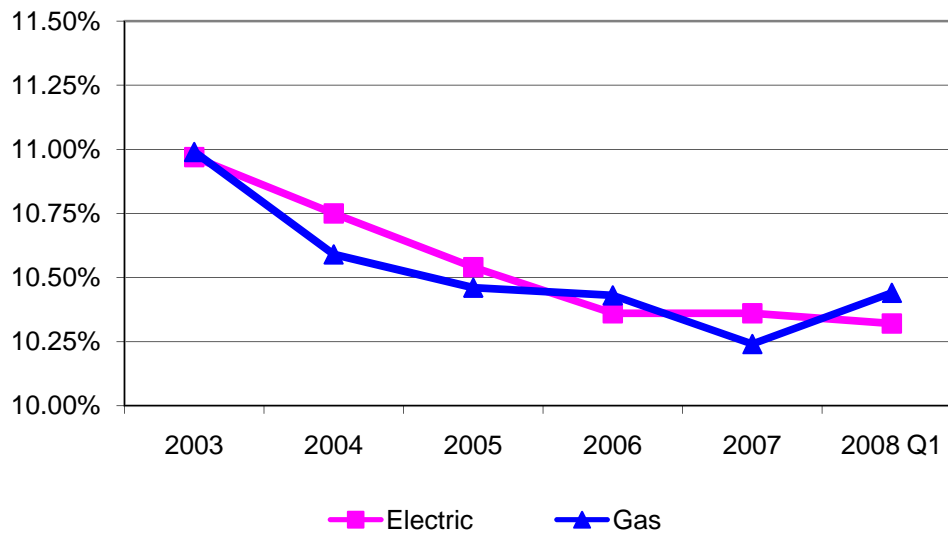


Missouri-American Water Company

Authorized Returns & Common Equity Ratios

<u>Line</u>	<u>Year</u>	<u>Return on Equity</u>		<u>Common Equity Ratio</u>	
		<u>Electric</u>	<u>Gas</u>	<u>Electric</u>	<u>Gas</u>
1	2003	10.97%	10.99%	49.41%	49.93%
2	2004	10.75%	10.59%	46.84%	45.90%
3	2005	10.54%	10.46%	46.73%	48.66%
4	2006	10.36%	10.43%	48.67%	47.43%
5	2007	10.36%	10.24%	48.01%	48.37%
6	2008 Q1	10.32%	10.44%	49.25%	52.42%
7	Average	10.55%	10.53%	48.15%	48.79%

Return On Equity Trend



Source:

Regulatory & Research Associates, Inc., Special Report--January-March 2008.

Missouri-American Water Company

Three-Stage Growth DCF Model

Line	Ahern's Comparable Groups	Stock	Annual	Average	First Stage	Adjusted	Constant	Second Stage Growth				Third Stage	Three-Stage
		Price	Dividend ¹	Dividend Yield	Growth ²	Yield	Growth DCF	Year 6	Year 7	Year 8	Year 9	Growth ³	Growth DCF
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
AUS Utility Group													
1	American States Water Co.	\$ 34.97	\$ 1.00	2.86%	7.00%	2.96%	9.96%	8.95%	7.94%	6.92%	5.91%	4.90%	8.46%
2	Aqua America, Inc	\$ 20.41	\$ 0.50	2.45%	9.13%	2.56%	11.69%	10.33%	8.98%	7.62%	6.26%	4.90%	8.34%
3	Artesian Resources	\$ 28.93	\$ 1.06	3.65%	5.00%	3.74%	8.74%	7.97%	7.20%	6.44%	5.67%	4.90%	8.97%
4	California Water Service Group	\$ 35.69	\$ 1.16	3.25%	7.59%	3.37%	10.96%	9.75%	8.54%	7.33%	6.11%	4.90%	9.10%
5	Connecticut Water Service Inc.	\$ 24.09	\$ 0.87	3.62%	15.00%	3.89%	18.89%	16.09%	13.29%	10.50%	7.70%	4.90%	11.83%
6	York Water Company	\$ 15.27	\$ 0.48	3.17%	7.00%	3.28%	10.28%	9.20%	8.13%	7.05%	5.98%	4.90%	8.86%
7	Median	\$ 26.51	\$ 0.94	3.21%	7.30%	3.33%	10.62%	9.48%	8.33%	7.19%	6.04%	4.90%	8.92%
Value Line Utility Group													
8	American States Water Co.	\$ 34.97	\$ 1.00	2.86%	7.00%	2.96%	9.96%	8.95%	7.94%	6.92%	5.91%	4.90%	8.46%
9	Aqua America, Inc	\$ 20.41	\$ 0.50	2.45%	9.13%	2.56%	11.69%	10.33%	8.98%	7.62%	6.26%	4.90%	8.34%
10	California Water Service Group	\$ 35.69	\$ 1.16	3.65%	7.59%	3.37%	10.96%	9.75%	8.54%	7.33%	6.11%	4.90%	9.10%
11	Southwest Water Company	\$ 11.59	\$ 0.24	2.07%	13.25%	2.21%	15.46%	13.35%	11.23%	9.12%	7.01%	4.90%	8.57%
12	Median	\$ 27.69	\$ 0.75	2.66%	8.36%	2.76%	11.33%	10.04%	8.76%	7.47%	6.19%	4.90%	8.51%

Sources:

¹ PMA Workpaper No. 19 (Value Line).

² Schedule PMA-10, page 1 of 13.

³ *Blue Chip Economic Indicators*, March 10, 2008.

Water Utility Business Risk is Low Relative to Energy Utilities

Water Utility Characteristics	Implications
<ul style="list-style-type: none"> ■ Capital projects focused on maintaining public health & safety standards 	<ul style="list-style-type: none"> ■ Minimal regulator resistance to prudent projects
<ul style="list-style-type: none"> ■ Water bills are low portion of household budget 	<ul style="list-style-type: none"> ■ Rate increases are less politicized ■ Demand is more inelastic
<ul style="list-style-type: none"> ■ Water price is less volatile than energy commodities 	<ul style="list-style-type: none"> ■ Rate increases are less dramatic in magnitude ■ Cost forecasting and regulatory lag is more manageable
<ul style="list-style-type: none"> ■ Demand is less sensitive to weather conditions resulting in lower intra-day and daily demand fluctuations than energy utilities 	<ul style="list-style-type: none"> ■ Less stress on the water system ■ Less operational risk in meeting demand lowering risk of “disallowed” costs
<ul style="list-style-type: none"> ■ M&A focused on small tuck-ins wherein the target system becomes enabled to meet health & safety standards 	<ul style="list-style-type: none"> ■ Regulators support the strengthening of water systems via M&A and are less likely to withhold beneficial economics
<ul style="list-style-type: none"> ■ Large water utilities are diversified across a larger number of regulatory jurisdictions and geographies 	<ul style="list-style-type: none"> ■ Mitigates the impact of severe weather conditions / regulatory outcomes in a single jurisdiction

Missouri-American Water Company

Utility Bond Yields

<u>Line</u>	<u>Date</u>	"A" Rating Utility <u>Bond Yield</u>	"Baa" Rating Utility <u>Bond Yield</u>
		(1)	(2)
1	09/12/08	6.34%	6.98%
2	09/05/08	6.21%	6.83%
3	08/29/08	6.32%	6.94%
4	08/22/08	6.36%	6.99%
5	08/15/08	6.33%	6.95%
6	08/07/08	6.42%	6.99%
7	08/01/08	6.42%	7.01%
8	07/25/08	6.54%	7.11%
9	07/18/08	6.51%	7.07%
10	07/11/08	6.33%	6.90%
11	07/03/08	6.33%	6.89%
12	06/27/08	6.31%	6.86%
13	06/20/08	6.40%	6.95%
14	Average	6.37%	6.96%

Source:

www.moody's.com, Bond Yields and Key Indicators.

Missouri-American Water Company

Adjusted CAPM with Market Risk Premium of 6.65%

<u>Line</u>	<u>Ahern's Comparable Groups</u>	<u>Value Line Beta (1)</u>	<u>Company-Specific Risk Premium Based on Market Premium of 6.65% (2)</u>	<u>CAPM Result Including Risk-Free Rate of 4.32% (3)</u>
AUS Utility Group				
1	American States Water Co.	1.00	6.65%	10.97%
2	Aqua America, Inc	0.90	5.99%	10.31%
3	Artesian Resources	NA	N/A	N/A
4	California Water Service Group	1.15	7.65%	11.97%
5	Connecticut Water Service Inc.	0.85	5.65%	9.97%
6	York Water Company	0.50	3.33%	7.65%
7	Average	0.88	5.85%	10.17%
8	Median	0.90	5.99%	10.31%
Value Line Utility Group				
9	American States Water Co.	1.00	6.65%	10.97%
10	Aqua America, Inc	0.90	5.99%	10.31%
11	California Water Service Group	1.15	7.65%	11.97%
12	Southwest Water Company	1.00	6.65%	10.97%
13	Average	1.01	6.73%	11.05%
14	Median	1.00	6.65%	10.97%

Source: Schedule PMA-12, page 2 of 3.