



1

Capital Investment Planning

Missouri American Water Planning Approach

- Missouri American Water utilizes on-going plant and network analyses to determine system deficiencies and recommended resolutions, then uses a risk-based prioritization to develop its capital program.
- The due diligence associated with developing the capital investment needs for an acquisition is progressive. It begins with a high-level estimate and is improved through subsequent phases when increased access and information are available.

Neosho Investment Planning

- At this stage only initial site visits, limited discussions, and publicly available information can be used to estimate a rough investment figure.
- Following a vote to approve the sale, Missouri American Water intends to hire consultants to perform additional in-depth condition assessments for water and wastewater assets which will be used to refine the multi-year investment plan.



2

2

Water and Wastewater Network Investment

Missouri American Water Investment Approach

- Missouri American Water generally targets a replacement or rehabilitation rate of 1% per year throughout the state, though the specific investment in any individual year or system may vary.
- Water main replacement is prioritized based on many factors including break history, service quality, pipeline criticality, etc.
- Wastewater rehabilitation is prioritized based on risk to customer service or regulatory requirement, and utilizes I&I monitoring, smoke testing, CCTV, etc.



Neosho Conceptual Investment

- The initial water network investment estimate for Neosho includes a 1% replacement rate which is estimated at \$2.6M per year.
- The initial wastewater network investment estimate for Neosho included a 1.5% rehabilitation rate which is estimated at \$370,000 per year.
- Network replacement and rehabilitation is an on-going program. Perpetual future replacement and rehabilitation would target a similar yearly replacement rate at future dollars.
- A distribution and collection Service Center is anticipated for \$4M.

3

3

Water and Wastewater Network Investment

Missouri American Water Investment Approach

- Plant investment recommendations are developed through on-going capital planning process. The specific projects implemented are prioritized based on their importance to maintaining safe, adequate, and reliable service to our customers.



Neosho Conceptual Investment

- The initial estimate for investment in water plant assets for Neosho totaled approximately \$3.5M in the first 5 years, which will be refined through more detailed planning efforts prior to close. Potential projects include:
 - Conversion from gaseous chlorine to bulk sodium hypochlorite
- The initial estimate for investment in wastewater plant assets for Neosho totaled approximately \$31.1M in the first 5 years, which will be refined through more detailed planning efforts prior to close. Potential projects include:
 - Replacement of Buffalo Lift-station
 - Installation of sludge processing equipment
 - Closure of Crowder WWTP

4

4

Questions



FOR INTERNAL USE ONLY – CONFIDENTIAL AND PROPRIETARY – DRAFT

5