

Exhibit No.:	
Issues:	Rent, Transportation, PSC Assess, Franchise Tax, Depreciation, and Postage Expense.
Witness:	Peter J. Thakadiyil
Exhibit Type:	Direct
Sponsoring Party:	Missouri-American Water Company
Case No.:	WR-2007-XXXX, SR-2007-XXXX
Date:	December 15, 2006

**MISSOURI PUBLIC SERVICE COMMISSION**

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

**DIRECT TESTIMONY  
OF  
PETER J. THAKADIYIL  
ON BEHALF OF  
MISSOURI-AMERICAN WATER COMPANY**

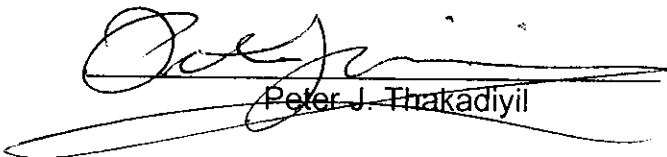
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

IN THE MATTER OF MISSOURI-AMERICAN )  
WATER COMPANY FOR AUTHORITY TO )  
FILE TARIFFS REFLECTING INCREASED )  
RATES FOR WATER AND SEWER )  
SERVICE )

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

**AFFIDAVIT OF PETER J. THAKADIYIL**

Peter J. Thakadiyil, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Direct Testimony of Peter J. Thakadiyil"; 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.

  
Peter J. Thakadiyil

State of Missouri  
County of St. Louis  
SUBSCRIBED and sworn to  
Before me this 9th day of December 2006.

  
Notary Public

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

My commission expires:

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

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**DIRECT TESTIMONY**

**PETER J. THAKADIYIL**

**WITNESS INTRODUCTION**

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

2   **A.**My name is Peter J. Thakadiyil, and my business address is 727 Craig Road,  
3       St. Louis, Missouri 63141.

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

5   **A.**I am employed by American Water Works Service Company ("Service  
6       Company") as a Financial Analyst in Rates & Regulation. The Service  
7       Company is a subsidiary of American Water Works Company, Inc.  
8       ("American") that provides shared services to American's water utility  
9       subsidiaries.

10  **Q.   WHAT IS YOUR EDUCATIONAL BACKGROUND?**

11  **A.**I graduated from the University of Missouri – Columbia, College of Business  
12       with a Bachelor of Science degree in Business Administration with a major in  
13       Finance in 2005.

14  **Q.   PLEASE ELABORATE UPON YOUR DUTIES AS A FINANCIAL ANALYST,**  
15       **RATES AND REGULATION.**

16  **A.**My responsibilities as a Financial Analyst, Rates & Regulation involve  
17       providing the following services to American's water utility subsidiaries in the  
18       Central Region, including Missouri-American Water Company, Inc. ("Missouri-  
19       American" or "Company"):

- 1) Preparing and presenting 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) Assisting with 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.

**Q. HAVE YOU PREVIOUSLY PARTICIPATED IN REGULATORY MATTERS?**

**A.** Yes. I have assisted with the preparation of a rate case before the Public Utility Commission of Ohio and a Distribution System Improvement Charge infrastructure filing before the Indiana Utility Regulatory Commission. In addition, I have participated in regulatory matters in Missouri and Illinois.

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

**A.** The purpose of my testimony is to support and explain the pro forma accounting adjustments to the operating statement, which affect lease, transportation, PSC Assessment, franchise tax, depreciation, and postage expenses.

1 **ACCOUNTING ADJUSTMENTS**

2 **Q. WHAT SCHEDULE WILL YOU BE DISCUSSING?**

3 **A.** I will be discussing certain aspects of Schedule CAS-15, which is  
4 sponsored by Company Witness Petry.  
5

6 **LEASE EXPENSE**

7 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES**  
8 **RELATED TO LEASES.**

9 **A.** The Company pays rental on railroad crossings, rights of way, and various  
10 office and plant equipment. The pro forma adjustment is to annualize lease  
11 expenses expected to be in effect by May 31, 2007. Office rentals increased  
12 by \$9,929. Equipment leases decreased \$83,549, primarily due to leases  
13 being bought out.

14 **TRANSPORTATION EXPENSE**

15 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES**  
16 **RELATED TO TRANSPORTATION.**

17 **A.** The Company has calculated its pro forma Transportation expense based on  
18 changes in leased vehicle levels expected to occur by May 31, 2007. For  
19 vehicles not yet ordered, costs were based on recently ordered vehicles of  
20 the same type. Corporate vehicles were allocated to each district.

1 **PSC ASSESSMENT EXPENSE**

2 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES**  
3 **RELATED TO PSC ASSESSMENT.**

4 **A.** The purpose of this adjustment is to annualize the PSC assessment. The pro  
5 forma amount is based on the latest known assessment rate applied to the  
6 pro forma present rate water revenues.

7 **FRANCHISE TAX EXPENSE**

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

10 **A.** The calculation is based on the product of the pro forma level of total assets  
11 and the current tax rate.

12 **DEPRECIATION EXPENSE**

13 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES**  
14 **RELATED TO DEPRECIATION.**

15 **A.** The calculation is based on a true-up of Utility Plant In Service (UPIS) through  
16 May 31, 2007. The depreciation rates for the Brunswick, Joplin, Mexico,  
17 Parkville, St. Charles, St. Joseph, Warrensburg, St. Louis, and Jefferson City  
18 districts are based on a study performed by Witness Spanos, a consultant  
19 with Gannett Fleming. An adjustment to these rates has been made by the  
20 Company and is described in the Direct Testimony of Edward Grubb.

1 Depreciation rates for Cedar Hill Sewer, Parkville Sewer, Warren County  
2 Water, and Warren County Sewer Districts were used from previous orders.

3 **POSTAGE EXPENSE**

4 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES**  
5 **RELATED TO POSTAGE EXPENSE.**

6 **A.** The Pro Forma adjustment for Postage Expense was calculated by applying  
7 2007 anticipated postal rates from the latest rate filing by the United States  
8 Postal Service to the number of test year mailings.

9 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

10 **A.** Yes.