

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of the Petition of Missouri-American Water Company for Approval to Establish a Water and Sewer Infrastructure Rate Adjustment (WSIRA) ) **Case No. WR-2025-0345**

**MAWC STATEMENT OF POSITION**

**COMES NOW** Missouri-American Water Company (“MAWC” or “Company”), and, as its *Statement of Position* concerning the issue contained in the *List of Issues, Order of Opening Statements, Order of Witnesses, and Order of Cross-Examination* filed on January 20, 2026, states as follows to the Missouri Public Service Commission (“Commission”):

**Should the gross-up on income taxes be included in the WSIRA revenue requirement?**

**MAWC Position:** Yes. A tax gross-up is a fundamental ratemaking principle and the WSIRA statutes require inclusion of the state, federal, and local income or excise taxes applicable to such revenues.

Section 393.1503(1), RSMo, defines “appropriate pre-tax revenues” as “the revenues necessary to produce net operating income equal to:

- (a) **The water or sewer corporation's pretax weighted cost of capital** multiplied by the net original cost of eligible infrastructure system projects, including recognition of accumulated deferred income taxes and accumulated depreciation associated with eligible infrastructure system projects which are included in the petition to establish or change a WSIRA, plus accumulated deferred income taxes and accumulated depreciation associated with any eligible infrastructure system projects in a currently effective WSIRA implemented pursuant to sections 393.1506 and 393.1509;
- (b) **The state, federal, and local income or excise taxes applicable to such revenues;**

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(emphasis added)

Cost of service in the revenue requirement includes income tax expense based on the obligation to pay the government both today and tomorrow. Because the tax expense owed to the government is not deductible now or in the future, a tax gross-up is included so that the Company is not harmed by the inability to deduct income tax expense. Because not all the tax collected in cost of service will be paid immediately to the government, an accumulated deferred income tax liability is recorded and reduces rate base, which in turn reduces the revenue requirement. One cannot simply pick and choose when to charge a tax gross-up rate based on isolating one element of ratemaking.

Removing the tax gross-up rate from the pre-tax rate of return would prohibit the Company from having an opportunity to earn its authorized after-tax rate of return. The exclusion of a gross-up on the taxes would indicate that they are not being fully collected as required by statute. The Company will file and pay its taxes properly as required by the IRS regardless of the inclusion or exclusion of a gross-up in ratemaking. The gross-up simply ensures that tax expense is properly included in the revenue requirement so that the Company can earn its authorized rate of return.

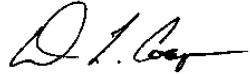
The Commission should reject OPC's recommended adjustment and adopt the WSIRA revenue requirement of \$15,567,151 recommended by Staff and supported by the Company.

*LaGrand Dir., pp. 5-9; Reb., pp. 2-5.  
Schlessman Dir., All; Reb., All.*

**WHEREFORE**, MAWC respectfully requests the Commission consider this *Statement*

of Position and issue such orders as it should find to be reasonable and just.

Respectfully submitted,



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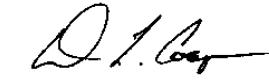
ATTORNEYS FOR MISSOURI-AMERICAN WATER COMPANY

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the above and foregoing document was sent via electronic mail on this 21<sup>st</sup> day of January, 2026, to:

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