Missouri-American Water Company

Minimum Filing Requirements

Appendix 'A'

4 CSR 240-10.070 (3) (B)

Missouri-American Water Company
Case No. WR-2003-

Item #1 - Aggregate Annual Increase

Brunswick District

The aggregate annual increase over current revenues which the tariffs propose is $69 which is an overall increase of 0.04% on a Pro Forma Basis.

Jefferson City District

The aggregate annual increase over current revenues which the tariffs propose is $428,999 which is an overall increase of 10.62% on a Pro Forma Basis.

Joplin District

The aggregate annual increase over current revenues which the tariffs propose is $786,779 which is an overall increase of 9.97% on a Pro Forma Basis.

Mexico District

The aggregate annual increase over current revenues which the tariffs propose is $499,541 which is an overall increase of 19.77% on a Pro Forma Basis.

Parkville District

The aggregate annual increase over current revenues which the tariffs propose is $341,724 which is an overall increase of 11.85% on a Pro Forma Basis.

Missouri-American Water Company
Case No. WR-2003-

Item #1 - Aggregate Annual Increase

St Charles District

The aggregate annual increase over current revenues which the tariffs propose is $452,388 which is an overall increase of 5.29% on a Pro Forma Basis.

St Joseph District

The aggregate annual increase over current revenues which the tariffs propose is $1,751,172 which is an overall increase of 10.49% on a Pro Forma Basis.

St Louis County District

The aggregate annual increase over current revenues which the tariffs propose is $15,527,387 which is an overall increase of 13.37% on a Pro Forma Basis.

Warrensburg District

The aggregate annual increase over current revenues which the tariffs propose is $217,634 which is an overall increase of 8.99% on a Pro Forma Basis.

Parkville Sewer District

The aggregate annual increase over current revenues which the tariffs propose is $1,638 which is an overall increase of 3.30% on a Pro Forma Basis.

Missouri-American Water Company
Case No. WR-2003-

Item #2 - Names of Counties and Communities Affected

Brunswick District

County Name	Community Name
Chariton County	City of Brunswick

Jefferson City District

County Name	Community Name
Cole County	Jefferson City

Joplin District

County Name	Community Name
Newton County	City of Joplin
Jasper County	Duquesne
	Leawood
	Webb City
	Saginaw
	Silver Creek
	Shoal Creek

Mexico District

County Name	Community Name
Audrain County	City of Mexico
	Vandover Village

Missouri-American Water Company
Case No. WR-2003-

Item #2 - Names of Counties and Communities Affected

Parkville District

County Name	Community Name
Platte County	Parkville
Jackson County	Houston Lake
	Riverside
	Platte Wood

St Charles District

County Name	Community Name
St Charles County	St Charles City
	O'Fallon
	St Peters
	Cottleville
	Weldon Spring

St Joseph District

County Name	Community Name
Buchanan County	City of St Joseph
Andrew County	

Missouri-American Water Company
Case No. WR-2003-

Item #2 - Names of Counties and Communities Affected

St Louis County District

Community Name	Community Name
Ballwin	Lakeshire
Bellerive Village	Moline Acres
Bellefontaine Neighb	Marlborough Village
Bridgeton Town of	Manchester
Beverly Hills	Maryland Heights
Black Jack	Maplewood
Breckenridge Hills Village	Mackenzie Village of
Berkeley	Norwood Court Town of
Bel Nor Village	Normandy Town of
Bel Ridge Village of	Northwoods
Bella Villa	Oakland
Brentwood	Olivette
Creve Coeur	Overland
Chesterfield	Pagedale
Charlack Village of	Peerless Park
Clarkson Valley Village	Pasadena Hills Village
Country Life Acres Village	Pine Lawn
Champ Village of	Pasadena Park Village
Country Club Hills Village	Richmond Heights
Calverton Park Village	Rock Hill
Crystal Lake Park	Riverview Village of
Clayton	St. Ann
Cool Valley Village	Shrewsbury
Crestwood	St. George Village
Des Peres	Sunset Hills
Dellwood	St. John Village of
Edmundson Village of	Sycamore Hills Village
Ellisville	Town & Country Village
Ferguson	Twin Oaks
Flordell Hills	University City
Florissant	Jefferson County
Fenton	Uplands Park Village
Frontenac	Unincorporated Area
Glen Echo Park Village	Velda Village Hills
Glendale	Valley Park
Green Park	Vinita Park
Greendale	Vinita Terrace Village
Grantwood Village of	Velda Village
Hillsdale Village of	Winchester
Hanley Hills Village	Westwood Village
Huntleigh	Webster Groves
Hazelwood Village of	Wildwood
Jennings	Wellston
Kinloch	Wilbur Park Village
Kirkwood	Woodson Terrace
Ladue	Warson Woods

Counties
St Louis County
Jefferson County

Warrensburg District

County Name	Community Name
Johnson County	Warrensburg

Missouri-American Water Company
Case No. WR-2003-

Item #3 - Number and Classification of Customer Affected

The number and classifications of the customers affected by the proposed tariffs are as follows:

Classification	Brunswick	Jefferson City	Joplin	Mexico	Parkville-W	St Charles	St Joseph	St Louis	Warrensburg	Parkville-S
Residential	376	8,763	19,335	4,265	4,561	26,535	27,854	311,066	5,543	101
Commercial	74	1,692	2,979	470	321	890	3,095	18,500	600	0
Industrial	2	13	61	14	11	1	104	208	13	0
Other Public Authority	6	43	137	83	49	60	172	590	136	0
Other Water Utility	1	0	9	2	3	0	11	5	2	0
Fire Protection	4	122	291	57	53	141	324	3,093	63	0
Total	463	10,633	22,812	4,891	4,998	27,627	31,560	333,462	6,357	101

Missouri-American Water Company
Case No. WR-2003-

Item #4 - Average Increase by Customer Classifications

The average increase in dollars and the percentage over the current rate for all customer classifications based on 2004 projected sales are as follows:

Brunswick District

Classification	Pro Forma Revenue at Current Rates	Pro Forma Revenue at New Rates	Dollar Increase	Percent Increase
Residential	$97,163	$94,582	($2,581)	-2.66%
Commercial	24,126	24,571	445	1.84%
Industrial	741	578	(163)	-22.00%
Other Public Authority	3,544	3,144	(400)	-11.29%
Other Water Utility	64,770	52,275	(12,495)	-19.29%
Fire Protection	5,071	20,334	15,263	300.99%
Miscellaneous Sales	0	0	0	0.00%
Total	$195,415	$195,484	$69	0.04%

Missouri-American Water Company
Case No. WR-2003-

Item #4 - Average Increase by Customer Classifications

The average increase in dollars and the percentage over the current rate for all customer classifications based on 2004 projected sales are as follows:

Jefferson City District

Classification	Pro Forma Revenue at Current Rates	Pro Forma Revenue at New Rates	Dollar Increase	Percent Increase
Residential	$2,120,708	$2,239,489	$118,781	5.60%
Commercial	1,585,113	1,644,132	59,019	3.72%
Industrial	183,612	198,780	15,168	8.26%
Other Public Authority	40,271	43,575	3,304	8.20%
Other Water Utility	0	0	0	0.00%
Fire Protection	111,156	343,883	232,727	209.37%
Miscellaneous Sales	0	0	0	0.00%
Total	$4,040,860	$4,469,859	$428,999	10.62%

Missouri-American Water Company
Case No. WR-2003-

Item #4 - Average Increase by Customer Classifications

The average increase in dollars and the percentage over the current rate for all customer classifications based on 2004 projected sales are as follows:

Joplin District

Classification	Pro Forma Revenue at Current Rates	Pro Forma Revenue at New Rates	Dollar Increase	Percent Increase
Residential	$4,163,828	$4,375,899	$212,071	5.09%
Commercial	1,624,671	1,689,161	64,490	3.97%
Industrial	1,258,298	1,362,960	104,662	8.32%
Other Public Authority	207,001	199,078	(7,923)	-3.83%
Other Water Utility	443,290	408,036	(35,254)	-7.95%
Fire Protection	196,436	645,169	448,733	228.44%
Miscellaneous Sales	935	935	0	0.00%
Total	$7,894,459	$8,681,238	$786,779	9.97%

Missouri-American Water Company
Case No. WR-2003-

Item #4 - Average Increase by Customer Classifications

The average increase in dollars and the percentage over the current rate for all customer classifications based on 2004 projected sales are as follows:

Mexico District

Classification	Pro Forma Revenue at Current Rates	Pro Forma Revenue at New Rates	Dollar Increase	Percent Increase
Residential	$1,229,456	$1,446,608	$217,152	17.66%
Commercial	340,989	413,157	72,168	21.16%
Industrial	362,333	382,007	19,674	5.43%
Other Public Authority	193,065	218,573	25,508	13.21%
Other Water Utility	322,987	323,357	370	0.11%
Fire Protection	77,531	242,200	164,669	212.39%
Miscellaneous Sales	648	648	0	0.00%
Total	$2,527,009	$3,026,550	$499,541	19.77%

Missouri-American Water Company
Case No. WR-2003-

Item #4 - Average Increase by Customer Classifications

The average increase in dollars and the percentage over the current rate for all customer classifications based on 2004 projected sales are as follows:

Parkville-Water District

Classification	Pro Forma Revenue at Current Rates	Pro Forma Revenue at New Rates	Dollar Increase	Percent Increase
Residential	$2,033,535	$2,199,908	$166,373	8.18%
Commercial	432,141	438,901	6,760	1.56%
Industrial	14,783	15,687	904	6.12%
Other Public Authority	96,101	85,297	(10,804)	-11.24%
Other Water Utility	230,613	203,705	(26,908)	-11.67%
Fire Protection	60,771	266,170	205,399	337.99%
Miscellaneous Sales	16,218	16,218	0	0.00%
Total	$2,884,162	$3,225,886	$341,724	11.85%

Missouri-American Water Company
Case No. WR-2003-

Item #4 - Average Increase by Customer Classifications

The average increase in dollars and the percentage over the current rate for all customer classifications based on 2004 projected sales are as follows:

St Charles District

Classification	Pro Forma Revenue at Current Rates	Pro Forma Revenue at New Rates	Dollar Increase	Percent Increase
Residential	$7,355,128	$7,053,323	($301,805)	-4.10%
Commercial	922,270	824,241	(98,029)	-10.63%
Industrial	4,132	4,222	90	2.18%
Other Public Authority	157,589	140,283	(17,306)	-10.98%
Other Water Utility	0	0	0	0.00%
Fire Protection	116,790	986,228	869,438	744.45%
Miscellaneous Sales	0	0	0	0.00%
Total	$8,555,909	$9,008,297	$452,388	5.29%

Missouri-American Water Company
Case No. WR-2003-

Item #4 - Average Increase by Customer Classifications

The average increase in dollars and the percentage over the current rate for all customer classifications based on 2004 projected sales are as follows:

St Joseph District

Classification	Pro Forma Revenue at Current Rates	Pro Forma Revenue at New Rates	Dollar Increase	Percent Increase
Residential	$7,827,381	$8,713,010	$885,629	11.31%
Commercial	3,256,385	3,449,209	192,824	5.92%
Industrial	2,731,898	2,654,619	(77,279)	-2.83%
Other Public Authority	660,129	752,513	92,384	13.99%
Other Water Utility	2,054,575	1,866,583	(187,992)	-9.15%
Fire Protection	155,667	1,001,273	845,606	543.21%
Miscellaneous Sales	4,273	4,273	0	0.00%
Total	$16,690,308	$18,441,480	$1,751,172	10.49%

Missouri-American Water Company
Case No. WR-2003-

Item #4 - Average Increase by Customer Classifications

The average increase in dollars and the percentage over the current rate for all customer classifications based on 2004 projected sales are as follows:

St Louis County District

Classification	Pro Forma Revenue at Current Rates	Pro Forma Revenue at New Rates	Dollar Increase	Percent Increase
Rate A	$98,367,499	$109,991,326	$11,623,827	11.82%
Rate B	1,981,833	2,235,354	253,521	12.79%
Rate D	183,425	197,010	13,585	7.41%
Rate E & F	7,154,925	9,932,314	2,777,389	38.82%
Rate H	900,987	900,987	0	0.00%
Rate J	7,069,350	7,878,415	809,065	11.44%
Rate K	480,283	530,283	50,000	10.41%
Total	$116,138,302	$131,665,689	$15,527,387	13.37%

Missouri-American Water Company
Case No. WR-2003-

Item #4 - Average Increase by Customer Classifications

The average increase in dollars and the percentage over the current rate for all customer classifications based on 2004 projected sales are as follows:

Warrensburg District

Classification	Pro Forma Revenue at Current Rates	Pro Forma Revenue at New Rates	Dollar Increase	Percent Increase
Residential	$1,261,389	$1,331,041	$69,652	5.52%
Commercial	472,915	427,627	(45,288)	-9.58%
Industrial	76,597	70,548	(6,049)	-7.90%
Other Public Authority	347,552	326,381	(21,171)	-6.09%
Other Water Utility	209,251	182,861	(26,390)	-12.61%
Fire Protection	53,450	300,330	246,880	461.89%
Miscellaneous Sales	0	0	0	0.00%
Total	$2,421,154	$2,638,788	$217,634	8.99%

Missouri-American Water Company
Case No. WR-2003-

Item #4 - Average Increase by Customer Classifications

The average increase in dollars and the percentage over the current rate for all customer classifications based on 2004 projected sales are as follows:

Parkville-Sewer District

Classification	Pro Forma Revenue at Current Rates	Pro Forma Revenue at New Rates	Dollar Increase	Percent Increase
Residential	$49,578	$51,216	$1,638	3.30%
Commercial	0	0	0	0.00%
Industrial	0	0	0	0.00%
Other Public Authority	0	0	0	0.00%
Other Water Utility	0	0	0	0.00%
Fire Protection	0	0	0	0.00%
Miscellaneous Sales	0	0	0	0.00%
Total	$49,578	$51,216	$1,638	3.30%

Missouri-American Water Company
Case No. WR-2003-

Item #5 - Proposed annual aggregate increase by general categories of service including dollar amounts and percentage on increase in revenues above revenues derived from current rates.

Since Missouri-American Water Company's gereral categories of service are essentially the same as its customer classifications, this information in provided in Item #4 herein.

Missouri-American Water Company
Case No. WR-2003-

Item #5 - Press Releases

See attached for copies of the Press Releases.

Press Release

American Water

MISSOURI AMERICAN WATER PROPOSES NEW WATER RATES TO BE EFFECTIVE IN SPRING OF 2004

Under Proposal, the Average Residential Brunswick Customer's Water Bill Would Increase 7 Cents Per Day, In April of 2004

BRUNSWICK, MO (May 19, 2003) – Missouri American Water announced today it will file tariffs with the Missouri Public Service Commission (MoPSC) that would change rates for water service in each of its operations.

Any change in rates would not occur until the MoPSC's regulatory hearing process is completed, which is anticipated to take 11 months. The last rate increase for Missouri American's Brunswick customers became effective in November of 2000. If the process takes 11 months this time, new rates will take effect in April of 2004, or nearly 3.5 years since the company's last rate increase.

The company's request for a rate adjustment, if fully granted by the MoPSC, will translate into an increase of 9.7% for the average residential customer in Brunswick for water service. If the MoPSC grants the company's full rate increase request, the average residential customer will pay an additional $2.12 per month – or $.07 per day for water service. Factoring in the collective impact of all categories of customers, (industrial, sale for resale, commercial and other public authorities) under this proposal the overall rate impact on Brunswick would remain at its current level.

"Two of the key reasons for this filing are heightened security costs since the events of September 11, 2001, and the company's ongoing investment in its infrastructure to ensure continued reliable delivery of water service to customers," stated Bob Amman, Manager of Missouri American's Northwestern Operations.

At Missouri American, security and public safety is of paramount importance. Since the events of September 11, 2001, the company has taken numerous steps to protect its water treatment plants, water distribution systems, offices, employees and its customers from acts of terrorism, said Amman.

Since the company's last rate case, Missouri American has invested over $378,000 in updating the water system in its Brunswick operation. These continuing capital investments not only enhance service, but these improvements assure reliable delivery of high-quality water today and in the future.

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RWE GROUP

Press Release

"This filing has been designed under a district specific ratemaking structure, which was adopted by the MoPSC during the last Missouri American rate case," stated Frank Kartmann, Vice President of Operations for Missouri American. Kartmann added, "This means that costs incurred in a specific district are to be borne by the customers within that operation."

"Missouri American continues its efforts to provide reliable high quality water to customers in each of its operations," he continued. Kartmann added that the company is continually investing in technology and research initiatives to meet the ever-changing water quality standards introduced by state and federal agencies. Missouri American's water quality experts work closely with regulators to ensure that the water treated by Missouri American continues to exceed all required water quality standards, just as it has for over the past 110 years.

Additionally, company officials have stated that this rate case filing is not related to RWE's purchase of American Water. In addition, there are no costs associated with the merger that will be passed through to customers.

Adjustments in rates are being requested in all of the company's operations: Brunswick, Jefferson City, Joplin, Mexico, Platte County, St. Joseph, St. Charles, St. Louis County and Warrensburg.

About Missouri American Water

Missouri American provides reliable, quality service to more than 100 communities throughout the state. Missouri American, with the support of American Water, has the technical support of a global network and the local knowledge to provide the highest quality water with personal service.

About American Water

American Water, a part of RWE's water division, serves 20 million customers in 27 states, 4 Canadian provinces, Puerto Rico and South America. More than 8,000 employees provide water, wastewater, and other related services. RWE's water division is the third largest water and wastewater services company in the world.

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Press Release

Forward looking statements in this report, including, without limitation, statements relating to the Company's plans, strategies, objectives, expectations, intentions and adequacy of resources, are made pursuant to the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. These factors include, among others, the following: the success of pending applications for rate increases, inability to obtain, or to meet conditions imposed for, regulatory approval of pending acquisitions, weather conditions that tend to extremes of temperature or duration; availability, terms and development of capital; business abilities and judgment of personnel; changes in, or the failure to comply with governmental regulations, particularly those affecting the environment and water quality; competition; success of operating initiatives, advertising and promotional efforts; existence of adverse publicity or litigation; changes in business strategy or plans; quality of management; general economic and business conditions; the ability to satisfy the conditions to closing set forth in the definitive agreement; and other factors described in filings of the Company with the SEC. The Company undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise

Press Release

American Water

MISSOURI AMERICAN WATER PROPOSES NEW WATER RATES TO BE EFFECTIVE IN SPRING OF 2004

Under Proposal, the Average Residential Jefferson City Customer's Water Bill Would Increase 10 Cents Per Day, In April of 2004

JEFFERSON CITY, MO (May 19, 2003) – Missouri American Water announced today it will file tariffs with the Missouri Public Service Commission (MoPSC) that would change rates for water service in each of its operations.

Any change in rates would not occur until the MoPSC's regulatory hearing process is completed, which is anticipated to take 11 months. The last rate increase for Missouri American's Jefferson City customers became effective in December of 2000. If the process takes 11 months this time, new rates will take effect in April of 2004, or nearly 3.4 years since the company's last rate increase.

The company's request for a rate adjustment, if fully granted by the MoPSC, would translate into an increase of 5.52% for the average residential water customer in Jefferson City for water service. Additionally, the company is requesting a $1.85 monthly public fire protection charge. Many water systems separate the charges for water service and public fire protection on customers' bills. This separation of charges is intended to increase the customer's knowledge of the components of water service. If the MoPSC grants the company's full rate increase request, the average residential customer will pay an additional $2.94 per month – or $.10 per day for water and public fire protection services. Factoring in all categories of customers (residential, commercial, industrial, sale for resale, other public authorities, private fire service and public fire protection) the overall proposed rate increase for Jefferson City would be 10.6%.

"Two of the key reasons for this filing are heightened security costs since the events of September 11, 2001, and the company's ongoing investment in its infrastructure to ensure continued reliable delivery of water service to customers," stated Mike Gray, Manager of Missouri American's Central Operations.

At Missouri American, security and public safety is of paramount importance. Since the events of September 11, 2001, the company has taken numerous steps to protect its water treatment plants, water distribution systems, offices, employees and its customers from acts of terrorism, said Gray.

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RWE GROUP

Press Release

Since the company's last rate case, Missouri American has invested over $3.9 million in updating the water system in its Jefferson City operation. Among these improvements are: the installation of the 1.5 million gallon Ellis Blvd. Storage Tank and booster station; the replacement of hydrants for the Downtown Sidewalk Project; and the replacement of the Southwest booster station.

"This filing has been designed under a district specific ratemaking structure, which was adopted by the MoPSC during the last Missouri American rate case," stated Frank Kartmann, Vice President of Operations for Missouri American. Kartmann added, "This means that costs incurred in a specific district are to be borne by the customers within that operation."

"Missouri American continues its efforts to provide reliable high quality water to customers in each of its operations," he continued. Kartmann added that the company is continually investing in technology and research initiatives to meet the ever-changing water quality standards introduced by state and federal agencies. Missouri American's water quality experts work closely with regulators to ensure that the water treated by Missouri American continues to exceed all required water quality standards, just as it has for over the past 110 years.

Additionally, company officials have stated that this rate case filing is not related to RWE's purchase of American Water. In addition, there are no costs associated with the merger that will be passed through to customers.

Adjustments in rates are being requested in all of the company's operations: Brunswick, Jefferson City, Joplin, Mexico, Platte County, St. Joseph, St. Charles, St. Louis County and Warrensburg.

About Missouri American Water

Missouri American provides reliable, quality service to more than 100 communities throughout the state. Missouri American, with the support of American Water, has the technical support of a global network and the local knowledge to provide the highest quality water with personal service.

About American Water

American Water, a part of RWE's water division, serves 20 million customers in 27 states, 4 Canadian provinces, Puerto Rico and South America. More than 8,000 employees provide water, wastewater, and

Press Release

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Forward looking statements in this report, including, without limitation, statements relating to the Company's plans, strategies, objectives, expectations, intentions and adequacy of resources, are made pursuant to the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. These factors include, among others, the following: the success of pending applications for rate increases, inability to obtain, or to meet conditions imposed for, regulatory approval of pending acquisitions, weather conditions that tend to extremes of temperature or duration; availability, terms and development of capital; business abilities and judgment of personnel; changes in, or the failure to comply with governmental regulations, particularly those affecting the environment and water quality; competition; success of operating initiatives, advertising and promotional efforts; existence of adverse publicity or litigation; changes in business strategy or plans; quality of management; general economic and business conditions; the ability to satisfy the conditions to closing set forth in the definitive agreement; and other factors described in filings of the Company with the SEC. The Company undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise

Press Release

American Water

MISSOURI AMERICAN WATER PROPOSES NEW WATER RATES TO BE EFFECTIVE IN SPRING OF 2004

Under Proposal, the Average Residential Joplin Customer's Water Bill Would Increase 8 Cents Per Day, In April of 2004

JOPLIN, MO (May 19, 2003) – Missouri American Water announced today it will file tariffs with the Missouri Public Service Commission (MoPSC) that would change rates for water service in each of its operations.

Any change in rates would not occur until the MoPSC's regulatory hearing process is completed, which is anticipated to take 11 months. The last rate increase for Missouri American's Joplin customers became effective in November of 2000. If the process takes 11 months this time, new rates will take effect in April of 2004, or nearly 3.5 years since the company's last rate increase.

The company's request for a rate adjustment, if fully granted by the MoPSC, would translate into an increase of 3.50% for the average residential water customer in Joplin for water service. Additionally, the company is requesting a $1.66 monthly public fire protection charge. Many water systems separate the charges for water service and public fire protection on customers' bills. This separation of charges is intended to increase the customer's knowledge of the components of water service. If the MoPSC grants the company's full rate increase request, the average residential customer will pay an additional $2.26 per month – or $.08 per day for water and public fire protection services. Factoring in all categories of customers (residential, commercial, industrial, sale for resale, other public authorities, private fire service and public fire protection) the overall proposed rate increase for Joplin would be 9.8%.

"Two of the key reasons for this filing are heightened security costs since the events of September 11, 2001, and the company's ongoing investment in its infrastructure to ensure continued reliable delivery of water service to customers," stated Greg Weeks, Manager of Missouri American's Joplin Operation.

At Missouri American, security and public safety is of paramount importance. Since the events of September 11, 2001, the company has taken numerous steps to protect its water treatment plants, water distribution systems, offices, employees and its customers from acts of terrorism, said Weeks.

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RWE GROUP

Press Release

Since the company's last rate case, Missouri American has invested over $10.6 million in updating the water system in its Joplin operation. Among these many capital improvements are: the installation of the chemical feed system at the Blendville Treatment Plant; the 16" main extension on 20th Street to State Line; and the installation of Well #6.

"This filing has been designed under a district specific ratemaking structure, which was adopted by the MoPSC during the last Missouri American rate case," stated Frank Kartmann, Vice President of Operations for Missouri American. Kartmann added, "This means that costs incurred in a specific district are to be borne by the customers within that operation."

"Missouri American continues its efforts to provide reliable high quality water to customers in each of its operations," he continued. Kartmann added that the company is continually investing in technology and research initiatives to meet the ever-changing water quality standards introduced by state and federal agencies. Missouri American's water quality experts work closely with regulators to ensure that the water treated by Missouri American continues to exceed all required water quality standards, just as it has for over the past 110 years.

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Press Release

other related services. RWE's water division is the third largest water and wastewater services company in the world.

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Press Release

American Water

MISSOURI AMERICAN WATER PROPOSES NEW WATER RATES TO BE EFFECTIVE IN SPRING OF 2004

Under Proposal, the Average Residential Mexico Customer's Water Bill Would Increase 21 Cents Per Day, In April of 2004

MEXICO, MO (May 19, 2003) – Missouri American Water announced today it will file tariffs with the Missouri Public Service Commission (MoPSC) that would change rates for water service in each of its operations.

Any change in rates would not occur until the MoPSC's regulatory hearing process is completed, which is anticipated to take 11 months. The last rate increase for Missouri American's Mexico customers became effective in November of 2000. If the process takes 11 months this time, new rates will take effect in April of 2004, or nearly 3.5 years since the company's last rate increase.

The company's request for a rate adjustment, if fully granted by the MoPSC, would translate into an increase of 14.83% for the average residential water customer in Mexico for water service. Additionally, the company is requesting a $2.84 monthly public fire protection charge. Many water systems separate the charges for water service and public fire protection on customers' bills. This separation of charges is intended to increase the customer's knowledge of the components of water service. If the MoPSC grants the company's full rate increase request, the average residential customer will pay an additional $6.27 per month – or $.21 per day for water and public fire protection services. Factoring in all categories of customers (residential, commercial, industrial, sale for resale, other public authorities, private fire service and public fire protection) the overall proposed rate increase for Mexico would be 19.5%.

The company has filed this case with a proposed increase of 5.4% for industrial customers in Mexico. This is being done to more accurately reflect the cost of providing service to these customers, as well as reflecting the importance these customers have in economic development and promoting job growth for the community.

"Two of the key reasons for this filing are heightened security costs since the events of September 11, 2001, and the company's ongoing investment in its infrastructure to ensure continued reliable delivery of water service to customers," stated Mike Gray, Manager of Missouri American's Central Operations.

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RWE GROUP

Press Release

At Missouri American, security and public safety is of paramount importance. Since the events of September 11, 2001, the company has taken numerous steps to protect its water treatment plants, water distribution systems, offices, employees and its customers from acts of terrorism, said Gray.

Since the company's last rate case, Missouri American has invested over $1.6 million in updating the water system in its Mexico operation. Among these many capital improvements are: various water main relocation projects and enhancements to the well sites.

"This filing has been designed under a district specific ratemaking structure, which was adopted by the MoPSC during the last Missouri American rate case," stated Frank Kartmann, Vice President of Operations for Missouri American. Kartmann added, "This means that costs incurred in a specific district are to be borne by the customers within that operation."

"Missouri American continues its efforts to provide reliable high quality water to customers in each of its operations," he continued. Kartmann added that the company is continually investing in technology and research initiatives to meet the ever-changing water quality standards introduced by state and federal agencies. Missouri American's water quality experts work closely with regulators to ensure that the water treated by Missouri American continues to exceed all required water quality standards, just as it has for over the past 110 years.

Additionally, company officials have stated that this rate case filing is not related to RWE's purchase of American Water. In addition, there are no costs associated with the merger that will be passed through to customers.

Adjustments in rates are being requested in all of the company's operations: Brunswick, Jefferson City, Joplin, Mexico, Platte County, St. Joseph, St. Charles, St. Louis County and Warrensburg.

About Missouri American Water

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Press Release

About American Water

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Press Release

American Water

MISSOURI AMERICAN WATER PROPOSES NEW WATER RATES TO BE EFFECTIVE IN SPRING OF 2004

Under Proposal, the Average Residential Platte County Customer's Water Bill Would Increase 17 Cents Per Day, In April of 2004

PLATTE COUNTY, MO (May 19, 2003) – Missouri American Water announced today it will file tariffs with the Missouri Public Service Commission (MoPSC) that would change rates for water service in each of its operations.

Any change in rates would not occur until the MoPSC's regulatory hearing process is completed, which is anticipated to take 11 months. The last rate increase for Missouri American's Platte County customers became effective in November of 2000. If the process takes 11 months this time, new rates will take effect in April of 2004, or nearly 3.5 years since the company's last rate increase.

The company's request for a rate adjustment, if fully granted by the MoPSC, will translate into an increase of 4.31% for the average residential water customer in Platte County for water service. Additionally, the company is requesting a $3.46 monthly public fire protection charge. Many water systems separate the charges for water service and public fire protection on customers' bills. This separation of charges is intended to increase the customer's knowledge of the components of water service. If the MoPSC grants the company's full rate increase request, the average residential customer will pay an additional $5.07 per month – or $.17 per day for water and public fire protection services. Factoring in all categories of customers (residential, commercial, industrial, sale for resale, other public authorities, private fire service and public fire protection) the overall proposed rate increase for Platte County would be 11.7%.

Missouri American also serves 101 wastewater customers in its Platte County operation. The company has requested the MoPSC grant a 3.3% increase for these customers, or an increase of $1.35 per month.

"Two of the key reasons for this filing are heightened security costs since the events of September 11, 2001, and the company's ongoing investment in its infrastructure to ensure continued reliable delivery of water service to customers," stated Bob Amman, Manager of Missouri American's Northwestern Operations.

At Missouri American, security and public safety is of paramount importance. Since the events of September 11, 2001, the company has

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RWE GROUP

Press Release

taken numerous steps to protect its water treatment plants, water distribution systems, offices, employees and its customers from acts of terrorism, said Amman.

Since the company's last rate case, Missouri American has invested over $5.2 million in updating the water system in its Platte County operation. Among these improvements are: the 12" main relocation on West Street; the 8" main extension on 50th Street for the City of Riverside; and the 12" main extension on Hwy. 45.

"This filing has been designed under a district specific ratemaking structure, which was adopted by the MoPSC during the last Missouri American rate case," stated Frank Kartmann, Vice President of Operations for Missouri American. Kartmann added, "This means that costs incurred in a specific district are to be borne by the customers within that operation."

"Missouri American continues its efforts to provide reliable high quality water to customers in each of its operations," he continued. Kartmann added that the company is continually investing in technology and research initiatives to meet the ever-changing water quality standards introduced by state and federal agencies. Missouri American's water quality experts work closely with regulators to ensure that the water treated by Missouri American continues to exceed all required water quality standards, just as it has for over the past 110 years.

Additionally, company officials have stated that this rate case filing is not related to RWE's purchase of American Water. In addition, there are no costs associated with the merger that will be passed through to customers.

Adjustments in rates are being requested in all of the company's operations: Brunswick, Jefferson City, Joplin, Mexico, Platte County, St. Joseph, St. Charles, St. Louis County and Warrensburg.

About Missouri American Water

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Press Release

About American Water

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Press Release

American Water

MISSOURI AMERICAN WATER PROPOSES NEW WATER RATES TO BE EFFECTIVE IN SPRING OF 2004

Under Proposal, the Average Residential St. Charles Customer's Water Bill Would Increase $1.74 Per Month or 6 Cents Per Day, In April of 2004

ST. CHARLES, MO (May 19, 2003) – Missouri American Water announced today it will file tariffs with the Missouri Public Service Commission (MoPSC) that would change rates for water service in each of its operations.

Any change in rates would not occur until the MoPSC regulatory hearing process is completed, which is anticipated to take 11 months. The last rate increase for Missouri American's St. Charles customers became effective in November of 2000. If the process takes 11 months this time, new rates will take effect in April of 2004, or nearly 3.5 years since the company's last rate increase.

The company's request for a rate adjustment, if fully granted by the MoPSC, would translate into an increase of 8% for the average residential water customer (using 8,200 gallons per month) in St. Charles for water service. If the MoPSC grants the company's full rate increase request, the average residential customer will pay an additional $1.78 per month – or $.06 per day for water service. Factoring in non-residential water customers, the overall proposed rate increase for St. Charles would be 5.2%.

"Two of the key reasons for this filing are heightened security costs since the events of September 11, 2001, and the company's ongoing investment in its infrastructure to ensure continued reliable delivery of water service to customers," stated Ron Molly, Operations Manager of Missouri American's St. Charles Operation.

At Missouri American, security and public safety is of paramount importance. Since the events of September 11, 2001, the company has taken numerous steps to protect its water treatment plants, water distribution systems, offices, employees and its customers from acts of terrorism, said Molly.

Since the company's last rate case, Missouri American has invested over $14.1 million in updating the water system in its St. Charles operation. Among these many capital improvements are: the 30" and 36" extensions of the Greens Bottom Pipeline; the 18" main relocation on Hwy. 40 at Hwy. 94; and the 30" installation to relocate the 12" main on Kisker Road.

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RWE GROUP

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"This filing has been designed under a district specific ratemaking structure, which was adopted by the MoPSC during the last Missouri American rate case," stated Frank Kartmann, Vice President of Operations for Missouri American. Kartmann added, "This means that costs incurred in a specific district are to be borne by the customers within that operation."

"Missouri American continues its efforts to provide reliable high quality water to customers in each of its operations," he continued. Kartmann added that the company is continually investing in technology and research initiatives to meet the ever-changing water quality standards introduced by state and federal agencies. Missouri American's water quality experts work closely with regulators to ensure that the water treated by Missouri American continues to exceed all required water quality standards, just as it has for over the past 110 years.

Additionally, company officials have stated that this rate case filing is not related to RWE's purchase of American Water. In addition, there are no costs associated with the merger that will be passed through to customers.

Adjustments in rates are being requested in all of the company's operations: Brunswick, Jefferson City, Joplin, Mexico, Platte County, St. Joseph, St. Charles, St. Louis County and Warrensburg.

About Missouri American Water

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About American Water

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Press Release

American Water

MISSOURI AMERICAN WATER PROPOSES NEW WATER RATES TO BE EFFECTIVE IN SPRING OF 2004

Under Proposal, the Average Residential St. Joseph Customer's Water Bill Would Increase 14 Cents Per Day, In April of 2004

ST. JOSEPH, MO (May 19, 2003) – Missouri American Water announced today it will file tariffs with the Missouri Public Service Commission (MoPSC) that would change rates for water service in each of its operations.

Any change in rates would not occur until the MoPSC regulatory hearing process is completed, which is anticipated to take 11 months. The last rate increase for Missouri American's St. Joseph customers became effective in November of 2000. If the process takes 11 months this time, new rates will take effect in April of 2004, or nearly 3.5 years since the company's last rate increase.

The company's request for a rate adjustment, if fully granted by the MoPSC, would translate into an increase of 8.62% for the average residential water customer in St. Joseph for water service. Additionally, the company is requesting a $2.26 monthly public fire protection charge. Many water systems separate the charges for water service and public fire protection on customers' bills. This separation of charges is intended to increase the customer's knowledge of the components of water service. If the MoPSC grants the company's full rate increase request, the average residential customer will pay an additional $4.20 per month – or $.14 per day for water and public fire protection services. Factoring in all categories of customers (residential, commercial, industrial, sale for resale, other public authorities, private fire service and public fire protection) the overall proposed rate increase for St. Joseph would be 10.4%.

In the previous MoPSC ruling, customers in the company's residential classification received the lowest rate increase. However, industrial and resale customers received exceedingly high increases (184% or more). Because these rates impact the customers upon whom the area's economy depends, Missouri American is asking the MoPSC to decrease rates for these customers. This is being done to more accurately reflect the cost of providing service to industrial and resale customers, as well as reflecting the importance these customers have in economic development and promoting job growth for the region.

"Two of the key reasons for this filing are heightened security costs since the events of September 11, 2001, and the company's ongoing

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RWE GROUP

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investment in its infrastructure to ensure continued reliable delivery of water service to customers," stated Bob Amman, Manager of Missouri American's Northwestern Operations.

At Missouri American, security and public safety is of paramount importance. Since the events of September 11, 2001, the company has taken numerous steps to protect its water treatment plants, water distribution systems, offices, employees and its customers from acts of terrorism, said Amman.

"This filing has been designed under a district specific ratemaking structure, which was adopted by the MoPSC during the last Missouri American rate case," stated Frank Kartmann, Vice President of Operations for Missouri American. Kartmann added, "This means that costs incurred in a specific district are to be borne by the customers within that operation."

Additionally, company officials have stated that this rate case filing is not related to RWE's purchase of American Water. In addition, there are no costs associated with the merger that will be passed through to customers.

Adjustments in rates are being requested in all of the company's operations: Brunswick, Jefferson City, Joplin, Mexico, Platte County, St. Joseph, St. Charles, St. Louis County and Warrensburg.

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Press Release

American Water

MISSOURI AMERICAN WATER PROPOSES NEW WATER RATES TO BE EFFECTIVE IN SPRING OF 2004

Under Proposal, the Average Residential St. Louis County Customer's Water Bill Would Increase $2.50 Per Month or 8 Cents Per Day, In April of 2004

ST. LOUIS, MO (May 19, 2003) – Missouri American Water announced today it will file tariffs with the Missouri Public Service Commission (MoPSC) that would change rates for water service in each of its operations.

Any change in rates would not occur until the MoPSC's regulatory hearing process is completed, which is anticipated to take 11 months. The last rate increase for Missouri American's St. Louis County customers became effective in May of 2001. If the process takes 11 months this time, new rates will take effect in April of 2004, or nearly 3 years since the company's last rate increase.

Missouri American is requesting the MoPSC grant an 11.8% overall increase for all classes of residential customers in St. Louis County for water service. Under this proposed adjustment, if the MoPSC grants the company's full request, the average residential customer's (using 8400 gallons per month) cost for water service would increase by $2.50 per month or $.08 per day.

"Two of the key reasons for this filing are heightened security costs since the events of September 11, 2001, and the company's ongoing investment in its infrastructure to ensure continued reliable delivery of water service to customers," stated Frank Kartmann, Vice President of Operations for Missouri American Water.

At Missouri American, security and public safety is of paramount importance. Since the events of September 11, 2001, the company has taken numerous steps to protect its water treatment plants, water distribution systems, offices, employees and its customers from acts of terrorism, said Kartmann.

Since the last rate case, the company has invested over $96 million in its infrastructure here in St. Louis County. Among the many capital investments made by the company include: investments in distribution mains, transmission mains, water treatment plant improvements, fire hydrants, valves, meters, storage facility improvements and booster station enhancements. We are committed to making sound investments in our water systems. Along with enhancing service, these investments assure reliable delivery of high-quality water today and in the future.

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RWE GROUP

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"Missouri American continues its efforts to provide reliable high quality water to customers in each of its operations," he continued. Kartmann added that the company is continually investing in technology and research initiatives to meet the ever-changing water quality standards introduced by state and federal agencies. Missouri American's water quality experts work closely with regulators to ensure that the water treated by Missouri American continues to exceed all required water quality standards, just as it has for over the past 110 years.

Additionally, company officials have stated that this rate case filing is not related to RWE's purchase of American Water. In addition, there are no costs associated with the merger that will be passed through to customers.

Adjustments in rates are being requested in all of the company's operations: Brunswick, Jefferson City, Joplin, Mexico, Platte County, St. Joseph, St. Charles, St. Louis County and Warrensburg.

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American Water

MISSOURI AMERICAN WATER PROPOSES NEW WATER RATES TO BE EFFECTIVE IN SPRING OF 2004

Under Proposal, the Average Residential Warrensburg Customer's Water Bill Would Increase 14 Cents Per Day, In April of 2004

WARRENSBURG, MO (May 19, 2003) – Missouri American Water announced today it will file tariffs with the Missouri Public Service Commission (MoPSC) that would change rates for water service in each of its operations.

Any change in rates would not occur until the MoPSC's regulatory hearing process is completed, which is anticipated to take 11 months. The last rate increase for Missouri American's Warrensburg customers became effective in November of 2000. If the process takes 11 months this time, new rates will take effect in April of 2004, or nearly 3.5 years since the company's last rate increase.

The company's request for a rate adjustment, if fully granted by the MoPSC, will translate into an increase of 5.51% for the average residential water customer in Warrensburg for water service. Additionally, the company is requesting a $3.27 monthly public fire protection charge. Many water systems separate the charges for water service and public fire protection on customers' bills. This separation of charges is intended to increase the customer's knowledge of the components of water service. If the MoPSC grants the company's full rate increase request, the average residential customer will pay an additional $4.31 per month – or $.14 per day for water and public fire protection services. Factoring in all categories of customers (residential, commercial, industrial, sale for resale, other public authorities, private fire service and public fire protection) the overall proposed rate increase for Warrensburg would be 8.8%.

"Two of the key reasons for this filing are heightened security costs since the events of September 11, 2001, and the company's ongoing investment in its infrastructure to ensure continued reliable delivery of water service to customers," stated Bob Amman, Manager of Missouri American's Northwestern Operations.

At Missouri American, security and public safety is of paramount importance. Since the events of September 11, 2001, the company has taken numerous steps to protect its water treatment plants, water distribution systems, offices, employees and its customers from acts of terrorism, said Amman.

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Since the company's last rate case, Missouri American has invested over $1.9 million in updating the water system in its Warrensburg operation. Among these improvements are: the 12" main relocation on Hwy. 50; the 8" main relocation on Holden Street at W. Pine; and the motor replacement of Well #7.

"This filing has been designed under a district specific ratemaking structure, which was adopted by the MoPSC during the last Missouri American rate case," stated Frank Kartmann, Vice President of Operations for Missouri American. Kartmann added, "This means that costs incurred in a specific district are to be borne by the customers within that operation."

"Missouri American continues its efforts to provide reliable high quality water to customers in each of its operations," he continued. Kartmann added that the company is continually investing in technology and research initiatives to meet the ever-changing water quality standards introduced by state and federal agencies. Missouri American's water quality experts work closely with regulators to ensure that the water treated by Missouri American continues to exceed all required water quality standards, just as it has for over the past 110 years.

Additionally, company officials have stated that this rate case filing is not related to RWE's purchase of American Water. In addition, there are no costs associated with the merger that will be passed through to customers.

Adjustments in rates are being requested in all of the company's operations: Brunswick, Jefferson City, Joplin, Mexico, Platte County, St. Joseph, St. Charles, St. Louis County and Warrensburg.

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Missouri-American Water Company
Case No. WR-2003-

Item #7 - Summary of Reasons for the Proposed Changes

The proposed changes represent a general rate increase request. The need for an increase in rates in primarily caused by the Company's increasing capital and operating expenditures. The rate request is based upon the Company's need to continue to invest in capital improvements and to recover higher operating costs at its existing water facilities. The capital investments are part of an onging program to replace aging infrastructure and to relocate or replace undergroung water mains related to highway or other road improvements. The higher operating costs are associated with maintaining existing water facilities. These capital and operating increases are necessary in order to maintain system reliability, to keep the water system current with environmental and safety standards, and to continue to meet the needs of customers.

Missouri-American Water Company
Case No. WR-2003-

Cities and Counties which Implies a Business License Tax on Gross Receipts Tax

Brunswick District

Municipality Name	Current Tax Rate	Effective Tax Rate
City of Brunswick	5.00000%	5.26000%

Jefferson City District

Municipality Name	Current Tax Rate	Effective Tax Rate
Cole County	0.00000%	0.00000%
Jefferson City	0.00000%	0.00000%

Joplin District

County Name	Current Tax Rate	Effective Tax Rate
Newton County	6.00000%	6.38000%
Jasper County	6.00000%	6.38000%
City of Joplin	0.00000%	0.00000%
Duquesne	6.00000%	6.38000%
Leawood	6.00000%	6.38000%
Webb City	0.00000%	0.00000%
Saginaw	0.00000%	0.00000%
Silver Creek	5.00000%	5.00000%
Shoal Creek	0.00000%	0.00000%

Missouri-American Water Company
Case No. WR-2003-

Cities and Counties which Implies a Business License Tax on Gross Receipts Tax

Mexico District

County Name	Current Tax Rate	Effective Tax Rate
Audrain County	0.00000%	0.00000%
City of Mexico	7.00000%	7.53000%
Vandover Village	0.00000%	0.00000%

Parkville District

County Name	Current Tax Rate	Effective Tax Rate
Platte County	0.00000%	0.00000%
Parkville	5.00000%	5.00000%
Houston Lake	10.00000%	10.00000%
Riverside	5.00000%	5.00000%
Platte Wood	5.00000%	5.00000%

St Charles District

County Name	Current Tax Rate	Effective Tax Rate
St Charles County	0.00000%	0.00000%
St Charles City	0.00000%	0.00000%
O'Fallon	5.00000%	5.63200%
St Peters	5.00000%	5.63200%
Cottleville	0.00000%	0.00000%
Weldon Spring	0.00000%	0.00000%

St Joseph District

County Name	Current Tax Rate	Effective Tax Rate
Buchanan County	0.00000%	0.00000%
Andrew County	0.00000%	0.00000%
City of St Joseph	6.50000%	6.95200%

Missouri-American Water Company
Case No. WR-2003-

Cities and Counties which Implies a Business License Tax on Gross Receipts Tax

St Louis County District

Community Name	Current Tax Rate	Effective Tax Rate
Ballwin	5.00000%	5.26316%
Bellefontaine Neighb	4.00000%	4.16667%
Bridgeton Town of	5.00000%	5.26316%
Beverly Hills	10.00000%	11.11111%
Berkeley	7.41000%	8.00302%
Bella Villa	5.00000%	5.26316%
Brentwood	8.00000%	8.69565%
Creve Coeur	4.50000%	4.71204%
Chesterfield	5.00000%	5.26316%
Charlack Village of	11.00000%	12.35955%
Country Club Hills Village	8.00000%	8.69565%
Crystal Lake Park	5.00000%	5.26316%
Clayton	8.00000%	8.69565%
Cool Valley Village	7.00000%	7.52688%
Crestwood	6.00000%	6.38298%
Des Peres	5.00000%	5.26316%
Dellwood	7.00000%	7.52688%
Ellisville	7.00000%	7.52688%
Ferguson	6.00000%	6.38298%
Flordell Hills	5.00000%	5.26316%
Florissant	3.00000%	3.92780%
Fenton Non-Residential	5.00000%	5.26316%
Fenton Residential	0.00000%	0.00000%
Frontenac Non-Residential	8.00000%	8.69565%
Frontenac Residential	5.00000%	5.02510%
Glendale	7.00000%	7.52688%
Green Park	5.00000%	5.26316%
Greendale	5.00000%	5.26316%
Hazelwood Non-Residential	5.00000%	5.26316%
Hazelwood Residential	0.00000%	0.00000%
Jennings	7.50000%	8.10811%
Kinloch	6.00000%	6.38298%
Kirkwood	7.50000%	8.10811%
Ladue	7.00000%	7.52688%
Lakeshire	5.00000%	5.26316%
Moline Acres	5.00000%	5.26316%
Manchester	5.00000%	5.26316%
Maryland Heights	5.50000%	5.82011%
Maplewood	9.00000%	9.89011%

Missouri-American Water Company
Case No. WR-2003-

Cities and Counties which Implies a Business License Tax on Gross Receipts Tax

Normandy Town of	8.00000%	8.69565%
Northwoods	10.00000%	11.11111%
Oakland	4.00000%	4.16670%
Olivette	10.00000%	11.11111%
Overland	6.00000%	6.38298%
Pagedale	8.00000%	8.69565%
Pasadena Hills Village	5.00000%	5.26316%
Pine Lawn	7.00000%	7.52688%
Richmond Heights	6.00000%	6.38298%
Rock Hill	8.00000%	8.69565%
St. Ann	4.00000%	4.16670%
Shrewsbury	7.25000%	7.81671%
Sunset Hills - City Property	0.00000%	0.00000%
Sunset Hills - Residential	5.00000%	5.26316%
Sunset Hills - Non-Residential	7.50000%	8.10811%
St. John Village of	5.00000%	5.26316%
St Louis County	5.00000%	5.26316%
Town & Country Non-Residential	7.00000%	7.52688%
Town & Country Residential	0.00000%	0.00000%
University City	9.00000%	9.89011%
Valley Park	5.00000%	5.26316%
Vinita Park	5.00000%	5.26316%
Velda Village	6.00000%	6.38298%
Webster Groves	7.00000%	7.52688%
Wildwood	5.00000%	5.26316%
Wellston	5.00000%	5.26316%
Warson Woods	9.00000%	9.89011%

Warrensburg District

County Name	Current Tax Rate	Effective Tax Rate
Johnson County	0.00000%	0.00000%
Warrensburg	6.00000%	6.38000%

Missouri-American Water Company
Pro Forma Capital Structure at November 30, 2003
Schedule EJG-1

Class of Capital	Amount	Percent to Total	Cost Rate	Weighted Cost of Capital
Long-Term Debt	$ 290,035,000	56.38%	6.22%	3.51%
Short-Term Debt	0	0.00%	0.00%	0.00%
Preferred Stock	2,680,000	0.52%	9.12%	0.05%
Accumulated Deferred ITC Post 1970	0	0.00%	0.00%	0.00%
Common Equity	221,714,180	43.10%	11.00%	4.74%
Total Capitalization	$ 514,429,180	100.00%		8.30%

Missouri-American Water Company
Acquisition Adjustment Detail
Schedule EJG-2

	United Water Jefferson City	Valley Park	Webster Groves	Florissant
Purcahse Price	$10,131,659	$393,409	$9,500,000	$14,500,000
Original Cost	9,016,581	1,289,086	6,512,490	9,809,718
Utility Plant Acquisition Adjustment	1,115,078	(895,677)	2,987,510	4,690,282
Accumulated Amortization UPAA at 12/02	(27,096)	34,931	(39,688)	(64,022)
Amortization of UPAA through True-up	(24,838)	21,351	(72,765)	(117,370)
Proposed Rate Base for UPAA	$1,063,144	($839,395)	$2,875,057	$4,508,890

Missouri-American Water Company
Cost Allocation Manual

Missouri-American Water Company

Cost Allocation Manual

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A – Agreement with the American Water Works Service Company

B – Agreement with American Water Capital Corporation

C – American Water Operating Company Statistics

D – Sample Invoice From American Water Service Company – Summary Bill

E – Sample Invoice From American Water Service Company – Detailed Bill

F – Budget/Actual Spending By Service Company Location

Cost Allocation Manual
I - Introduction

Purpose of Cost Allocation Manual (CAM)

This manual is meant to set forth the methods by which American Water Service Company (Service Company) expenses are assigned to American Water (AW) operating companies. It is meant to provide external parties, such as regulators and auditors, with a clear understanding of the process by which this assignment takes place.

The CAM also provides employees with a reference on the assignment of Service Company charges to operating companies. In this regard it serves as a tool by which to ensure cost assignment accuracy.

Cost Assignment Principles

In assigning its costs to operating companies, the Service Company follows certain cost assignment principles, including:

- **Direct Charging of Expenses** – Whenever possible, Service Company expenses are charged directly to the specific operating companies that benefit from the underlying work.
- **Cost Pooling** – Service Company expenses that cannot be direct charged are assigned to cost pools that are allocated to the operating companies that benefit from the associated support services.
- **Equitable Allocation** – Cost pool expenses are allocated to operating companies based on number of customers. This approach ensures a fair and consistent impact on customers from one operating company to another.
- **Equal Treatment** – All operating companies are treated in the same manner with respect to Service Company cost assignment. The Service Company has the very same service agreement with each operating company. Article 5.1 of the Service Company Agreement states: "Service Company will not enter into agreements to perform similar services for other companies on terms more favorable than those provided herein."
- **No Profit** – The Service Company provides its services at cost. There is no profit included in the charges assigned to operating companies.
- **Billing Accuracy** – All efforts are made to ensure the amounts billed operating companies are correct. The Service Company follows a monthly process that involves internal controls meant to validate expenses assignments. Operating companies have the opportunity to review Service Company bills and, where necessary, point out incorrect charges that require adjustment.

Overview of American Water

Regulated Operating Companies

AW provides water and wastewater services to 10 million persons in 18 states through the following operating companies:

Arizona-American Water Company
California-American Water Company
Hawaii-American Water Company
Illinois-American Water Company
Indiana-American Water Company
Iowa-American Water Company
Kentucky-American Water Company
Long Island Water Company
Maryland-American Water Company
Michigan-American Water Company
Missouri-American Water Company
New Jersey-American Water Company
New Mexico-American Water Company
Ohio-American Water Company
Pennsylvania-American Water Company
Tennessee-American Water Company
Virginia-American Water Company
West Virginia-American Water Company

Unregulated Business

American Water Services, Inc. (AWS) provides a range of unregulated water and wastewater services for municipal, industrial and military customers throughout North America. These services include:

- Operations and Maintenance - Water supply and wastewater treatment
- Engineering and Planning - Plant & process design, construction management, project management, information & automation, storm water management and comprehensive facility planning
- Residuals Management - Biosolids and residuals management including beneficial reuse programs, dredging, mobile dewatering and digester cleaning
- Underground Infrastructure Rehabilitation - Pipe repair & rehabilitation services including, subsurface utility engineering, closed circuit television inspection and pipe cleaning

Business Services

American Water Service Company (Service Company) provides various services to operating companies. These services include accounting, administration, communication, corporate secretarial, engineering, financial, human resources, information technology, operations, rates and revenue, risk management and water quality. The service agreement between Missouri-American Water

Company (MAWC) and the Service Company (see Appendix A) provides an extensive description of these services.

American Water Capital Corporation (AWCC) was created in June 2000 to provide a single source of long and short term debt capital for AW and its utility subsidiaries. AWCC issues long term notes on behalf of operating companies which use the proceeds to fund their construction programs and refinance existing debt. It also maintains a commercial program that is used to provide as a source of short term financing for operating companies.

Missouri-American Water Company

Missouri-American Water Company (MAWC) provides water and wastewater services to over 100 municipalities within 12 counties throughout the sate of Missouri. Major communities served include the following:

- Brunswick
- Jefferson City
- Joplin
- Mexico
- Platte County (Parkville)
- St. Charles
- St. Joseph
- St. Louis County
- Warrensburg

MAWC's principal office is in St. Louis, Missouri and 9 business offices are maintained throughout its service territory. The Company operates 11 water treatment facilities and maintains 5,563 miles of main. As of December 31, 2002, MAWC had 442,904 customers and 611 employees.

American Water Service Company

The Service Company maintains several types of offices from which it provides services to AW operating companies. They include:

- Corporate Office – Includes AW's executive management and personnel from the various corporate support services; located in Voorhees, New Jersey.

- National Call Center – Performs customer service functions, including: customer call processing, service order processing, correspondence processing, credit and collections. This single call center facility, located in Alton, Illinois, went into operation in the second quarter of 2001. MAWC transitioned to the National Call Center in December 2001 and May 2003. Previously, this customer service function was performed by employees of MAWC, which incurred the expense on its books.

- National Shared Services Center – In the fourth quarter of 2001, the new Shared Service Center assumed responsibility for various financial, accounting and treasury functions that had been performed by individual operating companies. This arrangement has improved and streamlined the Company's financial processes and allowed operating companies to focus on providing utility service.

- Regional Offices – Regional offices provide certain support services to smaller-grouped operating companies that do not have sufficient workloads to support a full-time staff for various support services. These services include rates and revenues, engineering and operations. MAWC is not served by a regional office because it is a larger operating company.

- Information Technology Service Centers – These data centers operate mainframes and servers used to run corporate and operating company business applications. Personnel in the locations also support the application software and provide various IT services (e.g., help desk) to operating companies.

Exhibit 1 lists each Service Company location and describes the services they provide to operating companies.

Exhibit 2 shows which organization—MAWC or a Service Company entity—performs the various functions necessary to provide service to customers.

Missouri-American Water Company
Service Company Locations

Office	Location	Services Provided
Corporate	1025 Laurel Oak Road Voorhees, N.J. 08043	Corporate governance functions including executive management, finance, human resources, engineering, water quality and operations support
Shared Services Center	3906 Church Road Mt. Laurel, N.J. 08054	National accounting and procurement
Call Center	1410 Discovery Parkway Alton, Ill. 62002	National customer call center
Belleville Lab	1125 S. Illinois Street Belleville, Ill. 62222	National trace substance laboratory
Northeast Region	500 Grove Street Haddon Heights, N.J. 08035	Management, rates and revenues, engineering and construction management, water quality and operations support services for operating companies in: • New Jersey • New York
Southeast Region	1600 Pennsylvania Avenue Charleston, W.V. 62002	Management, rates and revenues, engineering and construction management, water quality and operations support services for operating companies in: • Kentucky • Maryland • Tennessee • Virginia • West Virginia
Western Region	303 H Street Suite 250 Chula Vista, Cal. 91910	Management, rates and revenues, engineering and construction management, water quality and operations support services for operating companies in: • Arizona • California • Hawaii • New Mexico

Missouri-American Water Company
Service Company Locations

Office	Location	Services Provided
Indiana Region	555 East County Line Road Greenwood, Ind. 46142	Management, rates and revenues, engineering and construction management, water quality and operations support services for operating companies in: • Indiana • Michigan • Ohio
Illinois Region	300 N. Water Works Drive Belleville, Ill. 62223	Management, rates and revenues, engineering and construction management, water quality and operations support services for operating companies in: • Illinois • Iowa
Haddon Heights Information Technology Services Center	500 Grove Street Haddon Heights, N.J. 08035	Information technology support and customer billing for operating companies (see Exhibit 6)
Richmond Information Technology Services Center	1710 Sylvan Nook Drive Richmond, Ind. 47374	Information technology support for operating companies (see Exhibit 6)
Hershey Information Technology Services Center	800 West Hersheypark Drive Hershey, Pa. 17033	Information technology support and customer billing for operating companies (see Exhibit 6)

Missouri-American Water Company
Designation Of Responsibility For Water Utility Functions

Primarily Responsible P
Provides Support S

Water Company Function	Performed By: Missouri-American	American Water Service Company: Customer Call Center	Shared Services	Corporate Office	IT Service Centers	Belleville Lab
Engineering and Construction Management						
CPS Preparation				P		
Five-Year System Planning	P			S		
Engineering Standards & Policies Development	S			P		
Project Design						
Major Projects (e.g., new treatment plant)				P		
Special Projects	P			P		
Minor Projects (e.g., pipelines)	P					
Construction Project Management						
Major Projects	P			P		
Special Projects	P			P		
Minor Projects	P					
Hydraulics Review	P					
Developers Extensions	P					
Tank Painting	P					
Water Quality and Purification						
Water Quality Standards Development				P		S
Research Studies				P		P
Water Quality Program Implementation	S			P		
Water Treatment Operations & Maintenance	P					
Compliance Sampling						P
Testing/Other Sampling	S					P

Missouri-American Water Company
Designation Of Responsibility For Water Utility Functions

Primarily Responsible P
Provides Support S

Water Company Function	Performed By: Missouri-American	Performed By: American Water Service Company — Customer Call Center	Shared Services	Corporate Office	IT Service Centers	Belleville Lab
Transmission and Distribution						
Preventive Maintenance Program Development	P					
System Maintenance	P					
Leak Detection	P					
Customer Service						
Community Relations	P					
Customer Contact	S	P				
Call Processing		P				
Service Order Processing	S	P				
Credit and Collections		P				
Meter Reading	P					
Customer Bill Preparation					P	
Bill Collection Process	S	P	S			
Customer Payment Processing	S				P	
Meter Standards Development	S			P		
Meter Testing, Maintenance & Replacement	P					
Financial Management						
Financial Planning	P			P		
Financings--Equity	S			P		
Financings--Long Term Debt & Preferred	P			S		
Short Term Lines of Credit Arrangements	S			P		
Investor Relations				P		
Insurance Program Administration				P		
Loss Control/Safety Program Administration	P			S		
Pension Fund Asset Management				P		
Cash Management/Disbursements			P	S		
Internal Control Review	P			S		

Missouri-American Water Company
Designation Of Responsibility For Water Utility Functions

Primarily Responsible P
Provides Support S

Water Company Function	Performed By: Missouri-American	American Water Service Company: Customer Call Center	Shared Services	Corporate Office	IT Service Centers	Belleville Lab
Internal Auditing				P		
Budgeting and Variance Reporting						
Corporate Guidelines & Instructions				P		
Regional Guidelines & Instructions	P					
Budget Preparation						
Revenue, O&M and Taxes	P					
Depreciation and Interest Expense	P					
Budget Preparation--Service Co. Charges		P	P	P	P	P
Capital Budget Preparation—Projects	S			P		
Capital Budget Preparation--Non-Project Work	P					
Prepare Monthly Budget Variance Report	P		S	S		
("Budget/Plan Analysis")				S		
Prepare Capital Project Budget Status Report	P			S		
Year-End Projections (A)	P					
Accounting and Taxes						
Accounts Payable Accounting			P			
Payroll Accounting			P			
Work Order Accounting			P			
Fixed Asset Accounting			P			
Journal Entry Preparation--Billing Corrections			P			
Journal Entry Preparation--All Others			P			
Financial Statement Preparation			P			
State Commission Reporting			P			
Income Taxes--State			P			
Income Taxes--Federal			P			
Property Taxes			P			
Gross Receipts Taxes			P			

Note A: Projections are developed for certain cost types by Missouri-American and by the Service Company for other cost types.

Missouri-American Water Company
Designation Of Responsibility For Water Utility Functions

Primarily Responsible P
Provides Support S

Water Company Function	Performed By: Missouri-American	American Water Service Company: Customer Call Center	Shared Services	Corporate Office	IT Service Centers	Belleville Lab
Rates						
Rate Studies & Tariff Change Administration	P					
Rate Case Planning	P					
Rate Case Preparation	S		P			
Rate Case Administration	P					
Commission Inquiry Response	P		S			
Legal	P			S		
Purchasing and Materials Management						
Specification Development	S		S	P		
Bid Solicitation	P		P			
Contract Administration	P		S			
Ordering	P					
Inventory Management	P					
Human Resources Management						
Benefit Program Development				P		
Benefits Program Administration				P		
Management Compensation Administration				P		
Wage & Salary Program Design				P		
Wage & Salary Administration				P		
Labor Negotiations--Wages	P					
Labor Negotiations--Benefits	P					
Labor Negotiations-- Work Rules	P					
Training Program Development	P			S		
Training--Course Delivery	P					
Affirmative Action/EEO--Plan Development				P		
Affirmative Action/EEO--Implementation	P					

Missouri-American Water Company
Designation Of Responsibility For Water Utility Functions

Primarily Responsible P
Provides Support S

Water Company Function	Performed By: Missouri-American	Performed By: American Water Service Company — Customer Call Center	Shared Services	Corporate Office	IT Service Centers	Belleville Lab
Information Systems Services						
Service Company Data Centers						
System Operations & Maintenance					P	
Software Maintenance					P	
Network Administration					P	
PC Acquisition & Support					P	
Help Desk					P	

III – Overview Of The Service Company

A formal agreement has been established between the Service Company and MAWC which defines the nature of services that are provided and the terms and conditions of the service arrangement. The agreement, which is the same for every operating company, can be found in Appendix A.

Many Service Company services, such as accounting, information technology, financial, are recurring in nature. These are defined in detail in the agreement. Non-recurring services, such as the design of a water treatment plant, is only initiated after the operating company has given its approval. As the project is carried out, Service Company personnel keep the operating company informed as to its progress.

The agreement with the Service Company specifically allows operating companies to "engage another company or person to provide those services on its behalf." Thus, an operating company is not required to use the Service Company exclusively. In fact operating companies often use outside consultants for engineering studies, depreciation studies, rate case design and various other work.

An agreement also exists to define the relationship between American Water Capital Corporation and MAWC. Here too, the agreement is the same for every operating company. The AWCC agreement is provided in Appendix B.

Service Company Expense Categories

Service Company expenses can be categorized as follows:

- Labor – base pay (salaries) of managerial, professional and technical employees
- Support - wages and salaries of office support personnel, including secretaries, clerical personnel, telephone operators and mail clerks
- Labor-Related Overheads - employee benefit costs (payroll taxes, medical coverage, pensions, disability insurance) and other general expenses
- Office Expense - office rent, equipment leases, telephone, electric, office supplies, property taxes, office maintenance
- Vouchers/Journal Entries – (1) travel expenses incurred by Service Company personnel, (2) other items submitted for reimbursement by employees, including professional association dues, (3) outside service contracts for such things as actuarial services, and (4) various other expenditures, including data center expenses for software licenses and hardware maintenance.

Service Company expenses are either assigned directly or allocated to operating companies, as shown in the table below.

Expense Category	Direct Charged	Allocated	Comments
Labor	X	X	Professional personnel working for one or several operating companies
Support		X	Administrative personnel support the professional staff, thus support costs are allocated on the basis of professional labor
Overhead	X	X	These are primarily employee benefit costs that relate directly to labor
Office Expense		X	Are all allocated on the basis of professional labor
Vouchers/Journals	X	X	May be either directly in support of one operating company (e.g., an engineer traveling from the Corporate Office to the operating company) or allocated to several operating companies

A direct charge occurs when Service Company work or expenses are incurred in support of only one operating company. Direct charge examples include work in support of an operating company's rate case, engineering design work on an operating company's project and the preparation of an operating company's financial statements.

Service Company expenses are allocated when more than one operating company benefits from the underlying work. Examples include assessments of new Federal water quality regulations, development of the company-wide materials procurement contracts and creation of company-wide engineering design standards.

Charging Of Service Company Time and Expenses

Service Company transactions are assigned with the following information so there is a proper accounting and eventual charging to an operating company:

- Operating company number, if transaction is a direct charge
- Formula number if transaction is allocated
- Employee hours worked
- Account number for non-labor charges.

Charges originate from the following systems:

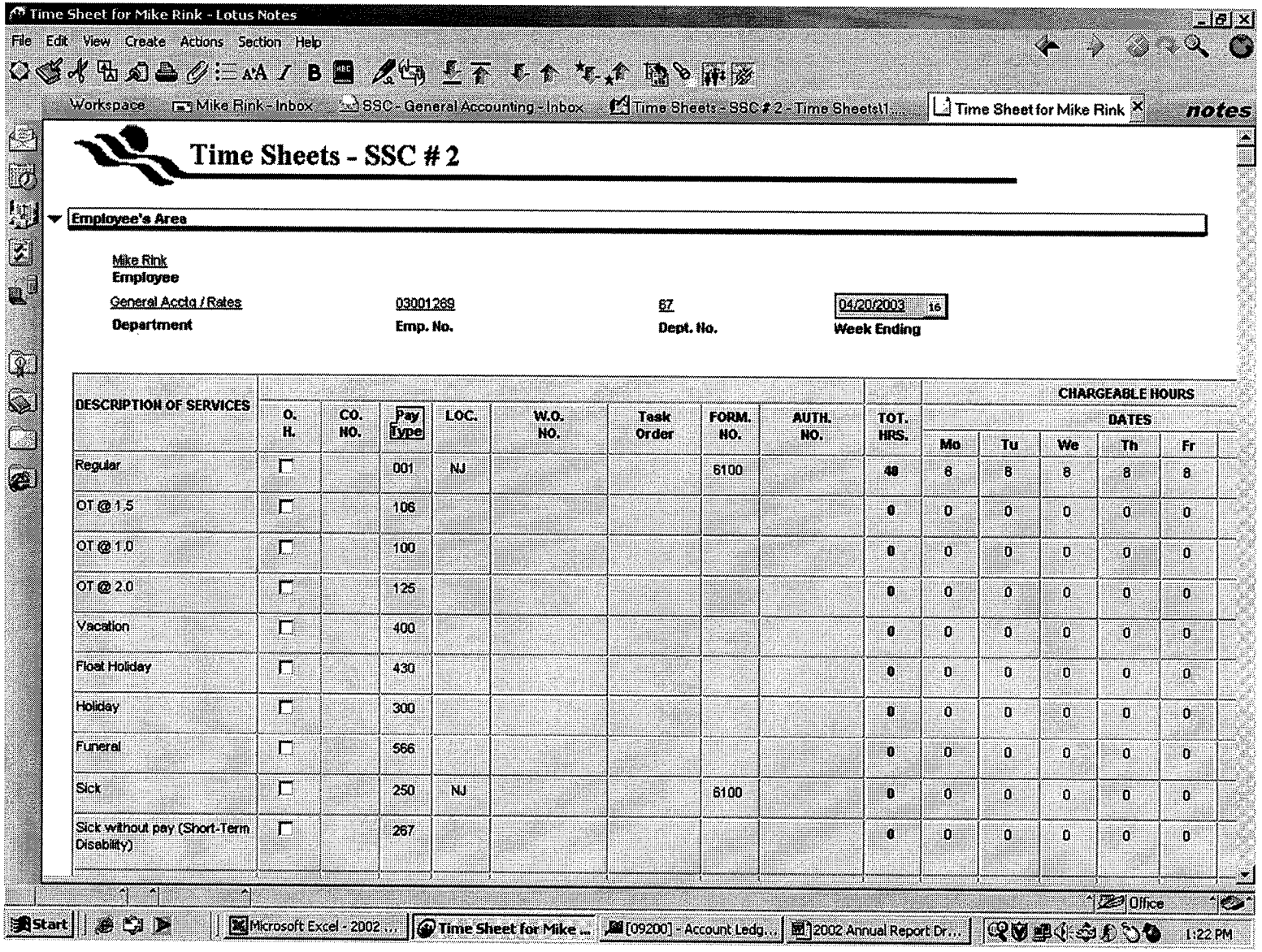
- Payroll System
- RVI System (outside vendor payments)
- PCard System (credit card payments)
- Internal Purchase Order System
- Journal entries.

The Service Company's time reporting process enables labor and support charges to be assigned to the proper operating company. Labor charges are based on the time reported by managerial, professional and technical Service Company employees. Every week, Service Company professional employees complete an electronic time sheet (see Exhibit 3) that shows:

- Type of service/activity (e.g., rate case data requests, accounting)
- Operating company (for direct charge)
- Work order (where applicable)
- Formula number (for allocation)
- Authorization number (where applicable).

Authorizations represent American Water's accounting mechanism for separately tracking Service Company expenses. The current set of authorizations is shown in Exhibit 4.

Missouri-American Water Company
Sample Electronic Time Sheet



DESCRIPTION OF SERVICES	O. H.	CO. NO.	Pay Type	LOC.	W.O. NO.	Task Order	FORM. NO.	AUTH. NO.	TOT. HRS.	CHARGEABLE HOURS DATES Mo	Tu	We	Th	Fr
Regular	☐		001	NJ			6100		40	8	8	8	8	8
OT @ 1.5	☐		106						0	0	0	0	0	0
OT @ 1.0	☐		100						0	0	0	0	0	0
OT @ 2.0	☐		125						0	0	0	0	0	0
Vacation	☐		400						0	0	0	0	0	0
Float Holiday	☐		430						0	0	0	0	0	0
Holiday	☐		300						0	0	0	0	0	0
Funeral	☐		566						0	0	0	0	0	0
Sick	☐		250	NJ			6100		0	0	0	0	0	0
Sick without pay (Short-Term Disability)	☐		267						0	0	0	0	0	0

Exhibit 4

Missouri-American Water Company
Service Company Authorizations – As Of April 30, 2003

Auth. No.	Description	Formula Number	Account Number	JDE Account Number
203	Other Income Deductions (61-00), rev 4/99	48-00	426.29	.760300
210	Miscellaneous Water Treatment Expenses-Microfilm (65-00)	26-00	643.19	.534213
211	Treatment of Taste and odor Causing and Synthetic Organic Chemicals in Water	11-01	930.39	.534213
212	Integration UV Disinfection Into Existing Water Treatment Plants	12-01	930.39	.534213
213	Assesment of Seasonal Cholrination Practices and Impacts to Choloraminating Utilities	13-01	930.39	.534213
214	Evaluation and Implementation of Algal Toxin Testing Technology	14-01	930.39	.534213
215	Study of Water Quality Improvements During Bank Filtration of River Waters	15-00	930.39	.534213
216	EPA testing for specific organisms at surface water plants	15-01	930.39	.534213
219	Variability of Pathogen Concentrations In Source Waters	19-00	930.39	.534213
220	Maganese Control and Permanganate Monitoring	20-00	930.39	.534213
222	Virus Detection in Ground Water (76-01 + Ground Water Systems)	22-00	930.39	.534213
229	Optimazing Chloramine Treatment	29-00	930.39	.534213
238	Purchased Power Committee/Energy Procurement	38-00	923.1	.534000
239	Field-Testing of Surge Modeling Predictions to Verify Occurrence of Distribution	39-00	930.39	.534213
240	Field Testing of USEPA Method 1601 for Coliphage	40-01	930.39	.534213
241	Maintenance and Staffing Programs	41-00	930.39	.534213
244	Full - Scale Evaluation of Ultraviolet Technology	44-00	930.39	.534213
245	Water Quality Monitoring During the Davenport Epidemiology Study	45-00	930.39	.534213
246	Development of a Simplified AOC Technique for Field Use	46-00	930.39	.534213
247	Standardized Methods for Rapid Detection of Viruses and Cryptosporidium	47-00	930.39	.534213
248	Evaluation of the Bax-Crypto PCR	48-00	930.39	.534213
249	Early Warning and Source Water Monitoring Systems	49-00	930.39	.534213
250	Engineering-Administrative & Supervision (Current Work Orders)	25-00	W.O.	W.O.
251	Filter Media Specifications, Optimization of backwashing and Effectiveness of Biofiltration-Stage 1	51-00	930.39	.534213
253	Implementation of Orcom Software (All regulated companies w/o Michigan)	53-00	W.O.	W.O.
257	Research & Technology Development-Gen. Program Operations (76-01)	87-00	930.39	.534213
258	Implementation of Orcom Software (Region Co's w/o Michigan), rev 4/99	58-00	W.O.	W.O.
259	Implementation of Orcom Software (New England)	59-00	W.O.	W.O.
260	Implementation of Orcom Software (Western)	60-01	W.O.	W.O.
268	Citizens Phase III Integration	68-05		
275	Lobbying Activity (61-00)	75-00	930.51 or 426.16	.575560 .760400
280	Customer Call Center Consolidation Project (CCC) (61-00) (A)	80-00	183.01	.183280
281	Shared Services Center Project (SSC) (61-00) (A)	81-00	183.02	.183281
282	CCC - Regulatory Asset (A)	80-01	183.01	.183280
282	CCC - Current Customer Support	80-01	923.1	.534000
283	CCC - Call Center Customer Support	61-73	923.1	.534000
284	SSC - Regulatory Asset (A)	84-00	183.02	.183281
284	SSC - Current Customer Support	84-00	923.1	.534000
285	SSC - Services Center Customer Support	85-00	923.1	.534000
287	Personnel Education and Development Costs (68-00)	33-00	926.21	.504660
288	Safety, Training & Certification Committee	88-00	923.1	.534000
289	Benefits Administration Migration	89-00	923.1	.534000
290	Standard Contract Update (65-00)	36-00	923.19	.534000
291	FCC License Database (65-01)	91-00	923.1	.534000
292	Buried Infrastructure Optimitization Model	92-00	923.1	.534000
293	Materials Management Committee (25-00)	40-00	186.56	.186280
294	Project Prioritization Initiative (65-01)	94-00	923.1	.534000
295	Security Cost (67-00)	95-00		.575711
295	Security Cost (67-00) (A)	95-00		.186492
296	Operational Excellence	96-00	923.1	.534000
297	Detection Methods for E. Coli 015:H7 in Water	97-01	930.39	.575680

Note A: If recoverable

Cost Accumulation Process

The Service Company cost accumulation process is illustrated in Exhibit 5.

At month-end, time report information is processed and direct and allocated professional labor hours tabulated for each operating company. Dollar charges are then calculated using the hourly rate of each Service Company professional employee based upon their base salary (i.e., an employee's hours times their hourly rate of pay).

Support (administrative) personnel charge their time to the activity "General Admin." As described in the table on page 13, their labor charges are allocated to operating companies based upon how their office's professional personnel labor charges are assigned. For instance, if 4% of the Hershey Data Center's professional labor was assigned to MAWC during a month, then the 4% of that office's administrative labor charges are also assigned to the operating company.

The overhead cost category is next assigned based on professional and administrative labor costs. Thus, 6% of the Corporate Office's accumulated professional and support labor was charged to MAWC during the month, then 6% of overhead expenses will be assigned to MAWC.

Each Service Company location's office expenses are allocated to operating companies based on how professional labor charges for that office have been assigned. For instance, if 5% of professional labor from one Service Company office is assigned to MAWC, then 5% of that office's office expenses would be assigned to MAWC. Thus, office expenses are allocated in the very same way as administrative labor.

Vouchers/journal entries may be charged directly or allocated, depending on who benefits from the expenditure. For instance, the cost of a continuing professional education course taken by a professional in a regional office is allocated to the operating companies served by that office. Travel expenses by that same professional to a state rate case proceeding are charged directly to the operating company whose case is being heard.

Missouri-American Water Company
Service Company Cost Accumulation And Assignment Process

Cost Accumulation

Labor

Service Company Managers,
Professional and Technical Labor

Time (hours) is reported to:
1. Account (O&M) (direct charged)
2. Authorizations (O&M) (allocated)
3. Work Orders (capital) (direct charged)

Hours are costed-out based on each person's actual salary

Dollar amounts accumulated by account, authorization and work order

Other Cost Categories

Support
Labor-Related Overheads
Office Expenses
Journals and Vouchers

Ratio calculated for the actual costs for each category
- Support / Labor
- Labor-Related Overheads / Labor
- Office Expenses / Labor
- Journals and Vouchers / Labor

Ratios are applied to accumulated labor dollars by account, authorization and work order

Cost Accumulation -- Direct Charges

Time Sheet Entries	(a) Labor		Ratios: Support	Labor Ovhds	Office Exp		Dollar Amounts (b): Support	Labor Ovhds	Office Exp	J&Vs	(a+b) Total Costs
Accounting	$	x	%	%	%	=	$	$	$	$	= $
Administrative	$	x	%	%	%	=	$	$	$	$	= $
Corporate Secretarial	$	x	%	%	%	=	$	$	$	$	= $
Engineering	$	x	%	%	%	=	$	$	$	$	= $
Human Resources	$	x	%	%	%	=	$	$	$	$	= $
Rate Case	$	x	%	%	%	=	$	$	$	$	= $
Construction	$	x	%	%	%	=	$	$	$	$	= $
etc..											

Cost Accumulation -- Allocated Charges

Time Sheet Entries	(c) Labor		Ratios: Support	Labor Ovhds	Office Exp	J&Vs		Dollar Amounts (d): Support	Labor Ovhds	Office Exp	J&Vs	(c+d) Total Costs
Accounting	$	x	%	%	%	%	=	$	$	$	$	= $
Administrative	$	x	%	%	%	%	=	$	$	$	$	= $
Corporate Secretarial	$	x	%	%	%	%	=	$	$	$	$	= $
Engineering	$	x	%	%	%	%	=	$	$	$	$	= $
Human Resources	$	x	%	%	%	%	=	$	$	$	$	= $
Rate Case	$	x	%	%	%	%	=	$	$	$	$	= $
Construction	$	x	%	%	%	%	=	$	$	$	$	= $
etc..												

Cost Assignment To Operating Companies

Operating Company	(e) Direct Charged Work	Allocated Work (f) Authorization 00 # of Customers	% of Total	Allocated Amount	etc.	Total Costs (e+f)
California	$	xxx,xxx	%	$		$
Tennessee	$	xxx,xxx	%	$		$
Iowa	$	xxx,xxx	%	$		$
Kentucky	$	xxx,xxx	%	$		$
Maryland	$	xxx,xxx	%	$		$
Missouri	$	xxx,xxx	%	$		$
etc.						

Cost Pooling and Allocation of Service Company Charges

Service Company costs that are not direct charged must be allocated. This is accomplished through a series of 16 allocation formulas, which are listed below:

00	Corporate, Belleville Labs, Shared Services, Haddon Heights ITS and Hershey ITS allocated charges to operating companies with wastewater service
01	Corporate, Belleville Labs, Shared Services, Haddon Heights ITS and Hershey ITS allocated charges to operating companies without wastewater service
30	Northeast Region operating companies
31	Southeast Region operating companies
32	Indiana Region operating companies
33	Illinois Region operating companies
34	Legal work for Maryland, Virginia and West Virginia (Southeast Region operating companies)
35	Legal work for Kentucky and Tennessee (Southeast Region operating companies)
69-38 70-38	Customer billing and mailing for operating companies currently on EDIS
69-73 70-73	Customer billing and certain mailings for operating companies currently using ORCOM
70	Western Region operating companies
71	Operating companies currently served by customer billing
238 38-00	Operating companies that are participating in the Energy Procurement Committee
253 53-00	System charges for on-going ORCOM processing; implementing ORCOM software
282 8001	Call Center
283 61-73	Call Center special authorization

The descriptions above delineate the operating companies that benefit from the underlying work associated with the allocation formula.

The Service Company offices that utilize each formula are shown in Exhibit 6. The basis for allocated the costs accumulated in each formula cost pool is number of customers. Exhibit 7 shows how every operating company's allocation percentage is calculated for each formula.

Exhibit 6

Missouri-American Water Company
Allocation Cost Pools By Service Company Location

Service Company Location	Allocation Formula Used By Service Company Location															
	00	01	30	31	32	33	34	35	69-38 70-38	69-73 70-73	70	71	238 38-00	253 53-00	282 8001	283 61-73
Corporate	X	X												X		
Belleville Lab	X	X														
Shared Services Center	X															
Call Center													X		X	X
Regional Offices:																
Illinois						X										
Indiana					X											
Northeast			X													
Southeast				X			X	X								
Western											X					
IT Service Centers																
Haddon Heights, NJ	X								X							
Hershey, Pa	X									X		X				
Richmond, Ind														X		

Missouri-American Water Company
Allocation Cost Pools By Operating Company – As of April 1, 2003

American Operating Company	00		01		30		31		32	
	Number of Customers	Percent	Number of Customers	Percent	Number of Customers	Percent	Number of Customers	Percent	Number of Customers	Percent
Arizona	115,194	3.97%	74,460	2.68%						
California	167,881	5.79%	167,881	6.05%						
East Palo Alto (A)										
Hawaii	9,855	0.34%								
Illinois	291,614	10.06%	261,797	9.44%						
Indiana	268,173	9.25%	267,723	9.65%					268,173	81.28%
Iowa	57,458	1.98%	57,458	2.07%						
Kentucky	105,754	3.65%	105,670	3.81%			105,754	26.41%		
Long Island	73,849	2.55%	73,849	2.66%	73,849	16.31%				
Maryland	4,784	0.16%	4,784	0.17%			4,784	1.19%		
Michigan	3,831	0.13%	3,831	0.14%					3,831	1.16%
Missouri	442,904	15.27%	442,803	15.96%						
New Jersey	378,957	13.07%	353,504	12.74%	378,957	83.69%				
New Mexico	15,572	0.54%	15,572	0.56%						
Ohio	57,949	2.00%	51,370	1.85%					57,949	17.56%
Pennsylvania	616,230	21.25%	603,343	21.75%						
Tennessee	70,372	2.43%	70,372	2.54%			70,372	17.58%		
Virginia	54,940	1.89%	54,940	1.98%			54,940	13.72%		
West Virginia	164,542	5.67%	164,542	5.93%			164,542	41.10%		
Total	2,899,859	100.00%	2,773,899	100.00%	452,806	100.00%	400,392	100.00%	329,953	100.00%

American Operating Company	33		34		35		69-38/70-38		69-73/70-73	
	Number of Customers	Percent	Number of Customers	Percent	Number of Customers	Percent	Number of Customers	Percent	Number of Customers	Percent
Arizona									115,194	6.16%
California									167,881	8.98%
East Palo Alto (A)										
Hawaii									9,855	0.53%
Illinois	291,614	83.54%								
Indiana										
Iowa	57,458	16.46%								
Kentucky					105,754	60.04%				
Long Island									73,849	3.95%
Maryland			4,784	2.13%						
Michigan										
Missouri							109,452	46.62%	312,916	16.73%
New Jersey									378,957	20.26%
New Mexico									15,572	0.83%
Ohio									15,311	0.82%
Pennsylvania									616,230	32.95%
Tennessee					70,372	39.96%	70,372	29.98%		
Virginia			54,940	24.50%			54,940	23.40%		
West Virginia			164,542	73.37%					164,542	8.80%
Total	349,072	100.00%	224,266	100.00%	176,126	100.00%	234,764	100.00%	1,870,307	100.00%

Note A: Palo Alto is not an American operating company. The Service Company provides billing services for this third party customer.

Missouri-American Water Company
Allocation Cost Pools By Operating Company – As of April 1, 2003

American Operating Company	70 Number of Customers	70 Percent	71 Number of Customers	71 Percent	238/38-00 Number of Customers	238/38-00 Percent	253/53-00 Number of Customers	253/53-00 Percent
Arizona	115,194	37.34%	115,194	5.08%			115,194	3.98%
California	167,881	54.42%	167,881	7.40%	167,881	11.54%	167,881	5.80%
East Palo Alto (A)			3,802	0.17%				
Hawaii	9,855	3.19%	9,855	0.43%			9,855	0.34%
Illinois					291,614	20.05%	291,614	10.07%
Indiana			268,173	11.82%			268,173	9.26%
Iowa							57,458	1.98%
Kentucky			105,754	4.66%			105,754	3.65%
Long Island			73,849	3.26%			73,849	2.55%
Maryland							4,784	0.17%
Michigan								
Missouri			333,452	14.70%			442,904	15.29%
New Jersey			378,957	16.70%	378,957	26.05%	378,957	13.09%
New Mexico	15,572	5.05%	15,572	0.69%			15,572	0.54%
Ohio			15,311	0.67%			57,949	2.00%
Pennsylvania			616,230	27.16%	616,230	42.36%	616,230	21.28%
Tennessee							70,372	2.43%
Virginia							54,940	1.90%
West Virginia			164,542	7.25%			164,542	5.68%
Total	308,502	100.00%	2,268,572	100.00%	1,454,682	100.00%	2,896,028	100.00%

American Operating Company	282/8001 Number of Customers	282/8001 Percent	282/8001 (a) 21% Weighting	282/8001 Number of Customers	282/8001 Percent	282/8001 (b) 79% Weighting	282/8001 Avg % (a+b)	283/61-73 Number of Customers	283/61-73 Percent
Arizona	115,194	3.98%	0.84%	115,194	5.04%	3.98%	4.81%	115,194	5.04%
California	167,881	5.80%	1.22%	167,881	7.34%	5.80%	7.02%	167,881	7.34%
East Palo Alto (A)									
Hawaii	9,855	0.34%	0.07%	9,855	0.43%	0.34%	0.41%	9,855	0.43%
Illinois	291,614	10.07%	2.11%	291,614	12.75%	10.07%	12.19%	291,614	12.75%
Indiana	268,173	9.26%	1.94%				1.94%		
Iowa	57,458	1.98%	0.42%	57,458	2.51%	1.98%	2.40%	57,458	2.51%
Kentucky	105,754	3.65%	0.77%				0.77%		
Long Island	73,849	2.55%	0.54%	73,849	3.23%	2.55%	3.09%	73,849	3.23%
Maryland	4,784	0.17%	0.03%	4,784	0.21%	0.17%	0.20%	4,784	0.21%
Michigan									
Missouri	442,904	15.29%	3.21%	333,452	14.58%	11.52%	14.73%	333,452	14.58%
New Jersey	378,957	13.09%	2.75%	378,957	16.57%	13.09%	15.84%	378,957	16.57%
New Mexico	15,572	0.54%	0.11%	15,572	0.68%	0.54%	0.65%	15,572	0.68%
Ohio	57,949	2.00%	0.42%	57,949	2.53%	2.00%	2.42%	57,949	2.53%
Pennsylvania	616,230	21.28%	4.47%	616,230	26.94%	21.28%	25.75%	616,230	26.94%
Tennessee	70,372	2.43%	0.51%				0.51%		
Virginia	54,940	1.90%	0.40%				0.40%		
West Virginia	164,542	5.68%	1.19%	164,542	7.19%	5.68%	6.88%	164,542	7.19%
Total	2,896,028	100.00%	21.00%	2,287,337	100.00%	79.00%	100.00%	2,287,337	100.00%

Note A: Palo Alto is not an American operating company. The Service Company provides billing services for this third party customer.

Before 1989, Service Company expenses that could not be direct charged were allocated based on a multitude of factors (e.g., number of employees, dollar amount of net plant in service, system delivery, cash receipts and disbursements, board meetings, etc.). This methodology was difficult to administer and difficult to explain to regulators. As a result, a decision was made in 1989 to rely solely on number of customers as the basis for allocation and the affiliate agreement was so modified and reviewed and utilized by the Missouri Public Service Commission for ratemaking purposes. Number of customers is a sound and reasonable basis for allocating those Service Company charges primarily because it is the most equitable to the customer, it is straightforward, easily understood and relatively inexpensive to administer. Also, this methodology reasonably reflects how Service Company costs that cannot be directly assigned are incurred.

Appendix C shows the following statistical data by American Water operating company:

- Revenue
- Labor expenses
- Total O&M expenses
- Net investment in utility plant
- Net investment in utility plant and non-utility property

All formulas are revised annually, effective January 1, based on December 31 customer counts. When a significant acquisition occurs, the formula percentages are adjusted at that time to reflect the new customer proportions.

When the Service Company performs work for non-operating company affiliates, the cost of the services are directly charged to these affiliates.

Cost Allocation Manual
V – Service Company Billing and Accounting Process

After the Service Company's charges have been compiled, bills are prepared and submitted to each operating company. This is accomplished automatically via the corporation's J.D. Edwards financial system, which prepares the necessary entries.

The J.D. Edwards system also prepares the corresponding MAWC entries to record Service Company charges. The following accounts are used to record service company billings:

Account Number	Account Title	Description Of Account
534000.13	Water Quality Testing	Belleville Lab expenses (labor and non-labor expenses)
534000.15	I/S Customer Billing & Accounting	Hershey and Haddon Heights ITS expenses (labor and non-labor) associated with producing and mailing customer bills
534080.16	Labor	Salaries and labor overheads
534081.16	Incentive Plan	Cash bonus program based on company and individual performance
534140.16	Group Insurance	Employee medical and life coverage
534141.16	Post Retirement Benefits Other Than Pensions	Post-employment medical coverage
534170.16	Insurance Other Than Group	Liability, auto, workers compensation
534190.16	Rents	Building lease costs for all Service Company office locations
534200.16	General Office	Office/admin supplies, postage, relocation expenses, employee expenses, telephone expenses
534210.16	Miscellaneous	Contract services, training, transportation, miscellaneous other operating expenses, tuition aid
534211.16	401K	Company matching contributions to 402k plan
534212.16	Employee Investment Plan	Company matching contributions to employee saving plan
534213.16	Research & Development	R&D projects/authorizations, water quality initiatives
534250.16	Materials & Supplies	Software expenses, maintenance contracts on office equipment
534270.16	Depreciation	Depreciation on furniture and equipment under a capital lease
534291.16	Other General Taxes	All taxes other than income
534560.16	Long Term Debt Interest	Interest on capital leases
534590.16	Other Interest	Net interest on Service Company short term borrowings/investment

Actual Service Company charges are recorded at the MAWC-level. They are not allocated and recorded in the financial statements of its districts. A district allocation only takes place on a pro-forma basis in connection with rate case proceedings.

MAWC remits payment for its Service Company bill to American Water Capital Corporation (AWCC). AWCC in turn pays the Service Company. This arrangement is meant for cash management purposes.

Cost Allocation Manual
V – Service Company Billing and Accounting Process

The Service Company's accounting policies that guide how transactions are recorded are shown in the table below.

Assets Nonutility Property	**Miscellaneous** Company Review Procedures
Cash Receipts	Use of Estimates
Cash Disbursements (Electronic Payments)	Internal Controls
Bank Reconciliations	Chart of Accounts (NARUC Uniform System of Accounts, Changes)
Petty Cash	
Cash Equivalents	Financial Systems Access
Miscellaneous Receivables	General Ledger: Maintenance and Activity
Prepaid Expenses	Subsidiary Ledgers
Liabilities Accounts Payable	**Payroll** Payroll (Payroll Deductions, Segregation of Duties, Time Entry, Wages And Salaries)
Payables to Banks	
Expenses Accruals - Other	Meals Allowances and Reimbursements
	Procurement Procurement (Qualifying New Suppliers, Placement Of Orders, Receipt And Acceptance, Return Of Goods To Suppliers)
	JD Edwards Purchasing Security
	Purchase Cards

The following reports are produced every month that provide information on Service Company charges to an operating company.

1. Service Company Invoice – Summary (Appendix D)
2. Service Company Invoice – Detail (Appendix E)
3. Budget/Actual Spending By Service Company Location (Appendix F)

In addition, MAWC personnel are able to perform queries of Service Company charge detail that allow them to carryout more detailed research. For example, queries can be made to the financial system to identify journal entries, voucher payments and payroll charges.

Cost Allocation Manual
VI – American Water Capital Cost Assignment Process

American Water Capital Corporation (AWCC) is a financing entity with no employees. Thus, the only costs it incurs are those associating with long- and short-term debt financings and with the short-term investment program available to AW and operating companies. These costs include the following:

- Short-term credit – Fees necessary to sustain bank lines of credit and commercial paper borrowings and interest expense on short term borrowings that AWCC must undertake to furnish short term funding to AW and its operating companies.
- Long-term credit – Fees and interest expense associated with long term borrowings that AWCC must undertake to furnish short term funding to AW and its operating companies.
- Overhead expenses

AWCC's expenses are assigned to AW and operating companies on the following basis:

- Short-term credit – Fees necessary to sustain bank lines of credit and commercial paper borrowings are allocated based on the maximum principal amounts each participant requests to be made available. Interest expense is paid by participants based on their actual borrowings.
- Long-term credit – Issuance expenses and interest expense is paid by participants based on their actual borrowings.
- Overheads – Are allocated among participants in proportion to their combined amount of long-term debt, maximum requested short-term borrowing and invested cash balance.

There are several ways by which MAWC exercises control over Service Company services and charges. The most important of these are described below.

- **Service Company Board Oversight** – Every operating company president is a director on the Service Company's board. This gives them a say in major business decisions and the ability to monitor service quality and spending levels.

- **Operating Company Board Oversight** – MAWC's board of directors include a number of AW's top officers, including the COO and CFO. This provides service company perspective to senior management who are also Service Company board members.

- **Service Company Budget Review/Approval** – Each year, the Service Company presents its budget to its Board of Directors for approval. Every operating company president must formally approve their budgeted Service Company charges for the next year.

- **Major Project Review And Approval** – Major projects undertaken by the Service Company must first be reviewed by the operating companies that will pay for the initiative. Consultants used on these projects who are hired by the Service Company must also be approved by operating companies.

- **Service Company Bill Scrutiny** – Operating company personnel review the monthly Service Company bill for accuracy and reasonableness.

- **Service Company Budget Variance Reporting-** A summary and explanation of year-to-date budget variances is prepared for the entire Service Company on a monthly basis. In addition, a monthly variance report called the "Statement of Expenses and Billed Charges," is produced by Service Company location and shows budget versus actual spending for the month and year-to-date by cost category.

- **Operating Company Budget Variance Reporting** - The "Budget/Plan Analysis" produced monthly by each operating company has a line item for Management Fees. In this way, Service Company budget versus actual charges can be monitored for the month and year-to-date.

- **Capital Project Authorization** - Capital projects estimated to cost over $100,000 must be approved by the operating company board of directors before any design and construction work begins.

Appendices

Appendix A – Service Company Agreement

AGREEMENT

Agreement dated May 1, 2000, between AMERICAN WATER WORKS SERVICE COMPANY, INC., a Delaware corporation (hereinafter "Service Company"), and JEFFERSON CITY WATER WORKS COMPANY, a Missouri corporation (hereinafter "Water Company").

The background of this Agreement is that:

1. Both Service Company and Water Company are subsidiaries of American Water Works Company, Inc., a Delaware corporation (hereinafter "American Water Works").

2. Water Company has been organized for and is presently engaged in the business of providing potable water as a public utility in the State of Missouri.

3. Service Company maintains an organization whose officers and employees are familiar with all facets of the water utility business, including the development, business and property of Water Company, and are experienced in the efficient management, financing, accounting and operation of water utility properties and the extension and improvement thereof. The officers and employees of Service Company are qualified to aid, assist and advise Water Company in its business operations through the services to be performed under this Agreement.

4. Service Company has provided administrative and operating services to Water Companies for many years. Because Water Company is of the opinion that it cannot obtain the same quality and diversification of services on a comparable economic basis elsewhere, it proposes to enter into a new agreement with Service Company specifically defining the types of services available to it.

5. Service Company has entered, or proposes to enter into, agreements similar to this agreement with other affiliated water companies (hereinafter collectively "Water Companies").

6. The services to be rendered under this agreement are to be rendered by Service Company to Water Companies at their cost to Service Company, as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, the Water Company and Service Company agree that:

ARTICLE 1. PERSONNEL AND SERVICES TO BE PROVIDED

1.1 During the term of this agreement and upon the terms and conditions hereinafter set forth, Service Company shall provide corporate guidance for Water Company. In addition to the guidance provided by the officers and employees of Service Company through the coordination of functional activities for all subsidiaries of American Water Works, the officers and employees of Service Company shall furnish and Water Company shall purchase from Service Company, the following services:

Accounting, Administration, Communication, Corporate Secretarial, Engineering, Financial, Human Resources, Information Systems, Operation, Rates and Revenue, Risk Management and Water Quality, together with such other services as Water Company and Service Company may agree; provided, however, that Water Company may perform the service with its own personnel or engage another company or person to provide those services on its behalf. Service Company by mutual consent may engage another company or person to provide such services on its behalf.

1.2 Service Company shall employ qualified officers and employees and those persons shall be available for election by Water Company to serve as officers of Water Company.

1.3 Without limitation, services to be provided by the Service Company shall be rendered as follows:

A. Accounting: Service Company shall assist in the preparation and implementation of accounting methods and procedures to determine that they conform fully to the requirements, rules and regulations of governmental authorities having jurisdiction, and review Water Company's monthly financial reports, annual reports and other reports to stockholders and to any governmental authorities. It shall advise and assist in the establishment and maintenance of current record keeping techniques; review accounting procedures, methods and forms; and evaluate systems of internal control for receipt and disbursement of funds, materials and supplies, and other assets. Service Company shall maintain accounting records as required by Water Company. When appropriate, Service Company shall cooperate and consult with Water Company's independent certified public accountants. Service Company shall assist in the preparation of operating and construction budgets and monitor the control over such budgets by comparing experienced costs to the projections. Service Company shall prepare or assist in the preparation of federal, state and local tax returns for and to the extent required by Water Company.

B. Administration: Service Company shall make qualified employees available to perform or assist in the performance of Water Company's corporate activities. Those employees shall keep themselves informed on all aspects of Water Company's operations and shall regularly visit Water Company's facilities. They shall make recommendations to Water Company for operating expenditures and for additions to and improvements of property, plant and equipment. They shall keep abreast of economic, regulatory, governmental and operational developments and conditions that may affect Water Company; and advise Water Company of any such developments and conditions to the extent that they may be important to Water Company. Service Company shall provide an internal audit staff for periodic audits of accounts, records, policies and procedures of Water Company and submit reports thereon.

C. Communications: Service Company shall recommend procedures to promote satisfactory relations with employees, customers, communities and the general public and assist in the preparation of communication materials (including press releases, brochures, audio visual presentations and speeches), plant tours, public exhibits and displays and other related services to inform the public.

D. Corporate Secretarial: Service Company shall maintain, in such places and manner as may be required by applicable law, documents of Water Company, such as minute books, charters, by-laws, contracts, deeds and other corporate records, and shall administer an orderly program of records retention. It shall maintain, or arrange for the maintenance of, records of stockholders of Water Company, prepare or arrange for the preparation of stock certificates, perform duties relating to the transfer of stock and perform other corporate secretarial functions as required including preparation of notices of stockholder and director meetings and the minutes thereof. Service Company shall review and may assist in the preparation of documents and reports required by Water Company

such as deeds, easements, contracts, charters, franchises, trust indentures and regulatory reports and filings.

E. Engineering: Service Company shall advise, and provide engineering services to assist Water Company in planning for, operating, maintaining and constructing its facilities.

It shall conduct distribution system surveys and hydraulic analyses and prepare or review maps, charts, operating statistics, reports and other pertinent data.

It shall assist Water Company in the proper maintenance and protection of Water Company properties by periodic inspection of its structures, tanks, reservoirs, dams, wells and electrical and mechanical equipment.

The engineering services provided by Service Company shall also included the conduct of field investigations as necessary to obtain engineering information and, when required, the preparation of studies, reports, designs, drawings, cost estimates, specifications, and contracts for the construction of additions to or improvements of Water Company's source of supply, treatment plant, pumping stations, distributions system, and such other facilities as Water Company may request. Service Company shall provide a Materials Management Program to arrange for the purchase of equipment, materials, and supplies in volume on a basis advantageous to W ater Company and assist in the evaluation of new and existing products and application procedures.

F. Financial: Service Company shall assist in the development and implementation of financing programs for Water Company, including the furnishing of advice from time to time on securities market conditions and the form and timing of financing; advise concerning arrangements for the sale of its securities; and assist in the preparation of necessary papers, documents, registration statements, prospectuses, petitions, applications and declarations. It shall prepare reports to be filed with, reply to inquiries made by, security holders and bond and mortgage trustees.

Service Company shall assist Water Company in cash management including arrangements for bank credit lines, establishment of collection policies, and development of temporary investment programs.

Service Company shall provide assistance to Water Company in the preparation of all financial reports.

G. Human Resources: Service Company shall assist in obtaining qualified personnel for Water Company; in establishing appropriate rates of pay for those employees; and in negotiating with bargaining units representing Water Company employees. It shall carry out training programs for the development of personnel and advise and assist Water Company regarding personnel. It shall also advise and assist Water Company in regard to group employee insurance, pension and benefit plans and in the drafting or revising of those plans when required. It will keep Water Company apprised of all employment laws and develop procedures and controls to assure compliance.

H. Information Systems: Service Company shall make available to Water Company electronic data processing services. Those services shall include customer billing and accounting, preparation of financial statements and other reports including those required by Federal and State agencies.

I. Operation: Service company shall develop and assist in the implementation of operating procedures to promote the efficient and economic operation of Water Company. Periodic operational reviews will be performed by Service Company personnel and any deviations from adopted procedures will be reported to Water Company.

J. Rates and Revenue: Service Company personnel shall make recommendations for changes in rates, rules and regulations and shall assist Water Company in the conduct of proceedings before, and in its compliance with the rulings of, regulatory bodies having jurisdiction over its operation. These personnel shall keep abreast of economic and regulatory developments and conditions that may affect Water Company; and advise Water Company of any such developments and conditions in the extent that they may be important to Water Company. Rate and Revenue personnel shall assist in the preparation of rate filings or applications and the supporting documents and exhibits requested or required by the Water Company and their respective regulatory commissions. Service Company shall also provide qualified personnel to testify on Water Company's behalf as required during any regulatory proceedings.

K. Risk Management: Service Company shall provide a Risk Management Program to review the exposures to accidental loss of the Water Company, recommend efficient methods of protection either through the purchase of insurance, self-insurance or other risk management techniques and arrange for the purchase of insurance coverage. It shall also supervise investigation procedures; review claims; and negotiate and assist in, and evaluate proposals for, settlement at the request of Water Company. It shall assist in the establishment of safety and security programs to avoid or minimize risk and loss.

L. Water Quality: Service Company shall assist Water Company to comply with standards of governmental agencies and establish and attain water quality objectives of the Water Company. It shall assist in providing design criteria for processes, coordinating with public agencies, developing approaches and solutions to water quality problems, and providing technical assistance and general direction for Water Company personnel.

It shall also provide laboratory services for programmed analyses as required by drinking water regulations, and special analyses as required by Water Company.

ARTICLE II. PAYMENT FOR SERVICES

2.1 In consideration for the services to be rendered by Service Company as hereinabove provided, Water Company agrees to pay to Service Company the cost thereof determined as provided in this Article II and in Article III.

2.2 All costs of service rendered by Service Company personnel for Water Company or in common with other Water Companies shall be charged to Water Company based on actual time spent by those personnel as reflected in their daily time sheets or other mutually acceptable means of determination.

2.3 All costs of Service Company incurred in connection with services rendered by Service Company which can be identified and related exclusively to Water Company, shall be charged directly to Water Company.

2.4 All costs incurred in rendering services to Water Company in common with similar services to other Water Companies which cannot be identified and related exclusively to services rendered to a particular Water Company, shall be allocated among all Water Companies so served, or, in the case of costs incurred with respect to services rendered to a particular group of Water Companies, among the members of such group, based on the number of customers served at the immediately preceding calendar year end.

2.5 Costs for support personnel (secretaries, clerical personnel, clerks, messengers, telephone operators, mail clerks, and other incidental support personnel of the Service Company) as well as the cost of lease payments, depreciation, utilities and other costs associated with leasing office space and equipment by Service Company shall be allocated among the Water Companies on the basis of the proportion of the aggregate cost allocated under Sections 2.3 and 2.4.

ARTICLE III. ALLOWANCE FOR OVERHEAD

3.1 In determining the cost to be assessed by Service Company for the rendering of services to Water Company as herein provided, there shall be added to the salaries of all officers and employees for whose services charges are to be made, a percentage sufficient to cover the general overhead of Service Company, as defined below, properly allocable thereto. Such percentage shall be calculated each month and shall be the ratio of the total general overhead of the Service Company for the month to the total salaries of the employees for whose service charges are to be made to the Water Companies. No general overhead of Service Company shall be added to costs incurred for services of non-affiliated consultants employed by Service Company.

3.2 The term "general overhead" shall include:

(a) Pension and insurance premiums paid for the benefit of Service Company employees,

(b) Legal and other fees for services rendered to the Service Company,

(c) Taxes,

(d) Other general office supplies and other similar expenses, and

(e) Interest on working capital.

ARTICLE IV. BILLING PROCEDURES AND BOOKS AND RECORDS

4.1 As soon as practicable after the last day of each month, Service Company shall render a bill to Water Company for all amounts due from Water Company for services and expenses for such month plus an amount equal to the estimated cost of such services and expenses for the current month, all computed pursuant to Articles II and III. Such bill shall be in sufficient detail to show separately the charge for each class of service rendered. All amounts so billed shall reflect the credit for payments made on the

estimated portion of the prior bill and shall be paid by Water Company within a reasonable time after receipt of the bill therefore.

4.2 Service Company agrees to keep its book and records available at all times for inspection by representatives of Water Company or by regulatory bodies having jurisdiction over Water Company.

4.3 Service Company shall at any time, upon request of Water Company, furnish any and all information required by Water Company with respect to the services rendered by Service Company hereunder, the costs thereof, and the allocation of such costs among Water Companies.

ARTICLE V. OTHER AGREEMENTS

5.1 It is understood by Water Company that Service Company has entered or may enter into similar agreements with other Water Companies that are affiliated with American Water Works to which similar services are to be furnished. Service Company will not enter into agreements to perform similar services for other companies on terms more favorable than those provided herein.

5.2 It is understood by Water Company that Service Company has entered or may enter into an agreement or agreements with American Water Works and certain other companies not engaged in the water or sewer service business to which limited services are to be furnished; Water Company consents to such additional agreements, provided, however, that no part of the cost of furnishing such services will be charged to Water Company.

ARTICLE VI. TERM OF AGREEMENT

This agreement shall become effective as of the later of (a) the date first mentioned above or b) the date the parities receive the last of any necessary approvals of governmental regulatory agencies having jurisdiction in the premises. Upon becoming effective, this agreement shall be the sole agreement between the parties concerning the subject matter hereof and shall supersede all prior agreements, written or oral, which shall terminate on the date this agreement becomes effective. This agreement shall continue in full force and effect until terminated by either of the parties hereto giving the other party ninety day's notice in writing; provided, however, that this agreement shall terminate as of the date Water Company or Service company ceases to be affiliate of American Water Works.

IN WITNESS WHEREOF, Service Company and Water Company have caused this agreement to be signed in their respective corporate names by their respective Presidents or Vice Presidents, and impressed with their respective corporate seals attested by their respective Secretaries or Assistant Secretaries, all as of the day and year first above written.

ATTEST:

AMERICAN WATER WORKS SERVICE COMPANY, INC.

_____

BY _____

ATTEST:

JEFFERSON CITY WATER WORKS COMPANY, INC.

_____

BY _____

Appendices

Appendix B – Agreement with American Water Capital Corporation

EXECUTION COPY

FINANCIAL SERVICES AGREEMENT

THIS AGREEMENT, dated as of June 15, 2000, by and between Missouri-American Water Company (the "Company") and American Water Capital Corp. ("AWCC").

BACKGROUND

The Company currently performs its own financial services.

However, the Company has determined that it can obtain these services more efficiently through the consolidation of certain necessary management and staff functions with those performed for other entities that may enter into agreement with AWCC substantially similar to this one ("Co-Participants").

AWCC is dedicated to performing such consolidated functions.

Accordingly, the parties have determined to enter into this Agreement for the provision of financial services by AWCC to the Company and for the proper determination and allocation of the costs of providing such services.

Therefore, the parties agree as follows:

AGREEMENT

1. Services. AWCC will provide, either directly or through arrangements with third parties for the benefit of the Company, such financial services as the Company and AWCC may from time to time agree, including but not limited to those more fully described in Appendix I attached to this Agreement.

2. Costs. In consideration of the provision of the services contemplated by paragraph 1, the Company agrees to pay AWCC a portion of the costs and appropriate overhead incurred by AWCC in providing those services, as follows. The costs incurred by AWCC in connection with its bank credit lines and short-term public borrowings will be divided among the Co-Participants in proportion to the maximum principal amount that each Co-Participant requests be made available to it during the course of a year. The costs incurred by AWCC in connection with each long-term borrowing by AWCC will be divided among each Co-Participant in proportion to the principal amount of that borrowing that is loaned to that Co-Participant. AWCC's overhead will be allocated among the Co-Participants in the same proportion as each Co-Participant's long-term and maximum, requested short-term borrowings and investments in a calendar year bear to all of the long and maximum short-term borrowings and investments by all Co-Participants during the same year.

3. Statements. AWCC will prepare and deliver to the Company monthly statements of the services provided by AWCC and amounts payable to AWCC, giving effect to all the provisions of this Agreement. The Company shall pay the net amount shown on its statement within thirty (30) days after the billing date.

4. Inspection. Upon reasonable notice, AWCC will make available to the Company for its inspection AWCC's books, records, bills, accounts and any other documents which describe or support the costs allocated to the Company under this Agreement.

5. Obligations Not Joint. AWCC and the Company expressly agree: (a) that the obligations of the Company and each Co-Participant to AWCC are several and not joint; (b) that the Company will not be responsible to any Co-Participant, to AWCC or to any assignee or creditor of AWCC for any payment in excess of payments due by the Company to AWCC under this Agreement or a Note in the form attached to this Agreement; and (c) that no Co-Participant will be responsible to the Company, to any other Co-Participant, to AWCC or to any assignee or creditor of AWCC for any payment in excess of payments due by that Co-Participant to AWCC under any agreement substantially similar to this Agreement or under any Note attached to that other agreement. AWCC covenants and agrees that it will require, as a condition to its entering into any such other agreement with a Co-Participant, that such other agreement contains the same provision as that contained in the immediately preceding sentence.

6. Notes. The Company's borrowings under this Agreement will be evidenced by one or more promissory note in the form of Exhibit A or Exhibit B attached to this Agreement.

7. Non-Exclusivity. Nothing in this Agreement prohibits or restricts the Company from borrowing from third parties, or obtaining services described in this Agreement from third parties, whenever and on whatever terms it deems appropriate.

8. Effectiveness. This Agreement shall be effective as of June 15, 2000, provided that, if prior approval by the regulatory commission of any jurisdiction is required before this Agreement may become effective as to the Company, or before AWCC may provide a particular service hereunder to the Company, this Agreement shall not be effective as to the Company or as to that service, as the case may be, unless and until the required approval has been obtained. Unless and until this Agreement becomes effective as to the Company in whole or in part, the Company shall not be entitled to the benefits of, nor shall it have any rights or duties under, this Agreement. This Agreement may be amended or rescinded only by written instrument signed by the Company and AWCC.

9. Termination. The Company may terminate its participation in this Agreement by giving ten (10) days prior written notice of such termination to AWCC; and (b) AWCC may terminate this Agreement by giving ninety (90) days prior written notice of such termination to the Company. Termination of this Agreement will not affect: (a) the Company's obligations under any Promissory Notes; (b) any party's obligations with respect to any amounts owing under Sections 2 and 3 of this Agreement (including such amounts attributable to obligations of any terminating party under any Promissory Notes that remain outstanding after this Agreement is terminated as to that party); or (c) AWCC's obligations to repay any investments made by a Company pursuant to Appendix I.

10. Copies. This Agreement may be executed by the parties in one or more copies and each executed copy shall be considered an original.

In witness of the foregoing, each of the Company and AWCC has caused its respective corporate seal to be affixed to this Agreement and has caused this Agreement to be signed on its behalf by its duly authorized officers.

ATTEST: [NAME OF COMPANY]

By:_____ By:_____
Title: Name and Title:

ATTEST: AMERICAN WATER CAPITAL CORP.

By:_____ By:_____
Title: Name and Title:

Appendix B – Agreement with American Water Capital Corporation

APPENDIX I

DESCRIPTION OF FINANCIAL SERVICES

Set forth below is a list of the services which AWCC agrees to provide to the Company upon its request pursuant to the Agreement to which this Appendix is attached.

1. Short-Term Loans. AWCC will provide Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form attached to this Agreement as Exhibit A.

2. Long-Term Borrowings. AWCC will provide loans other than Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form attached hereto as Exhibit B.

3. Cash Management. Cash not required by the Company to pay its daily disbursements or to pay when due the principal of and interest on, the Company's borrowings from AWCC other than Short-Term Loans will be used by AWCC first to reduce the outstanding principal balance of the Company's Short-Term Loans owing to AWCC and any excess will be deemed to be invested with AWCC and will earn a daily rate of interest that is equal to the interest income earned by AWCC on those funds. Upon the request of that Company, AWCC shall execute one or more promissory notes in favor of the Company, in form and substance substantially similar to the Promissory Note attached as Exhibit A to the Agreement as evidence of such investment.

EXHIBIT A
PROMISSORY NOTE

FOR SHORT-TERM LOANS

$_____ _____, 2000

FOR VALUE RECEIVED, [NAME OF COMPANY], a _____ corporation (herein "Borrower") hereby promises to pay ON DEMAND to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at Voorhees, New Jersey or such other place as Lender may from time to time designate, the principal sum of _____ dollars ($_____) (the "Maximum Principal Sum"), or such lesser amount as shall equal the aggregate unpaid principal amount of the loans made by Lender to Borrower (other than loans evidenced by a promissory note under which the principal amount is due and payable in one or more scheduled installments more than one year after the date of its issue), together with interest thereon from the date hereof until paid in full. Interest will be charged on the unpaid outstanding principal balance of this Note at a rate per annum equal to Lender's actual cost of funds to make such loan, such rate to change as Lender's actual cost of funds changes. Interest on borrowings shall be due and payable on the first business day of each month, commencing with the first business day of the month after the month in which this Note is executed. In the absence of manifest error, the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

Borrower may borrow, repay and reborrow hereunder in amounts which do not, in the aggregate outstanding at any time, exceed the Maximum Principal Sum.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waivers presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of

the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of it rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of the parties hereto.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

[BORROWER]

By:_____

Name and Title:

EXHIBIT B
PROMISSORY NOTE

FOR LONG-TERM BORROWINGS

$_____ _____, 2000

FOR VALUE RECEIVED, [NAME OF COMPANY], a _____ corporation (herein "Borrower") hereby promises to pay to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at _____ or such other place as Lender may from time to time designate, the principal sum of _____ dollars ($_____), together with interest thereon from the date hereof until paid in full. Interest shall be charged on the unpaid outstanding principal balance hereof at a rate per annum equal to the rate paid and to be paid by Lender with respect to the borrowings it made in order to provide funds to Borrower hereunder. Interest on borrowings shall be due and payable in immediately available funds on the same business day on which the Lender must pay interest on the borrowings it made in order to provide funds to the Borrower hereunder. The principal amount hereof shall be due and payable hereunder at such times and in such amounts and in such installments hereunder as the Lender must pay with respect to the borrowings it made in order to provide funds to the Borrower hereunder. Lender has provided Borrower with a copy of the documentation evidencing the borrowings made by Lender in order to provide funds to Borrower hereunder. In the absence of manifest error, such documentation and the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waivers presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of

the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of it rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of Lender and Borrower.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

[BORROWER]

By:_____
Name and Title: