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Missouri-American Water Company – Exhibit 24
Testimony of Linda Schlessman
Rebuttal/Surrebuttal/Sur-Surrebuttal
File No. WR-2024-0320

Exhibit No.:	
Issues:	Income Tax Calculations
Witness:	Linda Schlessman
Exhibit Type:	Rebuttal/Surrebuttal/Sur-Surrebuttal
Sponsoring Party:	Missouri-American Water Company
Case No.:	WR-2024-0320
Date:	January 24, 2025

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WR-2024-0320

REBUTTAL/SURREBUTTAL/SUR-SURREBUTTAL TESTIMONY

OF

LINDA SCHLESSMAN

ON BEHALF OF

MISSOURI-AMERICAN WATER COMPANY

AFFIDAVIT

I, Linda Schlessman, under penalty of perjury, and pursuant to Section 509.030, RSMo, state that I am a Director – Tax Regulatory for American Water Works Service Company, Inc., that the accompanying testimony has been prepared by me or under my direction and supervision; that if inquiries were made as to the facts in said testimony, I would respond as therein set forth; and that the aforesaid testimony is true and correct to the best of my knowledge and belief.

1/20/2025

X Linda Schlessman

Signed by: SCHLESL

Linda Schlessman

January 24, 2025
Dated

REBUTTAL/SURREBUTTAL/SUR-SURREBUTTAL TESTIMONY
LINDA SCHLESSMAN
MISSOURI-AMERICAN WATER COMPANY
CASE NO.: WR-2024-0320

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REBUTTAL/SURREBUTTAL/SUR-SURREBUTTAL TESTIMONY

LINDA SCHLESSMAN

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Linda Schlessman. My business address is 1 Water Street, Camden, NJ 08102.

Q. By whom are you employed and in what capacity?

A. I am employed by American Water Works Service Company, Inc. as the Director - Tax Regulatory. I am responsible for the oversight of calculating tax expense and accumulated deferred income taxes in rate cases and rate filings for American Water Works, Inc.'s subsidiaries, including Missouri-American Water Company ("MAWC" or the "Company").

Q. Please summarize your educational background and business experience.

A. I received a Bachelor of Business Administration Degree in Accounting from Miami University in 2006 and am a Certified Public Accountant in the State of Ohio. I have eighteen years of tax experience and six years of utility tax experience. Prior to joining American Water in September of 2024, I was a Tax Accounting and Regulatory Support Manager at American Electric Power, Inc. Prior to that, I held positions in both public accounting and the private sector. My previous employers include GBQ Partners, LLC, HBD Industries, Inc. and L Brands, Inc., now Bath and Body Works, Inc.

Q. Have you previously filed testimony in any regulatory proceedings?

A. Yes. At American Water I have filed testimony in rate proceedings before the Tennessee Public Utility Commission in Docket No. 24-00032 and the Iowa Utilities Commission in

Docket No. RPU-2024-0002. While employed at American Electric Power I filed testimony in rate proceedings before the Oklahoma Corporation Commission in Case No. PUD 2022-000093, before the Arkansas Public Service Commission in Case No. 23-012-FR, before the Public Service Commission of Kentucky in Case No. 2023-00159, and before the Public Utility Commission of Texas in Docket No. 56165.

Q. Have you previously provided testimony in this proceeding?

A. No, I have not.

Q. What is the purpose of your Rebuttal/Surrebuttal/Sur-Surrebuttal Testimony in this proceeding?

A. The purpose of my Rebuttal/Surrebuttal/Sur-Surrebuttal Testimony is to address the Office of the Public Counsel ("OPC") witness John Riley's recommendations regarding the following:

- Impairments, retirements, and gains/losses
- Net Operating Losses and Excess Accumulated Deferred Income Taxes
- Taxes and the WSIRA
- Gross-up on the Revenue Requirement

Additionally, I address Staff Witness Ashley Sarver's recommendations regarding current and deferred tax expense.

Q. Are you sponsoring any Schedules with your Rebuttal/Surrebuttal/Sur-Surrebuttal Testimony?

A. Yes. I am sponsoring the below Schedules:

- Schlessman RT/ST/SST – Schedule LMS-1

- Schlessman RT/ST/SST – Schedule LMS-2
- Schlessman RT/ST/SST – Schedule LMS-3
- Schlessman RTST/SST – Schedule LMS-4
- Schlessman RT/ST/SST – Schedule LMS-5

II. IMPAIRMENTS, RETIREMENTS, AND GAINS/LOSSES

Q. OPC Witness Riley states that the Company has failed to recognize MAWC specific impairments, retirements or gains/losses in the case. Is this true?

A. No. The Company did include within the current tax expense calculation a tax deduction for property, plant, and equipment retirements in the amount of $7,049,382. This amount is included in the row "Other Book versus Tax Timing Differences" on tab "CAS 10 Calculation 05-31-25" of the Workpaper "2024 GRC-Deferred Tax _Workpaper as filed – 2025-05". The amount is based on an average of estimated property, plant, and equipment retirements for 2024 and 2025. To assist with locating this amount, I have aggregated the necessary tabs from the Workpaper and summarized in Schlessman RT/ST/SST – Schedule LMS-5.

Q. Has the Company ignored the tax benefit and increased the Company's rate of return beyond what the Commission authorized?

A. No. The Company included within Accumulated Deferred Incomes Taxes (ADIT), as a reduction to rate base, deferred taxes on the tax deduction for property, plant, and equipment retirements. Therefore, the Company has properly incorporated tax losses on retirements into ratemaking and is not earning a rate of return beyond what the Commission authorized.

Q. Do you agree with witness Riley's proposal to calculate the tax loss adjustment based

on the 2023 and 2022 tax return Forms 4797?

A. No. The Company calculated the tax deduction of $7,049,382 based on the estimated retirements for 2024 and 2025 in accordance with the case parameters. This method is consistent with the prior case calculation for tax losses from retirements.

Q. Did the Staff include a deduction for tax losses from retirements within the current tax expense calculation?

A. No. The Staff's calculation included tax depreciation, but did not include the tax losses from retirements. However, the Staff's ADIT calculation did properly include the ADIT as a reduction to rate base for deferred taxes on the tax deduction for property, plant, and equipment retirements.

Q. What do you recommend regarding the tax deduction for property, plant, and equipment retirements?

A. I recommend using the Company's proposed tax deduction of $7,049,382 as a part of the current tax expense calculation. I do not recommend lowering this deduction to an estimate based on 2023 and 2022 tax returns, as proposed by OPC witness Riley.

III. NET OPERATING LOSS (NOL) IN EXCESS ACCUMULATED DEFERRED INCOME TAXES (EADIT)

Q. What does OPC Witness Riley propose regarding the Regulatory Asset for NOL Remeasurement?

A. Mr. Riley proposes to remove the Regulatory Asset for NOL Remeasurements from Rate Base. He incorrectly concludes that because the Company is no longer in an NOL position the Regulatory Asset for NOL Remeasurements should be eliminated.

Q. Is what Witness Riley proposes harmful to customers?

A. Yes. OPC Witness Riley's proposal would result in higher income tax expense. I will explain the result of his proposal in detail throughout this section of my testimony.

Q. What is Accumulated Deferred Income Tax ("ADIT")?

A. ADIT arises because the accelerated depreciation provisions of the Internal Revenue Code ("IRC") can result in corporations, such as MAWC, recovering their federal corporate income tax expense through rates at a different (initially earlier) time than they pay the associated taxes to the government. Over the life of the underlying depreciable asset, the deferred tax timing difference reverses and balances. However, when the Company has received tax expense from customers that it does not yet have to pay the government, the ADIT balance that has resulted is recognized as cost-free capital and used to offset rate base.

Q. What is a Net Operating Loss ("NOL")?

A. A "NOL" occurs when, in a given year, a taxpayer has more deductions than taxable revenues. When an NOL occurs, the IRC allows the taxpayer to carry the NOL forward to subsequent years and offset otherwise taxable income produced in that future year.

Q. How is an NOL recorded for tax accounting purposes?

A. A Deferred Tax Asset ("DTA") is recorded in ADIT to use against future tax liabilities. The DTA reduces ADIT. When a Company is in a NOL position it does not receive cost-free capital from the government through accelerated depreciation provisions in the IRC. Instead, the company can carry forward the benefits allowed in the IRC for use in a future year. Below, and attached as Schlessman RT/ST/SST – Schedule LMS-1, is an illustration of the comparison between the tax accounting entries in a Net Operating Income situation and in a Net Operating Loss situation. Note that instead of recording a credit to current tax expense and a debit to taxes payable, a deferred tax asset is recorded in a Net Operating Loss situation. This is because a debit to the payable would indicate that the government owes the Company for the NOL; however, this is not possible because the government will not pay the Company for the inability to use the accelerated tax benefits provided in the IRC. The government only allows the unused deductions to be carried forward to a future year.

Schelssman RT/ST/SST - Schedule LMS-1
Example of Tax Accounting with a Net Operating Loss Carryforward

	Net Operating Income	Net Operating Loss
Pre-Tax Book Income	1,000,000	1,000,000
Book Depreciation	500,000	500,000
Tax Depreciation	(1,100,000)	(2,000,000)
Taxable Income/ (Loss)	400,000	(500,000)
Tax Rate	35%	35%

	Debit/(Credit)	Debit/(Credit)
Current Tax Expense	140,000	-
Deferred Tax Expense	210,000	350,000
Deferred Tax Liability - Plant	(210,000)	(525,000)
Taxes Payable	(140,000)	-
Deferred Tax Asset - NOL	-	175,000

Q. What is Excess Accumulated Deferred Income Taxes ("EADIT")?

A. MAWC, as a regulated utility following Financial Accounting Standards Codification 980, deferred its ADIT balance on the Company's books as a regulatory liability, and if income tax rates had remained the same, the deferral would have been reversed in later years as the Company paid its current federal corporate income tax expense at a rate that was greater than the Company was recovering through rates.

When the federal corporate income tax rate is reduced, as happened with the Tax Cuts and

Jobs Act (TCJA) in 2017 when the rate was reduced from 35% to 21%, and all other things remaining equal, a portion of the deferred taxes will never be paid to the government and thus becomes "excess." Similarly, DTAs resulting from the ability to take future tax deductions are devalued and become "deficient".

Q. When the tax rate is decreased, how is an NOL DTA effected?

A. As with all other deferred tax assets and liabilities, the NOL DTA must be remeasured when a tax rate changes. In the case of a tax rate decrease with the TCJA in 2017, the tax deductions that could not be used in the past because the Company is in an NOL position will not be as valuable in the future. Therefore, the NOL DTA decreases. For a regulated utility, the remeasurement, <u>not the NOL itself</u>, is recorded into a regulatory asset and is amortized through deferred tax expense based on a Commission order or based on the normalization requirements of the IRC. The regulated utility's rate base includes the regulatory asset until it is fully amortized. Schlessman RT/ST/SST – Schedule LMS-2, a continued illustration of the NOL tax accounting in LMS-1, demonstrates the tax accounting and rate base impacts of the remeasurement of a NOL DTA. Note that the NOL remains in deferred taxes while the remeasurement is recorded in the regulatory asset.

Schlessman RT/ST/SST - Schedule LMS-2
Example of Tax Accounting for a Tax Rate Change

	Net Operating Loss
Pre-Tax Book Income	1,000,000
Book Depreciation	500,000
Tax Depreciation	(2,000,000)
Taxable Income/ (Loss)	(500,000)
Year 1 Rate	35%
Year 2 Rate	21%
Gross-up Rate	1.27
EADIT Amortization Period	4 years

		Year 1 Debit/(Credit)	Remeasurement Debit/(Credit)	Year 2 Debit/(Credit)	Year 3 Debit/(Credit)	Year 4 Debit/(Credit)	Year 5 Debit/(Credit)
	Deferred Tax Expense	350,000		(35,000)	(35,000)	(35,000)	(35,000)
(a)	Deferred Tax Liability - PPE	(525,000)	210,000				
(a)	Deferred Tax Asset on Excess ADIT		55,823	(13,956)	(13,956)	(13,956)	(13,956)
(b)	Regulatory Liability PPE - Excess ADIT		(265,823)	66,456	66,456	66,456	66,456
(a)	Deferred Tax Asset - NOL	175,000	(70,000)				
(a)	Deferred Tax Liability on Deficient ADIT		(18,608)	4,652	4,652	4,652	4,652
(b)	Regulatory Asset NOL - Deficient ADIT		88,608	(22,152)	(22,152)	(22,152)	(22,152)
	Deferred Taxes - Sum of (a)	(350,000)	(172,785)	(182,089)	(191,392)	(200,696)	(210,000)
	Regulatory Assets/Liabilities - Sum of (b)	-	(177,215)	(132,911)	(88,608)	(44,304)	-
	Rate Base	(350,000)	(350,000)	(315,000)	(280,000)	(245,000)	(210,000)

Q. What does the Company have on its books for Deferred Taxes and Regulatory Assets associated with NOLs?

A. The Company had a Federal NOL DTA at December 31, 2017 that was remeasured in accordance with TCJA. Additionally, a State NOL DTA at December 31, 2019 was remeasured in accordance with Missouri legislation[1]. The remeasurements of the NOLs for Federal and State purposes were recorded to a regulatory asset and the balances are detailed in EADIT Amortization schedule[2] provided with the filing of this Case. Since that time, the Federal and State NOLs have been used and were removed from ADIT. The Regulatory Asset for the NOL Remeasurements are being amortized in accordance with the order received in Case No WR-2020-0344. Schlessman RT/ST/SST – Schedule LMS-3 is a copy of the EADIT Amortization schedule provided in the case. A summation

[1] Section 143.071, RSMo, reduced the tax rate on corporations to 4.0% for tax years beginning January 1, 2020.
[2] Worksheet entitled "E – EADIT" contained in 2024 GRC-Deferred Tax_Workpaper.xls provided with initial case filing.

column titled "Balance at 12/31/2024" of the balances at December 31, 2024 has been added to show the totals through 2024. The total balance of the Regulatory Asset for NOL Remeasurement for Federal and State NOLs is $20,653,149. As demonstrated in the tax accounting example in LMS-2, the balance is a regulatory asset within the overall regulatory liability. The Company is proposing to include within the tax expense calculation for this case an amount of $1,978,980 for the deficient amortization on the Regulatory Asset for NOL Remeasurements as indicated in LMS-3, column "Annual Amort".

Q. What is the flaw in OPC Witness Riley's logic regarding the NOL EADIT?

A. Mr. Riley incorrectly states that the Company is amortizing an NOL as opposed to using the NOL against taxable income. However, the NOLs have been used and are no longer included in Deferred Taxes, and it is the Regulatory Asset for NOL Remeasurements that is included in Rate Base and is being amortized in accordance with the order received in Case No WR-2020-0344.

Q. OPC Witness Riley states that the Regulatory Asset for NOL Remeasurement balance through 2024 is $21,371,624. Is this correct?

A. No. The balance is $20,653,149 as indicated in Schlessman RT/ST/SST – Schedule LMS-3.

Q. Do you agree with Mr. Riley's proposal to remove the Regulatory Asset for NOL Remeasurement from Rate Base?

A. No. OPC Witness Riley fails to address the consequence to customers if the Regulatory Asset for NOL Remeasurement is removed from Rate Base. Below would be the accounting entry required based on his proposal and included in Schlessman RT/ST/SST

– Schedule LMS-4. The result would be immediate tax expense in cost of service of $15,729,381 and an increase to the Revenue Requirement of $20,653,149 after gross-up for taxes.

Schlessman RT/ST/SST - Schedule LMS-4
Tax Accounting to remove Regulatory Asset for NOL Remeasurement

Balance at December 31, 2024	20,653,149	Per LMS-3
Gross-up Rate	1.31303	Per LMS-3

	Debit/(Credit)
Deferred Tax Expense	15,729,381
Deferred Tax Liability on Deficient ADIT	4,923,768
Regulatory Asset NOL - Deficient ADIT	(20,653,149)

Q. Staff Witness Sarver states that OPC Witness Riley's approach could result in a normalization violation. Do you agree?

A. Yes. A portion of the balance is "protected" in nature, meaning that the Average Rate Assumption Method ("ARAM") must be followed for amortization through rates. Of the $20,653,149 amount at 12/31/2024, $12,166,039 is protected in nature (See Schlessman RT/ST/SST – Schedule LMS-3). The amount was determined as part of the Case No WR-2020-0344 by applying the "with and without" accelerated depreciation methodology as recommended in IRS guidance. The "with and without" method determines the portion of the NOL which is attributable to accelerated depreciation and therefore protected under normalization requirements.

Q. What do you propose regarding the Regulatory Asset for NOL Remeasurement?

A. I propose to keep the Regulatory Asset for NOL Remeasurement in Rate Base as ordered in Case No WR-2020-0344 and continue to amortize the balance as proposed in the case to avoid subjecting customers to a $20M revenue requirement increase.

Q. Does Staff agree with continuing the past practice of including the Regulatory Asset for NOL Remeasurement in Rate Base?

A. Yes. Staff and the Company agree with the ADIT balance of $596,570,400 as of June 30, 2024.[3] This balance is inclusive of the Regulatory Asset for NOL Remeasurement. Furthermore, the Company and Staff agree to continue to amortize the balance on an annual basis.[4]

IV. TAXES AND THE WSIRA

Q. What is OPC Witness Riley proposing regarding WSIRA income tax?

A. Witness Riley is proposing to exclude income tax expense on WSIRA revenue calculations due to the absence of a current tax liability.[5]

Q. **Do you agree with OPC Witness Riley's proposal?**

A. No. Mr. Riley states that income taxes should not be calculated in the interim because there aren't any due. However, this is not accurate because income tax expense is based on both current and deferred taxes in accordance with Accounting Standards Codification for Income Taxes (ASC 740) and Accounting Standards Codification for Regulated Operations (ASC 980). Furthermore, excluding deferred taxes from the calculation would lead to a mismatch between ADIT included in the WSIRA and the deferred taxes in the revenue requirement.

Q. What do you propose regarding the tax calculation on WSIRA revenues?

A. I propose to continue the practice of calculating taxes on WSIRA revenues, in accordance with ASC 740 and ASC 980 guidelines and consistent with fundamental ratemaking and

[3] Sarver DT/RT, p. 25.
[4] Sarver DT/RT, p. 27.
[5] Riley DT/RT, p. 14.

economic principles, and include both current and deferred taxes.

Q. Do any other Company witnesses discuss Mr. Riley's proposal regarding WSIRA?

A. Yes. Please see the Rebuttal/Surrebuttal/Sur-Surrebuttal testimony of Brian LaGrand.

V. GROSS-UP ON THE REVENUE REQUIREMENT

Q. OPC Witness Riley states that a gross-up on tax is not required because the Company is not in a taxable situation. Is this correct?

Q. No. The Company does have tax expense and is including the amount in the revenue requirement. Tax expense includes both current and deferred taxes. The absence of current tax expense does not mean the Company is not in a taxable situation. The Company has deferred tax expense which it must pay to the government in the future and therefore has taxes to collect from customers. The gross-up on tax expense ensures that the Company is made whole because taxes collected in the revenue requirement are not deductible. Therefore, each dollar of tax collected in the revenue requirement will also be taxed. Below is an illustration that demonstrates the importance of a gross-up in the revenue requirement. As demonstrated in the example, the Company will not meet its authorized revenue requirement without a gross-up rate applied to income tax expense.

Illustration of Gross-Up Rate

Line			
1		1,000,000	Rate Base
2		7.68%	Authorized Rate of Return
3	Line 1 * Line 2	76,800	Revenue Requirement
4		21%	Tax Rate
5		1.27	Gross-up Rate = 1/(1-.21)
Example A: Without Gross-Up			
6	Line 3	76,800	Return on Rate Base
7	**Line 3 * Line 4**	**16,128**	**Tax Expense on Return of Rate Base**
8	Line 6 + Line 7	92,928	Return of Rate Base plus Tax Expense
9	**Line 8 * Line 4**	**19,515**	**Tax Expense**
10	Line 8 - Line 9	73,413	Net Income does not equal revenue requirement
11	**Line 10 - Line 7**	**3,387**	**Tax expense owed over tax expense collected in rates**
Example B: With Gross-Up			
12	Line 3	76,800	Return on Rate Base
13	**Line 7 * Line 5**	**20,415**	**Tax Expense on Return of Rate Base with Gross-Up**
14	Line 12 + Line 13	97,215	Revenue Requirement before taxes
15	**Line 14 * Line 4**	**20,415**	**Tax Expense**
16	Line 14 - Line 15	76,800	Net Income equals revenue requirement
17	**Line 16 - Line 13**	**-**	**Tax expense owed equals tax expense collected in rates**

Q. Is the fact that the Company does not have current tax expense relevant to the use of a gross-up factor on tax expense?

A. No. As discussed previously, tax expense includes both current and deferred tax expense in accordance with ASC 740 and ASC 980 guidelines. Tax expense is included in the revenue requirement and the collection of this revenue will be taxed regardless of the nature of current or deferred.

Q. What do you propose regarding the use of a gross-up rate?

A. I propose the Commission approve the use of a gross-up rate as included in the Company's filing which is consistent with prior cases.

VI. CURRENT AND DEFERRED TAX EXPENSE IN STAFF CALCULATIONS

Q. Do you agree with Staff Witness Sarver's Tax Testimony and Tax Calculation Methodology?

A. Yes, apart from the following:

- The exclusion of tax losses for retirements and non-plant timing differences in the current and deferred tax expense calculation; and
- The use of the Straight-Line Tax Ratio in the deferred tax expense calculation.

Q. Staff Witness Sarver's current tax expense calculation does not include a deduction for tax losses on retired assets or non-plant timing differences. Do you agree with this?

A. No. I propose to include deductions as included in the Company's calculations for tax losses on retirements and non-plant timing differences. These calculations are detailed in the 2024 GRC-Deferred Tax_Workpaper as filed – 2025-05 Revision, Tab CAS 10 Calculation 05-31-25 for "Gain/Loss" and "Other Book versus Tax Timing Differences" which relate to non-plant timing differences. While the inclusion of these deductions will affect current tax expense with an offset to deferred tax expense and not impact tax expense in cost of service, it will align the deferred taxes in the case to those included in the ADIT balance in Rate Base.

Q. Staff Witness Sarver includes a Straight-Line Tax Ratio when calculating deferred tax expense. Do you agree with this?

A. No. The effect of the Straight-Line Tax Ratio in Ms. Sarver's deferred tax calculation is flow-through tax accounting on a portion of the timing difference related to property. The Company does not calculate tax expense using a flow-through methodology on property related timing differences in this manner. Instead, the Company flows-through the book depreciation portion of the timing difference on property in which tax depreciation was previously flown-through using the Reverse South Georgia ("RSG") method. The amount is $597,515 and is detailed in the 2024 GRC-Deferred Tax_Workpaper as filed – 2025-05 Revision, Tab CAS 10 Calculation 05-31-25 rows "Legacy RSG Federal" and "Legacy RSG State". Because Staff agrees with the Company's ADIT balance as of June 30, 2024, which includes the deferred taxes on property timing differences outside the Legacy RSG method, the Straight-Line Ratio method should be eliminated, and the full book depreciation amount should be included in the timing difference used to calculate deferred taxes. The Straight-Line Tax Ratio method inflates tax expense beyond what is proposed by the Company in the case. I propose that the Legacy RSG method continue and the Straight-Line Tax Ratio method in Staff Witness Sarver's calculation be removed so that the tax expense calculation is aligned with the ADIT in rate base and aligns with the Company's tax accounting method.

Q. Does this conclude your Rebuttal/Surrebuttal/Sur-Surrebuttal Testimony?

A. Yes, it does.

Schelssman RT/ST/SST - Schedule LMS-1

Example of Tax Accounting with a Net Operating Loss Carryforward

	Net Operating Income	Net Operating Loss
Pre-Tax Book Income	1,000,000	1,000,000
Book Depreciation	500,000	500,000
Tax Depreciation	(1,100,000)	(2,000,000)
Taxable Income/ (Loss)	400,000	(500,000)
Tax Rate	35%	35%

	Debit/(Credit)	Debit/(Credit)
Current Tax Expense	140,000	-
Deferred Tax Expense	210,000	350,000
Deferred Tax Liability - Plant	(210,000)	(525,000)
Taxes Payable	(140,000)	-
Deferred Tax Asset - NOL	-	175,000

Schlessman RT/ST/SST - Schedule LMS-2
Example of Tax Accounting for a Tax Rate Change

	Net Operating Loss
Pre-Tax Book Income	1,000,000
Book Depreciation	500,000
Tax Depreciation	(2,000,000)
Taxable Income/ (Loss)	(500,000)
Year 1 Rate	35%
Year 2 Rate	21%
Gross-up Rate	1.27
EADIT Amortization Period	4 years

		Year 1 Debit/(Credit)	Remeasurement Debit/(Credit)	Year 2 Debit/(Credit)	Year 3 Debit/(Credit)	Year 4 Debit/(Credit)	Year 5 Debit/(Credit)
	Deferred Tax Expense	350,000		(35,000)	(35,000)	(35,000)	(35,000)
(a)	Deferred Tax Liability - PPE	(525,000)	210,000				
(a)	Deferred Tax Asset on Excess ADIT		55,823	(13,956)	(13,956)	(13,956)	(13,956)
(b)	Regulatory Liability PPE - Excess ADIT		(265,823)	66,456	66,456	66,456	66,456
(a)	Deferred Tax Asset - NOL	175,000	(70,000)				
(a)	Deferred Tax Liability on Deficient ADIT		(18,608)	4,652	4,652	4,652	4,652
(b)	Regulatory Asset NOL - Deficient ADIT		88,608	(22,152)	(22,152)	(22,152)	(22,152)
	Deferred Taxes - Sum of (a)	(350,000)	(172,785)	(182,089)	(191,392)	(200,696)	(210,000)
	Regulatory Assets/Liabilities - Sum of (b)	-	(177,215)	(132,911)	(88,608)	(44,304)	-
	Rate Base	(350,000)	(350,000)	(315,000)	(280,000)	(245,000)	(210,000)

Missouri American Water
Case No. WR-2024-3020
Case No. SR-2024-0321
EADIT Amortization

	Item	Method	Period	Type	Dec 2017 EADIT	Dec 2019 EADIT	Total EADIT	Amortization 2018	2019	2020	2021	2022	2023	2024
	Utility Plant in Service (PowerTax)													
	Method / Life	ARAM	Asset Life	Protected	87,400,056		87,400,056	1,347,453	1,481,934	1,387,699	1,910,440	1,247,230	1,278,139	2,081,122
	Cost of Removal	Straight-Line	10	Unprotected	(3,760,653)		(3,760,653)	(376,065)	(376,065)	(376,065)	(376,065)	(376,065)	(376,065)	(376,065)
	Repairs	Straight-Line	10	Unprotected	72,455,741		72,455,741	7,245,574	7,245,574	7,245,574	7,245,574	7,245,574	7,245,574	7,245,574
	Taxable CIAC	ARAM	Asset Life	Protected	(5,233,286)		(5,233,286)	(310,249)	(310,315)	(310,245)	(310,245)	(310,644)	(310,534)	(310,201)
	All Other Federal	Straight-Line	10	Unprotected	11,330,762		11,330,762	1,133,076	1,133,076	1,133,076	1,133,076	1,133,076	1,133,076	1,133,076
	Federal Benefit of State	Straight-Line	10	Unprotected	(10,105,779)		(10,105,779)	(1,010,578)	(1,010,578)	(1,010,578)	(1,010,578)	(1,010,578)	(1,010,578)	(1,010,578)
	State Benefit of Federal	Straight-Line	10	Unprotected		4,246,359	4,246,359			424,636	424,636	424,636	424,636	424,636
	State	Straight-Line	10	Unprotected		23,846,082	23,846,082			2,384,608	2,384,608	2,384,608	2,384,608	2,384,608
	Sub-Total (UPIS)				**152,086,841**	**28,092,441**	**180,179,282**	**8,029,211**	**8,163,627**	**10,878,705**	**11,401,446**	**10,737,837**	**10,768,856**	**11,572,172**
	CWIP, CAC, and other Non-UPIS Plant items													
	Plant Customer Advances	Straight-Line	10	Unprotected	(2,767,893)	(198,718)	(2,966,611)	(276,789)	(276,789)	(296,661)	(296,661)	(296,661)	(296,661)	(296,661)
	Plant CWIP	Straight-Line	10	Unprotected	(2,047)	24,491	22,445	(205)	(205)	2,244	2,244	2,244	2,244	2,244
	CIAC WIP	Straight-Line	10	Unprotected	(148,263)	(15,811)	(164,075)	(14,826)	(14,826)	(16,407)	(16,407)	(16,407)	(16,407)	(16,407)
	Plant 481	Straight-Line	10	Unprotected	940,523		940,523	94,052	94,052	94,052	94,052	94,052	94,052	94,052
(a)(b)	Federal NOLC	ARAM	Asset Life	Protected	(10,293,275)		(10,293,275)	(94,204)	(137,620)	(134,976)	(200,461)	(117,329)	(121,215)	(221,849)
(a)	Federal NOLC	Straight-Line	10	Unprotected	(12,525,338)		(12,525,338)	(1,252,534)	(1,252,534)	(1,252,534)	(1,252,534)	(1,252,534)	(1,252,534)	(1,252,534)
(a)	State NOLC	Straight-Line	10	Unprotected		(5,166,647)	(5,166,647)	-	-	(516,665)	(516,665)	(516,665)	(516,665)	(516,665)
(a)	State Benefit of Federal	Straight-Line	10	Unprotected		(245,669)	(245,669)			(24,567)	(24,567)	(24,567)	(24,567)	(24,567)
	Sub-Total (Non-UPIS)				(24,796,293)	(5,602,354)	(30,398,647)	(1,544,506)	(1,587,922)	(2,145,513)	(2,210,998)	(2,127,866)	(2,131,752)	(2,232,386)
	Sub-Total Plant				**127,290,548**	**22,490,087**	**149,780,635**	**6,484,705**	**6,575,705**	**8,733,192**	**9,190,448**	**8,609,971**	**8,637,104**	**9,339,787**
	Non-Plant													
	Other	Straight-Line	10	Unprotected	(121,030)	(1,554,066)	(1,675,095)	(12,103)	(12,103)	(167,510)	(167,510)	(167,510)	(167,510)	(167,510)
	State Benefit of Federal	Straight-Line	10	Unprotected	-	(506,391)	(506,391)			(50,639)	(50,639)	(50,639)	(50,639)	(50,639)
	Total				**127,169,518**	**20,429,631**	**147,599,149**	**6,472,602**	**6,563,602**	**8,515,043**	**8,972,299**	**8,391,822**	**8,418,955**	**9,121,638**

Item	Balance at 12/31/2024	2025	2026	Stub Period (Jan 2018 to May 2021) Accumulated Amort	2.5 Yrs - Start June 2021 Annual Amort	Regular (06/01/25 - 05/31/26) Annual Amort	Reserve/Tracker	Amortization - 3 YR	Total Amortizaton	Regular (06/01/24 - 05/31/25) Annual Amort
Utility Plant in Service (PowerTax)										
Method / Life	**76,666,039**	1,379,289	1,568,637	5,013,103	2,005,241	1,458,184	(98,711)	(32,904)	1,425,281	1,788,692
Cost of Removal	**(1,128,196)**	(376,065)	(376,065)	(1,284,890)	(513,956)	(376,065)	-	-	(376,065)	(376,065)
Repairs	**21,736,722**	7,245,574	7,245,574	24,755,711	9,902,285	7,245,574	-	-	7,245,574	7,245,574
Taxable CIAC	**(3,060,852)**	(310,201)	(310,201)	(1,060,078)	(424,031)	(310,201)	(369)	(123)	(310,324)	(310,201)
All Other Federal	**3,399,229**	1,133,076	1,133,076	3,871,344	1,548,537	1,133,076	-	-	1,133,076	1,133,076
Federal Benefit of State	**(3,031,734)**	(1,010,578)	(1,010,578)	(3,452,808)	(1,381,123)	(1,010,578)	-	-	(1,010,578)	(1,010,578)
State Benefit of Federal	**2,123,179**	424,636	424,636	601,567	240,627	424,636	-	-	424,636	424,636
State	**11,923,041**	2,384,608	2,384,608	3,378,195	1,351,278	2,384,608	-	-	2,384,608	2,384,608
Sub-Total (UPIS)	**108,627,429**	**10,870,340**	**11,059,688**	**31,822,145**	**12,728,858**	**10,949,235**	**(99,080)**	**(33,027)**	**10,916,208**	**11,279,742**
CWIP, CAC, and other Non-UPIS Plant items										
Plant Customer Advances	**(929,727)**	(296,661)	(296,661)	(973,848)	(389,539)	(296,661)	-	-	(296,661)	(296,661)
Plant CWIP	**11,632**	2,244	2,244	2,770	1,108	2,244	-	-	2,244	2,244
CIAC WIP	**(52,385)**	(16,407)	(16,407)	(52,897)	(21,159)	(16,407)	-	-	(16,407)	(16,407)
Plant 481	**282,157**	94,052	94,052	321,345	128,538	94,052	-	-	94,052	94,052
Federal NOLC	**(9,265,622)**	(133,928)	(157,648)	(450,326)	(180,130)	(143,811)	12,412	4,137	(139,674) **(b)**	(185,215)
Federal NOLC	**(3,757,601)**	(1,252,534)	(1,252,534)	(4,279,490)	(1,711,796)	(1,252,534)	-	-	(1,252,534) **(b)**	(1,252,534)
State NOLC	**(2,583,323)**	(516,665)	(516,665)	(731,942)	(292,777)	(516,665)	-	-	(516,665) **(b)**	(516,665)
State Benefit of Federal	**(122,835)**	(24,567)	(24,567)	(34,803)	(13,921)	(24,567)	-	-	(24,567) **(b)**	(24,567)
								-	-	-
Sub-Total (Non-UPIS)	(16,417,704)	(2,144,465)	(2,168,185)	(6,199,190)	(2,479,676)	(2,154,348)	12,412	4,137	(2,150,211)	(2,195,752)
Sub-Total Plant	**92,209,725**	**8,725,875**	**8,891,503**	**25,622,955**	**10,249,182**	**8,794,886**	**(86,668)**	**(28,889)**	**8,765,997**	**9,083,990**
Non-Plant										
Other	**(813,342)**	(167,510)	(167,510)	(261,511)	(104,604)	(167,510)	-	-	(167,510)	(167,510)
State Benefit of Federal	**(253,196)**	(50,639)	(50,639)	(71,739)	(28,695)	(50,639)	-	-	(50,639)	(50,639)
Total	**91,143,187**	**8,507,726**	**8,673,354**	**25,289,705**	**10,115,882**	**8,576,738**	**(86,668)**	**(28,889)**	**8,547,848**	**8,865,841**
Sum of (a)	**(15,729,381)**		GROSSED UP	33,206,141	13,282,456	11,261,514	(113,797)	(37,932)	11,223,581	**(1,978,980)**
Regulatory Asset (Above times Conversion Factor)	**(20,653,149)**									**(2,598,461)**
									0	
Protected Portion (b)	**(9,265,622)**									
Regulatory Asset (Above times Conversion Factor)	**(12,166,039)**								**Sum of (b)**	
									Deficient Amortization Grossed Up (Above times Conversion Factor)	

Gross Revenue Conversion Factor	
Revenue	1,000.0
Uncollectibles Rate	0.0000%
Uncollectibles	0.0
PSC Assessment Rate	0.0000%
PSC Assessment	0.0
Before Tax Amount	1,000.000
SIT Rate	3.5951%
State Income Taxes	35.951
FIT Rate	20.2450%
Federal Income Taxes	202.450
Total Taxes and Expenses	238.401
Net Amount	761.599
Conversion Factor	**1.313030**

Schlessman RT/ST/SST - Schedule LMS-4
Tax Accounting to remove Regulatory Asset for NOL Remeasurement

Balance at December 31, 2024	20,653,149	Per LMS-3
Gross-up Rate	1.31303	Per LMS-3

	Debit/(Credit)
Deferred Tax Expense	15,729,381
Deferred Tax Liability on Deficient ADIT	4,923,768
Regulatory Asset NOL - Deficient ADIT	(20,653,149)

Schlessman RT/ST/SST - Schedule LMS-5
Tax Loss Calculation

From the Taxable Income Calculation:	5/31/2025	Workpaper Reference
Excess of Tax Depreciation Over Book	9,118,498	CAS 10 Calculation 05-31-25
Other Book versus Tax Timing Differences	233,347,240	CAS 10 Calculation 05-31-25
Total Timing Differences	242,465,738	

Detail of Other Book versus Tax Timing Differences:		
Excess of Tax Depreciation Over Book	9,118,498	CAS 10 Calculation 05-31-25
Gain/loss	28,813,617	CAS 10 Calculation 05-31-25
Taxable CIAC	-	CAS 10 Calculation 05-31-25
Repairs	196,437,510	CAS 10 Calculation 05-31-25
Other Book versus Tax Timing Differences	8,096,113	CAS 10 Calculation 05-31-25
Total Book versus Tax Timing Differences	242,465,738	Ties to Total Timing Differences above

Detail of Gain/Loss:	12/31/24 (Note 1)	12/31/25 (Note 2)	05/31/25	
Cost of Removal	23,981,607	18,659,916	21,764,236	
Tax Loss on Retirements	8,011,747	5,702,070	7,049,382	
	31,993,354	24,361,986	28,813,617	Ties to Gain/Loss above

Note 1: From 2024 Rpt 216 total
Note 2: From 2025 Rpt 216 total