

**Pro Forma Capitalization as of May 31, 2002  
for Missouri-American Water Company**

Capital Component	Percentage of Capital	Capital Dollars	Pro Forma Adjustments	Pro Forma Capital Dollars	Pro Forma Percentage of Capital
Common Equity	46.69%	\$207,510,709	\$15,000,000	\$222,510,709	40.87%
Preferred Stock	0.61%	2,704,000	0	2,704,000	0.58%
Long-Term Debt(1)	52.70%	234,250,000	85,000,000	319,250,000	58.64%
Short-Term Debt	0.00%	0	0	0	0.00%
Total	<b>100.00%</b>	<b>\$444,464,709</b>	<b>\$100,000,000</b>	<b>\$544,464,709</b>	<b>100.00%</b>

**Financial Medians  
Adjusted Total Debt / Capital (%)**

		AA	A
Standard & Poor's Corporation's	Upper Quartile	46.33%	61.00%
Utilities Rating Service	Median	43.25%	55.90%
Financial Statistics, July 2000	Lower Quartile	40.18%	53.10%

NOTE: Standard & Poor's recently assigned a corporate credit rating of "A-" to American Water Capital Corporation and also placed it on CreditWatch with positive implications, reflecting the proposed acquisition of American Water Works by RWE AG, a higher-rated entity. [S&P's Rating Direct, June 26, 2002.]

**Notes:**

(1) Long-term debt includes current maturities of long-term debt.

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<b>RATIO ANALYSIS</b>	Ratios as of 5/31/02	Pro-Forma Ratios	S&P Guidelines "A" Rating (1)
Pre-Tax Interest Coverage:	4.45 x	3.36 x	2.89x (2)
After-Tax Coverage of Interest and Preferred Dividends:	2.61 x	2.07 x	N.A.
Funds Flow Interest Coverage:	8.26 x	6.32 x	3.02x
Funds from Operations to Total Debt:	36.98%	33.17%	13.10%
Adjusted Total Debt to Total Capital:	52.70%	58.64%	55.90% (4)

**Formulas:**

Pre-Tax Interest Coverage:	(Earnings before int. and taxes) / interest	
After-Tax Coverage of Interest and Preferred Dividends:	(Gross Income) / (Gross Interest + Preferred Dividends)	
Funds Flow Interest Coverage:	(Funds from Operations + Interest Charges Paid) / (Gross Interest Expense)	
Funds from Operations to Total Debt: (3)	(Funds from Operations) / (Total Debt Outstanding)	
Adjusted Total Debt to Total Capital (4)	Numerator	Notes payable + current maturities + current capitalized lease obligations + long-term debt + capitalized lease obligations + total off-balance sheet debt
	Denominator	Notes Payable + current maturities on long-term debt and preferred + current capitalized lease obligations + long-term debt + capitalized lease obligations + minority interest + total preferred and preferred stock + common equity + total off-balance sheet debt

**Notes:**

- (1) Standard & Poor's, Utilities Rating Service - Financial Statistics, July 7, 2000.
- (2) 2.89x is the median. Interest coverages ranged from the lower quartile of 2.43x to an upper quartile of 3.13x
- (3) Standard & Poor's Risk Adjusted Ratio Guideline formula uses an average total debt figure. For purposes of this analysis, however, a total debt figure is used to account for the incremental change in the capital structure.
- (4) Standard & Poor's Risk Adjusted Ratio Guideline formula includes off-balance sheet data. For purposes of this analysis, however, Staff's calculation of total debt to total capitalization does not include off-balance sheet data.