Exhibit No.: 132
Issues: Regulatory Deferral – Security AAO, Security AAO – Accumulated Deferred Taxes, Pension and OPEB Tracker, Tank Painting Tracker, Rate Case Expense, Overtime, Defined Contribution Plan Expenses, 401k Expenses, Low Income Tariff, Imputation of Revenue, Interdistrict Subsidy or Revenue Contributions, Phase-In Plan
Witness: Dennis R. Williams
Exhibit Type: Surrebuttal
Sponsoring Party: Missouri-American Water Company
Case No.: WR-2010-0131
SR-2010-0135
Date: May 6, 2010

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WR-2010-0131
CASE NO. SR-2010-0135

SURREBUTTAL TESTIMONY

OF

DENNIS R. WILLIAMS

ON BEHALF OF

MISSOURI-AMERICAN WATER COMPANY

MAWC Exhibit No. 132
Date 5-17-10 Reporter KF
File No WR-2010-0131

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-2010-0131** **CASE NO. SR-2010-0135**

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 "Surrebuttal Testimony of Dennis R. Williams"; that said testimony was prepared by him and/or under his direction and supervision; that if inquires were made as to the facts in said testimony, he would respond as therein set forth; and that the aforesaid testimony is true and correct to the best of his knowledge.

Dennis R Williams

Dennis R. Williams

State of Missouri
County of St. Louis
SUBSCRIBED and sworn to
Before me this 20th **day of** April **2010.**

Staci A. Olsen

Notary Public

My commission expires:

STACI A. OLSEN
Notary Public – Notary Seal
STATE OF MISSOURI
St. Charles County
Commission Number 09519210
My commission expires March 20, 2013

SURREBUTTAL TESTIMONY
DENNIS R. WILLIAMS
MISSOURI-AMERICAN WATER COMPANY
CASE NO. WR-2010-0131
SR-2010-0135

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SURREBUTTAL TESTIMONY

DENNIS R. WILLIAMS

WITNESS INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME AND ADDRESS

A. My name is Dennis R. Williams. My business address is 727 Craig Road, St. Louis, Missouri.

Q. BY WHOM ARE YOU EMPLOYED?

A. I am employed by American Water Services Company.

Q. ARE YOU THE SAME DENNIS WILLIAMS WHO SUBMITTED DIRECT AND REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. I will address portions of rebuttal testimony filed by Missouri Public Service Commission Staff ("Staff") witnesses Kimberly Bolin, James Busch, Jermaine Green, and Amanda McMellen regarding: the propriety of inclusion of a regulatory deferral for security AAO assets in rate base; the need for consistency between deferred charges and associated deferred taxes; pension and OPEB tracker mechanisms; rate case expense; overtime labor; comprehensive planning study; and low-income tariffs. I will also address portions of the rebuttal testimony of Office of the Public Counsel ("OPC") witnesses Ted Robertson and Barbara Meisenheimer regarding the rate treatment of the unamortized security

AAO balance, as well as OPC's incorrect calculation and inconsistent treatment of related deferred taxes; rate treatment of the tank painting tracker; revenue imputation for previously approved contract rates; and OPC's suggested phase-in plan.

1. REGULATORY DEFERRAL – SECURITY AAO

Q. WHAT IS THE VALUE OF THE REGULATORY DEFERRAL FOR SECURITY CHARGES AND HOW DID IT ARISE?

A. Subsequent to the terrorist attacks of September 11, 2001, MAWC, working in cooperation with other utilities and the Missouri Governor's Committee on Homeland Security, expended over $5.3 million over a two year period to improve security of its water treatment, transmission and distribution facilities. Deferral of these expenditures was determined to be appropriate by the Commission in Case No. WO-2002-273, wherein an Accounting Authority Order was approved allowing the Company to defer these costs for subsequent rate treatment, with amortization over a ten year period to begin in January 2003. The Company included in its filing in the current rate case inclusion in rate base of the unamortized balance of this account at April 30, 2010 – the true-up date in this case – of $1,397,046.

Q. WHAT ARE THE POSITIONS OF OTHER PARTIES IN THIS CASE REGARDING RECOVERY OF THE DEFERRED SECURITY COSTS?

A. Only two other parties have taken a position on this issue in the current case. OPC, in its direct filing, opposed inclusion of this item in rate base. Staff originally included the unamortized deferred security AAO costs in rate base, but in rebuttal testimony, Staff witness McMellan indicated that Staff's position is now to not allow rate base treatment.

Q. HOW HAS STAFF JUSTIFIED THE EXCLUSION FROM RATE BASE?

A. Staff Witness McMellen, at page 2 of her rebuttal testimony, states that the exclusion is based on precedent established by the Commission in a Missouri Gas Energy ("MGE") case (Case No. GR-98-140). She states:

> In that case, the Commission's Order noted that by using a 10-year amortization period to reflect the deferral in rates, it was recognizing a shorter amortization period than the 20 years the Staff had recommended, and had been approved by the Commission for MGE, in prior cases. Given this reduced amortization period, the Commission deemed it proper for the ratepayers and shareholders to share the effect of the regulatory lag by allowing MGE to earn a return of, but not a return on, the deferred balance.

Q. DO YOU AGREE WITH MS. MCMELLEN'S CONCLUSION THAT THE REFERENCED ORDER ESTABLISHED PRECEDENT THAT SHOULD BE APPLIED IN THIS CASE?

A. No. Ms. McMellen's own testimony points out that the Commission in the referenced case excluded rate base treatment only in return for allowing the Company to adopt a shorter amortization period than had originally been proposed. Moreover, the Commission itself has indicated that the rate recovery treatment of each AAO should be determined on its own merit and that prior determinations of rate treatment are not precedential.

Q. PLEASE EXPLAIN.

A. In a more recent Aquila rate case (Case No. ER 2007-0004), the Commission issued an Order dated May 17, 2007, upholding inclusion in rate base of the unamortized balance of a regulatory deferred asset associated with the refurbishment of one of the utility's generating plants. In that case, both the Commission Staff and the utility supported inclusion in rate base. OPC took the opposite point of view. In its Order, the Commission stated the following:

> **Conclusions of Law**: The Commission has the regulatory authority to grant a form of relief to a utility in the form of an accounting technique, an accounting authority order (AAO). An AAO allows a utility to defer and capitalize certain expenses until the time it files its next rate case, and it protects the utility from earnings shortfalls and softens the blow which results from extraordinary construction programs. While AAOs are to be considered on a case-by-case basis, and the Commission can revisit the issue and is not bound by its prior determinations, the deferred costs included in the unamortized balances of the Sibley AAOs, represent major capital additions to plant in service, and should be included in Aquila's rate base in this case.

Q. DID THE OPC APPEAL THE COMMISSION'S DECISION IN THAT CASE?

A. Yes. Basing its argument in part on the view that the Commission's decision in the Aquila case was in conflict with the same MGE decision that Staff now contends is precedent setting, the OPC appealed the Commission's decision to the Missouri Court of Appeals – Western District.

Q. WHAT WERE THE FINDINGS OF THE COURT IN THAT CASE?

A. The Court upheld the Commission's decision indicating that the Commission is not bound by prior administrative decisions. Further, the Court held that the Aquila decision was consistent with other Orders allowing rate base treatment, and was distinguishable from the MGE case.

Q. IS MISSOURI-AMERICAN WATER COMPANY'S SECURITY RELATED AAO

DISTINGUISHABLE FROM THE MGE CIRCUMSTANCES?

A. Yes. The MGE accounting deferral was related to a pipeline replacement program. While safety related in nature, the costs deferred by MGE were associated with the replacement of long-lived assets for expenditures that could be planned well in advance and were constructed and placed into service over the course of a number of years. In contrast, the costs incurred by MAWC to enhance its security were urgent in nature and were undertaken as a result of an emergency for which MAWC had no responsibility and could not have foreseen. Working in conjunction with the State of Missouri, MAWC quickly mobilized a study to determine the extent of prudent security measures to be deployed and incurred expenses to implement these measures. Most of the solutions involved short-lived assets and other expenses such as fencing, gates and motors, additional security monitoring equipment and security personnel. Without the Accounting Authority Order, MAWC would have had no opportunity to recover these prudently incurred costs.

Q. **WHY DO YOU BELIEVE THAT THE COMPANY SHOULD BE ALLOWED TO EARN A RETURN ON THESE COSTS THROUGH INCLUSION OF THE UNAMORTIZED BALANCE IN RATE BASE?**

A. In traditional ratemaking, expenses are normally recovered dollar for dollar as they are incurred. Because of the unusual and unexpected nature of these expenses, the Commission determined that it was appropriate (rather than to allow no recovery or to allow recovery outside a rate case) for these costs to be recorded as a deferred asset for future rate recovery. In so doing, the Commission was treating these costs from an accounting perspective more like a capital plant addition than as an expense. Just like a plant asset, the Company was not allowed to begin recovery of the costs until after completion of its next rate case; and, just like a plant asset, the Company was required to begin amortizing the cost in advance of recovery. Like a plant asset, the Company invested funds in advance of recovery in rates to make these necessary expenditures and it will recover most, but not all, of the actual expense, over time through amortization. Finally, just like a plant asset, MAWC had to use borrowed and investor supplied funds in order to make these expenditures. Without rate base treatment, as would be afforded a plant asset, the Company will have no revenues from which to pay back lenders or investors who provided these funds.

2. SECURITY AAO – ACCUMULATED DEFERRED TAXES

Q. HOW DO DEFERRED TAXES ARISE AS THE RESULT OF THE SECURITY ACCOUNTING AUTHORITY ORDER?

A. As discussed earlier, although the Commission issued an Order requiring the Company to defer costs associated with the September 11, 2001 terrorist attacks, MAWC still had to expend over $5.3 million in advancing funds for the study and implementation of new security measures. The Internal Revenue Service recognized these expenditures as being tax deductible when made. This tax benefit of about $2.1 million was recorded on the Company's books as a liability to be paid to the IRS as revenues are received over the ten year amortization period.

Q. HOW DOES MAWC TREAT THE ACCUMULATED DEFERRED TAXES FOR

RATEMAKING PURPOSES?

A. Accumulated deferred income taxes represent a zero cost source of funds. Therefore, the Company offsets its rate base assets with the associated accumulated deferred taxes. For example, at the time of establishment of the security accounting authority order discussed above, the $5.3 million dollar asset would have been offset by the $2.1 million to arrive at an appropriate rate base amount of $3.2 million. At April 30, 2010, both the asset and liability have been amortized for over seven years. The balance of the deferred asset at April 30, 2010 is $1,397,046 and the balance for the related deferred liability at the same date is $533,127. The Company has included the net of these two amounts or $863,919 in rate base in this case.

Q. IS THE APPROACH TAKEN BY OPC AND STAFF DIFFERENT FROM THAT TAKEN BY THE COMPANY?

A. Yes. In its direct testimony, OPC supported inclusion of the deferred liability as a subtraction from rate base without including the related deferred asset. Initially, Staff did not subtract the deferred taxes from rate base but in rebuttal testimony has changed its position and adopted that of the OPC.

Q. HOW HAS STAFF JUSTIFIED ITS CHANGE IN POSITION?

A. Staff witness Bolin characterized the original position as an error and apparently believes that the deferred tax liabilities are not related to the corresponding deferred asset. She states "the deferred tax reserve represents, in effect, a prepayment of income tax by the Company's customers".

Q. DO YOU AGREE WITH THAT CHARACTERIZATION?

A. No. As explained previously, the deferred tax liability is simply recognition that the Company received a tax benefit for expenses made for which they have not yet been reimbursed by customers. The Company will have to pay taxes when those reimbursements are received from customers in future rates. In this instance, the Company expects to eventually receive reimbursement through rates of the $5.3 million and has accordingly established a deferred asset. It also recognizes that it has received a reduction in taxes for $2.1 million that will have to be paid back when the reimbursements are made and has accordingly booked a deferred liability. The original net out-of-pocket cost to the Company was $3.2 million. Customers initially paid nothing. In fact, the Company expended the funds from 2001 to 2003 and didn't begin to receive recovery in rates until the effective date of the Commission's order in the Company's next rate case in 2007. The customers did not make a prepayment of income tax as suggested by Ms. Bolin. Instead, the Federal and state governments funded $2.1 million at a zero interest rate, which the Company has properly reflected in its determination of rate base.

Q. HAS THE OPC MADE THE SAME ERROR?

A. Yes. OPC witness Ted Robertson also proposes that the security related deferred asset be excluded from rate base, but that the related deferred tax liability be subtracted therefrom. Although Mr. Robertson apparently acknowledges there is a relationship between the deferred asset and associated deferred tax liability, his estimation of the current accumulated deferred tax balance demonstrates that he does not have a good understanding of that relationship.

Q. PLEASE EXPLAIN.

A. Because the establishment of the deferred asset is directly related to the establishment of the deferred tax liability, it is apparent that their amortization is likewise related. As the asset is amortized, amortization expense is recorded on the books of the Company that is not tax deductible. Since the annual amortization expenses are not deductible, the deferred tax liability is paid back to the IRS and correspondingly reduced on the books. In other words, the rate of amortization for the deferred asset and deferred liability are identical. If the deferred asset has been amortized down to 25% of its original balance, then the deferred liability should be amortized to 25% of its original balance.

Mr. Robertson has incorrectly attempted to estimate the unamortized deferred tax balance by multiplying the Company's effective tax rate times the total amortization expense. By doing so, he has calculated the taxes already paid on the amortization expense that has been booked over the past seven years, not the remaining deferred tax balance. A more appropriate estimate would have been to multiply the Company's effective tax rate times the unamortized deferred asset balance at April 30, 2010. Mr. Robertson's estimate of the accumulated deferred tax liability at April 30, 2010 is three times higher than the correct actual balance.

Q. WHAT IS THE RESULTING IMPACT OF THE OPC AND STAFF PROPOSALS IN THIS CASE?

A. Staff has included zero for the deferred security asset and subtracted the related deferred tax liability of $533,127 from rate base resulting in a ***negative rate base*** amount for the net Security AAO issue of $533,127. OPC has included zero for the deferred security asset and subtracted an estimated $1,539,634 accumulated deferred tax liability from rate base resulting in a ***negative rate base*** of over $1.5 million.

Q. IS EITHER OF THESE RECOMMENDATIONS FAIR?

A. No. It is not fair to exclude a deferred asset from rate base while including its offsetting deferred tax liability. Consistent treatment should be followed. The resulting negative rate base amount, in essence, requires the Company to pay its customers for the "privilege" of advancing funds for the study and implementation of appropriate security enhancements.

Q. CAN YOU EXPLAIN THIS FURTHER THROUGH A SIMPLE EXAMPLE?

A. Yes. Suppose I came to you for a loan and you advanced me $1,000. In return I agreed to pay you back $100 a year over the next ten years. That is akin to not including the Security AAO in rate base. You would get a full return of your money, but I do not believe you would consider it a good deal because a) you have not received any interest to replace the opportunity costs for those funds advanced, and b) you are being paid back in less valuable dollars.

But the treatment that Staff and OPC is proposing goes even further. Assume that the IRS says that because you loaned me the money, they are going to reduce your current taxes by $300 – although they want you to pay them back by making an installment payment of $30 each year for the next ten years. You still would be loaning me $1,000, but the cash for that loan is made up of $700 from your pocket today and $300 that you will pay back to the IRS over the next ten years.

In this example, Staff and OPC would propose that I only pay you back an average of $85 per year or only $850 over the next ten years. You end up losing $150 for the "privilege" of lending me the money. This example is exactly what the Staff and OPC are suggesting when they propose a negative rate base adjustment. The only difference is that instead of providing $1,000 in cash, the Company has provided its customers with $5.3 million in security protection. The Company is being asked to give customers the carrying costs of the $2.1 that was "borrowed" from the IRS without having collected any carrying cost for the $5.3 million it has advanced, and thus has no funds from which to make the IRS payment.

3. PENSION AND OPEB TRACKER

Q. WHAT IS THE PURPOSE OF A TRACKER MECHANISM?

A. A tracker mechanism is for the protection of both customers and the Company where there is considerable volatility from year to year in a particular expense category. Because of this volatility, it is difficult or impossible to normalize test year expenses to reflect what can reasonably be expected to occur when rates are placed into effect.

Q. HOW DOES A TRACKER WORK?

A. An estimate is made based on existing information to establish a level of expense that is included in rates. To the extent that annual expense actually incurred is in excess of that level, a regulatory asset is established for amortization and future recovery. To the extent that annual expense actually incurred is below the established tracker level, a regulatory liability is established for amortization and future flow back to the customer. The asset or liability is included in rate base in order to properly reflect the associated carrying costs that either the Company or customers have provided funds for which they are not being compensated.

Q. IS A TRACKER MECHANISM CURRENTLY IN PLACE FOR PENSION AND OPEB CHARGES?

A. Yes. This is the third rate proceeding in which the parties have adopted a tracker mechanism for Missouri-American Water pension and OPEB costs.

Q. HAS ANY PARTY CHALLENGED THE CONTINUATION OF THIS APPROACH IN THE CURRENT PROCEEDING?

A. No.

Q WHAT IS THE ISSUE IN THIS PROCEEDING?

A. The Company believes that this approach has been very effective and fair in appropriately reflecting actual costs incurred in rates and has avoided large over and under recoveries of a cost category that fluctuates widely and is hard to estimate. For this reason, the Company has proposed that the tracker mechanism be extended to those pension and OPEB costs that are incurred by the American Water Service Company. Staff opposes this change.

Q. WHAT IS THE BASIS FOR STAFF'S OPPOSITION?

A. Staff witness Bolin indicates in her rebuttal testimony at page 6 that the Staff is opposed to applying a tracker to costs of the service company because the service company is a non-regulated entity and that Missouri American has no control over the costs charged to them by the service company.

Q. DO YOU AGREE WITH MS. BOLIN'S CHARACTERIZATIONS?

A. No. I believe both statements are somewhat misleading. While the Service Company is not directly regulated by the Missouri Public Service Commission, there is a level of control available that is not reflected in Ms. Bolin's statements. The Service Company is an affiliate of MAWC and, as such, it does not reflect any profit in the charges made to MAWC. Payments to the Service Company are not based on a market price but on actual costs incurred. Staff and other parties to a rate case have the ability to review the detail costs charged to MAWC by the Service Company. They can control those costs the same way they do other costs – they can propose exclusions from MAWC recovery in a rate case. For example, in the current case, the Staff has proposed elimination of certain labor, insurance and laboratory expenses charged by the Service Company to MAWC. Moreover, MAWC has the ability to control those costs in the same manner that it would control the costs of any other vendor. MAWC can seek (and in the past has sought) bids from other providers of service. However, because the Service Company has considerable experience in the provision of accounting, tax, billing, call center and the many other utility related services it provides; because the

Service Company possesses significant economies of scale; and because the Service Company only charges actual costs incurred, it is difficult to find a more competitive price for the level of services provided.

I do not believe the rationale provided by Staff is sufficient reason not to take advantage of the benefits of a tracker mechanism for Service Company pension and OPEB benefits.

Q. ARE THERE POSTIVE REASONS YOU CAN PROVIDE AS TO WHY EXTENSION OF THE TRACKER TO SERVICE COMPANY EMPLOYEES' PENSION AND OPEBS IS APPROPRIATE?

A. Yes.

1. The type of costs incurred by the Service Company are exactly the same as those which are subject to the MAWC tracker. The only difference is that they apply to Service Company employees, like myself, rather than to MAWC employees.
2. Like MAWC pension and OPEB costs, those costs of the Service Company are highly volatile, subject to wide variations from year to year and not subject to simple estimation or normalization.
3. The costs are auditable. Unlike the costs of typical charges from true non-regulated vendors that quote a market price, Service Company charges are based upon actual costs. The actual pension and OPEB costs of the Service Company are known and are easily auditable. In fact, since Service Company employees participate in the same corporate pension and post retirement benefit plans as do MAWC employees, the Staff has, in essence, already audited the Service Company charges when they analyzed the

actuarial valuations and other support associated with MAWC direct pension and OPEB costs.

4. Given the nature of these expense categories, it is the fair and reasonable approach for both the Company and its customers.

Q. **IS THERE ANY IMPACT ON THE REVENUE REQUIREMENT IN THIS PROCEEDING BY APPLYING THE TRACKER MECHANISM TO SERVICE COMPANY PENSION AND OPEB EXPENSES?**

A. No.

4. <u>TANK PAINTING TRACKER</u>

Q. **DOES THE COMPANY HAVE A POSITION ON THE CONTINUATION OF THE EXISTING TANK PAINTING TRACKER?**

A. Company witness Greg Weeks provides testimony in regard to the tank painting tracker. My surrebuttal testimony is limited to addressing the associated rate treatment proposed by OPC witness Robertson.

Q. **WHAT IS MR. ROBERTSON'S PROPOSAL?**

A. At page 7 of Mr. Robertson's rebuttal testimony, he indicates that OPC believes that rate base treatment of the regulatory asset or regulatory liability associated with the tank painting tracker should be excluded from rate base.

Q. **DO YOU AGREE WITH THIS VIEW?**

A. No. For the same reasons that the regulatory asset or regulatory liability associated with the pension and OPEB tracker is included rate base, so too should the tank painting regulatory asset or liability be included. Depending upon whether an asset or liability exists, either the Company or the customer has expended funds for which they have not been paid and the respective party deserves to earn a return on those funds until payment is received.

Q. HAS MR. ROBERTSON OBJECTED TO THE INCLUSION OF THE PENSION AND OPEB REGULATORY ASSET AND LIABILITIES BEING INCLUDED IN RATE BASE?

A. No.

5. RATE CASE EXPENSE

Q. ARE YOU FAMILIAR WITH STAFF WITNESS JERMAINE GREEN'S REBUTTAL TESTIMONY REGARDING RATE CASE EXPENSE?

A. Yes. Mr. Green presents two main points in his rebuttal testimony in regard to the recovery of rate case expense from Staff's perspective:

1. Staff does not believe that the unamortized or unrecovered portion of prior rate cases should be included for future recovery; and,
2. Staff believes that the Company should have the opportunity to recover all prudently incurred expenses incurred in the conduct of the current case, and rejects the OPC proposition that rate case expense should be reduced to eliminate all outside consulting and legal expense and the remainder then "shared" equally between customers and the Company.

Q. DO YOU AGREE WITH MR. GREEN'S FIRST POINT?

A. No. Mr. Green insists that Staff has, in the past, normalized rate case expenses when, in fact, that is not the case. By arguing that these expenses are normalized (which they are not), he erroneously concludes that it is unnecessary to allow for the unrecovered portion of costs from prior cases.

Q. HOW DOES MR. GREEN DISTINGUISH NORMALIZATION FROM AMORTIZATION?

A. In his rebuttal testimony at page 2, he defines the terms as follows:

> Normalization is to restate abnormal test year results to a normal ongoing level, while amortization is to provide a recovery of the expense over a set time period.

Q. HOW HAS STAFF ADJUSTED FOR RATE CASE EXPENSE IN THE PAST?

A. In reviewing Staff workpapers for each of the last three rate cases, including this one, Staff has reflected in its determination of revenue requirement actual rate case expenses incurred to date at a point in time and then proposed a period over which those costs should be recovered. Moreover, although the last two rate cases were settled, the Company was assured that the rate case costs actually incurred would be updated to as late a date as possible that would allow an adequate audit of the actual costs incurred.

Q. HAS STAFF MADE ANY ADJUSTMENT TO RESTATE THE TEST YEAR RESULTS TO A NORMAL ONGOING LEVEL FOR RATE CASE EXPENSE?

A. None, other than to propose an amortization period for the test year expenses incurred.

Q. DOES THIS APPROACH MEET MR. GREEN'S DEFINITION OF NORMALIZATION OR AMORTIZATION?

A. It is a classic example of his definition of amortization. Calling it by a different name does not change that fact.

Q. DOES MR. GREEN INDICATE THAT HIS APPROACH IS IN ACCORDANCE WITH COMMISSION PRECEDENT?

A. Yes. Mr. Green states that there are a number of past proceedings in which the Commission has agreed with Staff's approach. He then cites a single case from 27 years ago.

Q. ARE THERE OTHER COMMISSION ORDERS THAT YOU BELIEVE SERVE TO DISPUTE HIS ASSERTATION?

A. Yes. For example, in its Report and Order in Case No. GR-2006-0422 issued in March 2007, the Commission found as follows:

> **10. Rate Case Expense**
> ***Issue Description:*** *What is the appropriate amount and treatment of rate case expense, including amortization of prior rate case expense, in this case?*
>
> From MGE's last rate case in 2004, the Commission authorized the company to amortize its rate case expense over three years. A balance of $ 148,971 remains to be amortized as of March 2007. n75 MGE proposes to amortize the current rate case expense with the remaining $ 148,971 over a three-year period. n76 Although in its pre and post hearing briefs Staff argues that to allow MGE to amortize the remaining rate case expense would constitute retroactive ratemaking, there is no mention of this argument during the hearing. **[*33]** In fact, Staff's position is that the rate case expense be normalized. n77 The Commission will therefore disregard Staff's argument that recovery of this expense would constitute retroactive ratemaking.
>
> n75 Transcript, Page 1040, Lines 1-3.
> n76 Transcript, Page 1044, Lines 10 -13.

> n77 Transcript, Page 1045, Lines 21 24.
>
> The Commission resolved this issue in MGE's last rate case to allow the company to recover, what was determined to be prudent costs, through amortization over three years. The Commission will not vacate its order in that regard. Staff and MGE propose to amortize the remaining rate case expense with that incurred in this case. The Commission will grant that request and allow MGE to amortize the combined amounts over a three-year period.

Q. DO YOU BELIEVE AN AMORTIZATION APPROACH IS APPROPRIATE?

A. Yes. It is very difficult to estimate the level of rate case expense that will be incurred and therefore very difficult to normalize those expenses, because what is normal for one case will not be so for the other. Many factors vary from rate case to rate case. Some cases settle and others go to hearing, which can result in hundreds of thousands of dollars in difference. The number of interveners and the level of data requests impact the cost of the case. The introduction of new issues, such as consolidation of tariffs in the current case, can add to the complexity and costs of a case. Depreciation studies are required by Commission rule in some cases, but not in others. There are so many differences that can impact the cost of a rate case, that an ongoing level cannot be determined. It is therefore fairer, both to the Company and to the customer, to establish rates based on actual costs incurred and, through amortization, allow recovery of those actual costs.

Q. OPC WITNESS ROBERTSON, AT PAGE 11 OF HIS REBUTTAL TESTIMONY, EXPRESSES CONCERN WITH STAFF'S POSITION ON RATE CASE EXPENSE BECAUSE STAFF HAS NOT RECOMMENDED DISALLOWANCE OF ANY OF THE COSTS THE COMPANY HAS INCURRED IN PROCESSING THE CURRENT CASE. DO YOU AGREE WITH HIS COMMENTS?

A. No. I believe that Mr. Robertson's concerns are misplaced. During the conduct of the field audit, Staff requested and was provided every contract and every invoice generated in support of the expenses incurred by the Company to process this case. I pointed out in my rebuttal testimony the extent to which the Company has gone to control costs in this case. I also explained why Mr. Robertson's belief that it would be more economical to in-source all the work of developing support, taking the case to hearing and writing legal briefs was in error. Staff performed a thorough review of all of the Company's costs incurred, determined them to be appropriate and made no adjustment. Mr. Robertson neither requested similar data nor performed a similar review. Acceptance of his recommendation to exclude the costs of outside services and then recover only one-half of the remaining costs to process this case would result in denying the Company a fair opportunity to recover its prudently incurred costs. In fact, the total costs to process this rate case have not been included in the Company's proposed revenue requirement.

Q. PLEASE EXPLAIN YOUR LAST STATEMENT.

A. At the time the Company filed its rate case in October 2009, there was little data on which to base an estimate of the full costs necessary to process this case. The issues were not known; the number of parties was not known; whether the case would settle or go to hearing was not known. The Company's estimate of rate case expense was based upon the average of the past two rate cases, both of which were settled. By the end of April of 2010, actual expenses were already near the estimated expense level. It now appears that it is likely that this case will proceed to hearing and the original Company estimate will be far exceeded.

This is a clear example of how it is difficult to normalize an ongoing level of rate case expense and why the traditional approach to amortize actual prudently incurred rate case expense is preferable.

6. OVERTIME

Q. ARE YOU FAMILIAR WITH STAFF WITNESS MCMELLEN'S REBUTTAL TESTIMONY REGARDING OVERTIME?

A. Yes. Ms. McMellen indicates that Staff has revised its original overtime adjustment and contrasts Staff's approach to that of the Company. I believe that the two methods, although different in approach, should arrive at approximately the same result, with the exception that I believe there remains an error in the Staff's application of its described method. I accept the Staff's method if that error is corrected.

Q. PLEASE EXPLAIN WHAT YOU BELIEVE TO BE IN ERROR.

A. Ms. McMellen states that "By doing a separate analysis of the overtime hours and then applying the current average overtime rate, the Staff has accurately calculated a normalized level of expense for the Company." I believe the described method would achieve the appropriate described results, but my review of Staff's supporting work papers indicates that the adjustment did not reflect the current average overtime rate, but rather the historical average overtime rate. Staff's method calculates pro forma overtime hours and then multiplies those hours by an average wage rate to derive pro forma overtime pay. Since the pro forma hours will actually be paid at pro forma wage rates, Staff should have multiplied by its pro forma wage rates, rather than historical, to properly price out overtime pay.

7. DEFINED CONTRIBUTION PLAN EXPENSES

Q. HAS THE STAFF ALSO USED HISTORICAL WAGE RATES IN OTHER LABOR RELATED ADJUSTMENTS?

A. Yes, although to a lesser extent. For example, Staff's defined contribution plan adjustment was based on existing payroll levels at the end of October 2009 rather than on test year data, as was utilized in the overtime adjustment. Staff's adjustment did not reflect increases in wage rates or employee levels that have taken place subsequently.

Q. WHAT IS THE DEFINED CONTRIBUTION PLAN?

A. For those employees who are not included in the Company's defined benefit pension plan, the Company contributes 5.25% of their annual base pay towards the individual's 401k Plan. These defined contributions are managed by the individual employee and are intended to act as retirement resources.

Q. DO YOU HAVE A CONCERN WITH THE MANNER IN WHICH STAFF ADJUSTED DEFINED CONTRIBUTION PLAN EXPENSE?

A. Yes. When paid, the 5.25% contributions will be calculated based on existing wage levels and Staff's adjustment does not currently reflect the wage rates and employee levels that will exist at the time rates become effective. I believe that this is a true-up matter and that all labor and benefit related costs will be corrected during the true-up process.

8. 401k EXPENSES

Q. WHAT IS THE ISSUE REGARDING 401k EXPENSES?

A. The Company is unable to ascertain the source of Staff's test year figure used in the calculation of its 401k expense. The number does not agree with MAWC's recorded test year 401k expense levels and the Company believes that the number used by Staff in developing its pro-forma expense level is simply in error.

9. LOW INCOME TARIFF

Q. IS THE COMPANY PROPOSING A LOW INCOME TARIFF IN THE CURRENT PROCEEDING?

A. Yes. At the time of filing, Missouri-American Water Company felt that there were a number of low-income customers for whom affordability of the essential resource we supply was a financial burden. Subsequent to our filing, the Missouri Commission has, in other utility rate cases, expressed an interest in exploring this important issue. The plan MAWC proposed was patterned closely after a plan that has successfully operated in Pennsylvania for a number of years.

Q. HAVE OTHER PARTIES TO THIS CASE EXPRESSED AN OPINION REGARDING THE LOW INCOME TARIFF PROPOSAL?

A. To date only the Staff through the testimony of James Busch and OPC through the testimony of Barbara Meisenheimer have taken a position.

Q. WHAT IS THE STAFF'S POSITION?

A. Staff is in opposition to the Company's proposal for the following stated reasons:

1. Lack of detail regarding the plan rationale or need;
2. Other customers are burdened by the current economy and should not be required to bear any increase in order to support low-income customers;
3. The proposal is in conflict with a uniform customer charge;
4. Given the relative low cost of water in relation to other utility costs, a low-income tariff is not currently needed; and
5. Assistance is currently being provided by the Company's voluntary H2O program, the cost of which is borne by shareholders.

Q. WHAT IS THE OPC POSITION?

A. OPC is in opposition to the Company's proposal "at this time". Ms. Meisenheimer indicated that the OPC is concerned that the Company has not shown that the proposal is need based, that it has not quantified the potential impact of the proposal, and that it has not specified from whom the cost of the program would be recovered.

Q. HOW DOES THE COMPANY RESPOND?

A. The Company is somewhat surprised by these positions. The low-income program is simple to understand and is designed to follow a program that has achieved favorable reaction by customers and regulators. The rationale is based on need and it appears obvious to the Company that if, as Mr. Busch testifies, the economy is burdensome to customers that are not low-income, then the impact and need experienced by low-income customers must be extreme. The Company quantified the impact of the proposal and recovery method in its rate design development. Finally, the Company believes that the low-income tariff, while modest at the outset, is a good start and would be beneficial regardless of other tariff issues including a uniform customer charge.

Q. WHAT IS THE COMPANY'S RECOMMENDATION?

A. It is the Company's recommendation that the proposed low-income tariff be instituted, even on a trial basis, if necessary. If, however, the Commission believes that such a program is premature, the Company stands ready and willing to discuss with other parties implementation criteria and standards for this or other similar programs that may be recommended. In the meantime, the Company intends to continue pursuit of its H2O assistance program that has been in place for a number of years.

10. IMPUTATION OF REVENUE

Q. ARE YOU FAMILIAR WITH OPC WITNESS BARBARA MEISENHEIMER'S TESTIMONY REGARDING REVENUE IMPUTATION TO ADJUST THE INDUSTRIAL CLASS FOR SPECIAL CONTRACT REVENUES?

A. Yes. On page 2 of her rebuttal testimony, Ms. Meisenheimer states:

> By imputing revenues equal to the difference between the revenues that would be generated under regular Industrial rates and the revenues collected under the special contract, the discount given to special contract customers will not adversely affect the Industrial class with respect to determining revenue neutral class shifts within the St. Joseph district.

Q. IS THE OPC RECOMMENDING IMPUTATION MERELY FOR THE PURPOSES OF ALLOCATION OF COSTS AMONG CUSTOMER CLASSES WITHIN THE ST. JOSEPH DISTRICT OR DOES SHE RECOMMEND IMPUTATION OF REVENUE IN DETERMINING THE REVENUE REQUIREMENT IN THIS CASE?

A. I am unable to determine that from a reading of her rebuttal testimony. If the latter, is the case, however, the Company is strongly opposed to her recommendation.

Q. WHY?

A. Imputation of revenue in determination of the revenue requirement in this case would reduce the allowable rates and the opportunity for the Company to achieve its authorized return. As was noted in my rebuttal testimony, the special contract rates in effect in the St. Joseph district were approved by this Commission because they assisted in attracting new customer load to the St. Joseph area. Since the revenues paid under those contracts are sufficient to cover the variable costs of producing water and contribute to the fixed costs of serving the district, other customers in the St. Joseph district benefit. To penalize the Company through imputation of revenue that is being administered in accordance with a Commission Order would be grossly unfair.

11. <u>INTERDISTRICT SUBSIDY OR REVENUE CONTRIBUTIONS</u>

Q. WHAT DO YOU UNDERSTAND THE PARTIES' POSITIONS TO BE ON THE ISSUE OF INTERDISTRICT SUBSIDIES OR REVENUE CONTRIBUTIONS?

A. The Company, in its original filing, has proposed a revenue contribution by the St. Louis Metro District to mitigate the rate increases for the Brunswick, Parkville Water, Cedar Hill Sewer, Warren County Water and Warren County Sewer Districts. If this revenue contribution is not approved, then the increases for those four districts would be 161%, 34%, 190%, 63% and 475%, respectively, based on the Company's filing. By proposing the revenue contribution, the percent increases for these four districts would be "capped" at 26% for all five districts. The Staff has proposed a revenue contribution for the Brunswick and Warren County Districts. The Missouri Industrial Energy Consumers (MIEC) is opposed to any interdistrict subsidy or revenue contribution and it appears OPC is proposing a phase-in of rates for Brunswick and Warren County Districts instead of a revenue contribution.

Q. WHY DOES THE COMPANY BELIEVE A REVENUE CONTRIBUTION IS APPROPRIATE?

A. A revenue contribution is appropriate in the setting of rates because it addresses a number of goals including: 1) avoiding rate shock; 2) promoting gradualism toward cost based rates; 3) promoting fairness; and 4) avoiding the impact of a drastic change in the existing rate structure. In the current case, the Company's proposal attempts to avoid rate shock and gradually move towards cost based rates for these four districts.

12. PHASE-IN PLAN

Q. DOES MS. MEISENHEIMER RECOMMEND A PHASE-IN PLAN?

A. Yes. The Company's interpretation of page 8 of Ms. Meisenheimer's Rebuttal Testimony is that the OPC is recommending rejection of any inter-district revenue contribution and proposing a three-year phase-in of increases for Warren County Water and Brunswick.

Q. **HOW DOES THE COMPANY RESPOND?**

A. The Company believes the proposal as currently stated is lacking in substance and has some obvious flaws. First, there is an apparent inconsistency in Ms, Meisenheimer's recommendation for a phase-in in the Brunswick and Warren County Districts and the recommendation to mitigate rate increases in other districts as a result of her class cost of service study. In Ms. Meisenheimer's discussion regarding the results of her class cost of service study, she recommends that the Commission move customer classes toward district-specific cost of service by first implementing a revenue neutral shift among classes and second, spreading any net increase or decrease in district revenue to the class on an equal percentage. She then recommends that the Commission "cap" class increases resulting from revenue neutral shifts to 5% of a class's current revenue in order to avoid "huge shifts between classes" and to mitigate the combined impact of a large district increase coupled with interclass increases.

Q. **WHY DOES MS. MEISENHEIMER BELIEVE THAT IT IS IMPORTANT TO AVOID HUGE SHIFTS BETWEEN CLASSES AND MITIGATE SUCH RATE IMPACTS?**

A. She does not indicate the reasons in her testimony but I believe an appropriate rationale would be for many of the same reasons that the Company supports interdistrict contributions. She does not seem to have the same level of concern for the Parkville Water, Cedar Hill Sewer, and Warren County Sewer Districts for which she believes the interdistrict contribution should be eliminated. Nor does she seem to express the same level of concern with respect to the Brunswick and Warren County Water Districts, although she has proposed a phase-in plan for those two districts. Ms. Meisenheimer acknowledges that in order to bring the latter two districts to their full cost of service based on Staff's proposed revenue requirement, it would require an increase of 65% in the rates paid by Warren County water customers and an increase of 95% in the rates paid by Brunswick water customers. Those percentage increases correspond to 63% and 161% increases, respectively, in the Company's filing had the interdistrict contribution not been proposed. Her proposal would have a particularly damaging impact on the rates already paid by those customers in districts for which the Company proposed interdistrict contributions. The following is a table of average monthly water customer bills at present rates assuming consumption of 5500 gallons per month.

Water District	Ave. Monthly Residential Bill at Current Rates
St. Louis	$ 23.68*
St. Charles	23.68
Warren County	45.83
Warrensburg	29.16
Joplin	32.58
St. Joseph	31.66
Jefferson City	33.21
Mexico	38.39
Parkville	41.44
Brunswick	62.91

*St. Louis district is billed quarterly – amount is restated to reflect monthly bill

A 95% increase for Brunswick customers would nearly double their current rates and price their service at rates that are simply too high when compared to other Districts.

Q. ARE THERE OTHER CONCERNS WITH PUBLIC COUNSEL'S PHASE-IN PROPOSAL?

A. Yes. The OPC proposal is for carrying costs on the uncollected balance as a result of the phase-in to be equal to the Company's Allowance for Funds Used During Construction ("AFUDC") rate. The OPC does not explain why it believes the Company should use its AFUDC rate for the phase-in plan rather than its authorized return. Finally, it is unfortunate, but true, that the state of the facilities in these two districts is such that there is continued need for replacement of infrastructure. Additional capital investment is likely, which may result in rate cases more frequently than a three year interval. This would likely result in rate increases on top of the OPC's recommended phase-in rates, leaving customers in these two districts with percentage increases in the same range as what the OPC is currently trying to avoid. The Company believes that at least for the foreseeable future inter-district revenue contributions are a far better solution.

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes, it does.

Overall Revenue Requirement Summary
For the Test Year Ended June 30, 2009

Missouri Public Service Commission	Case No. WR-2010-XXXX
Company: Missouri-American Water Company	Schedule CAS-2-JFC
District: Jefferson City	Page 1 of 1

Line No.	Description			Supporting Schedule	Amount
1					
2					
3					
4	Description			Supporting Schedule	Amount
5					
6	Rate Base			CAS-3-JFC	$17,045,871
7					
8	Operating Income at Present Rates			CAS-8-JFC	1,173,013
9					
10	Earned Rate of return				6.88%
11					
12	Requested Rate of Return			Chao Testimony	8.91%
13					
14	Required Operating Income				1,518,787
15					
16	Operating Income Deficency				345,774
17					
18	Gross Revenue Conversion Factor				1.63795
19					
20	Revenue Deficiency				566,360
21					
22	Adjusted Operating Revenues			CAS-8-JFC	6,193,383
23					
24	Total Revenue Requirement				$6,759,743
25					
26					
27					
28	Gross Revenue Conversion Factor				
29	Revenue		$1,000.000		
30	Uncollectibles	0.90820%	9.082		
31	PSC Assessment	0.00000%	0.000		
32	Before Tax Amount		990.918		
33	State Income Taxes	5.21327%	51.659		
34	Federal Income Taxes	33.17536%	328.741		
35	Total Taxes and Expenses		389.482		
36	Net Amount		$610.518		
37					
38	Conversion Factor		1.63795		
39					
40					

Rate Base Summary
Test Year Ended June 30, 2009

Missouri Public Service Commission — **Case No. WR-2010-XXXX**
Company: Missouri-American Water Company — **Schedule CAS-3-JFC**
District: Jefferson City —

Line #	Rate Base Component	Supporting Reference	Per Books 06/30/09	Adjustments	Pro Forma Rate Base
5	Utility Plant in Service	CAS-4-JFC	26,926,608	1,208,473	28,135,081
7	Accumulated Provision for Depreciation	CAS-5-JFC	(5,478,581)	(525,969)	(6,004,550)
9	Accumulated Amortization	W/P's	0	0	0
11	Utility Plant Acquisition Adjustments	W/P's	0	0	0
13	Net Utility Plant		21,448,027	682,504	22,130,531
16	Less:				
17	Customer Advances	CAS-6-JFC	27,736	0	27,736
18	Contributions in Aid of Construction	CAS-6-JFC	3,250,953	86,354	3,337,307
19	Accumulated Deferred ITC (3%)	W/P's	0	0	0
20	Deferred Income Taxes	W/P's	1,927,836	117,369	2,045,205
21	Pension Liability	W/P's	127,494	(120)	127,374
24	Subtotal		5,334,019	203,603	5,537,622
27	Add:				
28	Cash Working Capital	CAS-7-JFC	126,000	0	126,000
29	Materials and Supplies	W/P's	149,711	0	149,711
30	Prepayments	W/P's	31,976	0	31,976
31	OPEB's Contributed to External Fund	W/P's	0	0	0
32	Pension/OPEB Tracker	W/P's	41,628	(3,769)	37,859
33	Regulatory Deferrals	W/P's	142,065	(34,650)	107,415
35	Subtotal		491,380	(38,419)	452,961
37	Total Original Cost Rate Base		16,605,388	440,483	17,045,871

Utility Plant in Service
For the Test Year Ended June 30, 2009

Missouri Public Service Commission
Company: Missouri-American Water Company
District: Jefferson City

Case No. WR-2010-XXXX
Schedule CAS-4-JFC

Line #	Acct No	Account Description	Per Books 06/30/09	Pro Forma Adjustments	Pro Forma UPIS
1					
2		Intangible Plant			
3	301	Organization	$772	$4,596	$5,368
4	302	Franchise & Consents	0	0	0
5	303	Miscellaneous Intangible Plant Studies	177,651	57,743	235,394
6		Subtotal	178,422	62,339	240,761
7		Source of Supply Plant			
8	310	Land & Land Rights	0	0	0
9	311	Structures & Improvements	60,365	0	60,365
10	312	Collection & Impound Resevoirs	0	0	0
11	313	Lake, River, & Other Intakes	388,397	0	388,397
12	314	Wells & Springs	0	0	0
13	316	Supply Mains	0	0	0
14		Subtotal	448,762	0	448,762
15		Pumping Plant			
16	320	Pumping Land & Land Rights	944	0	944
17	321	Pumping Structures & Improvements	619,499	0	619,499
18	322	Boiler Plant Equipment	0	0	0
19	323	Force Mains	644,675	0	644,675
20	324	Steam Pumping Equipment	0	0	0
21	325	Electric Pumping Equipment	1,537,932	0	1,537,932
22	326	Diesel Pumping Equipment	0	0	0
23	327	Pump Equip Hydraulic	0	0	0
24	328	Other Pumping Equipment	29,226	0	29,226
25		Subtotal	2,832,276	0	2,832,276
26		Treatment Plant			
27	330	Water Treatment Land & land Rights	70,255	0	70,255
28	331	Water Treatment Structures & Improvements	2,244,007	145,406	2,389,414
29	332	Water Treatment Equipment	3,010,991	0	3,010,991
30	332.4	Water Treatment Equipment - Filter Plant	153,082	0	153,082
31		Subtotal	5,478,334	145,406	5,623,741
32		Transmission & Distribution Plant			
33	340	Transmission & Distribution Land	100,738	(374)	100,364
34	341	Transmission & Distribution Structures & Improvements	198,236	121	198,357
35	342	Distribution Reservoirs & Standpipes	1,040,798	4,284	1,045,082
36	343	Transmission & Distribution Mains Conv	5,971,955	469,493	6,441,448
37	343.1	Transmission & Distribution Mains < 4"	172,674	0	172,674
38	343.2	Transmission & Distribution Mains 6" - 8"	2,348,413	28,471	2,376,884
39	343.3	Transmission & Distribution Mains > 10"	3,260,721	5,665	3,266,386
40		Subtotal	13,093,535	507,660	13,601,195

Utility Plant in Service
For the Test Year Ended June 30, 2009

Missouri Public Service Commission — **Case No. WR-2010-XXXX**
Company: Missouri-American Water Company — **Schedule CAS-4-JFC**
District: Jefferson City —

Line #	Acct No	Account Description		Per Books 06/30/09	Pro Forma Adjustments	Pro Forma UPIS
1	Acct No	Account Description		06/30/09	Adjustments	UPIS
2		Transmission & Distribution Plant	Bal Fwd	13,093,535	507,660	13,601,195
3	344	Fire mains		0	0	0
4	345	Services		479,569	22,547	502,116
5	346.1	Meters - Bronze Case		859,652	172,081	1,031,732
6	346.2	Meters - Plastic Case		0	0	0
7	346.3	Meters - Not Class By Type		695,445	0	695,445
8	347	Meter Installation		340,520	0	340,520
9	348	Hydrants		1,168,823	5,353	1,174,176
10	349	Other Transmission & Distribution Plant		0	0	0
11		Subtotal		16,637,544	707,641	17,345,185
12		General Plant				
13	389	General Land & Land Rights		7,181	0	7,181
14	390	Stores Shops Equipment Structures		0	2,335	2,335
15	390.1	Office Structures		262,134	0	262,134
16	390	General Structures - HVAC		0	0	0
17	390.3	Miscellaneous Structures		0	0	0
18	391	Office Furniture and Equipment		16,253	45,803	62,056
19	391.2	Computers & Peripheral Equipment		167,719	62,745	230,463
20	391.25	Computer Software		0	150,426	150,426
21	391.26	Personal Computer Software		0	2,826	2,826
22	391.3	Other Office Equipment		0	0	0
23	392.11	Transportation Equipment - Light Trucks		68,310	421	68,731
24	392.12	Transportation Equipment - Heavy Trucks		35,989	0	35,989
25	392.2	Transportation Equipment - Cars		46,942	3,255	50,197
26	392.3	Transportation Equipment - Other		1,320	0	1,320
27	393	Stores Equipment		3,178	0	3,178
28	394	Tools, Shop, & Garage Equipment		205,580	20,728	226,308
29	395	Laboratory Equipment		58,122	0	58,122
30	396	Power Operated Equipemnt		125,691	0	125,691
31	397	Communication Equipment (non telephone)		70,928	3,448	74,376
32	397.2	Telephone Equipment		0	839	839
33	398	Miscellaneous Equipment		281,927	260	282,187
34	399	Other Tangable Property		0	0	0
35		Subtotal		1,351,270	293,087	1,644,357
36						
37		Total Plant in Service		$26,926,608	$1,208,473	$28,135,081
38						
39						
40						

Accumulated Depreciation and Amortization
For the Test Year Ended June 30, 2009

Missouri Public Service Commission — **Case No. WR-2010-XXXX**
Company: Missouri-American Water Company — **Schedule CAS-5-JFC**
District: Jefferson City —

Line #	Acct No	Account Description	Per Books 06/30/09	Pro Forma Adjustments	Pro Forma Reserve
1	Acct No	Account Description	06/30/09	Adjustments	Reserve
2		Intangible Plant			
3	301	Organization	$0	$0	$0
4	302	Franchise & Consents	0	0	0
5	303	Miscellaneous Intangible Plant Studies	0	5,115	5,115
6		Subtotal	0	5,115	5,115
7		Source of Supply Plant			
8	310	Land & Land Rights	0	0	0
9	311	Structures & Improvements	1,431	1,109	2,540
10	312	Collection & Impound Resevoirs	0	0	0
11	313	Lake, River, & Other Intakes	66,219	5,156	71,375
12	314	Wells & Springs	0	0	0
13	316	Supply Mains	0	0	0
14		Subtotal	67,651	6,264	73,915
15		Pumping Plant			
16	320	Pumping Land & Land Rights	0	0	0
17	321	Pumping Structures & Improvements	96,369	8,038	104,407
18	322	Boiler Plant Equipment	0	0	0
19	323	Force Mains	15,802	9,670	25,472
20	324	Steam Pumping Equipment	0	0	0
21	325	Electric Pumping Equipment	375,793	28,144	403,937
22	326	Diesel Pumping Equipment	0	0	0
23	327	Pump Equip Hydraulic	(30,608)	0	(30,608)
24	328	Other Pumping Equipment	(2,759)	535	(2,224)
25		Subtotal	454,597	46,387	500,984
26		Treatment Plant			
27	330	Water Treatment Land & land Rights	0	0	0
28	331	Water Treatment Structures & Improvements	446,453	19,843	466,296
29	332	Water Treatment Equipment	1,355,690	62,779	1,418,469
30	332.4	Water Treatment Equipment - Filter Plant	5,218	3,192	8,410
31		Subtotal	1,807,361	85,814	1,893,175
32		Transmission & Distribution Plant			
33	340	Transmission & Distribution Land	0	0	0
34	341	Transmission & Distribution Structures & Improvements	13,830	3,980	17,810
35	342	Distribution Reservoirs & Standpipes	108,656	17,360	126,016
36	343	Transmission & Distribution Mains Conv	1,675,225	41,485	1,716,710
37	343.1	Transmission & Distribution Mains < 4"	18,763	1,943	20,706
38	343.2	Transmission & Distribution Mains 6" - 8"	110,117	27,519	137,636
39	343.3	Transmission & Distribution Mains > 10"	161,424	36,898	198,322
40		Subtotal	2,088,016	129,184	2,217,200

Accumulated Depreciation and Amortization
For the Test Year Ended June 30, 2009

Missouri Public Service Commission | **Case No. WR-2010-XXXX**
Company: Missouri-American Water Company | **Schedule CAS-5-JFC**
District: Jefferson City | **Page 2 of 2**

Line #	Acct No	Account Description		Per Books 06/30/09	Pro Forma Adjustments	Pro Forma Reserve
1	Acct No	Account Description				
2		Transmission & Distribution Plant	Bal Fwd	2,088,016	129,184	2,217,200
3	344	Fire mains		0	0	0
4	345	Services		54,385	10,002	64,387
5	346.1	Meters - Bronze Case		16,284	7,029	23,313
6	346.2	Meters - Plastic Case		0	0	0
7	346.3	Meters - Not Class By Type		59,325	12,674	71,999
8	347	Meter Installation		21,186	6,206	27,392
9	348	Hydrants		374,717	16,566	391,283
10	349	Other Transmission & Distribution Plant		0	0	0
11		Subtotal		2,613,912	181,662	2,795,574
12		General Plant				
13	389	General Land & Land Rights		0	0	0
14	390	Stores Shops Equipment Structures		0	72	72
15	390.1	Office Structures		119,792	917	120,709
16	390	General Structures - HVAC		0	0	0
17	390.3	Miscellaneous Structures		0	0	0
18	391	Office Furniture and Equipment		78,572	453	79,025
19	391.2	Computers & Peripheral Equipment		(142,923)	33,585	(109,338)
20	391.25	Computer Software		0	127,860	127,860
21	391.26	Personal Computer Software		0	1,787	1,787
22	391.3	Other Office Equipment		0	(103)	(103)
23	392.11	Transportation Equipment - Light Trucks		62,501	1,304	63,805
24	392.12	Transportation Equipment - Heavy Trucks		6,823	2,248	9,071
25	392.2	Transportation Equipment - Cars		22,765	2,973	25,738
26	392.3	Transportation Equipment - Other		0	0	0
27	393	Stores Equipment		801	74	875
28	394	Tools, Shop, & Garage Equipment		125,686	7,249	132,935
29	395	Laboratory Equipment		18,049	1,744	19,793
30	396	Power Operated Equipemnt		145,478	6,429	151,907
31	397	Communication Equipment (non telephone)		47,430	2,946	50,376
32	397.2	Telephone Equipment		0	497	497
33	398	Miscellaneous Equipment		50,087	10,691	60,778
34	399	Other Tangable Property		0	0	0
35		Subtotal		535,061	200,726	735,787
36						
37		Total Plant in Service		$5,478,581	$525,969	$6,004,550

Customer Advances and Contributions in Aid of Construction
For the Test Year Ended June 30, 2009

Missouri Public Service Commission
Company: Missouri-American Water Company
District: Jefferson City

Case No. WR-2010-XXXX
Schedule CAS-6-JFC

Line #	Acct No	Account Description	Per Books 06/30/09	Pro Forma Adjustments	Pro Forma Balance
1	Acct No	Account Description			
2					
3		Customer Advances			
4	252.11	Advances for Construction - Mains	0	0	0
5		Advances for Construction - Extensions	27,736	0	27,736
6		Advances for Construction - Services	0	0	0
7		Advances for Construction - Hydrants	0	0	0
8		Advances for Construction - WIP	0	0	0
9	252.71	Advances for Construction - Taxable Extensions	0	0	0
10		Total Customer Advances	27,736	0	27,736
11					
12					
13					
14					
15		Contributions in Aid of Construction			
16	271.11	Contributions in Aid - NT Mains	482,033	0	482,033
17	271.12	Contributions in Aid - NT Extension Deposit	602,859	131,000	733,859
18	271.21	Contributions in Aid - NT Services	0	2,808	2,808
19	271.30	Contributions in Aid - NT Meters	0	0	0
20		Contributions in Aid - NT Hydrants	10,405	0	10,405
21		Contributions in Aid - NT Other	2,288,683	0	2,288,683
22		Contributions in Aid - WIP	11,775	0	11,775
23	271.71	Contributions in Aid - Taxable Mains	0	0	0
24	271.12	Contributions in Aid - Taxable Extension Deposit	0	0	0
25	271.27	Contributions in Aid - Taxable Services	0	0	0
26	271.37	Contributions in Aid - Taxable Meters	0	0	0
27	271.47	Contributions in Aid - Taxable Hydrants	0	0	0
28		Contributions in Aid - Taxable WIP	0	0	0
29		Contributions in Aid - Tax Services SIT	0	0	0
30	Various	Accumulated Amortization - CIAC	(144,801)	(47,454)	(192,255)
31	Various	Accumulated Amortization - CIAC Taxable	0	0	0
32		Total Contributions in Aid of Construction	3,250,953	86,354	3,337,307
33					
34					
35					
36					
37					
38					
39					
40					

Working Capital
For the Test Year Ended June 30, 2009

Missouri Public Service Commission
Company: Missouri-American Water Company
District: Jefferson City

Case No. WR-2010-XXXX
Schedule CAS-7-JFC

Expense Category	Proforma Expense	Average Daily Expense	Revenue Lag	Expense (Lead)/Lag	Net (Lead)/Lag	Cash Requirment
Base Payroll	680,301	1,864	41.30	12.00	29.30	54,610
Tax Withholding	323,241	886	41.30	15.50	25.80	22,848
Fuel and Power	244,838	671	41.30	24.26	17.04	11,429
Chemicals	305,617	837	41.30	13.64	27.66	23,163
Purchased Water	8,413	23	41.30	0.00	41.30	952
Service Company Charges	681,145	1,866	41.30	(10.98)	52.28	97,554
Group Insurance	103,973	285	41.30	(9.38)	50.68	14,436
OPEB's	13,149	36	41.30	(1.39)	42.69	1,538
Pensions	207,206	568	41.30	(1.39)	42.69	24,235
ESOP	0	0	41.30	0.00	41.30	0
Insurance Other than Group	120,616	330	41.30	(32.94)	74.24	24,532
Uncollectables	54,624	150	41.30	41.31	(0.01)	(1)
Rents	5,261	14	41.30	41.27	0.03	0
401(k)	19,074	52	41.30	17.50	23.80	1,244
Other O&M	733,513	2,010	41.30	30.04	11.26	22,635
Total O&M Expenses	3,500,970					299,175
Depreciation Amortization Expense	640,287	1,754	41.30	41.30	0.00	0
Property Taxes	341,939	937	41.30	174.50	(133.20)	(124,784)
Public Service Commission Fee	51,795	142	41.30	(45.00)	86.30	12,246
Franchise and Environment Tax	12,142	33	41.30	29.63	11.67	388
FICA Taxes	957	3	41.30	10.76	30.54	80
FUTA Taxes	70,772	194	41.30	0.65	40.65	7,881
SUTA Taxes	2,750	8	41.30	2.69	38.61	291
Federal Income Tax - Current	191,466	525	41.30	29.64	11.66	6,116
State Income Tax - Current	30,087	82	41.30	29.64	11.66	961
Deferred Income Taxes	181,823	498	41.30	41.30	0.00	0
Interest Expense	557,295	1,527	41.30	91.00	(49.70)	(75,884)
Preferred Dividends	5,208	14	38.41	45.63	(7.22)	(103)
Total Working Capital Requirement	5,587,491					126,367
Total Cash and Working Capital Requirement Used						126,000

All Lead/Lags are based on internal study.

Statement of Income Per Books and Pro Forma
For the Test Year Ended June 30, 2009

Missouri Public Service Commission
Company: Missouri-American Water Company
District: Jefferson City

Case No. WR-2010-XXXX
Schedule CAS-8-JFC

	Schedule Reference	Test year Ended 6/30/09	Adjustments	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
Operating Revenues	CAS-9-JFC	$5,320,009	$873,374	$6,193,383	566,360	$6,759,743
Operating Expenses						
Operating and Maintenance	CAS-10-JFC	3,130,963	370,007	3,500,970	5,144	3,506,114
Depreciation Expense	CAS-10-JFC	432,480	204,798	637,278		637,278
Amortization Expense	CAS-10-JFC	3,009	0	3,009		3,009
Taxes other Than Income Taxes						
Property Taxes	CAS-10-JFC	341,011	928	341,939		341,939
Payroll Taxes	CAS-10-JFC	71,776	2,703	74,479		74,479
PSC Fees	CAS-10-JFC	37,352	14,443	51,795	-	51,795
Other	CAS-10-JFC	11,551	591	12,142		12,142
Utility Operating Income Before Income Taxes		1,291,867	279,904	1,571,771	561,216	2,132,987
Income Taxes						
Federal Income Tax	CAS-12-JFC	(283,234)	474,700	191,466	186,185	377,651
State Income Tax	CAS-12-JFC	(40,096)	70,183	30,087	29,258	59,345
Deferred Income Taxes		564,713	(382,890)	181,823	-	181,823
Amortization of Investment Tax Credit		(4,618)		(4,618)		(4,618)
Utility Operating Income		$1,055,102	$117,911	$1,173,013	$345,773	$1,518,786

Adjustment to Reveneus Per Books and Pro Forma
For the Test Year Ended June 30, 2009

Missouri Public Service Commission | **Case No. WR-2010-XXXX**
Company: Missouri-American Water Company | **Schedule CAS-9-JFC**
District: Jefferson City | **Page 1 of 1**

Line #		Test year Ending 06/30/09	Eliminate Unbilled Revenue	Bill Analysis And Other Adjustments	Bill Analysis at Rates	Normalizaton & Annual Adjustments	Other Adjustments	Pro Forma Present Rate Revenue
5	Sales of Water							
6	Metered Sales							
7	Residential	$2,937,857	($33,591)	($2)	$2,904,264	$213,848	$183,795	$3,301,907
8	Commercial	1,504,880	(22,009)	0	1,482,871	73,292	$97,492	1,653,655
9	Industrial	239,990	(1,732)	0	238,258		$332,952	571,210
10	Other Public Authority	432,865	(23)	0	432,842		$19,707	452,549
11	Sales for Resale	0	0	0	0		$0	0
12	Miscellaneous	678	0	(678)	(0)		$0	(0)
14	Total Metered Sales	5,116,270	(57,355)	(680)	5,058,235	287,140	633,946	5,979,321
17	Sewer Service	0	0	0	0			0
19	Fire Service							
20	Private Fire Service	165,618	0	0	165,618	0	10,324	175,942
22	Total Fire Service	165,618	0	0	165,618	0	10,324	175,942
24	Total Sales of Water	5,281,888	(57,355)	(680)	5,223,853	287,140	644,270	6,155,262
26	Other Operating Revenues							
27	Reconnect Charges	1,360			1,360			1,360
28	Returned Check Charge	1,476			1,476			1,476
29	Application Fee	0			0			0
30	Miscellaneous Other Revenue	34,918			34,918			34,918
31	Rents from Water Property	367			367			367
33	Total Other Operating Revenues	38,121	0	0	38,121	0	0	38,121
36	Total Operating Revenues	$5,320,009	($57,355)	($680)	$5,261,974	$287,140	$644,270	$6,193,383

Summary of Operations and Maintenance Expenses and General Taxes

For the Test Year Ended June 30, 2009

Missouri Public Service Commission | **Case No. WR-2010-XXXX**
Company: Missouri-American Water Company | **Schedule CAS-10-JFC**
District: Jefferson City | **Page 1 of 1**

Line #

The schedule below provides a summary list of the operating and maintenance expenses for the test year and pro forma at present rates as indicated. Each pro forma adjustment is keyed to a schedule as shown on Schedule CAS-11-JFC which provides additional detail and support.

Expense Description	Schedule Reference	Test Year Expense	Adjustment	Pro forma Present Rates
Labor	CAS-11-JFC	911,723	91,818	1,003,541
Purchased Water	CAS-11-JFC	4,125	4,288	8,413
Fuel and Power	CAS-11-JFC	199,160	45,678	244,838
Chemicals	CAS-11-JFC	245,631	59,986	305,617
Waste Disposal	CAS-11-JFC	0	0	0
Support Services	CAS-11-JFC	683,667	(2,522)	681,145
Group Insurance	CAS-11-JFC	117,122	151,623	268,745
Pensions	CAS-11-JFC	65,732	141,474	207,206
Regulatory Expense	CAS-11-JFC	12,095	1,577	13,672
Insurance, Other than Group	CAS-11-JFC	100,147	20,469	120,616
Customer Accounting	CAS-11-JFC	136,568	(18,007)	118,561
Rents	CAS-11-JFC	5,262	(1)	5,261
General Office Expense	CAS-11-JFC	76,130	0	76,130
Miscellaneous	CAS-11-JFC	276,302	(11,009)	265,293
Maintenance - Other	CAS-11-JFC	297,299	(115,366)	181,933
Total Operations and Maintenance		3,130,963	370,007	3,500,970
Depreciation	CAS-11-JFC	432,480	204,798	637,278
Amortization	CAS-11-JFC	3,009	0	3,009
Total Depreciation and Amortization		435,489	204,798	640,287
Property Taxes	CAS-11-JFC	341,011	928	341,939
Payroll Taxes	CAS-11-JFC	71,776	2,703	74,479
PSC Fees	CAS-11-JFC	37,352	14,443	51,795
Other General Taxes	CAS-11-JFC	11,551	591	12,142
Total Taxes Other Than Income Taxes		461,690	18,665	480,355
				(283,234)
				(40,096)
				564,713
				(4,618)
				236,765

Overall Revenue Requirement Summary
For the Test Year Ended June 30, 2009

Case No. WR-2010-XXXX
Schedule CAS-11-JFC

Missouri Public Service Commission
Company: Missouri-American Water Company
Division: Jefferson City

Line No.	168 Line Number	Description	Test Year Ended 30-Jun-09	Schedule CAS-15 p1 Labor Expense	Schedule CAS-15 p2 Group Ins Expense	Schedule CAS-15 p3 Pension Expense	Schedule CAS-15 p4 401K Expense	Schedule CAS-15 p5 Payroll Taxes Expense	Schedule CAS-15 p6 Fuel & Power Expense	Schedule CAS-15 p7 Chemical Expense	Schedule CAS-15 p8 Purch Water Expense
1											
6	8	Labor	911,723	$91,818							
7	9	Purchased Water	4,125								4,288
8	10	Fuel and Power	199,160						45,678		
9	11	Chemicals	245,631							59,986	
10	12	Waste Disposal	-								
11	13	Support Services	683,667								
12	14	Group Insurance	117,122		151,623						
13	15	Pensions	65,732			141,474					
14	16	Regulatory Expense	12,095								
15	17	Insurance Other Than Group	100,147								
16	18	Customer Accounting	136,568								
17	19	Rents	5,262								
18	20	General Office Expense	76,130								
19	21	Miscellaneous	276,302				3,781				
20	25	Maintenance - Other	297,299								
21											
22		Total Operations and Maintenance	3,130,963	91,818	151,623	141,474	3,781	0	45,678	59,986	4,288
23											
24	27	Depreciation	432,480								
25	28	Amortization	3,009								
26											
27		Total Depreciation and Amortization	435,489	0	0	0	0	0	0	0	0
28											
29	29a	Property Taxes	341,011								
30	29b	Payroll taxes	71,776					2,703			
31	29c	Gross Receipts Taxes	37,352								
32	29d	Other General Taxes	11,551								
33											
34		Total Taxes other than income	461,690	0	0	0	0	2,703	0	0	0
35											
36											
37											
38											
39											
40											
41											

Overall Revenue Requirement Summary
For the Test Year Ended June 30, 2009

Case No. WR-2010-XXXX
Schedule CAS-11-JFC

Missouri Public Service Commission
Company: Missouri-American Water Company
Division: Jefferson City

Line No.	168 Line Number	Description	Schedule CAS-15 p9 Waste Disp. Expense	Schedule CAS-15 p10 Regulatory Expense	Schedule CAS-15 p11 Ins. Other Expense	Schedule CAS-15 p12 Mgt Fees Expense	Schedule CAS-15 p13 Rent Expense	Schedule CAS-15 p13 Rent Expense	Schedule CAS-15 p13 Rent Expense	Schedule CAS-15 p14 Main Breaks Expense	Schedule CAS-15 p15 Transportation Expense
1											
2-5											
6	8	Labor									
7	9	Purchased Water									
8	10	Fuel and Power									
9	11	Chemicals									
10	12	Waste Disposal	0								
11	13	Support Services				(2,522)					
12	14	Group Insurance									
13	15	Pensions									
14	16	Regulatory Expense		1,577							
15	17	Insurance Other Than Group			20,469						
16	18	Customer Accounting									
17	19	Rents					(1)				
18	20	General Office Expense						0			
19	21	Miscellaneous							0		(14,791)
20	25	Maintenance - Other								0	
21											
22		Total Operations and Maintenance	0	1,577	20,469	(2,522)	(1)	0	0	0	(14,791)
23											
24	27	Depreciation									
25	28	Amortization									
26											
27		Total Depreciation and Amortization	0	0	0	0	0	0	0	0	0
28											
29	29a	Property Taxes									
30	29b	Payroll taxes									
31	29c	Gross Receipts Taxes									
32	29d	Other General Taxes									
33											
34		Total Taxes other than income	0	0	0	0	0	0	0	0	0
35											
36											
37											
38											
39											
40											
41											

Overall Revenue Requirement Summary
For the Test Year Ended June 30, 2009

Case No. WR-2010-XXXX
Schedule CAS-11-JFC

Missouri Public Service Commission
Company: Missouri-American Water Company
Division: Jefferson City

Line No.	168 Line Number	Description	Schedule CAS-15 p16 t Negative Salva Expense	Schedule CAS-15 p17 Property Taxes Expense	Schedule CAS-15 p18 PSC Assess Expense	Schedule CAS-15 p19 Tank Painting Expense	Schedule CAS-15 p20 Franchise Tax Expense	Schedule CAS-15 p21 Uncollectible Expense	Schedule CAS-15 p21 Uncollectible Expense	Schedule CAS-15 p22 Depreciation Expense	Schedule CAS-15 p23 Postage Expense
6	8	Labor									
7	9	Purchased Water									
8	10	Fuel and Power									
9	11	Chemicals									
10	12	Waste Disposal									
11	13	Support Services									
12	14	Group Insurance									
13	15	Pensions									
14	16	Regulatory Expense									
15	17	Insurance Other Than Group									
16	18	Customer Accounting						(18,527)	0		$520
17	19	Rents									
18	20	General Office Expense									
19	21	Miscellaneous					0				
20	25	Maintenance - Other	(92,024)			(23,342)					
21											
22		Total Operations and Maintenance	(92,024)	0	0	(23,342)	0	(18,527)	0	0	520
23											
24	27	Depreciation								204,798	
25	28	Amortization									
26											
27		Total Depreciation and Amortization	0	0	0	0	0	0	0	204,798	0
28											
29	29a	Property Taxes		928							
30	29b	Payroll taxes									
31	29c	Gross Receipts Taxes			14,443						
32	29d	Other General Taxes									
33											
34		Total Taxes other than income	0	928	14,443	0	0	0	0	0	0
35											
36											
37											
38											
39											
40											
41											

Overall Revenue Requirement Summary
For the Test Year Ended June 30, 2009

Case No. WR-2010-XXXX
Schedule CAS-11-JFC

Missouri Public Service Commission
Company: Missouri-American Water Company
Division: Jefferson City

Line No.	168 Line Number	Description	Schedule CAS-15 p24 Elim Lobby fees Expense	Schedule CAS-15 p25 Hydrant Maint Expense	Schedule CAS-15 p26 Franchise Expense	Schedule Expense	Schedule Expense	Schedule Expense	Schedule Expense	Present Rate Adjustments	Total Present Rates Expense
1											
6	8	Labor	$0							$91,818	$1,003,541
7	9	Purchased Water								4,288	8,413
8	10	Fuel and Power								45,678	244,838
9	11	Chemicals								59,986	305,617
10	12	Waste Disposal								0	0
11	13	Support Services								(2,522)	681,145
12	14	Group Insurance								151,623	268,745
13	15	Pensions								141,474	207,206
14	16	Regulatory Expense								1,577	13,672
15	17	Insurance Other Than Group								20,469	120,616
16	18	Customer Accounting								(18,007)	118,561
17	19	Rents								(1)	5,261
18	20	General Office Expense								0	76,130
19	21	Miscellaneous								(11,009)	265,293
20	25	Maintenance - Other		$0						(115,366)	181,933
21											
22		Total Operations and Maintenance	0	0	0	0	0		0	370,007	3,500,970
23											
24	27	Depreciation								204,798	637,278
25	28	Amortization								0	3,009
26											
27		Total Depreciation and Amortization	0	0	0	0	0		0	204,798	640,287
28											
29	29a	Property Taxes								928	341,939
30	29b	Payroll taxes								2,703	74,479
31	29c	Gross Receipts Taxes								14,443	51,795
32	29d	Other General Taxes			$591					591	12,142
33											
34		Total Taxes other than income	0	0	591	0	0		0	18,665	480,355
35											
36											
37											
38											
39											
40											
41											

Proforma State and Federal Income Taxes at Present and Proposed Rates
For the Test Year Ended June 30, 2009

Missouri Public Service Commission | **Case No. WR-2010-XXXX**
Company: Missouri-American Water Company | **Schedule CAS-12-JFC**
District: Jefferson City | **Page 1 of 1**

Line #

The Company's federal and state income taxes will be affected by all of the pro forma adjustments made at present and proposed rates.

	At Present Rates		At Proposed Rates	
	Federal	State	Federal	State
Utility Operating Income Before Income Taxes	$1,571,771	$1,571,771	$2,132,987	$2,132,987
Interest Expense Deduction	542,059	542,059	542,059	542,059
Taxable Income	1,029,712	1,029,712	1,590,928	1,590,928
Addback (Deducts):				
Tax over Book Depreciation	(454,067)	(454,067)	(454,067)	(454,067)
Non-deductible Meals	1,454	1,454	1,454	1,454
Amortization Preferred Stock Expense	34	34	34	34
Non-deductible Reserve Deficiency	0	0	0	0
Total Addbacks (Deducts)	(452,579)	(452,579)	(452,579)	(452,579)
Taxable Income	577,133	577,133	1,138,349	1,138,349
Effective Tax Rate (1)	33.1754%	5.2133%	33.1754%	5.2133%
Proforma Income Tax at Present / Proposed Rates	191,466	30,087	377,651	59,345
Per Books Amount / Present Rates	(283,234)	(40,096)	191,466	30,087
Proforma adjustment	$474,700	$70,183	$186,185	$29,258

(1) Based on a 6.25% statutory rate for SIT and 35% for FIT

Test Year Operating Revenues at Present Rates vs Proposed Rates
For the Test Year Ended June 30, 2009

Missouri Public Service Commission — **Case No. WR-2010-XXXX**
Company: Missouri-American Water Company — **Schedule CAS-13-JFC**
District: Jefferson City — **Page 1 of 1**

Line #	Class/ Description	Present Pro Forma Rates Sales ('000 Gal)	Present Pro Forma Rates Total Revenue	Proposed Pro Forma Rates Sales ('000 Gal)	Proposed Pro Forma Rates Total Revenue	Dollar Change	Percentage Change
1							
2	**Monthly Billing:**						
3							
4	Residential	520,880	$3,301,906	520,880	$3,731,076	$429,170	13.00%
5	Commercial	386,708	1,653,655	386,708	1,744,477	90,822	5.49%
6	Industrial	181,946	571,210	181,946	572,798	1,588	0.28%
7	Other Public Authority	99,939	452,549	99,939	487,168	34,619	7.65%
8	Other Water Utilities	0	0	0	0	0	0.00%
9	Miscellaneous	0	0	0	0	0	0.00%
10	Private Fire	0	175,942	0	175,942	0	0.00%
11	Public Fire	0	0	0	0	0	0.00%
12	Total	1,189,472	6,155,262	1,189,472	6,711,461	$556,199	9.04%
13							
14							
15	**Miscellaneous Revenues:**						
16							
17	Reconnect Charges		1,360		11,190	9,830	722.79%
18	Returned Check Charge		1,476		1,488	12	0.81%
19	Application Fee		0		0	0	0.00%
20	Miscellaneous Other Revenue		34,918		34,918	0	0.00%
21	Rents from Water Property		367		367	0	0.00%
22	Misc Sales		0		0	0	0.00%
23							
24			$6,193,383		$6,759,424	566,041	9.14%
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40							

Test Year Operating Revenues at Present Rates vs Proposed Rates
For the Test Year Ended June 30, 2009

Missouri Public Service Commission | **Case No. WR-2010-XXXX**
Company: Missouri-American Water Company | **Schedule CAS-14-JFC**
District: Jefferson City |

Line #	Class/ Description	Present Pro Forma Rates: Customer Meter Billings	Sales ('000 Gal)	Current Rate	Total Revenue	Proposed Pro Forma Rates: Customer Meter Billings	Sales ('000 Gal)	Proposed Rate	Total Revenue	Dollar Change	Percentage Change
1											
2	**Residential:**										
3	Minimum Charge:										
4	5/8" Monthly	102,435		$11.81	$1,209,755	102,435		$15.00	$1,536,522	$326,767	27.01%
5	5/8" Low Income	3,304		$11.81	$39,024	3,304		$9.75	$32,217	($6,807)	-17.44%
6	3/4" Monthly	0		12.92	0	0		16.06	0	0	0.00%
7	1" Monthly	1,640		15.15	24,848	1,640		19.17	31,440	6,592	26.53%
8	1-1/2" Monthly	24		20.74	496	24		29.60	707	211	42.54%
9	2" Monthly	57		27.42	1,560	57		42.09	2,395	835	53.53%
10	3" Monthly	0		43.06	0	0		71.26	0	0	0.00%
11	4" Monthly	0		65.40	0	0		112.94	0	0	0.00%
12	6" Monthly	0		121.18	0	0		217.08	0	0	0.00%
13	8" Monthly	0		0.00	0	0		216.62	0	0	0.00%
14	10" Monthly	0		0.00	0	0		367.97	0	0	0.00%
15	12" Monthly	0		0.00	0	0		0.00	0	0	0.00%
16											
17	Volumetric Charges:										
18	First Block		520,834	$3.8900	2,026,044		520,834	$4.0850	2,127,607	101,563	5.01%
19	Second Block		46	3.8900	179		46	4.0850	188	9	5.03%
20	Third Block		0	0.0000	0		0	0.0000	0	0	0.00%
21	Fourth Block		0	0.0000	0		0	0.0000	0	0	0.00%
22	FAL's and Credits		0		0		0		0	0	0.00%
23	Reconcile to Books									0	0.00%
24	Total		520,880		$3,301,906		520,880		$3,731,076	$429,170	13.00%
25											
26											
27											
28											
29											
30											
31											
32											
33											
34											
35											
36											
37											
38											
39											
40											

Test Year Operating Revenues at Present Rates vs Proposed Rates
For the Test Year Ended June 30, 2009

Missouri Public Service Commission — **Case No. WR-2010-XXXX**
Company: Missouri-American Water Company — **Schedule CAS-14-JFC**
District: Jefferson City —

Line #	Class/ Description	Present Pro Forma Rates: Customer Meter Billings	Present Pro Forma Rates: Sales ('000 Gal)	Present Pro Forma Rates: Current Rate	Present Pro Forma Rates: Total Revenue	Proposed Pro Forma Rates: Customer Meter Billings	Proposed Pro Forma Rates: Sales ('000 Gal)	Proposed Pro Forma Rates: Proposed Rate	Proposed Pro Forma Rates: Total Revenue	Dollar Change	Percentage Change
1											
2	**Commercial:**										
3	Minimum Charge:										
4	5/8" Monthly	10,493		$11.81	$123,926	10,493		$15.00	$157,400	$33,474	27.01%
5	3/4" Monthly	0		12.92	0	0		16.06	0	0	0.00%
6	1" Monthly	3,418		15.15	51,775	3,418		19.17	65,512	13,737	26.53%
7	1-1/2" Monthly	852		20.74	17,662	852		29.60	25,207	7,545	42.72%
8	2" Monthly	1,957		27.42	53,658	1,957		42.09	82,370	28,712	53.51%
9	3" Monthly	121		43.06	5,206	121		71.26	8,615	3,409	65.48%
10	4" Monthly	59		65.40	3,846	59		112.94	6,641	2,795	72.67%
11	6" Monthly	12		121.18	1,454	12		217.08	2,605	1,151	79.16%
12	8" Monthly	0		0.00	0	0		216.62	0	0	0.00%
13	10" Monthly	0		0.00	0	0		367.97	0	0	0.00%
14	12" Monthly	0		0.00	0	0		0.00	0	0	0.00%
15											
16											
17	Volumetric Charges:										
18	First Block		300,829	$3.8900	1,170,224		300,829	$3.8900	1,170,224	0	0.00%
19	Second Block		83,222	2.6049	216,788		83,222	2.6049	216,788	0	0.00%
20	Third Block		0	0.0000	0		0	0.0000	0	0	0.00%
21	Fourth Block		0	0.0000	0		0	0.0000	0	0	0.00%
22	FAL's and Credits		0		0		0		0	0	0.00%
23	Reconcile to Books									0	0.00%
24	Total		384,051		$1,644,539		384,051		$1,735,382	$90,823	5.52%
25											
26											
27											
28											
29											
30											
31											
32											
33											
34											
35											
36											
37											
38											
39											
40											

Test Year Operating Revenues at Present Rates vs Proposed Rates
For the Test Year Ended June 30, 2009

Missouri Public Service Commission
Company: Missouri-American Water Company
District: Jefferson City

Case No. WR-2010-XXXX
Schedule CAS-14-JFC

Line #	Class/ Description	Present Pro Forma Rates: Customer Meter Billings	Present Pro Forma Rates: Sales ('000 Gal)	Present Pro Forma Rates: Current Rate	Present Pro Forma Rates: Total Revenue	Proposed Pro Forma Rates: Customer Meter Billings	Proposed Pro Forma Rates: Sales ('000 Gal)	Proposed Pro Forma Rates: Proposed Rate	Proposed Pro Forma Rates: Total Revenue	Dollar Change	Percentage Change
1											
2	**State Penitentiary (Interruptible Rate):**										
3	Minimum Charge:										
4	5/8" Monthly	0		$0.00	$0	0		$15.00	$0	$0	0.00%
5	3/4" Monthly	0		$0.00	0	0		16.06	0	0	0.00%
6	1" Monthly	0		$0.00	0	0		19.17	0	0	0.00%
7	1-1/2" Monthly	0		$0.00	0	0		29.60	0	0	0.00%
8	2" Monthly	0		$0.00	0	0		42.09	0	0	0.00%
9	3" Monthly	0		$0.00	0	0		71.26	0	0	0.00%
10	4" Monthly	0		$0.00	0	0		112.94	0	0	0.00%
11	6" Monthly	0		$0.00	0	0		217.08	0	0	0.00%
12	8" Monthly	0		$0.00	0	0		216.62	0	0	0.00%
13											
14	Volumetric Charges:										
15	First Block		0	$0.0000	0		0	$0.0000	0	0	0.00%
16	Second Block		0	0.0000	0		0	0.0000	0	0	0.00%
17	FAL's and Credits		0		0		0		0	0	0.00%
18	Reconcile to Books									0	0.00%
19	Total		0		$0		0		$0	$0	0.00%
20											
21	**Capital Complex (Interruptible Rate):**										
22	Minimum Charge:										
23	5/8" Monthly	0		$0.00	$0	0		$15.00	$0	$0	0.00%
24	3/4" Monthly	0		$0.00	0	0		16.06	0	0	0.00%
25	1" Monthly	0		$0.00	0	0		19.17	0	0	0.00%
26	1-1/2" Monthly	0		$0.00	0	0		29.60	0	0	0.00%
27	2" Monthly	0		$0.00	0	0		42.09	0	0	0.00%
28	3" Monthly	0		$0.00	0	0		71.26	0	0	0.00%
29	4" Monthly	0		$0.00	0	0		112.94	0	0	0.00%
30	6" Monthly	0		$0.00	0	0		217.08	0	0	0.00%
31	8" Monthly	0		$0.00	0	0		216.62	0	0	0.00%
32											
33	Volumetric Charges:										
34	First Block		702	$5.2737	3,702		702	$5.2700	3,700	(2)	-0.05%
35	Second Block		175	$4.2984	751		175	$4.3000	752	1	0.13%
36	Third block		1,780	$2.6199	4,663		1,780	$2.6200	4,663	0	0.00%
37	FAL's and Credits		0		0		0		0	0	0.00%
38	Reconcile to Books									0	0.00%
39	Total		2,657		$9,116		2,657		$9,115	($1)	-0.01%
40											

Test Year Operating Revenues at Present Rates vs Proposed Rates
For the Test Year Ended June 30, 2009

Missouri Public Service Commission — **Case No. WR-2010-XXXX**
Company: Missouri-American Water Company — **Schedule CAS-14-JFC**
District: Jefferson City —

		Present Pro Forma Rates				Proposed Pro Forma Rates					
Line #	Class/ Description	Customer Meter Billings	Sales ('000 Gal)	Current Rate	Total Revenue	Customer Meter Billings	Sales ('000 Gal)	Proposed Rate	Total Revenue	Dollar Change	Percentage Change
1											
2	**Industrial:**										
3	Minimum Charge:										
4	5/8" Monthly	36		$11.81	$423	36		$15.00	$537	$114	26.95%
5	3/4" Monthly	0		12.92	$0	0		16.06	0	0	0.00%
6	1" Monthly	24		15.15	$364	24		19.17	460	96	26.37%
7	1-1/2" Monthly	0		20.74	$0	0		29.60	0	0	0.00%
8	2" Monthly	32		27.42	$877	32		42.09	1,347	470	53.59%
9	3" Monthly	12		43.06	$517	12		71.26	855	338	65.38%
10	4" Monthly	12		65.40	$785	12		112.94	1,355	570	72.61%
11	6" Monthly	0		121.18	$0	0		217.08	0	0	0.00%
12	8" Monthly	0		0.00	$0	0		216.62	0	0	0.00%
13	10" Monthly	0		0.00	0	0		0.00	0	0	0.00%
14	12" Monthly	0		0.00	0	0		0.00	0	0	0.00%
15											
16	Volumetric Charges:										
17	First Block		92,348	$3.8900	359,226		92,346	$3.8900	359,226	0	0.00%
18	Second Block		1,485	2.6049	3,868		1,485	2.6049	3,868	0	0.00%
19	Third Block		0	0.0000	0		0	0.0000	0	0	0.00%
20	Fourth Block		0	0.0000	0		0	0.0000	0	0	0.00%
21	FAL's and Credits		0		0		0		0	0	0.00%
22	Reconcile to Books									0	0.00%
23	Total		93,831		$366,060		93,831		$367,648	$1,588	0.43%
24											
25	**Large Industrial:**										
26	Minimum Charge:										
27	2" Monthly	10		$1,197.65	$11,977	10		$1,197.65	$11,977	$0	0.00%
28	3" Monthly	0		1,213.30	0	0		1,213.30	0	0	0.00%
29	4" Monthly	13		1,235.62	16,063	13		1,235.62	16,063	0	0.00%
30	6" Monthly	0		1,291.42	0	0		1,291.42	0	0	0.00%
31											
32	Volumetric Charges:										
33	First Block		88,115	2.01	177,110		88,115	2.0100	177,110	0	0.00%
34	Second Block		0	2.01	0		0	2.0100	0	0	0.00%
35	FAL's and Credits		0		0		0		0	0	0.00%
36	Reconcile to Books										
37	Total		88,115		205,150		88,115		205,150	0	0.00%
38											
39											
40											

Test Year Operating Revenues at Present Rates vs Proposed Rates
For the Test Year Ended June 30, 2009

Missouri Public Service Commission
Company: Missouri-American Water Company
District: Jefferson City

		Present Pro Forma Rates				Proposed Pro Forma Rates					
Line #	Class/ Description	Customer Meter Billings	Sales ('000 Gal)	Current Rate	Total Revenue	Customer Meter Billings	Sales ('000 Gal)	Proposed Rate	Total Revenue	Dollar Change	Percentage Change
1											
2	**Other Public Authority:**										
3	Minimum Charge:										
4	5/8" Monthly	714		$11.81	$8,437	714		$15.00	$10,716	$2,279	27.01%
5	3/4" Monthly	0		12.92	0	0		16.06	0	0	0.00%
6	1" Monthly	908		15.15	13,756	908		19.17	17,406	3,650	26.53%
7	1-1/2" Monthly	362		20.74	7,508	362		29.60	10,715	3,207	42.71%
8	2" Monthly	1,292		27.42	35,427	1,292		42.09	54,383	18,956	53.51%
9	3" Monthly	133		43.06	5,727	133		71.26	9,478	3,751	65.50%
10	4" Monthly	59		65.40	3,859	59		112.94	6,663	2,804	72.66%
11	6" Monthly	0		121.18	0	0		217.08	0	0	0.00%
12	8" Monthly	0		0.00	0	0		216.62	0	0	0.00%
13	10" Monthly	0		0.00	0	0		0.00	0	0	0.00%
14	12" Monthly	0		0.00	0	0		0.00	0	0	0.00%
15											
16											
17	Volumetric Charges:										
18	First Block		91,530	$3.8900	356,053		91,530	$3.8900	356,053	0	0.00%
19	Second Block		8,503	2.6049	22,149		8,503	2.6049	22,149	0	0.00%
20	Third Block		0	0.0000	0		0	0.0000	0	0	0.00%
21	Fourth Block		0	0.0000	0		0	0.0000	0	0	0.00%
22	FAL's and Credits		(95)		(367)		(95)		(395)	(28)	7.53%
23	Reconcile to Books									0	0.00%
24	Total		99,939		$452,549		99,939		$487,168	$34,619	7.65%
25											
26											
27											
28											
29											
30											
31											
32											
33											
34											
35											
36											
37											
38											
39											
40											

Test Year Operating Revenues at Present Rates vs Proposed Rates
For the Test Year Ended June 30, 2009

Missouri Public Service Commission — **Case No. WR-2010-XXXX**
Company: Missouri-American Water Company — **Schedule CAS-14-JFC**
District: Jefferson City —

Line #	Class/ Description	Present Pro Forma Rates: Customer Meter Billings	Sales ('000 Gal)	Current Rate	Total Revenue	Proposed Pro Forma Rates: Customer Meter Billings	Sales ('000 Gal)	Proposed Rate	Total Revenue	Dollar Change	Percentage Change
1											
2	**Other Water Utility:**										
3	Minimum Charge:										
4	5/8" Monthly	0		$11.81	$0	0		$15.00	$0	$0	0.00%
5	3/4" Monthly	0		12.92	0	0		16.06	0	0	0.00%
6	1" Monthly	0		15.15	0	0		19.17	0	0	0.00%
7	1-1/2" Monthly	0		20.74	0	0		29.60	0	0	0.00%
8	2" Monthly	0		27.42	0	0		42.09	0	0	0.00%
9	3" Monthly	0		43.06	0	0		71.26	0	0	0.00%
10	4" Monthly	0		65.40	0	0		112.94	0	0	0.00%
11	6" Monthly	0		121.18	0	0		217.08	0	0	0.00%
12	8" Monthly	0		0.00	0	0		216.62	0	0	0.00%
13	10" Monthly	0		0.00	0	0		0.00	0	0	0.00%
14	12" Monthly	0		0.00	0	0		0.00	0	0	0.00%
15											
16											
17	Volumetric Charges:										
18	First Block		0	$3.8900	0		0	$3.8900	0	0	0.00%
19	Second Block		0	2.6049	0		0	2.6049	0	0	0.00%
20	Third Block		0	0.0000	0		0	0.0000	0	0	0.00%
21	Fourth Block		0	0.0000	0		0	0.0000	0	0	0.00%
22	FAL's and Credits		0		0		0		0	0	0.00%
23	Reconcile to Books									0	0.00%
24	Total		0		$0		0		$0	$0	0.00%
25											
26											
27											
28											
29											
30											
31											
32											
33											
34											
35											
36											
37											
38											
39											
40											

Test Year Operating Revenues at Present Rates vs Proposed Rates
For the Test Year Ended June 30, 2009

Missouri Public Service Commission | **Case No. WR-2010-XXXX**
Company: Missouri-American Water Company | **Schedule CAS-14-JFC**
District: Jefferson City |

		Present Pro Forma Rates				Proposed Pro Forma Rates					
Line #	Class/ Description	Customer Meter Billings	Sales ('000 Gal)	Current Rate	Total Revenue	Customer Meter Billings	Sales ('000 Gal)	Proposed Rate	Total Revenue	Dollar Change	Percentage Change
1											
2	**Miscellaneous:**										
3	Minimum Charge:										
4	5/8" Monthly	0		$11.81	$0	0		$15.00	$0	$0	0.00%
5	3/4" Monthly	0		12.92	0	0		16.06	0	0	0.00%
6	1" Monthly	0		15.15	0	0		19.17	0	0	0.00%
7	1-1/2" Monthly	0		20.74	0	0		29.60	0	0	0.00%
8	2" Monthly	0		27.42	0	0		42.09	0	0	0.00%
9	3" Monthly	0		43.06	0	0		71.26	0	0	0.00%
10	4" Monthly	0		65.40	0	0		112.94	0	0	0.00%
11	6" Monthly	0		121.18	0	0		217.08	0	0	0.00%
12	8" Monthly	0		0.00	0	0		216.62	0	0	0.00%
13	10" Monthly	0		0.00	0	0		0.00	0	0	0.00%
14	12" Monthly	0		0.00	0	0		0.00	0	0	0.00%
15											
16											
17	Volumetric Charges:										
18	First Block		0	$0.0000	0		0	$0.0000	0	0	0.00%
19	Second Block		0	0.0000	0		0	0.0000	0	0	0.00%
20	Third Block		0	0.0000	0		0	0.0000	0	0	0.00%
21	Fourth Block		0	0:0000	0		0	0.0000	0	0	0.00%
22	FAL's and Credits		0		0		0		0	0	0.00%
23	Reconcile to Books									0	0.00%
24	Total		0		$0		0		$0	$0	0.00%
25											
26											
27											
28											
29											
30											
31											
32											
33											
34											
35											
36											
37											
38											
39											
40											

Test Year Operating Revenues at Present Rates vs Proposed Rates
For the Test Year Ended June 30, 2009

Missouri Public Service Commission — **Case No. WR-2010-XXXX**
Company: Missouri-American Water Company — **Schedule CAS-14-JFC**
District: Jefferson City —

Line #	Connection Size	Number of Connections	Present Rates Annual Rate	Present Rates Total Revenue	Proposed Rates Annual Rate	Proposed Rates Total Revenue	Dollar Change	Percentage Change
1								
2	**Private Fire Service:**							
3								
4	Private Fire Hydrant	39	$1,196.87	$46,439	$1,196.87	$46,439	$0	0.00%
5								
6	2"	8	132.92	1,063	132.92	1,063	0	0.00%
7								
8	3"	1	299.27	299	299.27	299	0	0.00%
9								
10	4"	26	531.97	13,831	531.97	13,831	0	0.00%
11								
12	6"	49	1,196.87	58,647	1,196.87	58,647	0	0.00%
13								
14	8"	20	2,127.62	42,552	2,127.62	42,552	0	0.00%
15								
16	10"	4	3,324.48	13,298	3,324.48	13,298	0	0.00%
17								
18	12"	0	0.00	0	0.00	0	0	0.00%
19								
20	FAL's and Credits			(187)		(187)	0	0.00%
21								
22	Total	147		$175,942		$175,942	$0	0.00%
23								
24								
25								
26	**Public Fire Protection:**							
27								
28	Public Fire Hydrants	958	0.00	0	0.00	0	0	0.00%
29								
30								
31								
32								
33								
34								
35								
36								
37								
38								
39								
40								