEN**  
20 **THE SUBJECT OF TESTIMONY IN PREVIOUS COMPANY RATE**  
21 **PROCEEDINGS?**

22 A. Yes. The Commission Report and Order in Case No. WR-2010-0131  
23 approved a Stipulation and Agreement among various parties to that rate  
24 case. Section 19 of that Stipulation and Agreement is entitled

1 Comprehensive Planning Study/Business Transformation Costs, and  
2 discusses the Business Transformation program and prescribed accounting  
3 treatment of related costs.  
4

5 **Q. HAS MISSOURI-AMERICAN COMPLIED WITH THE ACCOUNTING**  
6 **REQUIREMENTS CONTAINED WITHIN THAT AGREEMENT?**

7 A. Yes. As prescribed, the Company is capitalizing all costs associated with the  
8 CPS and the Business Transformation program as construction work in  
9 progress (“CWIP”), and is accordingly accruing allowance for funds used  
10 during construction (“AFUDC”) on the related CWIP balances at the  
11 Company’s monthly calculated AFUDC rate. Project costs accumulated in  
12 CWIP will not be included in rate base for rate recovery until the project to  
13 which they relate is declared in service. As the Business Transformation  
14 program is still in the development phase, none of those capitalized costs are  
15 included in rate base in this proceeding.  
16

17 **Q. PLEASE EXPLAIN HOW THE BUSINESS TRANSFORMATION PROGRAM**  
18 **HAS PROGRESSED SINCE THE DISCUSSION OF ITS STATUS IN THE**  
19 **COMPANY’S LAST FULL RATE PROCEEDING.**

20 A. In 2010, SAP was selected by AWWWS as its new software solution and SAP  
21 products are currently being utilized in the development of the Company’s  
22 Business Transformation program. Employees from across the organization  
23 helped in the review process that led to that decision. Based on the  
24 information gathered, AWWWS determined that SAP was the best platform for

1 its enterprise-wide systems. The SAP software solution is a fully integrated  
2 software application that offers better real-time functionality, requires less  
3 hardware, and will meet the Company's current and future business  
4 requirements.

5 Last year, AWWS also selected Accenture to help implement its new software  
6 solutions. As the solution implementer, Accenture is responsible for working  
7 closely with AWWS to realize the full potential of the new technology  
8 implementation by helping to confirm that business processes are aligned  
9 with the new software. Accenture also will share their skills and knowledge of  
10 SAP with employees throughout the implementation.

11 The Business Transformation team began its Blueprint phase of the program  
12 in the last quarter of 2010 and completed the Blueprint phase on April 15,  
13 2011. As part of Business Transformation's efforts to engage every part of  
14 the organization, 125 workshops were held involving hundreds of employees  
15 from across the organization. These workshops were essential because  
16 employee input and feedback is critical to the overall success of this program.

17 During the Blueprint phase, AWWS developed and designed a common  
18 understanding of how SAP will be used to support its business requirements.

19 The Blueprint phase enabled the design of business process maps, confirmed  
20 the project scope, developed a project schedule, and established an  
21 appropriate governance process.

22

23 **Q. WHAT WORK IS REMAINING?**

1 A. The Business Transformation project lifecycle includes the following phases:  
2 analyze (“CPS”), plan and design (“Blueprint”), and Implementation, which is  
3 the current phase of the Business Transformation project. The  
4 Implementation phase includes four major stages of work: detailed design,  
5 build, test, and deploy. This life cycle applies to each of the projects to be  
6 implemented – ERP, EAM and CIS.

7 In the first Implementation stage, Detailed Design, the primary focus is to  
8 finalize the business processes and requirements to ensure they are aligned  
9 with the new software and technology solutions. The second and third  
10 stages, Build and Test, are when data and requirements are input into the  
11 systems in order to meet defined business needs and so testing can begin in  
12 controlled environments to make sure the solutions are delivering their  
13 objectives. This phase is where key improvement areas are identified and  
14 then addressed to ensure the final stage, Deploy, is seamless. Deploy is  
15 when final preparations are made prior to going live, when the systems are  
16 available for use.

17 The ERP and EAM Capital Planning are scheduled for deployment in 2012.  
18 A small portion of the ERP project, the myCareer Solutions module, could be  
19 complete as early as the end of this year. This module is a human resources  
20 tool that contains comprehensive employee data and can be used for  
21 development of performance goals, employee evaluations and succession  
22 planning among other functions. The EAM and CIS projects are scheduled  
23 for multiple deployment waves in 2013.

24

1 **Q. DOES MISSOURI-AMERICAN HAVE CONCERNS REGARDING THE**  
2 **IMPLEMENTATION OF THIS SCHEDULE?**

3 A. No. Based on prior experience there are many issues that can arise in an  
4 effort of this magnitude that could impact and potentially delay completion.  
5 However, the project is currently on schedule and the Company is not aware  
6 of any major issues that threaten to impact an on-time completion. The  
7 concerns the Company does have are relative to timing and the recovery of  
8 and on its investment. Depreciation rates, authorized by the Commission and  
9 applicable to investments of this type are currently based on a five year life.  
10 That life is reasonable based upon typical software applications with limited  
11 life expectations. However, the Business Transformation investment relates  
12 to a comprehensive information and accounting system that, from the original  
13 CPS study to in-service date, will have taken almost five years to complete.  
14 Moreover, development and implementation of this solution is being  
15 performed on a national scope in order to take advantage of economies of  
16 scale and lower the cost of development for our customers. MAWC therefore  
17 has little control over the timing or in-service dates of the project.  
18 Depreciation rates, authorized by the Commission and applicable to  
19 investments of this type are currently based on a five year life. As a result, if  
20 the Company discontinues AFUDC and begins depreciation on the  
21 anticipated in-service date, it faces the real possibility that the project could  
22 be well over fifty percent depreciated before it is considered for rate recovery,  
23 thereby denying the Company any opportunity for recovery of its full return on  
24 or of its investment.

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**Q. WHAT IS THE COMPANY'S PROPOSED SOLUTION TO THIS PROBLEM?**

A. The proposed solution is as follows:

1. The Company requests that the Commission authorize in this proceeding a twelve year depreciable life for the Business Transformation investment costs ultimately incurred. Twelve years corresponds closely to the period of time that two of the Company's major information systems, JD Edwards and ORCOM, will have been in place at the time they are replaced by SAP.
2. The Company requests that the Commission authorize it to delay the onset of depreciating the Business Transformation asset until the effective date of rates that include the depreciation thereon. This will more appropriately match cost recovery with expense incurrence.
3. In order to provide the Company the opportunity to earn a reasonable return on its investment, MAWC requests that the Commission authorize it to continue the accumulation of AFUDC on Business Transformation assets until those assets are included for recovery in rates.

**XIII. INCOME TAXES**

**Q. PLEASE EXPLAIN THE COMPANY'S CALCULATION OF ITS PRO FORMA LEVEL OF INCOME TAXES.**

A. The Company's pro forma level of current income taxes at present rates is based on deducting from revenues all operating expenses and interest expense. Additional add-backs and deductions are reflected for tax-over-book depreciation, non-deductible meals and preferred stock expense. The



1 resulting taxable income is then multiplied by the state and federal statutory  
2 rates of 6.25% and 35%, respectively.

3 Deferred income taxes for the temporary timing difference related to tax-over-  
4 book depreciation were calculated at the statutory rates. The per books level  
5 of the amortization of the Deferred Investment Tax Credits ("ITC") and the  
6 Deferred Taxes associated with the amortization of the regulatory assets and  
7 liabilities was also included in the calculation of income taxes.

8 Income taxes at proposed rates reflect the impact of the Company's request  
9 for additional revenues.

10

11 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

12 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, 2010**  
**Case No. WR-2011-0337**  
**Case No. SR-2011-0338**

**Item #1 - Aggregate Annual Increase**

**Total Company - Water and Wastewater**

The aggregate annual increase over current revenues which the tariffs propose is \$42,515,429  
which is an overall increase to the customer of 18.06% on a Pro Forma Basis.

**Missouri-American Water Company  
 For the Test Year Ended December 31, 2010  
 Case No. WR-2011-0337  
 Case No. SR-2011-0338**

**Item #2 - Names of Counties and Communities Affected**

**Brunswick District**

<u>County Name</u>	<u>Community Name</u>
Chariton	City of Brunswick

**Cedar Hill District**

<u>County Name</u>	<u>Community Name</u>
Jefferson	Cedar Hill High Ridge

**Jefferson City District**

<u>County Name</u>	<u>Community Name</u>
Cole Callaway	Jefferson City Eugene

**Jefferson City Sewer District(Ex-Aqua)**

<u>County Name</u>	<u>Community Name</u>
Pettis Callaway	Jefferson City

**Joplin District**

<u>County Name</u>	<u>Community Name</u>
Newton Jasper Stone	City of Joplin Airport Drive (Village) Dennis Acres Duquesne Jasper Outside Leawood Loma Linda Saginaw Shoal Creek Drive Silver Creek Webb City

**Ozark Meadows(Ex-Aqua)**

<u>County Name</u>	<u>Community Name</u>
Morgan	Gravois Mills Laurie

**Maplewood District(Ex-Aqua)**

<u>County Name</u>	<u>Community Name</u>
Pettis Benton	Sedalia Warsaw

**Missouri-American Water Company**  
**For the Test Year Ended December 31, 2010**  
**Case No. WR-2011-0337**  
**Case No. SR-2011-0338**

**Item #2 - Names of Counties and Communities Affected**

**Mexico District**

County Name

Audrain

Community Name

City of Mexico

Vandover Village

**Parkville District**

County Name

Platte

Community Name

Houston Lake

Parkville

Platte Woods

Riverside

**St Joseph District**

County Name

Buchanan

Andrew

Doniphan County, Ks.

Community Name

City of St Joseph

City of Elwood

Country Club Village

Faucett

Taos

Wallace

Willowbrook

**St Louis Metro**

County Name

St Charles

Community Name

Cottleville

Dardenne Prairie

Incline Village

O'Fallon

St Charles City

St Charles County

St Peters

Weldon Spring

**Missouri-American Water Company**  
**For the Test Year Ended December 31, 2010**  
**Case No. WR-2011-0337**  
**Case No. SR-2011-0338**

**Item #2 - Names of Counties and Communities Affected**

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

**Missouri-American Water Company**  
**For the Test Year Ended December 31, 2010**  
**Case No. WR-2011-0337**  
**Case No. SR-2011-0338**

**Item #2 - Names of Counties and Communities Affected**

Kinlock	Wildwood
Kirkwood	Winchester
	Woodson Terrace

**County Name**

St Louis  
 Jefferson

**Tri-County District(Ex-Aqua)**

<u>County Name</u>	<u>Community Name</u>
Barry	Shell Knob
Stone	Shell Knob
Greene	Republic
Taney	Hollister
Christian	Ozark
Taney	Branson

**Warren County District**

<u>County Name</u>	<u>Community Name</u>
Lincoln	Lincoln County
Warren	Incline Village

**Warrensburg District**

<u>County Name</u>	<u>Community Name</u>
Johnson	Warrensburg



**Missouri-American Water Company**  
**For the Test Year Ended December 31, 2010**  
**Case No. WR-2011-0337**  
**Case No. SR-2011-0338**

**Item #3 - Number and Classification of Customer Affected**

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

**Total Company**

Classification

Residential	424,188
Commercial	26,181
Industrial	147
Rate J	201
Other Public Authority	1,737
Other Water Utility	36
Fire Protection	5,187
Total	457,677

**Missouri-American Water Company**  
**For the Test Year Ended December 31, 2010**  
**Case No. WR-2011-0337**  
**Case No. SR-2011-0338**

**Item #4 - Average Increase by Customer Classifications**

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

**Total Company**

<u>Classification</u>	<u>Pro Forma Revenue at Current Rates</u>	<u>Pro Forma Revenue at New Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Residential	\$151,231,746	\$192,746,710	\$41,514,964	27.45%
Commercial	\$41,781,090	\$50,567,266	8,786,176	21.03%
Industrial	\$1,745,018	\$1,814,422	69,404	3.98%
Other Public Authority	\$4,044,604	\$4,859,136	814,532	20.14%
Other Water Utility	\$9,729,243	\$9,727,700	(1,543)	-0.02%
Fire Protection	\$13,339,591	\$3,471,994	(9,867,597)	-73.97%
Rate J / Miscellaneous Sales	\$13,601,136	\$14,800,628	1,199,492	8.82%
<b>Total</b>	<b>\$235,472,428</b>	<b>\$277,987,857</b>	<b>\$42,515,429</b>	<b>18.06%</b>

**Missouri-American Water Company**  
**For the Test Year Ended December 31, 2010**  
**Case No. WR-2011-0337**  
**Case No. SR-2011-0338**

**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, 2010**  
**Case No. WR-2011-0337**  
**Case No. SR-2011-0338**

**Item #6 - Press Releases**

See attached for copies of the Press Releases.

# PRESS RELEASE



June 30, 2011

Ann Dettmer  
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## MISSOURI AMERICAN WATER FILES RATE REQUEST

***Approximately \$115 million of capital investments drive request; Maintains reasonable cost for water service at less than a penny per gallon***

**St. Louis County (June 30, 2011)** Today Missouri American Water filed an application with the Missouri Public Service Commission (MOPSC) to adjust rates for water and wastewater service in all of the company's operating districts.

Missouri American Water's ongoing investment in water and wastewater system improvements and the increasing costs of delivering high-quality, reliable service to customers are the main drivers behind today's rate request.

The proposed rates reflect system investments of approximately \$115 million statewide from May 1, 2010 to December 31, 2011 that are not reflected in the current water rates. "These investments in water and wastewater plants, pumps and pipelines help to enhance service reliability for customers," said Missouri American Water President Frank Kartmann.

Additionally, many expenses associated with providing high-quality water service, such as fuel and power, have increased.

No rates will change until the MOPSC completes a comprehensive audit of the request. The process normally takes about 11 months and includes opportunities for public input.

If the new rates are approved as requested, they will generate approximately \$43 million in additional revenue for the company.

The company is also requesting a consolidated rate structure as part of the rate request. Under consolidated rates, all customers pay the same rate for the same service – a common practice among electric and natural gas utilities.

"The regulatory process considers the needs of the customer and the company's ability to reinvest in the community and deliver dependable service, said Kartmann. "Missouri American Water is widely recognized for meeting or surpassing all water quality standards established by the U.S. Environmental Protection Agency and the Missouri Department of Natural Resources. At about a penny per gallon, water service remains a good value for our customers."

Following today's filing, a comprehensive review process by the MOPSC is the next step in the rate-making process. Public hearings and opportunities for public comment are part of the process, under the direction of the MOPSC.

## MISSOURI AMERICAN WATER FILES RATE REQUEST

Many communities across the country are facing the challenges of aging water and wastewater infrastructure and associated rate impacts. The United States EPA says the nation's water utilities will need to make an additional \$335 billion in infrastructure investments – more than \$7 billion in Missouri -- over the next 20 years to replace thousands of miles of pipe and for upgrades to treatment plants, storage tanks and other assets to ensure public health, safety and economic opportunity.

### Missouri American Water

Missouri American Water, a wholly owned subsidiary of American Water (NYSE: AWK), is the largest publicly traded 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 is the largest publicly traded U.S. water and wastewater utility company. With headquarters in Voorhees, N.J., the company employs more than 7,000 dedicated professionals who provide drinking water, wastewater and other related services to approximately 15 million people in more than 30 states, as well as parts of Canada. More information can be found by visiting [www.amwater.com](http://www.amwater.com).

In 2011, American Water is celebrating its 125<sup>th</sup> anniversary with a yearlong campaign to promote water efficiency and the importance of protecting water from source to tap. To learn more, visit [www.amwater125.com](http://www.amwater125.com).

# PRESS RELEASE



June 30, 2011

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## Missouri American Water Requests Rate *Decrease* for Joplin

***Missouri Public Service Commission will evaluate the request over 11-month period***

**Joplin, Mo.** (June 30, 2011) – Today Missouri American Water filed a rate case with the Missouri Public Service Commission (MOPSC) requesting a rate **decrease** for Joplin that, if approved, could reduce the cost of water service by approximately 60 cents per month for an average residential customer using 5,000 gallons of water per month in the Joplin area. The company's request would decrease the monthly bill for the average residential customer to about \$35.20 per month.

Missouri American Water has invested approximately \$4.3 million in the Joplin area water system improvements from May 1, 2010 through December 31, 2011 that are included in the rate request. Investments include replacing aging water mains on Connecticut Avenue, Porter Street, Zora Avenue and Murphy Boulevard to accommodate local road improvements and improve service reliability. New control systems at pump stations have improved operational reliability. The company also replaced service lines and water meters across the system.

The 2 percent rate **decrease** for the average residential customer in Joplin is part of the company's request to consolidate rates across its operations. Under consolidated rates, all customers in the same rate class pay the same rate for the same service – a common practice among electric and natural gas utilities.

“We believe that consolidated rates will allow us to continue to invest in needed water system improvements, while helping to stabilize rates over the long term,” said Missouri American Water President Frank Kartmann. “At about a penny per gallon, water service is a good value for our customers.”

Rates will not change until the MOPSC completes a comprehensive audit of the request. The process normally takes about 11 months.

“We continue to make investments in Joplin that improve service reliability and as Joplin continues to rebuild after the devastating storm on May 22nd, Missouri American Water will work with the City of Joplin and its residents to plan for the future of our community,” said Matthew Barnhart, southwest operations manager.

## MISSOURI AMERICAN WATER FILES RATE REQUEST

### Missouri American Water

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Founded in 1886, American Water is the largest publicly traded U.S. water and wastewater utility company. With headquarters in Voorhees, N.J., the company employs more than 7,000 dedicated professionals who provide drinking water, wastewater and other related services to approximately 15 million people in more than 30 states, as well as parts of Canada. More information can be found by visiting [www.amwater.com](http://www.amwater.com).

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# PRESS RELEASE



June 30, 2011

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## **Missouri American Water Requests Rate *Decrease* for Brunswick** ***Missouri Public Service Commission will evaluate the request over 11-month period***

**Brunswick, Mo.** (June 30, 2011) – Today Missouri American Water filed a rate case with the Missouri Public Service Commission (MOPSC) requesting a rate **decrease** for Brunswick that, if approved, could **reduce** the cost of water service by approximately \$32 per month for an average residential customer using 3,500 gallons of water per month in the Brunswick area. If approved, the company's request would decrease the monthly bill for the average residential customer to about \$29.70 per month.

Missouri American Water is investing approximately \$139,000 in Brunswick area water system improvements from May 1, 2010 through December 31, 2011 that are included in the rate request. “We believe that consolidated rates will allow us to continue to invest in needed water system improvements, while helping to stabilize rates over the long term,” said Missouri American Water President Frank Kartmann.

The 52 percent rate **decrease** for the average residential customer in Brunswick is part of the company's request to consolidate rates across its operations. Under consolidated rates, all customers in the same rate class pay the same rate for the same service – a common practice among electric and natural gas utilities.

Rates will not change until the MOPSC completes a comprehensive audit of the request. The process normally takes about 11 months.

If the new rates are approved as requested, they will generate approximately \$43 million in additional revenue for the company, statewide.

### Missouri American Water

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

Founded in 1886, American Water is the largest publicly traded U.S. water and wastewater utility company. With headquarters in Voorhees, N.J., the company employs more than 7,000 dedicated professionals who provide drinking water, wastewater and other related services to

## MISSOURI AMERICAN WATER FILES RATE REQUEST

approximately 15 million people in more than 30 states, as well as parts of Canada. More information can be found by visiting [www.amwater.com](http://www.amwater.com).

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# PRESS RELEASE



June 30, 2011

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## Missouri American Water Files Rate Request

***Approximately \$790,000 of capital investments drive request; Maintains reasonable cost for water service at about a penny per gallon***

**Warrensburg, Mo.** (June 30, 2011) – Today Missouri American Water filed a rate case with the Missouri Public Service Commission (MOPSC) requesting an increase in rates of approximately \$7.10 per month for an average residential customer using 4,000 gallons of water per month in the Warrensburg area. The company's request would increase the monthly bill for the average residential customer to about \$31.50 per month.

Missouri American Water's ongoing investment in water system improvements and the increasing costs of delivering high-quality, reliable service to customers are the main drivers behind today's rate request.

The proposed increase reflects approximately \$790,000 in investments in Warrensburg water system improvements from May 1, 2010 through December 31, 2011. These investments are not reflected in current water rates.

"We will continue to make the necessary investments in our local water system to help ensure water quality, service reliability and fire protection for our customers," said Jason Lankford, operations superintendent.

The \$790,000 in investments includes upgrades to the equipment at the water plant and the north water storage tank to enhance service reliability. Fire hydrants, service lines and water meters were also replaced across the system.

As part of the rate filing, the company is requesting a consolidated rate structure. Under consolidated rates, all customers in the same rate class pay the same rate for the same service – a common practice among electric and natural gas utilities. Rates will not change until the MOPSC completes a comprehensive audit of the request. The process normally takes about 11 months.

"The regulatory process considers the needs of the customer and the company's ability to reinvest in the community and deliver dependable water service," said Missouri American Water President Frank Kartmann. "Missouri American Water is widely recognized for meeting or surpassing all water and wastewater standards established by both the U.S. Environmental

## MISSOURI AMERICAN WATER FILES RATE REQUEST

Protection Agency and the Missouri Department of Natural Resources. At about a penny per gallon, water service remains a good value for our customers.”

Missouri American Water’s rates are based on the true costs of providing water service, as reviewed by the MOPSC. The company works to control operating expenses while balancing the need for regular investment in the water system. Many expenses associated with providing high-quality, reliable water service, such as fuel and power costs, have increased.

Many communities are facing the challenges of aging water systems and associated rate impacts. The U.S. EPA says the nation’s water utilities will need to make more than \$335 billion in infrastructure investments – over \$7 billion in Missouri – over the next 20 years to replace thousands of miles of pipe and for upgrades to treatment plants, storage tanks and other assets to ensure public health, safety and economic opportunity.

### Missouri American Water

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# PRESS RELEASE



June 30, 2011

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## **Missouri American Water Requests Rate Changes for Warren County** **Missouri Public Service Commission will evaluate the request over 11-month period**

**St. Louis County, Mo.** (June 30, 2011) – Today Missouri American Water filed a rate case with the Missouri Public Service Commission (MOPSC) requesting a **water rate decrease** for Warren County customers that, if approved, could reduce the cost of water service by approximately \$23.00 per month for an average residential customer using 5,000 gallons of water per month. The request also includes a **sewer rate increase** of approximately \$6.25 per month for the average sewer customer. If approved, the **average customer's water and wastewater bill would decrease by about \$17.00.**

Missouri American Water is investing approximately \$150,000 in Warren County area water and wastewater system improvements from May 1, 2010 through December 31, 2011 that are included in the rate request

The overall rate decrease in Warren County is part of the company's request to consolidate rates across its operations. Under consolidated rates, all customers in the same rate class pay the same rate for the same service – a common practice among electric and natural gas utilities.

"We believe that consolidated rates will allow us to continue to invest in needed water system improvements, while helping to stabilize rates over the long term," said Missouri American Water President Frank Kartmann. "At about a penny per gallon, water service is a good value for our customers."

Rates will not change until the MOPSC completes a comprehensive audit of the request. The process normally takes about 11 months.

If the new rates are approved as requested, they will generate approximately \$43 million in additional revenue for the company, statewide.

## MISSOURI AMERICAN WATER FILES RATE REQUEST

### Missouri American Water

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

Founded in 1886, American Water is the largest publicly traded U.S. water and wastewater utility company. With headquarters in Voorhees, N.J., the company employs more than 7,000 dedicated professionals who provide drinking water, wastewater and other related services to approximately 15 million people in more than 30 states, as well as parts of Canada. More information can be found by visiting [www.amwater.com](http://www.amwater.com).

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# PRESS RELEASE



June 30, 2011

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## Missouri American Water Files Rate Request

***Approximately \$88.3 million of capital investments drive request; Maintains reasonable cost for water service at less than a penny per gallon***

**St. Louis County, Mo.** (June 30, 2011) – Today Missouri American Water filed a rate case with the Missouri Public Service Commission (MOPSC) requesting an increase in rates of approximately \$19 **per quarter** (or \$6.33 per month) for an average residential customer using 22,500 gallons of water per quarter in the St. Louis County area.

The company is requesting a rate increase of approximately \$8.20 per month for an average residential customer using 7,000 gallons of water per month in the St. Charles County area.

Missouri American Water's ongoing investment in water system improvements and the increasing costs of delivering high-quality, reliable service to customers are the main drivers behind today's rate request.

The proposed rate increase reflects approximately \$88.3 million in investments in St. Louis and St. Charles County water system improvements from May 1, 2010 through December 31, 2011. These investments are not reflected in current water rates.

"We will continue to make the necessary investments in our local water system help to ensure water quality, service reliability and fire protection for our customers," said Tom Deters, St. Louis County operations manager.

The \$88.3 million in investments includes: relocating and upgrading thousands of feet of water mains to accommodate roadway improvements, including the Route 141 and the Page Avenue projects. Water mains were upgraded on Sappington Road and Clayton Road in St. Louis County and Thoele, Guttermuth and Ehlmann Roads in St. Charles County for similar public works projects. Significant improvements at the four water treatment plants – including upgrading pumps, valves, filters and electrical equipment will enhance service reliability. Fire hydrants and water meters were also replaced across the system

As part of the rate filing, the company is requesting a consolidated rate structure. Under consolidated rates, all customers in the same rate class pay the same rate for the same service – a common practice among electric and natural gas utilities. Rates will not change until the MOPSC completes a comprehensive audit of the request. The process normally takes about 11 months.



## MISSOURI AMERICAN WATER FILES RATE REQUEST

“The regulatory process considers the needs of the customer and the company’s ability to reinvest in the community and deliver dependable water service,” said Missouri American Water President Frank Kartmann. “Missouri American Water is widely recognized for meeting or surpassing all water and wastewater standards established by both the U.S. Environmental Protection Agency and the Missouri Department of Natural Resources. At about a penny per gallon, water service remains a good value for our customers.”

Missouri American Water’s rates are based on the true costs of providing water service, as reviewed by the MOPSC. The company works to control operating expenses while balancing the need for regular investment in the water system. Many expenses associated with providing high-quality, reliable water service, such as fuel and power costs have increased.

Many communities are facing the challenges of aging water systems and associated rate impacts. The U.S. EPA says the nation’s water utilities will need to make more than \$335 billion in infrastructure investments – over \$7 billion in Missouri – over the next 20 years to replace thousands of miles of pipe and for upgrades to treatment plants, storage tanks and other assets to ensure public health, safety and economic opportunity.

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# PRESS RELEASE



June 30, 2011

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## Missouri American Water Files Rate Request

***Approximately \$4.1 million of capital investments drive request; Maintains reasonable cost for water service at about a penny per gallon***

**St. Joseph, Mo.** (June 30, 2011) – Today Missouri American Water filed a rate case with the Missouri Public Service Commission (MOPSC) requesting an increase in rates of approximately \$4.90 per month for an average residential customer using 4,500 gallons of water per month in the St. Joseph area. The company's request would increase the monthly bill for the average residential customer to about \$33.40 per month.

Missouri American Water's ongoing investment in water system improvements and the increasing costs of delivering high-quality, reliable service to customers are the main drivers behind today's rate request.

The proposed 17 percent rate increase for the average residential customer reflects approximately \$4.1 million in investments in St. Joseph water system improvements from May 1, 2010 through December 31, 2011. These investments are not reflected in the current water rates.

The \$4.1 million in investments includes: equipment replacements and upgrades at various water tank and well sites to enhance service reliability. The company also replaced service lines plus fire hydrants and water meters throughout the system.

"We will continue to make the necessary investments in our local water system to help ensure water quality, service reliability and fire protection for our customers," said Michael Wood, operations manager.

As part of the rate filing, the company is requesting a consolidated rate structure. Under consolidated rates, all customers in the same rate class pay the same rate for the same service – a common practice among electric and natural gas utilities. Rates will not change until the MOPSC completes a comprehensive audit of the request. The process normally takes about 11 months.

## MISSOURI AMERICAN WATER FILES RATE REQUEST

“The regulatory process considers the needs of the customer and the company’s ability to reinvest in the community and deliver dependable water service,” said Missouri American Water President Frank Kartmann. “Missouri American Water is widely recognized for meeting or surpassing all water and wastewater standards established by both the U.S. Environmental Protection Agency and the Missouri Department of Natural Resources. At about a penny per gallon, water service remains a good value for our customers.”

Missouri American Water’s rates are based on the true costs of providing water service, as reviewed by the MOPSC. The company works to control operating expenses while balancing the need for regular investment in the water system. Many expenses associated with providing high-quality, reliable water service, such as fuel and power costs, have increased.

Many communities are facing the challenges of aging water systems and associated rate impacts. The U.S. EPA says the nation’s water utilities will need to make more than \$335 billion in infrastructure investments – over \$7 billion in Missouri – over the next 20 years to replace thousands of miles of pipe and for upgrades to treatment plants, storage tanks and other assets to ensure public health, safety and economic opportunity.

### Missouri American Water

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# PRESS RELEASE



June 30, 2011

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## Missouri American Water Requests Rate *Decrease* for Platte County

*Missouri Public Service Commission will evaluate the request over 11-month period*

**Platte County, Mo.** (June 30, 2011) – Today Missouri American Water filed a rate case with the Missouri Public Service Commission (MOPSC) requesting a rate **decrease** for Platte County customers that, if approved, could **reduce** the cost of water service by approximately \$15.20 per month for an average residential customer using 6,500 gallons of water per month in Platte County. If approved, the company's request would **decrease** the monthly bill for the average residential customer to about \$40.73 per month.

Missouri American Water has invested approximately \$1.8 million in Platte County water system improvements from May 1, 2010 through December 31, 2011 that are included in the rate request. The investments include replacing more than 5,700 feet of water mains to support the Highway 45 improvement project. Fire hydrants, service lines and water meters were also replaced across the system.

The proposed 27 percent rate **decrease** for the average residential customer in Platte County is part of the company's request to consolidate rates across its operations. Under consolidated rates, all customers in the same rate class pay the same rate for the same service – a common practice among electric and natural gas utilities.

“We believe that consolidated rates will allow us to continue to invest in needed water system improvements, while helping to stabilize rates over the long term,” said Missouri American Water President Frank Kartmann. “At about a penny per gallon, water service is a good value for our customers.”

If the rate request is approved, the 103 wastewater customers in Platte County would see an eight percent rate **decrease**.

Rates will not change until the MOPSC completes a comprehensive audit of the request. The process normally takes about 11 months.

“We will continue to make the necessary investments in the water system in order to provide reliable water service and to ensure water quality,” said Mike McMillian, operations superintendent.

## MISSOURI AMERICAN WATER FILES RATE REQUEST

If the new rates are approved as requested, they will generate approximately \$43 million in additional revenue for the company, statewide.

### Missouri American Water

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

Founded in 1886, American Water is the largest publicly traded U.S. water and wastewater utility company. With headquarters in Voorhees, N.J., the company employs more than 7,000 dedicated professionals who provide drinking water, wastewater and other related services to approximately 15 million people in more than 30 states, as well as parts of Canada. More information can be found by visiting [www.amwater.com](http://www.amwater.com).

In 2011, American Water is celebrating its 125<sup>th</sup> anniversary with a yearlong campaign to promote water efficiency and the importance of protecting water from source to tap. To learn more, visit [www.amwater125.com](http://www.amwater125.com).

# PRESS RELEASE



June 30, 2011

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## Missouri American Water Requests Rate *Decrease* for Mexico

***Missouri Public Service Commission will evaluate the request over 11-month period***

**Mexico, Mo.** (June 30, 2011) – Today Missouri American Water filed a rate case with the Missouri Public Service Commission (MOPSC) requesting a rate **decrease** for Mexico that, if approved, could reduce the cost of water service by approximately \$2.00 per month for an average residential customer using 4,000 gallons of water per month in the Mexico area. If approved, the company's request would **decrease** the monthly bill for the average residential customer to about \$31.50 per month.

Missouri American Water has invested approximately \$1.4 million in Mexico area water system improvements from May 1, 2010 through December 31, 2011. The investments include upgrading water mains on Holt and Trinity Streets to improve water service reliability in those areas. Improvements in pumps, filters and control systems at the water treatment plant have helped maintain water quality and service reliability.

The 6 percent rate **decrease** for the average residential customer in Mexico is part of the company's request to consolidate rates across its operations. Under consolidated rates, all customers in the same rate class pay the same rate for the same service – a common practice among electric and natural gas utilities.

“We believe that consolidated rates will allow us to continue to invest in needed water system improvements, while helping to stabilize rates over the long term,” said Missouri American Water President Frank Kartmann. “At about a penny per gallon, water service is a good value for our customers.”

Rates will not change until the MOPSC completes a comprehensive audit of the request. The process normally takes about 11 months.

“We will continue to make important investments in the water system in order to provide reliable water service and to ensure water quality,” said Patrick Kelly, operations superintendent.

If the new rates are approved as requested, they will generate approximately \$43 million in additional revenue for the company, statewide.

## MISSOURI AMERICAN WATER FILES RATE REQUEST

### Missouri American Water

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# PRESS RELEASE



June 30, 2011

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## Missouri American Water Files Rate Request

***Approximately \$12.5 million of capital investments drive request; Maintains reasonable cost for water service at less than a penny per gallon***

**Jefferson City, Mo.** (June 30, 2011) – Today Missouri American Water filed a rate case with the Missouri Public Service Commission (MOPSC) requesting an increase in rates of approximately \$4.16 per month for an average residential customer using 4,000 gallons of water per month in the Jefferson City area. If approved, the average monthly residential water bill will be about \$31.50.

Missouri American Water's ongoing investment in water system improvements and the increasing costs of delivering high-quality, reliable service to customers are the main drivers behind today's rate request. Jefferson City's last residential water rate increase was in 2008.

The proposed rate increase reflects approximately \$12.5 million in investments in Jefferson City water system improvements from May 1, 2010 through December 31, 2011. These investments are not reflected in current water rates.

"Most of the \$12.5 million in local investments have been dedicated to Missouri American Water's improvements to the 120-year-old water pipelines and pumping station that deliver water from the Missouri River to the water treatment plant," said Gilbert Cole, operations superintendent. "It also improves overall service reliability."

Additional improvements include replacing aging water mains on Jefferson Street, Tanner Bridge Road and Monroe Streets to improve service reliability in those areas. Fire hydrants and water meters were also replaced across the system.

The proposed rate request includes a \$6.78 per month increase for the 1,800 customers of Missouri American Water's wastewater systems, formerly owned by Aqua Missouri. Five of these systems are operating under Missouri Department of Natural Resources consent orders to resolve violations of the Missouri Clean Water Law. Missouri American Water is investing \$575,000 in wastewater treatment improvements to bring these systems into compliance with the law.

The rate request also proposes to increase rates for the 55 customers of the Lake Carmel water system, formerly owned by Aqua Missouri, so those customers' rates are comparable to the Jefferson City rates.



## MISSOURI AMERICAN WATER FILES RATE REQUEST

As part of the rate filing, the company is requesting a consolidated rate structure. Under consolidated rates, all customers in the same rate class pay the same rate for the same service – a common practice among electric and natural gas utilities. Rates will not change until the MOPSC completes a comprehensive audit of the request. The process normally takes about 11 months.

Missouri American Water's rates are based on the true costs of providing water service, as reviewed by the MOPSC. The company works to control operating expenses while balancing the need for regular investment in the water system. Many expenses associated with providing high-quality, reliable water service, such as fuel and power costs have increased.

"The regulatory process considers the needs of the customer and the company's ability to reinvest in the community and deliver dependable water service," said Missouri American Water President Frank Kartmann. "Missouri American Water is widely recognized for meeting or surpassing all water and wastewater standards established by both the U.S. Environmental Protection Agency and the Missouri Department of Natural Resources. At about a penny per gallon, water service remains a good value for our customers."

Many communities are facing the challenges of aging water systems and associated rate impacts. The U.S. EPA says the nation's water utilities will need to make more than \$335 billion in infrastructure investments – over \$7 billion in Missouri – over the next 20 years to replace thousands of miles of pipe and for upgrades to treatment plants, storage tanks and other assets to ensure public health, safety and economic opportunity.

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# PRESS RELEASE



June 30, 2011

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## Missouri American Water Files Rate Request

### *Approximately \$260,000 in capital investments drive request*

**St. Louis County, Mo.** (June 30, 2011) – Today Missouri American Water filed a rate case with the Missouri Public Service Commission (MOPSC) requesting an increase in wastewater rates of approximately \$14.36 per month for an average residential customer in the Cedar Hill area. The company's request would increase the monthly bill for the average residential customer to about \$60.00 per month.

Missouri American Water's ongoing investment in wastewater system improvements and the increasing costs of delivering high-quality, reliable service to customers are the main drivers behind today's rate request.

The proposed rate increase reflects approximately \$260,000 in investments in Cedar Hill wastewater system improvements from May 1, 2010 through December 31, 2011 that are not reflected in current rates.

"These investments in our local wastewater system help to ensure service reliability and environmental protection for our customers," said Tena Hale-Rush, operations superintendent.

As part of the rate filing, the company is requesting a consolidated rate structure. Under consolidated rates, all customers in the same rate class pay the same rate for the same service – a common practice among electric and natural gas utilities. Rates will not change until the MOPSC completes a comprehensive audit of the request. The process normally takes about 11 months.

Missouri American Water's rates are based on the true costs of providing wastewater service, as reviewed by the MOPSC. The company works to control operating expenses while balancing the need for regular investment in the wastewater system. Many expenses associated with providing high-quality, reliable service, such as fuel and power costs, have increased.

"The regulatory process considers the needs of the customer and the company's ability to reinvest in the community and deliver reliable service," said Missouri American Water President Frank Kartmann. "Missouri American Water is widely recognized for meeting or surpassing all

## MISSOURI AMERICAN WATER FILES RATE REQUEST

water and wastewater standards established by both the U.S. Environmental Protection Agency and the Missouri Department of Natural Resources.”

Many communities are facing the challenges of aging wastewater systems and associated rate impacts. The U.S. EPA says the nation’s wastewater utilities will need to make an additional \$205.5 billion in infrastructure investments over the next 12 years to replace thousands of miles of pipe and for upgrades to treatment plants and other assets to ensure public health, safety and economic opportunity.

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# PRESS RELEASE



June 30, 2011

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## Missouri American Water Requests Rate *Decrease* for Water Systems Previously Owned by Aqua Missouri

**Missouri Public Service Commission will evaluate the request over 11-month period**

**Joplin, Mo.** (June 30, 2011) – Today Missouri American Water filed an application with the Missouri Public Service Commission (MOPSC) to adjust rates for water and wastewater service in all of the company's operating districts. Part of this case requests a rate **decrease** for several districts that were formerly owned and operated by Aqua Missouri. The varying decreases are outlined below:

WATER DISTRICT	PERCENTAGE DECREASE (For the average residential customer)	AVERAGE RESIDENTIAL WATER BILL DECREASE*
Lake Taneycomo	(24%)	(\$11.21)
Lakewood Manor	(41%)	(\$20.90)
Ozark Mountain	(26%)	(\$9.58)
Rankin Acres	(37%)	(\$18.55)
Spring Valley Estates	(39%)	(\$19.29)

(\*Note – these are the approximate decreases for the average residential customer in these areas)

The residential rate **decreases** are part of the company's request to consolidate rates across its operations. Under consolidated rates, all customers in the same rate class pay the same rate for the same service – a common practice among electric and natural gas utilities.

“We believe that consolidated rates will allow us to continue to invest in needed water system improvements, while helping to stabilize rates over the long term,” said Missouri American Water President Frank Kartmann. “At about a penny per gallon, water service is a good value for our customers.”

Rates will not change until the MOPSC completes a comprehensive audit of the request. The process normally takes about 11 months.

If the new rates are approved as requested, they will generate approximately \$43 million in additional revenue for the company.

## MISSOURI AMERICAN WATER FILES RATE REQUEST

Missouri American Water's ongoing investment in water and wastewater system improvements and the increasing costs of delivering high-quality, reliable service to customers are the main drivers behind today's rate request.

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**Missouri-American Water Company**  
**For the Test Year Ended December 31, 2010**  
**Case No. WR-2011-0337**  
**Case No. SR-2011-0338**

**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 and operating expenditures. The rate request is based upon the Company's need to continue to invest in capital improvements and to recover higher operating costs at its existing water and sewer facilities. 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. The higher operating costs are associated with operating and maintaining existing water and sewer facilities. 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, 2010**  
**Case No. WR-2011-0337**  
**Case No. SR-2011-0338**

**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%	\$0	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%	\$88,679	MIKE WOOLSTON	MAYOR	602 S Main	JOPLIN	MO	64801

**Missouri-American Water Company**  
**For the Test Year Ended December 31, 2010**  
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**Case No. SR-2011-0338**

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

**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%	-\$1,792	ROGER HAYNES	CITY MANAGER	300 N. COAL ST.	MEXICO	MO	65265

**Parkville District**

County/Municipality Name	Current Tax Rate	Effective Tax Rate	Estimated Annual Increase in Taxes*	Name	Title	Address			
City of Parkville	4.76000%	5.00000%	-\$26,167	Steve Berg	Treasurer	8880 Clark Avenue	Parkville	MO	64152

**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%	\$135,145	VINCE CAPELL	CITY MANAGER	1100 FREDERICK AVE. RM 305	ST. JOSEPH	MO	64501

0.005025



**Missouri-American Water Company  
For the Test Year Ended December 31, 2010  
Case No. WR-2011-0337  
Case No. SR-2011-0338**

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

**St Louis Metro District**

County/Municipality Name	Current Tax Rate	Effective Tax Rate	Estimated Annual Increase in Taxes*	Name	Title	Address			
Ballwin	7.00000%	7.52690%	\$66,220	ROBERT A. KUNTZ	CITY ADMINISTRATOR	14811 MANCHESTER RD.	BALLWIN	MO	63011
Bellefontaine Neighb	7.41000%	8.00300%	\$22,250	ROBERT DOERR	MAYOR	9641 BELLEFONTAINE RD.	ST. LOUIS	MO	63137
Breckenridge Hills - Non Res	6.50000%	6.95190%	\$918	ANITA MASON	MAYOR	9623 ST CHARLES ROCK RD	BRECKENRIDGE HILLS	MO	63114
Bridgeton Town of	5.00000%	5.26320%	\$33,136	CONRAD BOWERS	MAYOR	11955 NATURAL BRIDGE RD.	BRGTN	MO	63044
Beverly Hills	10.00000%	11.11110%	\$1,719	MYRTLE SPANN	MAYOR	7150 NATURAL BRIDGE RD.	ST. LOUIS	MO	63121
Berkeley	7.41000%	8.00300%	\$33,876	KYRA WATSON	MAYOR	6140 N. HANLEY RD.	ST. LOUIS	MO	63134
Bella Villa	5.00000%	5.26320%	\$949	BARBARA SAVALICK	MAYOR	8842 NATURAL BRIDGE RD.	ST. LOUIS	MO	63121
Black Jack	3.00000%	3.09280%	\$5,650	NORMAN MCCOURT	MAYOR	12500 OLD JAMESTOWN RD.	BLACK JACK	MO	63033
Brentwood - Non Residentia	8.00000%	8.69570%	\$10,855	PATRICK KELLY	MAYOR	2348 S. BRENTWOOD BLVD.	ST. LOUIS	MO	63144
Creve Coeur	7.00000%	7.52690%	\$80,880	MARK PERKINS	CITY ADMINISTRATOR	300 N. NEW BALLAS RD.	ST. LOUIS	MO	63141
Chesterfield	5.00000%	5.26320%	\$119,853	BRUCE GEIGER	MAYOR	690 CHESTERFIELD PARKWAY WEST	CHESTERFIELD	MO	63017
Charlack Village of	11.00000%	12.35960%	\$4,792	JAMES BECKMAN	MAYOR	8401 MIDLAND BLVD.	ST. LOUIS	MO	63114
Country Club Hills Village	8.00000%	8.69570%	\$3,424	DAVID POWELL	MAYOR	7422 EUNICE AVE.	ST. LOUIS	MO	63136
Crystal Lake Park	5.00000%	5.26320%	\$1,068	BONNIE TAYLOR	MAYOR	P.O. BOX 31338	ST. LOUIS	MO	63131
Clayton	8.00000%	8.69570%	\$69,761	LINDA GOLDSTEIN	MAYOR	10 N. BEMISTON AVE.	ST. LOUIS	MO	63105
Cool Valley Village	7.00000%	7.52690%	\$2,843	VIOLA MURPHY	MAYOR	100 SIGNAL HILL DR.	ST. LOUIS	MO	63121
Crestwood-Resident	6.00000%	6.38300%	\$26,925	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
Des Peres	5.00000%	5.26320%	\$26,245	DOUGLAS J. HARMS	CITY ADMINISTRATOR/CLERK	12325 MANCHESTER RD.	ST. LOUIS	MO	63131
Dellwood	7.00000%	7.52690%	\$9,836	TOM ZAK	CITY ADMINISTRATOR/CLERK	1415 CHAMBERS RD.	ST. LOUIS	MO	63135
Edmundson - Non Residenti	6.00000%	6.38300%	\$967	JOHN GWALTNEY	MAYOR	4440 HOLMAN LN	EDMUNDSON	MO	63134
Ellisville	7.00000%	7.52690%	\$27,095	MATT PIRRELLO	MAYOR	1 WEIS AVE.	ELLISVILLE	MO	63011
Ferguson	6.00000%	6.38300%	\$38,574	JERRY KNOWLES	MAYOR	110 CHURCH ST.	ST. LOUIS	MO	63135
Flordell Hills	5.00000%	5.26320%	\$1,096	JOSEPH NOETH	MAYOR	5645 JENNINGS RD.	ST. LOUIS	MO	63136
Florissant	7.00000%	7.52690%	\$97,705	TOM SCHNEIDER	MAYOR	955 ST. FRANCOIS ST.	FLORISSANT	MO	63031
Fenton Non-Residential	5.00000%	5.26320%	\$13,287	MARK SARTORS	CITY ADMINISTRATOR	625 NEW SMIZER MILL RD.	FENTON	MO	63026
Frontenac Non-Residential	8.00000%	8.69570%	\$5,855	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%	\$19,934	FRANK MYERS	CITY ADMINISTRATOR/CLERK	424 N. SAPPINGTON RD.	ST. LOUIS	MO	63122
Green Park	5.00000%	5.26320%	\$6,347	TONY KONOPKA	MAYOR	11100 MUELLER ROAD SUITE 2	ST. LOUIS	MO	63123
Greendale	5.00000%	5.26320%	\$1,028	MONICA HUDDLESTON	MAYOR	7717 NATURAL BRIDGE ROAD	ST. LOUIS	MO	63121
Hazelwood Non-Residential	6.00000%	6.38300%	\$23,181	MATTHEW ROBINSON	MAYOR	414 ELM GROVE LANE	HAZELWOOD	MO	63042
Jennings	7.50000%	8.10810%	\$35,856	BENJAMIN C. SUTPHIN	MAYOR	2120 HORD AVE.	ST. LOUIS	MO	63136
Kinloch	6.00000%	6.38300%	\$1,031	KEITH CONWAY	MAYOR	5990 MONROE AVE	ST. LOUIS	MO	63140
Kirkwood	7.50000%	8.10810%	\$5,581	ART MCDONNELL	MAYOR	139 S. KIRKWOOD RD.	ST. LOUIS	MO	63122
Ladue	7.00000%	7.52690%	\$58,615	ANTHONY BOMMARITO	MAYOR	9345 CLAYTON RD.	ST. LOUIS	MO	63124
Lakeshire	5.00000%	5.26320%	\$1,876	STEVE ZUMWALT	MAYOR	10000 PUTTINGTON DR.	ST. LOUIS	MO	63123
Moline Acres	5.00000%	5.26320%	\$3,394	FRED HODGES	MAYOR	2449 CHAMBERS RD.	ST. LOUIS	MO	63136
Manchester	4.00000%	4.16670%	\$23,124	DAVID WILLSON	MAYOR	14318 MANCHESTER RD.	MANCHESTER	MO	63011
Maryland Heights	5.50000%	5.82010%	\$74,098	MARK LEVIN	CITY ADMINISTRATOR	212 MILLWELL DR.	MARYLAND HTS	MO	63043
Maplewood	9.00000%	9.89010%	\$27,608	JAMES WHITE	MAYOR	7601 MANCHESTER AVE.	ST. LOUIS	MO	63143

**Missouri-American Water Company  
For the Test Year Ended December 31, 2010  
Case No. WR-2011-0337  
Case No. SR-2011-0338**

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

Normandy Town of	8.00000%	8.69570%	\$12,770	PATRICK GREEN	MAYOR	7700 NATURAL BRIDGE RD.	ST. LOUIS	MO	63121
Northwoods	10.00000%	11.11110%	\$12,230	EVERETT THOMAS	MAYOR	4600 OAKRIDGE BLVD.	ST. LOUIS	MO	63121
Oakland	4.00000%	4.16670%	\$2,651	PAUL MARTI	MAYOR	P.O. BOX 220511	ST. LOUIS	MO	63122
Olivette	10.00000%	11.11110%	\$30,668	RUTH SPRINGER	MAYOR	9437 OLIVE BLVD.	ST. LOUIS	MO	63132
Overland	6.00000%	6.38300%	\$31,785	MIKE SCHNEIDER	MAYOR	9119 LACKLAND RD.	ST. LOUIS	MO	63114
Pagedale	8.00000%	8.69570%	\$8,825	MARY LOUISE CARTER	MAYOR	1404 FERGUSON AVE.	ST. LOUIS	MO	63133
Pasadena Hills Village	5.00000%	5.26320%	\$1,513	SCOTT LIVINGSTON	MAYOR	3915 ROLAND BLVD.	ST. LOUIS	MO	63121
Pine Lawn	7.00000%	7.52690%	\$7,170	SYLVESTER CALDWELL	MAYOR	6250 STEVE MARRE AVE.	ST. LOUIS	MO	63121
Richmond Heights	6.00000%	6.38300%	\$24,494	JAMES BECK	MAYOR	1330 BIG BEND BLVD.	ST. LOUIS	MO	63117
Rock Hill	8.00000%	8.69570%	\$12,839	DANIEL DIPLACIDO	MAYOR	9620 MANCHESTER RD.	ST. LOUIS	MO	63119
St. Ann	4.00000%	4.16670%	\$14,795	GARY GUITTAR	MAYOR	10405 ST. CHARLES ROCK RD.	ST. ANN	MO	63074
Shrewsbury	7.25000%	7.81670%	\$16,255	FELICITY BUCKLEY	MAYOR	5200 SHREWSBURY AVE.	ST. LOUIS	MO	63110
Sunset Hills - Residential	5.00000%	5.26320%	\$31,177	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
St. John Village of	5.00000%	5.26320%	\$9,035	LEE ROY TAYLOR	MAYOR	8944 ST. CHARLES ROCK RD.	ST. LOUIS	MO	63114
St Louis County	5.00000%	5.26320%	\$584,624	CHARLIE DOOLEY	COUNTY EXECUTIVE	41 S. CENTRAL AVE.	CLAYTON	MO	63105
Town & Country Non-Reside	7.00000%	7.52690%	\$19,880	JON DALTON	MAYOR	1011 MUNICIPAL CENTER DR.	ST. LOUIS	MO	63131
University City	9.00000%	9.89010%	\$101,354	SHELLEY WELSCH	MAYOR	6801 DELMAR BLVD	ST. LOUIS	MO	63130
Valley Park	5.00000%	5.26320%	\$8,640	NATHAN GRELLNER	MAYOR	320 BENTON ST.	VALLEY PARK	MO	63088
Vinita Park	5.00000%	5.26320%	\$6,654	JAMES MCGEE	MAYOR	8374 MIDLAND BLVD.	ST. LOUIS	MO	63114
Velda Village	6.00000%	6.38300%	\$2,357	ROBERT L. HENSLEY	MAYOR	2803 MAYWOOD AVE.	ST. LOUIS	MO	63121
Webster Groves	7.00000%	7.52690%	\$55,542	GERRY WELCH	MAYOR	4 E. LOCKWOOD AVE.	ST. LOUIS	MO	63119
Wildwood	5.00000%	5.26320%	\$50,214	DANIEL DUBRUIEL	CITY ADMINISTRATOR	16962 MANCHESTER RD.	WILDWOOD	MO	63040
Wellston	7.00000%	7.52690%	\$5,717	LINDA WHITFIELD	MAYOR	1414 EVERGREEN AVE.	ST. LOUIS	MO	63133
Winchester	6.00000%	6.38300%	\$2,715	GAIL WINHAM	MAYOR	109 LINDY BLVD	WINCHESTER	MO	63021
Warson Woods	9.00000%	9.89010%	\$8,272	LAURENCE HOWE	MAYOR	10015 MANCHESTER RD.	WARSON WOODS	MO	63122
Woodson Terrace	5.00000%	5.26320%	\$6,609	LAWRENCE BESMER	MAYOR	9351 GUTHRIE AVE	ST. LOUIS	MO	63134
City of O'Fallon	5.00000%	5.26320%	\$16,548	VICKI BOSCHERT	INTERIM CITY ADMINISTRATOR	100 NORTH MAIN STREET	O'FALLON	MO	63366

**Warrensburg District**

County/Municipality Name	Current Tax Rate	Effective Tax Rate	Estimated Annual Increase in Taxes*	Name	Title	Address			
Warrensburg	6.00000%	6.38000%	\$22,072	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.

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	<u>Brunswick</u>	<u>Jefferson City</u>	<u>Joplin</u>	<u>Mexico</u>	<u>Platte County</u>	<u>St. Joseph</u>	<u>St. Louis Metro (monthly)</u>	<u>St. Louis Metro (quarterly)</u>	<u>Warrensburg</u>	<u>Warren County</u>	<u>Maplewood</u>	<u>Riverside Estates</u>
<b>RATE A - 5/8" METERS</b>												
<b>3,000 Gallons/Month</b>												
Present Rate	55.96	23.47	28.25	27.89	32.90	22.07	21.59	50.32	21.04	43.88	14.34	24.83
Proposed - CTP	27.85	27.85	27.85	27.85	27.85	27.85	27.85	64.04	27.85	27.85	27.85	27.85
Proposed - DSP	116.95	32.34	29.44	37.97	47.03	27.50	29.08	62.15	27.25	46.90	19.57	24.18
<b>5,000 Gallons/Month</b>												
Present Rate	79.13	31.26	35.85	39.19	46.09	30.61	27.97	70.02	27.75	58.27	20.04	32.89
Proposed - CTP	35.21	35.21	35.21	35.21	35.21	35.21	35.21	86.13	35.21	35.21	35.21	35.21
Proposed - DSP	162.25	43.90	37.84	49.96	64.38	36.51	35.81	82.32	34.15	61.50	25.95	30.30
<b>8,000 Gallons/Month</b>												
Present Rate	113.89	42.95	47.25	56.13	65.86	43.42	37.54	99.56	37.81	79.85	28.59	44.98
Proposed - CTP	46.25	46.25	46.25	46.25	46.25	46.25	46.25	119.26	46.25	46.25	46.25	46.25
Proposed - DSP	230.20	61.24	50.44	67.93	90.41	50.01	45.89	112.56	44.50	83.40	35.52	39.48
<b>RATE A - 1" METERS</b>												
<b>5,000 Gallons/MONTH</b>												
Present Rate	92.07	34.62	49.64	44.73	56.77	38.20	31.37	80.17	39.72	58.27	51.73	52.00
Proposed - CTP	48.41	48.41	48.41	48.41	48.41	48.41	48.41	108.31	48.41	48.41	48.41	48.41
Proposed - DSP	202.25	47.90	51.54	66.23	81.47	47.91	42.50	105.22	47.91	81.86	40.95	42.51
<b>15,000 Gallons/MONTH</b>												
Present Rate	199.25	73.59	87.83	94.50	122.70	80.99	63.27	178.66	79.31	130.22	97.13	92.30
Proposed - CTP	85.23	85.23	85.23	85.23	85.23	85.23	85.23	218.76	85.23	85.23	85.23	85.23
Proposed - DSP	428.75	105.70	93.54	126.14	168.23	92.92	76.11	206.05	82.41	154.86	72.85	73.11
<b>30,000 Gallons/MONTH</b>												
Present Rate	360.03	132.05	145.11	169.16	221.59	145.18	111.12	326.39	138.71	238.16	165.23	152.75
Proposed - CTP	140.45	140.45	140.45	140.45	140.45	140.45	140.45	384.43	140.45	140.45	140.45	140.45
Proposed - DSP	768.50	192.40	156.54	216.00	298.37	160.45	126.52	357.29	134.16	264.36	120.70	119.01
<b>RATE A - 2" METERS</b>												
<b>3,000 Gallons/MONTH</b>												
Present Rate	137.33	39.07	92.64	67.80	82.25	56.95	37.34	97.58	65.49	43.88		
Proposed - CTP	91.05	91.05	91.05	91.05	91.05	91.05	91.05	167.32	91.05	91.05		
Proposed - DSP	300.95	52.34	92.78	113.20	126.02	80.19	148.60	168.77	90.80	140.96		
<b>10,000 Gallons/MONTH</b>												
Present Rate	222.08	66.35	121.71	104.44	128.40	86.90	59.67	166.52	96.35	94.25		
Proposed - CTP	116.82	116.82	116.82	116.82	116.82	116.82	116.82	244.63	116.82	116.82		
Proposed - DSP	459.50	92.80	122.18	155.14	186.75	111.71	172.13	239.35	114.95	192.06		
<b>20,000 Gallons/MONTH</b>												
Present Rate	343.14	105.33	163.23	156.79	194.33	129.70	91.57	265.01	140.43	166.20		
Proposed - CTP	153.63	153.63	153.63	153.63	153.63	153.63	153.63	355.08	153.63	153.63		
Proposed - DSP	686.00	150.60	164.18	215.05	273.51	156.72	205.74	340.18	149.45	265.06		

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	<u>White Branch</u>	<u>Rankin Acres</u>	<u>Ozark</u> <u>Mountain</u>	<u>Spring Valley</u>	<u>Lakewood</u> <u>Manor</u>	<u>Lake</u> <u>Taneycomo</u>
<b>RATE A - 5/8" METERS</b>						
<b>3,000 Gallons/Month</b>						
Present Rate	53.00	50.08	37.43	44.31	46.02	33.98
Proposed - CTP	32.00	27.85	27.85	27.85	27.85	27.85
Proposed - DSP	57.50	43.02	52.30	38.05	55.15	34.75
<b>5,000 Gallons/Month</b>						
Present Rate	53.00	50.08	52.63	62.99	64.28	46.42
Proposed - CTP	32.00	35.21	35.21	35.21	35.21	35.21
Proposed - DSP	57.50	55.03	70.50	46.75	75.25	41.25
<b>8,000 Gallons/Month</b>						
Present Rate	53.00	50.08	75.43	91.01	91.67	65.08
Proposed - CTP	32.00	46.25	46.25	46.25	46.25	46.25
Proposed - DSP	57.50	73.05	97.80	59.80	105.40	51.00
<b>RATE A - 1" METERS</b>						
<b>5,000 Gallons/MONTH</b>						
Present Rate	53.00		74.48			
Proposed - CTP	32.00		48.41			
Proposed - DSP	57.50		79.31			
<b>15,000 Gallons/MONTH</b>						
Present Rate	53.00		150.48			
Proposed - CTP	32.00		85.23			
Proposed - DSP	57.50		170.31			
<b>30,000 Gallons/MONTH</b>						
Present Rate	53.00		264.48			
Proposed - CTP	32.00		140.45			
Proposed - DSP	57.50		306.81			
<b>RATE A - 2" METERS</b>						
<b>3,000 Gallons/MONTH</b>						
Present Rate						
Proposed - CTP						
Proposed - DSP						
<b>10,000 Gallons/MONTH</b>						
Present Rate						
Proposed - CTP						
Proposed - DSP						
<b>20,000 Gallons/MONTH</b>						
Present Rate						
Proposed - CTP						
Proposed - DSP						

Missouri American Water Company  
Comparison of Water CTP Versus DSP Pricing

Schedule DRW - 2

	<u>Brunswick</u>	<u>Jefferson City</u>	<u>Joplin</u>	<u>Mexico</u>	<u>Platte County</u>	<u>St. Joseph</u>	<u>St. Louis Metro (monthly)</u>	<u>St. Louis Metro (quarterly)</u>	<u>Warrensburg</u>	<u>Warren County</u>	<u>Maplewood</u>	<u>Riverside Estates</u>
<b>RATE A - 6" &amp; ABOVE METERS</b>												
<b>10,000 Gallons/MONTH</b>												
Present Rate	743.60	159.97	506.62	370.53	423.42	315.23	154.24	450.23	338.20	94.25		
Proposed - CTP	494.82	494.82	494.82	494.82	494.82	494.82	494.82	864.62	494.82	494.82		
Proposed - DSP	1,562.50	211.80	500.88	604.90	658.96	426.77	269.82	879.40	494.91	754.45		
<b>20,000 Gallons/MONTH</b>												
Present Rate	909.05	198.95	554.36	442.95	489.35	377.96	186.14	548.72	377.27	166.20		
Proposed - CTP	531.63	531.63	531.63	531.63	531.63	531.63	531.63	975.07	531.63	531.63		
Proposed - DSP	1,789.00	269.60	542.88	664.81	745.72	431.27	303.43	980.23	498.36	827.45		
<b>30,000 Gallons/MONTH</b>												
Present Rate	1,074.51	237.92	602.11	515.38	555.28	440.70	218.04	647.21	416.34	238.16		
Proposed - CTP	568.45	568.45	568.45	568.45	568.45	568.45	568.45	1,085.52	568.45	568.45		
Proposed - DSP	2,015.50	327.40	584.88	724.72	832.48	440.27	337.04	1,081.06	505.26	900.45		
<b>RATE J - 6" &amp; ABOVE METERS</b>												
<b>45,000 Gallons/MONTH</b>												
Present Rate	1,322.69	296.38	673.72	624.01	654.18	534.79	176.27	558.09	474.95	346.09		
Proposed - CTP	542.30	542.30	542.30	542.30	542.30	542.30	542.30	1,007.08	542.30	542.30		
Proposed - DSP	1,845.63	333.33	577.84	760.09	833.20	522.20	305.83	987.42	572.46	951.45		
<b>2,000,000 Gallons/MONTH</b>												
Present Rate	19,631.44	5,641.27	5,956.80	8,638.21	8,611.43	7,417.16	2,982.87	9,522.74	4,798.78	14,413.29		
Proposed - CTP	4,204.80	4,204.80	4,204.80	4,204.80	4,204.80	4,204.80	4,204.80	11,994.57	4,204.80	4,204.80		
Proposed - DSP	23,986.00	8,124.00	5,745.88	10,104.99	12,172.20	6,623.75	3,330.21	10,060.57	5,440.41	12,681.45		
<b>4,000,000 Gallons/MONTH</b>												
Present Rate	31,601.04	10,857.27	9,410.90	13,877.61	13,835.83	11,268.36	5,854.07	18,693.74	7,625.48	28,804.29		
Proposed - CTP	7,951.60	7,951.60	7,951.60	7,951.60	7,951.60	7,951.60	7,951.60	23,234.97	7,951.60	7,951.60		
Proposed - DSP	46,636.00	16,094.00	11,032.88	19,664.99	23,772.20	12,865.75	6,424.21	19,342.57	10,420.41	24,681.45		

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White Branch   Rankin Acres   Ozark Mountain   Spring Valley   Lakewood Manor   Lake Taneycomo

**RATE A - 6" & ABOVE METERS**

**10,000 Gallons/MONTH**

Present Rate  
Proposed - CTP  
Proposed - DSP

**20,000 Gallons/MONTH**

Present Rate  
Proposed - CTP  
Proposed - DSP

**30,000 Gallons/MONTH**

Present Rate  
Proposed - CTP  
Proposed - DSP

**RATE J - 6" & ABOVE METERS**

**45,000 Gallons/MONTH**

Present Rate  
Proposed - CTP  
Proposed - DSP

**2,000,000 Gallons/MONTH**

Present Rate  
Proposed - CTP  
Proposed - DSP

**4,000,000 Gallons/MONTH**

Present Rate  
Proposed - CTP  
Proposed - DSP

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Comparison of Waste Water CTP DSP Pricing

	<b>RESIDENTIAL</b>			<b>COMMERCIAL</b>		
	Present <u>Rate</u>	Proposed <u>CTP</u>	Proposed <u>DSP</u>	Present <u>Rate</u>	Proposed <u>CTP</u>	Proposed <u>DSP</u>
Cedar Hill	\$45.64	\$60.00	\$60.15	45.64	60.00	81.41
Parkville	\$65.22	\$60.00	\$81.53			
Warren County	\$53.74	\$60.00	\$60.15	\$53.74	\$60.00	\$60.15
Jefferson City	\$53.22	\$60.00	\$67.27	\$53.22	\$60.00	\$96.14
Ozark Meadows	\$56.56	\$60.00	\$72.11			
Maplewood	\$18.05	\$60.00	\$23.61			

Note: Based on average consumption of 3,000 gallons each winter month for residential and commercial customers.