

Exhibit No.:
Issues: Rate Base, Income Statement,
Allocation of Corporate Expenses, Labor
Expenses, Fuel and Power, Chemicals,
Purchased Water, Waste Disposal,
Tank Painting Expense, Uncollectible
Expense
Witness: Donald J. Petry
Exhibit Type: Direct
Sponsoring Party: Missouri-American Water Company
Case No.: WR-2007-XXXX
SR-2007-XXX
Date: December 15, 2006

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WR-2007-XXXX
CASE NO. SR-2007-XXX

DIRECT TESTIMONY

OF

DONALD J. PETRY

ON BEHALF OF

MISSOURI-AMERICAN WATER COMPANY

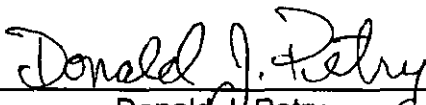
MPWC Exhibit No. 116
Case No(s) WR-2007-0216
Date 8-14-07 Rptr pt

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

IN THE MATTER OF MISSOURI-AMERICAN)	
WATER COMPANY FOR AUTHORITY TO)	
FILE TARIFFS REFLECTING INCREASED)	CASE NO. WR-2007-XXXX
RATES FOR WATER AND SEWER)	CASE NO. SR-2007-XXX
SERVICE)	

AFFIDAVIT OF DONALD J. PETRY

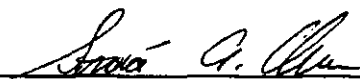
Donald J. Petry, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Direct Testimony of Donald J. Petry"; that said testimony and schedules were prepared by him and/or under his direction and supervision; that if inquires were made as to the facts in said testimony and schedules, he would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of his knowledge.



Donald J Petry

State of Missouri
County of St. Louis

SUBSCRIBED and sworn to
Before me this 8th day of December 2006.



Notary Public

My commission expires:

Staci A. Olsen
Notary Public - Notary Seal
State of Missouri
St. Charles County
Commission # 05519210
My Commission Expires: March 20, 2009

**DIRECT TESTIMONY
DONALD J. PETRY
MISSOURI-AMERICAN WATER COMPANY
CASE NO. WR.2007.XXXX
SR.2007.XXX**

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DIRECT TESTIMONY

DONALD J. PETRY

WITNESS INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. Donald J. Petry, 727 Craig Road, St. Louis, Missouri 63141.

3 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

4 A. I am a Senior Financial Analyst in the Rates and Regulation Department of
5 the Central Region of American Water Works Service Company, Inc.
6 ("Company").

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
8 **BUSINESS EXPERIENCE.**

9 A. My background and qualifications are summarized in Schedule DJP-1 of
10 this testimony.

11

12 **PURPOSE AND SCOPE**

13

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
15 **PROCEEDING?**

16 A. The purpose of my testimony is to introduce and explain the financial
17 information supporting Missouri American Water Company's ("Company")
18 rate request to the Missouri Public Service Commission (MOPSC). I will
19 cover the following topics: the financial schedules that calculate the

1 revenue deficiency, adjustments supporting the rate base, and the
2 operating income statement. Specific accounting adjustments to the
3 operating statement will include: Labor and Labor Related Expenses, Fuel
4 & Power, Chemicals, Purchased Water, Waste Disposal, Tank Painting,
5 and Uncollectibles.

6
7 **Q. PLEASE EXPLAIN THE NUMBERING OF ACCOUNTING SCHEDULES**
8 **CAS-1 THROUGH CAS-15.**

9 A. The first three digits are the abbreviation for Company Accounting
10 Schedules (CAS). Schedule CAS-1 is a summary schedule for the Overall
11 Rate Increase Calculation, Rate Base, and Income Statement for the
12 Company. For Schedules CAS-2 through CAS-15, the numeric digits of 2
13 through 15 represent specific components of the revenue requirement
14 calculation. For example, Schedule 2 calculates the overall revenue
15 deficiency; 3 through 7 calculates rate base; 8 through 12 is the income
16 statement, revenues, O&M, O&M detail, and income taxes. Schedule 13
17 and 14 is the bill analysis summary and the detail at present and proposed
18 rates. And finally, Schedule 15 provides detailed income adjustments for
19 all districts. The last three digits of Schedules 2 through 14 are
20 alphabetized and provide specific detail for each district. For example,
21 BRU is for the Brunswick District; JOP is for the Joplin District. Schedule
22 DJP-2 contains a more detailed listing of the schedules and the
23 alphabetical abbreviation for the each district. Some schedules have

multiple pages. Included on each page of Schedule CAS-15 is the name of the Company Witness who will provide testimony on that particular schedule.

Q. WHAT TEST YEAR DOES THE COMPANY PROPOSE TO UTILIZE AS THE BASIS FOR THIS WATER RATE INCREASE?

A. The rate filing is based upon a historic test year ending June 30, 2006, with adjustments through May 31, 2007. The May 31, 2007 cut-off was selected to provide the parties ample opportunity to audit capital additions that have been closed to plant-in-service, prior to the operation of law date.

WATER ADJUSTMENTS

Q. ARE YOU SPONSORING ANY SCHEDULES THAT DEPICT THE MAJOR COMPONENTS OF THE RATE REQUEST?

A. Yes. Schedules CAS-2-BRU, CAS-2-JFC, CAS-2-JOP, CAS-2-MEX, CAS-2-PKW CAS-2-SCH CAS-2-SJO CAS-2-STL CAS-2-WAR, CAS-2-WCW calculates the overall revenue deficiency in this rate case. The schedule titled, "Overall Revenue Requirement Summary for the Test Year Ended June 30, 2006," is the lead schedule and summarizes the financial information needed to calculate the Company's revenue deficiency by district.

1 **Q. PLEASE EXPLAIN THE REVENUE REQUIREMENT CALCULATION**
2 **PRESENTED IN SCHEDULE CAS-2 FOR EACH DISTRICT.**

3 A. The revenue requirement calculation was determined by multiplying the
4 Company's pro forma rate base by the requested rate of return to derive
5 the required operating income. The recommended 8.52% overall rate of
6 return is based upon an 11.3% common equity return requirement as
7 supported by Company Witnesses Jenkins and Ahern. Company Witness
8 Jenkins discusses the Cost of Capital schedule in detail in his Direct
9 Testimony. The operating income requirement is then compared to pro
10 forma earnings at present rates to determine the Company's operating
11 income deficiency. When multiplied by the gross revenue conversion
12 factor that adjusts for income taxes and uncollectibles, the result is a
13 revenue deficiency. When added to the adjusted operating revenue, the
14 result is the total revenue requirement for the district.

15

16 **RATE BASE-WATER**

17 **Q. PLEASE DISCUSS THE CALCULATION OF EACH COMPONENT OF**
18 **RATE BASE.**

19 A. The Company's rate base is shown on CAS-3 for each district that
20 includes the actual June 30, 2006 balance for Utility Plant in Service
21 (UPIS), Accumulated Reserve, Customer Advances, Contributions in Aid
22 of Construction ("CIAC"), and Deferred ITC. Schedule CAS-4 through 7
23 for each district contains detailed schedules for UPIS, Accumulated

1 Reserve, Customer Advances, CIAC, and Working Capital. UPIS is
2 updated for true-up additions and retirements through May 31, 2007.
3 Accumulated Reserve is updated for true-up retirements and depreciation
4 through May 31, 2007, utilizing depreciation rates approved in Case No.
5 WR-2003-0500. Customer Advances and CIAC were updated for true-up
6 advances and contributions through May 31, 2007. The CIAC and
7 Deferred ITC were updated for the amortization through May 31, 2007.
8 Prepayments and Material and Supplies are based on a 13-month
9 average. The post-employment benefits ("OPEBs") contributed to external
10 funds included permanent investment recognized by the Commission in
11 Case No. WR-95-205. Also included is investment as of June 30, 2006,
12 updated with amortizations through May 31, 2007. Deferred taxes were
13 calculated based on all plant in service at May 31, 2007, which is the
14 proposed true-up date, and the deferred taxes associated with the pension
15 liability costs. Pension Liability reflects the amount of pensions accrued
16 reduced for any payments.

17 **RATE BASE ELEMENTS-WATER**

18 **Q. WHAT RATE BASE ELEMENTS DO YOU WISH TO DISCUSS?**

19 A. The first is the deferred cost associated with the Company's security efforts.
20 These costs are being amortized over a ten year period as approved in Case
21 No. WO-2002-273.

22

1 **Q. WHAT OTHER RATE BASE ELEMENT WOULD YOU LIKE TO DISCUSS?**

2 **A.** Working capital is included in a utility's rate base to help compensate
3 investors for the lag between the time water service is rendered to the
4 customer and the time it takes to collect revenues from the customer to pay
5 for the service. In other words, investors had to provide "upfront" capital to
6 fund the daily operations of the business before customers paid their bills.
7 The working capital calculation can also properly reflect the impact of the
8 delay in receiving revenues from customers on depreciation and deferred
9 taxes as a rate base deduction.

10 The Company has used a Lead/Lag method to calculate its working capital
11 requirement. The Company and the Missouri Staff have used this method in
12 the last several rate cases. The Company's Lead/Lag calculation has
13 incorporated the Staff's calculation from the previous MAWC rate case. A
14 few changes have been made.

15

16 **Q. WERE ANY OF THE CHANGES A DEPARTURE FROM THE STAFF'S**
17 **METHODOLOGY?**

18 **A.** Yes. One change was made to the expense lags for depreciation and
19 deferred taxes. The Company is proposing to use an expense lag of zero
20 days.

21 The purpose of using a zero lag is to recognize that 1) there is a lag in the
22 collection of the revenues associated with depreciation and deferred taxes,
23 and 2) because rate base is reduced by accumulated depreciation and

1 deferred taxes, the level of the accumulated depreciation and deferred taxes
2 does not properly reflect the level that has been collected from the customers.
3 Therefore, using a zero expense lag for depreciation and deferred taxes
4 properly states the appropriate level of working capital.
5

6 **INCOME STATEMENT-WATER**

7 **Q. PLEASE EXPLAIN THE STATEMENTS PRESENTED IN SCHEDULE**
8 **CAS-8 THROUGH CAS-12 FOR EACH DISTRICT.**

9 A. These schedules were developed by accumulating the 12-month
10 operating period ended June 30, 2006. The first adjustment column
11 reflects the pro forma adjustments made to the test year operating income
12 statement. The next column is the pro forma operating income statement
13 at present rates, which includes the pro forma adjustments. The next
14 column reflects the necessary pro forma revenue increase (i.e. grossed up
15 for income taxes and uncollectible expense) to account for the change in
16 operating income to obtain the required earnings level. The last column
17 presents the pro forma operating income statement, at proposed rates,
18 which includes the Company requested increase for that district and
19 supports an operating income level before taxes.

20 Schedule CAS-9 for each district is a summary of the test year revenues
21 by classification, the adjustments to these amounts, and the pro forma
22 revenue at present rates.

1 Schedule CAS-10 for each district is a summary of the operating and
2 maintenance expense and general taxes for the test year, the adjustments
3 to those amounts, and the pro forma expense levels under present rates.
4 Schedule CAS-11 for each district shows the detail of these pro forma
5 adjustments in a chart format. Along the top horizontal edge are the
6 individual schedules that support the adjustments. Down the left vertical
7 edge are the line items as shown on Schedule CAS-10 for each district.
8 The chart is very useful since some of the pro forma adjustments affect
9 more than one line on the summary in Schedule CAS-10 for each district.
10 Company Witness Grubb explains in his Direct Testimony the income tax
11 calculation in Schedules CAS-12 for each district.
12 Schedule CAS-15 contains a detailed explanation of the various pro forma
13 adjustments requested in this case.

14
15 **SEWER ADJUSTMENTS**
16

17 **Q. ARE YOU SPONSORING ANY SCHEDULES THAT DEPICT THE**
18 **MAJOR COMPONENTS OF THE RATE REQUEST?**

19 **A.** Yes. Schedules CAS-2-PKS, CAS-2-CDH, and CAS-2-WCS calculate the
20 overall revenue deficiency in this rate case. The schedule titled, "Overall
21 Revenue Requirement Summary for the Test Year Ended June 30, 2006,"
22 is the lead schedule and summarizes the financial information needed to
23 calculate the Company's revenue deficiency.

1 **Q. PLEASE EXPLAIN THE REVENUE REQUIREMENT CALCULATION**
2 **PRESENTED IN SCHEDULE CAS-2 FOR EACH DISTRICT.**

3 A. The revenue requirement calculation was determined by multiplying the
4 Company's pro forma rate base by the requested rate of return to derive
5 the required operating income. The recommended 8.52% overall rate of
6 return is based upon an 11.3% common equity return requirement as
7 supported by Company Witnesses Jenkins and Ahern. Company Witness
8 Jenkins discusses the Cost of Capital schedule in detail in his Direct
9 Testimony. The operating income requirement is then compared to pro
10 forma earnings at present rates to determine the Company's operating
11 income deficiency. When multiplied by the gross revenue conversion
12 factor that adjusts for income taxes and uncollectibles, the result is a
13 revenue deficiency. When added to the adjusted operating revenue, the
14 result is the total revenue requirement for the district.

15

16 **RATE BASE - SEWER**

17 **Q. PLEASE DISCUSS THE CALCULATION OF EACH COMPONENT OF**
18 **RATE BASE.**

19 A. The Company's rate base is shown on CAS-3 that includes the actual
20 June 30, 2006 balance for UPIS, Accumulated Reserve, Customer
21 Advances, Contributions in Aid of Construction ("CIAC"), and Deferred
22 ITC. Schedule CAS-4 through CAS-7 contains detailed schedules for
23 UPIS, Accumulated Reserve, Customer Advances, CIAC, and Working

1 Capital. UPIS is updated for true-up additions and retirements through
2 May 31, 2007. Accumulated Reserve is updated for true-up retirements,
3 depreciation, and net cost of removal through May 31, 2007, utilizing
4 depreciation rates approved in Case No. WR-95-205. Customer
5 Advances and CIAC were updated for true-up advances and contributions
6 through May 31, 2007. The CIAC and Deferred ITC were updated for the
7 amortization through May 31, 2007. Prepayments and Materials and
8 Supplies are based on a 13-month average. The post-employment
9 benefits ("OPEBs") contributed to external funds included permanent
10 investment recognized by the Commission in Case No. WR-95-205. Also
11 included is investment of June 30, 2006, updated with amortizations
12 through May 31, 2007. Deferred taxes were calculated based on all plant
13 in service at May 31, 2007, which is the proposed true-up date, and the
14 deferred taxes associated with the pension liability and security costs.
15 Pension Liability reflects the amount of pensions accrued reduced for any
16 payments.
17 Company Witness Jenkins explains in his Direct Testimony the rate base
18 adjustments related to cash working capital.
19

20 **RATE BASE ELEMENTS-SEWER**

21 **Q. WHAT RATE BASE ELEMENTS DO YOU WISH TO DISCUSS?**

1 A. The first is the deferred cost associated with the Company's security efforts.
2 These costs are being amortized over a ten year period as approved in Case
3 No. WO-2002-273.

4 **Q. WHAT OTHER RATE BASE ELEMENT WOULD YOU LIKE TO DISCUSS?**

5 A. Working capital is included in a utility's rate base to help compensate
6 investors for the lag between the time water service is rendered to the
7 customer and the time it takes to collect revenues from the customer to pay
8 for the service. In other words, investors had to provide "upfront" capital to
9 fund the daily operations of the business before customers paid their bills.
10 The working capital calculation can also properly reflect the impact of the
11 delay in receiving revenues from customers on depreciation and deferred
12 taxes as a rate base deduction.

13 The Company has used a Lead/Lag method to calculate its working capital
14 requirement. The Company and the Missouri Staff have used this method in
15 the last several rate cases. The Company's Lead/Lag calculation has
16 incorporated the Staff's calculation from the previous MAWC rate case. A
17 few changes have been made.

18 **Q. WERE ANY OF THE CHANGES A DEPARTURE FROM THE STAFF'S**
19 **METHODOLOGY?**

20 A. Yes. One change was made to the expense lags for depreciation and
21 deferred taxes. The Company is proposing to use an expense lag of zero
22 days.

1 The purpose of using a zero lag is to recognize that 1) there is a lag in the
2 collection of the revenues associated with depreciation and deferred taxes,
3 and 2) because rate base is reduced by accumulated depreciation and
4 deferred taxes, the level of the accumulated depreciation and deferred taxes
5 does not properly reflect the level that has been collected from the customers.
6 Therefore, using a zero expense lag for depreciation and deferred taxes
7 properly states the appropriate level of working capital.
8

9 **INCOME STATEMENT-SEWER**

10 **Q. PLEASE EXPLAIN THE STATEMENTS PRESENTED IN SCHEDULE**
11 **CAS-8 THROUGH CAS-12.**

12 **A.** These schedules were developed by accumulating the 12-month
13 operating period ended June 30, 2006. The first adjustment column
14 reflects the pro forma adjustments made to the test year operating income
15 statement. The next column is the pro forma operating income statement
16 at present rates, which includes the pro forma adjustments. The next
17 column reflects the necessary pro forma revenue increase (i.e. grossed up
18 for income taxes and uncollectible expense) to account for the change in
19 operating income to obtain the required earnings level. The last column
20 presents the pro forma operating income statement at proposed rates,
21 which includes the Company requested increase for that district and
22 supports an operating income level before taxes.

1 Schedule CAS-9 is a summary of the test year revenues by classification,
2 the adjustments to these amounts, and the pro forma revenue at present
3 rates.

4 Schedule CAS-10-PKS is a summary of the operating and maintenance
5 expense categories for the test year, the adjustments to those amounts,
6 and the pro forma expense levels under present rates.

7 Schedule CAS-11-PKS shows the detail of these pro forma adjustments in
8 a chart format. Along the top horizontal edge are the individual schedules
9 that support the adjustments. Down the left vertical edge are the line
10 items as shown on Schedule CAS-10-PKS. The chart is very useful since
11 some of the pro forma adjustments affect more than one line on the
12 summary in Schedule CAS-10-PKS.

13 Company Witness Grubb explains in his Direct Testimony the income tax
14 calculation in Schedule CAS-12-PKS.

15 A detailed explanation of the various pro forma adjustments requested in
16 this case contained in Schedule CAS-15.

17
18 **ALLOCATION OF CORPORATE EXPENSES**

19 **Q. PLEASE DISCUSS THE ALLOCATION OF CORPORATE EXPENSES.**

20 **A.** Corporate expenses include Missouri American employees that have
21 statewide responsibilities and expenses paid at the state level (Insurance
22 Other Than Group, PSC Assessment, Franchise Tax, etc.) These
23 expenses are primarily allocated to the operating districts based on the

1 number of customers. Workers Compensation is allocated based on
2 payroll percentage.
3

4 **LABOR AND LABOR-RELATED EXPENSES**

5 **Q. PLEASE EXPLAIN THE COMPANY'S PRO FORMA ADJUSTMENT TO**
6 **THE LABOR AND LABOR-RELATED EXPENSES.**

7 **A. The Company has proposed adjustments to its Labor Expense, Group**
8 **Insurance, Pension Expense, 401K, and Payroll Taxes.**

9 Shown below is a list of the expense adjustment categories and their
10 corresponding schedule within the Company's filing. Each of the schedules
11 provides an explanation of the adjustment. Company Witness Grubb explains
12 in his testimony the adjustments to Pensions and OPEBs related to Group
13 Insurance.
14

<u>Expense Adjustment</u>	<u>Schedule Reference</u>
Labor/Incentive Plan	CAS-15, page 1
Group Insurance	CAS-15, page 2
Pensions	CAS-15, page 3
401K	CAS-15, page 4
Payroll Taxes	CAS-15, page 5

21
22 **FUEL AND POWER**

1 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES**
2 **RELATED TO FUEL AND POWER.**

3 **A. The purpose of this adjustment is to annualize fuel and power expense for**
4 **changes that have occurred, or are expected to occur, by the true-up date.**
5 **The details of this adjustment can be found at Schedule CAS-15, page 6.**
6

7 **CHEMICALS**

8 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES**
9 **RELATED TO CHEMICALS.**

10 **A. The purpose of this adjustment is to annualize chemical expense to achieve a**
11 **normal level needed to treat water produced by the Company under normal**
12 **conditions and demands at current contract prices. The details of this**
13 **adjustment can be found at Schedule CAS-15, page 7.**
14

15 **PURCHASED WATER**

16 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES**
17 **RELATED TO PURCHASED WATER.**

18 **A. The purpose of this adjustment is to annualize the Company's expense**
19 **associated with water purchases and recognize that the St. Louis District**
20 **supplies nearly 100% of the water demand for the St. Charles District. The**
21 **details of this adjustment can be found at Schedule CAS-15, page 8.**

1 Q. DO THE FUEL AND POWER, CHEMICALS, AND PURCHASED WATER
2 ADJUSTMENTS YOU HAVE DISCUSSED INCLUDE A PRO FORMA
3 SALES ADJUSTMENT?

4 A. Yes. For all three adjustments noted above, each expense was also adjusted
5 to incorporate the pro forma sales adjustment as discussed by Mr. Grubb in
6 his Direct Testimony.

7

8 **WASTE DISPOSAL**

9 Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES
10 RELATED TO WASTE DISPOSAL.

11 A. The purpose of this adjustment is to annualize the Company's expense
12 related to waste disposal. The details of this adjustment can be found at
13 Schedule CAS-15, page 9.

14

15 **TANK PAINTING EXPENSE**

16 Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES
17 RELATED TO TANK PAINTING EXPENSE.

18 A. The purpose of this adjustment is to reflect tank painting expenses on an
19 annualized level. The adjustment estimates the cost of interior and
20 exterior painting and inspection for all Missouri-American tank sites.
21 These costs are then amortized primarily over an eight-year life for interior
22 and a twelve-year life for exterior painting. The details of this adjustment
23 can be found at Schedule CAS-15, page 19.

1

2

UNCOLLECTIBLE EXPENSE

3

**Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES
RELATED TO UNCOLLECTABLE EXPENSE.**

4

5

**A. The purpose of this adjustment is to annualize uncollectible expense to a
two-year average ratio of net charge-offs to present billed water rates.**

6

7

**The two-year average is then applied to the pro forma present rate water
revenues. The details of this adjustment can be found at Schedule**

8

9

CAS-15, page 21.

10

11

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

12

A. Yes, it does.

DONALD J. PETRY

Mr. Petry's main responsibilities as Senior Financial Analyst, Rates & Regulations involve providing the following services to American Water utility subsidiaries in the Central Region, including Missouri American Water Company, Inc. ("Missouri American" or "Company"):

- 1) Preparing and presenting all rate increase applications and supporting documents and exhibits as prescribed by management policies, guidelines and regulatory commission requirements;
- 2) Preparing rate analyses and studies to evaluate the effect of proposed rates on the revenues, rate of return and tariff structures;
- 3) Executing the implementation of rate orders, including development of the revised tariff pricing necessary to produce the proposed revenue level;
- 4) Overseeing the preparation of revenue and capital requirements budgets and analyses;
- 5) Providing support for financial analysis of proposed acquisitions and expansion of service territory, including preparation of applicable regulatory commission filings.

In May 1981, Mr. Petry was awarded a Bachelor of Science Degree in Accounting from Manchester College. In May 1995, he completed a Masters of Business Administration from Tiffin University. He attended the NARUC Utility Rate School sponsored by the National Association of Regulatory Utility Commissioners in September, 2005.

Mr. Petry began his career in 1981 with American Water Works Service Co., Inc. as an Internal Auditor. As an Internal Auditor, he conducted financial and procedural audits of American System operating companies. In 1983, he was promoted to Business Manager of Ohio-American Water Company, Tiffin District. His responsibilities included preparation and management of the annual budget, cash forecasting, and customer service (customer billing, payments and inquiries, meter readers, and field service representatives) for the District. In 1994, he was promoted to Customer Service Superintendent. Responsibilities there included customer billing, cash collections, and the call center for all Ohio-American Districts and supervision of the meter readers and field service representatives of the Marion District.

In January 2001, Mr. Petry was promoted to Manager – Operations and Performance of the national Customer Service Center (CSC) for American Water Works Service Company, Inc. His responsibilities included preparation of the CSC budget, analysis and reporting of the CSC performance, scheduling of the workforce, and operation of the facility. December, 2002, he was promoted to Manager – Billing & Collections for the CSC where he was responsible for the processing of all billing and collection activities. In November, 2004, he transferred to Manager – Operations for the CSC to become responsible for the budgeting, workforce management, and facilities for the CSC.

In September, 2005, Mr. Petry was appointed to his current position. He has prepared testimony for the Public Utilities Commission of Ohio.

Schedule: DJP-2

Witness: Donald J. Petry

**LISTING OF SCHEDULES AND ABBREVIATIONS
IN COMPANY ACCOUNT SCHEDULES (CAS)**

CAS-1	Company Total Rate increase Calculation, Rate Base and Income Statement
CAS-2	Overall Revenue Deficiency
CAS-3	Rate Base Summary
CAS-4	Utility Plant in Service Detail
CAS-5	Accumulated Reserve Detail
CAS-6	Advances and CIAC Detail
CAS-7	Working Capital Detail
CAS-8	Operating Income Statement
CAS-9	Revenue by Classification
CAS-10	Operating and Maintenance Expense
CAS-11	O&M Expense – Chart Style
CAS-12	Income Taxes
CAS-13	Bill Analysis Summary
CAS-14	Bill Analysis Detail
CAS-15	Pro Forma Detail

ALPLABETICAL CHARACTERS FOR ABBREVIATIONS FOR DISTRICTS

BRU	Brunswick
CDH	Cedar Hill
JFC	Jefferson City
JOP	Joplin
MEX	Mexico
PKW	Parkville Water
PKS	Parkville Sewer
SCH	St. Charles
SJO	St. Joseph
STL	St. Louis County
WAR	Warrensburg
WCW	Warren County Water
WCS	Warren County Sewer

**Overall Revenue Requirement Summary
For the Test Year Ended June 30, 2006**

Missouri Public Service Commission
Company: Missouri-American Water Company
Total Company - Water and Sewer

Case No. WR-2007-XXXX and Case No. SR-2007-XXX
Schedule CAS-1
Page 1 of 3

Line No.	Description	Amount
1		
2		
3		
4		
5		
6	Rate Base	\$619,398,187
7		
8	Operating Income at Present Rates	\$27,506,357
9		
10	Earned Rate of return	4.44%
11		
12	Requested Rate of Return	8.52%
13		
14	Required Operating Income	52,772,726
15		
16	Operating Income Deficiency	25,266,369
17		
18	Gross Revenue Conversion Factor	1.64088
19		
20	Revenue Deficiency	\$41,461,619
21		
22	Adjusted Operating Revenues	\$166,845,818
23		
24	Total Revenue Requirement	\$208,307,437
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**Statement of Income Per Books and Pro Forma
For the Test Year Ended June 30, 2006**

Missouri Public Service Commission
Company: Missouri-American Water Company
Total Company - Water and Sewer

Case No. WR-2007-XXXX and Case No. SR-2007-XXX
Schedule CAS-1
Page 2 of 3

Line #	Schedule Reference	Test year Ended 6/30/06	Adjustments	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
5	Operating Revenues	\$163,664,161	\$3,181,657	\$166,845,818	\$41,461,619	\$208,307,437
8	Operating Expenses					
9	Operating and Maintenance	92,277,775	7,037,808	99,315,583	452,408	99,767,991
10	Depreciation Expense	15,413,083	5,715,972	21,129,055	0	21,129,055
11	Amortization Expense	190,477	0	190,477	0	190,477
13	Taxes other Than Income Taxes					
14	Property Taxes	9,174,262	1,120,332	10,294,594	0	10,294,594
15	Payroll Taxes	1,685,272	66,353	1,751,625	0	1,751,625
16	PSC Fees	908,285	0	908,285	0	908,285
17	Other	525,875	232,936	758,811	0	758,811
18						
19	Utility Operating Income Before Income Taxes	43,489,133	(10,991,744)	32,497,389	41,009,211	73,506,600
21	Income Taxes					
22	Current Federal Income Tax	4,624,601	(1,995,159)	2,629,442	13,604,951	16,234,393
23	Current State Income Tax	(1,096,212)	1,509,411	413,199	2,137,919	2,551,118
24	Deferred Income Taxes	7,058,046	(4,978,915)	2,079,131	0	2,079,131
25	Amortization of Investment Tax Credit	(130,740)	0	(130,740)	0	(130,740)
26						
27	Utility Operating Income	\$33,033,438	(\$5,527,080)	\$27,506,357	\$25,266,341	\$52,772,698
28						
29						
30						
31						
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Rate Base Summary				Case No. WR-2007-XXXX and Case No. SR-2007-XXX
Test Year Ended June 30, 2006				Schedule CAS-1
Missouri Public Service Commission				Page 3 of 3
Company: Missouri-American Water Company				
Total Company - Water and Sewer				
Line #	Rate Base Component	Per Books 06/30/06	Adjustments	Pro Forma Rate Base
1				
2				
3				
4	Utility Plant in Service	1,085,346,082	115,618,668	1,200,965,750
5				
6	Accumulated Provision for Depreciation	(289,116,983)	(15,799,247)	(304,916,230)
7				
8	Accumulated Amortization	(457,553)	0	(457,553)
9				
10	Utility Plant Acquisition Adjustments	0	0	0
11				
12	Net Utility Plant	795,771,546	99,820,422	895,591,967
13				
14				
15				
16	Less:			
17	Customer Advances	62,885,746	13,833,967	76,719,714
18	Contributions in Aid of Construction	132,847,246	(2,830,617)	130,016,628
19	Accumulated Deferred ITC (3%)	35,204	(2,794)	32,410
20	Deferred Income Taxes	68,877,508	1,492,750	70,370,258
21	Pension Liability	13,290,270	(104,904)	13,185,366
22				
23	Subtotal	277,935,974	12,388,402	290,324,377
24				
25				
26				
27	Add:			
28	Cash Working Capital	6,129,000	0	6,129,000
29	Materials and Supplies	3,354,824	0	3,354,824
30	Prepayments	687,420	0	687,420
31	OPEB's Contributed to External Fund	965,589	(25,666)	939,923
32	Premature Retirement	0	0	0
33	Regulatory Deferrals	3,470,089	(450,660)	3,019,429
34				
35	Subtotal	14,606,922	(476,326)	14,130,596
36				
37	Total Original Cost Rate Base	532,442,494	86,955,693	619,398,187
38				
39				
40				

Adjustment for Labor Expenses
For the Test Year Ended June 30, 2006

Schedule CAS-15
Page 1 of 23

Missouri-American Water Company
Case No. WR-2007-XXXX and Case No. SR-2007-XXX

Line #

Narrative Discussion of Proposed Adjustment for Labor Expenses

The Company has calculated its pro forma labor expense by using the June 30, 2006 manpower levels plus planned additions through May, 2007. Overtime labor was based on the test year by job classification. Labor rates used for union personnel reflect those rates that will be in effect by May 2007 based on contractual agreements. Labor rates for non union personnel are based on projected rates that will be in effect on April 1, 2007. Gross labor dollars were allocated to O&M expense based on the 2006 budget O&M rates by job classification. Corporate employee labor was allocated to each district (operation) based on the number of customers.

Calculation of Pro forma Adjustment for Labor Expenses

		Brunswick BRU	Jefferson City JFC	Joplin JOP	Mexico MEX	Parkville Water PKW	St Charles SCH	St Joseph SJO	
Pro forma amount	\$	113,667	\$ 764,565	\$ 1,499,633	\$ 277,353	\$ 236,211	\$ 931,820	\$ 1,705,161	
Per books amount		83,568	748,523	1,054,719	289,489	218,391	712,009	1,374,516	
Pro forma adjustment	\$	30,099	\$ 16,042	\$ 444,914	\$ (12,137)	\$ 17,821	\$ 219,811	\$ 330,644	
		St Louis STL	Warrensburg WAR	Warren City Water WCW	Parkville Sewer PKS	Cedar Hill Sewer CDH	Warren City Sewer WCS	Total	
Pro forma amount	\$	16,325,313	\$ 253,380	\$ 49,718	\$ 2,458	\$ 49,202	\$ 38,059	\$ -	\$ 22,246,540
Per books amount		14,864,363	212,447	15,983	4,773	52,190	67,264		19,698,236
Pro forma adjustment	\$	1,460,950	\$ 40,932	\$ 33,735	\$ (2,315)	\$ (2,888)	\$ (29,205)	\$ -	\$ 2,548,304

Responsible: Petry

Adjustment for Group Insurance Expenses
For the Test Year Ended June 30, 2008

Line #

Narrative Discussion of Proposed Adjustment for Group Insurance Expenses

The Company has calculated its pro forma Group Insurance expense based on expected changes in manpower levels by May 2007, benefit levels and rates in effect January 1, 2007. Corporate employee costs were allocated to each district (operation) based on appropriate factors noted in the labor discussion. OPEB cost was based on the latest actuarial information provided by the Company actuary and the payment of \$500 into a VEBA fund for union employees not eligible for post-retirement benefits.

Calculation of pro forma Adjustment for Group Insurance Expenses

	Brunswick BRU	Jefferson City JFC	Joplin JOP	Mexico MEX	Parkville Water PKW	St Charles SCH	St Joseph SJO	
Pro forma amount	\$ 37,486	\$ 227,038	\$ 418,021	\$ 94,081	\$ 54,571	\$ 298,803	\$ 503,477	
Per books amount	22,104	165,379	286,757	67,364	44,407	224,533	386,653	
Pro forma adjustment	\$ 15,383	\$ 61,659	\$ 131,264	\$ 26,717	\$ 10,164	\$ 74,270	\$ 116,824	
	St Louis SIL	Warrensburg WAR	Warren City Water WCW	Parkville Sewer PKS	Cedar Hill Sewer CDH	Warren City Sewer WCS	Total	
Pro forma amount	\$ 4,216,157	\$ 92,364	\$ 16,237	\$ 610	\$ 16,973	\$ 14,450	\$ 5,990,269	
Per books amount	3,003,191	56,936	0	0	10,866	0	4,268,190	
Pro forma adjustment	\$ 1,212,965	\$ 35,428	\$ 16,237	\$ 610	\$ 6,107	\$ 14,450	\$ 1,722,078	

Responsible: Petry

Adjustment for Pension Expenses
For the Test Year Ended June 30, 2006

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Missouri-American Water Company
Case No. WR-2007-XXXX and Case No. SR-2007-XXX

Line #

Narrative Discussion of Proposed Adjustment for Pension Expenses

The Company has calculated its pro forma pension expense based on the current actuarial report. The pro forma level also includes the defined contribution plan of 5.25% of base salary for full time union employees hired on or after 1/1/01 and full time nonunion employees hired on or after 1/1/06.

Calculation of pro forma Adjustment for Pension Expenses

	Brunswick BRU	Jefferson City JFC	Joplin JOP	Mexico MEX	Parkville Water PKW	St Charles SCH	St Joseph SJO
Pro forma amount	\$ 12,203	\$ 84,621	\$ 173,379	\$ 29,966	\$ 25,430	\$ 113,353	\$ 190,082
Per books amount	13,983	105,662	180,105	44,442	27,915	143,152	248,098
Pro forma adjustment	\$ (1,780)	\$ (21,061)	\$ (6,726)	\$ (14,477)	\$ (2,485)	\$ (29,799)	\$ (58,016)
	St Louis STL	Warrensburg WAR	Warren City Water WCW	Parkville Sewer PKS	Cedar Hill Sewer CDH	Warren City Sewer WCS	Total
Pro forma amount	\$ 1,858,783	\$ 31,083	\$ 5,267	\$ 241	\$ 5,269	\$ 4,071	\$ 2,533,747
Per books amount	1,952,530	38,600	0	0	6,890	0	2,759,397
Pro forma adjustment	\$ (93,747)	\$ (5,517)	\$ 5,267	\$ 241	\$ (1,621)	\$ 4,071	\$ (225,650)

Responsible: Grubb

Adjustment to 401K Expense
For the Test Year Ended June 30, 2006

Line #

Narrative Discussion of Proposed Adjustment to 401K Expense

The Company has calculated its pro forma 401k expense based on changes in manpower levels expected to occur by May 2007. Contribution rates for new employees were assumed to correspond to the rates of personnel in the same job classification in each district. The pro forma for corporate employees was then allocated to each district.

Calculation of pro forma Adjustment to 401K Expense

	Brunswick BRU	Jefferson City JFC	Joplin JOP	Mexico MEX	Parkville Water PKW	St Charles SCH	St Joseph SJO
Pro forma amount	\$ 1,495	\$ 15,703	\$ 28,379	\$ 4,468	\$ 3,521	\$ 21,945	\$ 21,251
Per books amount	1,150	11,796	12,611	3,751	2,381	7,179	10,028
Pro forma adjustment	\$ 345	\$ 3,907	\$ 15,769	\$ 717	\$ 1,141	\$ 14,766	\$ 11,223
	St Louis STL	Warrensburg WAR	Warren City Water WCW	Parkville Sewer PKS	Cedar Hill Sewer CDH	Warren City Sewer WCS	Total
Pro forma amount	\$ 354,317	\$ 7,160	\$ 1,331	\$ 55	\$ 13	\$ 9	\$ 459,647
Per books amount	306,341	3,621	278	82	(108)	1,039	360,148
Pro forma adjustment	\$ 47,976	\$ 3,539	\$ 1,053	\$ (27)	\$ 121	\$ (1,030)	\$ 99,499

Responsible: Patry

Adjustment for Payroll Taxes Expenses
For the Test Year Ended June 30, 2006

Schedule CAS-15
Page 5 of 23

Missouri-American Water Company
Case No. WR-2007-XXXX and Case No. SR-2007-XXX

Line #

Narrative Discussion of Proposed Adjustment for Payroll Taxes Expenses

The Company has calculated its pro forma payroll tax expense based on the changes in labor as of May 2007 and applying current payroll tax rates. The pro forma cost of corporate employees is allocated to each district (operation).

Calculation of pro forma Adjustment for Payroll Taxes Expenses

	Brunswick BRU	Jefferson City JFC	Joplin JOP	Mexico MEX	Parkville Water PKW	St Charles SCH	St Joseph SJO
Pro forma amount	\$ 9,034	\$ 60,616	\$ 118,500	\$ 22,037	\$ 18,455	\$ 73,702	\$ 135,358
Per books amount	6,867	62,312	91,185	24,109	17,457	61,500	117,515
Pro forma adjustment	\$ 2,168	\$ (1,696)	\$ 27,315	\$ (2,072)	\$ 998	\$ 12,202	\$ 17,842
	St Louis STL	Warrensburg WAR	Warren City Water WCW	Parkville Sewer PKS	Cedar Hill Sewer CDH	Warren City Sewer WCS	Total
Pro forma amount	\$ 1,282,788	\$ 19,998	\$ 3,970	\$ 197	\$ 3,908	\$ 3,062	\$ 1,751,625
Per books amount	1,274,860	18,284	1,235	379	4,344	5,225	1,685,272
Pro forma adjustment	\$ 7,928	\$ 1,714	\$ 2,735	\$ (182)	\$ (435)	\$ (2,163)	\$ 66,353

Responsible: Pety

**Adjustment of Fuel & Power Expense
For the Test Year Ended June 30, 2006**

Missouri-American Water Company
Case No. WR-2007-XXX and Case No. SR-2007-XXX

Schedule CAS-15
Page 6 of 23

Line #

Narrative Discussion of Proposed Adjustment of Fuel & Power Expense

The Company purchased fuel & electricity for operations from several utility suppliers. The pro forma adjustment was calculated based upon three suppliers. AmerenUE, The Empire District Electric, and Aquila Electric which have changed or will be changing rates. Aquila Electric increased rates 2.1% effective March 28, 2006. AmerenUE filed a 25% rate increase. Their rates have been suspended until June 4, 2007. Empire District Electric filed for a 15% increase to be effective January, 2007.

The pro forma adjustment was calculated by multiplying test year cost for the months of the increase by the overall percentage increase. Fuel and Power was also adjusted to reflect the proforma sales adjustment

Calculation of pro forma Adjustment of Fuel & Power Expense

	Brunswick BRU	Jefferson City JFC	Joplin JOP	Mexico MEX	Parkville Water PKW	St Charles SCH	St Joseph SJO	
Pro forma amount	\$ 9,680	\$ 275,886	\$ 681,266	\$ 215,159	\$ 188,092	\$ 36,400	\$ 589,205	
Per books amount	14,155	212,576	645,157	178,775	158,463	29,237	594,193	
Pro forma adjustment	\$ (4,475)	\$ 63,310	\$ 36,109	\$ 36,384	\$ 29,629	\$ 7,163	\$ (4,988)	
	St Louis STL	Warrensburg WAR	Warren City Water WCW	Parkville Sewer PKS	Cedar Hill Sewer CDH	Warren City Sewer WCS	Total	
Pro forma amount	\$ 7,363,188	\$ 137,635	\$ 7,510	\$ -	\$ 20,124	\$ 5,526	\$ 9,529,671	
Per books amount	5,988,945	128,538	7,336	0	16,101	5,526	7,978,001	
Pro forma adjustment	\$ 1,374,243	\$ 9,097	\$ 174	\$ -	\$ 4,023	\$ -	\$ 1,550,670	

Responsible: Patry

Adjustment of Chemical Expense
For the Test Year Ended June 30, 2006

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Missouri-American Water Company
Case No. WR-2007-XXXX and Case No. SR-2007-XXX

Line #

Narrative Discussion of Proposed Adjustment of Chemical Expense

The Company purchases the majority of its chemicals through contracts that are negotiated once a year. The pro forma adjustment uses the latest contracted prices. In certain circumstances chemicals may be purchased without a contract. For these circumstances, the pro forma expense reflects an estimated price based upon recent purchases or bids. The pro forma adjustment also reflects an average pounds per thousand gallons to adjust the usage to reflect a normal level. Chemicals was also adjusted to incorporate the pro forma sales adjustment and the transfer of water to St. Charles from the St. Louis District.

Calculation of pro forma Adjustment of Chemical Expense

	Brunswick BRU	Jefferson City JFC	Joplin JOP	Mexico MEX	Parkville Water PKW	St Charles SCH	St Joseph SJO
Pro forma amount	\$ 5,117	\$ 326,563	\$ 455,848	\$ 64,439	\$ 99,952	\$ -	\$ 730,060
Per books amount	10,257	226,183	234,636	49,764	109,172	(0)	613,887
Pro forma adjustment	\$ (5,140)	\$ 100,380	\$ 221,212	\$ 14,675	\$ (9,220)	\$ 0	\$ 116,173
	St Louis STL	Warrensburg WAR	Warren City Water WCW	Parkville Sewer PKS	Cedar Hill Sewer CDH	Warren City Sewer WCS	Total
Pro forma amount	\$ 4,848,891	\$ 29,804	\$ 2,249	\$ -	\$ -	\$ -	\$ 6,562,923
Per books amount	5,743,378	25,311	3,511	0	0	0	7,016,099
Pro forma adjustment	\$ (894,487)	\$ 4,493	\$ (1,262)	\$ -	\$ -	\$ -	\$ (453,176)

Responsible: Patty

**Adjustment of Purchased Water Expense
For the Test Year Ended June 30, 2006**

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Missouri-American Water Company
Case No. WR-2007-XXXX and Case No. SR-2007-XXX

Line #

Narrative Discussion of Proposed Adjustment of Purchased Water Expense

The Company purchases water from the City of St. Louis, and the City of Kansas City. The water purchased from the City of St. Louis is delivered to St. Louis and St. Charles customers, and the City of Kansas City water is delivered to Parkville customers. Included in the St. Charles purchased water expenses are the production costs related to the purchase of water from the St. Louis district. A \$200,000 annual contract from the City of St. Louis is reflected in the purchased water for St. Louis. A pro forma adjustment for Parkville was made to account for the change in test year system delivery and pro forma system delivery. Water purchased from Public Water District #2 was to supplement the Jefferson City supply.

Calculation of pro forma Adjustment of Purchased Water Expense

	Brunswick BRU	Jefferson City JFC	Joplin JOP	Mexico MEX	Parkville Water PKW	St. Charles SCH	St. Joseph SJO
Pro forma amount	\$ -	\$ 2,212	\$ -	\$ -	\$ 58,184	\$ 711,384	\$ -
Per books amount	0	1,830	0	0	54,807	0	0
Pro forma adjustment	\$ -	\$ 382	\$ -	\$ -	\$ 3,377	\$ 711,384	\$ -
	St. Louis STL	Warrensburg WAR	Warren City Water WCW	Parkville Sewer PKS	Cedar Hill Sewer CDH	Warren City Sewer WCS	Total
Pro forma amount	\$ 215,786	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 987,566
Per books amount	229,714	0	0	0	0	0	286,351
Pro forma adjustment	\$ (13,928)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 701,215

Responsible: Patry

**Adjustment of Waste Disposal Expense
For the Test Year Ended June 30, 2006**

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Missouri-American Water Company
Case No. WR-2007-XXXX and Case No. SR-2007-XXX

Line #

Narrative Discussion of Proposed Adjustment of Waste Disposal Expense

The Pro Forma adjustment for Waste Disposal Expense was calculated by applying anticipated costs on the anticipated bids for the removal of residue from the settling lagoons for the water operations. The Pro Forma Adjustment for Waste Disposal Expense for the sewer operation was calculated by applying the latest known amounts from the waste disposal invoice times the number of customers and annualizing for 12-months, to the 2006 Test Year per book amount.

Calculation of pro forma Adjustment of Waste Disposal Expense

	Brunswick BRU	Jefferson City JFC	Joplin JOP	Mexico MEX	Parkville Water PKW	St Charles SCH	St Joseph SJO	
Pro forma amount	\$ 7,989	\$ -	\$ 12,500	\$ 30,000	\$ -	\$ -	\$ 258,583	
Per books amount	7,989	0	0	42,054	0	0	242,766	
Pro forma adjustment	\$ 0	\$ -	\$ 12,500	\$ (12,054)	\$ -	\$ -	\$ 15,816	
	St Louis STL	Warrensburg WAR	Warren City Water WCW	Parkville Sewer PKS	Cedar Hill Sewer CDH	Warren City Sewer WCS	Total	
Pro forma amount	\$ 377,532	\$ -	\$ -	\$ 38,869	\$ 24,000	\$ -	\$ 749,472	
Per books amount	255,013	0	0	37,693	91,030	0	676,545	
Pro forma adjustment	\$ 122,519	\$ -	\$ -	\$ 1,176	\$ (67,030)	\$ -	\$ 72,927	

Responsible: Patry

Adjustment of Regulatory Expense
For the Test Year Ended June 30, 2006

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Missouri-American Water Company
Case No. WR-2007-XXXX and Case No. SR-2007-XXX

Line #

Narrative Discussion of Proposed Adjustment of Regulatory Expense

The Pro forma adjustment to Regulatory expense reflects a three year amortization of the estimated cost of the current rate case. The costs of the current rate case includes costs related to preparation of accounting exhibits, testimony, responding to both PSC, OPC and intervenor data requests, review and reconciliation of PSC Staff, OPC and intervenor exhibits and testimony, preparation of rebuttal and surrebuttal testimony and attending hearings, legal fees, cost of capital consultant, publication cost, cost of service study consultant (if needed), depreciation study consultant, weather normalization consultant and associated travel expenses.

Calculation of pro forma Adjustment of Regulatory Expense

	Brunswick BRU	Jefferson City JFC	Joplin JOP	Mexico MEX	Parkville Water PKW	St Charles SCH	St Joseph SJO
Pro forma amount	\$ 268	\$ 6,319	\$ 13,762	\$ 2,865	\$ 3,186	\$ 16,948	\$ 18,742
Per books amount	377	8,900	19,385	4,035	4,488	23,873	26,400
Pro forma adjustment	\$ (109)	\$ (2,581)	\$ (5,623)	\$ (1,170)	\$ (1,302)	\$ (6,925)	\$ (7,658)
	St Louis STL	Warrensburg WAR	Warren City Water WCW	Parkville Sewer PKS	Cedar Hill Sewer CDH	Warren City Sewer WCS	Total
Pro forma amount	\$ 200,891	\$ 3,963	\$ 214	\$ 54	\$ 321	\$ 214	\$ 267,747
Per books amount	282,967	5,582	302	75	453	302	377,139
Pro forma adjustment	\$ (82,076)	\$ (1,619)	\$ (88)	\$ (21)	\$ (132)	\$ (88)	\$ (109,392)

Responsible: Grubb

Adjustment of Insurance Other Than Group Expense
For the Test Year Ended June 30, 2006

Schedule CAS-15
Page 11 of 23

Missouri-American Water Company
Case No. WR-2007-XXXX and Case No. SR-2007-XXX

Line #

Narrative Discussion of Proposed Adjustment of Insurance Other Than Group Expense

The Company has calculated its pro forma Insurance Other Than Group Expense from its latest annual insurance premiums. The Company's insurance coverage includes: Property & Casualty Insurance, which consists of General & Excess Liability, Property Claims Damage, and Workmen's Compensation; and Financial Liability Insurance, which consists of Directors & Officers Liability, Fiduciary Liability, Crime, and Employment Practice Insurance. The pro forma expense also includes Retro-Premium Adjustments for payments due. The pro forma expense relating to Workers Compensation was multiplied by the O&M labor percentage factor, in order to reflect the portion of the cost to be expensed

Calculation of pro forma Adjustment of Insurance Other Than Group Expense

	Brunswick BRU	Jefferson City JEC	Joplin JOP	Mexico MEX	Parkville Water PKW	St Charles SCH	St Joseph SJO	
Pro forma amount	\$ 8,478	\$ 124,474	\$ 264,573	\$ 53,703	\$ 56,878	\$ 289,754	\$ 347,022	
Per books amount	11,427	107,693	270,175	70,301	80,523	301,890	436,255	
Pro forma adjustment	\$ (2,949)	\$ 16,781	\$ (5,603)	\$ (16,597)	\$ (23,645)	\$ (12,136)	\$ (89,233)	
	St Louis STL	Warrensburg WAR	Warren City Water WCW	Parkville Sewer PKS	Cedar Hill Sewer CDH	Warren City Sewer WCS	Total	
Pro forma amount	\$ 3,642,643	\$ 69,147	\$ 5,158	\$ 896	\$ 6,736	\$ 4,698	\$ 4,874,160	
Per books amount	2,980,635	71,454	4,107	499	4,706	3,503	4,343,167	
Pro forma adjustment	\$ 662,008	\$ (2,307)	\$ 1,051	\$ 398	\$ 2,030	\$ 1,195	\$ 530,993	

Responsible: Grubb

Adjustment of Support Services Fees
For the Test Year Ended June 30, 2006

Missouri-American Water Company
Case No. WR-2007-XXXX and Case No. SR-2007-XXX

Schedule CAS-15
Page 12 of 23

Line #

Narrative Discussion of Proposed Adjustment of Support Services Fees

Test year Support Services from American Water Works Service Company were adjusted to remove one time costs in the amount of \$623,320. Reductions were also made for donations, memberships and lobbying expenses for \$84,252, and shifting two External Affairs employees labor to Missouri American in the amount of \$149,203. Increases were made for labor and overhead expenses, depreciation and interest and assets used by the Service Company, and increased audit fees for Sarbanes-Oxley.

Calculation of pro forma Adjustment of Support Services Fees

	Brunswick BRU	Jefferson City JFC	Joplin JOP	Mexico MEX	Parkville Water PKW	St Charles SCH	St Joseph SJO
Pro forma amount	\$ 26,085	\$ 615,732	\$ 1,340,948	\$ 279,102	\$ 310,417	\$ 1,552,541	\$ 1,828,438
Per books amount	24,918	588,075	1,280,807	266,627	296,529	1,577,336	1,746,172
Pro forma adjustment	\$ 1,177	\$ 27,658	\$ 60,140	\$ 12,475	\$ 13,888	\$ 75,205	\$ 82,267
	St Louis STL	Warrensburg WAR	Warren City Water WCW	Parkville Sewer PKS	Cedar Hill Sewer CDH	Warren City Sewer WCS	Total
Pro forma amount	\$ 19,580,395	\$ 386,211	\$ 20,406	\$ 5,219	\$ 31,314	\$ 20,406	\$ 26,097,225
Per books amount	18,696,295	368,793	19,935	4,984	29,902	19,935	24,920,308
Pro forma adjustment	\$ 884,100	\$ 17,418	\$ 471	\$ 235	\$ 1,412	\$ 471	\$ 1,176,917

Responsible: Grubb

Adjustment of Lease Expense
For the Test Year Ended June 30, 2006

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Missouri-American Water Company
Case No. WR-2007-XXXX and Case No. SR-2007-XXX

Line #

Narrative Discussion of Proposed Adjustment of Lease Expense

The Company pays rental on railroad crossings, rights of way, and various office and plant equipment. The pro forma adjustment is to annualize expenses expected to be in effect as of May 2007. Office rentals increased by \$9,929. Equipment leases decreased \$83,549 primarily due to leases being bought out.

Calculation of pro forma Adjustment of Lease Expense

	Brunswick BRU	Jefferson City JFC	Joplin JOP	Mexico MEX	Parkville Water PKW	St Charles SCH	St Joseph SJO
Pro forma amount	\$ 2,642	\$ 41,711	\$ 65,650	\$ 13,069	\$ 9,601	\$ 46,801	\$ 98,098
Per books amount	2,572	39,620	71,154	11,852	12,657	47,317	104,671
Pro forma adjustment	\$ 70	\$ 2,090	\$ (5,504)	\$ 1,217	\$ (3,056)	\$ (515)	\$ (6,574)
	St Louis SIL	Warrensburg WAR	Warren City Water WCW	Parkville Sewer PKS	Cedar Hill Sewer CDH	Warren City Sewer WCS	Total
Pro forma amount	\$ 809,123	\$ 14,843	\$ 505	\$ 126	\$ 2,258	\$ 505	\$ 1,104,931
Per books amount	873,063	13,946	527	132	915	527	1,178,954
Pro forma adjustment	\$ (63,940)	\$ 897	\$ (22)	\$ (6)	\$ 1,343	\$ (22)	\$ (74,023)

Responsible: Thakadivil

Adjustment for Mainbreak Expense
For the Test Year Ended June 30, 2006

Line #

Narrative Discussion of Proposed Adjustment for Mainbreak Expense

The main break adjustment was calculated based on a 2 year average cost that includes 12 months ended 06/30/05 and 12 months ended 06/30/06. The number of main breaks is based on a 5 year average as of 06/30/06.

Calculation of pro forma Adjustment for Mainbreak Expense

	Brunswick BRU	Jefferson City JFC	Joplin JOP	Mexico MEX	Parkville Water PKW	St Charles SCH	St Joseph SJO	
Pro forma amount	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Per books amount	0	0	0	0	0	0	0	
Pro forma adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	St Louis SL	Warrensburg WAR	Warren City Water WCW	Parkville Sewer PKS	Cedar Hill Sewer CDH	Warren City Sewer WCS	Total	
Pro forma amount	\$ 2,100,046	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,100,046	
Per books amount	1,836,339	0	0	0	0	0	1,836,339	
Pro forma adjustment	\$ 263,707	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 263,707	

Responsible: Grubb

**Adjustment of Transportation Expense
For the Test Year Ended June 30, 2006**

Schedule CAS-15
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Missouri-American Water Company
Case No. WR-2007-XXX and Case No. SR-2007-XXX

Line #

Narrative Discussion of Proposed Adjustment of Transportation Expense

The Company has calculated its pro forma Transportation expense based on changes in leased vehicle levels expected to occur by April 2007. For vehicles not yet ordered, costs were based on recently ordered vehicles of the same type. Corporate vehicles were allocated to each district.

Calculation of pro forma Adjustment of Transportation Expense

	Brunswick BRU	Jefferson City JFC	Joplin JOP	Mexico MEX	Parkville Water PKW	St Charles SCH	St Joseph SJO
Pro forma amount	\$ 12,156	\$ 74,052	\$ 54,315	\$ 31,847	\$ 13,697	\$ 127,793	\$ 137,418
Per books amount	68	37,652	54,373	17,101	3,020	71,329	93,759
Pro forma adjustment	\$ 12,088	\$ 36,400	\$ 9,943	\$ 14,746	\$ 10,677	\$ 56,464	\$ 43,659
	St Louis STL	Warrensburg WAR	Warren City Water WCW	Parkville Sewer PKS	Cedar Hill Sewer CDH	Waman City Sewer WCS	Total
Pro forma amount	\$ 1,471,686	\$ 6,444	\$ -	\$ -	\$ -	\$ -	\$ 1,939,407
Per books amount	1,063,208	8,273	0	1,085	0	0	1,349,867
Pro forma adjustment	\$ 408,478	\$ (1,829)	\$ -	\$ (1,085)	\$ -	\$ -	\$ 589,540

Responsible: Thakadivil

Adjustment of STEP Costs
For the Test Year Ended June 30, 2006

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Missouri-American Water Company
Case No. WR-2007-XXXX and Case No. SR-2007-XXX

Line #

Adjustment of STEP Costs

Standardized Technology Enabled Processes (STEP) is being eliminated as a nonrecurring expense.

Calculation of pro forma Adjustment of STEP Costs

		Brunswick	Jefferson City	Joplin	Mexico	Parkville Water	St Charles	St Joseph
		BRU	JEC	JOP	MEX	PKW	SCH	SJO
Pro forma amount	\$	-	-	-	-	-	-	-
Per books amount		2,194	51,778	112,771	23,476	26,108	138,879	153,579
Pro forma adjustment	\$	(2,194)	(51,778)	(112,771)	(23,476)	(26,108)	(138,879)	(153,579)
		St Louis	Warrensburg	Warren City Water	Parkville Sewer	Cedar Hill Sewer	Warren City Sewer	Total
		STL	WAR	WCW	PKS	CDH	WCS	
Pro forma amount	\$	-	-	-	-	-	-	-
Per books amount		1,846,146	32,471	1,755	439	2,633	1,755	2,193,984
Pro forma adjustment	\$	(1,846,146)	(32,471)	(1,755)	(439)	(2,633)	(1,755)	(2,193,984)

Responsible: Grubb

Adjustment of Property Tax Expense
For the Test Year Ended June 30, 2006

Line #

Narrative Discussion of Proposed Adjustment of Property Tax Expense

The Company has developed its pro forma property tax expense based on its latest actual property tax bills. The pro forma property tax was calculated by dividing the 2005 property tax bills by June 30, 2006 utility plant in service and materials & supplies producing a property tax rate per \$1 of taxable property base. This rate was multiplied by the true-up utility plant in service and materials & supplies as of May 31, 2007 to determine the pro forma property tax expense.

Calculation of pro forma Adjustment of Property Tax Expense

		Brunswick	Jefferson City	Joplin	Mexico	Parkville Water	St Charles	St Joseph	
		BRU	JFC	JOP	MEX	PKW	SCH	SJO	
Pro forma amount	\$	22,775	\$ 262,978	\$ 404,897	\$ 150,997	\$ 369,658	\$ 687,463	\$ 914,456	
Per books amount		19,148	245,816	357,893	128,521	329,218	697,727	814,843	
Pro forma adjustment	\$	3,627	\$ 7,162	\$ 47,004	\$ 22,476	\$ 40,440	\$ (10,264)	\$ 99,613	
		St Louis	Warrensburg	Warren City Water	Parkville Sewer	Cedar Hill Sewer	Warren City Sewer	Total	
		STL	WAR	WCW	PKS	CDH	WCS		
Pro forma amount	\$	7,053,541	\$ 189,032	\$ 7,054	\$ 3,291	\$ 219,862	\$ 18,590	\$ -	10,294,594
Per books amount		6,418,610	155,063	7,414	1	3	5		9,174,262
Pro forma adjustment	\$	634,931	\$ 33,969	\$ (360)	\$ 3,290	\$ 219,859	\$ 18,585	\$ -	1,120,332

Responsible: Grubb

**Adjustment of PSC Assessment Expense
For the Test Year Ended June 30, 2006**

Missouri-American Water Company
Case No. WR-2007-XXXX and Case No. SR-2007-XXX

Schedule CAS-15
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Line #

Narrative Discussion of Proposed Adjustment of PSC Assessment Expense

The pro forma adjustment to the Public Service Commission Fee was calculated by deducting the test year expense from the 2007 assessment.

Calculation of pro forma Adjustment of PSC Assessment Expense

	Brunswick BRU	Jefferson City JFC	Joplin JOP	Mexico MEX	Parkville Water PKW	St Charles SCH	St Joseph SJO
Pro forma amount	\$ 844	\$ 22,397	\$ 45,111	\$ 15,050	\$ 18,031	\$ 48,310	\$ 88,141
Per books amount	597	17,822	34,266	11,046	14,388	39,987	69,962
Pro forma adjustment	\$ 247	\$ 4,575	\$ 10,845	\$ 4,004	\$ 3,643	\$ 8,323	\$ 18,179
	St Louis STL	Warrensburg WAR	Warren City Water WCW	Parkville Sewer PKS	Cedar Hill Sewer CDH	Warren City Sewer WCS	Total
Pro forma amount	\$ 646,662	\$ 13,872	\$ 562	\$ 3,321	\$ 10,364	\$ 4,940	\$ 917,605
Per books amount	521,027	11,154	489	1,014	3,301	1,574	726,627
Pro forma adjustment	\$ 125,635	\$ 2,718	\$ 73	\$ 2,307	\$ 7,063	\$ 3,366	\$ 190,978

Responsible: Thakadivil

**Adjustment of Tank Painting Expense
For the Test Year Ended June 30, 2006**

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Missouri-American Water Company
Case No. WR-2007-XXXX and Case No. SR-2007-XXX

Line #

Narrative Discussion of Proposed Adjustment of Tank Painting Expense

The pro forma adjustment for Tank Painting Expense is based upon applying the estimated cost to paint both the interior and the exterior of each tank and adding to it the cost to perform inspections on the tanks. These costs are then amortized over primarily an eight (8) year life for the interior and twelve (12) year life for the exterior.

Calculation of pro forma Adjustment of Tank Painting Expense

	Brunswick BRU	Jefferson City JFC	Joplin JOP	Mexico MEX	Parkville Water PKW	St Charles SCH	St Joseph SJO
Pro forma amount	\$ 19,742	\$ 53,853	\$ 212,104	\$ 30,447	\$ 60,126	\$ 90,397	\$ 359,120
Per books amount	0	195,163	125,206	140,793	35,983	95,540	0
Pro forma adjustment	\$ 19,742	\$ (141,310)	\$ 86,898	\$ (110,346)	\$ 24,143	\$ (5,143)	\$ 359,120
	St Louis SIL	Warrensburg WAR	Warren City Water WCW	Parkville Sewer PKS	Cedar Hill Sewer CDH	Warren City Sewer WCS	Total
Pro forma amount	\$ 1,033,774	\$ 71,403	\$ -	\$ -	\$ -	\$ -	\$ 1,930,967
Per books amount	486,968	0	0	0	0	0	1,079,653
Pro forma adjustment	\$ 546,806	\$ 71,403	\$ -	\$ -	\$ -	\$ -	\$ 851,314

Responsible: Pety

Adjustment of Franchise Tax
For the Test Year Ended June 30, 2006

Schedule CAS-15
Page 20 of 23

Missouri-American Water Company
Case No. WR-2007-XXXX and Case No. SR-2007-XXX

Line #

Narrative Discussion of Proposed Adjustment of Franchise Tax

The pro forma amount was derived from the most recent franchise tax return, filed April 15, 2006.

Calculation of pro forma Adjustment of Franchise Tax

	Brunswick BRU	Jefferson City JEC	Joplin JOP	Mexico MEX	Parkville Water PRW	St Charles SCH	St Joseph SJO
Pro forma amount	\$ 295	\$ 6,954	\$ 15,145	\$ 3,153	\$ 3,506	\$ 18,652	\$ 20,626
Per books amount	253	5,964	12,989	2,704	3,007	15,996	17,689
Pro forma adjustment	\$ 42	\$ 990	\$ 2,156	\$ 449	\$ 499	\$ 2,656	\$ 2,937
	St Louis STL	Warrensburg WAR	Warren City Water WCW	Parkville Sewer PKS	Cedar Hill Sewer CDH	Warren City Sewer WCS	Total
Pro forma amount	\$ 221,079	\$ 4,361	\$ 236	\$ 59	\$ 354	\$ 236	\$ 294,656
Per books amount	189,598	3,740	202	51	303	202	252,698
Pro forma adjustment	\$ 31,481	\$ 621	\$ 34	\$ 8	\$ 51	\$ 34	\$ 41,958

Responsible: Thakadivill

Adjustment of Uncollectible Expense at present water rates
For the Test Year Ended June 30, 2006

Line #

Narrative Discussion of Proposed Adjustment of Uncollectible Expense at present water rates

Pro Forma uncollectible accounts expense at present and at proposed rates was calculated by applying the two-year average ratio of net-charge offs to water revenues to the pro forma present rate water revenues and to the pro forma proposed rate water revenues. Shown below is the calculation of the pro forma adjustment.

Calculation of pro forma Adjustment of Uncollectible Expense at present water rates

	Brunswick BRU	Jefferson City JFC	Joplin JOP	Mexico MEX	Parkville Water PKW	St Charles SCH	St Joseph SJO	
Pro forma amount	\$ 1,278	\$ 42,179	\$ 87,539	\$ 18,936	\$ 22,624	\$ 110,688	\$ 120,705	
Per books amount	1,920	45,310	98,683	20,543	22,847	121,530	134,466	
Pro forma adjustment	\$ (642)	\$ (3,131)	\$ (11,144)	\$ (1,607)	\$ (223)	\$ (10,843)	\$ (13,761)	
	St Louis STL	Warrensburg WAR	Warren City Water WCW	Parkville Sewer PKS	Cedar Hill Sewer CDH	Warren City Sewer WCS	Total	
Pro forma amount	\$ 1,354,331	\$ 27,586	\$ 1,713	\$ 346	\$ 2,543	\$ 1,570	\$ 1,792,037	
Per books amount	1,440,509	28,415	1,536	384	2,304	1,536	1,919,983	
Pro forma adjustment	\$ (86,178)	\$ (829)	\$ 177	\$ (38)	\$ 239	\$ 34	\$ (127,946)	

Responsible: Patry

Adjustment of Depreciation Expense
For the Test Year Ended June 30, 2006

Missouri-American Water Company
Case No. WR-2007-XXXX and Case No. SR-2007-XXX

Schedule CAS-15
Page 22 of 23

Line #

Narrative Discussion of Proposed Adjustment of Depreciation Expense

The calculation is based on the true-up utility plant in service (UPIs) through May 31, 2007. The Company used the services of John Spanos, consultant with Gannett Fleming to recommend new depreciation rates. In this case, the Company is proposing to move half way from the current depreciation approved by the Commission in Case No. WR-2003-0500 to the recommended rates of Mr. Spanos. Please refer to the Direct Testimony of Edward J. Grubb for further discussion.

Calculation of pro forma Adjustment of Depreciation Expense

	Brunswick BRU	Jefferson City JFC	Joplin JOP	Mexico MEX	Parkville Water PKW	St Charles SCH	St Joseph SJO
Pro forma amount	\$ 67,788	\$ 549,205	\$ 1,384,954	\$ 393,973	\$ 479,398	\$ 1,279,849	\$ 2,371,221
Per books amount	46,619	309,748	908,717	316,005	350,310	1,069,618	1,911,093
Pro forma adjustment	\$ 21,169	\$ 239,457	\$ 475,237	\$ 77,968	\$ 129,088	\$ 210,231	\$ 460,128
	St Louis STL	Warrensburg WAR	Warren City Water WCW	Parkville Sewer PKS	Cedar Hill Sewer CDH	Warren City Sewer WCS	Total
Pro forma amount	\$ 13,997,401	\$ 382,252	\$ 40,315	\$ 2,734	\$ 71,242	\$ 108,723	\$ 21,129,055
Per books amount	10,109,877	317,548	20,644	2,862	27,213	21,828	15,413,083
Pro forma adjustment	\$ 3,887,524	\$ 64,704	\$ 19,671	\$ (128)	\$ 44,029	\$ 86,895	\$ 5,715,972

Responsible: Thakadiyil/Grubb

Adjustment of Postage Expense

For the Test Year Ended June 30, 2006

Missouri-American Water Company

Case No. WR-2007-XXXX and Case No. SR-2007-XXX

Schedule CAS-15

Page 23 of 23

Line #

Narrative Discussion of Proposed Adjustment of Postage Expense

The Pro Forma adjustment for Postage Expense was calculated by applying 2007 anticipated rates from the United States Postal Service to the number of test year mailings.

Calculation of pro forma

		Brunswick	Jefferson City	Joplin	Mexico	Parkville Water	St Charles	St Joseph	
		BRU	JFC	JOP	MEX	PKW	SCH	SJO	
Pro forma amount	\$	1,183	\$ 27,922	\$ 60,814	\$ 12,660	\$ 14,079	\$ 74,893	\$ 82,820	
Per books amount		2,073	24,568	54,776	11,477	13,082	67,457	74,774	
Pro forma adjustment	\$	(890)	\$ 3,354	\$ 6,038	\$ 1,183	\$ 998	\$ 7,436	\$ 8,046	
		St Louis	Warrensburg	Warren City Water	Parkville Sewer	Cedar Hill Sewer	Warren City Sewer		Total
		STL	WAR	WCW	PKS	CDH	WCS		
Pro forma amount	\$	887,714	\$ 17,511	\$ 947	\$ 237	\$ 1,420	\$ 947	\$ -	\$ 1,183,145
Per books amount		800,765	853	16,162	213	1,279	853		1,068,330
Pro forma adjustment	\$	86,949	\$ 16,658	\$ (15,215)	\$ 23	\$ 141	\$ 94	\$ -	\$ 114,815

Responsible: Thakadivil

**Overall Revenue Requirement Summary
For the Test Year Ended June 30, 2006**

Missouri Public Service Commission
Company: Missouri-American Water Company
District: Brunswick

Case No. WR-2007-XXXX
Schedule CAS-2-BRU
Page 1 of 1

Line No.	Description	Supporting Schedule	Amount
1	Rate Base	CAS-3-BRU	\$1,566,161
2	Operating Income at Present Rates	CAS-8-BRU	(147,872)
3	Earned Rate of return		-9.44%
4	Requested Rate of Return	Jenkins Testimony	8.52%
5	Required Operating Income		133,437
6	Operating Income Deficiency		281,309
7	Gross Revenue Conversion Factor		1.63859
8	Revenue Deficiency		460,950
9	Adjusted Operating Revenues	CAS-8-BRU	138,050
10	Total Revenue Requirement		\$599,000
11	Gross Revenue Conversion Factor		\$1,000,000
12	Revenue		9,468
13	Uncollectibles	0.94680%	0.00000%
14	PSC Assessment	0.00000%	990,532
15	Before Tax Amount		51,839
16	State Income Taxes	5.21327%	328,613
17	Federal Income Taxes	33.17536%	389,720
18	Total Taxes and Expenses		\$610,280
19	Net Amount		1,63859
20	Conversion Factor		1.63859

Rate Base Summary
Test Year Ended June 30, 2006

Missouri Public Service Commission
Company: Missouri-American Water Company
District: Brunswick

Case No. WR-2007-XXXX
Schedule CAS-3-BRU
Page 1 of 1

Line #	Rate Base Component	Supporting Reference	Per Books 06/30/06	Adjustments	Pro Forma Rate Base
1					
2					
3					
4					
5	Utility Plant in Service	CAS-4-BRU	\$2,276,108	\$264,873	\$2,540,981
6					
7	Accumulated Provision for Depreciation	CAS-5-BRU	(670,902)	(24,217)	(695,119)
8					
9	Accumulated Amortization	W/P's	0	0	0
10					
11	Utility Plant Acquisition Adjustments	W/P's	0	0	0
12					
13	Net Utility Plant		<u>1,605,206</u>	<u>240,656</u>	<u>1,845,862</u>
14					
15					
16	Less:				
17	Customer Advances	CAS-6-BRU	155	39,081	39,236
18	Contributions in Aid of Construction	CAS-6-BRU	144,261	(4,068)	140,193
19	Accumulated Deferred ITC (3%)	W/P's	0		0
20	Deferred Income Taxes	W/P's	153,932	(13,306)	140,626
21	Pension Liability	W/P's	13,290	(105)	13,185
22					
23					
24	Subtotal		<u>311,638</u>	<u>21,602</u>	<u>333,240</u>
25					
26					
27	Add:				
28	Cash Working Capital	CAS-7-BRU	13,000	0	13,000
29	Materials and Supplies	W/P's	4,574	0	4,574
30	Prepayments	W/P's	688	0	688
31	OP&B's Contributed to External Fund	W/P's	4,442	(118)	4,324
32	Premium Retirement	W/P's	0	0	0
33	Regulatory Deferrals	W/P's	35,573	(4,620)	30,953
34					
35	Subtotal		<u>58,277</u>	<u>(4,738)</u>	<u>53,539</u>
36					
37	Total Original Cost Rate Base		<u>\$1,351,845</u>	<u>\$214,316</u>	<u>\$1,566,161</u>
38					
39					
40					

**Utility Plant in Service
For the Test Year Ended June 30, 2006**

Missouri Public Service Commission
Company: Missouri-American Water Company
District: Brunswick

Case No. WR-2007-XXXX
Schedule CAS-4-BRU
Page 1 of 2

Line #	Acct No	Account Description	Per Books 06/30/06	Pro Forma Adjustments	Pro Forma UPIS
1		<u>Intangible Plant</u>			
2		Organization	\$0	\$181	\$181
3	301	Franchise & Consents	1,092	0	1,092
4	302	Miscellaneous Intangible Plant Studies	2,294	3,548	5,842
5	303	Subtotal	3,386	3,729	7,115
6		<u>Source of Supply Plant</u>			
7		Land & Land Rights	11,981	0	11,981
8	310	Structures & Improvements	23,993	0	23,993
9	311	Collection & Impound Reservoirs	0	0	0
10	312	Lake, River, & Other Intakes	0	0	0
11	313	Wells & Springs	178,044	0	178,044
12	314	Supply Mains	80,682	0	80,682
13	316	Subtotal	294,700	0	294,700
14		<u>Pumping Plant</u>			
15		Pumping Land & Land Rights	0	0	0
16	320	Pumping Structures & Improvements	54,570	0	54,570
17	321	Boiler Plant Equipment	0	0	0
18	322	Force Mains	1,498	0	1,498
19	323	Steam Pumping Equipment	0	0	0
20	324	Electric Pumping Equipment	100,165	0	100,165
21	325	Diesel Pumping Equipment	0	0	0
22	326	Pump Equip Hydraulic	0	0	0
23	327	Other Pumping Equipment	19,581	0	19,581
24	328	Subtotal	175,814	0	175,814
25		<u>Treatment Plant</u>			
26		Water Treatment Land & Land Rights	1,468	0	1,468
27	330	Water Treatment Structures & Improvements	275,325	70,819	346,144
28	331	Water Treatment Equipment	196,270	0	196,270
29	332	Water Treatment Equipment - Filter Plant	0	46,512	46,512
30	332.4	Subtotal	473,063	117,331	590,394
31		<u>Transmission & Distribution Plant</u>			
32		Transmission & Distribution Land	591	0	591
33	340	Transmission & Distribution Structures & Improvements	26,302	0	26,302
34	341	Distribution Reservoirs & Standpipes	76,984	0	76,984
35	342	Transmission & Distribution Mains Conv	272,057	67,546	339,603
36	343	Transmission & Distribution Mains < 4"	56,577	0	56,577
37	343.1	Transmission & Distribution Mains 6" - 8"	203,100	0	203,100
38	343.2	Transmission & Distribution Mains > 10"	0	0	0
39	343.3	Subtotal	635,611	67,546	703,157
40					

Utility Plant in Service

For the Test Year Ended June 30, 2006

Case No. WR-2007-XXXX
Schedule CAS-4-BRU
Page 2 of 2

Missouri Public Service Commission
Company: Missourian-American Water Company
District: Brunswick

Line #	Acct No	Account Description	Bal Fwd	Per Books 06/30/06	Pro Forma Adjustments	Pro Forma UPIS
1		<u>Transmission & Distribution Plant</u>				
2	344	Fire mains	635,611	0	67,546	703,157
3	345	Services	0	0	0	0
4	346.1	Meters - Bronze Case	152,514	43,593	196,107	196,107
5	346.2	Meters - Plastic Case	26,855	22,510	49,365	49,365
6	346.3	Meters - Not Class By Type	0	0	0	0
7	347	Meter Installation	15,086	0	15,086	15,086
8	348	Hydrants	78,964	0	78,964	78,964
9	349	Other Transmission & Distribution Plant	79,977	2,362	82,339	82,339
10		Subtotal	989,007	0	0	0
11			989,007	136,011	1,125,018	1,125,018
12		<u>General Plant</u>				
13	389	General Land & Land Rights	0	0	0	0
14	390	Stores Shops Equipment Structures	500	0	500	500
15	390.1	Office Structures	4,270	0	4,270	4,270
16	390	General Structures - HVAC	0	0	0	0
17	390.3	Miscellaneous Structures	17,564	0	17,564	17,564
18	391	Office Furniture and Equipment	2,075	3,485	5,560	5,560
19	391.2	Computers & Peripheral Equipment	145	3,827	3,972	3,972
20	391.25	Computer Software	0	6,053	6,053	6,053
21	391.26	Personal Computer Software	0	118	118	118
22	391.3	Other Office Equipment	34,043	14	34,057	34,057
23	392.11	Transportation Equipment - Light Trucks	34,091	(32,545)	1,546	1,546
24	392.12	Transportation Equipment - Heavy Trucks	0	0	0	0
25	392.2	Transportation Equipment - Cars	0	150	150	150
26	392.3	Transportation Equipment - Other	0	0	0	0
27	393	Stores Equipment	11,428	0	11,428	11,428
28	394	Tools, Shop, & Garage Equipment	37,038	26,655	63,693	63,693
29	395	Laboratory Equipment	33,065	0	33,065	33,065
30	396	Power Operated Equipment	0	0	0	0
31	397	Communication Equipment (non telephone)	0	2	2	2
32	397.2	Telephone Equipment	0	31	31	31
33	398	Miscellaneous Equipment	141,371	11	141,382	141,382
34	399	Other Tangible Property	24,548	0	24,548	24,548
35		Subtotal	340,138	7,801	347,939	347,939
36		Total Plant in Service	\$2,276,108	\$264,873	\$2,540,981	\$2,540,981
37						

**Accumulated Depreciation and Amortization
For the Test Year Ended June 30, 2006**

Missouri Public Service Commission
 Company: Missouri-American Water Company
 District: Brunswick

Case No. WR-2007-XXXX
 Schedule CAS-5-BRU
 Page 1 of 2

Line #	Acct No	Account Description	Per Books 06/30/06	Pro Forma Adjustments	Pro Forma Reserve
1		<u>Intangible Plant</u>			
2	301	Organization	\$0	\$0	\$0
3	302	Franchise & Consents	0	0	0
4	303	Miscellaneous Intangible Plant Studies	0	1,443	1,443
5		Subtotal	0	1,443	1,443
6		<u>Source of Supply Plant</u>			
7	310	Land & Land Rights	0	0	0
8	311	Structures & Improvements	2,643	440	3,083
9	312	Collection & Impound Reservoirs	0	0	0
10	313	Lake, River, & Other Intakes	0	0	0
11	314	Wells & Springs	59,290	3,264	62,554
12	316	Supply Mains	29,627	1,294	30,921
13		Subtotal	91,560	4,998	96,558
14		<u>Pumping Plant</u>			
15	320	Pumping Land & Land Rights	0	0	0
16	321	Pumping Structures & Improvements	4,379	490	4,869
17	322	Boiler Plant Equipment	0	0	0
18	323	Force Mains	764	37	801
19	324	Steam Pumping Equipment	0	0	0
20	325	Electric Pumping Equipment	31,548	1,579	33,127
21	326	Diesel Pumping Equipment	0	0	0
22	327	Pump Equip Hydraulic	0	0	0
23	328	Other Pumping Equipment	324	0	324
24		Subtotal	37,015	2,106	39,121
25		<u>Treatment Plant</u>			
26	330	Water Treatment Land & Land Rights	0	0	0
27	331	Water Treatment Structures & Improvements	129,518	134	129,652
28	332	Water Treatment Equipment	94,241	3,328	97,569
29	332.4	Water Treatment Equipment - Filter Plant	0	(1,594)	(1,594)
30		Subtotal	223,759	1,868	225,627
31		<u>Transmission & Distribution Plant</u>			
32	340	Transmission & Distribution Land	0	0	0
33	341	Transmission & Distribution Structures & Improvements	3,336	439	3,775
34	342	Distribution Reservoirs & Standpipes	24,799	1,306	26,105
35	343	Transmission & Distribution Mains Conv	142,078	756	142,834
36	343.1	Transmission & Distribution Mains < 4"	1,842	674	2,516
37	343.2	Transmission & Distribution Mains 6" - 8"	2,784	2,420	5,204
38	343.3	Transmission & Distribution Mains > 10"	0	0	0
39		Subtotal	174,839	5,595	180,434
40					

**Accumulated Depreciation and Amortization
For the Test Year Ended June 30, 2006**

Case No. WR-2007-XXXX
Schedule CAS-5-BRU
Page 2 of 2

Missouri Public Service Commission
Company: Missouri-American Water Company
District: Brunswick

Line #	Acct No	Account Description	Bal Fwd	Per Books 06/30/06	Pro Forma Adjustments	Pro Forma Reserve
1		<u>Transmission & Distribution Plant</u>				
2	344	Fire mains	174,839	0	5,595	180,434
3	345	Services	0	0	0	0
4	346.1	Meters - Bronze Case	15,019	1,332	1,332	16,351
5	346.2	Meters - Plastic Case	2,026	(110)	(110)	1,916
6	346.3	Meters - Not Class By Type	0	0	0	0
7	347	Meter Installation	16,297	337	337	16,634
8	348	Hydrants	4,101	1,766	1,766	5,867
9	349	Other Transmission & Distribution Plant	29,973	903	903	30,876
10		Subtotal	0	0	0	0
11			242,255	9,823		252,078
12		<u>General Plant</u>				
13	389	General Land & Land Rights	0	0	0	0
14	390	Stores Shops Equipment Structures	21	11	32	32
15	390.1	Office Structures	651	(648)	3	3
16	390	General Structures - HVAC	0	0	0	0
17	390.3	Miscellaneous Structures	0	0	0	0
18	391	Office Furniture and Equipment	(108)	2,126	2,018	2,018
19	391.2	Computers & Peripheral Equipment	4	591	595	595
20	391.25	Computer Software	0	13,710	13,710	13,710
21	391.26	Personal Computer Software	0	117	117	117
22	391.3	Other Office Equipment	4,643	1,401	6,044	6,044
23	392.11	Transportation Equipment - Light Trucks	15,000	(30,248)	(15,248)	(15,248)
24	392.12	Transportation Equipment - Heavy Trucks	0	0	0	0
25	392.2	Transportation Equipment - Cars	0	639	639	639
26	392.3	Transportation Equipment - Other	12,484	(0)	12,484	12,484
27	393	Stores Equipment	1,096	238	1,334	1,334
28	394	Tools, Shop, & Garage Equipment	13,392	895	14,287	14,287
29	395	Laboratory Equipment	9,571	979	10,550	10,550
30	396	Power Operated Equipment	0	0	0	0
31	397	Communication Equipment (non telephone)	(2,120)	53	(2,067)	(2,067)
32	397.2	Telephone Equipment	3,051	68	3,119	3,119
33	398	Miscellaneous Equipment	15,023	12,977	28,000	28,000
34	399	Other Tangible Property	3,604	1,071	4,675	4,675
35		Subtotal	76,313	3,979		80,292
36			\$670,902	\$24,217		\$695,119
37		Total Plant in Service				

Customer Advances and Contributions in Aid of Construction
For the Test Year Ended June 30, 2006

Line #	Acct No	Account Description	Per Books 06/30/06	Pro Forma Adjustments	Pro Forma Balance
1					
2					
3		Customer Advances			
4	252.11	Advances for Construction - Extensions	155	39,081	39,236
5		Advances for Construction - Services	0	0	0
6		Advances for Construction - Hydrants	0	0	0
7	252.71	Advances for Construction - Taxable Extensions	0	0	0
8		Total Customer Advances	<u>155</u>	<u>39,081</u>	<u>39,236</u>
9					
10					
11					
12					
13		Contributions in Aid of Construction			
14	271.11	Contributions in Aid - NT Mains	0	0	0
15	271.12	Contributions in Aid - NT Extension Deposit	190	0	190
16	271.21	Contributions in Aid - NT Services	1,875	0	1,875
17	271.30	Contributions in Aid - NT Meters	0	0	0
18		Contributions in Aid - NT Hydrants	0	0	0
19		Contributions in Aid - NT Other	0	0	0
20	271.71	Contributions in Aid - Taxable Mains	210,600	0	210,600
21	271.12	Contributions in Aid - Taxable Extension Deposit	7,270	0	7,270
22	271.27	Contributions in Aid - Taxable Services	1,389	0	1,389
23	271.37	Contributions in Aid - Taxable Meters	0	0	0
24	271.47	Contributions in Aid - Taxable Hydrants	0	0	0
25	Various	Accumulated Amortization - CIAC	(77,063)	(4,068)	(81,131)
26		Total Contributions in Aid of Construction	<u>144,261</u>	<u>(4,068)</u>	<u>140,193</u>
27					
28					
29					
30					
31					
32					
33					
34					
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39					
40					

Working Capital

For the Test Year Ended June 30, 2008

Line #	Expense Category	Proforma Proposed Expense	Average Daily Expense	Revenue Lag	Expense (Lead)/Lag	Net (Lead)/Lag	Cash Requirement
1							
2							
3							
4	Base Payroll	77,055	211	36.78	10.23	26.55	5,605
5	Tax Withholding	36,612	100	36.78	17.39	19.39	1,945
6	Fuel and Power	9,680	27	36.78	37.22	(0.44)	(12)
7	Chemicals	5,117	14	36.78	36.78	0.00	0
8	Purchased Water	0	0	36.78	53.15	(16.37)	0
9	Service Company Charges	26,095	71	36.78	(4.13)	40.91	2,925
10	Group Insurance	14,913	41	36.78	(8.54)	45.32	1,852
11	OPEB's	7,190	20	36.78	(0.04)	36.82	725
12	Pensions	12,203	33	36.78	36.78	0.00	0
13	ESOP	0	0	36.78	36.78	0.00	0
14	Insurance Other than Group	8,478	23	36.78	36.78	0.00	0
15	Uncollectables	1,278	4	36.78	36.78	0.00	0
16	Rents	2,084	6	36.78	24.37	12.41	71
17	401(k)	11,064	30	36.78	48.80	(12.02)	(364)
18	Other O&M	104,611	287	36.78	20.67	16.11	4,617
19	Total O&M Expenses	316,381					17,364
20							
21	Depreciation Amortization Expense	68,184	187	36.78	0.00	36.78	6,871
22	Property Taxes	22,775	62	36.78	182.50	(145.72)	(9,093)
23	Public Service Commission Fee	1,155	3	36.78	(30.00)	66.78	211
24	Franchise and Environment Tax	568	2	36.78	110.50	(73.72)	(115)
25	FICA Taxes	114	0	36.78	13.44	23.34	7
26	FUTA Taxes	8,846	24	36.78	62.05	(25.27)	(612)
27	SUTA Taxes	75	0	36.78	62.05	(25.27)	(5)
28	Federal Income Tax - Current	(94,470)	(259)	36.78	60.25	(23.47)	6,075
29	State Income Tax - Current	(14,845)	(41)	36.78	62.17	(25.39)	1,033
30	Deferred Income Taxes	(13,850)	(38)	36.78	0.00	36.78	(1,396)
31	Interest Expense	49,804	136	36.78	91.15	(54.37)	(7,419)
32	Preferred Dividends	626	2	36.78	45.63	(8.85)	(15)
33	Total Working Capital Requirement	345,363					12,906
34							
35	Total Cash and Working Capital Requirement Used						13,000
36							
37							
38							
39							
40							

**Statement of Income Per Books and Pro Forma
For the Test Year Ended June 30, 2006**

**Missouri Public Service Commission
Company: Missouri-American Water Company
District: Brunswick**

**Case No. WR-2007-XXXX
Schedule CAS-8-BRU
Page 1 of 1**

Line #	Schedule Reference	Test year Ended 6/30/06	Adjustments	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
1						
2						
3						
4						
5						
6	Operating Revenues	\$189,459	(\$51,409)	\$138,050		
7						
8	Operating Expenses					
9	Operating and Maintenance	246,694	60,727	307,421		
10	Depreciation Expense	46,619	21,169	67,788		
11	Amortization Expense	396	0	396		
12						
13	Taxes other Than Income Taxes					
14	Property Taxes	19,148	3,627	22,775		
15	Payroll Taxes	6,867	2,168	9,034		
16	PSC Fees	908	0	908		
17	Other	526	289	815		
18						
19	Utility Operating Income Before Income Taxes	(131,700)	(139,389)	(271,088)		
20						
21	Income Taxes					
22	Current Federal Income Tax	8,324	(102,794)	(94,470)		
23	Current State Income Tax	(1,973)	(12,872)	(14,845)		
24	Deferred Income Taxes	11,944	(25,794)	(13,850)		
25	Amortization of Investment Tax Credit	(51)		(51)		
26						
27	Utility Operating Income	(\$149,943)	\$2,071	(\$147,872)		
28						
29						
30						
31						
32						
33						
34						
35						
36						
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**Adjustment to Revenues Per Books and Pro Forma
For the Test Year Ended June 30, 2006**

**Missouri Public Service Commission
Company: Missouri-American Water Company
District: Brunswick**

**Case No. WR-2007-XXXX
Schedule CAS-9-BRU
Page 1 of 1**

Line #	Test year Ending 06/30/06	Eliminate Unbilled Revenue	Bill Analysis And Other Adjustments	Bill Analysis at Rates	Normalization & Annual Adjustments	Other Adjustments	Pro Forma Present Rate Revenue
1	\$101,255	(\$288)	(\$3)	\$100,964	\$757	\$55	\$101,776
2	22,672	7	12	22,691	1,552	\$0	24,243
3	542	(19)	(1)	522		\$0	522
4	3,743	(61)	0	3,682		\$0	3,682
5	53,418	1,435	0	54,853		(\$54,853)	0
6	0	0	0	0		\$0	0
7							
8							
9							
10							
11							
12							
13							
14	181,630	1,074	8	182,712	2,309	(54,798)	130,223
15							
16							
17	0	0	0	0	0	0	0
18							
19							
20	4,764	0	(2)	4,762	0		4,762
21							
22	4,764	0	(2)	4,762	0	0	4,762
23							
24	186,394	1,074	6	187,474	2,309	(54,798)	134,985
25							
26							
27	0			0			0
28	96			96			96
29	0			0			0
30	2,942			2,942			2,942
31	27			27			27
32							
33	3,065	0	0	3,065	0	0	3,065
34							
35							
36	\$189,459	\$1,074	\$6	\$190,539	2,309	(54,798)	\$138,050
37							
38							
39							
40							

**Summary of Operations and Maintenance Expenses and General Taxes
For the Test Year Ended June 30, 2006**

Missouri Public Service Commission
Company: Missouri-American Water Company
District: Brunswick

Case No. WR-2007-XXXX
Schedule CAS-10-BRU
Page 1 of 1

Line #

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

Expense Description	Schedule Reference	Test Year Expense	Adjustment	Pro forma Present Rates
Labor	CAS-11-BRU	\$83,568	\$30,099	\$113,667
Purchased Water	CAS-11-BRU	0	0	0
Fuel and Power	CAS-11-BRU	14,155	(4,475)	9,680
Chemicals	CAS-11-BRU	10,257	(5,140)	5,117
Waste Disposal	CAS-11-BRU	7,989	0	7,989
Support Services	CAS-11-BRU	24,918	1,177	26,095
Group Insurance	CAS-11-BRU	22,104	15,383	37,486
Pensions	CAS-11-BRU	13,983	(1,780)	12,203
Regulatory Expense	CAS-11-BRU	377	(108)	268
Insurance, Other than Group	CAS-11-BRU	11,427	(2,949)	8,478
Customer Accounting	CAS-11-BRU	6,750	(1,531)	5,219
Rents	CAS-11-BRU	2,014	70	2,084
General Office Expense	CAS-11-BRU	6,290	(2,194)	4,096
Miscellaneous	CAS-11-BRU	23,667	12,434	36,101
Maintenance - Other	CAS-11-BRU	19,195	19,742	38,937
Total Operations and Maintenance		<u>246,694</u>	<u>60,727</u>	<u>307,421</u>
Depreciation	CAS-11-BRU	46,619	21,169	67,788
Amortization	CAS-11-BRU	396	0	396
Total Depreciation and Amortization		<u>47,015</u>	<u>21,169</u>	<u>68,184</u>
Property Taxes	CAS-11-BRU	19,148	3,627	22,775
Payroll Taxes	CAS-11-BRU	6,867	2,168	9,034
PSC Fees	CAS-11-BRU	908	0	908
Other General Taxes	CAS-11-BRU	526	289	815
Total Taxes Other Than Income Taxes		<u>27,449</u>	<u>6,084</u>	<u>33,533</u>

**Missouri Public Service Commission
Company: Missouri-American Water Company
District: Brunswick**

Case No. WR-2007-XXXX
Schedule CAS-11-BRU
Page 1 of 4

Line No.	Description	Test Year Ended 30-Jun-06	Schedule CAS-15 p1 Labor Expense	Schedule CAS-15 p2 Group Ins Expense	Schedule CAS-15 p3 Pension Expense	Schedule CAS-15 p4 401K Expense	Schedule CAS-15 p5 Payroll Taxes Expense	Schedule CAS-15 p6 Fuel & Power Expense	Schedule CAS-15 p7 Chemical Expense	Schedule CAS-15 p8 Purch Water Expense
168	Labor	\$83,568	\$30,099							
169	Purchased Water	0								0
170	Fuel and Power	14,155						(4,475)		
171	Chemicals	10,257							(5,140)	
172	Waste Disposal	7,989								
173	Support Services	24,918								
174	Group Insurance	22,104		15,383						
175	Pensions	13,983			(1,780)					
176	Regulatory Expense	377								
177	Insurance Other Than Group	11,427								
178	Customer Accounting	6,750								
179	Rentals	2,014								
180	General Office Expense	6,290								
181	Miscellaneous	23,687				346				
182	Maintenance - Other	19,195								
183										
184	Total Operations and Maintenance	246,694	30,099	15,383	(1,780)	346	0	(4,475)	(5,140)	0
185										
186	Depreciation	46,619								
187	Amortization	396								
188										
189	Total Depreciation and Amortization	47,015	0	0	0	0	0	0	0	0
190										
191	Property Taxes	19,148								
192	Payroll taxes	6,867					2,168			
193	Gross Receipts Taxes	908								
194	Other General Taxes	526								
195										
196	Total Taxes other than income	27,449	0	0	0	0	2,168	0	0	0
197										
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