Petitioner's Exhibit TLG

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DEC 0 5 2006

INDIANA UTILITY
REGULATORY COMMISSION

INDIANA AMERICAN WATER CO., INC.

I.U.R.C. CAUSE NO. 43187

TESTIMONY OF
TERRY L. GLORIOD

ON

SUMMARY OF RELIEF REQUESTED, REASONS FOR REQUEST, ORGANIZATIONAL STRUCTURE, AND AMERICAN WATER WORKS DIVESTITURE

Petitioner's Exhibit TLG

DIRECT TESTIMONY

OF

TERRY L. GLORIOD

CAUSE NO. 43187

WITNESS IDENTIFICATION AND BACKGROUND

Q. Please state your name and business address.

A. My name is Terry L. Gloriod, and my business address is American Water-Central Region, 727 Craig Road, St. Louis, Missouri 63141.

Q. Mr. Gloriod, what is your position with Indiana American Water Company?

A. I am President of Indiana-American Water Company ("Indiana American" or "IAWC").

Q. Please discuss your educational and business background.

A. I was named President of Indiana American on July 23, 2004, and serve as Regional President for the American Water Works Company, Inc. ("American Water") – Central Region. Prior to joining American Water, I was Vice President, Operations of the Continental Water Company and Chairman of the Board of Continental's subsidiary utilities in Missouri, Illinois, Indiana, and New York. I worked for Continental Water or its subsidiaries since June, 1969. I hold a Bachelor of Science degree from Washington University, St. Louis. I am a registered Professional Engineer in Missouri and a Diplomat in the American

Academy of Environmental Engineers, holding specialty certifications in water and wastewater. I am a past member of the Board of Trustees of the American Water Works Association Research Foundations, and former chair of its Research Advisory Council. I am past chair of the Regulatory Committee of American Water Works Association's Water Utility Council, and the Government Relations Committee of the National Association of Water Companies.

Q. What are your duties as President of Indiana American?

A. As President of Indiana American, I am responsible for maintaining IAWC's financial health; enhancing the operating reliability and efficiency of IAWC; and for assuring that all functions (e.g., planning, engineering, construction, production, distribution, customer service, accounting, and human resources) are carried out in compliance with all local, state and federal laws and regulations, and standards of good business practice. I am also ultimately responsible for assuring that Indiana American meets the needs of its customers.

Q. What is the purpose of your testimony?

A. I will provide an overview of the relief we are requesting as well as introducing the witnesses who will testify. I will describe the reasons why we are seeking rate relief at this time. I will provide a review of the organizational structure of the Company. Finally I will comment on the current status of the planned divestiture of Indiana American's parent company.

RELIEF REQUESTED AND SUMMARY OF WITNESSES

Q. What relief is Indiana American seeking in this Cause?

A. Indiana American is seeking a rate increase to produce additional revenues of $24.7 million per year, or 17.4%. In addition, we are seeking the approval of certain tariff changes that will permit us periodically to adjust our rates through tracker filings based upon cost fluctuations in purchased power expense.

Q. What witnesses will be testifying in Indiana American's case-in-chief and what subjects will they be addressing in their testimony?

A.

James M. Jenkins - will testify concerning historic returns on equity, the ratemaking treatment associated with the acquisition adjustment associated with Indiana Cities Water Corp., and Indiana American's capital structure.

Edward J. Grubb - will testify concerning the rate case summary (including the fair value increment), original cost rate base, support services, income taxes, and incentive pay.

Alan J. DeBoy - will testify concerning capital additions and the capacity of the Southern Indiana Operations and Treatment Center.

Gary M. VerDouw - will testify concerning revenue and expense adjustments and the proposed rate schedules.

Stacy R. Sagar -	will testify concerning operating facilities and planned maintenance activities.
Daniel F. Haddock -	will testify concerning reproduction cost new less depreciation.
Paul R. Moul -	will testify concerning cost of equity.
Kerry A. Heid -	will testify concerning our proposed purchased power tracker.
Joseph A. Van den Berg -	will testify concerning E-CIS and the Customer Satisfaction Center.

REASONS FOR RATE REQUEST

Q. When were Indiana American's rates last approved in a general rate case?

A. The Commission approved the Company's base rates by its Order issued in Cause No. 42520 on November 18, 2004, over two years ago. The Commission approved an increase of 0.4% over the rates in effect at that time.

Q. How had the rates that were in effect at the time of the increase in Cause No. 42520 been established?

A. The rates which were in effect at that time consisted of the base rates that had been approved in Cause No. 42029, together with our first distribution system improvement charge ("DSIC"). That intervening DSIC had authorized an increase of 0.6% over what had been approved in Cause No. 42029.

Q. Since base rates were approved in Cause No. 42520, have there been adjustments to Petitioner's rates?

A. Yes. A DSIC was approved and then adjusted one time since the November 2004 Order in our last general case such that the Company's rates today are 1.95% higher than those approved two years ago, and 6.29% higher than those approved the prior rate case, Cause No. 42029.

Q. Can you comment on the impact this recent rate history has had on the Company's returns?

A. Yes. First understand that by statute the DSIC is tied directly to actual increased costs associated with new rate base that produces no revenues. Therefore, the DSIC addresses new costs. It does not help mitigate inflationary pressures and it does not eliminate or address existing deficiencies in our returns. Excluding the DSICs, our rates today are at essentially the same level as those approved in the preceding rate case in Cause No. 42029, which were based upon a test year that ended in March, 2001. The net effect is that our returns on equity are considerably below what the capital markets require. Mr. Jenkins is setting forth in his testimony an analysis of our historic returns, which confirms the depressed earnings.

Q. Are the Company's costs of providing service at essentially the same level as those being incurred in 2000-2001?

1 A. No. Our costs had increased in Cause No. 42520 and, as will be described by
2 other witnesses, they have increased again in this case.
3
4 **Q. Are there other factors besides cost increases which are causing the low**
5 **returns on equity?**
6 A. Yes. First, as Mr. DeBoy is testifying, we have made substantial investments in
7 rate base that have not yet been reflected in rates because they were not eligible
8 for inclusion in the intervening DSICs. Second, as Mr. VerDouw is testifying, our
9 revenues are down such that our adjusted test year revenues are below the pro
10 forma operating revenues at approved rates found by the Commission in Cause
11 No. 42520. Third, we have had many costs that were disallowed in our last case
12 that we believe should be recovered through rates. These are costs that we
13 have actually incurred, but for one reason or another were not authorized to be
14 recovered through rates. When these factors are combined -- higher costs,
15 reduced revenues, and additional capital investment -- low returns on equity are
16 the result.
17
18 **Q. What is the Company's objective in filing this case?**
19 A. As Mr. DeBoy is testifying, we have significant capital additions, planned over the
20 next 5 years. We are anticipating that during the period we must invest an
21 amount equivalent to almost 60% of our net original cost rate base. We cannot
22 attract the capital for these significant improvements with our current returns on

equity. It is essential that we improve our actual returns to meet the expectations of capital markets.

Q. What specifically are some of the components of the Company's request for increased rates at this time?

A. There are essentially four:

1. The Company has added over $66.9 million to its net utility plant with a $29.1 million increase to net original cost rate base since the cutoff date used in the last rate order. Some of this has been reflected in DSICs that were approved in Cause No. 42351, but a significant portion still has not been reflected in rates. Approximately $1.7 million of the increased revenue requirement is attributable to the change in our total rate base.

2. At the time rates were approved in our last rate case, the Commission found our cost of common equity to be 9.25%. Since that time, interest rates have steadily climbed. Those increases in interest rates have caused upward pressure on our cost of common equity. As a result, we are proposing in this case a cost of common equity of 11.5%. The increase in the cost of common equity produces an additional revenue requirement over and above what was approved in the last rate case of $7.9 million.

3. Higher operating costs and lower operating revenues. Our adjusted general operation and maintenance expenses are approximately $11.5 million higher during the test year than the operation and maintenance expenses recognized in Cause No. 42520. At the same time, our adjusted test year revenues (excluding DSIC) were more than $.7 million below the revenues that our rates in Cause No. 42520 were calculated to produce.

4. In the last rate case, substantial amounts of investment and expense were disallowed even though these were investments actually made by the Company. With respect to the investment in E-CIS and the Southern Indiana Operation Treatment Center, the Commission indicated a desire to see further information upon which it could complete its analysis. In this case, the Company will present that further information. The revenue requirement associated with E-CIS and the Southern Indiana Operation Treatment Center causes an increase of approximately $1.8 million over and above what was approved in the last rate case.

Taken together, these four components constitute 88% of our total rate increase request.

Q. Is the Company proposing any ratemaking treatment for the premium to acquire and merge with Northwest Indiana Water Company?

A. No. Even though we continue to believe that at least some portion of our past requests for favorable ratemaking treatment should have been approved, our request was denied in both Cause No. 42520 and Cause No. 42029. We are not seeking to renew that debate in this case. I should note that due to the pooling of interest method of accounting used to record that transaction, the premium paid to acquire and merge with Northwest is not included in the analysis of our returns on book common equity that Mr. Jenkins is presenting.

ORGANIZATIONAL STRUCTURE

Q. Please describe the organizational structure of the Company.

A. Indiana American's service area is not like that of other Indiana water utilities. There are no other water utilities in the state, public or private, that have as broad or as geographically diverse service area. In order to provide a consistent level of high quality service and to do so most efficiently, all of the utility operations are managed by our network operations staff who are able to proactively provide service to customers at the local level and who coordinate routine business plan initiatives as well as special problem resolution with technical corporate staff for support, guidance and direction.

Q. What is the technical corporate staff?

A. The technical corporate staff includes those employees who have company-wide and, in some cases, multiple state responsibilities or responsibilities that relate to multiple local operations. The technical corporate staff provides technical support, guidance and direction to the local operations in the areas of Engineering, Communication, Water Quality, Human Resources, Legal Issues, Production and Loss Control.

Engineering and Communication staff are located in the Greenwood office and travel throughout the state as needed. The Water Quality Manager is located in the Greenwood office and coordinates multi-state and district operations. Additional Water Quality personnel are located in regional operation sites such as the Northwest Indiana Operations, Muncie and Richmond in the Eastern Indiana Operations, Terre Haute in the Central Indiana Operations and Jeffersonville/New Albany in the Southern Indiana Operations. The Water Quality personnel respond to regional operational issues as they arise.

The Production Manager is located in Northwest Indiana Operations office and constantly travels throughout the state as needed and coordinates multi-state and district operations.

The Loss Control Manager for Indiana is located in the Greenwood office and travels throughout the state as needed.

1

2 **Q. Describe the reporting relationships from Indiana to you.**

3 A. The local network managers from the various operating districts report to one of
4 four Network Operations Managers in Kokomo, Gary, New Albany, and Terre
5 Haute, who in turn report to the State General Manager of Network who is
6 located in the Greenwood Office. The State General Manager reports to a
7 Regional Director of Network in the Corporate Office in St. Louis. The Regional
8 Manager reports to the Vice President of Operations who in turn reports to me.
9 This is the same as the traditional reporting relationships in 2003 when Indiana
10 American was a part of the East Central Region. Similarly, the other functions
11 such as Production, Maintenance, Environmental, Loss Control and Engineering
12 report to a Regional Director who reports to the Vice President of Operations who
13 reports to me.

14

15 **Q. What are the areas of responsibility for each of these Network Operations**
16 **Managers?**

17 A. The four regional Network Operation Managers are responsible for the oversight
18 of the day to day management and operation of the Company's network water
19 and wastewater operations in Indiana. Reporting to each of the Network
20 Operations Managers are the local operations managers for each of the local
21 operations in the respective regions.

22

The Network Operation Manager in the Northwest Indiana Operations is located in Gary, and is responsible for distribution of water and quality of service to the communities of Gary, Hobart, Merrillville, Burns Harbor, Porter, Dunes Acres, Portage, Ogden Dunes, Chesterton, Winfield, Crown Point and Schererville.

The Network Operation Manager in the Eastern Indiana Operations is located in Kokomo, and is responsible for the distribution of water and quality of service to the communities of Kokomo, Muncie, Richmond, Winchester, Wabash, Somerset, Summitville, Warsaw and West Lafayette.

The Network Operation Manager in the Central Indiana Operations is located in Terre Haute, and is responsible for the distribution of water and the quality of service to the communities of Noblesville, Crawfordsville, Shelbyville, Greenwood, Franklin, Mooresville, Terre Haute, Farmersburg and Sullivan.

The Network Operation Manager in the Southern Indiana Operations is located in New Albany, and is responsible for distribution of water the quality of service to the communities of Jeffersonville, New Albany, Seymour and Newburgh.

In addition to the State General Manager of Network, a Business Process Supervisor is located in Greenwood, Indiana and is responsible for the development, review and management of capital and operating budgets and control of expenditures. The State General Manager is also the point of contract

for the Indiana Utility Regulatory Commission ("IURC") for routine matters and is responsible for the investigation and resolution of customer complaints

Q. Is there currently an Officer level employee in the State of Indiana?

A. We have added a position of President of Indiana American in 2006 which is an officer level position and is located in the Greenwood Office. As soon as the position is filled, expected in late 2006, I will resign my position as President of Indiana American. The reporting relationships described above will be enhanced by the addition of a resident president who will report to me and who will coordinate activities with the various regional directors. This resident president will also serve as a senior officer contact for the IURC as well as other state government agencies. I will also continue to be available to the IURC as a senior management employee of American Water, Indiana American's parent Company.

American Water Works Divestiture

Q. What is the corporate history of Indiana American?

A. Prior to 1983, American Water Works owned the common stock of five water utility subsidiaries operating in Indiana, which provided service in and around Kokomo, Muncie, Richmond, Seymour, Sullivan and Terre Haute. On May 1, 1983, four of these corporations were merged into the remaining corporation, Kokomo Water Works Company, which simultaneously changed its corporate name to Indiana-American Water Company, Inc.

On August 31, 1993, Indiana American acquired the common stock of ICWC Holdings Inc. which owned all of the common stock of Indiana Cities. The acquisition was made pursuant to Commission approvals granted by its Order in Cause No. 39669 dated July 7, 1993. ICWC Holdings, Inc. was subsequently dissolved, making Indiana Cities a direct subsidiary of Indiana American. Pursuant to the Commission's order in Cause No. 39669, Indiana American and Indiana Cities merged on January 1, 1995.

In 1996, Indiana American acquired the sewer utility system of Farmington Utilities, Inc. pursuant to approvals granted in the Commission's Order dated October 2, 1996 in Cause No. 40442. Upon that acquisition, Indiana American commenced providing sewer utility service in an area in Delaware County near Muncie. The acquisition of the water utility serving the Town of Farmersburg occurred in 1998 in accordance with the Commission's Order in Cause No. 41290. This operation was combined into our Wabash Valley Operation. Effective January 1, 2000, the former Northwest Indiana Water Company, which had recently acquired Peoples Water Company, Inc. and the water utility properties of Shorewood Forest Utilities, Inc. ("Shorewood"), merged into Indiana American. On February 1, 2000, Indiana American also acquired and merged with United Water Indiana Inc. and United Water West Lafayette Inc. (collectively "United"). In addition, Indiana American acquired the part of the water system of Watson Rural Water Corporation serving the Cementville area, the water system owned by Prairieton Water Company, and the Freeman Field water system in

Seymour. For a map of Indiana American's current operations please refer to Petitioner's Exhibit SRS-1 sponsored by Mr. Sagar.

Q. What is Indiana American's relationship to American Water and, in turn, RWE AG ("RWE")?

A. Indiana American is a wholly-owned subsidiary of American Water. American Water is a wholly owned subsidiary of Thames Water Aqua Holdings GmbH ("Thames Holdings"). Thames Holdings is a wholly owned subsidiary of RWE.

Q. Is the relationship with RWE expected to change?

A. Yes. In November, 2005, RWE announced plans to divest American Water. In March, 2006, RWE announced that the divestiture would be accomplished through an initial public offering ("IPO") in the United States for the shares of American Water. The IPO will result in American Water again being a publicly traded company.

Q. What is the status of the IPO?

A. The sale of shares of American Water in an IPO requires approval by the public utility commission in certain states as well as the filing of a registration statement with the U.S. Securities and Exchange Commission. American Water has filed petitions in thirteen states for approval of RWE's divestiture or change of ownership of American Water and its subsidiaries. Four states have approved the transaction. The remaining petitions are continuing through the various state

1 proceedings. While American Water cannot predict when these proceedings will
2 be completed, this process is anticipated to be completed in 2007. Thereafter,
3 American Water will proceed with the IPO process.
4
5 At this time, American Water is restricted in what it may disclose about the actual
6 terms of the IPO and other details of this process. U.S. securities laws and
7 regulations impose strict restriction on American Water, its local operating
8 subsidiaries and employees as to what may and may not be said about the
9 Company and the IPO process. However, all of this information will eventually
10 be publicized at the time of the IPO.
11
12 **Q. What impact will the IPO have on Indiana American and this rate case?**
13 A. None. Indiana American will continue to exist as a separate corporate entity.
14 The shareholders of American Water will change, but I do not foresee that
15 change producing any effect on our cost or management structure or the manner
16 in which we do our business. We have a long history of successful operation of
17 Indiana American as a subsidiary of a publicly traded American Water parent.
18
19 **Q. Does this conclude your direct testimony?**
20 A. Yes at this time.
21

Petitioner's Exhibit JMJ

INDIANA-AMERICAN WATER COMPANY, INC.

IURC CAUSE NO. 43187

DIRECT TESTIMONY

OF

JAMES M. JENKINS

ON

ANALYSIS OF HISTORIC RETURNS, RATEMAKING TREATMENT OF INDIANA CITIES ACQUISITION ADJUSTMENT, AND CAPITAL STRUCTURE

SPONSORING

PETITIONER'S EXHIBIT JMJ-1

Petitioner's Exhibit JMJ

DIRECT TESTIMONY
OF
JAMES M. JENKINS
CAUSE NO. 43187

BACKGROUND

Q. Please state your name.

A. James M. Jenkins.

Q. What position do you hold in relation to Indiana-American Water Company ("Indiana American" or the "Company")?

A. I am Vice President and Chief Financial Officer for Indiana American. I am also Vice President, Finance for American Water's Central Region. The subsidiaries within the Central Region include utilities in Indiana, Illinois, Iowa, Missouri, and Ohio. My primary focus is to direct the company's finance, accounting, budgeting and rate administration functions within the Central Region.

Q. What is your educational and professional background?

A. I graduated from the University of Illinois, at Urbana/Champaign in 1983 with a Bachelor of Science Degree in Accounting and in 1992 received a M.B.A. Degree, with highest honors, from the University of Illinois, at Springfield. I have been a Certified Public Accountant since 1985, and currently hold a license to practice in the States of Illinois and Missouri.

1 Between 1983 and 1984, I was employed by McGladrey and Pullen as a staff
2 accountant participating in financial audits and completing tax returns for firm
3 clients.

4 Between 1984 and 1993, I was employed by the Illinois Commerce
5 Commission and worked on a wide range of regulatory issues in the electric,
6 gas, telephone and water industries. I joined the Illinois Commerce
7 Commission's Accounting Department as a staff accountant in November
8 1984. In April 1987, I was promoted to the position of Auditing Section Chief
9 responsible for directing the Auditing Staff's review of rate case filings, fuel
10 reconciliation clauses and miscellaneous regulatory accounting issues. In
11 November 1989, I was promoted to Director of Accounting responsible for all
12 administrative, policy and supervisory functions within the Accounting
13 Department. I held the position of Director of Accounting until joining St.
14 Louis County Water Company in June 1993.

15 I began my career with St. Louis County Water Company in June, 1993 as
16 an Assistant Manager in the Corporate Accounting Department. In
17 December 1994, I was promoted to Manager of Rates within the Rates and
18 Operations Analysis Department. At St. Louis County Water Company, I
19 was responsible for the numerous accounting and financial areas contained
20 within Company rate case filings performing both technical and supervisory
21 functions.

1 I was elected to Vice President and Treasurer for both Missouri-American
2 Water Company and St. Louis County Water Company in June 1999. I was
3 elected Vice President and Treasurer for Jefferson City Water Works
4 Company, Inc. in May 2000. In these positions, I was responsible for
5 directing the finance, treasury, business development and rate administration
6 functions of all three companies. In 2004, after RWE acquired American
7 Water, I was elected to my current position.

8 I am a member of the American Institute of Certified Public Accounts and
9 past member of the NARUC Staff Subcommittee on Accounts. I have also
10 served as the Vice Chairperson of the Rates and Revenue Committee of the
11 National Association of Water Companies.

12 **Q. What is the purpose of your testimony?**

13 A. I will provide analysis of the Company's historic returns as compared to the
14 return on equity found by the Commission. I will describe the Company's
15 proposed ratemaking treatment of the acquisition adjustment associated with
16 Indiana Cities Water Corp. ("Indiana Cities"). Finally, I will present the
17 Company's capital structure.

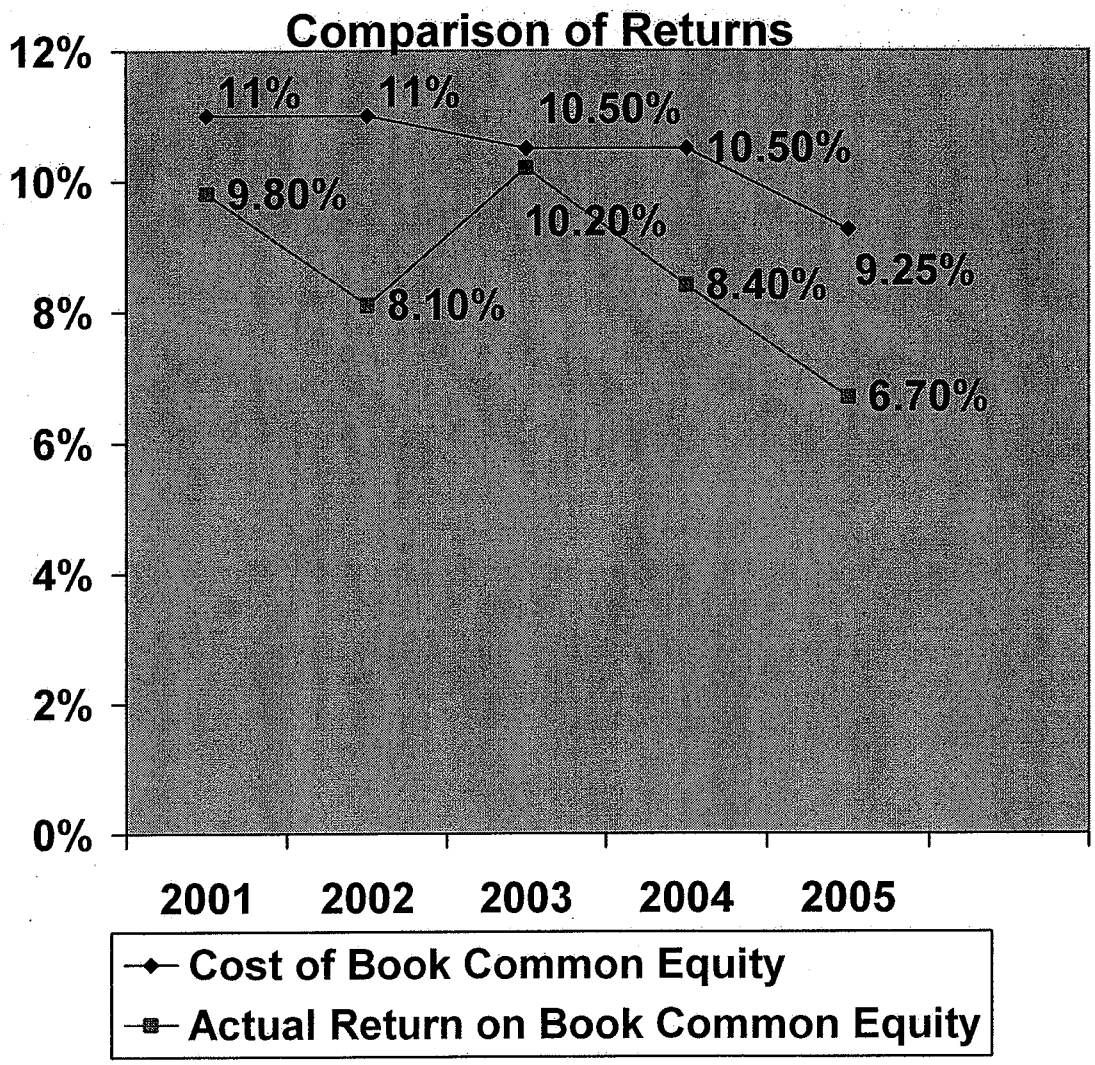
18 **HISTORIC RETURNS**

19 **Q. Have you reviewed the direct testimony of Mr. Gloriod?**

20 A. Yes.

1 **Q. Mr. Gloriod explains the main reasons behind the Company's request**
2 **for rate relief. Have you performed an analysis which would bear on**
3 **those reasons?**
4 A. Yes. I have evaluated the Company's historic returns on equity in recent
5 years. That analysis shows that the Company's earnings have been
6 depressed and that we are earning unacceptably low returns on equity.

7 **Q. How have earnings been depressed?**
8 A. Mr. Moul presents our historical returns, as shown on Petitioner's Exhibit
9 PRM-2, Schedule 2, Page 4 of 30. He has shown our Rate of Return on
10 Book Common Equity, which has been in a steady decline since 2003. His
11 numbers are derived from our audited financial statements. I have
12 compared these actual returns to our cost of common equity as found by the
13 Commission in the most recent previous rate order making such a finding at
14 the time. This is depicted in the graph that follows:



Q. What do these results show?

A. I would note in only one year have we even come close to earning a return approaching our cost of common equity as determined by the Commission. In 2005, we were more than 250 basis points below the Commission finding and almost 500 basis points below our current cost of book common equity recommended by Mr. Moul in this case. Our returns on book common equity

are below our cost of long-term debt. I would expect 2006 results to be consistent with this picture.

Q. What does this analysis demonstrate?

A. These are sobering results that are not acceptable in capital markets. Obviously, adequate financial returns will be needed to attract bondholders and investors to invest in the Company. We have filed this case to stop and reverse this downward trend.

Q. Does the Company have significant capital needs?

A. Yes. Mr. DeBoy is setting forth our five-year capital improvement plan. We are planning to invest over $373 million in utility plant through 2011. Over $300 million of that amount will be built with investor-supplied capital that we must attract in the marketplace.

Q. How do you explain these earnings results?

A. We have increased operating costs and the increasing need of infrastructure replacement in the last few rate cases Net capital investments have averaged $32 million per year since 2002, and are expected to double over the next 5 years. In addition, there have been millions of dollars of disallowances of costs that we believe to have been prudent and in the best interests of our customers. The excluded costs include the acquisition adjustments associated with Northwest Indiana Water Company, United

Water Indiana, Inc., and United Water West Lafayette, Inc.; ORCOM System, Inc.'s Enhanced Customer Information System (E-CIS); the Shared Services Center; the Customer Satisfaction Center; pension expense; and the Southern Indiana Operation and Treatment Center (SIOTC). These costs did not disappear; they are just not being recovered. The disallowances have taken their toll. The result of all of these is that our return on equity is at an unacceptably low level, which is not fair to our investors.

Q. What impact should this analysis have on this case?

A. Especially with the improvements identified by our comprehensive planning, it is imperative that the Commission bear in mind the impact of rising costs and increasing capital needs on the earnings ability of our Company. Without a significant change in our financial performance, it is simply not fair to ask investors to accept these types of returns. With the investments the Company needs to make, it must start earning better and appropriate returns.

Q. How do the Company's actual returns compare to the authorized fair returns on fair value?

A. The shortfall is even worse when our actual returns are compared to our authorized returns on fair value. As I will explain when I discuss the Indiana Cities acquisition adjustment, the Commission's authorized fair return on fair value throughout this period has included a "fair value increment" over an

original cost return to provide a return on the remaining unamortized balance of the acquisition adjustment. We are significantly below the return on book equity; we are even further behind our authorized return.

Indiana Cities Acquisition Adjustment

Q. Please describe the investment made by Indiana American to acquire Indiana Cities and the resulting acquisition adjustment.

A. On August 31, 1993, Indiana American acquired the common stock of ICWC Holdings Inc. which owned all of the common stock of Indiana Cities. ICWC Holdings was subsequently dissolved, making Indiana Cities a direct subsidiary of Indiana American. The purchase price paid for the common stock was $37,344,610. After adjustment upward for acquisition related costs and downward for certain investment tax credit benefits, Indiana American's total investment to acquire Indiana Cities was $37,072,008. The book value of Indiana Cities' common equity at the acquisition date was $19,659,999. The difference between the investment to acquire Indiana Cities and the book value of Indiana Cities was $17,412,009. Upon the merger, the original cost and accumulated depreciation of the utility properties reflected on the books of Indiana Cities were transferred to the books of Indiana American. The amount of our investment to acquire Indiana Cities over the book value of Indiana Cities was recorded on the

1 books of Indiana American as an "acquisition adjustment" (the "Indiana
2 Cities AA").

3 **Q. Has the Commission previously dealt with the ratemaking treatment to**
4 **be afforded Indiana American's investment to acquire Indiana Cities**
5 **and the capital costs relating thereto?**
6 A. Yes. The Commission dealt with these issues in its Order in Cause
7 No. 40103 dated May 30, 1996 (the "1996 Rate Order"), its Order in Cause
8 No. 40703 dated December 11, 1997 (the "1997 Rate Order"), its Order in
9 Cause No. 42029 dated November 6, 2002 (the "2002 Rate Order") and its
10 Order in Cause No. 42520 dated November 18, 2004 (the "2004 Rate
11 Order").

12 **Q. What finding was made by the Commission in the 1996 Rate Order**
13 **regarding whether the acquisition resulted from arm's length**
14 **bargaining?**
15 A. The Commission found: "We are satisfied that the purchase was made at
16 arm's length." (Page 13.)

17 **Q. What finding did the Commission make regarding the purchase price?**
18 A. The Commission found: "Based upon the evidence presented we find that
19 the purchase price was reasonable and appropriate to include in Petitioner's
20 fair value ratebase." (Page 15.)

Q. What ratemaking treatment for the investment to acquire Indiana Cities did the Commission adopt in the 1996 Rate Order?

A. The Commission did not accept the Company's proposal to include the 1993 acquisition adjustment in the original cost rate base and include the annual amortization as a recoverable expense for ratemaking purposes. Instead, the Commission found that the full amount of the acquisition adjustment should be included in Indiana American's fair value rate base and that none of the annual amortization should be treated as a recoverable expense.

Q. What reason did the Commission give for including the acquisition adjustment in the fair value rate base?

A. The Commission stated:

> There must be a point at which the fact that Indiana is a fair value jurisdiction is incorporated into the ratemaking formula for acquisition-related requests in public utility ratemaking. Fair value jurisdictions do recognize the difference between market and book prices of utility systems. Thus, the ultimate test of a utility's worth would occur when it is traded on the open market as a result of arm's length negotiations, where other evidence shows that the resulting fair market value of the system should be considered *prima facie* fair value, and thus, included in fair value rate base.

(Page 10) The Commission further stated:

> Based upon the evidence presented we find that the purchase price was reasonable and appropriate to include in Petitioner's fair value ratebase. However, we find it inappropriate to consider any above-the-line expense in Petitioner's income statement for ratemaking purposes. The only reason to do so would be to offset the rate result which would otherwise be

> indicated in an original cost jurisdiction to avoid confiscatory results if the involved transaction were reasonable. Here, we have given Petitioner authority to recognize 100% of its investment in rates through its fair value rate base. Thus, there is no confiscation concern to address through other means.

(Page 15, emphasis added.) Also, on page 49, the Order provides:

> [T]he Commission has found that Petitioner can and should be compensated for its investment in the Indiana Cities properties through informed fair value ratemaking by fully recognizing their fair value in its fair value rate base determination.

Q. What explanation did the Commission give for not approving recovery of the annual amortization?

A. The Commission stated:

> Having made these observations it is appropriate to reconsider when above-the-line expensing is appropriate for the difference between market and book prices of utility acquisitions. We generally know that an investor holds an investment instrument over a period of time and receives compensation in the form of interest or dividends while holding the investment instrument. It also is often the case that the investor anticipates growth in the principal value of the investment instrument if the instrument is in the form of common stock. It is not the case, however, that the investor anticipates a return of the price paid for the instrument over the life of the holding period.
> When the fair value of an acquisition is included in fair value rate base for purposes of establishing rates, it would seem inappropriate to reward an acquiring utility with an above-the-line adjustment of the difference between book and market price while it holds the investment. Instead, the redistribution of capital growth should occur when the investment is traded. Any above-the-line adjustment, for acquisition recognition purposes, must reflect the unusual event described by "traditional" policy and inure to the ultimate benefit of the utility

systems' customers.

(Page 10).

Q. How did the fair value earnings requirement determined in the 1996 Rate Order compare to the result of applying the Commission-determined cost of capital to the Company's original cost rate base without the acquisition adjustment?

A. The Commission found the fair value rate base as of December 31, 1994 to be $261,571,000. The Commission applied a fair rate of return of 6.5% to this fair value amount to determine an authorized net operating income ("NOI") of $17,002,115. The Commission approved rates designed to produce this NOI level. The Commission also found the original cost rate base without the acquisition adjustment to be $186,279,406 and the cost of capital to be 8.53%. This would result in an original cost return of $15,889,633. Therefore, the increment over the original cost return authorized by the Commission was $1,112,482, computed as follows:

Fair Value Return	$17,002,115
Original Cost Return	15,889,633
Fair Value Increment	$ 1,112,482

The rates approved by the Commission also provided revenues to cover the income taxes relating to the total fair value return.

Q. How did the Commission treat the tax benefit of the deductibility of the interest on the debt used to finance the acquisition adjustment?

A. The Commission used the interest synchronization method to determine the interest expense deduction for income tax purposes. Under this method, the interest expense deduction is computed by multiplying the original cost rate base (from which the acquisition adjustment was excluded) and the Company's weighted cost of debt. The effect of this methodology essentially is to allocate to the shareholder the benefit of the tax deduction for the interest on the debt used to finance the acquisition adjustment (the amount of the purchase price in excess of book value).

Q. In the 1997 Rate Order, did the Commission confirm the fair value approach used in the 1996 Rate Order?

A. Yes. The Commission summarized the findings it made in the 1996 Rate Order and stated:

> In summary, in the 1996 Rate Order, we did not include the acquisition adjustment in Indiana American's original cost rate base but we did find that 100% of the investment should be recognized in its fair value rate base. Rates were established using the fair value rate base. The authorized net operating income level included a fair value increment of $1,112,482 above the amount which would have been derived by multiplying the cost of capital times the original cost rate base (excluding the 1993 acquisition adjustment). (Petitioner's Ex. JEE, p. 35.) We further found the acquisition adjustment should not be amortized as an above-the-line expense.

(Page 6.) The Commission confirmed its position that Indiana American should be compensated for its investment in Indiana Cities through fair value ratemaking. The Commission stated:

> In that case, Indiana American submitted extensive evidence regarding the cost savings from the combination of Indiana American and Indiana Cities, showing that the savings were greatly in excess of the cost of the capital invested in order to make those savings possible. Under informed fair value ratemaking, Indiana American will be compensated for that investment by recognition of the full amount of the purchase price in the fair value rate base. Indiana American continues to incur the capital costs associated with the debt and equity funds used to acquire Indiana Cities. We must also continue to grant a fair value return increment which provides that compensation, an issue we shall discuss in more detail later.

(Page 30.) The Commission also found:

> Since the acquisition would produce benefits in cost savings in excess of the purchase price, modern finance theory prescribes that Indiana American should have bought the Company at the purchase price it paid ($37 million). And in a competitive market the cost savings derived by combining the two companies would enhance the purchaser's operating income and thereby cover the capital costs associated with the purchase (interest on debt and earnings for the common stockholder). Recognition of the investment is required by the Indiana fair value statute (Ind. Code § 8-1-2-6(a)) which instructs:
>
> > As one (1) of the elements in such valuation the Commission shall give weight to the reasonable cost of bringing the property to its then state of efficiency.
>
> In the 1996 Rate Order, we found that Petitioner should be allowed a return on the full amount of the acquisition adjustment through the fair value rate base. We stated:

> Here, we have given Petitioner authority to recognize 100% of its investment in rates through its fair value rate base.

(1996 Rate Order, p. 15.)

> We held that Petitioner would be allowed for ratemaking purposes a return on the acquisition adjustment but not a return of the acquisition adjustment.

(Pages 39-40.)

Q. Did the Commission continue this treatment in the 1997 Rate Order?

A. Yes. The Commission stated:

> In conclusion, the Commission finds that the 1993 acquisition adjustment should be included in the fair value rate base as it was in the 1996 Rate Order, and that one rate of return should apply to the entire fair value rate base.

(Pages 40-41). The Commission also stated:

> Finally, the Commission has found that Petitioner can and should be compensated for its investment in the Indiana Cities' properties through informed fair value ratemaking by fully recognizing their fair value in its fair value rate base determination.

(Page 46.)

Q. What fair value and fair rate of return determination was made in the 1997 Rate Order?

A. The Commission found a fair value rate base of $311,804,823 and a fair rate of return on fair value of 6.50%. This resulted in authorized NOI of $20,267,313.

Q. What increment over an original cost return was authorized in the 1997 Rate Order?

A. The original cost rate base determined in the Order (which excluded the Indiana Cities AA) was $221,628,031 and the cost of capital determination was 8.54%. This would result in an original cost return of $18,927,034. Therefore, the fair value increment was $1,340,279 determined as follows:

Fair Value Return	$20,267,313
Original Cost Return	18,927,034
Fair Value Increment	$1,340,279

Q. Was this fair value increment sufficient to provide Indiana American with a recovery of all of the capital costs associated with the acquisition adjustment investment?

A. Not completely. At the cost of capital rate of 8.54% determined in the 1997 Rate Order, the fair value increment was about 90% of the annual capital cost relating to the $17.4 million acquisition adjustment investment. Also, the Commission again denied recovery of the annual amortization expense relating to the acquisition adjustment. Therefore, the Company was allowed almost a full return *on* the investment but no return *of* the investment.

Q. Did the Commission use the same interest synchronization method in the 1997 Rate Order that it used in the 1996 Rate Order?

A. Yes. The Commission stated:

> We find that Petitioner's interest synchronization method is consistent with the 1996 Rate Order and should be approved. We have not allowed Petitioner to amortize the acquisition adjustment as an above-the-line expense. Moreover, the 1993 acquisition adjustment is included in the fair value rate base but not the original cost rate base to which interest synchronization applies. Therefore, the acquisition adjustment should not be included in the interest synchronization calculation.

(Page 64.) This methodology served to offset some of the effect of disallowing any recovery of the annual amortization expense.

Q. How did the Commission treat the Indiana Cities acquisition adjustment in the 2002 Rate Order?

A. In the 2002 Rate Order, the Commission found a fair value rate base of $562,680,669 for step one of the proposed increase and a fair rate of return of 5.93%. This resulted in authorized NOI of $33,368,321. This was an increment of $1,282,693 over the original cost return resulting from the Commission's original cost rate base ($403,085,800) and cost of capital (7.96%) findings as follows:

Fair Value Return	$33,368,323
Original Cost Return	32,085,630
Fair Value Increment	$ 1,282,693

Again, the Commission used the interest synchronization methodology followed in the 1996 Rate Order and 1997 Rate Order.

1 **Q. How did the Commission treat the Indiana Cities acquisition adjustment**
2 **in the 2004 Rate Order?**
3 A. The Commission again confirmed that a return should be allowed on the
4 remaining unamortized balance of the Indiana Cities AA through fair value
5 ratemaking, that interest synchronization should not be applied to the
6 acquisition adjustment, and that Indiana American should not recover the
7 annual amortization.

8 **Q. What is the significance of the Commission's findings in Cause Nos.**
9 **40103, 40703, 42029 and 42520 for the present case?**
10 A. The Commission has previously ordered a treatment for the Indiana Cities
11 acquisition adjustment that (a) provides Indiana American with compensation
12 for its investment to acquire Indiana Cities through a fair value increment
13 over an original cost return, (b) excludes the annual amortization of the
14 Indiana Cities AA from the Company's recoverable expenses, and (c)
15 excludes the Indiana Cities AA from the interest synchronization calculation
16 used to determine income tax expense. The benefits of the acquisition
17 remain as true today as when the 1996 Rate Order, 1997 Rate Order, 2002
18 Rate Order and 2004 Rate Order were issued.

19 **Q. How has Indiana American reflected the ratemaking treatment with**
20 **respect to Indiana Cities in this case?**

1 A. In this case, Indiana American has reflected a revenue requirement
2 associated with the Indiana Cities acquisition which is consistent with the
3 treatment ordered by the Commission in Cause Nos. 40103, 40703, 42029,
4 and 42520.

5 **Q. What is the amount of the fair value increment?**

6 A. This has been calculated by Mr. Grubb, and it is $982,239.

7

8

9 **Capital Structure and Cost of Capital**

10 **Q. What capital structure is the Company proposing to utilize to determine**
11 **the cost of capital for ratemaking purposes?**

12 A. Petitioner's Exhibit JMJ-1, Schedule 1, consists of four pages which
13 demonstrate Indiana American's projected pro forma capitalization for
14 ratemaking purposes as of December 31, 2006, which corresponds to the
15 general rate base valuation date used in the original cost rate base
16 calculation sponsored by Mr. Grubb. As shown on Page 1, the total
17 capitalization of Indiana American projected for December 31, 2006, as
18 adjusted, is $520,688,325 and the overall weighted cost of capital is 7.88%.

19 **Q. Does the Company maintain capital structure information on an**
20 **individual district operation basis?**

1 A. The Company does not maintain debt, equity, or deferred income taxes on
2 an individual district operation basis.

3 **Q. How did you arrive at this structure?**

4 A. The beginning point was the actual capital structure that existed at June 30,
5 2006. The capital structure was then adjusted to reflect changes expected to
6 occur as of December 31, 2006 to match the rate base cutoff date.

7 **Q. Please explain the adjustments the Company made to the Common**
8 **Equity balance.**

9 A. The Company began with its common equity balance in place as of June 30,
10 2006 and made adjustments to reflect the projected increase in retained
11 earnings and the projected payment of dividends between June 30, 2006
12 and December 31, 2006. This adjustment is necessary in order to ensure
13 the common equity balance is consistent with going-level operations.

14 **Q. What is the basis of the 11.50% rate assigned to the Company's**
15 **Common Equity component?**

16 A. The common equity cost component has been developed based upon a
17 recommendation by Mr. Paul Moul, the Company's consultant in this area,
18 who has concluded that the Company's cost of common equity is between
19 11.25% and 11.75%.

Q. Please comment on the description "Accumulated depreciation on contributed utility plant for Muncie Sewer" as it appears on page 1 of Schedule 1?

A. The basis for and determination of the accumulated depreciation on contributed plant for Muncie Sewer represents a reclassification from the rate base to the capital structure as authorized by the Commission in the Order in Cause No. 40442 which approved the Farmington Utilities, Inc. acquisition.

Q. Please continue with your discussion of Pages 2 through 4 of Schedule 1 of <u>Petitioner's Exhibit JMJ-1</u>.

A. Page 2 of Schedule 1 contains the calculation of the weighted cost rate for long-term debt as utilized in the determination of the interest synchronization deduction as described in Mr. Grubb's testimony under the section titled "State and Federal Income Taxes".

The second item presented on Page 2 is the calculation of the cost rate of Job Development Investment Tax Credits ("JDITC") utilized in the determination of the cost of capital on Page 1. The calculation utilizes the items in the capitalization which are considered investor-supplied capital, namely long-term debt, preferred stock, and common equity. The methodology for both of these calculations has been utilized by the Company and approved by this Commission in the last several rate cases.

Finally, Pages 3 and 4 of Schedule 1 provide a detailed calculation of the amount and cost rates for the long-term debt and preferred stock components in the capitalization.

Q. What adjustments did the Company make to arrive at 6.79% as the embedded cost of long-term debt?

A. The Company began with its long-term debt capital in place as of June 30, 2006 and made adjustments to 1) retire three tax-exempt debt issues early and replace them with one lower coupon tax-exempt debt issue and 2) reflect the maturity of one debt issue totaling $904,236. These adjustments are reflective of the expected capital to be in place during the same period as the rate base used in this proceeding. As a result of these expected adjustments and other actual changes, the Company's embedded costs of debt will change from 6.86% used by the Commission in Cause No. 42520 to 6.79%

Q. Please explain the adjustment to retire three tax-exempt debt issues.

A. As approved in Cause No. 42982, the Company is retiring three tax-exempt debt issues which have coupon rates ranging from 5.35% to 5.90%. The Company is in the process of retiring these tax-exempt debt issues in December 2006 in order to lower the Company's overall embedded cost of debt. The Company will replace this debt at 4.875%, saving the ratepayers $201,000 on an annual basis. The $201,000 in annual savings will extend

through September 1, 2022, the natural maturity date of the 5.90% bond with a current principal amount of $8,085,000. From that time until June 1, 2026, the ratepayers would continue to receive savings in decreasing amounts until the natural maturity dates of the three tax-exempt issues to be retired. The Company's calculation of the annual savings is set forth on Petitioner's Exhibit JMJ-1, Schedule 2.

Q. How does the Company propose to treat the unamortized debt issuance costs related to the three tax-exempt debt issues that are being retired early?

A. The Company proposes to continue recovering these costs in the capital structure using the existing amortization schedules for each of the three tax-exempt debt issues. Such costs are in the public interest and the Company is entitled to full recovery.

Q. Please explain the new long-term debt instrument the Company issued.

A. As approved in Cause No. 42982, the Company issued $25,770,000 of long-term debt in October 2006. The purpose of this debt issue is to fund the retirement of the three tax-exempt debt issues previously discussed in this testimony. This debt instrument is a tax-exempt instrument issued through the State of Indiana (i.e. Indiana Finance Authority). The Company has included this debt issue within the embedded cost of debt calculation at the actual annual coupon rate of 4.875%. In addition, the Company proposes to

1 recover the expected $623,767 of debt issuance costs over the thirty-year life
2 of this new issuance. As shown on Petitioner's Exhibits JMJ-1, Schedule 2,
3 page 1, this debt issue produces a savings over the retired debt issues of
4 approximately $200,000 per year.

5 **Q. Does this conclude your prepared direct testimony?**

6 A. Yes, at this time.

INDS01 NKK 891940v1

Pro Forma Rate of Return Summary
as of June 30, 2006

Line No.	Class of Capital	Pro Forma Amount @ 12/31/06	% of Total	(%) Cost	Weighted Cost
1	Long-term debt	$249,879,885	47.99%	6.79%	3.26%
2					
3	Deferred income taxes	57,758,673	11.09%	0.00%	0.00%
4					
5	Accumulated depreciation on contributed				
6	utility plant for Muncie Sewer	52,244	0.01%	0.00%	0.00%
7					
8	Post Retirement Benefits, net	2,877,637	0.55%	0.00%	0.00%
9					
10	Accumulated deferred investment				
11	tax credits - Pre 1971	81,597	0.02%	0.00%	0.00%
12					
13	Job development investment tax				
14	credits (JDITC) - Post 1970	2,199,350	0.42%	8.92%	0.04%
15					
16	Preferred stock	330,000	0.06%	6.00%	0.00%
17					
18	Common equity	207,508,938	39.86%	11.50%	4.58%
19					
20					
21	Total capitalization	$520,688,325	100.00%		7.88%

Pro Forma Rate of Return Summary
as of June 30, 2006

Calculation to determine interest cost rate for interest synchronization:

Line No.	Class of Capital	Amount	% of Total	(%) Cost	Weighted Cost
1	Long-term debt	$249,879,885	48.20%	6.79%	3.27%
2					
3	Deferred income taxes	57,758,673	11.14%	0.00%	
4					
5	Accumulated depreciation on contributed				
6	utility plant for Muncie Sewer	(219)	0.00%	0.00%	
7					
8	Post Retirement Benefits, net	2,877,637	0.56%	0.00%	
9					
10	Accumulated deferred investment				
11	tax credits - Pre 1971	81,597	0.02%	0.00%	
12					
13	Preferred stock	330,000	0.06%	6.00%	
14					
15	Common equity	207,508,938	40.02%	11.50%	
16					
17	Total excluding JDITC	$518,436,512	100.00%		3.27%
18					
19					
20					
21	Calculation to determine cost of JDITC:				
22					
23	Class of Capital	Amount	% of Total	(%) Cost	Weighted Cost
24					
25	Long-term debt	$249,879,885	54.59%	6.79%	3.71%
26					
27	Preferred stock	330,000	0.07%	6.00%	0.00%
28					
29	Common equity	207,508,938	45.34%	11.50%	5.21%
30					
31	Total Investor Supplied Capital	$457,718,823	100.00%		8.92%

Pro Forma Cost of Long-Term Debt
as of June 30, 2006

Line No.	Debt Issue Type, Coupon Rate (COL. 1)		Date Issued (COL. 2)	Maturity Date (COL. 3)	Principal Amount (COL. 4)	Pro Forma Face Amount Outstanding @ 12/31/06 (COL. 5)	Pro Forma Unamortized Debt Expense @ 12/31/06 (COL. 6)	Pro Forma Carrying Value @ 12/31/06 (COL. 7)	Annual Interest (COL. 8)	Annual Amortization (COL. 9)	Pro Forma Total Annual Cost (COL. 10)
1	First Mortgage Bonds										
2	7.300%	Series N	3/01/93	3/01/08	$2,276,000	$2,276,000	$9,164	$2,266,836	$166,148	$7,854	$174,002
3	6.990%	Series B	1/1/94	1/1/24	9,000,000	9,000,000	144,840	8,855,160	629,100	8,520	637,620
4	5.900%	Series C	6/1/96	6/1/26	9,985,000	0	318,045	(318,045)	0	16,380	16,380
5	5.000%	Series D	12/1/98	12/1/28	7,965,000	7,965,000	704,314	7,260,686	398,250	32,136	430,386
6											
7	General Mortgage Bonds										
8	9.780%	Series	12/21/88	11/01/03	$0	$0	$0	$0	$0	$0	$0
9	8.980%	Series	3/01/90	3/01/10	7,100,000	7,100,000	9,196	7,090,804	637,580	2,904	640,484
10	7.110%	Series	5/11/94	5/01/24	15,500,000	15,500,000	70,928	15,429,072	1,102,050	4,092	1,106,142
11	7.380%	Series	9/01/95	9/01/15	12,000,000	12,000,000	85,800	11,914,200	885,600	9,900	895,500
12	7.450%	Series	12/01/95	9/01/15	28,000,000	28,000,000	62,608	27,937,392	2,086,000	7,224	2,093,224
13	5.900%	Bonds	9/01/92	9/01/22	8,085,000	$0	$263,576	($263,576)	$0	$16,824	$16,824
14	5.350%	Bonds	12/01/93	9/01/23	7,700,000	0	289,600	(289,600)	0	17,376	17,376
15	7.800%	Series	7/01/97	7/01/27	10,000,000	10,000,000	36,162	9,963,838	780,000	1,764	781,764
16	7.490%	Series	7/01/97	7/01/07	10,000,000	10,000,000	2,640	9,997,360	749,000	5,280	754,280
17	6.845%	Series	7/01/98	7/01/28	19,000,000	19,000,000	90,042	18,909,958	1,300,550	4,188	1,304,738
18	6.900%	Series	7/01/99	7/01/09	20,000,000	20,000,000	21,630	19,978,370	1,380,000	8,652	1,388,652
19	4.875%	Bonds	10/26/06	10/1/36	0	25,770,000	620,302	25,149,698	1,256,288	20,792	1,277,080
20											
21	AWCC Intercompany Borrowing										
22	6.870%	Series	3/30/01	3/29/11	$38,000,000	$38,000,000	$108,669	$37,891,331	$2,610,600	$25,569	$2,636,169
23	4.920%	Series	1/14/02	11/6/06	904,236	0	0	0	0	0	0
24	5.650%	Series	6/12/02	6/12/07	13,000,000	13,000,000	3,188	12,996,812	734,500	7,653	742,153
25	5.650%	Series	9/30/02	6/12/07	18,000,000	18,000,000	10,669	17,989,331	1,017,000	25,606	1,042,606
26	6.050%	Series	12/1/03	12/1/13	16,000,000	16,000,000	23,663	15,976,337	968,000	871	968,871
27											
28											
29	Tax Exempt / Government Related										
30	2.900%	S R F - Prairieton	1/5/01	1/1/21	$330,000	330,000	10,604	319,396	9,570	757	10,327
31	2.900%	S R F - Gary	6/15/01	7/1/21	832,000	832,000	7,475	824,525	24,128	516	24,644
32											
33	Obligations - Capital Leases				$0	$0		$0	$0		$0
34											
35											
36	Totals				$253,677,236	$252,773,000	$2,893,115	$249,879,885	$16,734,364	$224,858	$16,959,222
37											
38	Cost of long-term debt										
39	(Col. 10 / Col. 7)										6.79%
40											

Pro Forma Cost of Preferred Stock
as of June 30, 2006

Line No.	Dividend Rate, Type, Par Value (Col. 1)	Date Issued (Col. 2)	Amount Outstanding at Par @ 12/31/06 (Col. 3)	Premium or Discount (Col. 4)	Unamortized Issue Expense @ 12/31/06 (Col. 5)	Net Proceeds @ 12/31/06 (Col. 6)	Annual Amortization (Col. 7)	Annual Dividends (Col. 8)	Total Annual Cost (Col. 9)
1									
2	Cumulative Preferred Stock								
3									
4	6.000% Series I, $100 par	1967	$330,000	$0	$0	$330,000	$0	$19,800	$19,800
5									
6	Totals		$330,000	$0	$0	$330,000	$0	$19,800	$19,800
7									
8									
9	Cost of preferred stock								
10	(Col. 9 / Col. 6)								6.00%

Pro Forma Cost of Long-Term Debt
as of June 30, 2006

Line No.	Debt Issue Type, Coupon Rate (COL. 1)	Date Issued (COL. 2)	Maturity Date (COL. 3)	Principal Amount (COL. 4)	Pro Forma Face Amount Outstanding @ 12/31/06 (COL. 5)	Pro Forma Unamortized Debt Expense @ 12/31/06 (COL. 6)	Pro Forma Carrying Value @ 12/31/06 (COL. 7)	Annual Interest (COL. 8)	Annual Amortization (COL. 9)	Pro Forma Total Annual Cost (COL. 10)
1	Before Tax-Exempt Refinancing									
2	5.900% Series C	6/1/96	6/1/26	$9,985,000	$9,985,000	$318,045	$9,666,955	$589,115	$16,380	$605,495
3	5.900% Bonds	9/01/92	9/01/22	8,085,000	8,085,000	263,576	7,821,424	477,015	16,824	493,839
4	5.350% Bonds	12/01/93	9/01/23	7,700,000	7,700,000	289,600	7,410,400	411,950	17,376	429,326
5										
6										
7										
8	Totals			$25,770,000	$25,770,000	$871,221	$24,898,779	$1,478,080	$50,580	$1,528,660
9										
10	Cost of long-term debt									
11	(Col. 10 / Col. 7)									6.14%
12										
13										
14										
15										
16										
17	After Tax-Exempt Refinancing									
18	5.900% Series C	6/1/96	6/1/26	$9,985,000	$0	$318,045	($318,045)	$0	$16,380	$16,380
19	5.900% Bonds	9/01/92	9/01/22	8,085,000	0	263,576	(263,576)	0	16,824	16,824
20	5.350% Bonds	12/01/93	9/01/23	7,700,000	0	289,600	(289,600)	0	17,376	17,376
21	4.875% Bonds	10/26/06	10/1/36	0	25,770,000	620,302	25,149,698	1,256,288	20,792	1,277,080
22										
23										
24	Totals			$25,770,000	$25,770,000	$1,491,523	$24,278,477	$1,256,288	$71,372	$1,327,660
25										
26	Cost of long-term debt									
27	(Col. 10 / Col. 7)									5.47%
28										
29	Annual Cost Savings							($221,792)	$20,792	($201,000)
30										

PETITIONER'S EXHIBIT SRS

INDIANA-AMERICAN WATER COMPANY, INC.

IURC CAUSE NO. 43187

DIRECT TESTIMONY

OF

STACY R. SAGAR

ON

OPERATING FACILITIES, PLANNED MAINTENANCE

AND PUBLIC COMMUNICATIONS

SPONSORING

PETITIONER'S EXHIBIT SRS-1

THROUGH

PETITIONER'S EXHIBIT SRS-3

PETITIONER'S EXHIBIT SRS

DIRECT TESTIMONY
OF
STACY R. SAGAR
CAUSE NO. 43187

BACKGROUND AND EXPERIENCE

Q. Please state your name and business address.

A. My name is Stacy R. Sagar and my business address is 555 East County Line Road, Greenwood, Indiana 46143.

Q. What position do you hold with Indiana American?

A. I am the General Manager - Network for Indiana-American Water Company, Inc. ("Indiana American" or the "Company")

Q. What do your job responsibilities include?

A. I am responsible for the oversight of the day to day management and operations of the Company's Network water and wastewater operations in Indiana. Network operations includes all traditional distribution work such as hydrant, valve, water main and water service maintenance and operation. Network activity also includes all meter reading, meter maintenance and replacement activity as well as other field operation activity such as customer turn on/shut off and field customer inquiry activities. I am responsible for the development, supervision and control of the capital and operating expenditures authorized by the Board of

1 Directors. I am also responsible for the development of employee
2 relations and negotiations of local labor agreements in Indiana and have
3 responsibility for the supervision of inventory control.

4 **Q. Please describe your educational background.**

5 A. I received a Bachelors of Science degree in Business Administration in
6 1984 from Marshall University in West Virginia. In addition, I have
7 attended various short courses and seminars in forecasting, modeling,
8 system operations, and utility pricing.

9 **Q. Please outline your business experience.**

10 A. In 1981 I began my career at West Virginia American Water Company, a
11 subsidiary of American Water located in Huntington, West Virginia. At
12 West Virginia American, I held various operational positions. In 1984 I
13 was promoted to Operations Manager at Ohio American Water Company
14 – Lawrence County District. In February 1988 I was promoted to Manager
15 at Ohio American Water Company – Lawrence County District. In June
16 1988 I was promoted to Operations Superintendent of Iowa American
17 Water Company – Clinton District. In 1990 I was promoted to District
18 Superintendent of Iowa American Water Company – Clinton District. In
19 1997 I was promoted to Operations Manager of Iowa American Water
20 Company overseeing state operations out of Davenport, Iowa. In 2004 I
21 was promoted to General Manager - Network of Indiana American Water
22 in Greenwood, Indiana.

1 **Q. Are you a member of any professional organizations?**

2 A. Yes, I am a member of the American Water Works Association.

3 **Q. Have you testified before this Commission in other proceedings?**

4 A. No.

5 **Q. Have you testified before any other Commissions?**

6 A. No.

7 **Q. What are the areas for which you will be sponsoring testimony?**

8 A. I will provide the description of the Company and its operating facilities. I
9 will also outline upcoming planned non-routine maintenance activities for
10 which the Company has proposed an adjustment in this case as described
11 by Mr. VerDouw. Finally, I will describe and sponsor our public
12 communications concerning this rate request.

13 **DESCRIPTION OF INDIANA AMERICAN AND**

14 **OPERATING FACILITIES**

15 **Q. Please describe Indiana American.**

16 A. Indiana American provides water utility service to 280,000 customers in
17 and around 127 communities and 21 counties throughout the State of
18 Indiana. It also provides sewer utility service in Wabash and Delaware
19 Counties. Petitioner's Exhibit SRS-1 details the locations of our
20 operations throughout the State of Indiana.

Q. Please generally describe Indiana American's plant and property, as of June 30, 2006.

A. As of June 30, 2006, the Company's utility plant accounts included land and land rights, structures and improvements, collecting and impounding reservoirs, wells, pumping equipment and associated facilities, purification plant and equipment, sludge disposal facilities, transmission and distribution mains, distribution storage facilities, service lines, meters, hydrants and other facilities, including materials and supplies.

Q. Please generally describe Indiana American's sources of water supply, treatment facilities, pumping equipment and distribution system property.

A. Indiana American draws water for our 22 Operations from surface supplies, wells and infiltration galleries. About 44% of the total source of supply comes from surface supply and 55% comes from wells and infiltration galleries. The remaining 1% is purchased water. Thirty-two water treatment facilities produced an average of over 121 million gallons daily in 2005 or approximately 44 billion gallons annually. These plants provide various types of treatment appropriate for each supply. The treatment processes include sedimentation and filtration, clarification, disinfection, taste and odor removal, organic chemical absorption, iron and manganese removal or sequestering, pH adjustment, corrosion control, fluoridation for dental prophylaxis, and dechlorination all in order to meet or exceed the standards of the drinking water regulations of the Drinking

1 Water Branch of the Indiana Department of Environmental Management
2 (IDEM) and the United States Environmental Protection Agency (EPA).
3 The Company has approximately 4,150 miles of transmission and
4 distribution mains ranging in size from 1-inch diameter to 42-inch. The
5 Company has more than 21,770 fire hydrants available for public fire
6 service. Ninety one potable water storage tanks, with total capacity of
7 more than 69 million gallons, are strategically located in the service areas
8 for drawdown during peak demand periods and for fire protection services.

9 **Q. What is the condition of Indiana American's utility property?**

10 A. Indiana American maintains its water utility properties in a good state of
11 operating condition for the rendering of water utility service. The reports of
12 inspections conducted by the Drinking Water Branch of IDEM confirm that
13 the Company's water utility properties are maintained in a good state of
14 operating condition.

15 **Q. If Indiana American's system were to be rebuilt today, would it be**
16 **significantly different in your opinion?**

17 A. No. Indiana American's system is well planned and the existing facilities
18 are valuable and used by the Company to provide service to the public. In
19 my opinion, the existing utility plant would be built in much the same way
20 were it to be reproduced today.

1 **Q. Are all of the facilities that are included in the utility plant accounts**
2 **of Indiana American in service and reasonably necessary for the**
3 **provision of safe and reliable water service?**
4 A. Yes. All of Indiana American's property is necessary for and is being used
5 to fulfill the Company's responsibility to provide safe and reliable water
6 utility service.

7 **PLANNED NON-ROUTINE MAINTENANCE**

8 **Q. Please describe the non-routine maintenance items listed in support**
9 **schedule 16 of Petitioner's Exhibit GMV-3 to Mr. VerDouw's**
10 **testimony.**
11 A. Approximately $345,383 in non-routine maintenance items have been
12 included in the support schedule 16 which were not completed during the
13 test year. These items are non-routine maintenance items in nature,
14 which will be completed within 12 months of the close of the test year and
15 include such things as well cleaning and maintenance, residuals
16 management, major roof repairs, valve maintenance and repair, generator
17 and switch gear maintenance, aeration maintenance, chemical feed
18 system maintenance and other miscellaneous maintenance items.

19 **Q. What are the well cleaning and maintenance activities?**
20 A. The well cleaning and maintenance items total approximately $70,721 and
21 include over-boarding tests, flow tests and required chemical cleaning of
22 wells and general well maintenance. Over-boarding is a process used to

1 determine the current condition of the well compared to historical results.
2 We have undertaken these well cleaning and maintenance activities
3 already in Kokomo, West Lafayette, and Newburgh. Warsaw is scheduled
4 for December, 2006.

5 **Q. What are the residuals management costs?**

6 A. Residuals management costs total approximately $36,277 and are a result
7 of two one-time occurrences in the Northwest Indiana Operation which
8 required cleanup of lead based blasting material found on site and clean
9 up of a chemical spill at the Odgen Dunes facility when a chemical day
10 tank overflowed.

11 **Q. Where was the roof repair?**

12 A. Roof repair costs total approximately $500 for repair of a well house roof
13 in Winchester. This was necessary to protect the pump control and
14 electrical equipment from weather damage.

15 **Q. Where was the valve repair?**

16 A. Valve maintenance & repair cost total approximately $4,505 to repair a
17 filter valve which would not close properly in Crawfordsville.

18 **Q. Please explain the generator cost.**

19 A. Generator and switch gear maintenance cost total approximately $7,308.
20 In September, 2006, there was a power outage in Kokomo. The power
21 load automatically switched to the generator, which ran for approximately

1 ten minutes. The radiator hose and switch gear malfunctioned and had to
2 be repaired. We also have repaired generators in Southern Indiana and
3 Richmond after the close of the test year, but these repairs were not
4 during a power outage.

5 **Q. What are the aerator maintenance costs?**

6 A. Aerator maintenance costs total approximately $1,057 to repair aging
7 wooden slats in an aerator during cleaning.

8 **Q. What are the chemical feed system costs?**

9 A. Chemical feed system maintenance costs total approximately $14,129. In
10 Johnson County, the chemical feed system has not been properly
11 functioning for some time and is scheduled for repair in December, 2006
12 at an estimated cost of $4,000. In Wabash Valley, we rebuilt a fluoride
13 shutoff valve to prevent a failure which was similar to one we experienced
14 in Crawfordsville. In West Lafayette, we repaired the fluoride, chlorine and
15 phosphate chemical feed systems.

16 **Q. What are the other maintenance costs?**

17 A. Other maintenance costs total approximately $210,886 to repair
18 equipment which has failed during operation. Equipment failures include
19 such items as a repair to a security gate which failed to open in Wabash
20 Valley, replacement of an electrical pole which was no longer safe in
21 Richmond, consulting and repair work in Northwest Indiana Operations to
22 repair SCADA and communication problems and work to repair pumps

and motors damaged during operations, repair of High Service pump #2 in Jeffersonville/New Albany and unanticipated well cleaning required in Seymour.

PUBLIC COMMUNICATIONS

Q. Has notice of the filing of the Petition in this Cause been published?

A. Yes. Petitioner's Exhibit SRS-2 will contain the proofs of publication of notice of the filing of the Petition in this Cause, as published in local newspapers of general circulation in each county in which Indiana-American has customers.

Q. Did Indiana-American issue a news release at the time of the filing of the case-in-chief?

A. Yes. The Company furnished news releases to newspapers of general circulation in areas where we serve. News releases were also given to local radio stations, as well.

Q. What additional efforts has Indiana-American undertaken to advise the community and its customers of its filing for a rate increase?

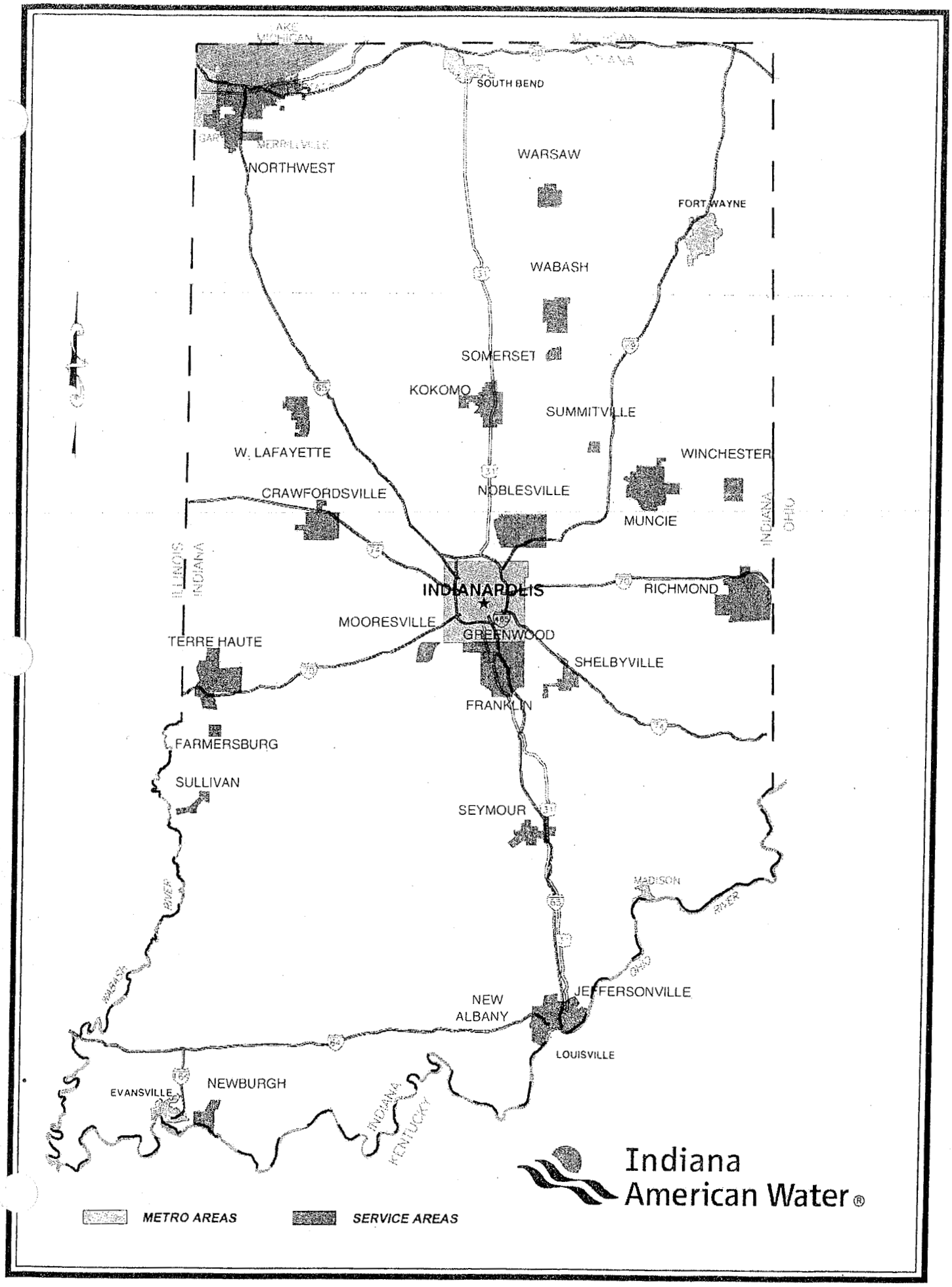
A. Company officials discussed with mayors in the municipalities in which we serve the filing of the rate increase petition. Notices will be mailed to the customers advising them of the filing of the Company's petition and the Company's requested rate increase, pursuant to the Commission's rules for water utilities.

1 **Q. Please identify the document which has been marked for**
2 **identification as Petitioner's Exhibit SRS-3.**
3 A. Petitioner's Exhibit SRS-3 will consist of copies of the notice sent to our
4 customers summarizing the nature and extent of the proposed rate
5 increase.

6 **Q. Does this conclude your prepared direct testimony?**
7 A. Yes, at this time.

8 INDS01 NKK 899375v1

Petitioner's Exhibit SRS-1



Petitioner's Exhibit AJD

INDIANA-AMERICAN WATER COMPANY, INC.

IURC CAUSE NO. 43187

DIRECT TESTIMONY

OF

ALAN J. DEBOY

ON

CAPITAL ADDITIONS
AND SOUTHERN INDIANA OPERATIONS
AND TREATMENT CENTER CAPACITY

SPONSORING PETITIONER'S EXHIBIT
AJD-1

Petitioner's Exhibit AJD

DIRECT TESTIMONY

OF

ALAN J. DEBOY

CAUSE NO. 43187

BACKGROUND

1 **Q. Please state your name and business address.**

2 A. My name is Alan J. DeBoy. My business address is 727 Craig Road, St. Louis, MO

3 63141.

4

5 **Q. What is your position?**

6 A. I am the American Water Central Region Director of Engineering .

7

8 **Q. What do your job responsibilities include?**

9 A. I am responsible for American Water's Central Region engineering function that

10 includes Indiana-American Water Company, Inc. ("Indiana American" or

11 "Company"). This includes providing the proper planning and implementation of the

12 Company's engineering and capital investment programs. Responsibilities also

13 include ensuring the integrity of water company assets, including land and land

rights, sources of supply, treatment and distribution system facilities.

Q. What is your educational background?

A. I received my Bachelor of Science degree in Civil Engineering from Purdue University in 1981. Also, I received my Master of Business Administration degree from Indiana Wesleyan University in 1997.

Q. Are you a licensed professional engineer?

A. Yes, I am a licensed professional engineer in the States of Indiana, Ohio, Michigan, Kentucky, Pennsylvania and Delaware.

Q. Please describe your business experience in the water utility industry.

A. From 1981 to 1988, I was employed by General Waterworks Corporation holding a variety of engineering positions that entailed engineering responsibilities in the States of Indiana, Delaware and Pennsylvania. During that period, I was promoted to positions having increasing responsibility for planning, design and construction of waterworks facilities at a number of operating systems of that company. From 1988 to 1993, I was employed by Avatar Utilities Inc. ("Avatar"). My employment with Avatar culminated in my holding the position of Senior Vice President for Indiana Cities Water Corporation ("Indiana Cities"). In that position, I was responsible for Indiana Cities' engineering and operations in Indiana. In 1993, I accepted the position of Director-Engineering with Indiana American upon its acquisition of

Indiana Cities. In July 2000, I was promoted to Vice President, Engineering with Indiana American. In 2004, I was promoted to American Water, Central Region Director of Engineering. This is the position I currently hold.

Q. Have you previously testified before this Commission?

A. Yes.

Q. What is the purpose of your testimony?

A. First, I will discuss the significant capital additions completed since Indiana American's last rate order. Second, I will present the Company's upcoming forecasted capital needs. Finally, I will discuss the Southern Indiana Operations and Treatment Center ("SIOTC") high service pumping capacity, a portion of which was disallowed in the Cause No. 42520.

SIGNIFICANT RECENT CAPITAL ADDITIONS

Q. Please identify the more significant capital additions that have been placed in service which were not in service before the rate base cutoff in the last Indiana American rate case (Cause No. 42520).

A. Listed below are projects that have been placed in service after the rate base cutoff date of December 31, 2003 in Cause No. 42520, which cost greater than $500,000. For those projects for which the cost is shown as estimated, the project will be in service by the time of the evidentiary hearing on Indiana American's case-in-chief,

and final cost updates will have been supplied through supplemental testimony submitted prior to the hearing.

Item	Cost ($1,000s)
Kokomo Source of Supply	7,000 (Estimate)
Richmond Storage Reservoirs	1,622
Summitville Elevated Tank & Mains	710
Noblesville Pump Station & Mains	1,193
Noblesville Capacity Improvements	1,097
Northwest Borman Park Filter Rehabilitation	2,105
Northwest Ogden Dunes Standby Generator	1,300 (Estimate)
Statewide Water Main Replacements	18,150 (Estimate)
Statewide Capitalized Tank Painting	3,212 (Estimate)

Q. Would you briefly describe each of the projects in excess of the $500,000 you have identified?

A. Yes.

Kokomo Source of Supply – Constructed new wellfield and treatment plant to add needed additional capacity. The initial capacity of the plant is 2.0 million gallons per day (MGD) expandable to 4.0 MGD as future demands dictate. This initial constructed supply capacity is expected to satisfy increasing system demand through 2018. Ground and surface water in sufficient amounts for source of supply are

limited in the Kokomo area. Extensive search efforts resulted in locating a ground water source that is projected to provide 3 to 4 MGD. Treatment will include iron and manganese removal for this new ground water supply.

Richmond Storage Tanks – Constructed two (2) one-million gallon ground storage tanks to replace an existing ten million gallon reservoir with floating cover. The existing reservoir and cover were beyond economical repair. The ten million gallon in-ground reservoir was constructed in 1912 and fitted with a floating cover in 1978. Leakage and sanitary integrity of the facility posed contamination concerns. It was determined that equalization and fire protection needs could be satisfied with two million gallons of storage. For operational flexibility, two one million gallon tanks were constructed.

Summitville Elevated Tank & Mains – Constructed a 100,000 gallon elevated storage tank and connecting mains to replace the existing elevated tank, which was beyond economical repair. The replacement tank size was determined considering equalization and fire protection needs. The equalization volume is 30,000 gallons. Fire protection volume of 70,000 gallons provides 1167 gallons per minute for one hour.

Noblesville Pump Station and Mains – Constructed a pump station and connecting mains to address a supply deficit by adding a second point of supply to the rapidly growing southern pressure zone. Rapid residential growth and development of a corporate campus created the need for this transmission improvement project. An average of 700 residential customers have been added in this pressure zone. The

corporate campus has successfully attracted commercial development increasing system demands.

Noblesville Capacity Improvements – Constructed a new well in the White River North well field, added an aeration and detention tank treatment unit and a standby generator at the White River North Treatment Facility. A replacement well in the Forest Park well field was also constructed. Noblesville continues to experience high growth rate. An average of 782 customers per year were added during the five year period prior to initiating this project. Actual demands have outpaced previous projections. These improvements are anticipated to satisfy system demands through 2007.

Northwest Borman Park Filter Rehabilitation – Filter underdrains, filter media and surface wash were replaced to improve performance and reliability. The 1950s vintage filter underdrains were failing, which resulted in occasional turbidity spikes, thus jeopardizing environmental regulatory requirement compliance. Also, filter media was passing through to the clearwell and backwash water was unevenly distributed to the filter media.

Northwest Ogden Dunes Standby Generator – Installed a 2,000 kW stationary generator and associated switchgear to provide improved power reliability for the Ogden Dunes Water Filtration Plant. Extended purchased power provider interruptions in 2005 indicated serious vulnerability. Auxiliary power provision addresses power provider limitations and better assures uninterrupted water service.

Statewide Water Mains – Construction of water mains, hydrants, customer services

and meters. Significant portions of the main projects are associated with right of way improvement projects or reinforcement of existing distribution systems. Some of the projects have been filed previously in Causes 43251 DSIC-2 and 43251 DSIC-3.

Those not included in previous DSIC filings:

Section Street Main Relocation, Wabash Valley – Sullivan

Those included in 43251 DSIC-3:

US Highway 6 Main Relocation, Northwest District – Portage

49th Avenue Main Replacement, Northwest District – Hobart

State Road 22 Main Replacement, Kokomo

Hulman Street Main Replacement, Wabash Valley – Terre Haute

Those included in 43251 DSIC-2:

State Road 66 Water Main Replacement, Newburgh

Cleveland & Taft Street Mains, Northwest Indiana – Merrillville

Statewide Capitalized Tank Painting – Rehabilitated existing storage tanks, including coating removal, structural improvements, and new coating system application. The steel coating systems have limited useful life and must periodically be replaced. Provided below is a list of tank rehabilitation included in this cause:

2004	Noblesville	Wayne Street Clearwell	0.3 MG Ground
2005	Terre Haute	Schaal Ave. (N 25th Street)	2.5 MG Elevated
2006	New Albany	Schell Lane	1.0 MG Elevated
2006	Northwest	Portage	0.3 MG Elevated
2006	Northwest	19th & Jeff	1.5 MG Elevated
2006	Terre Haute	Youngstown	0.5 MG Elevated

UPCOMING CAPITAL NEEDS

Q. How does the Company determine the need for significant major construction projects like those identified above?

A. System improvement projects are identified as a result of Comprehensive Planning Studies prepared for each of the Indiana American operations. The comprehensive planning for American's utility subsidiaries is unmatched in terms of thoroughness and expertise. The Comprehensive Planning Studies provide a fifteen year planning horizon, taking into account demand projections, regulatory requirements, and the replacement of aged infrastructure. We utilize various agencies and information to project growth over a fifteen year planning horizon. We then undergo a very thorough evaluation of each component of a utility operating system, and a plan is developed resulting in the identification of specific projects to assure that reliable and quality service will be maintained. Our current five year capital program is included in Petitioner's Exhibit AJD-1.

Q. How is the timing for capital improvements planned?

A. Capital improvements are scheduled so that needs driving the improvements are addressed in a time frame dictated by the circumstances. For example, if infrastructure capacity is needed to address system growth, the capacity improvement project is scheduled based upon when demand projections indicate need. Capital improvement projects addressing environmental regulations are scheduled for delivery as close as practical to compliance deadlines. Rehabilitation projects can

address reliability, regulatory compliance and customer service issues. The scheduling of rehabilitation projects usually includes a risk assessment predicting some failure or service interruption and the impact of such an event occurring.

Q. Turning to Petitioner's Exhibit AJD-1, could you please briefly describe the individual planned projects that are estimated to exceed five million dollars and explain why the project is needed at the projected time?

A. West Lafayette System Delivery Capacity Improvements – Treatment will be provided to remove iron and manganese from the existing and expanded sources of supply. Concentrations of iron and manganese are present at an objectionable level. The ground water source of supply will be expanded to satisfy growing customer demand. The project schedule is driven by the increased source of supply capacity need timing.

London Road Source of Supply and Treatment Plant – Johnson County and Shelbyville customer demand growth is driving the need to increase system delivery capacity for these two operating districts. The optimal solution is a new ground water supply and treatment plant situated between these two districts. New transmission mains will connect the new production facilities to the districts' distribution systems. Petitioner's Exhibit AJD -1 is formatted such that the total production facility estimated cost and Johnson County transmission main is included in one line and the Shelbyville transmission main estimated cost is captured in

another line item. It is anticipated that the production facilities will be proportionally allocated to the respective district rate base in a future rate filing. The project schedule is driven by the increased source of supply capacity need timing.

Wabash Valley Source of Supply Improvements – Customer demand growth is driving the need for additional source of supply. The optimal location for additional source of supply will require the need for new treatment facilities, as well. The overall project schedule is driven by the increased source of supply capacity need timing.

Northwest Borman Park Substation Improvements – Significant electrical improvements are needed from the point power company service enters the property to the site distributed power. Replacement transformers, switch gear, starters and some pump drivers are needed for adequate reliability. The project timing is driven by existing equipment condition.

Warsaw Treatment Plant Improvements - Iron concentrations in the North and Bibler ground water sources is present at objectionable levels. Operational techniques to address this issue have been marginally successful. Unless further operational changes are successful, the treatment improvements will be necessary for customer satisfaction.

SIOTC HIGH SERVICE PUMPING CAPACITY

Q. You testified previously that a portion of the SIOTC high service pumping capacity was disallowed in the last rate case. What was disallowed?

A. The Commission disallowed as "excess capacity" one high service pump.

Q. What did the Commission state was its reasoning behind the disallowance?

A. The Office of Utility Consumer Counselor ("OUCC") had proposed the disallowance because, with the largest high service pump out of service, we would allegedly have pumping capacity of 15.7 MGD in excess of the required 22 MGD. The OUCC relied upon the Recommended Standards for Waterworks to support its position. I explained in rebuttal that the OUCC's calculation ignored that the clear water reservoir is designed with two compartments and that, with either compartment out of service, we would need all of the high service pumps to supply the required 22 MGD. The Commission accepted the OUCC's proposed disallowance because the Company had not justified the need to have two compartments in the clear water reservoir. The Commission then provided a list of information that we would need to supply in order for us to justify the reservoir design.

Q. Is there excess high service pumping capacity at SIOTC?

A. No, the SIOTC high service pumping capacity was properly designed considering expected production demand requirements and reliability. There are two compartments to the clear water reservoir. With either compartment out of service,

we need all of the high service pumps to satisfy the projected maximum day demand.

Q. Is the reservoir isolation feature necessary?

A. Yes. Indiana Department of Environmental Management (IDEM) regulations require that the reservoir be designed with two compartments.

Q. Please explain this IDEM requirement.

A. Title 327 Indiana Administrative Code (IAC) Article 8 contains Indiana IDEM construction permit requirements for public water supplies. Conditions within Article 8 must be satisfied to obtain an IDEM construction permit. 327 IAC 8-3-8 incorporates by reference the Recommended Standards for Water Works, which IDEM uses as a reference document during construction permit application review. These are more commonly known as the "Ten State Standards." One of the requirements for construction permit issuance is that the design comply with these Ten State Standards. The Ten State Standards required the clear water reservoir to be designed with two compartments, and so the reservoir isolation feature that concerned the Commission in the last case was necessary in order to obtain a construction permit to build the facility. Specifically, Ten State Standards section 7.1.2 d. states that "A minimum of two clearwell compartments shall be provided." Therefore, a pumping configuration from each clearwell compartment is necessary to satisfy system demand The five pumps selected provide optimal pumping capacity combinations for the range of the Southern Indiana system demands as well as

consideration for one clearwell compartment being out of service.

Q. You indicated that the Commission provided a list of information it would need to review concerning the need for the two compartment design. Can you provide that information?

A. Yes. The additional information identified as being needed in the Order is as follows:

- "the frequency that the reservoir maintenance occurs" – Reservoir maintenance can be categorized into two areas, planned and unplanned. Planned or scheduled inspection and follow-up maintenance would likely occur at a five year frequency. Unplanned maintenance would occur as a result of unforeseen circumstances. Natural events or structural failures could happen at any time. This is the reason why the Ten State Standards require the two compartment feature -- we can never know when the unplanned maintenance will occur and so the system must be designed to accommodate such an event.
- "the amount of time necessary to carry out the maintenance of the reservoir" – Maintenance event duration is highly variable. Concrete or other structural repairs could be significant and take several days to a few weeks to address.
- "the time of year when Petitioner plans to carry out the maintenance of the reservoir" – Unplanned maintenance would occur when circumstances necessitate. Planned inspection and maintenance would be scheduled at

times when it is operationally convenient to do so. The planned events could likely be scheduled during lower anticipated system demand periods.

- "whether Petitioner could implement the reservoir maintenance during non-peak month" – Maintenance needs resulting from unforeseen circumstances may or may not be scheduled during a non-peak month system demand. The nature of a maintenance need could require immediate action independent of the time of year or system demand conditions.
- "whether Petitioner needs five (5) pumps at the SIOTC if the reservoir's maintenance could be implemented during non-peak months." – It can not be anticipated that all maintenance can occur during non-peak system demand periods. Therefore, the five pump configuration is necessary to provide a reasonable level of redundancy in delivering reliable customer service.

Q. Does this conclude your direct testimony?

A. Yes.

Petitioner's Exhibit AJL
Cause No. 43187

INDIANA STRATEGIC CAPITAL EXPENDITURE PLAN

Sub Business Unit	Business Unit No.	Project Title	U.S. $ 5-Year Total	U.S. $ Total 2007	U.S. $ Total 2008	U.S. $ Total 2009	U.S. $ Total 2010	U.S. $ Total 2011
		RECURRING PROJECTS						
	xxxxxx80	Developer / Governmental Contributions	58,534,000	10,862,000	11,279,000	11,710,000	12,044,000	12,639,000
	xxxxxx81	Network - Replacement / Renewal	103,067,500	12,318,500	22,048,000	22,467,000	22,893,000	23,341,000
	xxxxxx82	Network - Extension	3,264,000	861,000	584,000	594,000	605,000	620,000
	xxxxxx83	Hydrants - Replacement	1,561,000	316,000	300,000	307,000	314,000	324,000
	xxxxxx84	Hydrants - New	120,000	19,000	24,000	25,000	25,000	27,000
	xxxxxx85	Services - Replacement	5,948,000	1,176,000	1,110,000	1,326,000	1,152,000	1,184,000
	xxxxxx86	Services - New	12,853,000	2,504,000	2,521,000	2,562,000	2,602,000	2,664,000
	xxxxxx87	Meters - Replacement	23,943,000	5,229,000	5,317,000	5,117,000	4,081,000	4,199,000
	xxxxxx88	Meters - New	8,890,000	1,681,000	1,737,000	1,776,000	1,823,000	1,873,000
	xxxxxx89	ITS Equipment and Systems	1,635,000	338,000	348,000	359,000	370,000	220,000
	xxxxxx90	Offices and Operations Centers	657,000	154,000	93,000	203,000	107,000	100,000
	xxxxxx91	Vehicles						
	xxxxxx92	Tools and Equipment	1,693,000	385,000	392,000	203,000	398,000	315,000
	xxxxxx93	Process Plant - Replacements	6,114,000	976,000	1,303,000	1,119,000	1,373,000	1,343,000
	xxxxxx94	Process Plant - Additions	405,000	254,000	41,000	31,000	37,000	42,000
	xxxxxx95	Treatment Media Replacement and Process Rehabilitation (capitalized)	1,299,000	250,000	253,000	260,000	263,000	273,000
	xxxxxx96	Tank Rehabilitation / Painting (capitalized)	20,090,000	4,090,000	4,000,000	4,000,000	4,000,000	4,000,000
	xxxxxx97	Comprehensive Planning Studies						
		Total Recurring Projects	**250,073,500**	**41,413,500**	**51,350,000**	**52,059,000**	**52,087,000**	**53,164,000**
		INVESTMENT PROJECTS						
CORP	10010205	R/W Improvement Main Relocation	22,000,000	4,000,000	5,000,000	5,000,000	4,000,000	4,000,000
CORP	10010501	Chlorine Scrubbers (KOK, JCO, WAR)	1,500,000			150,000	1,350,000	
KOK	Pending	Tank & Mains in Southwest	1,950,000			450,000	1,500,000	
RICH	Pending	Distribution Main Reinforcements	2,000,000			500,000	1,500,000	
RICH	Pending	Aeration @ South 4th St. WTP (radon)	50,000					50,000
RICH	Pending	National Road Pump Station Replacement	500,000				500,000	
SUMMIT	Pending	Aeration @ WTP (radon)	75,000					75,000
WAB	Pending	1.0 MG Elevated Tank & Mains	2,200,000			300,000	1,900,000	
WAB	Pending	Aeration @ Smith WTP & WTP#1 (radon)	100,000					100,000
W LAF	10470301	System Delivery Capacity Improvements	21,500,000	8,000,000	12,000,000	1,500,000		
JCO	10550603	Transmission reinforcement in Valle Vista Zone	140,000	140,000				
JCO	Pending	Mains and London Rd. WTP	16,880,000	5,880,000	9,500,000	1,500,000		
MOOR	Pending	Aeration & Filters added to WTP (radon)	1,200,000					1,200,000

NOB	10600601	750K Elev Tank in MPZ & BPS Impr. @ Stoney Creek	958,000	500,000	1,458,000			
NOB	Pending	Well & Filter @ W.R. WTP	450,000	50,000	400,000			
SHELB	Pending	Main to London Rd. WTP	3,680,000	680,000	3,000,000			
WABV	10700507	Source of Supply - Terre Haute	5,600,000	1,100,000	4,500,000			
WABV	Pending	Aeration & Filters added to WTP (radon) - Sullivan	200,000					200,000
SOUTH	Pending	New Well	250,000				250,000	
SOUTH	Pending	Floyd's Knobs Tank	2,000,000	500,000	1,500,000			
NEWB	10800604	Well, Aerator, Filter & High Service Pump @ NTOC	400,000		400,000			
SEY	Pending	Transmission reinforcement North & East Sides	60,000					60,000
NW	10900402	Borman Park BW Recycling, Residuals Management, & Ferric Chloride Conversion	2,080,000	80,000	2,000,000			
NW	10900403	Portage Elevated Storage Facilities	1,000,000	1,000,000				
NW	10900503	Ogden Dunes Improvements	1,730,000	1,730,000				
NW	Pending	Borman Park Substation Improvements	8,878,000	1,300,000	3,278,000	1,000,000	3,300,000	
NW	Pending	Ground Storage Portage	1,500,000			750,000	750,000	
NW	Pending	30" Main along SR 149 from Haglund to Industrial Drive	1,000,000	100,000	900,000			
NW	Pending	Borman Park Replace Clearwell Gates & Valves	170,000	170,000				
NW	Pending	Elevated Storage-Winfield	1,500,000			700,000	800,000	
NW	Pending	South Haven Pump Station Upgrade	200,000	200,000				
NW	Pending	Ogden Dunes Filters-Rehabilitation and VFD's Back Wash Pumps	1,100,000		1,100,000			
NW	Pending	SR Hwy 130 from Sullivan to County Line Rd. 12" Main	240,000				240,000	
NW	Pending	12" Main Replacement, 10th Street from Water to Linda	160,000		20,000	140,000		
NW	Pending	Distribution System Automation and Radio Upgrades	315,000		315,000			
NW	Pending	12" Main Replacement, Water St. from 6th St. to 10th St.	240,000			240,000		
NW	Pending	30" Main Cleveland St. from 19th to 41st	2,420,000	420,000	2,000,000			
NW	Pending	Cleveland St. @ 35th Ave. Pump Station with Generator	1,953,000	453,000	1,500,000			
NW	Pending	16" Main 93rd Avenue From Taft To Broadway	850,000			40,000	810,000	
NW	Pending	16" Main 73rd Avenue from Mississippi to Colorado	550,000			40,000	510,000	
WAR	Pending	Treatment Plant Improvements	9,000,000		2,000,000	1,000,000	6,000,000	
WABV	Pending	High Pressure Zone Consolidation & Reinforcement	3,200,000	200,000	500,000	300,000	2,200,000	
JCO	Pending	Valle Vista Tank Pump Station	500,000	200,000	300,000			
		Total Gross Investment Projects	**123,279,000**	**26,703,000**	**51,671,000**	**13,610,000**	**25,610,000**	**5,685,000**
		Total Gross Recurring and Investment Projects	**373,352,500**	**68,116,500**	**103,021,000**	**65,669,000**	**77,697,000**	**58,849,000**
		Contributions	**0**	**0**	**0**	**0**	**0**	**0**
		Advances	**58,534,000**	**10,862,000**	**11,279,000**	**11,710,000**	**12,044,000**	**12,639,000**
		Refunds	**17,350,000**	**3,350,000**	**3,500,000**	**3,500,000**	**3,500,000**	**3,500,000**
		Total Net Investment	**332,168,500**	**60,604,500**	**95,242,000**	**57,459,000**	**69,153,000**	**49,710,000**

Petitioner's Exhibit DFH

INDIANA-AMERICAN WATER COMPANY, INC.

IURC CAUSE NO. 43187

DIRECT TESTIMONY

OF

DANIEL F. HADDOCK

ON

REPRODUCTION COST NEW LESS DEPRECIATION STUDY

SPONSORING PETITIONER'S EXHIBITS
DFH-1 AND DFH-2

Petitioner's Exhibit DFH

DIRECT TESTIMONY
OF
DANIEL F. HADDOCK
CAUSE NO. 43187
BACKGROUND

Q. Please state your name.

A. My name is Daniel F. Haddock.

Q. Please state your business address.

A. My business address is 555 East County Line Road, Suite 201, Greenwood, Indiana 46143.

Q. By whom are you employed and in what capacity?

A. I am employed by the American Water Works Service Company, Inc. ("AWWSC"). I am the Engineering Manager for Project Delivery and Developer Services for an area that includes Indiana.

Q. Please summarize your higher education.

A. In May 1990, I was awarded a Bachelor of Science Degree in Mechanical Engineering from Rice University. In 1998, I was granted my Professional

Engineer license in the State of Indiana. I have completed partial coursework toward a Master of Business Administration degree at Indiana University – Purdue University Indianapolis (IUPUI).

Q. Have you participated in additional educational activities?

A. In addition to my formal education, I have participated in seminars and workshops related to technical and management aspects of the water utility business.

Q. Please summarize your employment experience.

A. I began my career in 1991 working for the United States Peace Corps as an engineer assigned to construct rural community water utility systems for the Honduran National Water Utility and U.S. Agency for International Development. From 1994 to 1995, I worked as an engineer for an Indianapolis consulting firm with responsibility for management of water utility construction projects. In 1995, I was hired as an engineer with Indiana-American Water Company, Inc. ("Indiana American," "the Company" or "Petitioner"). In that position I was responsible for managing capital investment projects involving source of supply, treatment and distribution system facilities. In 1999, I took a position with American Red Cross International Services to manage a water and sanitation reconstruction program in Honduras, Central America following hurricane Mitch. In that

capacity I was responsible for managing and supervising staff and activities including the planning, design and construction of water and wastewater infrastructure, organization and training of utility boards, community education programs, and coordination with governmental and non-governmental organizations. In August 2002, I returned to the Company as an Operations Engineer, again with responsibilities for managing capital investment projects and providing engineering support to utility operations. In July 2004, I was promoted to my current position.

Q. Please summarize your responsibilities as Engineering Manager.

A. I am responsible for engineering functions for AWWSC in a geographic area that includes Indiana, Ohio, Michigan, and portions of Illinois. This includes providing the planning and implementation of the Company's engineering and capital investment programs.

Q. Have you previously testified before this Commission or any other regulatory commissions in other proceedings?

A. Yes.

Q. What is the purpose of your testimony?

A. I will sponsor the study performed to determine the reproduction cost new ("RCN") and the reproduction cost new less depreciation ("RCNLD") of the

Company's utility plant in service.

RCNLD STUDY

Q. Please identify Petitioner's Exhibit DFH-1

A. This exhibit is my study and analysis of the RCN and RCNLD of the Company's utility plant and equipment used in providing service to the public. The exhibit was prepared under my direction and supervision.

Q. What does your study evaluate?

A. The study evaluates and determines the current RCN and RCNLD of the Company's water utility plant in service, which is part of the Crawfordsville, Johnson County, Kokomo, Mooresville, Muncie, Newburgh, Noblesville, Northwest, Richmond, Seymour, Shelbyville, Somerset Water, Southern Indiana, Summitville, Wabash, Wabash Valley, Warsaw, West Lafayette, and Winchester Operations, as well as the Company's sewer utility plant in service which is part of the Muncie and Somerset Sewer Operations. Also included in the RCNLD study is the Company's Corporate Operation (property of the Company's Corporate Office in Greenwood or which otherwise is not located in or identifiable with one of the foregoing operations). I prepared study reports summarizing the data for the Company operations listed above. The study shows the original cost of the used and

useful property, broken down by account number and year of installation. The study also shows the RCN and the RCNLD of the property.

Q. Please describe the general arrangement of Petitioner's Exhibit DFH-1

A. Petitioner's Exhibit DFH-1, Schedule 2 sets forth the calculation of the RCN and RCNLD valuations for used and useful utility plant for all water and sewer operations at December 31, 2006, for Indiana American. This information is by account and by year of installation. Petitioner's Exhibit DFH-1 Schedule 1 contains a summary of the information shown on Schedule 2.

Q. Are you familiar with the facilities comprising the Company's operations?

A. Yes.

Q. Please describe the basis of your knowledge of the Company's operations?

A. I have been responsible in some capacity for engineering and construction work at Indiana American for a total of eight years since 1995. For approximately five years, I directly managed engineering and construction projects. For the past three years, I have been responsible for managing the activities of the engineering department for Indiana. As part of my job

1 responsibilities, I have visited and inspected each of the Company's
2 operations and their associated facilities.
3
4 **Q. How would you characterize the condition of the various facilities that**
5 **you have inspected?**
6 A. In my opinion, Indiana American's plant and systems are in a good state of
7 operating condition, are well maintained and are used to provide utility
8 service to the public.
9
10 **Q. Please explain how the reproduction cost new less depreciation of**
11 **Indiana American's property can be determined.**
12 A. RCNLD refers to the estimated cost of reproducing existing facilities at
13 current costs, adjusted for the loss in service value (depreciation) reflected in
14 their current condition. The calculation of RCNLD is a two-step process. The
15 first step is to determine RCN, the cost of constructing, purchasing or
16 manufacturing new property, substantially the same as the old property,
17 using costs at or about the time of the study. The second step is to
18 determine the percent condition of the property. Percent condition measures
19 the amount of the property's service value, which has not been lost due to
20 physical depreciation. The percent condition is then multiplied by the RCN.
21 The result is the RCNLD, which is a net cost recognizing both the current
22 costs of reproducing the property and the loss of service value of the existing

property due to depreciation in the form of wear and tear, obsolescence and lack of utility.

Q. What is the purpose of an RCNLD study?

A. The purpose of an RCNLD study is to assess the cost to reproduce the existing utility plant in service based on current material and equipment prices and current construction and wage levels. The original cost of a well-planned facility is representative of its value at the time of construction. However, the original cost of plant constructed in the past is generally not representative of the RCN, due to changes in unit costs caused by inflation and changes in construction practices.

Q. Would you briefly explain the methods commonly used to determine the RCN of property?

A. The two commonly used methods of determining the RCN of property are (1) the Unit Price method, and (2) the Trended Original Cost method. The Unit Price method requires a time-consuming and costly detailed inventory of all property. Each item of inventory is then priced using current material and labor costs under current methods of construction. The Trended Original Cost method is based on the actual historical cost of construction of the property as reflected on the Company's books and records. The historical or original costs are adjusted to current levels by applying trend factors to the

original cost dollars for each vintage year for each plant account or sub-account, as deemed appropriate. The trend factors are based on indexes determined to be appropriate for measuring changes in price over time for each type of plant.

Q. Which method did you use to compute the RCN for the Company's utility plant in service?

A. I used the Trended Original Cost method. This method is significantly less costly to perform than the Unit Price method and produces a reasonable result. The Company's accounting records provide the necessary detail as to original costs by account, sub-account and vintage year for a Trended Original Cost study. In my opinion, the Trended Original Cost method is reasonable and appropriate for determining the RCN of Indiana American's property. I have compared the results of the RCN against my knowledge of construction costs in the Indiana area and have concluded that the index data is valid and reasonable.

Q. As used in the Trended Original Cost methodology, what do you mean by "trend factors?"

A. By trend factors I mean the standard cost indexes which are published or available and used for the trending process.

1 **Q. What are the sources of the trend factors, which you used?**

2 A. The primary source of the trend factors used in this study was the Handy-
3 Whitman Index of Public Utility Construction Costs for Water Utilities located
4 in the North Central United States. Handy-Whitman provides indexes
5 reflecting cost levels for various accounts in the Uniform System of Accounts.
6 This index is published regularly for water and other utility property. I also
7 used an index published by the U.S. Bureau of Labor Statistics for some
8 accounts.

9

10 **Q. What is the Handy-Whitman index?**

11 A. The Handy-Whitman index is prepared by Whitman, Requardt and
12 Associates, Engineers, Baltimore, Maryland, for six different geographical
13 areas of the United States. I used the indexes for the North Central Region
14 because they reflect construction cost trends applicable to the location of the
15 Company's properties. The Handy-Whitman Indexes have been used and
16 generally accepted for rate setting purposes and also for many other
17 purposes. For example, they have been used to value utility property, for
18 stock valuations, sale of property and ad valorem taxation. They have also
19 been used to determine original cost when such data have been unavailable
20 as part of a utility's records. These indexes have also been used for
21 insurance purposes.

22

Q. In your opinion, is it reasonable and appropriate to use the Handy-Whitman indexes for estimating the RCN of the Company's properties?

A. Yes. In my opinion the Handy-Whitman indexes are reasonable to use for estimating RCN. The Handy Whitman indexes are designed to estimate RCN. The basic purpose of the Handy-Whitman cost indexes is stated in the Foreword to their manual, under the heading "Use of Index Numbers":

> Handy-Whitman Index numbers have been widely used to trend earlier valuations and original cost records to estimate reproduction cost at prices prevailing at a certain date.... The Handy-Whitman Index has a general application in valuations of all types of property.

The Foreword also states under "Value of Index Numbers":

> We believe that present-day reproduction cost of any property can be calculated more accurately using index numbers than by repricing a complete inventory.

The Handy-Whitman indexes have been published continuously since 1924 and are well-recognized around the country as suitable for determining the RCN of utility property.

Q. Has Indiana American previously used the Handy-Whitman indexes to prepare RCNLD valuations of its properties?

A. Yes. For many years, the Company has calculated the RCN of its utility property using the Trended Original Cost method by means of the Handy-Whitman indexes and has found the result to be a reasonable and conservative estimate of the cost to reproduce the property at current price levels.

Q. Why do you consider the result of this methodology to be conservative?

A. In terms of assessing the RCN of utility facilities as they exist at any point in time, use of indexes will tend to be conservative when compared to the actual cost of reproducing the facilities due to additional work that would be needed with respect to pavement replacement for streets, roads and driveways, avoiding interference with other utility facilities, and generally more stringent regulatory and safety requirements. These costs are not fully captured by the Handy-Whitman indexes.

Q. You stated that for some accounts you used an index published by the Bureau of Labor Statistics. What is the Bureau of Labor Statistics index?

A. The Bureau of Labor Statistics ("BLS") is part of the U.S. Department of Labor and publishes the Producer Price Index. I used this index to trend certain accounts.

Q. For what accounts did you use this index and why?

A. I used the Producer Price Index for Accounts 340 through 347, the 1984 NARUC general plant accounts. That index best reflects price changes for the kinds of items in those accounts and, therefore is appropriate to use for these accounts.

Q. Did you apply any trending factors to land?

A. No. I have included land at its original cost because of the expense of obtaining separate land appraisals. This is a conservative assumption.

Q. Please describe Petitioner's Exhibit DFH-1, Schedule 1

A. Petitioner's Exhibit DFH-1, Schedule 1 shows the RCN and RCNLD as of December 31, 2006 for the water and sewer utility plant in service of Indiana American.

This document is a summary, by primary plant account, listing the original cost and RCN of the property in each account as of December 31, 2006. At the bottom of the column entitled "Reproduction Cost New," I show the percent condition and the RCNLD. Also included in the third column are figures entitled "Trended Cost Adjusted for Technological Change."

Q. Why do you show the column entitled "Trended Cost Adjusted for Technological Change"?

A. In a further effort to reflect conservative results, I have adjusted my RCNLD for technological change. The Handy-Whitman Index captures changes in technology, but I have further adjusted my results to reflect gains in productivity that we have seen over the average life of the assets in the RCNLD study. I first computed the weighted average age of the original cost plant and equipment in the study. The weighted average age is 14 years. I then consulted the BLS index of labor productivity (output per hour worked), which provides the basis for calculating the following measures of productivity gains over the 14-year time frame:

Bureau of Labor Statistics
Measures of Productivity
1992 to 2006 (Second Quarter)

Sector : Business	2.40%
Sector : Nonfarm Business	2.35%
Sector : Nonfinancial Corporations	3.03%

From this I concluded a productivity factor of 2.5% would be a conservative estimate of productivity gains for purposes of my technological change estimate. The results of this adjustment are identified on the Schedule as "Trended Cost Adjusted for Technological Change".

Q. Would you please continue with your description of Petitioner's Exhibit DFH-1, Schedule 2 ?

A. Schedule 2 provides the detail that is shown in the Summary Schedule identified as Schedule 1

Q. So that we can better understand the process by which you have determined RCN, would you please describe, as an example, page 10 of 122 in Petitioner's Exhibit DFH-1, Schedule 2 which shows your RCN calculation for Account 304100 - Structures & Improvements?

A. Yes. The first and second columns show the year of installation and original cost of the assets in Account 304100, which are still surviving as of December 31, 2006.

The third column sets forth the cost index value applicable to each year of installation. The index will vary from year-to-year and by account.

The fourth column sets forth the "translator" or cost ratio, which is applied to the original cost in order to calculate the RCN. The translator is calculated by dividing the cost index as of January 1, 2006 by the cost index for each year of installation.

The fifth column contains the RCN figures for each year. The original cost and RCN are totaled for each account.

The sixth column contains the Productivity Adjustment Factor for each year. This factor will vary from year-to-year and by account. The Productivity Adjustment Factor is calculated by assigning a value of 1 to the most recent year. The previous year factor is then obtained by multiplying that value by 2.5%, a factor I calculated to account for Technological Change. The inverse of the resultant factor is then calculated to obtain the Productivity Adjustment Factor for each year of installation.

The final column contains the Trended Cost Adjusted for Technological Change for each year. The Trended Cost Adjusted for Technological Change is calculated by multiplying the Productivity Adjustment Factor for that specific year by the RCN for that specific year.

I would also note that we did not apply a trend factor to intangible plant or land accounts.

Q. Please give us a specific example of how the original cost of the assets in Account 304100 for a particular vintage year are converted to RCN.

A. The first installation for Account 304100 is $58 in 1929. The index in that year was 17. The index as of January 1, 2006 for Account 304100 is 450.

Dividing the January 1, 2006 index of 450 by the 1929 index of 17 yields a translator value of 26.471. Multiplying the original cost in the amount of $58 by the translator of 26.471 produces the RCN of $1,535.

Q. Are the calculations of RCN the same for each account and for each operation?

A. Yes. Of course, the appropriate indexes are used for each account.

Q. Why did you use a January 1, 2006 index?

A. That date is the latest available for the Handy-Whitman index, the source for most of my trending factors. Since January 1, 2006 is reasonably close to the rate base valuation date, it is my opinion that no projection was necessary.

Q. What was the source of the original cost and vintage data used in <u>Petitioner's Exhibit DFH-1</u>?

A. The data came from the Company's books and property records.

Q. On the basis of your study, do you have an opinion as to the RCN of the Company's utility plant in service and used and useful in the provision of service of the public?

A. Yes.

1 **Q. What is your opinion?**

2 A. It is my opinion that the RCN of the Company's utility plant in service and
3 used and useful for the convenience of the public, as of December 31, 2006
4 is not less than $1,984,351,305.

5

6 **Q. Having developed the RCN using the trending method, how did you**
7 **then calculate the RCNLD?**

8 A. I calculated the percent condition to be equal to the complement of the
9 depreciation reserve divided by the plant investment as of December 31,
10 2006. I applied the resulting percent condition of 71.34, to the RCN. The
11 result is set forth on Petitioner's Exhibit DFH-1.

12

13 **Q. What is your conclusion as to the RCNLD?**

14 A. In my opinion, the reproduction cost new less depreciation of the
15 Company's used and useful utility plant in service, as of December 31,
16 2006 is not less than $1,415,636,221.

17

18 **Q. What is the result of adjusting these amounts by the Productivity**
19 **Adjustment factor you have calculated?**

20 A. The total Trended Cost Adjusted for Technological Change amount is
21 $793,245,718.

22

1 **Q. How do the results of your study compare to the valuations in Indiana**
2 **American's last rate case?**
3 A. In Petitioner's last rate case (Cause No. 42520), the Company submitted an
4 RCNLD valuation of Indiana American's property as of December 31, 2003.
5 Petitioner's Exhibit DFH-2 shows the original costs, and RCNLD resulting
6 from that study. The exhibit also identifies the increases in those amounts
7 as shown by the current study.
8
9 **Q. Does your valuation include materials and supplies, capitalized tank**
10 **painting, post in-service AFUDC, or deferred depreciation?**
11 A. No.
12
13 **Q. Does this conclude your direct testimony?**
14 A. Yes.

Indiana American Water Company, Inc.
Reproduction Cost New As Of 12/31/2006

Petitioner's Exhibit DFH-1
Schedule 1
Cause No. 43187

Account Number	Description	Original Cost	Reproduction Cost New	Trended Cost Adjusted For Technological Change
311550		15,240	15,240	15,240
	Total	15,240	15,240	15,240
	Intangible Plant			
301000	Organization	500,332	500,332	500,332
302000	Franchises	2,678	2,678	2,678
339600	Other P/E Comp Planning Stud	2,193,028	2,193,028	2,193,028
	Total Intangible Plant	2,696,038	2,696,038	2,696,038
	Source of Supply Plant			
303200	Land and Land Rights SS	8,036,987	8,036,987	8,036,987
304100	Struct & Improv SS	3,447,631	4,942,511	3,938,297
305000	Collecting and Impounding Re	7,755,544	43,277,646	16,078,294
306000	Lake, River & Other Intakes	49,399,041	85,878,749	56,411,955
307000	Wells and Springs	8,558,210	17,236,164	10,859,032
308000	Infiltration Galleries & Tun	18,878	896,034	76,705
309000	Supply Mains	7,233,093	15,953,878	9,160,285
	Total Source of Supply Plant	84,449,384	176,221,969	104,561,555
	Power and Pumping Plant			
304200	Struct & Improv PU	23,917,382	53,132,844	30,780,725
310100	Power Gener Equip-Other	1,625,025	3,039,865	2,027,385
311200	Pumping Equipment-Electric	38,463,090	120,004,288	55,838,572
311250	Pumping Equipment Electric T&D	627,924	720,150	676,937
311300	Pumping Equipment-diesel	1,123,006	2,744,755	1,618,550
311400	Pumping Equipment-hydraulic	51,955	57,795	54,884
311500	Pumping Equipment-Other	557,037	1,380,063	815,541
371100	Electric Pumping Equip-SWR	3,742	5,960	4,647
	Total Power and Pumping Plant	66,369,161	181,085,720	91,817,241
	Water Treatment Plant			
303400	Land and Land Rights WT	2,248,050	2,248,050	2,248,050
304300	Struct & Improv WT	42,670,901	65,417,549	49,410,419
304301	Str & Impr WT Full Depr Pain	197,249	370,507	238,446
304302	Str & Impr WT Painting	478,699	655,691	539,131
304390	Mixing & Settling Bas in Bldg	3,975,827	19,902,120	7,958,764

Indiana American Water Company, Inc.
Reproduction Cost New As Of 12/31/2006

Petitioner's Exhibit DFH-1
Schedule 1
Cause No. 43187

Account Number	Description	Original Cost	Reproduction Cost New	Trended Cost Adjusted For Technological Change
304391	Purification Bldg	1,418,929	10,088,621	3,787,366
304392	Wash Water Tower Bldg	-1	1,810,299	230,392
320100	Wtr Treat Equip (Non-Media)	63,605,284	112,818,204	75,398,343
320190	Settling Basin.Clear Well Eq	573,608	2,635,796	1,116,160
320191	Filter Plant Piping & Equip	3,361,539	8,524,751	4,717,935
320192	Wash Water Tank Equip	84,173	893,480	175,607
320193	Chemical Feed Equipment	2,293,582	5,489,388	3,178,260
353400	WW Land and Ld Rights TDP	350	350	350
354400	WW Struct & Imp TDP	38,490	58,411	44,803
380450	Other Sewage Remove Equip	105,298	377,636	181,899
	Total Water Treatment Plant	121,051,978	231,290,853	149,225,925
	Transmission & Distribution Plant			
303500	Land and Land Rights TD	1,851,946	1,851,946	1,851,946
304400	Struct & Improv TD	1,724,033	2,491,615	1,964,453
330000	Dist. Resevoirs & Standpipe	25,757,190	88,056,583	42,869,638
330002	Dist. Res & St Full Depr Pain	1,008,300	2,249,493	1,398,585
330003	Distr Reserv & Stand Paintin	4,724,000	5,596,038	5,205,669
330100	Elevated Tanks & Standpipes	2,930,776	3,578,296	3,349,176
331001	Mains Conversion	352,622,183	889,410,524	470,442,146
333000	Services	70,264,497	196,614,456	98,981,104
334100	Meters	545	619	564
334110	Meters Bronze Case	15,728,295	17,989,190	15,758,247
334120	Meters Plastic Case	241,353	371,206	249,688
334130	Meters Other	8,218,878	11,760,701	8,400,115
334131	Remote Reader Units	2,424,768	3,283,611	2,397,595
334200	Meter Installations	32,501,209	36,161,689	24,130,414
334201	Meter Installations Remote	1,147,568	930,068	655,812
335000	Hydrants	30,028,042	70,786,925	41,507,712
339500	Other P/E TD	107,053	137,430	117,728
353200	WW Land and Ld Rights Coll	631	631	631
361100	Collecting Mains-SWR	369,524	876,457	513,117
361101	Collecting Mains-SWR (MUN)	363,524	712,921	466,293
364000	Flow Measuring Devices-SWR	74,361	87,335	76,288
	Total Transmission & Distribution	552,088,676	1,332,947,734	720,336,921
	General Plant			

Indiana American Water Company, Inc.
Reproduction Cost New As Of 12/31/2006

Petitioner's Exhibit DFH-1
Schedule 1
Cause No. 43187

Account Number	Description	Original Cost	Reproduction Cost New	Trended Cost Adjusted For Technological Change
303600	Land and Land Rights AG	564,608	564,608	564,608
304510	Struct & Improv Cap Lse	193,532	334,483	234,787
304600	Struct & Improv Office	1,095,863	5,177,494	2,177,882
304620	Struct & Improv Leasehold Im	60,099	76,023	66,564
304700	Struct & Improv Stores/Shop/	4,673,968	11,803,508	6,753,164
304800	Struct & Improv Miscellaneous	603,868	2,141,779	1,061,302
340100	Office Furniture	2,437,476	3,354,575	2,314,337
340210	Comp and Periph Mainframe	156,448	136,607	111,137
340220	Comp and Periph Personal	3,437,608	3,234,207	2,817,715
340230	Comp and Periph Other	1,901,992	1,861,820	1,768,230
340240	Personal Computers & Peripherals Lease	1,287,360	1,221,191	1,062,931
340310	Mainframe Computer Software	8,108,903	8,024,382	7,823,312
340320	Personal Computer Software	326,866	297,987	250,575
340330	Comp Software Other	79,906	77,239	68,561
340500	Other Office Equipment	285,149	293,255	231,111
341100	Light Duty Trucks	2,507,765	2,485,472	2,114,902
341200	Heavy Duty Trucks	611,598	607,779	497,542
341300	Automobiles	428,572	421,858	353,703
341400	Other Tranport Equipment	1,686,412	1,679,502	1,355,770
342000	Stores Equip	83,726	207,527	104,801
343000	Tools/Shop/Garage Equip	2,396,057	3,833,198	2,491,763
343100	Tools & Shop & Garage & Other	885,548	1,845,621	1,027,327
344000	Laboratory Equip	983,157	1,531,620	993,943
345000	Power Operated Equip	1,904,264	2,448,542	1,749,326
346000	Comm Equip.	763	763	695
346100	Comm Equip (Non-Telephone)	1,550,379	1,574,435	1,114,521
346190	Remote Control & Instr	1,965,697	1,972,780	1,601,681
346200	Telephone Equipment	228,375	225,019	193,052
347000	Miscellaneous Equipment	2,398,537	2,626,399	2,332,873
397000	Miscellaneous Equip-SWR	33,776	34,078	31,755
	Total General Plant	42,878,272	60,093,751	43,269,870

Indiana American Water Company, Inc.
Reproduction Cost New As Of 12/31/2006

Petitioner's Exhibit DFH-1
Schedule 1
Cause No. 43187

Account Number	Description	Original Cost	Reproduction Cost New	Trended Cost Adjusted For Technological Change
	Total plant at December 31, 2006	869,548,749	1,984,351,305	1,111,922,790
	Percent condition		71.34	71.34
	Total after adjustment for depreciation		1,415,636,221	793,245,718

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 301000 Organization

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1904	132			132		132
1931	42			42		42
1948	2,848			2,848		2,848
1951	6,172			6,172		6,172
1954	47			47		47
1963	14,607			14,607		14,607
1966	7,310			7,310		7,310
1967	3,675			3,675		3,675
1970	5,019			5,019		5,019
1971	185			185		185
1978	134			134		134
1980	4,490			4,490		4,490
1983	96,268			96,268		96,268
1992	11,180			11,180		11,180
1994	100,203			100,203		100,203
1995	87,416			87,416		87,416
1996	105,984			105,984		105,984
1997	2,683			2,683		2,683
2000	51,937			51,937		51,937
	$500,332			$500,332		$500,332

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 302000 Franchises

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1940	439			439		439
1955	7			7		7
1959	921			921		921
1960	500			500		500
2002	811			811		811
	$2,678			$2,678		$2,678

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 303200 Land and Land Rights SS

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1884	579			579		579
1887	1,000			1,000		1,000
1889	1,378			1,378		1,378
1890	233			233		233
1891	8,500			8,500		8,500
1896	1			1		1
1900	150			150		150
1904	300			300		300
1905	304			304		304
1906	700			700		700
1907	385			385		385
1913	15,887			15,887		15,887
1914	1			1		1
1916	2,300			2,300		2,300
1917	1,165			1,165		1,165
1918	1,541			1,541		1,541
1920	638			638		638
1921	425			425		425
1922	998			998		998
1923	2,656			2,656		2,656
1925	4,032			4,032		4,032
1926	4,777			4,777		4,777
1928	1			1		1
1929	4,994			4,994		4,994
1930	1,224			1,224		1,224
1940	1,238			1,238		1,238
1941	984			984		984
1943	709			709		709
1945	6,788			6,788		6,788
1947	3,341			3,341		3,341
1948	6,402			6,402		6,402
1950	5,887			5,887		5,887
1951	21,799			21,799		21,799
1952	1,297			1,297		1,297
1953	4,784			4,784		4,784
1954	48,516			48,516		48,516
1955	4,185			4,185		4,185
1956	936			936		936
1957	5,174			5,174		5,174
1958	745,124			745,124		745,124

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 303200 Land and Land Rights SS

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1959	17,326			17,326		17,326
1960	7,909			7,909		7,909
1961	2,220,325			2,220,325		2,220,325
1962	11,787			11,787		11,787
1963	14,842			14,842		14,842
1964	24,517			24,517		24,517
1965	73,651			73,651		73,651
1966	2,251			2,251		2,251
1967	55,853			55,853		55,853
1968	957			957		957
1969	10,990			10,990		10,990
1970	8,245			8,245		8,245
1972	1,129			1,129		1,129
1975	1,052			1,052		1,052
1977	60,174			60,174		60,174
1978	10,333			10,333		10,333
1979	476			476		476
1981	1			1		1
1988	1,000			1,000		1,000
1989	3,237			3,237		3,237
1990	154,040			154,040		154,040
1991	570,605			570,605		570,605
1992	25,172			25,172		25,172
1993	53,797			53,797		53,797
1994	364,076			364,076		364,076
1995	20,053			20,053		20,053
1996	114,671			114,671		114,671
1997	806,824			806,824		806,824
1998	636,548			636,548		636,548
1999	417,820			417,820		417,820
2000	272,269			272,269		272,269
2001	384,581			384,581		384,581
2002	251,382			251,382		251,382
2003	43,297			43,297		43,297
2004	471,693			471,693		471,693
2005	12,771			12,771		12,771
	$8,036,987			$8,036,987		$8,036,987

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 303400 Land and Land Rights WT

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1890	3,000			3,000		3,000
1917	4,483			4,483		4,483
1923	3,371			3,371		3,371
1925	237			237		237
1929	408			408		408
1942	1			1		1
1947	7,393			7,393		7,393
1949	150			150		150
1954	1,884			1,884		1,884
1955	2,767			2,767		2,767
1956	1,252			1,252		1,252
1957	2			2		2
1959	6,082			6,082		6,082
1960	5,378			5,378		5,378
1961	26,757			26,757		26,757
1962	3,373			3,373		3,373
1963	15,406			15,406		15,406
1964	17			17		17
1965	24,187			24,187		24,187
1967	140			140		140
1968	10,585			10,585		10,585
1969	1,861			1,861		1,861
1972	897			897		897
1973	583			583		583
1975	100,229			100,229		100,229
1977	1,159			1,159		1,159
1978	2,059			2,059		2,059
1980	20,165			20,165		20,165
1981	15,658			15,658		15,658
1986	143,559			143,559		143,559
1987	12,302			12,302		12,302
1992	30,982			30,982		30,982
1993	40,270			40,270		40,270
1994	147,068			147,068		147,068
1995	449,637			449,637		449,637
1996	279,832			279,832		279,832
1997	580,645			580,645		580,645
1999	38,708			38,708		38,708
2000	136,630			136,630		136,630
2001	116,410			116,410		116,410

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 303400 Land and Land Rights WT

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
2006	12,523			12,523		12,523
	$2,248,050			$2,248,050		$2,248,050

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 303500 Land and Land Rights TD

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1885	1,688			1,688		1,688
1913	50			50		50
1914	73			73		73
1915	1,493			1,493		1,493
1921	1,326			1,326		1,326
1922	941			941		941
1923	543			543		543
1924	18			18		18
1925	30			30		30
1926	68			68		68
1928	515			515		515
1929	621			621		621
1930	16			16		16
1931	940			940		940
1932	387			387		387
1935	4			4		4
1936	547			547		547
1938	1			1		1
1939	2			2		2
1940	20			20		20
1941	181			181		181
1942	14			14		14
1945	966			966		966
1947	3,000			3,000		3,000
1948	847			847		847
1949	16,736			16,736		16,736
1950	881			881		881
1951	11,971			11,971		11,971
1952	347			347		347
1953	19,497			19,497		19,497
1954	11,776			11,776		11,776
1955	237			237		237
1956	748			748		748
1957	12,348			12,348		12,348
1958	2,158			2,158		2,158
1959	8,790			8,790		8,790
1960	5,330			5,330		5,330
1961	11,301			11,301		11,301
1962	1,701			1,701		1,701
1963	11,743			11,743		11,743

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 303500 Land and Land Rights TD

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1964	11,504			11,504		11,504
1965	6,859			6,859		6,859
1966	2,740			2,740		2,740
1967	53,982			53,982		53,982
1968	644			644		644
1969	1,942			1,942		1,942
1970	4,994			4,994		4,994
1971	23,732			23,732		23,732
1972	3,399			3,399		3,399
1973	735			735		735
1974	9,066			9,066		9,066
1975	7			7		7
1976	135			135		135
1977	7,920			7,920		7,920
1978	12,326			12,326		12,326
1979	1,072			1,072		1,072
1980	12,297			12,297		12,297
1981	20,898			20,898		20,898
1982	4,666			4,666		4,666
1983	119,104			119,104		119,104
1984	27,844			27,844		27,844
1985	47,515			47,515		47,515
1986	1,003			1,003		1,003
1987	19,795			19,795		19,795
1988	4,582			4,582		4,582
1989	35,487			35,487		35,487
1991	34,397			34,397		34,397
1992	136,283			136,283		136,283
1993	17,716			17,716		17,716
1995	126,346			126,346		126,346
1996	104,260			104,260		104,260
1997	83,774			83,774		83,774
1998	222,363			222,363		222,363
1999	325,922			325,922		325,922
2000	101,889			101,889		101,889
2003	121,286			121,286		121,286
2004	13,607			13,607		13,607
	$1,851,946			$1,851,946		$1,851,946

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 303600 Land and Land Rights AG

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1920	2,354			2,354		2,354
1921	47			47		47
1924	266			266		266
1947	718			718		718
1951	6,561			6,561		6,561
1956	4,013			4,013		4,013
1965	2,095			2,095		2,095
1971	26,100			26,100		26,100
1972	16,855			16,855		16,855
1973	101,154			101,154		101,154
1976	125,772			125,772		125,772
2000	82,320			82,320		82,320
2001	196,353			196,353		196,353
	$564,608			$564,608		$564,608

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 304100 Struct & Improv SS

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1929	58	17.0	26.471	1,535	0.168	258
1948	617	32.0	14.062	8,676	0.260	2,256
1949	46	33.0	13.636	627	0.267	167
1950	374	34.0	13.235	4,950	0.273	1,351
1951	619	37.0	12.162	7,528	0.279	2,100
1952	46	37.0	12.162	559	0.286	160
1956	3,275	46.0	9.783	32,039	0.314	10,060
1958	892	50.0	9.000	8,028	0.328	2,633
1962	1,762	53.0	8.491	14,961	0.360	5,386
1965	197	56.0	8.036	1,583	0.386	611
1967	500	61.0	7.377	3,688	0.405	1,494
1970	795	75.0	6.000	4,770	0.434	2,070
1972	167	92.0	4.891	817	0.454	371
1973	3,100	100.0	4.500	13,950	0.465	6,487
1978	337	155.0	2.903	978	0.522	511
1980	226	184.0	2.446	553	0.547	302
1983	17,029	212.0	2.123	36,153	0.587	21,222
1984	62,116	221.0	2.036	126,468	0.600	75,881
1986	1,500	234.0	1.923	2,884	0.629	1,814
1988	899	251.0	1.793	1,612	0.659	1,062
1990	9,152	264.0	1.705	15,604	0.690	10,767
1991	740,666	264.0	1.705	1,262,836	0.706	891,562
1992	1,906	269.0	1.673	3,189	0.723	2,306
1993	13,733	281.0	1.601	21,987	0.740	16,270
1994	36,882	295.0	1.525	56,245	0.757	42,577
1995	282,169	305.0	1.475	416,199	0.775	322,554
1996	5,235	309.0	1.456	7,622	0.793	6,044
1997	503,645	319.0	1.411	710,643	0.812	577,042
1998	91,385	325.0	1.385	126,568	0.831	105,178
1999	338,886	334.0	1.347	456,479	0.850	388,007
2000	271,848	351.0	1.282	348,509	0.870	303,203
2001	558,040	368.0	1.223	682,483	0.890	607,410
2002	219,215	382.0	1.178	258,235	0.911	235,252
2003	13,288	390.0	1.154	15,334	0.933	14,307
2004	159,490	399.0	1.128	179,905	0.955	171,809
2005	21,025	434.0	1.037	21,803	0.977	21,302
2006	86,511	450.0	1.000	86,511	1.000	86,511
	$3,447,631			$4,942,511		$3,938,297

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 304200 Struct & Improv PU

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1885	11,184	8.0	56.250	629,100	0.060	37,746
1889	2,108	8.0	56.250	118,575	0.066	7,826
1895	309	8.0	56.250	17,381	0.076	1,321
1900	2,956	8.0	56.250	166,275	0.086	14,300
1909	68,992	8.0	56.250	3,880,800	0.105	407,484
1910	36,755	8.0	56.250	2,067,469	0.108	223,287
1913	2,806	8.0	56.250	157,838	0.116	18,309
1914	18,310	8.0	56.250	1,029,938	0.118	121,533
1915	8,044	9.0	50.000	402,200	0.121	48,666
1916	2,888	12.0	37.500	108,300	0.124	13,429
1917	23,991	16.0	28.125	674,747	0.127	85,693
1920	6,125	21.0	21.429	131,253	0.136	17,850
1923	1,958	18.0	25.000	48,950	0.146	7,147
1926	345	18.0	25.000	8,625	0.156	1,346
1927	876	18.0	25.000	21,900	0.160	3,504
1929	4,409	17.0	26.471	116,711	0.168	19,607
1931	1,185	16.0	28.125	33,328	0.176	5,866
1934	1,798	16.0	28.125	50,569	0.188	9,507
1935	969	15.0	30.000	29,070	0.193	5,611
1937	447	17.0	26.471	11,833	0.202	2,390
1942	722	20.0	22.500	16,245	0.227	3,688
1944	1,637	21.0	21.429	35,079	0.237	8,314
1945	11,409	22.0	20.455	233,371	0.243	56,709
1947	23,826	28.0	16.071	382,908	0.254	97,259
1948	5,663	32.0	14.062	79,633	0.260	20,705
1949	9,341	33.0	13.636	127,374	0.267	34,009
1950	1,356	34.0	13.235	17,947	0.273	4,900
1951	10,677	37.0	12.162	129,854	0.279	36,229
1952	12,198	37.0	12.162	148,352	0.286	42,429
1953	112,660	39.0	11.538	1,299,871	0.292	379,562
1954	12,483	41.0	10.976	137,013	0.299	40,967
1955	10,941	42.0	10.714	117,222	0.306	35,870
1956	10,992	46.0	9.783	107,535	0.314	33,766
1957	24,874	49.0	9.184	228,443	0.321	73,330
1958	23,583	50.0	9.000	212,247	0.328	69,617
1959	186,464	52.0	8.654	1,613,659	0.336	542,189
1960	1,954	52.0	8.654	16,910	0.344	5,817
1961	63,327	52.0	8.654	548,032	0.352	192,907
1962	12,459	53.0	8.491	105,789	0.360	38,084
1963	12,496	54.0	8.333	104,129	0.369	38,424

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 304200 Struct & Improv PU

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1964	35,614	55.0	8.182	291,394	0.377	109,856
1965	318,785	56.0	8.036	2,561,756	0.386	988,838
1966	58,206	58.0	7.759	451,620	0.395	178,390
1967	66,526	61.0	7.377	490,762	0.405	198,759
1968	31,335	64.0	7.031	220,316	0.414	91,211
1969	124,606	69.0	6.522	812,680	0.424	344,576
1970	32,877	75.0	6.000	197,262	0.434	85,612
1971	252,294	84.0	5.357	1,351,539	0.444	600,083
1972	12,461	92.0	4.891	60,947	0.454	27,670
1973	73,187	100.0	4.500	329,342	0.465	153,144
1974	12,818	117.0	3.846	49,298	0.476	23,466
1975	2,643	129.0	3.488	9,219	0.487	4,490
1976	24,053	133.0	3.383	81,371	0.499	40,604
1977	18,426	141.0	3.191	58,797	0.510	29,986
1978	26,617	155.0	2.903	77,269	0.522	40,334
1979	74,560	169.0	2.663	198,553	0.535	106,226
1980	10,416	184.0	2.446	25,478	0.547	13,936
1981	2,011	197.0	2.284	4,593	0.560	2,572
1982	59,078	204.0	2.206	130,326	0.573	74,677
1983	105,450	212.0	2.123	223,870	0.587	131,412
1984	48,033	221.0	2.036	97,795	0.600	58,677
1985	98,220	228.0	1.974	193,886	0.614	119,046
1986	80,917	234.0	1.923	155,603	0.629	97,874
1987	48,312	240.0	1.875	90,585	0.644	58,337
1988	89,961	251.0	1.793	161,300	0.659	106,297
1989	148,805	261.0	1.724	256,540	0.674	172,908
1990	89,910	264.0	1.705	153,297	0.690	105,775
1991	245,121	264.0	1.705	417,931	0.706	295,059
1992	136,925	269.0	1.673	229,076	0.723	165,622
1993	209,264	281.0	1.601	335,032	0.740	247,924
1994	3,785,000	295.0	1.525	5,772,125	0.757	4,369,499
1995	873,945	305.0	1.475	1,289,069	0.775	999,028
1996	1,011,113	309.0	1.456	1,472,181	0.793	1,167,440
1997	5,505,881	319.0	1.411	7,768,798	0.812	6,308,264
1998	554,479	325.0	1.385	767,953	0.831	638,169
1999	3,334,395	334.0	1.347	4,491,430	0.850	3,817,716
2000	410,792	351.0	1.282	526,635	0.870	458,172
2001	150,319	368.0	1.223	183,840	0.890	163,618
2002	831,551	382.0	1.178	979,567	0.911	892,386
2003	3,960,050	390.0	1.154	4,569,898	0.933	4,263,715

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 304200 Struct & Improv PU

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
2004	47,547	399.0	1.128	53,633	0.955	51,220
2005	120,024	434.0	1.037	124,465	0.977	121,602
2006	49,338	450.0	1.000	49,338	1.000	49,338
	$23,917,382			$53,132,844		$30,780,725

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 304300 Struct & Improv WT

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1900	4,691	8.0	56.250	263,869	0.086	22,693
1907	1,040	8.0	56.250	58,500	0.101	5,908
1917	25,034	16.0	28.125	704,081	0.127	89,418
1921	33	19.0	23.684	782	0.139	109
1924	15,079	19.0	23.684	357,131	0.149	53,213
1941	475	19.0	23.684	11,250	0.221	2,486
1943	55	20.0	22.500	1,238	0.232	287
1951	1,697	37.0	12.162	20,639	0.279	5,758
1952	121,788	37.0	12.162	1,481,186	0.286	423,619
1953	25,424	39.0	11.538	293,342	0.292	85,656
1954	141	41.0	10.976	1,548	0.299	463
1955	14,950	42.0	10.714	160,174	0.306	49,013
1956	1,026	46.0	9.783	10,037	0.314	3,152
1958	658	50.0	9.000	5,922	0.328	1,942
1959	3,166	52.0	8.654	27,399	0.336	9,206
1960	72,788	52.0	8.654	629,907	0.344	216,688
1961	405,146	52.0	8.654	3,506,133	0.352	1,234,159
1962	14,900	53.0	8.491	126,516	0.360	45,546
1963	1,119	54.0	8.333	9,325	0.369	3,441
1964	43,438	55.0	8.182	355,410	0.377	133,990
1965	553	56.0	8.036	4,444	0.386	1,715
1966	10,751	58.0	7.759	83,417	0.395	32,950
1967	55,538	61.0	7.377	409,704	0.405	165,930
1968	172	64.0	7.031	1,209	0.414	501
1969	9,347	69.0	6.522	60,961	0.424	25,847
1970	6,560	75.0	6.000	39,360	0.434	17,082
1971	138,513	84.0	5.357	742,014	0.444	329,454
1972	6,699	92.0	4.891	32,765	0.454	14,875
1973	2,162	100.0	4.500	9,729	0.465	4,524
1974	18,676	117.0	3.846	71,828	0.476	34,190
1975	34,392	129.0	3.488	119,959	0.487	58,420
1976	14,250	134.0	3.358	47,852	0.499	23,878
1977	12,102	141.0	3.191	38,617	0.510	19,695
1978	31,290	155.0	2.903	90,835	0.522	47,416
1979	17,674	169.0	2.663	47,066	0.535	25,180
1980	82,257	184.0	2.446	201,201	0.547	110,057
1981	3,656	197.0	2.284	8,350	0.560	4,676
1982	882,911	204.0	2.206	1,947,702	0.573	1,116,033
1983	1,907,725	212.0	2.123	4,050,100	0.587	2,377,409
1984	188,714	221.0	2.036	384,222	0.600	230,533

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 304300 Struct & Improv WT

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1985	4,068	228.0	1.974	8,030	0.614	4,930
1986	57,183	234.0	1.923	109,963	0.629	69,167
1987	398,011	240.0	1.875	746,271	0.644	480,599
1988	69,716	251.0	1.793	125,001	0.659	82,376
1989	955,870	261.0	1.724	1,647,920	0.674	1,110,698
1990	24,894	264.0	1.705	42,444	0.690	29,286
1991	1,466,579	264.0	1.705	2,500,517	0.706	1,765,365
1992	153,567	269.0	1.673	256,918	0.723	185,752
1993	19,910	281.0	1.601	31,876	0.740	23,588
1994	1,731,295	295.0	1.525	2,640,225	0.757	1,998,650
1995	79,132	305.0	1.475	116,720	0.775	90,458
1996	211,205	312.0	1.442	304,558	0.793	241,514
1997	2,749,963	319.0	1.411	3,880,198	0.812	3,150,721
1998	206,582	325.0	1.385	286,116	0.831	237,762
1999	13,562,656	334.0	1.347	18,268,898	0.850	15,528,563
2000	377,136	351.0	1.282	483,488	0.870	420,635
2001	329,398	368.0	1.223	402,854	0.890	358,540
2002	3,286,356	382.0	1.178	3,871,327	0.911	3,526,779
2003	881,213	390.0	1.154	1,016,920	0.933	948,786
2004	2,569,125	399.0	1.128	2,897,973	0.955	2,767,564
2005	85,298	434.0	1.037	88,454	0.977	86,420
2006	9,275,154	450.0	1.000	9,275,154	1.000	9,275,154
	$42,670,901			$65,417,549		$49,410,419

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 304301 Str & Impr WT Full Depr Pain

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1984	42,300	221.0	2.036	86,123	0.600	51,674
1986	52,143	234.0	1.923	100,271	0.629	63,070
1987	57,410	240.0	1.875	107,644	0.644	69,323
1991	44,002	264.0	1.705	75,023	0.706	52,966
2005	1,394	434.0	1.037	1,446	0.977	1,413
	$197,249			$370,507		$238,446

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 304302 Str & Impr WT Painting

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1992	123,577	269.0	1.673	206,744	0.723	149,476
1994	68,132	295.0	1.525	103,901	0.757	78,653
1995	1,112	305.0	1.475	1,640	0.775	1,271
1999	6,664	334.0	1.347	8,976	0.850	7,630
2001	153,332	368.0	1.223	187,525	0.890	166,897
2002	98,207	382.0	1.178	115,688	0.911	105,392
2004	27,675	399.0	1.128	31,217	0.955	29,812
	$478,699			$655,691		$539,131

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 304390 Mixing & Settling Bas in Bldg

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1953	994,780	39.0	11.538	11,477,772	0.292	3,351,509
1957	429	49.0	9.184	3,940	0.321	1,265
1965	771,436	56.0	8.036	6,199,260	0.386	2,392,914
1975	1,684	129.0	3.488	5,874	0.487	2,861
1980	414	184.0	2.446	1,013	0.547	554
1981	490	197.0	2.284	1,119	0.560	627
1996	5,979	312.0	1.442	8,622	0.793	6,837
1997	712	319.0	1.411	1,005	0.812	816
2000	12,807	351.0	1.282	16,419	0.870	14,285
2006	2,187,096	450.0	1.000	2,187,096	1.000	2,187,096
	$3,975,827			$19,902,120		$7,958,764

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 304391 Purification Bldg

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1953	313,098	39.0	11.538	3,612,525	0.292	1,054,857
1954	24	41.0	10.976	263	0.299	79
1955	43	42.0	10.714	461	0.306	141
1957	345	49.0	9.184	3,168	0.321	1,017
1958	1,897	50.0	9.000	17,073	0.328	5,600
1959	5,355	52.0	8.654	46,342	0.336	15,571
1960	43	52.0	8.654	372	0.344	128
1962	451	53.0	8.491	3,829	0.360	1,378
1965	640,066	56.0	8.036	5,143,570	0.386	1,985,418
1966	1,624	58.0	7.759	12,601	0.395	4,977
1967	1,065	61.0	7.377	7,857	0.405	3,182
1969	3,010	69.0	6.522	19,631	0.424	8,324
1970	2,501	75.0	6.000	15,006	0.434	6,513
1972	8,579	92.0	4.891	41,960	0.454	19,050
1973	1,844	100.0	4.500	8,298	0.465	3,859
1974	2,522	117.0	3.846	9,700	0.476	4,617
1975	705	129.0	3.488	2,459	0.487	1,198
1977	390	141.0	3.191	1,244	0.510	634
1978	5,788	155.0	2.903	16,803	0.522	8,771
1979	31,431	169.0	2.663	83,701	0.535	44,780
1980	1,078	184.0	2.446	2,637	0.547	1,442
1982	7,529	204.0	2.206	16,609	0.573	9,517
1983	18,440	212.0	2.123	39,148	0.587	22,980
1984	22,138	221.0	2.036	45,073	0.600	27,044
1986	1,101	234.0	1.923	2,117	0.629	1,332
1988	16,957	251.0	1.793	30,404	0.659	20,036
1989	56,179	261.0	1.724	96,853	0.674	65,279
1990	243,123	264.0	1.705	414,525	0.690	286,022
1991	93,410	264.0	1.705	159,264	0.706	112,440
1992	38,313	269.0	1.673	64,098	0.723	46,343
1993	64,275	281.0	1.601	102,904	0.740	76,149
1995	27,509	305.0	1.475	40,576	0.775	31,446
1996	2,361	312.0	1.442	3,405	0.793	2,700
2003	1,414,918	390.0	1.154	1,632,815	0.933	1,523,416
2004	4,010	399.0	1.128	4,523	0.955	4,319
2006	-1,613,193	450.0	1.000	-1,613,193	1.000	-1,613,193
	$1,418,929			$10,088,621		$3,787,366

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 304392 Wash Water Tower Bldg

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1910	28,061	8.0	56.250	1,578,431	0.108	170,471
1953	2,978	39.0	11.538	34,360	0.292	10,033
1970	808	75.0	6.000	4,848	0.434	2,104
1987	7,340	240.0	1.875	13,762	0.644	8,863
1997	486,489	319.0	1.411	686,436	0.812	557,386
1998	36,953	325.0	1.385	51,180	0.831	42,531
1999	11,273	334.0	1.347	15,185	0.850	12,907
2006	-573,903	450.0	1.000	-573,903	1.000	-573,903
	($1)			$1,810,299		$230,392

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 304400 Struct & Improv TD

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1947	11,261	28.0	16.071	180,976	0.254	45,968
1948	266	32.0	14.062	3,740	0.260	972
1950	64	34.0	13.235	847	0.273	231
1952	1,052	37.0	12.162	12,794	0.286	3,659
1953	107	39.0	11.538	1,235	0.292	361
1954	9,385	41.0	10.976	103,010	0.299	30,800
1963	2,582	52.0	8.654	22,345	0.369	8,245
1964	5,188	54.0	8.333	43,232	0.377	16,298
1967	16,266	61.0	7.377	119,994	0.405	48,598
1968	1,597	64.0	7.031	11,229	0.414	4,649
1970	1,148	75.0	6.000	6,888	0.434	2,989
1974	4,943	117.0	3.846	19,011	0.476	9,049
1976	240	133.0	3.383	812	0.499	405
1979	2,338	169.0	2.663	6,226	0.535	3,331
1981	828	197.0	2.284	1,891	0.560	1,059
1982	2,050	204.0	2.206	4,522	0.573	2,591
1984	48,864	221.0	2.036	99,487	0.600	59,692
1987	1,396	240.0	1.875	2,618	0.644	1,686
1988	2,465	251.0	1.793	4,420	0.659	2,913
1989	155	261.0	1.724	267	0.674	180
1996	13,913	312.0	1.442	20,063	0.793	15,910
1997	24,133	319.0	1.411	34,052	0.812	27,650
1998	10,787	325.0	1.385	14,940	0.831	12,415
1999	175,306	334.0	1.347	236,137	0.850	200,716
2000	9,204	351.0	1.282	11,800	0.870	10,266
2001	31,285	368.0	1.223	38,262	0.890	34,053
2002	6,965	382.0	1.178	8,205	0.911	7,475
2003	590,788	390.0	1.154	681,769	0.933	636,090
2004	267,188	399.0	1.128	301,388	0.955	287,826
2005	464,496	434.0	1.037	481,682	0.977	470,603
2006	17,773	450.0	1.000	17,773	1.000	17,773
	$1,724,033			$2,491,615		$1,964,453

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 304510 Struct & Improv Cap Lse

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1953	1,521	39.0	11.538	17,549	0.292	5,124
1954	455	41.0	10.976	4,994	0.299	1,493
1955	77	42.0	10.714	825	0.306	252
1970	3,111	75.0	6.000	18,666	0.434	8,101
1981	16,778	197.0	2.284	38,321	0.560	21,460
1985	9,220	228.0	1.974	18,200	0.614	11,175
1988	3,852	251.0	1.793	6,907	0.659	4,552
1989	193	261.0	1.724	333	0.674	224
1990	1,301	264.0	1.705	2,218	0.690	1,530
1992	6,663	269.0	1.673	11,147	0.723	8,059
1993	10,926	281.0	1.601	17,493	0.740	12,945
1994	27,332	295.0	1.525	41,681	0.757	31,553
1996	12,911	312.0	1.442	18,618	0.793	14,764
1997	56,275	319.0	1.411	79,404	0.812	64,476
1998	19,841	325.0	1.385	27,480	0.831	22,836
1999	20,106	334.0	1.347	27,083	0.850	23,021
2001	1,972	368.0	1.223	2,412	0.890	2,147
2003	998	390.0	1.154	1,152	0.933	1,075
	$193,532			$334,483		$234,787

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 304600 Struct & Improv Office

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1947	10,770	28.0	16.071	173,085	0.254	43,964
1948	47	32.0	14.062	661	0.260	172
1953	135,802	39.0	11.538	1,566,883	0.292	457,530
1954	246	41.0	10.976	2,700	0.299	807
1955	429	42.0	10.714	4,596	0.306	1,406
1956	3,926	46.0	9.783	38,408	0.314	12,060
1957	1,124	49.0	9.184	10,323	0.321	3,314
1958	339	50.0	9.000	3,051	0.328	1,001
1959	137	52.0	8.654	1,186	0.336	398
1960	22,334	52.0	8.654	193,278	0.344	66,488
1965	754	56.0	8.036	6,059	0.386	2,339
1966	368	58.0	7.759	2,855	0.395	1,128
1967	576	61.0	7.377	4,249	0.405	1,721
1968	98	64.0	7.031	689	0.414	285
1969	6,555	69.0	6.522	42,752	0.424	18,127
1971	6,224	84.0	5.357	33,342	0.444	14,804
1972	152	92.0	4.891	743	0.454	337
1974	562,333	117.0	3.846	2,162,733	0.476	1,029,461
1975	1,595	129.0	3.488	5,563	0.487	2,709
1976	719	133.0	3.383	2,432	0.499	1,214
1977	5,407	141.0	3.191	17,254	0.510	8,800
1978	677	155.0	2.903	1,965	0.522	1,026
1979	1,963	169.0	2.663	5,227	0.535	2,796
1980	59,233	184.0	2.446	144,884	0.547	79,252
1981	21,671	197.0	2.284	49,497	0.560	27,718
1982	36,309	204.0	2.206	80,098	0.573	45,896
1984	1,936	221.0	2.036	3,942	0.600	2,365
1985	1,608	228.0	1.974	3,174	0.614	1,949
1986	27,142	234.0	1.923	52,194	0.629	32,830
1987	4,060	240.0	1.875	7,612	0.644	4,902
1988	27,472	251.0	1.793	49,257	0.659	32,460
1989	55,631	261.0	1.724	95,908	0.674	64,642
1990	23,215	264.0	1.705	39,582	0.690	27,312
1991	4,032	264.0	1.705	6,875	0.706	4,854
1992	17,049	269.0	1.673	28,523	0.723	20,622
1993	76,977	281.0	1.601	123,240	0.740	91,198
1994	1,409	295.0	1.525	2,149	0.757	1,627
1995	9,478	305.0	1.475	13,980	0.775	10,834
1996	114,446	312.0	1.442	165,031	0.793	130,870
1997	32,175	319.0	1.411	45,399	0.812	36,864

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 304600 Struct & Improv Office

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1998	16,068	325.0	1.385	22,254	0.831	18,493
2000	248,622	351.0	1.282	318,733	0.870	277,298
2001	296,743	368.0	1.223	362,917	0.890	322,996
2002	18,881	382.0	1.178	22,242	0.911	20,262
2003	1,675	390.0	1.154	1,933	0.933	1,803
2004	131,589	399.0	1.128	148,432	0.955	141,753
2005	101,002	434.0	1.037	104,739	0.977	102,330
2006	-995,135	450.0	1.000	-995,135	1.000	-995,135
	$1,095,863			$5,177,494		$2,177,882

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 304620 Struct & Improv Leasehold Im

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
2000	42,753	351.0	1.282	54,809	0.870	47,684
2001	17,346	368.0	1.223	21,214	0.890	18,880
	$60,099			$76,023		$66,564

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 304700 Struct & Improv Stores/Shop/

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1915	87	9.0	50.000	4,350	0.121	526
1917	8,621	16.0	28.125	242,466	0.127	30,793
1957	2,043	49.0	9.184	18,763	0.321	6,023
1960	15,650	52.0	8.654	135,435	0.344	46,590
1961	56,170	52.0	8.654	486,095	0.352	171,105
1962	347	53.0	8.491	2,946	0.360	1,061
1967	125	61.0	7.377	922	0.405	373
1968	5,458	64.0	7.031	38,375	0.414	15,887
1971	104,416	84.0	5.357	559,357	0.444	248,355
1972	105,353	92.0	4.891	515,282	0.454	233,938
1973	1,225,771	100.0	4.500	5,515,970	0.465	2,564,926
1974	924	117.0	3.846	3,554	0.476	1,692
1975	16,665	129.0	3.488	58,128	0.487	28,308
1976	12,119	133.0	3.383	40,999	0.499	20,459
1977	1,217	141.0	3.191	3,883	0.510	1,980
1978	9,909	155.0	2.903	28,766	0.522	15,016
1979	15,473	169.0	2.663	41,205	0.535	22,045
1980	21,035	184.0	2.446	51,452	0.547	28,144
1981	34,021	197.0	2.284	77,704	0.560	43,514
1982	50,559	204.0	2.206	111,533	0.573	63,908
1983	2,454	212.0	2.123	5,210	0.587	3,058
1984	16,956	221.0	2.036	34,522	0.600	20,713
1985	334,413	228.0	1.974	660,131	0.614	405,320
1986	6,666	234.0	1.923	12,819	0.629	8,063
1987	683	240.0	1.875	1,281	0.644	825
1988	360,472	251.0	1.793	646,326	0.659	425,929
1989	28,535	261.0	1.724	49,194	0.674	33,157
1990	9,535	264.0	1.705	16,257	0.690	11,217
1992	31,059	269.0	1.673	51,962	0.723	37,569
1993	18,381	281.0	1.601	29,428	0.740	21,777
1994	22,423	295.0	1.525	34,195	0.757	25,886
1995	13,049	305.0	1.475	19,247	0.775	14,916
1996	277,992	312.0	1.442	400,864	0.793	317,885
1997	29,770	319.0	1.411	42,005	0.812	34,108
1999	51,184	334.0	1.347	68,945	0.850	58,603
2001	8,299	368.0	1.223	10,150	0.890	9,034
2004	50,644	399.0	1.128	57,126	0.955	54,555
2005	31,644	434.0	1.037	32,815	0.977	32,060
2006	1,693,846	450.0	1.000	1,693,846	1.000	1,693,846

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 304700 Struct & Improv Stores/Shop/

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
	$4,673,968			$11,803,508		$6,753,164

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 304800 Struct & Improv Miscellaneous

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1953	22,207	39.0	11.538	256,224	0.292	74,817
1957	31	49.0	9.184	285	0.321	91
1958	261	50.0	9.000	2,349	0.328	770
1960	4,735	52.0	8.654	40,977	0.344	14,096
1961	2,046	52.0	8.654	17,706	0.352	6,233
1962	213	53.0	8.491	1,809	0.360	651
1963	15,167	54.0	8.333	126,387	0.369	46,637
1964	1,252	55.0	8.182	10,244	0.377	3,862
1965	727	56.0	8.036	5,842	0.386	2,255
1966	14,533	58.0	7.759	112,762	0.395	44,541
1967	5,870	61.0	7.377	43,303	0.405	17,538
1968	13,990	64.0	7.031	98,364	0.414	40,723
1969	2,394	69.0	6.522	15,614	0.424	6,620
1971	24,903	84.0	5.357	133,405	0.444	59,232
1972	88,101	92.0	4.891	430,902	0.454	195,630
1973	13,605	100.0	4.500	61,222	0.465	28,468
1974	9,592	117.0	3.846	36,891	0.476	17,560
1976	13,034	133.0	3.383	44,094	0.499	22,003
1977	6,966	141.0	3.191	22,229	0.510	11,337
1978	186	155.0	2.903	540	0.522	282
1980	4,034	184.0	2.446	9,867	0.547	5,397
1981	723	197.0	2.284	1,651	0.560	925
1982	12,403	204.0	2.206	27,361	0.573	15,678
1983	6,178	212.0	2.123	13,116	0.587	7,699
1984	2,100	221.0	2.036	4,276	0.600	2,566
1985	5,746	228.0	1.974	11,343	0.614	6,965
1986	42,347	234.0	1.923	81,433	0.629	51,221
1987	13,437	240.0	1.875	25,194	0.644	16,225
1988	6,115	251.0	1.793	10,964	0.659	7,225
1989	3,517	261.0	1.724	6,063	0.674	4,086
1990	9,750	264.0	1.705	16,624	0.690	11,471
1991	49,201	264.0	1.705	83,888	0.706	59,225
1992	13,652	269.0	1.673	22,840	0.723	16,513
1993	21,564	281.0	1.601	34,524	0.740	25,548
1994	51	295.0	1.525	78	0.757	59
1995	17,914	305.0	1.475	26,423	0.775	20,478
1996	19,246	312.0	1.442	27,753	0.793	22,008
1997	2,361	319.0	1.411	3,331	0.812	2,705
1998	236,457	325.0	1.385	327,493	0.831	272,147
1999	33,875	334.0	1.347	45,630	0.850	38,786

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 304800 Struct & Improv Miscellaneous

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
2000	2,426	351.0	1.282	3,110	0.870	2,706
2002	72,072	382.0	1.178	84,901	0.911	77,345
2003	125,108	390.0	1.154	144,375	0.933	134,702
2004	27,034	399.0	1.128	30,494	0.955	29,122
2005	31,180	434.0	1.037	32,334	0.977	31,590
2006	-394,436	450.0	1.000	-394,436	1.000	-394,436
	$603,868			$2,141,779		$1,061,302

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1917	19,262	14.0	28.500	548,967	0.127	69,719
1952	14,820	39.0	10.231	151,623	0.286	43,364
1953	515	42.0	9.500	4,892	0.292	1,428
1954	19,675	43.0	9.279	182,564	0.299	54,587
1955	244,939	45.0	8.867	2,171,874	0.306	664,593
1958	987,230	52.0	7.673	7,575,016	0.328	2,484,605
1959	323,223	54.0	7.389	2,388,295	0.336	802,467
1960	1,430,265	55.0	7.255	10,376,573	0.344	3,569,541
1961	1,763,841	56.0	7.125	12,567,367	0.352	4,423,713
1962	67,253	57.0	7.000	470,771	0.360	169,478
1963	610	58.0	6.879	4,196	0.369	1,548
1964	10,166	60.0	6.650	67,604	0.377	25,487
1965	17,851	61.0	6.541	116,763	0.386	45,071
1966	12,440	63.0	6.333	78,783	0.395	31,119
1967	251	66.0	6.045	1,517	0.405	614
1968	23	70.0	5.700	131	0.414	54
1970	87,088	79.0	5.051	439,881	0.434	190,908
1971	673	87.0	4.586	3,086	0.444	1,370
1973	107,305	100.0	3.990	428,147	0.465	199,088
1974	290,964	117.0	3.410	992,187	0.476	472,281
1975	267,524	129.0	3.093	827,452	0.487	402,969
1976	224,308	131.0	3.046	683,242	0.499	340,938
1977	64,472	137.0	2.912	187,742	0.510	95,748
1978	57,497	150.0	2.660	152,942	0.522	79,836
1980	4,241	185.0	2.157	9,148	0.547	5,004
1981	74,300	196.0	2.036	151,275	0.560	84,714
1982	1,340	202.0	1.975	2,646	0.573	1,516
1983	25,383	209.0	1.909	48,456	0.587	28,444
1985	17,175	223.0	1.789	30,726	0.614	18,866
1986	255,714	230.0	1.735	443,664	0.629	279,065
1987	402,754	237.0	1.684	678,238	0.644	436,785
1988	99,969	245.0	1.629	162,850	0.659	107,318
1989	200,336	249.0	1.602	320,938	0.674	216,312
1990	197,500	251.0	1.590	314,025	0.690	216,677
1991	166,983	251.0	1.590	265,503	0.706	187,445
1992	85,031	256.0	1.559	132,563	0.723	95,843
1994	32,307	279.0	1.430	46,199	0.757	34,973
1995	163,571	286.0	1.395	228,182	0.775	176,841
1998	16,745	309.0	1.291	21,618	0.831	17,965

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 305000 Collecting and Impounding Re

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
	$7,755,544			$43,277,646		$16,078,294

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 306000 Lake, River & Other Intakes

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1904	600	8.0	49.875	29,925	0.094	2,813
1908	426,628	8.0	49.875	21,278,072	0.103	2,191,641
1917	12,617	14.0	28.500	359,584	0.127	45,667
1919	1,760	17.0	23.471	41,309	0.133	5,494
1921	1,679	18.0	22.167	37,218	0.139	5,173
1922	5,521	17.0	23.471	129,583	0.142	18,401
1923	47	17.0	23.471	1,103	0.146	161
1929	438	18.0	22.167	9,709	0.168	1,631
1931	183	17.0	23.471	4,295	0.176	756
1941	17	20.0	19.950	339	0.221	75
1942	1,327	21.0	19.000	25,213	0.227	5,723
1944	678	21.0	19.000	12,882	0.237	3,053
1954	15,591	43.0	9.279	144,669	0.299	43,256
1955	42,185	45.0	8.867	374,054	0.306	114,461
1959	26,676	54.0	7.389	197,109	0.336	66,229
1960	85,120	55.0	7.255	617,546	0.344	212,436
1961	2,554	56.0	7.125	18,197	0.352	6,405
1962	883	57.0	7.000	6,181	0.360	2,225
1963	793,949	58.0	6.879	5,461,575	0.369	2,015,321
1967	2,661	66.0	6.045	16,086	0.405	6,515
1971	148,014	87.0	4.586	678,792	0.444	301,384
1978	532	150.0	2.660	1,415	0.522	739
1984	44,983	217.0	1.839	82,724	0.600	49,634
1985	18,662	223.0	1.789	33,386	0.614	20,499
1986	76,820	230.0	1.735	133,283	0.629	83,835
1987	6,005	237.0	1.684	10,112	0.644	6,512
1988	3,915	245.0	1.629	6,378	0.659	4,203
1991	3,329,108	251.0	1.590	5,293,282	0.706	3,737,057
1993	944	267.0	1.494	1,410	0.740	1,043
1994	2,446	279.0	1.430	3,498	0.757	2,648
1995	3,813	286.0	1.395	5,319	0.775	4,122
1998	6,973	309.0	1.291	9,002	0.831	7,481
2000	21,587	327.0	1.220	26,336	0.870	22,912
2001	15,175	335.0	1.191	18,073	0.890	16,085
2002	14,977	344.0	1.160	17,373	0.911	15,827
2003	44,283,973	348.0	1.147	50,793,717	0.933	47,390,538
	$49,399,041			$85,878,749		$56,411,955

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 307000 Wells and Springs

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1885	1,637	8.0	56.250	92,081	0.060	5,525
1913	53	8.0	56.250	2,981	0.116	346
1915	47	9.0	50.000	2,350	0.121	284
1918	502	17.0	26.471	13,288	0.130	1,727
1920	7,286	21.0	21.429	156,132	0.136	21,234
1925	8,926	18.0	25.000	223,150	0.153	34,142
1927	3,519	18.0	25.000	87,975	0.160	14,076
1928	15,338	17.0	26.471	406,012	0.164	66,586
1930	461	16.0	28.125	12,966	0.172	2,230
1931	5,817	16.0	28.125	163,603	0.176	28,794
1937	2,055	17.0	26.471	54,398	0.202	10,988
1938	1,305	17.0	26.471	34,545	0.206	7,116
1939	3,829	17.0	26.471	101,357	0.211	21,386
1941	160	19.0	23.684	3,789	0.221	837
1942	39	20.0	22.500	878	0.227	199
1945	232	22.0	20.455	4,746	0.243	1,153
1946	747	24.0	18.750	14,006	0.249	3,487
1947	4,478	28.0	16.071	71,966	0.254	18,279
1948	989	32.0	14.062	13,907	0.260	3,616
1949	8,492	33.0	13.636	115,797	0.267	30,918
1950	4,350	34.0	13.235	57,572	0.273	15,717
1951	6,083	37.0	12.162	73,981	0.279	20,641
1952	10,968	37.0	12.162	133,393	0.286	38,150
1953	24,163	39.0	11.538	278,793	0.292	81,408
1954	17,574	41.0	10.976	192,892	0.299	57,675
1956	8,321	46.0	9.783	81,404	0.314	25,561
1958	2,143	50.0	9.000	19,287	0.328	6,326
1959	16,598	52.0	8.654	143,639	0.336	48,263
1960	17,001	52.0	8.654	147,127	0.344	50,612
1962	17,723	53.0	8.491	150,486	0.360	54,175
1963	21,434	54.0	8.333	178,610	0.369	65,907
1964	14,522	55.0	8.182	118,819	0.377	44,795
1965	15,823	56.0	8.036	127,154	0.386	49,081
1966	7,853	58.0	7.759	60,931	0.395	24,068
1967	125	61.0	7.377	922	0.405	373
1968	43,137	64.0	7.031	303,296	0.414	125,565
1969	101,421	69.0	6.522	661,468	0.424	280,462
1970	25,093	75.0	6.000	150,558	0.434	65,342
1971	12,636	84.0	5.357	67,691	0.444	30,055
1972	9,163	92.0	4.891	44,816	0.454	20,346

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 307000 Wells and Springs

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1973	259	100.0	4.500	1,166	0.465	542
1974	35,808	117.0	3.846	137,718	0.476	65,554
1975	15,455	129.0	3.488	53,907	0.487	26,253
1976	31,517	133.0	3.383	106,622	0.499	53,204
1977	164,255	141.0	3.191	524,138	0.510	267,310
1978	105,959	155.0	2.903	307,599	0.522	160,567
1979	27,707	169.0	2.663	73,784	0.535	39,474
1980	412,285	184.0	2.446	1,008,449	0.547	551,622
1981	74,539	197.0	2.284	170,247	0.560	95,338
1982	37,948	204.0	2.206	83,713	0.573	47,968
1983	3,284	212.0	2.123	6,972	0.587	4,093
1984	245,184	221.0	2.036	499,195	0.600	299,517
1985	243,682	228.0	1.974	481,028	0.614	295,351
1986	7,547	234.0	1.923	14,513	0.629	9,129
1987	105,296	240.0	1.875	197,430	0.644	127,145
1988	8,755	251.0	1.793	15,698	0.659	10,345
1989	135,140	261.0	1.724	232,981	0.674	157,029
1990	177,107	264.0	1.705	301,967	0.690	208,357
1991	46,877	264.0	1.705	79,925	0.706	56,427
1992	37,888	269.0	1.673	63,387	0.723	45,829
1993	181,895	281.0	1.601	291,214	0.740	215,498
1994	389,493	295.0	1.525	593,977	0.757	449,641
1995	521,178	305.0	1.475	768,738	0.775	595,772
1996	876,612	309.0	1.456	1,276,347	0.793	1,012,143
1997	497,756	319.0	1.411	702,334	0.812	570,295
1998	745,649	325.0	1.385	1,032,724	0.831	858,194
1999	825,230	334.0	1.347	1,111,585	0.850	944,847
2000	306,192	351.0	1.282	392,538	0.870	341,508
2001	785,992	368.0	1.223	961,268	0.890	855,529
2002	332,369	382.0	1.178	391,531	0.911	356,685
2003	143,227	390.0	1.154	165,284	0.933	154,210
2004	98,390	399.0	1.128	110,984	0.955	105,990
2005	344,395	434.0	1.037	357,138	0.977	348,924
2006	151,297	450.0	1.000	151,297	1.000	151,297
	$8,558,210			$17,236,164		$10,859,032

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 308000 Infiltration Galleries & Tun

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1885	1,351	8.0	49.875	67,381	0.060	4,043
1886	4,994	8.0	49.875	249,076	0.062	15,443
1887	2,806	8.0	49.875	139,949	0.063	8,817
1888	1,771	8.0	49.875	88,329	0.065	5,741
1913	5,024	8.0	49.875	250,572	0.116	29,066
1914	1,477	8.0	49.875	73,665	0.118	8,692
1915	345	9.0	44.333	15,295	0.121	1,851
1919	6	17.0	23.471	141	0.133	19
1922	73	17.0	23.471	1,713	0.142	243
1930	136	18.0	22.167	3,015	0.172	519
1931	13	17.0	23.471	305	0.176	54
1958	563	52.0	7.673	4,320	0.328	1,417
1961	319	56.0	7.125	2,273	0.352	800
	$18,878			$896,034		$76,705

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 309000 Supply Mains

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1913	66,985	10.0	45.300	3,034,420	0.116	351,993
1920	3,821	24.0	18.875	72,121	0.136	9,808
1925	28,271	22.0	20.591	582,128	0.153	89,066
1928	371	20.0	22.650	8,403	0.164	1,378
1931	794	20.0	22.650	17,984	0.176	3,165
1937	48	23.0	19.696	945	0.202	191
1948	21,184	42.0	10.786	228,491	0.260	59,408
1951	11,340	47.0	9.638	109,295	0.279	30,493
1953	17,608	52.0	8.712	153,401	0.292	44,793
1954	2,569	55.0	8.236	21,158	0.299	6,326
1956	459	60.0	7.550	3,465	0.314	1,088
1959	13,227	68.0	6.662	88,118	0.336	29,608
1960	1,037	69.0	6.565	6,808	0.344	2,342
1961	7,927	70.0	6.471	51,296	0.352	18,056
1962	822	72.0	6.292	5,172	0.360	1,862
1964	219,287	74.0	6.122	1,342,475	0.377	506,113
1965	34,086	74.0	6.122	208,674	0.386	80,548
1967	422	76.0	5.961	2,516	0.405	1,019
1968	1,466	78.0	5.808	8,515	0.414	3,525
1970	6,012	87.0	5.207	31,304	0.434	13,586
1971	49,275	95.0	4.768	234,943	0.444	104,315
1972	8,593	98.0	4.622	39,717	0.454	18,032
1974	1,856	131.0	3.458	6,418	0.476	3,055
1977	320,214	161.0	2.814	901,082	0.510	459,552
1979	1,674	185.0	2.449	4,100	0.535	2,194
1980	23,746	202.0	2.243	53,262	0.547	29,134
1981	32,550	219.0	2.068	67,313	0.560	37,695
1983	7,250	238.0	1.903	13,797	0.587	8,099
1984	45,133	241.0	1.880	84,850	0.600	50,910
1985	80,858	248.0	1.827	147,728	0.614	90,705
1986	1,854	245.0	1.849	3,428	0.629	2,156
1987	2,708	253.0	1.791	4,850	0.644	3,123
1989	13,580	279.0	1.624	22,054	0.674	14,864
1990	1,538	282.0	1.606	2,470	0.690	1,704
1991	101,992	283.0	1.601	163,289	0.706	115,282
1992	52,834	285.0	1.589	83,953	0.723	60,698
1993	9,282	294.0	1.541	14,304	0.740	10,585
1994	1,059,627	301.0	1.505	1,594,739	0.757	1,207,217
1995	5,892	304.0	1.490	8,779	0.775	6,804
1996	84,679	310.0	1.461	123,716	0.793	98,107

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 309000 Supply Mains

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1997	605,579	318.0	1.425	862,950	0.812	700,715
1998	45,902	326.0	1.390	63,804	0.831	53,021
1999	2,154,867	332.0	1.364	2,939,239	0.850	2,498,353
2000	22,745	342.0	1.325	30,137	0.870	26,219
2001	511,622	355.0	1.276	652,830	0.890	581,019
2002	395,382	372.0	1.218	481,575	0.911	438,715
2003	1,081,622	378.0	1.198	1,295,783	0.933	1,208,966
2004	1,470	383.0	1.183	1,739	0.955	1,661
2005	54,212	427.0	1.061	57,519	0.977	56,196
2006	16,821	453.0	1.000	16,821	1.000	16,821
	$7,233,093			$15,953,878		$9,160,285

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 310100 Power Gener Equip-Other

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1961	13,399	71.0	8.732	117,000	0.352	41,184
1966	22,503	78.0	7.949	178,876	0.395	70,656
1971	30,271	93.0	6.667	201,817	0.444	89,607
1981	122,800	245.0	2.531	310,807	0.560	174,052
1982	215,834	260.0	2.385	514,764	0.573	294,960
1983	41,564	271.0	2.288	95,098	0.587	55,823
1989	76,795	331.0	1.873	143,837	0.674	96,946
1990	122,273	349.0	1.777	217,279	0.690	149,923
1992	38,501	368.0	1.685	64,874	0.723	46,904
1994	310,848	428.0	1.449	450,419	0.757	340,967
1996	167,894	450.0	1.378	231,358	0.793	183,467
1997	3,553	473.0	1.311	4,658	0.812	3,782
1998	14,275	489.0	1.268	18,101	0.831	15,042
2001	125,074	527.0	1.176	147,087	0.890	130,907
2003	825	534.0	1.161	958	0.933	894
2004	163,619	547.0	1.133	185,380	0.955	177,038
2005	98,254	604.0	1.026	100,809	0.977	98,490
2006	56,743	620.0	1.000	56,743	1.000	56,743
	$1,625,025			$3,039,865		$2,027,385

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 311200 Pumping Equipment-Electric

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1910	53,560	15.0	41.333	2,213,795	0.108	239,090
1918	15	22.0	28.182	423	0.130	55
1920	13,886	24.0	25.833	358,717	0.136	48,786
1923	64,238	22.0	28.182	1,810,355	0.146	264,312
1925	40,795	23.0	26.957	1,099,711	0.153	168,256
1930	1,153	22.0	28.182	32,494	0.172	5,589
1931	610,455	22.0	28.182	17,203,843	0.176	3,027,876
1932	115,216	22.0	28.182	3,247,017	0.180	584,463
1937	360	26.0	23.846	8,585	0.202	1,734
1938	20	26.0	23.846	477	0.206	98
1939	705	26.0	23.846	16,811	0.211	3,547
1941	970	27.0	22.963	22,274	0.221	4,923
1944	21,517	27.0	22.963	494,095	0.237	117,101
1945	366,433	27.0	22.963	8,414,401	0.243	2,044,699
1947	63,318	39.0	15.897	1,006,566	0.254	255,668
1948	7,027	43.0	14.419	101,322	0.260	26,344
1949	74,368	45.0	13.778	1,024,642	0.267	273,579
1950	12,641	49.0	12.653	159,947	0.273	43,666
1951	642,712	55.0	11.273	7,245,292	0.279	2,021,436
1952	20,307	55.0	11.273	228,921	0.286	65,471
1953	18,434	55.0	11.273	207,806	0.292	60,679
1954	569,207	55.0	11.273	6,416,671	0.299	1,918,585
1955	34,132	56.0	11.071	377,875	0.306	115,630
1956	104,359	63.0	9.841	1,026,997	0.314	322,477
1957	112,938	69.0	8.986	1,014,861	0.321	325,770
1958	76,985	73.0	8.493	653,834	0.328	214,458
1959	871,864	74.0	8.378	7,304,477	0.336	2,454,304
1960	5,425	74.0	8.378	45,451	0.344	15,635
1961	173,599	71.0	8.732	1,515,866	0.352	533,585
1962	55,490	71.0	8.732	484,539	0.360	174,434
1963	36,364	71.0	8.732	317,530	0.369	117,169
1964	41,447	73.0	8.493	352,009	0.377	132,707
1965	272,728	74.0	8.378	2,284,915	0.386	881,977
1966	74,140	78.0	7.949	589,339	0.395	232,789
1967	468,292	81.0	7.654	3,584,307	0.405	1,451,644
1968	12,717	81.0	7.654	97,336	0.414	40,297
1969	82,506	84.0	7.381	608,977	0.424	258,206
1970	94,425	89.0	6.966	657,765	0.434	285,470
1971	52,242	93.0	6.667	348,297	0.444	154,644
1972	54,329	96.0	6.458	350,857	0.454	159,289

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 311200 Pumping Equipment-Electric

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1973	3,315	100.0	6.200	20,553	0.465	9,557
1974	24,901	122.0	5.082	126,547	0.476	60,236
1975	67,693	155.0	4.000	270,772	0.487	131,866
1976	62,904	174.0	3.563	224,127	0.499	111,839
1977	19,771	184.0	3.370	66,628	0.510	33,980
1978	59,298	192.0	3.229	191,473	0.522	99,949
1979	51,669	205.0	3.024	156,247	0.535	83,592
1980	364,245	222.0	2.793	1,017,336	0.547	556,483
1981	94,827	245.0	2.531	240,007	0.560	134,404
1982	810,233	260.0	2.385	1,932,406	0.573	1,107,269
1983	27,712	271.0	2.288	63,405	0.587	37,219
1984	172,273	277.0	2.238	385,547	0.600	231,328
1985	143,087	282.0	2.199	314,648	0.614	193,194
1986	326,381	284.0	2.183	712,490	0.629	448,156
1987	75,212	299.0	2.074	155,990	0.644	100,458
1988	164,616	311.0	1.994	328,244	0.659	216,313
1989	315,825	330.0	1.879	593,435	0.674	399,975
1990	457,151	349.0	1.777	812,357	0.690	560,526
1991	2,373,599	355.0	1.746	4,144,304	0.706	2,925,879
1992	669,319	368.0	1.685	1,127,803	0.723	815,402
1993	143,833	386.0	1.606	230,996	0.740	170,937
1994	3,772,969	428.0	1.449	5,467,032	0.757	4,138,543
1995	1,798,735	442.0	1.403	2,523,625	0.775	1,955,809
1996	454,940	450.0	1.378	626,907	0.793	497,137
1997	4,840,282	473.0	1.311	6,345,610	0.812	5,152,635
1998	1,241,561	489.0	1.268	1,574,299	0.831	1,308,242
1999	8,046,502	505.0	1.228	9,881,104	0.850	8,398,938
2000	1,352,114	530.0	1.170	1,581,973	0.870	1,376,317
2001	783,167	527.0	1.176	921,004	0.890	819,694
2002	1,052,683	529.0	1.172	1,233,744	0.911	1,123,941
2003	2,379,560	534.0	1.161	2,762,669	0.933	2,577,570
2004	268,327	547.0	1.133	304,014	0.955	290,333
2005	558,777	604.0	1.026	573,305	0.977	560,119
2006	164,290	620.0	1.000	164,290	1.000	164,290
	$38,463,090			$120,004,288		$55,838,572

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 311250 Pumping Equipment Electric T&D

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
2003	458,406	534.0	1.161	532,209	0.933	496,551
2004	131,440	547.0	1.133	148,922	0.955	142,221
2005	36,200	604.0	1.026	37,141	0.977	36,287
2006	1,878	620.0	1.000	1,878	1.000	1,878
	$627,924			$720,150		$676,937

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 311300 Pumping Equipment-diesel

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1920	0	24.0	25.833	0	0.136	0
1923	1	22.0	28.182	28	0.146	4
1948	0	43.0	14.419	0	0.260	0
1950	7	49.0	12.653	89	0.273	24
1952	88	55.0	11.273	992	0.286	284
1954	0	55.0	11.273	0	0.299	0
1956	1	63.0	9.841	10	0.314	3
1958	21,350	73.0	8.493	181,326	0.328	59,475
1959	45	74.0	8.378	377	0.336	127
1960	9,874	74.0	8.378	82,724	0.344	28,457
1961	10	71.0	8.732	87	0.352	31
1962	3	71.0	8.732	26	0.360	9
1963	102	71.0	8.732	891	0.369	329
1964	0	73.0	8.493	0	0.377	0
1965	113	74.0	8.378	947	0.386	366
1966	13,491	78.0	7.949	107,240	0.395	42,360
1967	7,250	81.0	7.654	55,492	0.405	22,474
1969	80,808	84.0	7.381	596,444	0.424	252,892
1970	46	89.0	6.966	320	0.434	139
1971	84	93.0	6.667	560	0.444	249
1972	3	96.0	6.458	19	0.454	9
1973	40,740	100.0	6.200	252,588	0.465	117,453
1974	364	122.0	5.082	1,850	0.476	881
1975	175	155.0	4.000	700	0.487	341
1976	409	174.0	3.563	1,457	0.499	727
1977	5,904	184.0	3.370	19,896	0.510	10,147
1978	19,507	192.0	3.229	62,988	0.522	32,880
1979	10	205.0	3.024	30	0.535	16
1980	10,111	222.0	2.793	28,240	0.547	15,447
1981	13,532	245.0	2.531	34,249	0.560	19,179
1982	62,209	260.0	2.385	148,368	0.573	85,015
1983	6,579	271.0	2.288	15,053	0.587	8,836
1984	34,073	277.0	2.238	76,255	0.600	45,753
1985	27,382	282.0	2.199	60,213	0.614	36,971
1986	52,871	284.0	2.183	115,417	0.629	72,597
1987	7,279	299.0	2.074	15,097	0.644	9,722
1988	15,534	311.0	1.994	30,975	0.659	20,413
1989	230	330.0	1.879	432	0.674	291
1990	4,747	349.0	1.777	8,435	0.690	5,820
1991	15,483	355.0	1.746	27,033	0.706	19,085

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 311300 Pumping Equipment-diesel

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1992	19,125	368.0	1.685	32,226	0.723	23,299
1993	11,735	386.0	1.606	18,846	0.740	13,946
1994	1,688	428.0	1.449	2,446	0.757	1,852
1995	45,352	442.0	1.403	63,629	0.775	49,312
1996	104,400	450.0	1.378	143,863	0.793	114,083
1997	40,640	473.0	1.311	53,279	0.812	43,263
1998	68,796	489.0	1.268	87,233	0.831	72,491
1999	45,098	505.0	1.228	55,380	0.850	47,073
2000	11,974	530.0	1.170	14,010	0.870	12,189
2001	10,305	527.0	1.176	12,119	0.890	10,786
2002	60,887	529.0	1.172	71,360	0.911	65,009
2004	40,741	547.0	1.133	46,160	0.955	44,083
2005	211,785	604.0	1.026	217,291	0.977	212,293
2006	65	620.0	1.000	65	1.000	65
	$1,123,006			$2,744,755		$1,618,550

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 311400 Pumping Equipment-hydraulic

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
2000	3,859	530.0	1.170	4,515	0.870	3,928
2003	21,023	534.0	1.161	24,408	0.933	22,773
2004	13,523	547.0	1.133	15,322	0.955	14,633
2006	13,550	620.0	1.000	13,550	1.000	13,550
	$51,955			$57,795		$54,884

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 311500 Pumping Equipment-Other

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1913	33	15.0	41.333	1,364	0.116	158
1925	193	23.0	26.957	5,203	0.153	796
1940	99	26.0	23.846	2,361	0.216	510
1952	145	55.0	11.273	1,635	0.286	468
1955	789	56.0	11.071	8,735	0.306	2,673
1964	3,016	73.0	8.493	25,615	0.377	9,657
1965	18,669	74.0	8.378	156,409	0.386	60,374
1967	140	81.0	7.654	1,072	0.405	434
1969	60,510	84.0	7.381	446,624	0.424	189,369
1971	25	93.0	6.667	167	0.444	74
1972	1,800	96.0	6.458	11,624	0.454	5,277
1974	343	122.0	5.082	1,743	0.476	830
1976	10,298	174.0	3.563	36,692	0.499	18,309
1978	16,935	192.0	3.229	54,683	0.522	28,545
1983	16,331	271.0	2.288	37,365	0.587	21,933
1984	6,882	277.0	2.238	15,402	0.600	9,241
1986	2,090	284.0	2.183	4,562	0.629	2,869
1987	24,291	299.0	2.074	50,380	0.644	32,445
1988	2,198	311.0	1.994	4,383	0.659	2,888
1989	2,148	330.0	1.879	4,036	0.674	2,720
1991	118,964	355.0	1.746	207,711	0.706	146,644
1993	2,043	386.0	1.606	3,281	0.740	2,428
1994	488	428.0	1.449	707	0.757	535
1995	1,532	442.0	1.403	2,149	0.775	1,665
1996	1,057	450.0	1.378	1,457	0.793	1,155
2000	102,095	530.0	1.170	119,451	0.870	103,922
2001	1,989	527.0	1.176	2,339	0.890	2,082
2002	25,955	529.0	1.172	30,419	0.911	27,712
2003	3,272	534.0	1.161	3,799	0.933	3,544
2004	43,350	547.0	1.133	49,116	0.955	46,906
2005	8,525	604.0	1.026	8,747	0.977	8,546
2006	80,832	620.0	1.000	80,832	1.000	80,832
	$557,037			$1,380,063		$815,541

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 311550

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
2004	4,902			4,902		4,902
2005	4,664			4,664		4,664
2006	5,674			5,674		5,674
	$15,240			$15,240		$15,240

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 320100 Wtr Treat Equip (Non-Media)

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1906	13,733	10.0	49.300	677,037	0.098	66,350
1913	1,266	10.0	49.300	62,414	0.116	7,240
1917	13,795	15.0	32.867	453,400	0.127	57,582
1923	13,000	19.0	25.947	337,311	0.146	49,247
1929	51	20.0	24.650	1,257	0.168	211
1939	6,392	21.0	23.476	150,059	0.211	31,662
1941	385	22.0	22.409	8,627	0.221	1,907
1942	2,666	23.0	21.435	57,146	0.227	12,972
1948	866	36.0	13.694	11,859	0.260	3,083
1949	3,998	37.0	13.324	53,269	0.267	14,223
1950	27,783	39.0	12.641	351,205	0.273	95,879
1951	3,404	42.0	11.738	39,956	0.279	11,148
1952	2,402	43.0	11.465	27,539	0.286	7,876
1953	109,108	45.0	10.956	1,195,387	0.292	349,053
1954	289	46.0	10.717	3,097	0.299	926
1955	178,890	48.0	10.271	1,837,379	0.306	562,238
1956	2,330	50.0	9.860	22,974	0.314	7,214
1957	541	52.0	9.481	5,129	0.321	1,646
1958	3,427	54.0	9.130	31,289	0.328	10,263
1959	47,073	56.0	8.804	414,431	0.336	139,249
1960	297,087	57.0	8.649	2,569,505	0.344	883,910
1961	745,899	58.0	8.500	6,340,142	0.352	2,231,730
1962	36,833	59.0	8.356	307,777	0.360	110,800
1963	9,856	60.0	8.217	80,987	0.369	29,884
1964	51,541	62.0	7.952	409,854	0.377	154,515
1965	1,035	64.0	7.703	7,973	0.386	3,078
1966	48,105	66.0	7.470	359,344	0.395	141,941
1967	310,526	68.0	7.250	2,251,314	0.405	911,782
1968	8,372	71.0	6.944	58,135	0.414	24,068
1969	8,443	76.0	6.487	54,770	0.424	23,222
1970	19,316	83.0	5.940	114,737	0.434	49,796
1971	605,435	91.0	5.418	3,280,247	0.444	1,456,430
1972	23,122	95.0	5.189	119,980	0.454	54,471
1973	16,565	100.0	4.930	81,665	0.465	37,974
1974	50,907	120.0	4.108	209,126	0.476	99,544
1975	591,987	138.0	3.572	2,114,578	0.487	1,029,799
1976	221,827	148.0	3.331	738,906	0.499	368,714
1977	25,363	157.0	3.140	79,640	0.510	40,616
1978	625,656	169.0	2.917	1,825,039	0.522	952,670
1979	9,098	185.0	2.665	24,246	0.535	12,972

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 320100 Wtr Treat Equip (Non-Media)

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1980	199,928	202.0	2.441	488,024	0.547	266,949
1981	40,695	219.0	2.251	91,604	0.560	51,298
1982	2,282,661	240.0	2.054	4,688,586	0.573	2,686,560
1983	4,042,301	252.0	1.956	7,906,741	0.587	4,641,257
1984	427,736	258.0	1.911	817,403	0.600	490,442
1985	204,933	268.0	1.840	377,077	0.614	231,525
1986	1,412,461	274.0	1.799	2,541,017	0.629	1,598,300
1987	158,673	282.0	1.748	277,360	0.644	178,620
1988	201,830	292.0	1.688	340,689	0.659	224,514
1989	1,215,923	301.0	1.638	1,991,682	0.674	1,342,394
1990	389,406	307.0	1.606	625,386	0.690	431,516
1991	7,840,759	310.0	1.590	12,466,807	0.706	8,801,566
1992	3,083,820	319.0	1.545	4,764,502	0.723	3,444,735
1993	220,212	328.0	1.503	330,979	0.740	244,924
1994	3,535,416	334.0	1.476	5,218,274	0.757	3,950,233
1995	438,125	342.0	1.442	631,776	0.775	489,626
1996	394,250	351.0	1.405	553,921	0.793	439,259
1997	9,560,165	366.0	1.347	12,877,542	0.812	10,456,564
1998	626,894	378.0	1.304	817,470	0.831	679,318
1999	13,674,479	389.0	1.267	17,325,565	0.850	14,726,730
2000	915,782	401.0	1.229	1,125,496	0.870	979,182
2001	2,717,593	415.0	1.188	3,228,500	0.890	2,873,365
2002	3,457,896	429.0	1.149	3,973,123	0.911	3,619,515
2003	354,016	435.0	1.133	401,100	0.933	374,226
2004	816,989	449.0	1.098	897,054	0.955	856,687
2005	859,701	472.0	1.044	897,528	0.977	876,885
2006	394,268	493.0	1.000	394,268	1.000	394,268
	$63,605,284			$112,818,204		$75,398,343

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 320190 Settling Basin.Clear Well Eq

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1953	87,070	45.0	10.956	953,939	0.292	278,550
1959	192	56.0	8.804	1,690	0.336	568
1965	162,343	64.0	7.703	1,250,528	0.386	482,704
1969	4,961	76.0	6.487	32,182	0.424	13,645
1987	5,754	282.0	1.748	10,058	0.644	6,477
1989	2,085	301.0	1.638	3,415	0.674	2,302
1991	15,032	310.0	1.590	23,901	0.706	16,874
1992	15,819	319.0	1.545	24,440	0.723	17,670
1993	11,357	328.0	1.503	17,070	0.740	12,632
1994	10,931	334.0	1.476	16,134	0.757	12,213
1995	4,680	342.0	1.442	6,749	0.775	5,230
2000	101,816	401.0	1.229	125,132	0.870	108,865
2001	10,556	415.0	1.188	12,541	0.890	11,161
2002	60,529	429.0	1.149	69,548	0.911	63,358
2003	60,042	435.0	1.133	68,028	0.933	63,470
2006	20,441	493.0	1.000	20,441	1.000	20,441
	$573,608			$2,635,796		$1,116,160

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 320191 Filter Plant Piping & Equip

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1953	201,101	45.0	10.956	2,203,263	0.292	643,353
1960	216	57.0	8.649	1,868	0.344	643
1962	63	59.0	8.356	526	0.360	189
1963	1,353	60.0	8.217	11,118	0.369	4,103
1965	393,254	64.0	7.703	3,029,236	0.386	1,169,285
1966	1,093	66.0	7.470	8,165	0.395	3,225
1968	1,001	71.0	6.944	6,951	0.414	2,878
1969	8,503	76.0	6.487	55,159	0.424	23,387
1973	2,116	100.0	4.930	10,432	0.465	4,851
1976	13,243	148.0	3.331	44,112	0.499	22,012
1981	1,294	219.0	2.251	2,913	0.560	1,631
1982	16,724	240.0	2.054	34,351	0.573	19,683
1983	8,358	252.0	1.956	16,348	0.587	9,596
1986	60,876	274.0	1.799	109,516	0.629	68,886
1987	58,986	282.0	1.748	103,108	0.644	66,402
1988	69,846	292.0	1.688	117,900	0.659	77,696
1989	85,831	301.0	1.638	140,591	0.674	94,758
1990	18,158	307.0	1.606	29,162	0.690	20,122
1991	21,615	310.0	1.590	34,368	0.706	24,264
1992	21,111	319.0	1.545	32,616	0.723	23,581
1993	36,931	328.0	1.503	55,507	0.740	41,075
1997	2,651	366.0	1.347	3,571	0.812	2,900
1999	33,248	389.0	1.267	42,125	0.850	35,806
2000	95,258	401.0	1.229	117,072	0.870	101,853
2001	23,776	415.0	1.188	28,246	0.890	25,139
2002	31,454	429.0	1.149	36,141	0.911	32,924
2003	857	435.0	1.133	971	0.933	906
2004	47,789	449.0	1.098	52,472	0.955	50,111
2005	2,093,419	472.0	1.044	2,185,529	0.977	2,135,262
2006	11,414	493.0	1.000	11,414	1.000	11,414
	$3,361,539			$8,524,751		$4,717,935

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 320192 Wash Water Tank Equip

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1910	14,548	10.0	49.300	717,216	0.108	77,459
1945	759	24.0	20.542	15,591	0.243	3,789
1953	608	45.0	10.956	6,661	0.292	1,945
1959	1,238	56.0	8.804	10,899	0.336	3,662
1974	9,223	120.0	4.108	37,888	0.476	18,035
1975	12,413	138.0	3.572	44,339	0.487	21,593
1984	3,883	258.0	1.911	7,420	0.600	4,452
1987	3,342	282.0	1.748	5,842	0.644	3,762
1999	32,028	389.0	1.267	40,579	0.850	34,492
2002	6,131	429.0	1.149	7,045	0.911	6,418
	$84,173			$893,480		$175,607

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 320193 Chemical Feed Equipment

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1944	9	23.0	21.435	193	0.237	46
1951	651	42.0	11.738	7,641	0.279	2,132
1954	1,240	46.0	10.717	13,289	0.299	3,973
1955	43,155	48.0	10.271	443,245	0.306	135,633
1957	7,943	52.0	9.481	75,308	0.321	24,174
1958	1,533	54.0	9.130	13,996	0.328	4,591
1959	8,027	56.0	8.804	70,670	0.336	23,745
1960	2,005	57.0	8.649	17,341	0.344	5,965
1964	136	62.0	7.952	1,081	0.377	408
1965	191,949	64.0	7.703	1,478,583	0.386	570,733
1967	1,428	68.0	7.250	10,353	0.405	4,193
1969	1,139	76.0	6.487	7,389	0.424	3,133
1971	133,175	91.0	5.418	721,542	0.444	320,365
1972	1,418	95.0	5.189	7,358	0.454	3,341
1973	1,897	100.0	4.930	9,352	0.465	4,349
1974	1,148	120.0	4.108	4,716	0.476	2,245
1975	2,815	138.0	3.572	10,055	0.487	4,897
1976	542	148.0	3.331	1,805	0.499	901
1977	5,215	157.0	3.140	16,375	0.510	8,351
1978	2,066	169.0	2.917	6,027	0.522	3,146
1979	2,516	185.0	2.665	6,705	0.535	3,587
1981	4,172	219.0	2.251	9,391	0.560	5,259
1982	16,673	240.0	2.054	34,246	0.573	19,623
1983	19,055	252.0	1.956	37,272	0.587	21,879
1984	26,634	258.0	1.911	50,898	0.600	30,539
1985	32,087	268.0	1.840	59,040	0.614	36,251
1987	1,802	282.0	1.748	3,150	0.644	2,029
1988	40,611	292.0	1.688	68,551	0.659	45,175
1989	8,790	301.0	1.638	14,398	0.674	9,704
1990	10,267	307.0	1.606	16,489	0.690	11,377
1991	128,204	310.0	1.590	203,844	0.706	143,914
1992	480,510	319.0	1.545	742,388	0.723	536,747
1993	21,016	328.0	1.503	31,587	0.740	23,374
1994	10,805	334.0	1.476	15,948	0.757	12,073
1995	6,063	342.0	1.442	8,743	0.775	6,776
1996	1,391	351.0	1.405	1,954	0.793	1,550
1997	5,515	366.0	1.347	7,429	0.812	6,032
1999	18,838	389.0	1.267	23,868	0.850	20,288
2000	413,220	401.0	1.229	507,847	0.870	441,827
2001	121,875	415.0	1.188	144,788	0.890	128,861

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 320193 Chemical Feed Equipment

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
2002	25,575	429.0	1.149	29,386	0.911	26,771
2003	477,930	435.0	1.133	541,495	0.933	505,215
2004	10,350	449.0	1.098	11,364	0.955	10,853
2005	2,192	472.0	1.044	2,288	0.977	2,235
	$2,293,582			$5,489,388		$3,178,260

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 330000 Dist. Resevoirs & Standpipe

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1886	30,933	4.0	109.000	3,371,697	0.062	209,045
1902	11,847	4.0	109.000	1,291,323	0.090	116,219
1906	5,675	4.0	109.000	618,575	0.098	60,620
1914	360	4.0	109.000	39,240	0.118	4,630
1915	1,819	12.0	36.333	66,090	0.121	7,997
1917	94,392	17.0	25.647	2,420,872	0.127	307,451
1923	13,561	13.0	33.538	454,809	0.146	66,402
1924	442	12.0	36.333	16,059	0.149	2,393
1925	9,726	12.0	36.333	353,375	0.153	54,066
1927	1,596	11.0	39.636	63,259	0.160	10,121
1929	106	11.0	39.636	4,201	0.168	706
1947	211,055	25.0	17.440	3,680,799	0.254	934,923
1948	172	28.0	15.571	2,678	0.260	696
1949	222,612	26.0	16.769	3,732,981	0.267	996,706
1950	4,749	27.0	16.148	76,687	0.273	20,936
1951	1,167	29.0	15.034	17,545	0.279	4,895
1952	10,908	30.0	14.533	158,526	0.286	45,338
1953	412	32.0	13.625	5,614	0.292	1,639
1954	299,592	32.0	13.625	4,081,941	0.299	1,220,500
1955	613,192	33.0	13.212	8,101,493	0.306	2,479,057
1956	81,195	37.0	11.784	956,802	0.314	300,436
1957	81,070	40.0	10.900	883,663	0.321	283,656
1958	183,168	38.0	11.474	2,101,670	0.328	689,348
1959	4,951	37.0	11.784	58,343	0.336	19,603
1960	282,640	37.0	11.784	3,330,630	0.344	1,145,737
1961	381,702	36.0	12.111	4,622,793	0.352	1,627,223
1962	9,669	36.0	12.111	117,101	0.360	42,156
1963	2,212	39.0	11.179	24,728	0.369	9,125
1964	1,159	41.0	10.634	12,325	0.377	4,647
1965	130,368	42.0	10.381	1,353,350	0.386	522,393
1966	384,770	44.0	9.909	3,812,686	0.395	1,506,011
1967	199,488	46.0	9.478	1,890,747	0.405	765,753
1968	2,561	49.0	8.898	22,788	0.414	9,434
1969	6,789	54.0	8.074	54,814	0.424	23,241
1970	235,996	73.0	5.973	1,409,604	0.434	611,768
1971	159,821	81.0	5.383	860,316	0.444	381,980
1972	116,746	86.0	5.070	591,902	0.454	268,724
1973	688,716	100.0	4.360	3,002,802	0.465	1,396,303
1974	238,627	146.0	2.986	712,540	0.476	339,169
1975	37,488	171.0	2.550	95,594	0.487	46,554

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 330000 Dist. Resevoirs & Standpipe

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1976	36,535	176.0	2.477	90,497	0.499	45,158
1977	2,481	177.0	2.463	6,111	0.510	3,117
1978	1,015,987	184.0	2.370	2,407,889	0.522	1,256,918
1979	2,118	192.0	2.271	4,810	0.535	2,573
1980	236,305	210.0	2.076	490,569	0.547	268,341
1981	30,906	229.0	1.904	58,845	0.560	32,953
1982	1,664	227.0	1.921	3,197	0.573	1,832
1983	415	189.0	2.307	957	0.587	562
1984	459,922	192.0	2.271	1,044,483	0.600	626,690
1985	30,559	190.0	2.295	70,133	0.614	43,062
1986	961,625	196.0	2.224	2,138,654	0.629	1,345,213
1987	58,632	208.0	2.096	122,893	0.644	79,143
1988	540,781	240.0	1.817	982,599	0.659	647,533
1989	357,488	242.0	1.802	644,193	0.674	434,186
1990	10,646	254.0	1.717	18,279	0.690	12,613
1991	187,203	269.0	1.621	303,456	0.706	214,240
1992	1,717,002	269.0	1.621	2,783,260	0.723	2,012,297
1993	611,108	249.0	1.751	1,070,050	0.740	791,837
1994	65,071	244.0	1.787	116,282	0.757	88,025
1995	185,965	251.0	1.737	323,021	0.775	250,341
1996	123,378	260.0	1.677	206,905	0.793	164,076
1997	1,429,841	264.0	1.652	2,362,097	0.812	1,918,023
1998	2,675,986	275.0	1.585	4,241,438	0.831	3,524,635
1999	1,050,880	278.0	1.568	1,647,780	0.850	1,400,613
2000	2,854,077	284.0	1.535	4,381,008	0.870	3,811,477
2001	2,434,025	307.0	1.420	3,456,316	0.890	3,076,121
2002	2,508,698	352.0	1.239	3,108,277	0.911	2,831,640
2003	296,682	352.0	1.239	367,589	0.933	342,961
2004	5,128	358.0	1.218	6,246	0.955	5,965
2005	1,102,701	427.0	1.021	1,125,858	0.977	1,099,963
2006	-71	436.0	1.000	-71	1.000	-71
	$25,757,190			$88,056,583		$42,869,638

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 330002 Dist. Res & St Full Depr Pain

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1984	170,666	192.0	2.271	387,582	0.600	232,549
1985	314,851	190.0	2.295	722,583	0.614	443,666
1986	340,428	196.0	2.224	757,112	0.629	476,223
1987	182,355	208.0	2.096	382,216	0.644	246,147
	$1,008,300			$2,249,493		$1,398,585

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 330003 Distr Reserv & Stand Paintin

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1994	211,481	244.0	1.787	377,917	0.757	286,083
1996	1,052	260.0	1.677	1,764	0.793	1,399
1998	216,585	275.0	1.585	343,287	0.831	285,271
1999	613,714	278.0	1.568	962,304	0.850	817,958
2000	108,794	284.0	1.535	166,999	0.870	145,289
2001	1,534	307.0	1.420	2,178	0.890	1,938
2002	171,495	352.0	1.239	212,482	0.911	193,571
2003	256,546	352.0	1.239	317,860	0.933	296,563
2004	226,972	358.0	1.218	276,452	0.955	264,012
2005	903,218	427.0	1.021	922,186	0.977	900,976
2006	2,012,609	436.0	1.000	2,012,609	1.000	2,012,609
	$4,724,000			$5,596,038		$5,205,669

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 330100 Elevated Tanks & Standpipes

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1998	147,821	275.0	1.585	234,296	0.831	194,700
2002	4,667	352.0	1.239	5,782	0.911	5,267
2003	1,817,943	352.0	1.239	2,252,431	0.933	2,101,518
2004	540,721	358.0	1.218	658,598	0.955	628,961
2005	360,229	427.0	1.021	367,794	0.977	359,335
2006	59,395	436.0	1.000	59,395	1.000	59,395
	$2,930,776			$3,578,296		$3,349,176

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 331001 Mains Conversion

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1885	89,581	10.0	45.300	4,058,019	0.060	243,481
1887	4,180	10.0	45.300	189,354	0.063	11,929
1889	13,488	10.0	45.300	611,006	0.066	40,326
1890	2,578	10.0	45.300	116,783	0.068	7,941
1891	970	10.0	45.300	43,941	0.069	3,032
1892	590	10.0	45.300	26,727	0.071	1,898
1893	1,201	10.0	45.300	54,405	0.073	3,972
1894	5,046	10.0	45.300	228,584	0.074	16,915
1895	1,109	10.0	45.300	50,238	0.076	3,818
1896	759	10.0	45.300	34,383	0.078	2,682
1897	11,285	10.0	45.300	511,210	0.080	40,897
1898	12,254	10.0	45.300	555,106	0.082	45,519
1899	70	10.0	45.300	3,171	0.084	266
1900	467	10.0	45.300	21,155	0.086	1,819
1901	469	10.0	45.300	21,246	0.088	1,870
1902	4,577	10.0	45.300	207,338	0.090	18,660
1903	3,044	10.0	45.300	137,893	0.092	12,686
1904	4,468	10.0	45.300	202,400	0.094	19,026
1905	8,458	10.0	45.300	383,147	0.096	36,782
1906	28	10.0	45.300	1,268	0.098	124
1907	206,378	10.0	45.300	9,348,923	0.101	944,241
1908	10,923	10.0	45.300	494,812	0.103	50,966
1909	11,724	10.0	45.300	531,097	0.105	55,765
1910	30,519	10.0	45.300	1,382,511	0.108	149,311
1911	59,584	10.0	45.300	2,699,155	0.110	296,907
1912	45,128	10.0	45.300	2,044,298	0.113	231,006
1913	167,799	10.0	45.300	7,601,295	0.116	881,750
1914	59,657	10.0	45.300	2,702,462	0.118	318,891
1915	781,713	10.0	45.300	35,411,599	0.121	4,284,803
1916	78,520	12.0	37.750	2,964,130	0.124	367,552
1917	118,605	17.0	26.647	3,160,467	0.127	401,379
1918	12,332	20.0	22.650	279,320	0.130	36,312
1919	66,187	21.0	21.571	1,427,720	0.133	189,887
1920	383,954	24.0	18.875	7,247,132	0.136	985,610
1921	653,020	23.0	19.696	12,861,882	0.139	1,787,802
1922	77,941	21.0	21.571	1,681,265	0.142	238,740
1923	347,180	22.0	20.591	7,148,783	0.146	1,043,722
1924	111,513	23.0	19.696	2,196,360	0.149	327,258
1925	371,084	22.0	20.591	7,640,991	0.153	1,169,072
1926	262,571	22.0	20.591	5,406,599	0.156	843,429

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
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Schedule 2
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Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1927	237,492	21.0	21.571	5,122,940	0.160	819,670
1928	100,985	20.0	22.650	2,287,310	0.164	375,119
1929	141,369	20.0	22.650	3,202,008	0.168	537,937
1930	236,777	20.0	22.650	5,362,999	0.172	922,436
1931	94,022	20.0	22.650	2,129,598	0.176	374,809
1932	5,469	17.0	26.647	145,732	0.180	26,232
1933	4,268	18.0	25.167	107,413	0.184	19,764
1934	12,201	20.0	22.650	276,353	0.188	51,954
1935	74,934	20.0	22.650	1,697,255	0.193	327,570
1936	160,229	21.0	21.571	3,456,300	0.197	680,891
1937	80,534	23.0	19.696	1,586,198	0.202	320,412
1938	42,218	23.0	19.696	831,526	0.206	171,294
1939	113,200	23.0	19.696	2,229,587	0.211	470,443
1940	174,621	23.0	19.696	3,439,335	0.216	742,896
1941	87,279	24.0	18.875	1,647,391	0.221	364,073
1942	28,787	25.0	18.120	521,620	0.227	118,408
1943	19,971	25.0	18.120	361,875	0.232	83,955
1944	8,215	26.0	17.423	143,130	0.237	33,922
1945	287,903	26.0	17.423	5,016,134	0.243	1,218,921
1946	72,798	30.0	15.100	1,099,250	0.249	273,713
1947	314,926	36.0	12.583	3,962,714	0.254	1,006,529
1948	755,996	42.0	10.786	8,154,173	0.260	2,120,085
1949	419,258	43.0	10.535	4,416,883	0.267	1,179,308
1950	1,180,798	45.0	10.067	11,887,093	0.273	3,245,176
1951	373,143	47.0	9.638	3,596,352	0.279	1,003,382
1952	539,337	49.0	9.245	4,986,171	0.286	1,426,045
1953	1,109,567	52.0	8.712	9,666,548	0.292	2,822,632
1954	1,333,199	55.0	8.236	10,980,227	0.299	3,283,088
1955	1,779,506	56.0	8.089	14,394,424	0.306	4,404,694
1956	1,912,409	60.0	7.550	14,438,688	0.314	4,533,748
1957	1,915,388	63.0	7.190	13,771,640	0.321	4,420,696
1958	1,450,577	65.0	6.969	10,109,071	0.328	3,315,775
1959	1,543,577	68.0	6.662	10,283,310	0.336	3,455,192
1960	1,937,933	69.0	6.565	12,722,530	0.344	4,376,550
1961	2,150,315	70.0	6.471	13,914,688	0.352	4,897,970
1962	1,252,767	72.0	6.292	7,882,410	0.360	2,837,668
1963	2,187,045	73.0	6.205	13,570,614	0.369	5,007,557
1964	1,688,490	74.0	6.122	10,336,936	0.377	3,897,025
1965	1,926,920	74.0	6.122	11,796,604	0.386	4,553,489
1966	1,672,344	75.0	6.040	10,100,958	0.395	3,989,878

Indiana American Water Company, Inc.
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Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1967	1,766,278	76.0	5.961	10,528,783	0.405	4,264,157
1968	1,607,734	78.0	5.808	9,337,719	0.414	3,865,816
1969	2,981,796	81.0	5.593	16,677,185	0.424	7,071,126
1970	2,308,702	87.0	5.207	12,021,411	0.434	5,217,292
1971	3,052,404	95.0	4.768	14,553,862	0.444	6,461,915
1972	2,351,937	98.0	4.622	10,870,653	0.454	4,935,276
1973	2,875,136	100.0	4.530	13,024,366	0.465	6,056,330
1974	2,198,348	131.0	3.458	7,601,887	0.476	3,618,498
1975	2,298,338	147.0	3.082	7,083,478	0.487	3,449,654
1976	2,004,758	154.0	2.942	5,897,998	0.499	2,943,101
1977	2,277,660	161.0	2.814	6,409,335	0.510	3,268,761
1978	4,168,042	173.0	2.618	10,911,934	0.522	5,696,030
1979	3,302,001	185.0	2.449	8,086,600	0.535	4,326,331
1980	2,923,053	202.0	2.243	6,556,408	0.547	3,586,355
1981	2,345,311	219.0	2.068	4,850,103	0.560	2,716,058
1982	1,844,459	231.0	1.961	3,616,984	0.573	2,072,532
1983	2,318,896	238.0	1.903	4,412,859	0.587	2,590,348
1984	2,347,871	241.0	1.880	4,413,997	0.600	2,648,398
1985	2,669,095	248.0	1.827	4,876,437	0.614	2,994,132
1986	3,286,278	245.0	1.849	6,076,328	0.629	3,822,010
1987	4,276,264	253.0	1.791	7,658,789	0.644	4,932,260
1988	5,347,982	268.0	1.690	9,038,090	0.659	5,956,101
1989	6,956,351	279.0	1.624	11,297,114	0.674	7,614,255
1990	5,909,489	282.0	1.606	9,490,639	0.690	6,548,541
1991	7,675,308	283.0	1.601	12,288,168	0.706	8,675,447
1992	9,203,282	285.0	1.589	14,624,015	0.723	10,573,163
1993	7,626,325	294.0	1.541	11,752,167	0.740	8,696,604
1994	10,859,397	301.0	1.505	16,343,392	0.757	12,371,948
1995	10,923,595	304.0	1.490	16,276,157	0.775	12,614,022
1996	14,850,504	310.0	1.461	21,696,586	0.793	17,205,393
1997	15,866,465	318.0	1.425	22,609,713	0.812	18,359,087
1998	20,594,821	326.0	1.390	28,626,801	0.831	23,788,872
1999	26,851,560	332.0	1.364	36,625,528	0.850	31,131,699
2000	13,082,901	342.0	1.325	17,334,844	0.870	15,081,314
2001	13,944,859	355.0	1.276	17,793,640	0.890	15,836,340
2002	14,841,119	372.0	1.218	18,076,483	0.911	16,467,676
2003	14,517,162	378.0	1.198	17,391,560	0.933	16,226,325
2004	17,524,990	383.0	1.183	20,732,063	0.955	19,799,120
2005	20,135,975	427.0	1.061	21,364,269	0.977	20,872,891
2006	27,258,016	453.0	1.000	27,258,016	1.000	27,258,016

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Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
	$352,622,183			$889,410,524		$470,442,146

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1902	0	6.0	68.333	0	0.090	0
1909	157	6.0	68.333	10,728	0.105	1,126
1911	8	6.0	68.333	547	0.110	60
1913	34,828	7.0	58.571	2,039,911	0.116	236,630
1914	2,961	7.0	58.571	173,429	0.118	20,465
1915	12,998	7.0	58.571	761,306	0.121	92,118
1916	3,022	7.0	58.571	177,002	0.124	21,948
1917	1,502	9.0	45.556	68,425	0.127	8,690
1918	1,119	11.0	37.273	41,708	0.130	5,422
1919	2,920	12.0	34.167	99,768	0.133	13,269
1920	46,321	13.0	31.538	1,460,872	0.136	198,679
1921	16,250	14.0	29.286	475,898	0.139	66,150
1922	17,312	13.0	31.538	545,986	0.142	77,530
1923	26,147	12.0	34.167	893,365	0.146	130,431
1924	42,102	13.0	31.538	1,327,813	0.149	197,844
1925	64,685	13.0	31.538	2,040,036	0.153	312,126
1926	52,120	13.0	31.538	1,643,761	0.156	256,427
1927	40,392	14.0	29.286	1,182,920	0.160	189,267
1928	26,217	14.0	29.286	767,791	0.164	125,918
1929	17,045	14.0	29.286	499,180	0.168	83,862
1930	21,780	14.0	29.286	637,849	0.172	109,710
1931	10,325	14.0	29.286	302,378	0.176	53,219
1932	5,449	12.0	34.167	186,176	0.180	33,512
1933	2,535	12.0	34.167	86,613	0.184	15,937
1934	4,478	12.0	34.167	153,000	0.188	28,764
1935	43,038	13.0	31.538	1,357,332	0.193	261,965
1936	15,024	14.0	29.286	439,993	0.197	86,679
1937	18,269	15.0	27.333	499,347	0.202	100,868
1938	17,620	15.0	27.333	481,607	0.206	99,211
1939	27,217	15.0	27.333	743,922	0.211	156,968
1940	105,101	15.0	27.333	2,872,726	0.216	620,509
1941	33,014	16.0	25.625	845,984	0.221	186,962
1942	28,097	16.0	25.625	719,986	0.227	163,437
1943	27,823	16.0	25.625	712,964	0.232	165,408
1944	11,097	17.0	24.118	267,637	0.237	63,430
1945	128,017	18.0	22.778	2,915,971	0.243	708,581
1946	39,234	19.0	21.579	846,630	0.249	210,811
1947	140,990	23.0	17.826	2,513,288	0.254	638,375
1948	160,008	26.0	15.769	2,523,166	0.260	656,023
1949	141,144	27.0	15.185	2,143,272	0.267	572,254

Indiana American Water Company, Inc.
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Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1950	534,513	28.0	14.643	7,826,874	0.273	2,136,737
1951	165,953	30.0	13.667	2,268,080	0.279	632,794
1952	138,832	32.0	12.812	1,778,716	0.286	508,713
1953	259,542	35.0	11.714	3,040,275	0.292	887,760
1954	315,194	37.0	11.081	3,492,665	0.299	1,044,307
1955	308,295	38.0	10.789	3,326,195	0.306	1,017,816
1956	331,863	41.0	10.000	3,318,630	0.314	1,042,050
1957	292,468	43.0	9.535	2,788,682	0.321	895,167
1958	305,220	45.0	9.111	2,780,859	0.328	912,122
1959	345,288	47.0	8.723	3,011,947	0.336	1,012,014
1960	459,786	49.0	8.367	3,847,029	0.344	1,323,378
1961	392,471	51.0	8.039	3,155,074	0.352	1,110,586
1962	351,136	52.0	7.885	2,768,707	0.360	996,735
1963	392,892	54.0	7.593	2,983,229	0.369	1,100,812
1964	534,805	56.0	7.321	3,915,307	0.377	1,476,071
1965	401,971	58.0	7.069	2,841,533	0.386	1,096,832
1966	387,842	62.0	6.613	2,564,799	0.395	1,013,096
1967	388,904	64.0	6.406	2,491,319	0.405	1,008,984
1968	418,475	67.0	6.119	2,560,649	0.414	1,060,109
1969	406,037	73.0	5.616	2,280,304	0.424	966,849
1970	433,961	81.0	5.062	2,196,711	0.434	953,373
1971	495,560	90.0	4.556	2,257,771	0.444	1,002,450
1972	453,815	95.0	4.316	1,958,666	0.454	889,234
1973	434,958	100.0	4.100	1,783,328	0.465	829,248
1974	585,843	115.0	3.565	2,088,530	0.476	994,140
1975	525,673	122.0	3.361	1,766,787	0.487	860,425
1976	623,427	129.0	3.178	1,981,251	0.499	988,644
1977	978,510	138.0	2.971	2,907,153	0.510	1,482,648
1978	1,404,278	147.0	2.789	3,916,531	0.522	2,044,429
1979	830,259	161.0	2.547	2,114,670	0.535	1,131,348
1980	833,345	175.0	2.343	1,952,527	0.547	1,068,032
1981	710,732	187.0	2.193	1,558,635	0.560	872,836
1982	652,624	202.0	2.030	1,324,827	0.573	759,126
1983	814,428	208.0	1.971	1,605,238	0.587	942,275
1984	837,034	215.0	1.907	1,596,224	0.600	957,734
1985	786,086	217.0	1.889	1,484,916	0.614	911,738
1986	1,000,508	221.0	1.855	1,855,942	0.629	1,167,388
1987	1,097,254	229.0	1.790	1,964,085	0.644	1,264,871
1988	1,203,798	241.0	1.701	2,047,660	0.659	1,349,408
1989	1,299,536	247.0	1.660	2,157,230	0.674	1,453,973

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
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Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1990	1,339,640	250.0	1.640	2,197,010	0.690	1,515,937
1991	1,493,404	255.0	1.608	2,401,394	0.706	1,695,384
1992	1,574,362	266.0	1.541	2,426,092	0.723	1,754,065
1993	1,897,827	274.0	1.496	2,839,149	0.740	2,100,970
1994	2,006,464	281.0	1.459	2,927,431	0.757	2,216,065
1995	2,110,202	292.0	1.404	2,962,724	0.775	2,296,111
1996	2,435,570	301.0	1.362	3,317,246	0.793	2,630,576
1997	3,385,701	306.0	1.340	4,536,839	0.812	3,683,913
1998	3,302,722	312.0	1.314	4,339,777	0.831	3,606,355
1999	3,361,565	320.0	1.281	4,306,165	0.850	3,660,240
2000	3,100,416	331.0	1.239	3,841,415	0.870	3,342,031
2001	3,012,178	341.0	1.202	3,620,638	0.890	3,222,368
2002	3,455,826	352.0	1.165	4,026,037	0.911	3,667,720
2003	2,315,547	359.0	1.142	2,644,355	0.933	2,467,183
2004	3,020,605	378.0	1.085	3,277,356	0.955	3,129,875
2005	3,283,133	410.0	1.000	3,283,133	0.977	3,207,621
2006	4,647,853	410.0	1.000	4,647,853	1.000	4,647,853
	$70,264,497			$196,614,456		$98,981,104

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 334100 Meters

Petitioner's Exhibit DFH-1
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Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
2002	545	207.0	1.135	619	0.911	564
	$545			$619		$564

Indiana American Water Company, Inc.
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Account 334110 Meters Bronze Case

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Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1915	6	23.0	10.217	61	0.121	7
1916	35	26.0	9.038	316	0.124	39
1917	26	29.0	8.103	211	0.127	27
1918	69	35.0	6.714	463	0.130	60
1919	17	37.0	6.351	108	0.133	14
1920	78	37.0	6.351	495	0.136	67
1938	30	32.0	7.344	220	0.206	45
1939	99	32.0	7.344	727	0.211	153
1941	32	35.0	6.714	215	0.221	48
1942	47	37.0	6.351	298	0.227	68
1943	95	37.0	6.351	603	0.232	140
1945	71	37.0	6.351	451	0.243	110
1948	62	48.0	4.896	304	0.260	79
1949	142	52.0	4.519	642	0.267	171
1950	554	59.0	3.983	2,207	0.273	603
1951	242	61.0	3.852	932	0.279	260
1952	615	61.0	3.852	2,369	0.286	678
1953	146	65.0	3.615	528	0.292	154
1955	2	70.0	3.357	7	0.306	2
1958	242	78.0	3.013	729	0.328	239
1959	886	78.0	3.013	2,670	0.336	897
1960	776	78.0	3.013	2,338	0.344	804
1962	128	84.0	2.798	358	0.360	129
1964	106	87.0	2.701	286	0.377	108
1965	315	93.0	2.527	796	0.386	307
1966	266	101.0	2.327	619	0.395	245
1967	831	101.0	2.327	1,934	0.405	783
1968	433	101.0	2.327	1,008	0.414	417
1969	81	106.0	2.217	180	0.424	76
1970	733	108.0	2.176	1,595	0.434	692
1971	1,023	108.0	2.176	2,226	0.444	988
1972	1,139	106.0	2.217	2,525	0.454	1,146
1973	380	100.0	2.350	893	0.465	415
1974	28	93.0	2.527	71	0.476	34
1975	12	93.0	2.527	30	0.487	15
1977	4,718	101.0	2.327	10,979	0.510	5,599
1978	3,784	105.0	2.238	8,469	0.522	4,421
1979	10,663	108.0	2.176	23,203	0.535	12,414
1980	10,625	122.0	1.926	20,464	0.547	11,194
1981	27,543	127.0	1.850	50,955	0.560	28,535

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 334110 Meters Bronze Case

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Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1982	11,829	128.0	1.836	21,718	0.573	12,444
1983	4,282	141.0	1.667	7,138	0.587	4,190
1984	7,626	148.0	1.588	12,110	0.600	7,266
1985	3,403	135.0	1.741	5,925	0.614	3,638
1986	7,827	135.0	1.741	13,627	0.629	8,571
1987	12,184	137.0	1.715	20,896	0.644	13,457
1988	52,070	140.0	1.679	87,426	0.659	57,614
1989	24,766	150.0	1.567	38,808	0.674	26,157
1990	82,833	159.0	1.478	122,427	0.690	84,475
1991	174,912	162.0	1.451	253,797	0.706	179,181
1992	591,214	196.0	1.199	708,866	0.723	512,510
1993	310,837	195.0	1.205	374,559	0.740	277,174
1994	274,314	175.0	1.343	368,404	0.757	278,882
1995	234,426	200.0	1.175	275,451	0.775	213,475
1996	914,579	207.0	1.135	1,038,047	0.793	823,171
1997	1,145,400	197.0	1.193	1,366,462	0.812	1,109,567
1998	1,441,093	197.0	1.193	1,719,224	0.831	1,428,675
1999	1,219,410	198.0	1.187	1,447,440	0.850	1,230,324
2000	1,475,111	205.0	1.146	1,690,477	0.870	1,470,715
2001	1,362,839	206.0	1.141	1,554,999	0.890	1,383,949
2002	658,082	207.0	1.135	746,923	0.911	680,447
2003	195,875	207.0	1.135	222,318	0.933	207,423
2004	775,719	207.0	1.135	880,441	0.955	840,821
2005	1,389,912	207.0	1.135	1,577,550	0.977	1,541,266
2006	3,290,672	235.0	1.000	3,290,672	1.000	3,290,672
	$15,728,295			$17,989,190		$15,758,247

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 334120 Meters Plastic Case

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1972	264	106.0	2.217	585	0.454	266
1975	80	93.0	2.527	202	0.487	98
1976	6,384	98.0	2.398	15,309	0.499	7,639
1977	86	101.0	2.327	200	0.510	102
1979	9,881	108.0	2.176	21,501	0.535	11,503
1980	391	122.0	1.926	753	0.547	412
1981	6,295	127.0	1.850	11,646	0.560	6,522
1982	4,830	128.0	1.836	8,868	0.573	5,081
1983	6,116	141.0	1.667	10,195	0.587	5,984
1984	20,028	148.0	1.588	31,804	0.600	19,082
1985	28,252	135.0	1.741	49,187	0.614	30,201
1986	17,492	135.0	1.741	30,454	0.629	19,156
1987	8,017	137.0	1.715	13,749	0.644	8,854
1988	512	140.0	1.679	860	0.659	567
1989	2,047	150.0	1.567	3,208	0.674	2,162
1990	6,445	159.0	1.478	9,526	0.690	6,573
1994	103,618	175.0	1.343	139,159	0.757	105,343
1995	8,547	200.0	1.175	10,043	0.775	7,783
1996	204	207.0	1.135	232	0.793	184
1997	283	197.0	1.193	338	0.812	274
1998	1,348	197.0	1.193	1,608	0.831	1,336
1999	2,772	198.0	1.187	3,290	0.850	2,796
2000	1,849	205.0	1.146	2,119	0.870	1,844
2001	150	206.0	1.141	171	0.890	152
2002	2,661	207.0	1.135	3,020	0.911	2,751
2003	869	207.0	1.135	986	0.933	920
2004	1,577	207.0	1.135	1,790	0.955	1,709
2005	355	207.0	1.135	403	0.977	394
	$241,353			$371,206		$249,688

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 334130 Meters Other

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1942	174	37.0	6.351	1,105	0.227	251
1943	406	37.0	6.351	2,579	0.232	598
1944	103	37.0	6.351	654	0.237	155
1945	80	37.0	6.351	508	0.243	123
1946	182	40.0	5.875	1,069	0.249	266
1947	1,192	42.0	5.595	6,669	0.254	1,694
1948	393	48.0	4.896	1,924	0.260	500
1949	496	52.0	4.519	2,241	0.267	598
1950	352	59.0	3.983	1,402	0.273	383
1951	1,438	61.0	3.852	5,539	0.279	1,545
1953	2,786	65.0	3.615	10,071	0.292	2,941
1954	937	67.0	3.507	3,286	0.299	983
1955	3,330	70.0	3.357	11,179	0.306	3,421
1956	3,833	77.0	3.052	11,698	0.314	3,673
1957	3,996	78.0	3.013	12,040	0.321	3,865
1958	5,768	78.0	3.013	17,379	0.328	5,700
1959	23,283	78.0	3.013	70,152	0.336	23,571
1960	7,951	78.0	3.013	23,956	0.344	8,241
1961	15,045	78.0	3.013	45,331	0.352	15,957
1962	10,495	84.0	2.798	29,365	0.360	10,571
1963	32,656	87.0	2.701	88,204	0.369	32,547
1964	10,887	87.0	2.701	29,406	0.377	11,086
1965	23,622	93.0	2.527	59,693	0.386	23,041
1966	3,223	101.0	2.327	7,500	0.395	2,962
1967	28,894	101.0	2.327	67,236	0.405	27,231
1968	15,005	101.0	2.327	34,917	0.414	14,456
1969	40,130	106.0	2.217	88,968	0.424	37,722
1970	77,548	108.0	2.176	168,744	0.434	73,235
1971	72,636	108.0	2.176	158,056	0.444	70,177
1972	44,948	106.0	2.217	99,650	0.454	45,241
1973	75,031	100.0	2.350	176,323	0.465	81,990
1974	93,531	93.0	2.527	236,353	0.476	112,504
1975	65,177	93.0	2.527	164,702	0.487	80,210
1976	49,292	98.0	2.398	118,202	0.499	58,983
1977	68,311	101.0	2.327	158,960	0.510	81,070
1978	88,750	105.0	2.238	198,622	0.522	103,681
1979	119,454	108.0	2.176	259,932	0.535	139,064
1980	240,736	122.0	1.926	463,658	0.547	253,621
1981	198,274	127.0	1.850	366,807	0.560	205,412
1982	195,742	128.0	1.836	359,382	0.573	205,926

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 334130 Meters Other

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1983	113,088	141.0	1.667	188,518	0.587	110,660
1984	147,782	148.0	1.588	234,678	0.600	140,807
1985	174,344	135.0	1.741	303,533	0.614	186,369
1986	103,786	135.0	1.741	180,691	0.629	113,655
1987	162,248	137.0	1.715	278,255	0.644	179,196
1988	119,949	140.0	1.679	201,394	0.659	132,719
1989	258,565	150.0	1.567	405,171	0.674	273,085
1990	132,462	159.0	1.478	195,779	0.690	135,088
1991	167,889	162.0	1.451	243,607	0.706	171,987
1992	259,088	196.0	1.199	310,647	0.723	224,598
1993	259,237	195.0	1.205	312,381	0.740	231,162
1994	284,238	175.0	1.343	381,732	0.757	288,971
1995	140,393	200.0	1.175	164,962	0.775	127,846
1996	205,805	207.0	1.135	233,589	0.793	185,236
1997	286,224	197.0	1.193	341,465	0.812	277,270
1998	382,494	197.0	1.193	456,315	0.831	379,198
1999	432,009	198.0	1.187	512,795	0.850	435,876
2000	546,543	205.0	1.146	626,338	0.870	544,914
2001	363,728	206.0	1.141	415,014	0.890	369,362
2002	163,735	207.0	1.135	185,839	0.911	169,299
2003	238,172	207.0	1.135	270,325	0.933	252,213
2004	354,312	207.0	1.135	402,144	0.955	384,048
2005	410,127	207.0	1.135	465,494	0.977	454,788
2006	886,573	235.0	1.000	886,573	1.000	886,573
	$8,218,878			$11,760,701		$8,400,115

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 334131 Remote Reader Units

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1980	25,464	122.0	1.926	49,044	0.547	26,827
1981	7,516	127.0	1.850	13,905	0.560	7,787
1982	25,291	128.0	1.836	46,434	0.573	26,607
1983	33,380	141.0	1.667	55,644	0.587	32,663
1984	39,425	148.0	1.588	62,607	0.600	37,564
1985	46,310	135.0	1.741	80,626	0.614	49,504
1986	70,897	135.0	1.741	123,432	0.629	77,639
1987	60,436	137.0	1.715	103,648	0.644	66,749
1988	131,665	140.0	1.679	221,066	0.659	145,682
1989	175,924	150.0	1.567	275,673	0.674	185,804
1990	157,382	159.0	1.478	232,611	0.690	160,502
1991	130,965	162.0	1.451	190,030	0.706	134,161
1992	153,644	196.0	1.199	184,219	0.723	133,190
1993	201,774	195.0	1.205	243,138	0.740	179,922
1994	177,989	175.0	1.343	239,039	0.757	180,953
1995	175,728	200.0	1.175	206,480	0.775	160,022
1996	161,286	207.0	1.135	183,060	0.793	145,167
1997	147,619	197.0	1.193	176,109	0.812	143,001
1998	168,004	197.0	1.193	200,429	0.831	166,556
1999	331,704	198.0	1.187	393,733	0.850	334,673
2005	2,365	207.0	1.135	2,684	0.977	2,622
	$2,424,768			$3,283,611		$2,397,595

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 334200 Meter Installations

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1911	-156	29.0	8.103	-1,264	0.110	-139
1913	56	29.0	8.103	454	0.116	53
1915	129	29.0	8.103	1,045	0.121	126
1920	637	29.0	8.103	5,162	0.136	702
1921	2,226	29.0	8.103	18,037	0.139	2,507
1922	2,480	29.0	8.103	20,095	0.142	2,853
1923	5,889	29.0	8.103	47,719	0.146	6,967
1924	4,766	29.0	8.103	38,619	0.149	5,754
1925	8,701	29.0	8.103	70,504	0.153	10,787
1926	5,731	29.0	8.103	46,438	0.156	7,244
1927	9,280	29.0	8.103	75,196	0.160	12,031
1928	380	29.0	8.103	3,079	0.164	505
1929	5,705	29.0	8.103	46,228	0.168	7,766
1930	10,372	29.0	8.103	84,044	0.172	14,456
1931	362	29.0	8.103	2,933	0.176	516
1932	74	29.0	8.103	600	0.180	108
1935	6,291	29.0	8.103	50,976	0.193	9,838
1936	1,409	29.0	8.103	11,417	0.197	2,249
1937	2,448	29.0	8.103	19,836	0.202	4,007
1938	1,859	29.0	8.103	15,063	0.206	3,103
1939	2,222	29.0	8.103	18,005	0.211	3,799
1940	20,026	29.0	8.103	162,271	0.216	35,051
1941	2,313	29.0	8.103	18,742	0.221	4,142
1942	54,374	29.0	8.103	440,593	0.227	100,015
1943	17,991	29.0	8.103	145,781	0.232	33,821
1944	1,414	29.0	8.103	11,458	0.237	2,716
1945	6,961	29.0	8.103	56,405	0.243	13,706
1946	9,515	29.0	8.103	77,100	0.249	19,198
1947	18,101	29.0	8.103	146,672	0.254	37,255
1948	17,487	29.0	8.103	141,697	0.260	36,841
1949	11,218	29.0	8.103	90,899	0.267	24,270
1950	128,986	31.0	7.581	977,843	0.273	266,951
1951	27,025	34.0	6.912	186,797	0.279	52,116
1952	27,185	35.0	6.714	182,520	0.286	52,201
1953	50,049	37.0	6.351	317,861	0.292	92,815
1954	46,627	39.0	6.026	280,974	0.299	84,011
1955	77,259	40.0	5.875	453,897	0.306	138,892
1956	59,235	44.0	5.341	316,374	0.314	99,341
1957	46,148	45.0	5.222	240,985	0.321	77,356
1958	46,902	47.0	5.000	234,510	0.328	76,919

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 334200 Meter Installations

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1959	52,320	48.0	4.896	256,159	0.336	86,069
1960	68,553	50.0	4.700	322,199	0.344	110,836
1961	62,640	52.0	4.519	283,070	0.352	99,641
1962	70,832	53.0	4.434	314,069	0.360	113,065
1963	67,381	55.0	4.273	287,919	0.369	106,242
1964	83,768	56.0	4.196	351,491	0.377	132,512
1965	108,104	58.0	4.052	438,037	0.386	169,082
1966	90,052	61.0	3.852	346,880	0.395	137,018
1967	102,096	64.0	3.672	374,897	0.405	151,833
1968	118,521	68.0	3.456	409,609	0.414	169,578
1969	124,964	74.0	3.176	396,886	0.424	168,280
1970	122,735	82.0	2.866	351,759	0.434	152,663
1971	149,021	90.0	2.611	389,094	0.444	172,758
1972	141,476	95.0	2.474	350,012	0.454	158,905
1973	187,799	100.0	2.350	441,328	0.465	205,218
1974	183,572	113.0	2.080	381,830	0.476	181,751
1975	123,214	121.0	1.942	239,282	0.487	116,530
1976	208,852	131.0	1.794	374,680	0.499	186,965
1977	218,138	145.0	1.621	353,602	0.510	180,337
1978	218,368	153.0	1.536	335,413	0.522	175,086
1979	168,600	164.0	1.433	241,604	0.535	129,258
1980	261,918	179.0	1.313	343,898	0.547	188,112
1981	370,616	192.0	1.224	453,634	0.560	254,035
1982	341,246	212.0	1.108	378,101	0.573	216,652
1983	402,286	229.0	1.026	412,745	0.587	242,281
1984	370,382	235.0	1.000	370,382	0.600	222,229
1985	352,082	240.0	0.979	344,688	0.614	211,638
1986	480,392	247.0	0.951	456,853	0.629	287,361
1987	537,575	253.0	0.929	499,407	0.644	321,618
1988	669,031	264.0	0.890	595,438	0.659	392,394
1989	828,508	269.0	0.874	724,116	0.674	488,054
1990	621,083	274.0	0.858	532,889	0.690	367,693
1991	1,089,817	284.0	0.827	901,279	0.706	636,303
1992	957,419	294.0	0.799	764,978	0.723	553,079
1993	1,028,572	308.0	0.763	784,800	0.740	580,752
1994	921,742	317.0	0.741	683,011	0.757	517,039
1995	1,097,771	331.0	0.710	779,417	0.775	604,048
1996	1,312,175	346.0	0.679	890,967	0.793	706,537
1997	1,685,619	354.0	0.664	1,119,251	0.812	908,832
1998	1,585,358	360.0	0.653	1,035,239	0.831	860,284

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 334200 Meter Installations

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1999	1,544,005	368.0	0.639	986,619	0.850	838,626
2000	1,635,147	380.0	0.618	1,010,521	0.870	879,153
2001	1,795,818	391.0	0.601	1,079,287	0.890	960,565
2002	1,729,092	404.0	0.582	1,006,332	0.911	916,768
2003	797,364	412.0	0.570	454,497	0.933	424,046
2004	1,516,807	207.0	1.135	1,721,576	0.955	1,644,105
2005	2,782,800	207.0	1.135	3,158,478	0.977	3,085,833
2006	2,375,901	235.0	1.000	2,375,901	1.000	2,375,901
	$32,501,209			$36,161,689		$24,130,414

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 334201 Meter Installations Remote

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1983	46,539	229.0	1.026	47,749	0.587	28,029
1984	81,992	235.0	1.000	81,992	0.600	49,195
1985	66,426	240.0	0.979	65,031	0.614	39,929
1986	74,588	247.0	0.951	70,933	0.629	44,617
1987	64,446	253.0	0.929	59,870	0.644	38,556
1988	66,599	264.0	0.890	59,273	0.659	39,061
1989	90,405	269.0	0.874	79,014	0.674	53,255
1990	66,161	274.0	0.858	56,766	0.690	39,169
1991	21,638	284.0	0.827	17,895	0.706	12,634
1992	40,968	294.0	0.799	32,733	0.723	23,666
1993	39,362	308.0	0.763	30,033	0.740	22,224
1994	44,150	317.0	0.741	32,715	0.757	24,765
1995	52,901	331.0	0.710	37,560	0.775	29,109
1996	128,480	346.0	0.679	87,238	0.793	69,180
1997	84,372	354.0	0.664	56,023	0.812	45,491
1998	82,861	360.0	0.653	54,108	0.831	44,964
1999	95,536	368.0	0.639	61,048	0.850	51,891
2000	49	380.0	0.618	30	0.870	26
2001	95	391.0	0.601	57	0.890	51
	$1,147,568			$930,068		$655,812

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 335000 Hydrants

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1885	94	35.0	17.114	1,609	0.060	97
1889	39	35.0	17.114	667	0.066	44
1890	13	35.0	17.114	222	0.068	15
1891	38	35.0	17.114	650	0.069	45
1893	24	35.0	17.114	411	0.073	30
1894	44	35.0	17.114	753	0.074	56
1895	32	35.0	17.114	548	0.076	42
1896	32	35.0	17.114	548	0.078	43
1897	20	35.0	17.114	342	0.080	27
1898	138	35.0	17.114	2,362	0.082	194
1899	109	35.0	17.114	1,865	0.084	157
1900	81	35.0	17.114	1,386	0.086	119
1902	131	35.0	17.114	2,242	0.090	202
1903	156	35.0	17.114	2,670	0.092	246
1904	25	35.0	17.114	428	0.094	40
1905	29	35.0	17.114	496	0.096	48
1906	35	35.0	17.114	599	0.098	59
1907	324	35.0	17.114	5,545	0.101	560
1908	8,750	35.0	17.114	149,748	0.103	15,424
1909	3,251	35.0	17.114	55,638	0.105	5,842
1910	3,444	35.0	17.114	58,941	0.108	6,366
1911	6,240	35.0	17.114	106,791	0.110	11,747
1912	4,812	35.0	17.114	82,353	0.113	9,306
1913	5,758	35.0	17.114	98,542	0.116	11,431
1914	1,234	35.0	17.114	21,119	0.118	2,492
1915	12,258	35.0	17.114	209,783	0.121	25,384
1916	2,032	35.0	17.114	34,776	0.124	4,312
1917	3,221	35.0	17.114	55,124	0.127	7,001
1918	1,574	35.0	17.114	26,937	0.130	3,502
1919	8,183	35.0	17.114	140,044	0.133	18,626
1920	4,277	35.0	17.114	73,197	0.136	9,955
1921	3,809	35.0	17.114	65,187	0.139	9,061
1922	326	35.0	17.114	5,579	0.142	792
1923	1,784	35.0	17.114	30,531	0.146	4,458
1924	3,215	35.0	17.114	55,022	0.149	8,198
1925	10,550	35.0	17.114	180,553	0.153	27,625
1926	11,360	35.0	17.114	194,415	0.156	30,329
1927	17,374	35.0	17.114	297,339	0.160	47,574
1928	5,439	35.0	17.114	93,083	0.164	15,266
1929	8,655	35.0	17.114	148,122	0.168	24,884

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1930	2,673	35.0	17.114	45,746	0.172	7,868
1931	3,149	35.0	17.114	53,892	0.176	9,485
1932	711	35.0	17.114	12,168	0.180	2,190
1933	31	35.0	17.114	531	0.184	98
1934	849	35.0	17.114	14,530	0.188	2,732
1935	4,479	35.0	17.114	76,654	0.193	14,794
1936	6,627	35.0	17.114	113,414	0.197	22,343
1937	3,192	35.0	17.114	54,628	0.202	11,035
1938	1,905	35.0	17.114	32,602	0.206	6,716
1939	2,118	35.0	17.114	36,247	0.211	7,648
1940	8,816	35.0	17.114	150,877	0.216	32,589
1941	5,063	35.0	17.114	86,648	0.221	19,149
1942	595	35.0	17.114	10,183	0.227	2,312
1943	7,583	35.0	17.114	129,775	0.232	30,108
1944	576	35.0	17.114	9,858	0.237	2,336
1945	1,904	35.0	17.114	32,585	0.243	7,918
1946	2,180	35.0	17.114	37,309	0.249	9,290
1947	11,770	35.0	17.114	201,432	0.254	51,164
1948	16,644	35.0	17.114	284,845	0.260	74,060
1949	18,890	35.0	17.114	323,283	0.267	86,317
1950	22,330	37.0	16.189	361,500	0.273	98,690
1951	15,123	41.0	14.610	220,947	0.279	61,644
1952	30,682	42.0	14.262	437,587	0.286	125,150
1953	24,965	43.0	13.930	347,762	0.292	101,547
1954	31,276	44.0	13.614	425,791	0.299	127,312
1955	43,358	44.0	13.614	590,276	0.306	180,624
1956	74,392	48.0	12.479	928,338	0.314	291,498
1957	54,545	50.0	11.980	653,449	0.321	209,757
1958	67,450	51.0	11.745	792,200	0.328	259,842
1959	91,148	53.0	11.302	1,030,155	0.336	346,132
1960	128,236	54.0	11.093	1,422,522	0.344	489,348
1961	105,759	55.0	10.891	1,151,821	0.352	405,441
1962	70,490	55.0	10.891	767,707	0.360	276,375
1963	120,699	56.0	10.696	1,290,997	0.369	476,378
1964	105,353	57.0	10.509	1,107,155	0.377	417,397
1965	87,431	58.0	10.328	902,987	0.386	348,553
1966	118,975	61.0	9.820	1,168,334	0.395	461,492
1967	98,956	64.0	9.359	926,129	0.405	375,082
1968	106,345	68.0	8.809	936,793	0.414	387,832
1969	124,900	73.0	8.205	1,024,804	0.424	434,517

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 335000 Hydrants

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1970	129,804	82.0	7.305	948,218	0.434	411,527
1971	154,187	91.0	6.582	1,014,859	0.444	450,597
1972	221,551	95.0	6.305	1,396,879	0.454	634,183
1973	279,723	100.0	5.990	1,675,541	0.465	779,127
1974	291,761	123.0	4.870	1,420,876	0.476	676,337
1975	260,647	144.0	4.160	1,084,292	0.487	528,050
1976	269,397	157.0	3.815	1,027,750	0.499	512,847
1977	485,359	165.0	3.630	1,761,853	0.510	898,545
1978	651,688	182.0	3.291	2,144,705	0.522	1,119,536
1979	404,688	195.0	3.072	1,243,202	0.535	665,113
1980	455,122	207.0	2.894	1,317,123	0.547	720,466
1981	471,362	223.0	2.686	1,266,078	0.560	709,004
1982	633,198	248.0	2.415	1,529,173	0.573	876,216
1983	428,084	265.0	2.260	967,470	0.587	567,905
1984	457,110	269.0	2.227	1,017,984	0.600	610,790
1985	478,150	282.0	2.124	1,015,591	0.614	623,573
1986	656,083	292.0	2.051	1,345,626	0.629	846,399
1987	580,856	304.0	1.970	1,144,286	0.644	736,920
1988	532,602	318.0	1.884	1,003,422	0.659	661,255
1989	609,064	335.0	1.788	1,089,006	0.674	733,990
1990	725,687	349.0	1.716	1,245,279	0.690	859,243
1991	595,590	354.0	1.692	1,007,738	0.706	711,463
1992	616,113	359.0	1.669	1,028,293	0.723	743,456
1993	860,208	366.0	1.637	1,408,160	0.740	1,042,038
1994	736,289	371.0	1.615	1,189,107	0.757	900,154
1995	717,516	380.0	1.576	1,130,805	0.775	876,374
1996	962,008	399.0	1.501	1,443,974	0.793	1,145,071
1997	1,386,966	457.0	1.311	1,818,312	0.812	1,476,469
1998	1,178,861	476.0	1.258	1,483,007	0.831	1,232,379
1999	1,553,940	493.0	1.215	1,888,037	0.850	1,604,831
2000	1,404,943	510.0	1.175	1,650,808	0.870	1,436,203
2001	1,302,889	534.0	1.122	1,461,841	0.890	1,301,038
2002	1,397,955	548.0	1.093	1,527,965	0.911	1,391,976
2003	1,258,866	553.0	1.083	1,363,352	0.933	1,272,007
2004	2,345,679	562.0	1.066	2,500,494	0.955	2,387,972
2005	1,561,971	583.0	1.027	1,604,144	0.977	1,567,249
2006	1,221,047	599.0	1.000	1,221,047	1.000	1,221,047
	$30,028,042			$70,786,925		$41,507,712

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 339500 Other P/E TD

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1956	246	49.0	9.184	2,259	0.314	709
1957	340	50.0	9.000	3,060	0.321	982
1978	4,653	155.0	2.903	13,508	0.522	7,051
1983	1,057	212.0	2.123	2,244	0.587	1,317
1990	2,381	264.0	1.705	4,060	0.690	2,801
1993	727	281.0	1.601	1,164	0.740	861
1997	2,048	319.0	1.411	2,890	0.812	2,347
2000	11,361	351.0	1.282	14,565	0.870	12,672
2001	244	368.0	1.223	298	0.890	265
2002	2,116	382.0	1.178	2,493	0.911	2,271
2003	48,500	390.0	1.154	55,969	0.933	52,219
2004	9,630	399.0	1.128	10,863	0.955	10,374
2005	8,298	434.0	1.037	8,605	0.977	8,407
2006	15,452	450.0	1.000	15,452	1.000	15,452
	$107,053			$137,430		$117,728

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 339600 Other P/E Comp Planning Stud

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1995	74,820			74,820		74,820
1996	97,514			97,514		97,514
1997	197,980			197,980		197,980
1998	328,945			328,945		328,945
1999	843,535			843,535		843,535
2000	214,415			214,415		214,415
2002	301,481			301,481		301,481
2003	92,153			92,153		92,153
2004	42,185			42,185		42,185
	$2,193,028			$2,193,028		$2,193,028

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 340100 Office Furniture

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1941	212	20.0	8.050	1,707	0.221	377
1947	198	20.0	8.050	1,594	0.254	405
1948	108	22.0	7.318	790	0.260	205
1949	256	22.0	7.318	1,873	0.267	500
1950	103	23.0	7.000	721	0.273	197
1951	1,604	27.0	5.963	9,565	0.279	2,669
1952	12,598	26.0	6.192	78,007	0.286	22,310
1953	1,983	27.0	5.963	11,825	0.292	3,453
1954	3,762	27.0	5.963	22,433	0.299	6,707
1955	2,925	28.0	5.750	16,819	0.306	5,147
1956	2,648	30.0	5.367	14,212	0.314	4,463
1957	1,455	32.0	5.031	7,320	0.321	2,350
1958	1,602	33.0	4.879	7,816	0.328	2,564
1959	2,413	33.0	4.879	11,773	0.336	3,956
1960	3,299	33.0	4.879	16,096	0.344	5,537
1961	11,648	33.0	4.879	56,831	0.352	20,005
1962	1,835	33.0	4.879	8,953	0.360	3,223
1963	1,843	34.0	4.735	8,727	0.369	3,220
1964	4,646	34.0	4.735	21,999	0.377	8,294
1965	4,561	34.0	4.735	21,596	0.386	8,336
1966	4,902	35.0	4.600	22,549	0.395	8,907
1967	5,771	36.0	4.472	25,808	0.405	10,452
1968	16,038	38.0	4.237	67,953	0.414	28,133
1969	5,083	39.0	4.128	20,983	0.424	8,897
1970	6,068	42.0	3.833	23,259	0.434	10,094
1971	17,925	43.0	3.744	67,111	0.444	29,797
1972	13,209	44.0	3.659	48,332	0.454	21,943
1973	21,107	47.0	3.426	72,313	0.465	33,626
1974	55,459	55.0	2.927	162,328	0.476	77,268
1975	4,592	61.0	2.639	12,118	0.487	5,901
1976	10,191	63.0	2.556	26,048	0.499	12,998
1977	9,949	68.0	2.368	23,559	0.510	12,015
1978	13,842	73.0	2.205	30,522	0.522	15,932
1979	23,472	81.0	1.988	46,662	0.535	24,964
1980	5,577	86.0	1.872	10,440	0.547	5,711
1981	22,860	94.0	1.713	39,159	0.560	21,929
1982	20,177	100.0	1.610	32,485	0.573	18,614
1983	24,188	104.0	1.548	37,443	0.587	21,979
1984	18,501	108.0	1.491	27,585	0.600	16,551
1985	50,800	112.0	1.438	73,050	0.614	44,853

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 340100 Office Furniture

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1986	32,745	115.0	1.400	45,843	0.629	28,835
1987	56,651	119.0	1.353	76,649	0.644	49,362
1988	46,839	124.0	1.298	60,797	0.659	40,065
1989	17,052	129.0	1.248	21,281	0.674	14,343
1990	48,480	133.0	1.211	58,709	0.690	40,509
1991	46,187	136.0	1.184	54,685	0.706	38,608
1992	54,680	138.0	1.167	63,812	0.723	46,136
1993	75,169	141.0	1.142	85,843	0.740	63,524
1994	34,990	145.0	1.110	38,839	0.757	29,401
1995	45,296	148.0	1.088	49,282	0.775	38,194
1996	107,972	152.0	1.059	114,342	0.793	90,673
1997	123,523	154.0	1.045	129,082	0.812	104,815
1998	285,387	155.0	1.039	296,517	0.831	246,406
1999	209,981	157.0	1.025	215,231	0.850	182,946
2000	501,914	158.0	1.019	511,450	0.870	444,962
2001	96,132	160.0	1.006	96,709	0.890	86,071
2002	90,382	161.0	1.000	90,382	0.911	82,338
2003	24,723	161.0	1.000	24,723	0.933	23,067
2004	7,276	160.0	1.006	7,320	0.955	6,991
2005	4,597	160.0	1.006	4,625	0.977	4,519
2006	118,090	161.0	1.000	118,090	1.000	118,090
	$2,437,476			$3,354,575		$2,314,337

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 340210 Comp and Periph Mainframe

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1991	52,274	119.0	0.773	40,408	0.706	28,528
1993	6,181	118.0	0.780	4,821	0.740	3,568
1995	24,770	114.0	0.807	19,989	0.775	15,491
1996	2,225	109.0	0.844	1,878	0.793	1,489
1998	18,593	100.0	0.920	17,106	0.831	14,215
2002	47,616	92.0	1.000	47,616	0.911	43,378
2003	4,789	92.0	1.000	4,789	0.933	4,468
	$156,448			$136,607		$111,137

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 340220 Comp and Periph Personal

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1984	1,266	110.0	0.836	1,058	0.600	635
1985	578	112.0	0.821	475	0.614	292
1986	810	115.0	0.800	648	0.629	408
1987	1,301	115.0	0.800	1,041	0.644	670
1988	8,972	118.0	0.780	6,998	0.659	4,612
1989	5,344	119.0	0.773	4,131	0.674	2,784
1990	800	118.0	0.780	624	0.690	431
1991	11,959	119.0	0.773	9,244	0.706	6,526
1992	47,036	118.0	0.780	36,688	0.723	26,525
1993	35,708	118.0	0.780	27,852	0.740	20,610
1994	34,094	117.0	0.786	26,798	0.757	20,286
1995	26,066	114.0	0.807	21,035	0.775	16,302
1996	31,438	109.0	0.844	26,534	0.793	21,041
1997	49,947	104.0	0.885	44,203	0.812	35,893
1998	1,274,240	100.0	0.920	1,172,301	0.831	974,182
1999	324,780	98.0	0.939	304,968	0.850	259,223
2000	395,482	97.0	0.948	374,917	0.870	326,178
2001	374,289	94.0	0.979	366,429	0.890	326,122
2002	89,663	92.0	1.000	89,663	0.911	81,683
2003	204,588	92.0	1.000	204,588	0.933	190,881
2004	16,784	92.0	1.000	16,784	0.955	16,029
2005	475,950	93.0	0.989	470,715	0.977	459,889
2006	26,513	92.0	1.000	26,513	1.000	26,513
	$3,437,608			$3,234,207		$2,817,715

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 340230 Comp and Periph Other

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1988	771	118.0	0.780	601	0.659	396
1991	7,372	119.0	0.773	5,699	0.706	4,023
1992	3,838	118.0	0.780	2,994	0.723	2,165
1994	840	117.0	0.786	660	0.757	500
1995	27,688	114.0	0.807	22,344	0.775	17,317
1996	62,191	109.0	0.844	52,489	0.793	41,624
1997	12,649	104.0	0.885	11,194	0.812	9,090
1998	11,903	100.0	0.920	10,951	0.831	9,100
1999	17,374	98.0	0.939	16,314	0.850	13,867
2000	183,562	97.0	0.948	174,017	0.870	151,395
2001	354,145	94.0	0.979	346,708	0.890	308,570
2002	34,361	92.0	1.000	34,361	0.911	31,303
2003	7,206	92.0	1.000	7,206	0.933	6,723
2004	8,472	92.0	1.000	8,472	0.955	8,091
2005	164,588	93.0	0.989	162,778	0.977	159,034
2006	1,005,032	92.0	1.000	1,005,032	1.000	1,005,032
	$1,901,992			$1,861,820		$1,768,230

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 340240 Personal Computers & Peripherals Leased

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
2000	1,262,863	97.0	0.948	1,197,194	0.870	1,041,559
2001	23,804	94.0	0.979	23,304	0.890	20,741
2002	693	92.0	1.000	693	0.911	631
	$1,287,360			$1,221,191		$1,062,931

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 340310 Mainframe Computer Software

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1998	853,729	100.0	0.920	785,431	0.831	652,693
1999	36,123	98.0	0.939	33,919	0.850	28,831
2001	75,573	94.0	0.979	73,986	0.890	65,848
2002	1,235	92.0	1.000	1,235	0.911	1,125
2004	650,830	92.0	1.000	650,830	0.955	621,543
2005	1,130,225	93.0	0.989	1,117,793	0.977	1,092,084
2006	5,361,188	92.0	1.000	5,361,188	1.000	5,361,188
	$8,108,903			$8,024,382		$7,823,312

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 340320 Personal Computer Software

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1985	150	112.0	0.821	123	0.614	76
1988	3,727	118.0	0.780	2,907	0.659	1,916
1990	2,211	118.0	0.780	1,725	0.690	1,190
1991	2,473	119.0	0.773	1,912	0.706	1,350
1992	39,756	118.0	0.780	31,010	0.723	22,420
1993	5,382	118.0	0.780	4,198	0.740	3,107
1994	9,683	117.0	0.786	7,611	0.757	5,762
1995	1,849	114.0	0.807	1,492	0.775	1,156
1996	17,983	109.0	0.844	15,178	0.793	12,036
1997	16,289	104.0	0.885	14,416	0.812	11,706
1998	49,733	100.0	0.920	45,754	0.831	38,022
1999	58,293	98.0	0.939	54,737	0.850	46,526
2000	39,019	97.0	0.948	36,990	0.870	32,181
2001	16,123	94.0	0.979	15,784	0.890	14,048
2002	51,644	92.0	1.000	51,644	0.911	47,048
2004	8,482	92.0	1.000	8,482	0.955	8,100
2005	4,069	93.0	0.989	4,024	0.977	3,931
	$326,866			$297,987		$250,575

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 340330 Comp Software Other

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1997	1,626	104.0	0.885	1,439	0.812	1,168
1998	17,182	100.0	0.920	15,807	0.831	13,136
1999	10,748	98.0	0.939	10,092	0.850	8,578
2000	4,200	97.0	0.948	3,982	0.870	3,464
2001	6,809	94.0	0.979	6,666	0.890	5,933
2002	31,341	92.0	1.000	31,341	0.911	28,552
2005	8,000	93.0	0.989	7,912	0.977	7,730
	$79,906			$77,239		$68,561

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 340500 Other Office Equipment

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1952	45	53.0	2.132	96	0.286	27
1958	162	62.0	1.823	295	0.328	97
1961	331	63.0	1.794	594	0.352	209
1965	112	64.0	1.766	198	0.386	76
1966	33	65.0	1.738	57	0.395	23
1967	26	66.0	1.712	45	0.405	18
1968	372	66.0	1.712	637	0.414	264
1969	127	67.0	1.687	214	0.424	91
1971	414	70.0	1.614	668	0.444	297
1974	575	75.0	1.507	867	0.476	413
1975	509	79.0	1.430	728	0.487	355
1976	1,171	80.0	1.412	1,653	0.499	825
1977	2,579	81.0	1.395	3,598	0.510	1,835
1978	402	84.0	1.345	541	0.522	282
1980	496	93.0	1.215	603	0.547	330
1981	4,216	97.0	1.165	4,912	0.560	2,751
1982	2,255	100.0	1.130	2,548	0.573	1,460
1983	1,465	102.0	1.108	1,623	0.587	953
1984	685	102.0	1.108	759	0.600	455
1985	4,582	102.0	1.108	5,077	0.614	3,117
1986	380	102.0	1.108	421	0.629	265
1987	2,152	105.0	1.076	2,316	0.644	1,492
1988	3,640	107.0	1.056	3,844	0.659	2,533
1989	9,170	110.0	1.027	9,418	0.674	6,348
1990	5,207	110.0	1.027	5,348	0.690	3,690
1991	6,034	110.0	1.027	6,197	0.706	4,375
1992	33,620	111.0	1.018	34,225	0.723	24,745
1993	22,932	111.0	1.018	23,345	0.740	17,275
1994	10,226	111.0	1.018	10,410	0.757	7,880
1995	13,129	112.0	1.009	13,247	0.775	10,266
1996	17,635	112.0	1.009	17,794	0.793	14,111
1997	4,259	112.0	1.009	4,297	0.812	3,489
1998	17,907	112.0	1.009	18,068	0.831	15,015
1999	34,587	112.0	1.009	34,898	0.850	29,663
2000	22,965	113.0	1.000	22,965	0.870	19,980
2001	7,338	113.0	1.000	7,338	0.890	6,531
2002	34,612	113.0	1.000	34,612	0.911	31,532
2003	9,343	113.0	1.000	9,343	0.933	8,717
2004	1,985	113.0	1.000	1,985	0.955	1,896
2005	1,780	113.0	1.000	1,780	0.977	1,739

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 340500 Other Office Equipment

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
2006	5,691	113.0	1.000	5,691	1.000	5,691
	$285,149			$293,255		$231,111

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 341100 Light Duty Trucks

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1950	11	30.0	4.333	48	0.273	13
1955	18	34.0	3.824	69	0.306	21
1964	62	39.0	3.333	207	0.377	78
1970	1,238	43.0	3.023	3,742	0.434	1,624
1971	3	46.0	2.826	8	0.444	4
1977	409	65.0	2.000	818	0.510	417
1979	7,494	76.0	1.711	12,822	0.535	6,860
1983	7,295	102.0	1.275	9,301	0.587	5,460
1986	7,918	109.0	1.193	9,446	0.629	5,942
1988	300	113.0	1.150	345	0.659	227
1989	814	116.0	1.121	912	0.674	615
1990	2,760	118.0	1.102	3,042	0.690	2,099
1991	19,342	222.0	0.586	11,334	0.706	8,002
1992	37,375	124.0	1.048	39,169	0.723	28,319
1993	43,467	128.0	1.016	44,162	0.740	32,680
1994	38,491	131.0	0.992	38,183	0.757	28,905
1995	80,798	133.0	0.977	78,940	0.775	61,178
1996	77,721	134.0	0.970	75,389	0.793	59,783
1997	164,075	133.0	0.977	160,301	0.812	130,164
1998	365,817	131.0	0.992	362,890	0.831	301,562
1999	473,271	132.0	0.985	466,172	0.850	396,246
2000	374,930	132.0	0.985	369,306	0.870	321,296
2001	355,719	132.0	0.985	350,383	0.890	311,841
2002	373,244	130.0	1.000	373,244	0.911	340,025
2003	20,339	130.0	1.000	20,339	0.933	18,976
2004	48,920	130.0	1.000	48,920	0.955	46,719
2005	5,799	129.0	1.008	5,845	0.977	5,711
2006	135	130.0	1.000	135	1.000	135
	$2,507,765			$2,485,472		$2,114,902

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 341200 Heavy Duty Trucks

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1978	1,737	70.0	1.857	3,226	0.522	1,684
1989	99,336	116.0	1.121	111,356	0.674	75,054
1991	25,151	222.0	0.586	14,738	0.706	10,405
1995	30,062	133.0	0.977	29,371	0.775	22,763
1996	34,869	134.0	0.970	33,823	0.793	26,822
1998	45,850	131.0	0.992	45,483	0.831	37,796
1999	125,794	132.0	0.985	123,907	0.850	105,321
2000	83,907	132.0	0.985	82,648	0.870	71,904
2001	111,002	132.0	0.985	109,337	0.890	97,310
2002	33,518	130.0	1.000	33,518	0.911	30,535
2004	53,876	130.0	1.000	53,876	0.955	51,452
2006	-33,504	130.0	1.000	-33,504	1.000	-33,504
	$611,598			$607,779		$497,542

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 341300 Automobiles

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1989	619	116.0	1.121	694	0.674	468
1993	12,572	128.0	1.016	12,773	0.740	9,452
1995	13,393	133.0	0.977	13,085	0.775	10,141
1996	60,764	134.0	0.970	58,941	0.793	46,740
1997	57,366	133.0	0.977	56,047	0.812	45,510
1998	41,543	131.0	0.992	41,211	0.831	34,246
1999	76,920	132.0	0.985	75,766	0.850	64,401
2000	73,602	132.0	0.985	72,498	0.870	63,073
2001	63,319	132.0	0.985	62,369	0.890	55,508
2002	39,503	130.0	1.000	39,503	0.911	35,987
2003	250	130.0	1.000	250	0.933	233
2004	17,257	130.0	1.000	17,257	0.955	16,480
2006	-28,536	130.0	1.000	-28,536	1.000	-28,536
	$428,572			$421,858		$353,703

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 341400 Other Tranport Equipment

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1948	248	28.0	4.643	1,151	0.260	299
1963	220	39.0	3.333	733	0.369	270
1965	829	39.0	3.333	2,763	0.386	1,067
1966	296	39.0	3.333	987	0.395	390
1968	1,501	41.0	3.171	4,760	0.414	1,971
1969	1,606	42.0	3.095	4,971	0.424	2,108
1970	218	43.0	3.023	659	0.434	286
1978	5,203	70.0	1.857	9,662	0.522	5,044
1979	1,142	76.0	1.711	1,954	0.535	1,045
1980	7,235	83.0	1.566	11,330	0.547	6,198
1982	2,620	100.0	1.300	3,406	0.573	1,952
1983	418	102.0	1.275	533	0.587	313
1984	6,006	104.0	1.250	7,508	0.600	4,505
1986	7,672	109.0	1.193	9,153	0.629	5,757
1988	4,590	113.0	1.150	5,278	0.659	3,478
1990	11,702	118.0	1.102	12,896	0.690	8,898
1991	36,949	222.0	0.586	21,652	0.706	15,286
1992	32,764	124.0	1.048	34,337	0.723	24,826
1993	132,830	128.0	1.016	134,955	0.740	99,867
1994	95,613	131.0	0.992	94,848	0.757	71,800
1995	33,988	133.0	0.977	33,206	0.775	25,735
1996	86,358	134.0	0.970	83,767	0.793	66,427
1997	317,378	133.0	0.977	310,078	0.812	251,783
1998	282,483	131.0	0.992	280,223	0.831	232,865
1999	509,821	132.0	0.985	502,174	0.850	426,848
2000	4,662	132.0	0.985	4,592	0.870	3,995
2001	8,917	132.0	0.985	8,783	0.890	7,817
2002	89,187	130.0	1.000	89,187	0.911	81,249
2003	3,956	130.0	1.000	3,956	0.933	3,691
	$1,686,412			$1,679,502		$1,355,770

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 342000 Stores Equip

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1946	39	18.0	9.500	370	0.249	92
1947	159	18.0	9.500	1,510	0.254	384
1948	429	19.0	9.000	3,861	0.260	1,004
1950	143	20.0	8.550	1,223	0.273	334
1951	1,577	23.0	7.435	11,725	0.279	3,271
1952	2,715	22.0	7.773	21,104	0.286	6,036
1953	2,041	23.0	7.435	15,175	0.292	4,431
1954	207	23.0	7.435	1,539	0.299	460
1956	32	27.0	6.333	203	0.314	64
1957	72	29.0	5.897	425	0.321	136
1959	240	30.0	5.700	1,368	0.336	460
1961	309	29.0	5.897	1,822	0.352	641
1962	624	29.0	5.897	3,680	0.360	1,325
1965	316	28.0	6.107	1,930	0.386	745
1967	364	31.0	5.516	2,008	0.405	813
1968	62	32.0	5.344	331	0.414	137
1969	202	33.0	5.182	1,047	0.424	444
1970	401	35.0	4.886	1,959	0.434	850
1971	2,320	36.0	4.750	11,020	0.444	4,893
1972	205	37.0	4.622	948	0.454	430
1973	9,921	39.0	4.385	43,504	0.465	20,229
1976	2,253	61.0	2.803	6,315	0.499	3,151
1977	312	64.0	2.672	834	0.510	425
1978	2,124	69.0	2.478	5,263	0.522	2,747
1979	1,343	76.0	2.250	3,022	0.535	1,617
1981	706	95.0	1.800	1,271	0.560	712
1982	234	100.0	1.710	400	0.573	229
1984	3,535	103.0	1.660	5,868	0.600	3,521
1985	1,188	106.0	1.613	1,916	0.614	1,176
1988	929	115.0	1.487	1,381	0.659	910
1989	1,541	124.0	1.379	2,125	0.674	1,432
1990	4,603	131.0	1.305	6,007	0.690	4,145
1991	481	137.0	1.248	600	0.706	424
1992	590	139.0	1.230	726	0.723	525
1993	1,091	142.0	1.204	1,314	0.740	972
1994	7,376	145.0	1.179	8,696	0.757	6,583
1995	2,483	151.0	1.132	2,811	0.775	2,179
1996	3,188	155.0	1.103	3,516	0.793	2,788
1997	9,768	159.0	1.075	10,501	0.812	8,527
1998	2,533	162.0	1.056	2,675	0.831	2,223

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 342000 Stores Equip

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1999	12,901	165.0	1.036	13,365	0.850	11,360
2002	2,169	171.0	1.000	2,169	0.911	1,976
	$83,726			$207,527		$104,801

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 343000 Tools/Shop/Garage Equip

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1913	226	18.0	9.500	2,147	0.116	249
1927	10	18.0	9.500	95	0.160	15
1928	143	18.0	9.500	1,358	0.164	223
1931	138	18.0	9.500	1,311	0.176	231
1935	46	18.0	9.500	437	0.193	84
1939	46	18.0	9.500	437	0.211	92
1940	130	18.0	9.500	1,235	0.216	267
1942	118	18.0	9.500	1,121	0.227	254
1943	106	18.0	9.500	1,007	0.232	234
1944	8	18.0	9.500	76	0.237	18
1946	617	18.0	9.500	5,862	0.249	1,460
1947	1,318	18.0	9.500	12,521	0.254	3,180
1948	851	19.0	9.000	7,659	0.260	1,991
1949	644	20.0	8.550	5,506	0.267	1,470
1950	303	20.0	8.550	2,591	0.273	707
1951	230	23.0	7.435	1,710	0.279	477
1952	1,068	22.0	7.773	8,302	0.286	2,374
1953	2,734	23.0	7.435	20,327	0.292	5,935
1954	7,428	23.0	7.435	55,227	0.299	16,513
1955	1,142	24.0	7.125	8,137	0.306	2,490
1956	11,161	27.0	6.333	70,683	0.314	22,194
1957	935	29.0	5.897	5,514	0.321	1,770
1958	3,494	28.0	6.107	21,338	0.328	6,999
1959	1,147	30.0	5.700	6,538	0.336	2,197
1960	3,863	30.0	5.700	22,019	0.344	7,575
1961	9,046	29.0	5.897	53,344	0.352	18,777
1962	2,703	29.0	5.897	15,940	0.360	5,738
1963	3,091	29.0	5.897	18,228	0.369	6,726
1964	3,009	29.0	5.897	17,744	0.377	6,689
1965	2,929	28.0	6.107	17,887	0.386	6,904
1966	4,668	30.0	5.700	26,608	0.395	10,510
1967	22,194	31.0	5.516	122,422	0.405	49,581
1968	11,807	32.0	5.344	63,097	0.414	26,122
1969	5,811	33.0	5.182	30,113	0.424	12,768
1970	9,249	35.0	4.886	45,191	0.434	19,613
1971	17,812	36.0	4.750	84,607	0.444	37,566
1972	10,411	37.0	4.622	48,120	0.454	21,846
1973	30,276	39.0	4.385	132,760	0.465	61,733
1974	14,693	49.0	3.490	51,279	0.476	24,409
1975	8,864	57.0	3.000	26,592	0.487	12,950

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 343000 Tools/Shop/Garage Equip

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1976	5,346	61.0	2.803	14,985	0.499	7,478
1977	33,625	64.0	2.672	89,846	0.510	45,821
1978	24,669	69.0	2.478	61,130	0.522	31,910
1979	30,186	76.0	2.250	67,918	0.535	36,336
1980	38,787	86.0	1.988	77,109	0.547	42,179
1981	12,361	95.0	1.800	22,250	0.560	12,460
1982	38,515	100.0	1.710	65,861	0.573	37,738
1983	82,980	100.0	1.710	141,896	0.587	83,293
1984	30,452	103.0	1.660	50,550	0.600	30,330
1985	54,020	106.0	1.613	87,134	0.614	53,500
1986	42,156	108.0	1.583	66,733	0.629	41,975
1987	65,453	109.0	1.569	102,696	0.644	66,136
1988	86,132	115.0	1.487	128,078	0.659	84,403
1989	71,977	124.0	1.379	99,256	0.674	66,899
1990	76,793	131.0	1.305	100,215	0.690	69,148
1991	204,671	137.0	1.248	255,429	0.706	180,333
1992	74,481	139.0	1.230	91,612	0.723	66,235
1993	120,363	142.0	1.204	144,917	0.740	107,239
1994	63,279	145.0	1.179	74,606	0.757	56,477
1995	34,457	151.0	1.132	39,005	0.775	30,229
1996	30,685	155.0	1.103	33,846	0.793	26,840
1997	125,211	159.0	1.075	134,602	0.812	109,297
1998	80,352	162.0	1.056	84,852	0.831	70,512
1999	123,534	165.0	1.036	127,981	0.850	108,784
2000	68,861	167.0	1.024	70,514	0.870	61,347
2001	26,966	169.0	1.012	27,290	0.890	24,288
2002	61,458	171.0	1.000	61,458	0.911	55,988
2003	1,828	171.0	1.000	1,828	0.933	1,706
2004	190,001	171.0	1.000	190,001	0.955	181,451
2005	86,864	170.0	1.006	87,385	0.977	85,375
2006	215,125	171.0	1.000	215,125	1.000	215,125
	$2,396,057			$3,833,198		$2,491,763

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 343100 Tools & Shop & Garage & Other

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1926	457	18.0	9.500	4,342	0.156	677
1927	108	18.0	9.500	1,026	0.160	164
1931	11	18.0	9.500	104	0.176	18
1941	409	18.0	9.500	3,886	0.221	859
1943	86	18.0	9.500	817	0.232	190
1947	392	18.0	9.500	3,724	0.254	946
1949	976	20.0	8.550	8,345	0.267	2,228
1950	1,835	20.0	8.550	15,689	0.273	4,283
1951	1,423	23.0	7.435	10,580	0.279	2,952
1952	1,955	22.0	7.773	15,196	0.286	4,346
1953	709	23.0	7.435	5,271	0.292	1,539
1954	592	23.0	7.435	4,402	0.299	1,316
1955	5,343	24.0	7.125	38,069	0.306	11,649
1956	3,722	27.0	6.333	23,571	0.314	7,401
1957	6,169	29.0	5.897	36,379	0.321	11,678
1958	8,183	28.0	6.107	49,974	0.328	16,391
1959	7,045	30.0	5.700	40,156	0.336	13,492
1960	3,659	30.0	5.700	20,856	0.344	7,174
1961	3,357	29.0	5.897	19,796	0.352	6,968
1962	3,297	29.0	5.897	19,442	0.360	6,999
1963	3,593	29.0	5.897	21,188	0.369	7,818
1964	1,919	29.0	5.897	11,316	0.377	4,266
1965	5,802	28.0	6.107	35,433	0.386	13,677
1966	8,834	30.0	5.700	50,354	0.395	19,890
1967	6,844	31.0	5.516	37,752	0.405	15,290
1968	8,466	32.0	5.344	45,242	0.414	18,730
1969	3,817	33.0	5.182	19,780	0.424	8,387
1970	12,615	35.0	4.886	61,637	0.434	26,750
1971	2,262	36.0	4.750	10,744	0.444	4,770
1972	11,790	37.0	4.622	54,493	0.454	24,740
1973	17,254	39.0	4.385	75,659	0.465	35,181
1974	30,573	49.0	3.490	106,700	0.476	50,789
1975	11,814	57.0	3.000	35,442	0.487	17,260
1976	23,553	61.0	2.803	66,019	0.499	32,943
1977	9,827	64.0	2.672	26,258	0.510	13,392
1978	19,853	69.0	2.478	49,196	0.522	25,680
1979	4,753	76.0	2.250	10,694	0.535	5,721
1980	14,411	86.0	1.988	28,649	0.547	15,671
1981	16,181	95.0	1.800	29,126	0.560	16,311
1982	8,150	100.0	1.710	13,936	0.573	7,985

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 343100 Tools & Shop & Garage & Other

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1983	12,425	100.0	1.710	21,247	0.587	12,472
1984	21,007	103.0	1.660	34,872	0.600	20,923
1985	22,926	106.0	1.613	36,980	0.614	22,706
1986	34,216	108.0	1.583	54,164	0.629	34,069
1987	9,406	109.0	1.569	14,758	0.644	9,504
1988	10,279	115.0	1.487	15,285	0.659	10,073
1989	6,526	124.0	1.379	8,999	0.674	6,065
1990	8,155	131.0	1.305	10,642	0.690	7,343
1991	37,627	137.0	1.248	46,958	0.706	33,152
1992	31,438	139.0	1.230	38,669	0.723	27,958
1993	48,887	142.0	1.204	58,860	0.740	43,556
1994	31,143	145.0	1.179	36,718	0.757	27,796
1995	27,697	151.0	1.132	31,353	0.775	24,299
1996	23,846	155.0	1.103	26,302	0.793	20,857
1997	53,198	159.0	1.075	57,188	0.812	46,437
1998	33,124	162.0	1.056	34,979	0.831	29,068
1999	102,657	165.0	1.036	106,353	0.850	90,400
2000	25,058	167.0	1.024	25,659	0.870	22,323
2001	10,272	169.0	1.012	10,395	0.890	9,252
2005	62,419	170.0	1.006	62,794	0.977	61,350
2006	1,203	171.0	1.000	1,203	1.000	1,203
	$885,548			$1,845,621		$1,027,327

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 344000 Laboratory Equip

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1931	30	18.0	9.500	285	0.176	50
1941	320	18.0	9.500	3,040	0.221	672
1942	116	18.0	9.500	1,102	0.227	250
1945	140	18.0	9.500	1,330	0.243	323
1946	66	18.0	9.500	627	0.249	156
1947	822	18.0	9.500	7,809	0.254	1,983
1948	231	19.0	9.000	2,079	0.260	541
1949	453	20.0	8.550	3,873	0.267	1,034
1952	128	22.0	7.773	995	0.286	285
1953	523	23.0	7.435	3,889	0.292	1,136
1954	1,788	23.0	7.435	13,294	0.299	3,975
1955	727	24.0	7.125	5,180	0.306	1,585
1956	341	27.0	6.333	2,160	0.314	678
1957	693	29.0	5.897	4,087	0.321	1,312
1958	335	28.0	6.107	2,046	0.328	671
1959	9,124	30.0	5.700	52,007	0.336	17,474
1960	867	30.0	5.700	4,942	0.344	1,700
1961	2,122	29.0	5.897	12,513	0.352	4,405
1962	89	29.0	5.897	525	0.360	189
1963	659	29.0	5.897	3,886	0.369	1,434
1964	817	29.0	5.897	4,818	0.377	1,816
1965	3,595	28.0	6.107	21,955	0.386	8,475
1966	2,458	30.0	5.700	14,011	0.395	5,534
1967	4,199	31.0	5.516	23,162	0.405	9,381
1968	3,265	32.0	5.344	17,448	0.414	7,223
1969	6,668	33.0	5.182	34,554	0.424	14,651
1970	1,449	35.0	4.886	7,080	0.434	3,073
1971	25,320	36.0	4.750	120,270	0.444	53,400
1972	3,783	37.0	4.622	17,485	0.454	7,938
1973	1,328	39.0	4.385	5,823	0.465	2,708
1974	3,391	49.0	3.490	11,835	0.476	5,633
1975	4,135	57.0	3.000	12,405	0.487	6,041
1976	2,050	61.0	2.803	5,746	0.499	2,867
1977	3,054	64.0	2.672	8,160	0.510	4,162
1978	2,045	69.0	2.478	5,068	0.522	2,645
1979	4,593	76.0	2.250	10,334	0.535	5,529
1980	13,435	86.0	1.988	26,709	0.547	14,610
1981	14,887	95.0	1.800	26,797	0.560	15,006
1982	17,310	100.0	1.710	29,600	0.573	16,961
1983	33,773	100.0	1.710	57,752	0.587	33,900

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 344000 Laboratory Equip

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1984	9,862	103.0	1.660	16,371	0.600	9,823
1985	6,593	106.0	1.613	10,635	0.614	6,530
1986	11,783	108.0	1.583	18,652	0.629	11,732
1987	3,777	109.0	1.569	5,926	0.644	3,816
1988	25,464	115.0	1.487	37,865	0.659	24,953
1989	9,389	124.0	1.379	12,947	0.674	8,726
1990	28,347	131.0	1.305	36,993	0.690	25,525
1991	54,098	137.0	1.248	67,514	0.706	47,665
1992	38,800	139.0	1.230	47,724	0.723	34,504
1993	47,224	142.0	1.204	56,858	0.740	42,075
1994	196,216	145.0	1.179	231,339	0.757	175,124
1995	96,545	151.0	1.132	109,289	0.775	84,699
1996	17,338	155.0	1.103	19,124	0.793	15,165
1997	29,408	159.0	1.075	31,614	0.812	25,671
1998	14,258	162.0	1.056	15,056	0.831	12,512
1999	48,960	165.0	1.036	50,723	0.850	43,115
2000	77,848	167.0	1.024	79,716	0.870	69,353
2001	21,280	169.0	1.012	21,535	0.890	19,166
2002	4,713	171.0	1.000	4,713	0.911	4,294
2003	20,400	171.0	1.000	20,400	0.933	19,033
2004	917	171.0	1.000	917	0.955	876
2005	36,643	170.0	1.006	36,863	0.977	36,015
2006	12,165	171.0	1.000	12,165	1.000	12,165
	$983,157			$1,531,620		$993,943

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 345000 Power Operated Equip

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1959	556	25.0	6.040	3,358	0.336	1,128
1960	1,172	25.0	6.040	7,079	0.344	2,435
1961	532	25.0	6.040	3,213	0.352	1,131
1962	290	25.0	6.040	1,752	0.360	631
1965	349	27.0	5.593	1,952	0.386	753
1967	25,147	29.0	5.207	130,940	0.405	53,031
1968	400	31.0	4.871	1,948	0.414	806
1970	9,530	34.0	4.441	42,323	0.434	18,368
1971	195	35.0	4.314	841	0.444	373
1973	17,697	38.0	3.974	70,328	0.465	32,703
1974	605	44.0	3.432	2,076	0.476	988
1975	1,613	54.0	2.796	4,510	0.487	2,196
1976	864	58.0	2.603	2,249	0.499	1,122
1977	4,487	62.0	2.435	10,926	0.510	5,572
1978	5,584	68.0	2.221	12,402	0.522	6,474
1979	65,791	75.0	2.013	132,437	0.535	70,854
1980	51,165	84.0	1.798	91,995	0.547	50,321
1981	10,654	93.0	1.624	17,302	0.560	9,689
1982	18,572	100.0	1.510	28,044	0.573	16,069
1983	26,288	102.0	1.480	38,906	0.587	22,838
1984	51,094	104.0	1.452	74,188	0.600	44,513
1986	24,597	107.0	1.411	34,706	0.629	21,830
1987	9,548	109.0	1.385	13,224	0.644	8,516
1988	19,871	112.0	1.348	26,786	0.659	17,652
1989	35,018	117.0	1.291	45,208	0.674	30,470
1990	81,322	122.0	1.238	100,677	0.690	69,467
1991	69,991	125.0	1.208	84,549	0.706	59,692
1992	155,070	129.0	1.171	181,587	0.723	131,287
1993	181,233	132.0	1.144	207,331	0.740	153,425
1994	37,904	134.0	1.127	42,718	0.757	32,338
1995	151,707	137.0	1.102	167,181	0.775	129,565
1996	7,130	140.0	1.079	7,693	0.793	6,101
1997	126,842	142.0	1.063	134,833	0.812	109,484
1998	62,488	145.0	1.041	65,050	0.831	54,057
1999	273,112	147.0	1.027	280,486	0.850	238,413
2000	79,114	149.0	1.013	80,142	0.870	69,724
2001	66,929	149.0	1.013	67,799	0.890	60,341
2002	143,426	151.0	1.000	143,426	0.911	130,661
2004	21,825	151.0	1.000	21,825	0.955	20,843
2005	47,251	151.0	1.000	47,251	0.977	46,164

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 345000 Power Operated Equip

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
2006	17,301	151.0	1.000	17,301	1.000	17,301
	$1,904,264			$2,448,542		$1,749,326

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 346000 Comm Equip.

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
2002	763	108.0	1.000	763	0.911	695
	$763			$763		$695

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 346100 Comm Equip (Non-Telephone)

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1951	79	100.0	1.080	85	0.279	24
1953	6,991	100.0	1.080	7,550	0.292	2,205
1954	483	100.0	1.080	522	0.299	156
1955	2,987	100.0	1.080	3,226	0.306	987
1956	1,159	100.0	1.080	1,252	0.314	393
1960	462	100.0	1.080	499	0.344	172
1961	420	100.0	1.080	454	0.352	160
1963	366	100.0	1.080	395	0.369	146
1964	195	100.0	1.080	211	0.377	80
1966	800	100.0	1.080	864	0.395	341
1967	8,995	100.0	1.080	9,715	0.405	3,935
1968	1,878	100.0	1.080	2,028	0.414	840
1970	568	100.0	1.080	613	0.434	266
1975	2,919	100.0	1.080	3,153	0.487	1,536
1976	158	100.0	1.080	171	0.499	85
1977	688	100.0	1.080	743	0.510	379
1978	4,559	100.0	1.080	4,924	0.522	2,570
1979	5,270	100.0	1.080	5,692	0.535	3,045
1980	9,328	100.0	1.080	10,074	0.547	5,510
1981	11,542	100.0	1.080	12,465	0.560	6,980
1982	2,402	100.0	1.080	2,594	0.573	1,486
1983	25,115	100.0	1.080	27,124	0.587	15,922
1984	118,810	100.0	1.080	128,315	0.600	76,989
1985	97,721	100.0	1.080	105,539	0.614	64,801
1986	189,882	101.0	1.069	202,984	0.629	127,677
1987	17,839	103.0	1.049	18,713	0.644	12,051
1988	105,646	103.0	1.049	110,823	0.659	73,032
1989	10,048	105.0	1.029	10,339	0.674	6,968
1990	8,259	106.0	1.019	8,416	0.690	5,807
1991	19,297	107.0	1.009	19,471	0.706	13,747
1992	257,445	108.0	1.000	257,445	0.723	186,133
1993	70,837	109.0	0.991	70,199	0.740	51,947
1994	12,560	111.0	0.973	12,221	0.757	9,251
1995	84,458	112.0	0.964	81,418	0.775	63,099
1996	23,326	113.0	0.956	22,300	0.793	17,684
1997	45,635	114.0	0.947	43,216	0.812	35,091
1998	40,354	114.0	0.947	38,215	0.831	31,757
1999	168,741	113.0	0.956	161,316	0.850	137,119
2000	115,384	111.0	0.973	112,269	0.870	97,674
2001	15,393	110.0	0.982	15,116	0.890	13,453

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 346100 Comm Equip (Non-Telephone)

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
2002	51,639	108.0	1.000	51,639	0.911	47,043
2003	150,964	108.0	1.000	150,964	0.933	140,849
2004	67,470	108.0	1.000	67,470	0.955	64,434
2005	42,897	107.0	1.009	43,283	0.977	42,287
2006	-251,590	108.0	1.000	-251,590	1.000	-251,590
	$1,550,379			$1,574,435		$1,114,521

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 346190 Remote Control & Instr

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1968	36,386	100.0	1.080	39,297	0.414	16,269
1971	4,159	100.0	1.080	4,492	0.444	1,994
1981	8,000	100.0	1.080	8,640	0.560	4,838
1982	99,345	100.0	1.080	107,293	0.573	61,479
1983	111,618	100.0	1.080	120,547	0.587	70,761
1984	180	100.0	1.080	194	0.600	116
1985	188,793	100.0	1.080	203,896	0.614	125,192
1987	3,823	103.0	1.049	4,010	0.644	2,582
1989	7,932	105.0	1.029	8,162	0.674	5,501
1990	5,932	106.0	1.019	6,045	0.690	4,171
1991	2,818	107.0	1.009	2,843	0.706	2,007
1992	13,919	108.0	1.000	13,919	0.723	10,063
1993	8,099	109.0	0.991	8,026	0.740	5,939
1994	85,739	111.0	0.973	83,424	0.757	63,152
1995	66,548	112.0	0.964	64,152	0.775	49,718
1996	95,135	113.0	0.956	90,949	0.793	72,123
1997	73,592	114.0	0.947	69,692	0.812	56,590
1998	137,128	114.0	0.947	129,860	0.831	107,914
1999	64,966	113.0	0.956	62,107	0.850	52,791
2000	216,243	111.0	0.973	210,404	0.870	183,051
2001	28,997	110.0	0.982	28,475	0.890	25,343
2002	10,608	108.0	1.000	10,608	0.911	9,664
2003	251,031	108.0	1.000	251,031	0.933	234,212
2004	188,517	108.0	1.000	188,517	0.955	180,034
2005	860	107.0	1.009	868	0.977	848
2006	255,329	108.0	1.000	255,329	1.000	255,329
	$1,965,697			$1,972,780		$1,601,681

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 346200 Telephone Equipment

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1987	10,025	103.0	1.049	10,516	0.644	6,772
1989	3,949	105.0	1.029	4,064	0.674	2,739
1990	15,509	106.0	1.019	15,804	0.690	10,905
1998	23,059	114.0	0.947	21,837	0.831	18,147
1999	34,263	113.0	0.956	32,755	0.850	27,842
2000	40,270	111.0	0.973	39,183	0.870	34,089
2001	26,316	110.0	0.982	25,842	0.890	22,999
2002	47,530	108.0	1.000	47,530	0.911	43,300
2003	4,029	108.0	1.000	4,029	0.933	3,759
2004	19,370	108.0	1.000	19,370	0.955	18,498
2005	3,747	107.0	1.009	3,781	0.977	3,694
2006	308	108.0	1.000	308	1.000	308
	$228,375			$225,019		$193,052

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 347000 Miscellaneous Equipment

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1948	32	19.0	9.000	288	0.260	75
1949	261	20.0	8.550	2,232	0.267	596
1950	127	20.0	8.550	1,086	0.273	296
1951	114	23.0	7.435	848	0.279	237
1952	157	22.0	7.773	1,220	0.286	349
1953	24	23.0	7.435	178	0.292	52
1954	126	23.0	7.435	937	0.299	280
1955	267	24.0	7.125	1,902	0.306	582
1957	272	29.0	5.897	1,604	0.321	515
1958	217	28.0	6.107	1,325	0.328	435
1959	234	30.0	5.700	1,334	0.336	448
1961	256	29.0	5.897	1,510	0.352	532
1962	284	29.0	5.897	1,675	0.360	603
1963	714	29.0	5.897	4,210	0.369	1,553
1964	863	29.0	5.897	5,089	0.377	1,919
1965	276	28.0	6.107	1,686	0.386	651
1966	34	30.0	5.700	194	0.395	77
1968	657	32.0	5.344	3,511	0.414	1,454
1969	40	33.0	5.182	207	0.424	88
1970	272	35.0	4.886	1,329	0.434	577
1971	244	36.0	4.750	1,159	0.444	515
1972	3,113	37.0	4.622	14,388	0.454	6,532
1973	8,397	39.0	4.385	36,821	0.465	17,122
1974	3,112	49.0	3.490	10,861	0.476	5,170
1975	2,898	57.0	3.000	8,694	0.487	4,234
1976	966	61.0	2.803	2,708	0.499	1,351
1977	2,315	64.0	2.672	6,186	0.510	3,155
1978	1,525	69.0	2.478	3,779	0.522	1,973
1979	439	76.0	2.250	988	0.535	529
1980	3,905	86.0	1.988	7,763	0.547	4,246
1981	4,853	95.0	1.800	8,735	0.560	4,892
1982	11,229	100.0	1.710	19,202	0.573	11,003
1983	12,169	100.0	1.710	20,809	0.587	12,215
1984	17,881	103.0	1.660	29,682	0.600	17,809
1985	9,075	106.0	1.613	14,638	0.614	8,988
1986	7,067	108.0	1.583	11,187	0.629	7,037
1987	7,462	109.0	1.569	11,708	0.644	7,540
1988	11,938	115.0	1.487	17,752	0.659	11,699
1989	10,585	124.0	1.379	14,597	0.674	9,838
1990	35,734	131.0	1.305	46,633	0.690	32,177

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 347000 Miscellaneous Equipment

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1991	38,185	137.0	1.248	47,655	0.706	33,644
1992	67,419	139.0	1.230	82,925	0.723	59,955
1993	42,920	142.0	1.204	51,676	0.740	38,240
1994	106,075	145.0	1.179	125,062	0.757	94,672
1995	19,165	151.0	1.132	21,695	0.775	16,814
1996	20,792	155.0	1.103	22,934	0.793	18,187
1997	23,218	159.0	1.075	24,959	0.812	20,267
1998	50,687	162.0	1.056	53,525	0.831	44,479
1999	72,637	165.0	1.036	75,252	0.850	63,964
2000	11,012	167.0	1.024	11,276	0.870	9,810
2001	19,352	169.0	1.012	19,584	0.890	17,430
2002	93,926	171.0	1.000	93,926	0.911	85,567
2003	12,470	171.0	1.000	12,470	0.933	11,635
2004	338,334	171.0	1.000	338,334	0.955	323,109
2005	376,638	170.0	1.006	378,898	0.977	370,183
2006	945,573	171.0	1.000	945,573	1.000	945,573
	$2,398,537			$2,626,399		$2,332,873

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 353200 WW Land and Ld Rights Coll

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1995	631			631		631
	$631			$631		$631

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 353400 WW Land and Ld Rights TDP

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1967	140			140		140
1973	72			72		72
1979	138			138		138
	$350			$350		$350

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 354400 WW Struct & Imp TDP

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1992	11,674	269.0	1.673	19,531	0.723	14,121
1994	1,628	295.0	1.525	2,483	0.757	1,880
1995	2,303	305.0	1.475	3,397	0.775	2,633
1996	22,885	312.0	1.442	33,000	0.793	26,169
	$38,490			$58,411		$44,803

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 361100 Collecting Mains-SWR

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1964	84,452	74.0	6.122	517,015	0.377	194,915
1966	10	75.0	6.040	60	0.395	24
1969	2,262	81.0	5.593	12,651	0.424	5,364
1974	256	131.0	3.458	885	0.476	421
1992	6,363	285.0	1.589	10,111	0.723	7,310
1998	28,960	326.0	1.390	40,254	0.831	33,451
1999	362	332.0	1.364	494	0.850	420
2000	29,945	342.0	1.325	39,677	0.870	34,519
2001	71,953	355.0	1.276	91,812	0.890	81,713
2002	65,460	372.0	1.218	79,730	0.911	72,634
2004	14,267	383.0	1.183	16,878	0.955	16,118
2005	27,144	427.0	1.061	28,800	0.977	28,138
2006	38,090	453.0	1.000	38,090	1.000	38,090
	$369,524			$876,457		$513,117

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 361101 Collecting Mains-SWR (MUN)

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1972	52,721	98.0	4.622	243,676	0.454	110,629
1986	38,310	245.0	1.849	70,835	0.629	44,555
1989	51,674	279.0	1.624	83,919	0.674	56,561
1992	6,105	285.0	1.589	9,701	0.723	7,014
1996	118,076	310.0	1.461	172,509	0.793	136,800
1997	63,799	318.0	1.425	90,914	0.812	73,822
2000	24,713	342.0	1.325	32,745	0.870	28,488
2005	8,126	427.0	1.061	8,622	0.977	8,424
	$363,524			$712,921		$466,293

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 364000 Flow Measuring Devices-SWR

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1972	2,311	106.0	2.217	5,123	0.454	2,326
1985	3,476	135.0	1.741	6,052	0.614	3,716
1997	23,100	197.0	1.193	27,558	0.812	22,377
2004	5,126	207.0	1.135	5,818	0.955	5,556
2005	18,041	207.0	1.135	20,477	0.977	20,006
2006	22,307	235.0	1.000	22,307	1.000	22,307
	$74,361			$87,335		$76,288

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 371100 Electric Pumping Equip-SWR

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1972	323	96.0	6.458	2,086	0.454	947
2004	3,419	547.0	1.133	3,874	0.955	3,700
	$3,742			$5,960		$4,647

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 380450 Other Sewage Remove Equip

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
1964	32,713	62.0	7.952	260,134	0.377	98,071
1966	955	66.0	7.470	7,134	0.395	2,818
1968	309	71.0	6.944	2,146	0.414	888
1970	277	83.0	5.940	1,645	0.434	714
1974	660	120.0	4.108	2,711	0.476	1,290
1979	145	185.0	2.665	386	0.535	207
1982	1,390	240.0	2.054	2,855	0.573	1,636
1986	12,474	274.0	1.799	22,441	0.629	14,115
1990	722	307.0	1.606	1,160	0.690	800
1993	2,860	328.0	1.503	4,299	0.740	3,181
1994	2,421	334.0	1.476	3,573	0.757	2,705
1995	24,887	342.0	1.442	35,887	0.775	27,812
1996	1,113	351.0	1.405	1,564	0.793	1,240
1997	14,527	366.0	1.347	19,568	0.812	15,889
1999	897	389.0	1.267	1,136	0.850	966
2000	8,948	401.0	1.229	10,997	0.870	9,567
	$105,298			$377,636		$181,899

Indiana American Water Company, Inc.
Reproduction Cost New As of 12-31-2006
Account 397000 Miscellaneous Equip-SWR

Petitioner's Exhibit DFH-1
Schedule 2
Cause No. 43187

Year of Installation	Original Cost	Index	Translator	Reproduction Cost New	Productivity Adjustment Factor	Trended Cost Adjusted For Technological Change
2000	3,546	167.0	1.024	3,631	0.870	3,159
2001	11,080	169.0	1.012	11,213	0.890	9,980
2002	1,452	171.0	1.000	1,452	0.911	1,323
2004	3,655	171.0	1.000	3,655	0.955	3,491
2005	14,043	170.0	1.006	14,127	0.977	13,802
	$33,776			$34,078		$31,755

Original Cost 12/31/03 (Gross)	Increase over 12/31/03 values as of 12/31/06	RCNLD 12/31/2003	Increase over 12/31/03 values as of 12/31/06
$755,284,136	$114,264,613	$1,242,525,431	$173,110,790

Petitioner's Exhibit EJG

INDIANA-AMERICAN WATER CO., INC.
IURC CAUSE NO. 43187

DIRECT TESTIMONY OF

EDWARD J. GRUBB

ON

RATE CASE SUMMARY, FAIR VALUE INCREMENT ORIGINAL COST RATE BASE, SUPPORT SERVICES, INCOME TAXES AND INCENTIVE PAY

SPONSORING PETITIONER'S EXHIBITS EJG-1 THROUGH EJG-7

DIRECT TESTIMONY

OF

EDWARD J. GRUBB

CAUSE NO. 43187

1 **Q. Please state your name and business address?**

2 A. My name is Edward J. Grubb. I am employed by American Water Works
3 Service Company, Inc. (AWWS), 727 Craig Road, St. Louis, Missouri
4 63141.

5 **Q. What is your position with Indiana-American Water Co., Inc.**
6 **("Indiana-American" or "Petitioner' or the "Company")?**

7 A. I am a Manager of Rates and Regulation for the Central Region of
8 American-Water which includes Indiana American. I am also the Assistant
9 Treasurer of Indiana American.

10 **Q. Please summarize your educational and professional qualifications?**

11 A. Marked as Petitioner's Exhibit EJG-1 and attached hereto is a description
12 of my education, professional experience, and training; and my current job
13 duties.

14 **Q. Are you familiar with Indiana American's petition in this proceeding**
15 **and the relief that it seeks?**

16 A. Yes I am.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony in this proceeding is: (1) present a summary
3 of the Company's rate case in terms of operating income and revenue
4 requirement along with the support for the fair value increment included in
5 the revenue increase request; (2) present the Company's original cost rate
6 base; (3) present the Company's calculation of income taxes for the rate
7 case; and (4) present testimony on the Support Services from AWWS.

8 **Q. Mr. Grubb, please identify the exhibits which you will be sponsoring**
9 **and about which you will be providing testimony.**

10 A. I am sponsoring the following exhibits:

- Petitioner's Exhibit EJG-1 is a summary of my education, professional
12 experience, training and current job duties and responsibilities as noted on
13 page 2.

14 - Petitioner's Exhibit EJG-2 is the Rate Case Summary

15 - Petitioner's Exhibit EJG-3 is the Original Cost Rate Base

16 - Petitioner's Exhibit EJG-4 is the Calculation of Income Taxes

- Petitioner's Exhibit EJG-5 is a copy of the Service Agreement berween the Company and American Water Works Service Company, Inc. It provides the basis for the billing of services rendered to the Company.

- Petitioner's Exhibit EJG-6 is an internal document that thoroughly explains the billing process that AWWS uses to bill Indiana American for the services that it renders

- Petitioner's Exhibit EJG-7 is an analysis of the cost changes in support services and the cost savings associated with the 2003 / 2004 reorganization.

Q. Were each of Petitioner's Exhibits EJG-1 through EJG-7 prepared by you or under your direction and supervision?

A. Petitioner's Exhibit EJG-5 is a copy of a Company business record and so was not prepared by me for purposes of this case. The remainder of these exhibits have been prepared by me or under my direction and supervision.

Q. What were the sources of the data used to prepare Petitioner's Exhibits EJG-2 through EJG-7?

A. The data used to prepare these exhibits was acquired from the books of account and business records of Indiana American, the officers and employees of Indiana American with knowledge of the facts based on their

1 job responsibilities and activities, and other sources which I examined in
2 the course of my investigation of the matters addressed in this testimony.

3 **Q. Is this data reliable and of a type that is normally used and relied on**
4 **in your business for such purposes?**
5 A. Yes, it is.

6 **Q. Do Petitioner's Exhibits EJG-2 through EJG-7, inclusive, accurately**
7 **summarize such data and the results of analysis using such data?**
8 A. Yes, they do.

9 **MINIMUM STANDARD FILING REQUIREMENTS**

10 **Q. Has Indiana American elected to proceed under the Commission's**
11 **final rules on the minimum standard filing requirement ("MSFRs")**
12 **(170 I.A.C. 1-5-1 through 16)?**
13 A. Yes. In its Petition in this cause, Indiana American provided notice of its
14 election to follow the MSFRs in this proceeding.

15 **Q. What test year has Indiana American utilized in this proceeding?**
16 A. Indiana American has used a test year of the twelve months ended June
17 30, 2006. I believe the test year complies with the requirements of the
18 MSFRs.

Q. How has Indiana American followed the MSFRs with respect to the determination of rate base?

A. The MSFRs provide that rate base is to be valued at the close of the test year and that rate base may be updated to the date of the hearing on the utility's case-in-chief for the cost of plant to the extent not offset by growth in the depreciation reserve. In this proceeding, the Company has updated the rate base to December 31, 2006.

Indiana American's proposed original cost rate base is shown in Petitioner's Exhibit EJG-3. This exhibit starts with the net original cost of Indiana American's utility plant in service as of the close of the test year and then updates it to present the actual net original cost of Indiana American's utility plant in service as of August 31, 2006. My exhibits also include pro forma adjustments to reflect estimated activity for the remainder of 2006 to reflect pro forma original cost rate base as of December 31, 2006. The Company will be updating the rate base and the capital structure prior to the date of the hearing on the utility's case-in-chief. The hearing date on the Company's case-in-chief has not been set but I believe it will be held in early 2007.

Q. Does Indiana American intend to submit the working papers and other information required by Sections 7 through 14 of the MSFRs?

A. Yes.

RATE CASE SUMMARY

Q. Would you please describe the contents of Schedule 1 of Petitioner's Exhibit EJG-2?

A. Schedule 1 of Petitioner's Exhibit EJG-2 summarizes the determination of the requested revenue increase for this proceeding on a total company basis. The present rates operating income statement is taken from Schedule 1 of Petitioner's Exhibit GMV-1, the weighted cost of capital from Schedule 1 of Petitioner's Exhibit JMJ-1, and the original cost rate base from Schedule 1 of Petitioner's Exhibit EJG-3. The Gross Revenue Conversion Factor of 1.7562 is shown on Schedule 3 of Petitioner's Exhibit EJG-2.

Q. What net operating income ("NOI") is reflected in the Company's proposed rate increase?

A. As shown on Schedule 1 of Petitioner's Exhibit EJG-2, the Company proposes an increase in revenues of $24,702,209 or 17.40% based upon a proposed NOI of $40,304,756

Q. How did the Company calculate the proposed NOI level?

A. The proposed NOI level was derived by multiplying the Company's proposed weighted cost of capital of 7.88% by the Company's net original cost rate base of $499,016,745, and then adding a $982,239 fair value increment as calculated on Schedule 4 of Petitioner's Exhibit EJG-2. The fair value increment adjustment is more fully described in the testimony of

1 Mr. Jenkins. As I will explain later in my testimony, the Company is
2 requesting the opportunity to earn net operating income that is equivalent
3 to a fair return on the fair value of its rate base. It so happens that this
4 requested net operating income has been calculated by multiplying our net
5 original cost rate base times the weighted cost of capital and adding the
6 fair value increment; nevertheless, our request is based upon and
7 supported by the fair rate of return on the fair value.

8 **Q. Are you familiar with the Commission's order dated May 30, 1996 in**
9 **Cause No. 40103 ("the 1996 Rate Order"), the Order in Cause No.**
10 **40703 ("1997 Rate Order"), and the Order in Cause No. 42029 ("the**
11 **2002 Rate Order")?**
12 A. Yes. I have examined and am familiar with those orders.

13 **Q. Have you analyzed whether the type of fair value methodology used**
14 **in these rate orders would support the Company's proposed NOI**
15 **level?**
16 A. Yes I have, and, yes, in my opinion those orders support the NOI level
17 proposed by the Company here.

18 **Q. Mr. Grubb, have you reviewed the testimony of James M. Jenkins**
19 **concerning the Company's request with respect to a fair value**
20 **increment associated with the remaining unamortized balance of the**

acquisition adjustment associated with Indiana Cities Water Corp. ("Indiana Cities")?

A. Yes I have.

Q. Have you computed the net operating income requested by the Company inclusive of this fair value increment?

A. Yes I have. This is shown on Petitioner's Exhibit EJG-2, Schedule 4.

Q. Please explain the calculation of the total net operating income request and the fair value increment.

A. This is shown on lines 1 through 10 of the referenced schedule. The gross amount of the Indiana Cities acquisition adjustment is $17,412,009. After accumulated amortization of $4,947,048 is removed, it produces a net acquisition adjustment of $12,464,961. To this I have applied the Company's proposed weighted cost of capital, using the 11.50% cost of common equity recommended by witness Paul Moul. This produces a fair value increment of $982,239. I have added this to the required net operating income that would be produced by applying the weighted cost of capital to the net original cost rate base to produce a total requested net operating income derived from informed fair value rate making of $40,304,758.

Q. Have you performed any analysis to evaluate the reasonableness of the Company's requested net operating income including this fair value increment?

A. Yes. I have performed five reasonableness tests from which our requested net operating income can be evaluated. All five of these tests reveal that the Company's requested net operating income is reasonable. These tests are detailed on lines 12 through 36 of the same schedule.

Q. For purposes of your reasonableness tests, what amount have you used as the fair value of the Company's rate base?

A. All five tests start with the same fair value of the Company's rate base. Witness Haddock has calculated the reproduction cost new less depreciation (RCNLD) of the Company's used and useful utility property and the RCNLD adjusted for technological change. We contend the RCNLD adjusted for technological change represents the minimum fair value of those assets. Nevertheless, I recognize that in the last several rate orders for Indiana American, the fair value finding has been derived by updating the fair value finding from the prior rate case for inflation that has occurred since the valuation date and for net investor supplied plant additions that would not have been included in that fair value finding. In Cause No. 42520, the Commission found the fair value of the Company's rate base was $663,400,000. I have first updated for inflation of 2.8% through December 31, 2006 based upon the annual inflation taken from Ibbotson Associate's publication Stocks, Bonds, Bills and Inflation 2006

Yearbook (Ibbotson Yearbook). I then added the net investor funded plant additions. The result is an updated fair value finding from the last rate order of $749,481,000. This procedure is consistent with the procedure used by the Commission in the 1996 Rate Order, the 1997 Rate Order, the 2002 Rate Order, and the order in Cause No. 42520 (the 2004 Rate Order). I have then applied five different potential fair rates of return to this updated fair value for purposes of the reasonableness tests.

Q. How does the updated fair value finding you have calculated compare to the RCNLD adjusted for technological change computed by Mr. Haddock?

A. The RCNLD adjusted for technological change computed by Mr. Haddock is approximately $793,000,000, which exceeds the updated fair value I have computed by approximately $44,000,000. While these two methods provide us entirely different methods of estimating the fair value, the result of both methods is within 5% of each other. The proximity of the results of these two different methods confirms my opinion that the fair value of the Company's rate base is no less than $749,481,000. That is the number I have therefore chosen to use for purposes of my analysis.

Q. What are the five different fair rates of return you have used in your analysis?

A. Reasonableness Test No. 1 – I have computed the fair rate of return in the same manner by which the Company computed the fair rate of return in

the last rate case. That is, I have recomputed the Company's weighted cost of capital by deducting from the weighted cost of debt the historic inflation during the time of each individual debt issue. This method more accurately determines how much of the Company's debt costs represent compensation for inflation than simply deducting for inflation over some predetermined period. I have taken the inflation figure from the Ibbotson Yearbook. After making this deduction from the weighted cost of debt, a fair rate of return of 6.78% is produced that generates a net operating income of $50,814,812.

Reasonableness Test No. 2 – In the last rate case, the Commission did not explain how it arrived at the fair rate of return of 5.38%. By using the formula that had been supplied by the Company in arriving at the fair rate of return, it appears that the Commission may have recomputed the weighted cost of capital by deducting historic inflation from the weighted cost of debt at an approximate rate of 3.5%. Using the cost of common equity found by the Commission in the last case and 3.5% historic inflation would produce approximately the 5.38% fair rate of return that the Commission found. I have for purposes of Reasonableness Test No. 2 deducted historic inflation from the weighted cost of debt at a rate of 3.5%. This is conservative because inflation since the last rate order is below 3.5%. By deducting historic inflation of 3.5%, a fair rate of return of 6.20% is produced and a required net operating income of $46,467,822 results.

Reasonableness Test No. 3 – For purposes of Reasonableness Test No. 3, I have deducted from the weighted cost of debt historic inflation over the weighted average life of our utility plant in service. I have asked Mr. Haddock to provide me with the average age of our plant, weighted by the original cost. That produces an average age of 14 years. I have then used the inflation rate of 2.6% from the Ibbotson Yearbook for the years 1991 through 2005. Deducting this inflation rate of 2.6% from the weighted cost of debt produces a fair rate of return of 6.63% and a required net operating income of $49,690,590.

Reasonableness Test No. 4 – For purposes of Reasonableness Test No. 4, I did not make a specific deduction for purposes of inflation. Instead, I have computed the differential between the weighted cost of capital found by the Commission in Cause No. 42520 and the fair rate of return found by the Commission in that case. The weighted cost of capital finding was 7.17% and the fair rate of return finding was 5.38%, producing a differential of 1.79%. I have subtracted this differential from the weighted cost of capital proposed by the Company in this case. That produces a fair rate of return of 6.09% and a required net operating income of $45,643,393.

Reasonableness Test No. 5 – For purposes of my fifth reasonableness test, I simply used the fair rate of return finding from the last case, 5.38%. We know this to be overly conservative because the cost of capital has

increased significantly since that case. Even using the fair rate of return from the last case, however, would produce a required net operating income of $40,322,078, which exceeds our request in this case.

Q. What are the results of the five reasonableness tests you conducted?

A. All five reasonableness tests produce a required net operating income figure that exceeds the requested net operating figure by the Company. The differences are shown on the schedule we have been referencing at line 29. The final reasonableness test confirms that our requested net operating income should be approved regardless of the Commission's findings on cost of common equity or net original cost rate base in this case. This is why I stated earlier that while we have calculated our requested net operating income based upon the fair value increment methodology I have described, our request is actually based upon and supported by the fair rate of return on the fair value.

Q. Please explain what you mean that your requested net operating income is based upon and supported by the fair rate of return on the fair value?

A. Regardless of the ultimate finding of the net original cost of the rate base, the fair value of the rate base is no less than $749,481,000 (the updated fair value finding from the last case as confirmed by the RCNLD adjusted for technological change). Regardless of the ultimate finding of the cost of

common equity, we know the cost of common equity will exceed the 9.25% which was found in Cause No. 42520. Therefore, the fair rate of return, which is derived in part from the cost of common equity, cannot be less than the 5.38% finding from that case. The minimum current fair value multiplied times the minimum fair rate of return produces a required net operating income of $40,322,078. We have requested net operating income of $40,304,758, a difference of approximately $17,000. Our requested net operating income is therefore essentially the minimum fair rate of return on the minimum fair value, and that appears to be true regardless of the Commission's findings of net original cost rate base or cost of common equity.

ORIGINAL COST RATE BASE

Q. Would you please explain Schedule 1 of Petitioner's Exhibit EJG-3?

A. Yes. Schedule 1 of Petitioner's Exhibit EJG-3 summarizes the various components of original cost rate base for Indiana American at December 31, 2006. The information is presented on a Total Company basis, as well as by Total Water Groups, Wabash, Total Sewer, Northwest, Mooresville, Warsaw, West Lafayette, and Winchester. As shown on page 1, the pro forma original cost rate base of Indiana American at December 31, 2006, as adjusted, is $499,016,745. This balance excludes the unamortized amount of the acquisition adjustment relating to the 1993 acquisition of Indiana Cities for which ratemaking treatment through the recognition of

fair value is sought as explained by Mr. Jenkins. This is consistent with the Commission's previous findings that this acquisition adjustment should be considered in the fair value analysis. I should also emphasize that the original cost rate base also does not include any acquisition adjustments for the Northwest Indiana Water Company transaction or the United Water West Lafayette, Inc./United Water Indiana, Inc. ("United") acquisition.

Q. How was the rate base component for the Corporate Office allocated?

A. The rate base component of the Corporate Office / Customer Service Center was allocated on the basis of customers, consistent with prior rate cases.

Q. Please describe Schedule 1 of <u>Petitioner's Exhibit EJG-3</u> beginning with Utility Plant in Service.

A. Utility plant in service as of August 2006 was adjusted by $37,037,178 to reflect the amount of construction projects estimated to be closed in the remainder of 2006 and transferred from Construction Work in Progress to Utility Plant. In addition, an adjustment of $5,223,327 was made to reflect the inclusion of the net depreciated value of the Orcom software (E-CIS) a portion of which the Commission excluded from rate base in Cause No. 42520. Support for this adjustment will be discussed further by Mr. Van den Berg.

Q. Please explain the component on Schedule 1 of <u>Petitioner's Exhibit EJG-3</u> described as capitalized tank painting.

A. This component represents the amount of tank painting projects which were deferred in account 186 and not fully amortized at December 31, 2006. The inclusion of unamortized tank painting projects as a component of rate base has been recognized by the Commission in prior Indiana American rate orders and in prior rate orders for United

Q. Please comment on the components on Schedule 1 of <u>Petitioner's Exhibit EJG-3</u> described as deferred depreciation and post-in-service AFUDC.

A. The unamortized balance of deferred depreciation and post-in-service AFUDC (allowance for funds used during construction) for certain major construction projects in the Crawfordsville, Johnson County, Southern Indiana, Kokomo, Muncie Sewer, Noblesville, Seymour, Wabash Valley and Northwest operations has been included in the original cost rate base in accordance with Commission Orders in Cause Nos. 39150, 39924, 39925, 40402, 40442, 40701, 41244, and 41638. Schedule 2 of this exhibit provides a listing of the projects approved in the above orders and the respective dates of the Commission orders reflecting rate base recognition and inclusion of amortization in cost of service.

Q. What adjustments were made to Accumulated Depreciation?

1 A. Accumulated depreciation for utility plant in service recorded at August
2 2006, was adjusted by $6,113,985 to reflect depreciation expense
3 expected to be recorded for the remainder of 2006. In addition, an
4 adjustment of ($52,244) reflects the reclassification to the capital structure
5 of the accumulated depreciation on contributed utility plant in the Muncie
6 Sewer operation consistent with prior Indiana American rate cases. The
7 amount at December 31, 2006 was determined in the manner approved in
8 prior rate cases by multiplying the contributed utility plant by the approved
9 depreciation rate and by the number of years in service.

10 Adjustments were made to the accumulated amortization of capitalized
11 tank painting, deferred depreciation, and post-in-service AFUDC to reflect
12 the monthly amortization to be recorded through December 2006.

13 **Q. Please comment on the adjustments to Customer Advances for**
14 **Construction and Contributions in Aid of Construction.**
15 A. A portion of the construction projects included in the previously discussed
16 adjustment to Utility Plant involve property contributed by a developer.
17 Since the property was included in Utility Plant, the offsetting entry of
18 $11,611,137 to Customer Advances for Construction has been made to
19 properly record this property.

20 In addition, a portion of the construction projects included in the above
mentioned adjustment to Utility Plant will be reimbursed by the Indiana

Department of Transportation or other parties. An adjustment of $910,000 has been made to Contributions in Aid of Construction to reflect the amounts which will be received on these projects.

Q. Please comment on the capacity adjustment for the Somerset Water and Sewer operations.

A. This capacity adjustment was first ordered by the Commission in Cause Nos. 36448 and 36449 (November 25, 1981) and some form of this adjustment has been included in each subsequent rate case involving these operations. For the water operation the adjustment represents 34.0% [(150 capacity - 99 customers) / 150], and for the sewer operations 60.4% [(250 capacity - 99 customers) / 250], multiplied by net book value of the pumping and treatment facilities. The rate base component for this item is $143,462.

Q. Please comment on Line 26 of Schedule 1 of <u>Petitioner's Exhibit EJG-3</u> described as acquisition adjustment.

A. The amount in the Per Books column represents the unamortized balance of the acquisition adjustments resulting from several acquisitions, each of which was approved by this Commission. Schedule 3 of this exhibit provides a detailed listing of these acquisitions including the currently approved ratemaking treatments.

As shown on Schedule 3, adjustments have been made to the June 2006 balance Per Books. First, an adjustment has been made to reflect the monthly amortization to be recorded through December 2006. Second, an adjustment has been made to exclude the unamortized balance of certain acquisition adjustments from the original cost rate base. The adjustment of the first is based upon the ratemaking treatment authorized for the 9/1/93 Indiana Cities acquisition adjustment ("1993 AA") in the 1996 Rate Order. In its order, the Commission found that the 1993 AA should be reflected in Indiana American's fair value rate base rather than its original cost rate base. This treatment was also followed in the 1997 Rate Order, the 2002 Rate Order and the 2004 Rate Order. Accordingly the unamortized balance of these acquisition adjustments has been eliminated from the Pro Forma original cost rate base shown on Schedule 1. However, as previously discussed, a fair value return on the 1993 AA is included in Indiana American's revenue requirement.

For the 1993 AA and the acquisition adjustment relating to the acquisition of United in 2000, Statement of Financial Accounting Standards No. ("SFAS") 109 required the creation of an asset entitled Utility Plant Acquisition Adjustment - Deferred Income Taxes to offset the liability Deferred Income Taxes - Acquisition Adjustment. These balances are identical offsetting amounts at December 31, 2006, and will continue to be identical as the acquisition adjustments are amortized for accounting purposes. The deferred tax asset has been excluded from the Per Books

column of Schedule 1 because it does not represent an investment and it is offset by the corresponding deferred tax liability which has not been included in the capital structure.

Q. Please continue with your discussion of the pro forma adjustments shown on Schedule 1 of Petitioner's Exhibit EJG-3.

A. Materials and supplies reflect the use of a 13 month average balance consistent with prior rate cases.

Q. Are the original cost utility plant in service amounts the same as those utilized by Mr. Haddock in the reproduction cost new study included in this Cause as Petitioner's Exhibit DFH-1?

A. Yes.

Q. What procedures assure that the amount of utility plant in service shown on Schedule 1 of Petitioner's Exhibit EJG-3 represents dollars spent for utility plant that is used and useful and in service at December 31, 2006?

A. The continuing property records of Indiana American are maintained by the use of a task order system. Capital investment task orders must go through the approval process with management of the Company and be approved by the Board of Directors before any construction work begins. These capital investments are also controlled by the capital investment budget plan which is approved and monitored by the Board of Directors of

Indiana American. Capital investment task orders are not issued unless they have been previously provided for in the capital investment budget plan. The task order procedure assures that the cost of new construction is not transferred to utility plant until the work has been completed and placed in service and that the amount transferred to utility plant in service is the actual cost of the project. Similarly, a retirement work order procedure assures that the cost of property being retired is removed from utility plant in service as of the time of retirement.

STATE AND FEDERAL INCOME TAXES

Q. Turning to Schedule 1 Petitioner's Exhibit EJG-4, does this page compute income taxes at statutory rates?

A. Yes. Effective January 1, 2003, the Supplemental Net Income Tax ("SNIT") with a statutory rate of 4.5% was repealed by the State of Indiana. With repeal of the SNIT, Indiana American became subject to the Adjusted Gross Income Tax ("AGIT"). The calculation of pro forma state income taxes incorporates the AGIT at the statutory rate of 8.5%. The Commission incorporated the AGIT statutory rate of 8.5% in the last rate case.

Q. Please explain the significant impact of the Indiana AGIT versus SNIT taxes in this case.

A. In addition to the higher statutory rate under AGIT, taxable income subject to tax is higher than under SNIT. This is due to the Utility Gross Receipts

1 Tax not being deductible in determining AGIT taxable income, whereas
2 gross receipts taxes were deductible for determining SNIT taxable income.

3 **Q. Please explain the determination of income taxes.**
4 A. The computation of federal and state income taxes is based upon the
5 underlying financial data of the Company. The revenues, operating
6 expenses, and taxes other than income were taken from Schedule 1 of
7 Petitioner's Exhibit GMV-1.

8 **Q. Does the calculation of federal and state income tax expense include**
9 **both current and deferred components?**
10 A. Yes. Since both current and deferred income taxes are based upon
11 prevailing statutory state and federal income tax rates, the end result of
12 the calculation on Schedule 1 of Petitioner's Exhibit EJG-4 is the same as
13 if separate calculations were made for current and deferred income taxes.

14 **Q. How was the synchronized interest deduction calculated and utilized**
15 **in the computation of income taxes on Schedule 1 of Petitioner's**
16 **Exhibit EJG-4?**
17 A. The interest deduction was calculated by multiplying the weighted cost of
18 long-term debt from Schedule 1, page 2 in Petitioner's Exhibit JMJ-1 by
19 the pro forma original cost rate base from Schedule 1 of Petitioner's
20 Exhibit EJG-3. The purpose of including an interest synchronization
deduction in the tax calculation is to synchronize the rate base with the

interest bearing components of the capital structure that have financed rate base. The weighted cost of long-term debt used in determining the interest deduction has been recalculated on Schedule 1, page 2 of Petitioner's Exhibit JMJ-1 to exclude post-1970 investment tax credits from the capital structure as presented in Petitioner's Exhibit JMJ-1, Schedule 1, Page 1. Excluding post-1970 investment tax credits results in the interest bearing debt instruments receiving a higher weighting. Since zero cost elements of the capital structure such as deferred income taxes are used to finance rate base, these items are included in the capital structure for interest synchronization purposes so that interest bearing debt instruments are not unduly weighted higher than they should be. This methodology is consistent with that approved in the Company's prior rate cases, and was specifically approved in Cause No. 40103.

Q. How did you determine the tax normalized depreciation deduction included in the income tax calculations?

A. The tax normalized depreciation amount was determined in a three step process. First, total company depreciable plant utilized to calculate book depreciation was adjusted to exclude items which are permanently non-depreciable for tax purposes. Second, the resulting tax normalized depreciable plant was multiplied by the composite book depreciation rate to arrive at tax normalized depreciation expense. Finally, the difference between book depreciation and tax normalized depreciation was allocated

on the basis of non-taxable contributions in aid of construction ("CIAC") and customer advances for construction ("CAFC").

Q. Why was the difference between book depreciation and tax normalized depreciation allocated on the basis of non-taxable CIAC and CAFC?

A. Non-taxable CIAC and CAFC represent the major reconciling item between book depreciable plant and tax normalized depreciable plant. Prior to the Tax Reform Act of 1986, utility plant financed with CIAC and CAFC was not considered tax depreciable by the Internal Revenue Service ("IRS"). Additionally, certain types of CIAC and CAFC collected after 1986 are not considered tax depreciable by the IRS. Finally, CIAC and CAFC collected after June 12, 1996 are not tax depreciable due to the passage of the Small Business Act of 1996. As such, utility plant financed by CIAC and CAFC in the time periods above represents a permanent difference between the books of the Company and its tax return, which means the Company will never receive a tax deduction for certain depreciation expenses recorded on its books. Therefore, it is necessary to remove these expenses when calculating income tax expense.

Q. Why weren't accelerated depreciation rates sanctioned by the IRS applied to the tax normalized depreciable plant?

A. This Commission has adopted inter-period income tax allocation, also known as the normalization method of accounting, for temporary tax

1 timing differences. Temporary differences occur when expense items are
2 recognized in a different accounting period for income tax purposes than
3 for financial purposes. Under this methodology deferred tax is recorded
4 on the books of the Company for the difference between accelerated tax
5 depreciation and book depreciation. The per book deferred income tax
6 provision will also include items such as capitalized tank painting, rate
7 case expense, and bad debt expense. As explained earlier, since both
8 current and deferred income taxes are based upon prevailing statutory
9 state and federal income tax rates, the end result of the calculation on
10 Schedule 1 of Petitioner's Exhibit EJG-4 is the same as if separate
11 calculations were made for current and deferred income taxes.

12 **Q. How was the investment tax credit allocated?**

13 A. Investment tax credit is amortized over 40 years and is allocated on the
14 basis of gross plant less CIAC at December 31, 1985, the last full year the
15 credit was available. This method is consistent with that utilized and
16 approved in prior rate cases. For the Northwest and former United
17 operations, the same level of amortization was utilized as was approved in
18 their prior rate cases before the acquisitions.

19 **Q. What is shown on Schedule 2 of Petitioner's Exhibit EJG-4?**

20 A. Page 1 presents the calculation of parent company (American Water
21 Works, Inc., herein referred to as the "Parent") interest imputed to
Petitioner pursuant to the methodology prescribed in the Commission's

Supplemental Order on Remand dated September 16, 1981 in Cause No. 34571. This interest has been deducted in the determination of current federal income taxes on Schedule 1 of the same exhibit. In this case, the Company is proposing to the Commission that the amount of the interest deduction for the Parent interest be adjusted to only apply to the common stock and paid in capital of the Company. The Company is proposing to exclude the Parent interest in the tax calculation related to the retained earnings of the Company. I have read the Commission's Order in Cause No. 34571 related to this issue and, while the Commission has since 1981 applied the Parent interest tax deduction based on the entire common equity of Indiana American, the Company is proposing a change in the calculation of the Parent interest for tax deduction purposes.

Q. Mr. Grubb what is the basis for the recommendation for the change?

A. First, the Company has provided to the Commission for its review five separate reasonableness tests that not only support the Company's requested Net Operating Income but in fact indicate that the NOI should be higher. Should the Commission approve the lower NOI requested by the Company, acceptance of the adjustment to the Parent interest deduction may be appropriate in this case. Second, the purpose of the Parent interest deduction was to recognize that American Water would never be able to realize the benefits of its tax losses but for the profitability of its subsidiaries. I would suggest that American Water, due to its size

and scope, brings economies of scale to Indiana American that but for the Company's affiliation with the Parent would not be realized. Some of these benefits would be system wide purchasing of materials, supplies, insurance, chemicals, etc. Recognizing these benefits, the Company proposes that the Parent interest deduction be adjusted to exclude the retained earnings portion in the calculation. In its Order in Cause No. 34571, the Commission did recognize that simply because a particular method was previously used does not require the Commission to employ the same method in the future.

Q. What is shown on Schedule 3 of <u>Petitioner's Exhibit EJG-4?</u>

A. This schedule shows the calculation of the effective federal income tax rate for Indiana American at both present and proposed rates.

<u>SUPPORT SERVICES (MANAGEMENT FEES)</u>

Q. You indicated earlier that you would address the support services provided to the Company by AWWS. Would you please explain what those services are and how they are billed to the Company?

A. Indiana American receives services from AWWS related to providing utility service to the customers of the Company. These services are provided under the terms of a Contract dated January 1, 1989. AWWS maintains an organization whose officers and employees are familiar with all facets of the water utility business and are knowledgeable and experienced in the efficient management, financing, accounting and operation of water

1 utility assets and the business. The officers and employees of AWWS are
2 qualified to aid, assist and advise Indiana American in its business
3 operations through the services provided under the Service Company
4 Agreement ("Agreement"). A copy of the Agreement is attached as
5 Schedule 1 of Petitioner's Exhibit EJG-5. It is also on file with the
6 Commission.

7 **Q. Could you please describe the services that AWWS provides to the**
8 **Company?**
9 A. As indicated in paragraph 1.1 of Article 1 of the Agreement, AWWS
10 provides to the Company the following services: Accounting,
11 Administration, Communication, Corporate Secretarial (Legal),
12 Engineering, Financial, Human Resources, Information Systems (IT),
13 Operations (Network, Maintenance, Production, Leak Detection), Rates
14 and Revenue (Rate Regulation), Risk Management, Water Quality and
15 other such services as Indiana American and AWWS may agree upon.

16 **Q. Mr. Grubb, please now discuss how AWWS bills the Company for the**
17 **services that it renders.**
18 A. As noted earlier, the Company has a contract agreement with AWWS.
19 Articles II, III and IV provide a discussion of the payment, allowance for
20 overheads and the billing procedures. The Company also has a more
21 detailed document that thoroughly explains the billing process that AWWS
uses to bill Indiana American for the services that it renders. This is an

internal document that I prepared several years ago for purposes unrelated to this case. Some of the highlights of this document are as follows;

a) Purpose of the document

b) Cost assignment principles of AWWS to the Company and others

c) Overview of AWWS

d) Designation of responsibilities for water utility functions

e) AWWS cost accumulation and assignment process

f) Allocation Formulas

g) AWWS Billing and Accounting Process

h) Operating Company Governance

Attached to my direct testimony is Petitioner's Exhibit EJG-6 which is a copy of this document. I believe this document along with its appendix provides a very thorough and detailed description of the process as to how

1 AWWS bills its costs for the services that it provides to not only Indiana
2 American but to all other companies in the American System.

3 **Q. What is the cost level of the support services from AWWS that the**
4 **Company is requesting to recover in rates in the current rate case?**
5 A. As shown on Schedule 2, page 1, line 10 of Petitioner's Exhibit GMV-1
6 and labeled as Management Fees, the Company is requesting
7 $16,173,964. Mr. VerDouw will be addressing the Company's proforma
8 adjustment of $846,480 over the test year level expense.

9 **Q. The Company is using a test year of June 30, 2006. In the last rate**
10 **case, the Company used a test year ending June, 2003. Has the cost**
for support services from AWWS increased since the last rate case
12 **test year?**
13 A. Yes.

14 **Q. Can you please discuss the cost increase?**
15 A. As shown on Schedule 1 of Petitioner's Exhibit EJG-7, the total increased
16 cost of the support services is $9,966,327. While this increased cost at
17 first glance appears to exceed normal inflation, consideration must be
18 given to several organizational changes that have occurred in the
19 American System that have impacted Indiana American since 2003.

Q. Please elaborate.

A. In 2003, Indiana American transitioned to the American Customer Call Center (the "American CSC"). This resulted in cost reductions on the books of Indiana American and higher costs for the support services billed to the Company by AWWS for these customer care services. Mr. Van den Berg will address the costs for customer care services in his direct testimony. He has also provided in his testimony what the cost would be today of operating the Company's previous call center in Richmond and compared those costs to Indiana American's share of the American CSC. Since $3,940,388 of the total increase of $9,966,327 in support services relates to the American CSC, I will address the remaining increase in support service costs of $6,025,939.

Q. Mr. Grubb, what has occurred since 2003 that explains the increase in the cost for support services in the amount of $6,025,939?

A. In late 2003, AW initiated a reorganization that ultimately eliminated 57 positions from the payroll of Indiana American. At the same time, the Central Region of American Water was created. Some of the positions eliminated from the payroll of Indiana American were simply transferred to AWWS while others were eliminated. For example, Indiana American's Governmental Affairs Manager position was transferred to AWWS's payroll. The effect of this was to increase support services cost from AWWS and reduce Indiana American's labor and other related costs. When all elements are considered, the increase in test year expenses for support services from AWWS is in fact less than the expenses that have

been eliminated or reduced as a result of this reorganization. Before I identify the financial savings associated with the 2003/2004 reorganization, I would like to discuss in greater detail what support services are being provided to Indiana American from AWWS.

Q. What categories of services are provided by AWWS?

A. The services can be discussed by their functional area. The functional areas are Administrative, Finance, Supply Chain, Maintenance, Business Development, Production, Environmental Management and Compliance, Customer Relations, Human Resources, Legal, Operations, Risk, Water Quality, External Affairs, Information Technology (ITS), and Network. The support services provided to Indiana American are critical and essential to providing safe and adequate services to the customers.

Q. Please describe the Administrative function.

A. The Regional Administrative function located in St. Louis includes services related to corporate governance. This Regional function includes the President, Chief Financial Officer, Vice President Operations and the Corporate Counsel along with their administrative staff (Executive Management Team or "EMT"). Corporate governance reflects the setting of the goals and objectives of the Company. Company strategy is developed to attain the goals and objectives.

Along with this strategy are policies and procedures. The EMT provides support and guidance to the management teams across the Region, including Indiana American. The EMT reports to the Company's Board of Directors on such matters as operations, financial, environmental, political and regulatory. The EMT makes recommendations to the Board for its consideration, such as business plans, financing, construction requirements, water quality issues, regulatory proceedings and legal matters.

Based on the actions of the Board, the EMT then directs and assures the implementation of such actions.

The Corporate Administrative function located in Voorhees, New Jersey, includes services related to system wide corporate governance, property management, operational performance, innovation and technology, regulatory strategy, SSC (Shared Service Center) Administration, Communications, and business change. All of these services are critical in that they align the resources of the Company to assist in achieving its goals and objectives.

Q. Please describe the Finance Function.

A. The Finance function includes not only the Central Region group located in St. Louis but also the Shared Services Center group located in New Jersey. The Central Regional Finance team provides services to Indiana

American related to rates and regulation, financial performance review and planning, and accounting and regulatory compliance.

The Shared Services Center in New Jersey supports the financial function of Indiana American by performing essential services for accounting, payroll processing and reporting, accounts payable and purchase card services, invoice payments, task order and fixed asset processing, cash management, tax related services including, but not limited to, income and property taxes and additional rates and regulation support in rate cases.

Q. Please describe the Supply Chain function.

A. The Supply Chain department utilizes strategic sourcing methods to procure products and services for Indiana American. The department is made up of a national team and regional representatives. The national team is located in Voorhees, New Jersey, which provides services to the entire American Water system in commonly purchased volume items such as chemicals, pipe and meters. There is also a two person regional staff which procures items that cannot be bid nationally such as residuals and paving.

The strategic sourcing methodology utilizes competitive bidding and auctions to obtain the most competitive prices for products and services. Whenever possible, the Supply Chain group attempts to obtain fixed

pricing and a multi-year contract to lock in costs and minimize fluctuating costs.

The Supply Chain also works with select suppliers in a supplier management program which evaluates performance, quality and cost with the objective of continuous improvement to the Company and its ratepayers. Problems and issues with other suppliers not deemed strategic are managed by the Supply Chain group.

Q. Please describe the Maintenance Function.

A. The Central Region Maintenance Services department provides technical expertise for the Company in the areas of maintenance, Supervisory Control and Data Acquisition (SCADA) and non-revenue water (sometimes known as unaccounted for water). In the area of maintenance, the department's role is to help resolve maintenance problems and to provide guidance in what maintenance to perform and when to perform it. This department also tracks maintenance. In the SCADA area, the department supports the local operations in maintenance of field instrumentation and controls and manages maintenance of SCADA computer hardware and software. For non-revenue water, the department helps analyze the system and water accounting and provides guidance on solutions to reduce non-revenue water.

Q. Please describe the Business Development function.

A. The Business Development function supports the regulatory business and benefits the customers by seeking regulated acquisition and other related growth opportunities which will increase the size of the customer base and its revenue stream, allowing fixed costs to be allocated to a greater number of customers.

Q. Please describe the Production function.

A. The Central Region Service Company Production role is to provide direction for the management of Indiana's production facilities. The Production Team reviews and recommends capital, operational and maintenance needs for each district and, with assistance from other functions, prioritizes work as required. The Production Team strives to efficiently and effectively provide the highest quality drinking water to its customers and provide treatment of wastewater which protects the environment.

Q. Please describe the Environmental Management & Compliance function.

A. Technical support is routinely provided to Indiana American water and wastewater treatment facilities by Central Region Service Company staff in the Environmental Management & Compliance Department. Support functions include water quality, environmental compliance, environmental auditing and environmental stewardship.

Compliance with the Safe Drinking Water Act is overseen by the Water Quality Manager. Example of services provided include development of compliance monitoring schedules; review and submittal of drinking water compliance data to the Indiana Department of Environmental Management ("IDEM"); administration of EPA's Partnership for Safe Water program; meetings with district staff to address current water quality and treatment issues; compliance tracking; development of performance reports; training on environmental requirements; development of Consumer Confidence Reports; participation in development of wellhead protection plans and brochures; and development of lead and copper monitoring and corrosion control plans.

The Environmental Manager oversees compliance with regulatory requirements of the Clean Water Act, Clean Air Act, and other environmental regulations, as well as management of the Company's environmental stewardship program. Activities include assistance with NPDES permit renewals for water and wastewater treatment plants; implementation of a cross connection control program; including development of a written program, providing training to employees; surveying nonresidential customers; and tracking backflow prevention device test reports; residuals management and identification of beneficial use options; and identification and assistance with biodiversity projects.

These environmental management and compliance services are provided to Indiana American to ensure continued compliance with relevant federal, state and local environmental regulatory requirements. Our environmental program and the support services offered by staff with extensive technical and regulatory knowledge and expertise allow the Company to effectively manage our environmental responsibilities while identifying ways to improve our environmental performance.

Q. Please describe the Customer Relations function.

A. The Customer Relations function includes both a Central Regional team and the American CSC in Alton, Illinois and Pensacola, Florida.

Central Region Team

The Central Region team bridges the gap between our local operations and Shared Business Services Teams (National Customer Service Center and Shared Services Centers). It provides day-to-day customer related support to the local operations including the coordination of field-related service orders (scheduled and emergency related) to ensure that day to day customer needs are met. The Regional Team coordinates customer related activities throughout the region. The team provides support related needs to all levels of management including analysis of Meter Reading, Business Performance, Billing/Collections/Payments and Contract Billing Services.

REGION LEVEL RESPONSIBILITITIES:

- Coordination of monthly reporting
- Coordination and resolution of CSC/SSC/IT Customer Related Issues
- Coordination of customer related enterprise wide projects
- Meter Management Functions
- Billing/Collections/Payment Functions
- Business Performance Functions impacting Service Delivery Teams
- Field Resource Coordination Center (FRCC) – manages daily scheduled and emergency related service orders – formed as a result of use of the new Service First Mobile Technology
- Regional Support Staff – to process back office related functions
- Coordination of IURC Complaints involving CSC and SSC
- Coordination and resolution of existing and new Billing Services and O&M Contracts issues (including coordination of customer related processes for acquisitions)

<u>Call Center Team</u>

- 24x7x365 Customer Service including emergencies, service inquiries, account inquiries and functions, all general inquiries
  - Customer Call Handling
    - Establish and maintain customer/account records in E-CIS
    - Address customer inquiries related to Billing, Credit & Collections, Service Orders, General
    - Field all initial customer contacts coming into center. Forward to appropriate party for resolution.
    - Create contacts (UCAC) records for all contacts with comments
    - Provide reports to local company on contacts by type
- Meter Reading and Billing
  - Meter Reading
    - Meter reading cards
      - Process meter reading cards received from customers
    - Meter Shop
      - Provide test results to customer
  - Billing
    - Generate bills according to billing schedule

        - Resolve billing exceptions on the bill edits that do not require field investigation
        - Issue service orders to resolve billing investigations that do require field investigation
        - Special accounts handling (i.e. manual adjustments for special contracts or tariffs not maintained in E-CIS)
        - Put controls in place to insure that all "active" accounts are being billed monthly
        - Assign fees according to tariff
        - Attach all other fees
        - Identify and generate service orders for 1) Zero Consumption on Active Meter, 2) Consumption on an Inactive Meter, and 3) estimates in excess of regulations
- Collections
    - Credit & Collections
        - Generate all collections related notices in E-CIS and Letter Generation System. Based on cycles as established by the meter reading and billing schedule.
        - Perform outbound calling to set up payment arrangements to avoid issuing shut off for non-pay service orders and notify customers that cut off is scheduled
        - Issue / schedule shut off for non-pay service orders for water
    - Payment Arrangements
        - Create and maintain records for deferred payment agreements
    - Bankruptcy
        - Receive / Process / Store bankruptcy claims
    - Refunds
        - Process refund batch in E-CIS for credit batches and deposit refund batches (includes deposit refunds)
        - Run batch process, communicate refunds through the interface
- Service Orders
    - Handle Emergency
        - Notify field operations of customer-reported emergency situations including leaks and water quality
        - Issue / call out emergency service orders
    - Fire Service
        - Generate / Distribute report of current hydrants billing in E-CIS
    - Bulk Water Sales
        - Process Bulk Water Sales account set up and billing
    - Other

        - Forward miscellaneous inquiries to operations and water quality for resolution
    - Tap Orders
        - Create Tap order based on customer call to the Call Center
    - Call Out Service Orders/Updates
        - Call out for updates on service order status for missed appointments, schedule dates.
        - Call out all service orders categorized as "time-critical"
        - Call out cancelled shut off for non-pay orders when customer calls to report payment
        - Maintain call out master list
    - Special Accounts Handling
        - Sewer Authorities
            - Address inquiries from sewer authorities regarding sewer services
            - Receive list of accounts requested for shut off from sewer authorities. Issue / schedule orders
            - Report status of requested shut offs to sewer authority
        - Key Accounts
            - Bill verification for high revenue (Top 15) accounts
            - Report information on high profile customer account problems as needed
            - Complaints to IURC
            - Support local company by aiding in research of IURC complaint data requests
            - Notify customer (if required) of any resolutions/outcomes from IURC complaint

Q. Please describe the Human Resources function.

A. The Regional Human Resources function is responsible for the employees from the beginning of their employment to the end of their employment. This includes the hiring process, labor and employee relations, compensation and benefits, training, and organizational development as well as involvement in contract negotiations, discipline monitoring for consistency, investigations of any claims including those of discrimination

1 or other violations of various laws. It also includes development of policies
2 and practices.

3 The Regional Human Resource function provides service that includes
4 hiring employees in Indiana to ensure we select the best possible
5 candidates and are thorough in our approach. This function helps
6 supervisors to work through employee issues. Human Resources
7 advocates for employees when they present situations which need
8 correction or just have questions. Action is taken to provide answers or to
9 do what is needed in each particular set of circumstances. The
10 Organizational and Development staff has conducted various training
11 sessions and has a training catalogue which they produce and offer to the
employees in order to meet the employees' needs in Indiana. The various
13 training classes were developed based on needs identified through the
14 appraisal process and also through identification based on specific needs
15 of an area.

16 In the recruiting process, the Company is committed to hiring the most
17 qualified candidates for the job. Human Resources administers the
18 relocation process when the candidate that is being pursued comes from
19 outside of the employment area. The Company also has a tuition
20 reimbursement plan which helps to develop the employees and gives
21 them the opportunity for advancement in the Company.

The Corporate Human Resource function provides guidance and direction to the Regional Human Resource Team so as to align the function across American Water. Some of the areas of guidance are employee benefits, discrimination issues, bargaining unit negotiation strategies, employee issues, hiring practices, employee development, training and relocations. A new function introduced in the Corporate Human Resource function is the benefits call center that was implemented in late 2003 which is currently staffed with specialized employees who have the knowledge and skill set to address employee questions and concerns.

Q. Please describe the Legal function.

A. The Regional Legal Department provides legal support for all aspects of Indiana American's business. The Regional Legal Department consists of specialized attorneys and associated support staff located in the Central Region. The Central Region Legal Department is responsible for all corporate governance matters, including compiling information for the Board of Directors meetings. The Central Region Legal Department provides legal support for regulatory, real estate and property matters, litigation, bankruptcy, labor and employment, environmental, business development, contracts, financings and general corporate governance. In addition, the American Water Corporate Legal Team located in Voorhees, New Jersey provides support to the Central Region Department regarding labor and employment, litigation, regulatory oversight and corporate governance.

The Central Region Legal Department oversees all regulatory matters on behalf of Indiana American. The Legal Department assists in the preparation and negotiations during regulatory matters. Customer complaints filed with IURC may be handled by the Legal Department. In addition to regulatory matters, the Legal Department handles civil lawsuits and managed claims made against Indiana American.

In addition, any real estate matters or disputes are handled by the department. The department negotiates for and reviews easements, leases, acquisitions and dispositions of real estate. This includes discussions with developers regarding installation of main extensions and corresponding agreements.

Indiana American receives legal support for all labor and employment matters from the Legal Department. In 2005 and 2006, 7 union bargaining agreements were successfully renegotiated. Indiana American management is represented by the Legal Department during grievances, arbitrations and other labor disputes and issues.

While the Environmental Management & Compliance Department provides the technical support to Indiana American for environmental issues, the Legal Department advises the Environmental Department regarding environmental laws and represents Indiana American during any civil or regulatory matters. In 2005, the Legal Department provided

1 legal overview for fourteen environmental audits which were conducted at
2 Indiana American water and wastewater systems.

3 **Q. Please describe the Operations Risk function.**

4 A. The Operational Risk function manages worker's compensation claims
5 and accidents, accident investigations, vehicle accidents, prepares and
6 updates district contingency plans (emergency response plans), conducts
7 safety compliance audits, oversees the compliance of the districts with
8 Risk Management Plans/Process Safety Management programs,
9 conducts OSHA required training (examples being Hazard Communication
10 Std., Respiratory fit testing, Personal Protective Equipment, Confined
11 Space, Trenching and Shoring), conducts industrial hygiene surveys as
12 requested, coordinates and oversees the maintenance of the district's
13 security system, prepares and submits Tier II reports, manages and
14 oversees district SPCC Plans, oversees and submits Annual Reports
15 associated with hazardous and non-hazardous waste shipments, trains
16 and coordinates Event Management practices for emergency situations
17 and oversees Department of Transportation compliance.

18 **Q. Please describe the Water Quality function.**

19 A. The Water Quality function provides support to the Company in the area of
20 water quality testing and analysis (Belleville, Illinois lab) and performing
21 research and development in the area of water quality.

The American Water Centralized Laboratory is responsible for various types of testing for American Water subsidiaries, resulting in annual analysis of water samples for more than 200 contaminants. Testing includes samples for chemical compliance, process evaluation and *Giardia/Cryptosporidium.* The Central Laboratory is certified by 25 states and the National Environmental Laboratory Accrediting Program (NELAP).

Samples received from field operations are analyzed for regulated and non-regulated chemical and microbial parameters according to state and federal requirements. Following analysis, an extensive data review is conducted and Laboratory Analysis reports are generated and issued to American Water Regional points of contact, as well as state and federal regulatory agencies. In addition to sample analysis, the laboratory provides support for the implementation of upcoming regulations.

Q. Please describe the External Affairs function.

A. The functional role of the External Affairs Department is to proactively educate the public, customers and community leaders about Indiana American Water and the services provided. Support functions include internal and external communications, corporate social responsibility and government relations.

External Affairs team members implement regional communication programs, covering media relations, the Indiana American website and

related communication activity such as Community Connection newsletters, bill inserts, public education materials, and updates to the IURC and the Office of Utility Consumer Counselor.

The External Affairs team provides updates for the Indiana American website to ensure customers have access to the latest information as well as educational materials about water conservation, water quality, customer service press releases, billing and rates and the Community Connection newsletters.

The External Affairs team members work with local and state elected officials. The team works in partnership to inform community and state leadership about Company news, capital improvement programs and activities in their communities. Public meeting presentations, and updates to community leaders are all part of this effort.

The External Affairs team members work with local operations to support communications media training and their efforts in serving as a good neighbor and responsible steward in their communities.

Q. Please describe the ITS function.

A. ITS Client Relations consists of the American Water Service Desk which provides telephone support to the computer user of Indiana American. This support includes but is not limited to PC Software, Hardware, AS/400

and telephony support. If the Service Desk is unable to support the caller, a Work Order is generated for one of the three ITS support groups to assist. ITS Client Relations also provides Capital Program Management and holds the responsibilities for placing orders, receipt, installation and configuration of all IT related equipment. End user training is also provided by the Client Relations staff on four planned occasions throughout the year and as requested.

If there is a local hardware or software issue that cannot be supported via the telephone and remotely controlling the computer via the Wide Area Network, a Client Relations Support Specialist is dispatched to visit the site of the computer. If this issue involves other applications such as JD Edwards, Orcom, Lotus Notes, etc., then a Work Order is generated for the responsible team. Those teams are Customer Care Services or ITS Operations. These groups hold the responsibility of supporting the Wide Area Network, Lotus Domino, AS/400 Hardware and programmatic changes to various applications.

The ITS group offers an average of a 48 - 72 hour turn around time on most ITS related issues. Some problems require additional time and may require that resources are set aside by the ITS Project Management Office. Resources would be assigned based on project priority. This quick turnaround time in addressing IT issues allows employees to remain productive with minimal computer downtime.

Q. Please describe the Network function.

A. Field services technical support, managerial oversight and leadership are provided to Indiana American by the Central Region Director, Network. Compliance with the field services aspects of the Indiana Administrative Code and Indiana American's tariffs, rules and regulations on file with the IURC is a management oversight responsibility of the Director, Network. This oversight includes the direction of analysis of the effectiveness, efficiency and adequacy of Indiana American's Network workforce and other resources for the execution of these operational requirements as well as other performance and productivity objectives. Leadership is provided in part by the Director, Network in the form of developing annual performance targets for the Indiana Network General Manager and his Network employee organization at the interface between these Network operational requirements and the areas of finance, customer service, and process execution and employee development/performance.

The Director, Network has responsibility to work in tandem with the Region's Customer Relationship Services function to identify and direct operational processes occurring at the interface between Indiana American Network and the American CSC. An example of this occurred with the implementation of Indiana American's mobile computing customer service order system (Service First) in 2005.

In collaboration with Indiana American's General Manager, Network, the Director, Network develops expectations for external relations activity for the Indiana American Network staff. An example of this occurs in the defining of key relationships between Indiana Network function leadership and external stakeholders.

Direction in the processing of labor agreement negotiations and other negotiable matters is provided by the Director, Network. In 2005 and 2006, the Warsaw, Gary, Terre Haute, Muncie, Kokomo and Seymour labor agreements were successfully renegotiated.

Direction in and review of the annual budgeting of operational line items of expenditure within the Indiana American Network function is provided by the Director, Network. Associated with this is the review of the Indiana American Network's monthly and annual actual operations related expense levels compared to their budgeted levels. This includes evaluation of the work performed in association with those actual expense levels. Based on the results of this review, direction is provided by the Director, Network with respect to making adjustments in the budget, workload and/or means and methods by which to complete the workload in order to maintain financial and service quality performance in accordance with established targets.

The Director, Network provides guidance in the development of business case models designed for analysis and evaluation of new technology, reengineered processes or workload requirements for use in processing Indiana American Network's functional responsibilities

On behalf of Indiana American's Network function, the Director, Network works with other functions within the Central Region and the American Water Service Company in representing Indiana American Network's operational interests, finding ways to address those interests within the broader contexts of the Central Region and/or the American Water enterprise.

Q. Mr. Grubb, now that you have explained the support services provided by AWWS, please discuss the increase in costs for support services since the Company's last rate case test year.

A. There are four basic factors that have influenced the increase in support services for Indiana American. They are as follows:

1. General increase in inflation since the last rate case.

2. New functions being performed that resulted in new services being provided to Indiana American by AWWS.

3. Increased scope and breadth of service by AWWS to Indiana American.

4. The Company initiated a reorganization in 2003 that resulted in the elimination of fifty-seven positions at Indiana American. However,

a number of those positions were transferred to the Regional Service Company and are located in either Indiana or St. Louis.

Point 1 – General Increase in Inflation

Since 2003, inflation has continued to impact the Company's costs. The majority of AWWS costs are labor and labor related. Since March 2003, the employment cost index published by the Department of Labor for wages and benefits has increased 9.9%. The general consumer price index has increased from the end of 2002 through December 2005 by 8.6%. Therefore, using a weighted estimated increase of 9% is conservative and thus accounts for an increase of approximately $482,504.

Point 2 – New Functions

AWWS has formed a Supply Chain, Environmental, Network, Maintenance and Production functions since the last rate case. The cost associated with the Maintenance function is approximately $222,921. The cost associated with the Environmental function is $224,516. The cost associated with the Network function is $74,356. The cost associated with the Production function is approximately $139,013. The cost of the Supply Chain function is $315,327. Notably, we have identified operating expense savings of $620,270 and capital savings of $168,900 associated with the Supply Chain function. The total cost associated with these five functions is $976,133. Please refer to the discussion above related to each of these functions for services provided to Indiana American. The

new functions at the Regional or Corporate Service Company were formed as a result of the 2003/2004 reorganization that will be discussed later.

Point 3 – Increased Scope and Breadth of Service

There are three functional areas of the business that have seen significant changes in cost resulting in AWWS providing more services as a result in the change in either the scope of the services or the breadth of the services. These changes were made possible by the reorganization.

First, the Human Resource function at AWWS has increased a total of $836,821 since the last rate case. This includes costs at the Regional level in St. Louis and the Corporate level in New Jersey. The last rate case included no costs associated with a Regional Service Company. In the current case, the Company has Regional HR costs of $596,786. These costs are associated with the hiring of the current work force as a result of expanding its workforce, maintaining labor and employee relations, addressing compensation and benefits issues, developing and implementing training for its workforce, contract negotiations, investigating employee claims of discrimination, and the development of policies and practices.

The Corporate Service Company Human Resources costs have increased $240,035 since the last rate case test year due to a number of factors.

The Human Resources function has seen increasing demands of an ongoing, specialized workforce where recruitment, retention, and employee development challenges have become more prevalent than in the past. Additional resources have been added to handle inquiries from employees and retirees of all American Water subsidiaries regarding group insurance, claims, pension, and other benefits. Provision of these services through outside providers would be difficult given the wide array of services being covered. The employee benefits center was implemented in 2003 and is currently staffed with nineteen specialized employees who have the knowledge and skill set to address questions and concerns from approximately 7,000 employees, including those from Indiana.

The External Affairs function has also increased its scope and breadth of services. In the last rate case, similar to Human Resources, no costs were included in the test year for this function at the Regional Service Company Level. The previous discussion for the services provided to Indiana American by External Affairs indicates the time and resources devoted to the Company and its importance.

The Corporate Administrative function of the Service Company has also increased its scope and breadth of services. Please refer to the previous discussion of those services.

Point 4 – Company Reorganization

In late 2003, American Water initiated a reorganization that resulted in the formation of the Central Region. This reorganization is a continuation of the evolutionary process within American Water dating back to the 1960's to reorganize in order to become as efficient as possible. Prior to the recent reorganization, Indiana American was part of the East Central Region which included Indiana and Ohio. Service Company Regional Management functions and services were provided by the Regional Team located in Greenwood, Indiana. After the reorganization, additional and expanded services were provided to the Company. These were discussed under Points 2 and 3 above. Indiana American is now a part of the Central Region which includes Indiana, Ohio, Missouri, Iowa, Illinois, and Michigan.

As noted earlier, the reorganization eliminated fifty-seven positions from the Company. Attached is Schedule 2 of Petitioner's Exhibit EJG-7 which identifies the positions eliminated from Indiana American's payroll. The total savings associated with these changes reduces labor, labor related and other expenses by $6,301,483, as shown on Schedule 2 of Petitioner's Exhibit EJG-7.

Q. Mr. Grubb, can you compare the cost savings resulting from the reorganization to the increased test year costs for support services from AWWS?

A. Yes. Attached is Schedule 1 of Petitioner's Exhibit EJG-7 which compares the level of management fees included in the test year in the last rate case with the current test year level. It shows an increase of $6,025,939, excluding costs for the American CSC which will be addressed by Mr. Van den Berg.

The previous discussion and narrative has provided explanations for the increase as follows:

Reference	Description	Amount
Point 1	Inflation	$482,504
Point 2	New Functions	976,133
Point 3	Increased Scope and Breadth	3,537,415
---	Other Changes, Net	1,025,887
		$6,025,939
Savings	- Per Sch 2 of Exhibit EJG-7	$6,301,483

Q. Mr. Grubb, please explain Schedule 2 of Petitioner's Exhibit EJG-7.

A. This schedule was developed to identify the cost savings associated with the reorganization that took place in 2003 and 2004. I have identified total savings of $6,301,483. The level of savings exceeds the level of additional costs for support services in the amount of $275,544. If we take

1 into consideration the proforma adjustment the Company is proposing to
2 eliminate from the current test year (one-time costs of $390,586) as shown
3 on Schedule 7 of Petitioner's Exhibit GMV-3, then the total savings is
4 actually $666,130.

5 **Q. How did you prepare Petitioner's Exhibit EJG-7?.**

6 A. I have identified fifty-seven employee positions eliminated from the
7 Indiana payroll by comparing organizational charts before and after the
8 reorganization. Total labor and incentive pay savings are $3,323,161.
9 Benefit cost savings associated with the positions eliminated amount to
10 $1,803,422 based on the proforma expense level included in the current
11 rate case for pensions, group insurance, post-retirement benefits, payroll
12 taxes, worker's compensation and 401K costs. Rent on the Greenwood
13 office has been reduced by $347,744. Transportation costs have also
14 been reduced by $155,915 resulting from the reduction of 30 vehicles.
15 The reduction in this cost is based on reduced lease cost, gasoline and
16 insurance. And finally, as noted earlier, with the reorganization came the
17 formation of a Supply Chain function. The efforts of the Supply Chain
18 function have resulted in savings of approximately $651,671 in operating
19 expenses and $168,900 in capital expenditures.

20 **Q. Are there any other cost decreases that you did not consider?**

21 A. Yes. Certain other expenses would normally be impacted and eliminated
as staffing levels are reduced. For example, the cost of office furniture,

office equipment, utilities, cell phones, travel expenses, vehicle maintenance, employee turnover related costs, office materials and supplies, and tuition aid would be impacted. If we assumed a 5% savings factor for these costs as a percentage of payroll, then one could argue that an additional level of savings would be achieved in the amount of $147,507.

Q. Do you believe that the proforma level of support services in the Company's case represents a reasonable cost level for these services.

A. Yes.

INCENTIVE COMPENSATION

Q. Mr. Grubb, is the Company proposing an adjustment to the test year level of Annual Incentive Compensation Expense?

A. Yes. The Company has included an adjustment within the Labor Expense adjustment (Schedule 3 of Petitioner's Exhibit GMV-3). The calculation is based on each eligible employee's target percentage multiplied by the proforma wages.

Q. Has the Annual Incentive Plan ("AIP") changed significantly since the Company's last rate case?

A. No. The program is essentially the same as it was when an adjustment was approved in Cause No. 42520. While certain provisions have

1 changed (i.e. target percentage), each employee's incentive award is
2 based on the Company achieving certain financial and operational goals
3 and the employee achieving specific individual goals. It continues not to
4 be a profit-sharing plan, as most of the elements are operationally or
5 individually based. Our AIP continues to be necessary for us to offer
6 competitive wages so as to attract and retain our workforce.

7 **Q. Does this conclude your direct testimony?**

8 A. Yes, it does.

Petitioner Exhibit EJG-1

EDWARD J. GRUBB

Edward J. Grubb is the Rates and Regulation Manager for the Central Region of American Water. Mr. Grubb is also the Assistant Treasurer for Indiana-American Water Company.

As Rates and Regulation Manager, his main responsibilities are to:

1) Plan and oversee the preparation and presentation of all rate increase applications and supporting documents and exhibits as prescribed by management policies, guidelines and regulatory commission requirements;

2) Oversee rate analyses and studies to evaluate the effect of proposed rates on the revenues, rate of return and tariff structure of the company;

3) Oversee the implementation of rate orders, including development of the revised tariff pricing necessary to produce the proposed revenue level;

4) Oversee the preparation of Company budgets and analyses;

5) Oversee the review of Company financial statements;

6) Oversee employee relations in the Regional Finance Department, including the recommendation regarding personnel changes and the training and evaluation of assigned personnel;

7) Provide support for financial analysis of proposed acquisitions and expansion of service territory, including preparation of applicable Commission filings;

8) Assure that policies, procedures, programs, standards of performance, and approved objectives are adhered to and/or achieved including those involving safety, affirmative action, community relations, and labor relations.

Mr. Grubb has prepared rate cases and presented testimony before the Maryland Public Service Commission, West Virginia Public Service Commission, Tennessee Public Service Commission, Illinois Commerce Commission, Kentucky Public Service Commission, Iowa Utilities Board, Public Utility Commission of Ohio, Missouri Public Service Commission, and the Virginia State Corporation Commission.

In June 1978, Mr. Grubb was awarded a Bachelor of Science Degree in Business Administration from Drexel University with a major in accounting. In May 1989, he was awarded a Masters of Business Administration from the University of West Virginia College of Graduate Studies. In September 1993, Mr. Grubb successfully completed the Certified Management Accounting program and received his certificate as a Certified Management Accountant (CMA). And, in January 1998, he successfully completed the Certified in Financial Management (CFM) program and received his certificate as a CFM from the Institute of Management Accountants.

Mr. Grubb began his career in 1978 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, Mr. Grubb was promoted to Rate Analyst. In 1984, he was promoted to Revenue Requirement Specialist and in 1988, Mr. Grubb was promoted to Assistant Director - Rates and Revenue. In these three positions, he has assisted, prepared and presented testimony and accounting exhibits before regulatory bodies concerning rate increase applications and other matters.

In January 1998, Mr. Grubb was promoted to the position of Comptroller of Kentucky-American Water Company. In his capacity as Comptroller, Mr. Grubb was responsible for all aspects of the accounting and regulation for the Company, including the preparation of financial statements, tax returns, and regulatory filings. In October 2000, Mr. Grubb was promoted to the Director, Rates and Revenue with Missouri-American Water. In August 2004, Mr. Grubb was appointed to his current position.

Rate Case Summary

Line	Description		Total	Total Water Groups	Wabash	Total Sewer	Northwest	Moores -ville	Warsaw	West Lafayette	Winchester
1	PRESENT RATES:										
2											
3	Operating Revenues		$141,938,306								
4											
5	Less Deductions:										
6	Operating & Maint.		63,780,084								
7	Depreciation		26,030,764								
8	Amortization		422,736								
9	General Taxes		17,523,216								
10	State Income Taxes		1,966,928								
11	Federal Income Taxes		5,975,538								
12	Total Deductions		115,699,266								
13											
14	Pro-Forma Operating Income		$26,239,040								
15											
16											
17	REVENUE REQUIREMENT AND										
18	INCREASE COMPARISON:										
19											
20	Rate of Return	11.50%	7.88%								
21	x Original Cost Net Investment		$499,016,745								
22	Required Operating Income - Original Cost		39,322,518								
23	Fair Value Increment		982,239								
24	Fair Value Increment Adjustment		0								
25	Required Operating Income - Fair Value		40,304,756								
26	Total (Excess)/Deficiency from Pro-Forma										
27	Operating Income at Present Rates		14,065,716								
28	x Revenue Factor		1.7562								
29	Increase/(Decrease) of Revenue Required										
30	without Phase-in of Common Rates		$24,702,209								
31	Reclass Based upon Phase-in of										
32	Common Rates		$0								
33	Increase/(Decrease) of Revenue Proposed										
34	under Phase-in of Common Rates		$24,702,209								
35											
36	% Increase/(Decrease) on Total Revenues		17.40%								
37											
38	Revenue Requirement		$166,640,515								

Indiana-American Water Company, Inc.
Cause No. 43187

Petitioner's Exhibit EJG-2
Schedule 2
Page 1 of 1

Proposed Rate Income Statement

Line	Description		Total Company	Total Water Groups	Wabash	Total Sewer	Northwest	Moores -ville	Warsaw	West Lafayette	Winchester
1	Increases by Line Items from Revenue Factor										
2											
3	Operating & Maint.	2.941108%	$312,829								
4	General Taxes	6.649950%	707,320								
5	State Income Taxes	19.198761%	2,042,077								
6	Federal Income Taxes	71.210181%	7,574,269								
7		100.000000%	10,636,495								
8	Operating Income		14,065,714								
9	Revenues		$24,702,209								
10											
11											
12											
13											
14	**PROPOSED RATES:**										
15											
16	Operating Revenues		$166,640,515								
17											
18	Less Deductions:										
19	Operating & Maint.		64,092,913								
20	Depreciation		26,030,764								
21	Amortization		422,736								
22	General Taxes		18,230,536								
23	State Income Taxes		4,009,005								
24	Federal Income Taxes		13,549,807								
25	Total Deductions		126,335,761								
26											
27	Pro-Forma Operating Income		$40,304,754								

Gross Revenue Conversion Factor

Line No.			Total	Percentage of Total
1	Revenues		100.0000%	
2				
3	Less: Uncollectible expense		1.2664%	2.941108%
4				
5	Total before Gross Income and IURC		98.7336%	
6				
7	IURC fee @ 1.50000000%		1.4810%	3.439589%
8				
9	Income before income taxes		97.2526%	
10				
11	SIT @ 8.50%		8.2665%	19.198761%
12				
13	Gross income tax @	1.40%	1.3823%	3.210361%
14				
15	Income for Federal income taxes		87.6038%	
16				
17	FIT @ 35.00%		30.6613%	71.210181%
18				
19	Income after income taxes		56.9425%	100.000000%
20				
21	Gross revenue conversion factor		1.7562	

Indiana-American Water Company, Inc.
Support for Fair Value Increment on
Petitioner's Exhibit EJG-1, Schedule 1

		Reference	Gross	Accumulated Amortization	Net
1	Acquisition Adjustment				
2	1993 Purchase of Indiana Cities Water Corporation		$17,412,009	$4,947,048	$12,464,961
3	1999 Purchase of Northwest Indiana Water Company		0	0	0
4	Total		17,412,009	4,947,048	12,464,961
5	Rate of Return on Rate Base @ 11.50% Cost of Common Equity	EJG-1, Sch. 1, Line 20			7.88%
6	Fair Value Increment to Operating Income	EJG-1, Sch. 1, Line 23			982,239
7	Fair Value Increment Adjustment	EJG-1, Sch. 1, Line 24			0
8	Required Operating Income - Original Cost	EJG-1, Sch. 1, Line 22			39,322,519
9					
10	Required Operating Income - Fair Value	EJG-1, Sch. 1, Line 25			$40,304,758

	Reasonableness Tests →		Test # 1 Fair Value Rate Base Finding (1)	Test # 2 Fair Value Rate Base Finding (2)	Test # 3 Fair Value Rate Base Finding (3)	Test # 4 Fair Value Rate Base Finding (4)	Test # 5 Fair Value Rate Base Finding (5)
11							
12							
13							
14							
15							
16							
17	Fair Value Rate Base Finding Cause No. 42520		$663,400,000	$663,400,000	$663,400,000	$663,400,000	$663,400,000
18	Inflation Increment for 2003 through 2006	2.80%	55,726,000	55,726,000	55,726,000	55,726,000	55,726,000
19	Fair Value Adjusted to 12/31/06 Price Level		719,126,000	719,126,000	719,126,000	719,126,000	719,126,000
20							
21	Net Investor Supplied Plant Additions since Prior Case		$30,355,000	$30,355,000	$30,355,000	$30,355,000	$30,355,000
22							
23	Updated Fair Value Finding from Last Rate Order		749,481,000	749,481,000	749,481,000	749,481,000	749,481,000
24	Rate of Return on Updated Fair Value after Adjusting Long-Term						
25	Debt Cost Rate per Issue or as indicated under test # 4 (see below)		6.78%	6.20%	6.63%	6.09%	5.38%
26							
27	Calculated Fair Value Operating Income (FV Rate Base * FV Rate of Return		$50,814,812	$46,467,822	$49,690,590	$45,643,393	$40,322,078
28							
29	Excess of Calculated Fair Value Operating Income over Company Request		$10,510,054	$6,163,064	$9,385,832	$5,338,635	$17,320
30							

31 Reasonableness Test Parameters:
32 (1) Weighted cost of debt from Petitioner's Exhibit JMJ-1 was recalculated to remove historic inflation by issue
33 (2) Weighted cost of debt from Petitioner's Exhibit JMJ-1 was recalculated to remove historic inflation of 3.50%
34 (3) Weighted cost of debt from Petitioner's Exhibit JMJ-1 was recalculated to remove historic inflation of 2.60%
35 (4) Reduced overall return on orginal cost rate base by difference in return on orginal cost rate base and Fair value return per Cause No. 42520
36 (5) Used fair value return finding from Cuase No. 42520.

Indiana-American Water Company
Cause No. 43187
Pro Forma Rate of Return Summary
Reflecting Removal of Inflation From the Long-Term Debt Cost Rate
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Witness Responsible: Gary M. VerDouw

Line No.	Class of Capital	Pro Forma Amount @ 12/31/06	% of Total	(%) Cost	Weighted Cost
1	Long-term debt	$249,879,885	47.99%	4.51% (1)	2.16%
2					
3	Deferred income taxes	57,758,673	11.09%	0.00%	0.00%
4					
5	Accumulated depreciation on contributed				
6	utility plant for Muncie Sewer	52,244	0.01%	0.00%	0.00%
7					
8	Post Retirement Benefits, net	2,877,637	0.55%	0.00%	0.00%
9					
10	Accumulated deferred investment				
11	tax credits - Pre 1971	81,597	0.02%	0.00%	0.00%
12					
13	Job development investment tax				
14	credits (JDITC) - Post 1970	2,199,350	0.42%	8.92%	0.04%
15					
16	Preferred stock	330,000	0.06%	6.00%	0.00%
17					
18	Common equity	207,508,938	39.86%	11.50%	4.58%
19					
20					
21	Total capitalization	$520,688,325	100.00%		6.78%
22					

23 (1) Weighted cost of debt from Petitioner's Exhibit JMJ-1 was recalculated to remove historic inflation by issue
24 per Ibbotson 2006 SBBI Yearbook

Indiana-American Water Company
Cause No. 43187
Pro Forma Cost of Long-Term Debt
Reflecting Removal of Inflation From the Long-Term Debt Cost Rate

Data: at December 31, 2006
Type of Filing: ___ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Debt Issue Type, Coupon Rate (COL. 1)		Date Issued (COL. 2)	Maturity Date (COL. 3)	Pro Forma Carrying Value @ 12/31/06 (COL. 7)	Pro Forma Total Annual Cost (COL. 10)	Individual Embedded Cost (A)	% of Pro Forma Carrying Value (B)	Individual Weighted Cost (C)	Historic Inflation (D)	(E)	Embedded Cost w/o Inflation (F)	Weighted Cost w/o Inflation (G)
							(col 10 / col 7)	(% of col 7)	(A) * (B)			(A) - (E)	(B) * (F)
1	First Mortgage Bonds												
2	7.300%	Series N	3/01/93	3/01/08	$2,266,836	$174,002	7.68%	0.91%	0.07%	93 - 05	2.50%	5.18%	0.05%
3	6.990%	Series B	1/1/94	1/1/24	8,855,160	637,620	7.20%	3.54%	0.26%	94 - 05	2.50%	4.70%	0.17%
4	5.900%	Series C	6/1/96	6/1/26	(318,045)	16,380	-5.15%	-0.13%	0.01%	96 - 05	2.50%	-7.65%	0.01%
5	5.000%	Series D	12/1/98	12/1/28	7,260,686	430,386	5.93%	2.91%	0.17%	98 - 05	2.50%	3.43%	0.10%
6													
7	General Mortgage Bonds												
8	9.780%	Series	12/21/88	11/01/03	0	0							
9	8.980%	Series	3/01/90	3/01/10	7,090,804	640,484	9.03%	2.84%	0.26%	90 - 05	2.80%	6.23%	0.18%
10	7.110%	Series	5/11/94	5/01/24	15,429,072	1,106,142	7.17%	6.17%	0.44%	94 - 05	2.50%	4.67%	0.29%
11	7.380%	Series	9/01/95	9/01/15	11,914,200	895,500	7.52%	4.77%	0.36%	95 - 05	2.50%	5.02%	0.24%
12	7.450%	Series	12/01/95	9/01/15	27,937,392	2,093,224	7.49%	11.18%	0.84%	95 - 05	2.50%	4.99%	0.56%
15	7.800%	Series	7/01/97	7/01/27	9,963,838	781,764	7.85%	3.99%	0.31%	97 - 05	2.40%	5.45%	0.22%
16	7.490%	Series	7/01/97	7/01/07	9,997,360	754,280	7.54%	4.00%	0.30%	97 - 05	2.40%	5.14%	0.21%
17	6.845%	Series	7/01/98	7/01/28	18,909,958	1,304,738	6.90%	7.57%	0.52%	98 - 05	2.50%	4.40%	0.33%
18	6.900%	Series	7/01/99	7/01/09	19,978,370	1,388,652	6.95%	8.00%	0.56%	99 - 05	2.60%	4.35%	0.35%
19	4.875%	Bonds	10/26/06	10/1/36	25,149,698	1,277,080	5.08%	10.06%	0.51%		0.00%	5.08%	0.51%
20	AWCC Intercompany Borrowing												
21	6.870%	Series	3/30/01	3/29/11	37,891,331	2,636,169	6.96%	15.16%	1.05%	01 - 05	2.50%	4.46%	0.68%
22	4.920%	Series	1/14/02	11/6/06	0	0	0.00%	0.00%	0.00%	02 - 05	2.70%	-2.70%	0.00%
23	5.650%	Series	6/12/02	6/12/07	12,996,812	742,153	5.71%	5.20%	0.30%	02 - 05	2.70%	3.01%	0.16%
24	5.650%	Series	9/30/02	6/12/07	17,989,331	1,042,606	5.80%	7.20%	0.42%	02 - 05	2.70%	3.10%	0.22%
25	6.050%	Series	12/1/03	12/1/13	15,976,337	968,871	6.06%	6.39%	0.39%	03 - 05	2.80%	3.26%	0.21%
26													
27	AWCC Intercompany Borrowing												
28	5.900%	Bonds	9/01/92	9/01/22	(263,576)	16,824	-6.38%	-0.11%	0.01%	92 - 05	2.60%	-8.98%	0.01%
29	5.350%	Bonds	12/01/93	9/01/23	(289,600)	17,376	-6.00%	-0.12%	0.01%	93 - 05	2.50%	-8.50%	0.01%
30	Tax Exempt / Government Related												
31	2.900%	S R F - Prairieton	1/5/01	1/1/21	319,396	10,327	3.23%	0.13%	0.00%	01 - 05	2.50%	0.73%	0.00%
32	2.900%	S R F - Gary	6/15/01	7/1/21	824,525	24,644	2.99%	0.33%	0.01%	01 - 05	2.50%	0.49%	0.00%
33													
34	Obligations - Capital Leases												
35													
36	Totals				$249,879,885	$16,959,222	6.79%	100.00%	6.80%		2.29%		4.51%
37													
38	Cost of long-term debt												
39	(Col. 10 / Col. 7)					6.79%							

Indiana-American Water Company
Cause No. 43187
Pro Forma Rate of Return Summary
Reflecting Removal of 3.50% Inflation From the Long-Term Debt Cost Rate
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Class of Capital	Pro Forma Amount @ 12/31/06	% of Total	(%) Cost	Weighted Cost
1	Long-term debt	$249,879,885	47.99%	3.29% (1)	1.58%
2					
3	Deferred income taxes	57,758,673	11.09%	0.00%	0.00%
4					
5	Accumulated depreciation on contributed				
6	utility plant for Muncie Sewer	52,244	0.01%	0.00%	0.00%
7					
8	Post Retirement Benefits, net	2,877,637	0.55%	0.00%	0.00%
9					
10	Accumulated deferred investment				
11	tax credits - Pre 1971	81,597	0.02%	0.00%	0.00%
12					
13	Job development investment tax				
14	credits (JDITC) - Post 1970	2,199,350	0.42%	8.92%	0.04%
15					
16	Preferred stock	330,000	0.06%	6.00%	0.00%
17					
18	Common equity	207,508,938	39.86%	11.50%	4.58%
19					
20					
21	Total capitalization	$520,688,325	100.00%		6.20%
22					

23 (1) Weighted cost of debt from Petitioner's Exhibit JMJ-1 was recalculated to remove historic inflation of 3.50%
24 per Ibbotson 2006 SBBI Yearbook

Indiana-American Water Company
Cause No. 43187
Pro Forma Cost of Long-Term Debt
Reflecting Removal of Inflation of 3.50% From the Long-Term Debt Cost Rate

Data: at December 31, 2006
Type of Filing: ___ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Debt Issue Type, Coupon Rate (COL. 1)		Date Issued (COL. 2)	Maturity Date (COL. 3)	Pro Forma Carrying Value @ 12/31/06 (COL. 7)	Pro Forma Total Annual Cost (COL. 10)	Individual Embedded Cost (A)	% of Pro Forma Carrying Value (B)	Individual Weighted Cost (C)	Historic Inflation (D)	(E)	Embedded Cost w/o Inflation (F)	Weighted Cost w/o Inflation (G)
							(col 10 / col 7)	(% of col 7)	(A) * (B)			(A) - (E)	(B) * (F)
1	First Mortgage Bonds												
2	7.300%	Series N	3/01/93	3/01/08	$2,266,836	$174,002	7.68%	0.91%	0.07%	93 - 05	3.50%	4.18%	0.04%
3	6.990%	Series B	1/1/94	1/1/24	8,855,160	637,620	7.20%	3.54%	0.26%	94 - 05	3.50%	3.70%	0.13%
4	5.900%	Series C	6/1/96	6/1/26	(318,045)	16,380	-5.15%	-0.13%	0.01%	96 - 05	3.50%	-8.65%	0.01%
5	5.000%	Series D	12/1/98	12/1/28	7,260,686	430,386	5.93%	2.91%	0.17%	98 - 05	3.50%	2.43%	0.07%
6													
7	General Mortgage Bonds												
8	9.780%	Series	12/21/88	11/01/03	0	0							
9	8.980%	Series	3/01/90	3/01/10	7,090,804	640,484	9.03%	2.84%	0.26%	90 - 05	3.50%	5.53%	0.16%
10	7.110%	Series	5/11/94	5/01/24	15,429,072	1,106,142	7.17%	6.17%	0.44%	94 - 05	3.50%	3.67%	0.23%
11	7.380%	Series	9/01/95	9/01/15	11,914,200	895,500	7.52%	4.77%	0.36%	95 - 05	3.50%	4.02%	0.19%
12	7.450%	Series	12/01/95	9/01/15	27,937,392	2,093,224	7.49%	11.18%	0.84%	95 - 05	3.50%	3.99%	0.45%
15	7.800%	Series	7/01/97	7/01/27	9,963,838	781,764	7.85%	3.99%	0.31%	97 - 05	3.50%	4.35%	0.17%
16	7.490%	Series	7/01/97	7/01/07	9,997,360	754,280	7.54%	4.00%	0.30%	97 - 05	3.50%	4.04%	0.16%
17	6.845%	Series	7/01/98	7/01/28	18,909,958	1,304,738	6.90%	7.57%	0.52%	98 - 05	3.50%	3.40%	0.26%
18	6.900%	Series	7/01/99	7/01/09	19,978,370	1,388,652	6.95%	8.00%	0.56%	99 - 05	3.50%	3.45%	0.28%
19	4.875%	Bonds	10/26/06	10/1/36	25,149,698	1,277,080	5.08%	10.06%	0.51%		3.50%	1.58%	0.16%
20	AWCC Intercompany Borrowing												
21	6.870%	Series	3/30/01	3/29/11	37,891,331	2,636,169	6.96%	15.16%	1.05%	01 - 05	3.50%	3.46%	0.52%
22	4.920%	Series	1/14/02	11/6/06	0	0	0.00%	0.00%	0.00%	02 - 05	3.50%	-3.50%	0.00%
23	5.650%	Series	6/12/02	6/12/07	12,996,812	742,153	5.71%	5.20%	0.30%	02 - 05	3.50%	2.21%	0.11%
24	5.650%	Series	9/30/02	6/12/07	17,989,331	1,042,606	5.80%	7.20%	0.42%	02 - 05	3.50%	2.30%	0.17%
25	6.050%	Series	12/1/03	12/1/13	15,976,337	968,871	6.06%	6.39%	0.39%	03 - 05	3.50%	2.56%	0.16%
26													
27	AWCC Intercompany Borrowing												
28	5.900%	Bonds	9/01/92	9/01/22	(263,576)	16,824	-6.38%	-0.11%	0.01%	92 - 05	3.50%	-9.88%	0.01%
29	5.350%	Bonds	12/01/93	9/01/23	(289,600)	17,376	-6.00%	-0.12%	0.01%	93 - 05	3.50%	-9.50%	0.01%
30	Tax Exempt / Government Related												
31	2.900%	S R F - Prairieton	1/5/01	1/1/21	319,396	10,327	3.23%	0.13%	0.00%	01 - 05	3.50%	-0.27%	0.00%
32	2.900%	S R F - Gary	6/15/01	7/1/21	824,525	24,644	2.99%	0.33%	0.01%	01 - 05	3.50%	-0.51%	0.00%
33													
34	Obligations - Capital Leases												
35													
36	Totals				$249,879,885	$16,959,222	6.79%	100.00%	6.80%		3.51%		3.29%
37													
38	Cost of long-term debt												
39	(Col. 10 / Col. 7)					6.79%							

Indiana-American Water Company
Cause No. 43187
Pro Forma Rate of Return Summary
Reflecting Removal of 2.6% Inflation From the Long-Term Debt Cost Rate
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Class of Capital	Pro Forma Amount @ 12/31/06	% of Total	(%) Cost	Weighted Cost
1	Long-term debt	$249,879,885	47.99%	4.19% (1)	2.01%
2					
3	Deferred income taxes	57,758,673	11.09%	0.00%	0.00%
4					
5	Accumulated depreciation on contributed				
6	utility plant for Muncie Sewer	52,244	0.01%	0.00%	0.00%
7					
8	Post Retirement Benefits, net	2,877,637	0.55%	0.00%	0.00%
9					
10	Accumulated deferred investment				
11	tax credits - Pre 1971	81,597	0.02%	0.00%	0.00%
12					
13	Job development investment tax				
14	credits (JDITC) - Post 1970	2,199,350	0.42%	8.92%	0.04%
15					
16	Preferred stock	330,000	0.06%	6.00%	0.00%
17					
18	Common equity	207,508,938	39.86%	11.50%	4.58%
19					
20					
21	Total capitalization	$520,688,325	100.00%		6.63%
22					
23	(1) Weighted cost of debt from Petitioner's Exhibit JMJ-1 was recalculated to remove historic inflation of 2.6%				
24	per Ibbotson 2006 SBBI Yearbook				

Indiana-American Water Company
Cause No. 43187
Pro Forma Cost of Long-Term Debt
Reflecting Removal of Inflation of 2.60% From the Long-Term Debt Cost Rate

Data: at December 31, 2006
Type of Filing: ___ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Debt Issue Type, Coupon Rate (COL. 1)		Date Issued (COL. 2)	Maturity Date (COL. 3)	Pro Forma Carrying Value @ 12/31/06 (COL. 7)	Pro Forma Total Annual Cost (COL. 10)	Individual Embedded Cost (A)	% of Pro Forma Carrying Value (B)	Individual Weighted Cost (C)	Historic Inflation (D)	(E)	Embedded Cost w/o Inflation (F)	Weighted Cost w/o Inflation (G)
							(col 10 / col 7)	(% of col 7)	(A) * (B)			(A) - (E)	(B) * (F)
1	First Mortgage Bonds												
2	7.300%	Series N	3/01/93	3/01/08	$2,266,836	$174,002	7.68%	0.91%	0.07%	93 - 05	2.60%	5.08%	0.05%
3	6.990%	Series B	1/1/94	1/1/24	8,855,160	637,620	7.20%	3.54%	0.26%	94 - 05	2.60%	4.60%	0.16%
4	5.900%	Series C	6/1/96	6/1/26	(318,045)	16,380	-5.15%	-0.13%	0.01%	96 - 05	2.60%	-7.75%	0.01%
5	5.000%	Series D	12/1/98	12/1/28	7,260,686	430,386	5.93%	2.91%	0.17%	98 - 05	2.60%	3.33%	0.10%
6													
7	General Mortgage Bonds												
8	9.780%	Series	12/21/88	11/01/03	0	0							
9	8.980%	Series	3/01/90	3/01/10	7,090,804	640,484	9.03%	2.84%	0.26%	90 - 05	2.60%	6.43%	0.18%
10	7.110%	Series	5/11/94	5/01/24	15,429,072	1,106,142	7.17%	6.17%	0.44%	94 - 05	2.60%	4.57%	0.28%
11	7.380%	Series	9/01/95	9/01/15	11,914,200	895,500	7.52%	4.77%	0.36%	95 - 05	2.60%	4.92%	0.23%
12	7.450%	Series	12/01/95	9/01/15	27,937,392	2,093,224	7.49%	11.18%	0.84%	95 - 05	2.60%	4.89%	0.55%
15	7.800%	Series	7/01/97	7/01/27	9,963,838	781,764	7.85%	3.99%	0.31%	97 - 05	2.60%	5.25%	0.21%
16	7.490%	Series	7/01/97	7/01/07	9,997,360	754,280	7.54%	4.00%	0.30%	97 - 05	2.60%	4.94%	0.20%
17	6.845%	Series	7/01/98	7/01/28	18,909,958	1,304,738	6.90%	7.57%	0.52%	98 - 05	2.60%	4.30%	0.33%
18	6.900%	Series	7/01/99	7/01/09	19,978,370	1,388,652	6.95%	8.00%	0.56%	99 - 05	2.60%	4.35%	0.35%
19	4.875%	Bonds	10/26/06	10/1/36	25,149,698	1,277,080	5.08%	10.06%	0.51%		2.60%	2.48%	0.25%
20	AWCC Intercompany Borrowing												
21	6.870%	Series	3/30/01	3/29/11	37,891,331	2,636,169	6.96%	15.16%	1.05%	01 - 05	2.60%	4.36%	0.66%
22	4.920%	Series	1/14/02	11/6/06	0	0	0.00%	0.00%	0.00%	02 - 05	2.60%	-2.60%	0.00%
23	5.650%	Series	6/12/02	6/12/07	12,996,812	742,153	5.71%	5.20%	0.30%	02 - 05	2.60%	3.11%	0.16%
24	5.650%	Series	9/30/02	6/12/07	17,989,331	1,042,606	5.80%	7.20%	0.42%	02 - 05	2.60%	3.20%	0.23%
25	6.050%	Series	12/1/03	12/1/13	15,976,337	968,871	6.06%	6.39%	0.39%	03 - 05	2.60%	3.46%	0.22%
26													
27	AWCC Intercompany Borrowing												
28	5.900%	Bonds	9/01/92	9/01/22	(263,576)	16,824	-6.38%	-0.11%	0.01%	92 - 05	2.60%	-8.98%	0.01%
29	5.350%	Bonds	12/01/93	9/01/23	(289,600)	17,376	-6.00%	-0.12%	0.01%	93 - 05	2.60%	-8.60%	0.01%
30	Tax Exempt / Government Related												
31	2.900%	S R F - Prairieton	1/5/01	1/1/21	319,396	10,327	3.23%	0.13%	0.00%	01 - 05	2.60%	0.63%	0.00%
32	2.900%	S R F - Gary	6/15/01	7/1/21	824,525	24,644	2.99%	0.33%	0.01%	01 - 05	2.60%	0.39%	0.00%
33													
34	Obligations - Capital Leases												
35													
36	Totals				$249,879,885	$16,959,222	6.79%	100.00%	6.80%		2.61%		4.19%
37													
38	Cost of long-term debt												
39	(Col. 10 / Col. 7)					6.79%							

Indiana-American Water Company
Cause No. 43187
Calculation of Original Cost Rate Base
Total Company
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line No.	Components of Original Cost Rate Base	Per Books at June, 2006	Change	Per Books at August, 2006	Pro Forma Adjustments	Allocation of Corp. / CSC Rate Base	Pro Forma At December 31, 2006
1	Utility Plant:						
2	Plant in service	$ 825,757,433	$ 6,754,137	$ 832,511,570	$ 37,037,178	$ 5	$ 869,548,753
3	Capitalized tank painting	440,565	0	440,565	0	0	440,565
4	Deferred depreciation	2,394,137	0	2,394,137	0	0	2,394,137
5	Post-in-service AFUDC	4,280,607	0	4,280,607	0	0	4,280,607
6		$ 832,872,742	$ 6,754,137	$ 839,626,879	$ 37,037,178	$ 5	$ 876,664,061
7							
8	Accumulated Depreciation:						
9	Plant in service	$ 218,435,420	$ 3,743,186	$ 222,178,607	$ 6,113,985	$ 3	$ 228,292,595
10	Plant in service - amortization	27,105	820	27,925	0	(1)	27,924
11	Capitalized tank painting	322,455	5,120	327,575	10,240	0	337,815
12	Deferred depreciation	826,384	9,187	835,571	18,373	0	853,944
13	Post-in-service AFUDC	1,359,985	23,284	1,383,269	46,568	0	1,429,837
14		$ 220,971,350	$ 3,781,597	$ 224,752,947	$ 6,189,167	$ 2	$ 230,942,115
15							
16							
17	NET UTILITY PLANT	$ 611,901,392	$ 2,972,540	$ 614,873,932	$ 30,848,011	$ 3	$ 645,721,946
18							
19	Deduct:						
20	Contributions in aid of construction	$ 71,645,367	$ 65,997	$ 71,711,364	$ 910,000	$ (1)	$ 72,621,364
21	Customer advances for construction	62,562,239	1,785,056	64,347,295	11,611,137	(1)	75,958,431
22	Capacity Adjustment - Somerset	0	0	0	143,462	0	143,462
23		$ 134,207,606	$ 1,851,054	$ 136,058,660	$ 12,664,599	$ (2)	$ 148,723,256
24							
25	Add:						
26	Acquisition Adjustment (net)	796,040	(14,440)	781,600	(28,880)	0	752,720
27	Materials and supplies (13 Month Average)	1,265,335	0	1,265,335	0	0	1,265,335
28		$ 2,061,375	$ (14,440)	$ 2,046,935	$ (28,880)	$ -	$ 2,018,055
29							
30							
31	ORIGINAL COST RATE BASE	$ 479,755,161	$ 1,107,046	$ 480,862,207	$ 18,154,532	$ 6	$ 499,016,745
32							
33							
34							

Indiana-American Water Company
Cause No. 43187
Calculation of Original Cost Rate Base
Corporate
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line No.	Components of Original Cost Rate Base	Per Books at June, 2006	Change	Per Books at August, 2006	Pro Forma Adjustments	Allocation of Corp. / CSC Rate Base	Pro Forma At December 31, 2006
1	Utility Plant:						
2	Plant in service	$ 9,695,180	$ 1,078	$ 9,696,258	$ 12,685,719	$ (22,381,977)	$ -
3	Capitalized tank painting		0			0	0
4	Deferred depreciation		0			0	0
5	Post-in-service AFUDC		0			0	0
6		$ 9,695,180	$ 1,078	$ 9,696,258	$ 12,685,719	$ (22,381,977)	$ -
7							
8	Accumulated Depreciation:						
9	Plant in service	$ 1,289,578	$ (37,383)	$ 1,252,195	$ (1,115,357)	$ (136,838)	$ -
10	Plant in service - amortization	27,105	820	27,925		(27,925)	0
11	Capitalized tank painting		0			0	0
12	Deferred depreciation		0			0	0
13	Post-in-service AFUDC		0			0	0
14		$ 1,316,683	$ (36,563)	$ 1,280,120	$ (1,115,357)	$ (164,763)	$ -
15							
16							
17	NET UTILITY PLANT	$ 8,378,497	$ 37,641	$ 8,416,138	$ 13,801,076	$ (22,217,214)	$ -
18							
19	Deduct:						
20	Contributions in aid of construction	$ 6,392	$ -	$ 6,392		$ (6,392)	$ -
21	Customer advances for construction		0		780	(780)	0
22	Capacity Adjustment - Somerset		0			0	0
23		$ 6,392	$ -	$ 6,392	$ 780	$ (7,172)	$ -
24							
25	Add:						
26	Acquisition Adjustment (net)	0	0	0	0	0	0
27	Materials and supplies (13 Month Average)		0			0	0
28		$ -	$ -	$ -	$ -	$ -	$ -
29							
30							
31	ORIGINAL COST RATE BASE	$ 8,372,106	$ 37,641	$ 8,409,746	$ 13,800,295	$ (22,210,041)	$ -
32							
33							
34							

Indiana-American Water Company
Cause No. 43187
Calculation of Original Cost Rate Base
Water Groups
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line No.	Components of Original Cost Rate Base	Per Books at June, 2006	Change	Per Books at August, 2006	Pro Forma Adjustments	2.06% Allocation of Corp. / CSC Rate Base	Pro Forma At December 31, 2006
1	Utility Plant:						
2	Plant in service	$ 522,119,625	$ 4,848,521	$ 526,968,146	$ 15,187,042	$ 14,890,732	$ 557,045,920
3	Capitalized tank painting	0	0	0	0	0	0
4	Deferred depreciation	2,327,817	0	2,327,817	0	0	2,327,817
5	Post-in-service AFUDC	4,065,703	0	4,065,703	0	0	4,065,703
6		$ 528,513,144	$ 4,848,521	$ 533,361,665	$ 15,187,042	$ 14,890,732	$ 563,439,440
7							
8	Accumulated Depreciation:						
9	Plant in service	$ 149,247,935	$ 2,740,476	$ 151,988,411	$ 4,564,917	$ 91,040	$ 156,644,368
10	Plant in service - amortization	0	0	0	0	18,578	18,578
11	Capitalized tank painting	0	0	0	0	0	0
12	Deferred depreciation	815,785	8,993	824,777	17,985	0	842,763
13	Post-in-service AFUDC	1,329,828	22,734	1,352,562	45,468	0	1,398,030
14		$ 151,393,548	$ 2,772,202	$ 154,165,750	$ 4,628,371	$ 109,618	$ 158,903,739
15							
16							
17	NET UTILITY PLANT	$ 377,119,596	$ 2,076,319	$ 379,195,915	$ 10,558,672	$ 14,781,114	$ 404,535,701
18							
19	Deduct:						
20	Contributions in aid of construction	$ 41,335,019	$ 51,553	$ 41,386,572	$ 910,000	$ 4,253	$ 42,300,825
21	Customer advances for construction	33,361,353	1,367,100	34,728,453	6,611,538	519	41,340,510
22	Capacity Adjustment - Somerset	0	0	0	106,209	0	106,209
23		$ 74,696,372	$ 1,418,654	$ 76,115,026	$ 7,627,747	$ 4,772	$ 83,747,544
24	Add:						
25	Prepayments						
26	Acquisition Adjustment (net)	770,046	(14,270)	755,776	(28,540)	0	727,236
27	Materials and supplies (13 Month Average)	698,553	0	698,553	0	0	698,553
28		$ 1,468,599	$ (14,270)	$ 1,454,329	$ (28,540)	$ -	$ 1,425,789
29							
30							
31	ORIGINAL COST RATE BASE	$ 303,891,824	$ 643,395	$ 304,535,219	$ 2,902,385	$ 14,776,342	$ 322,213,946
32							
33							
34							

Indiana-American Water Company
Cause No. 43187
Calculation of Original Cost Rate Base
Total Sewer
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line No.	Components of Original Cost Rate Base	Per Books at June, 2006	Change	Per Books at August, 2006	Pro Forma Adjustments	0.13% Allocation of Corp. / CSC Rate Base	Pro Forma At December 31, 2006
1	Utility Plant:						
2	Plant in service	$ 975,684	$ (154)	$ 975,531	$ 37,786	$ 35,812	$ 1,049,129
3	Capitalized tank painting	0	0	0	0	0	0
4	Deferred depreciation	3,813	0	3,813	0	0	3,813
5	Post-in-service AFUDC	5,331	0	5,331	0	0	5,331
6		$ 984,828	$ (154)	$ 984,675	$ 37,786	$ 35,812	$ 1,058,273
7							
8	Accumulated Depreciation:						
9	Plant in service	$ 222,570	$ 3,715	$ 226,285	$ 9,305	$ 219	$ 235,809
10	Plant in service - amortization	0	0	0	0	44	44
11	Capitalized tank painting	0	0	0	0	0	0
12	Deferred depreciation	707	14	721	28	0	749
13	Post-in-service AFUDC	1,010	20	1,030	40	0	1,070
14		$ 224,287	$ 3,749	$ 228,036	$ 9,373	$ 263	$ 237,672
15							
16							
17	NET UTILITY PLANT	$ 760,542	$ (3,903)	$ 756,639	$ 28,413	$ 35,549	$ 820,601
18							
19	Deduct:						
20	Contributions in aid of construction	$ 106,263	$ -	$ 106,263	$ -	$ 10	$ 106,273
21	Customer advances for construction	31,897	0	31,897	0	1	31,898
22	Capacity Adjustment - Somerset	0	0	0	37,253	0	37,253
23		$ 138,160	$ -	$ 138,160	$ 37,253	$ 11	$ 175,424
24							
25	Add:						
26	Acquisition Adjustment (net)	25,993	(170)	25,823	(340)	0	25,483
27	Materials and supplies (13 Month Average)	1,044	0	1,044	0	0	1,044
28		$ 27,038	$ (170)	$ 26,868	$ (340)	$ -	$ 26,528
29							
30							
31	ORIGINAL COST RATE BASE	$ 649,419	$ (4,073)	$ 645,346	$ (9,180)	$ 35,538	$ 671,704
32							
33							
34							

Indiana-American Water Company
Cause No. 43187
Calculation of Original Cost Rate Base
Wabash
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line No.	Components of Original Cost Rate Base	Per Books at June, 2006	Change	Per Books at August, 2006	Pro Forma Adjustments	1.60% Allocation of Corp. / CSC Rate Base	Pro Forma At December 31, 2006
1	Utility Plant:						
2	Plant in service	$ 8,994,245	$ 40,509	$ 9,034,754	$ 101,072	$ 358,112	$ 9,493,937
3	Capitalized tank painting		0			0	0
4	Deferred depreciation	0	0	0		0	0
5	Post-in-service AFUDC	0	0	0		0	0
6		$ 8,994,245	$ 40,509	$ 9,034,754	$ 101,072	$ 358,112	$ 9,493,937
7							
8	Accumulated Depreciation:						
9	Plant in service	$ 2,911,706	$ 51,615	$ 2,963,321	$ 74,419	$ 2,189	$ 3,039,928
10	Plant in service - amortization		0			447	447
11	Capitalized tank painting	0	0	0		0	0
12	Deferred depreciation	0	0	0		0	0
13	Post-in-service AFUDC	0	0	0	0	0	0
14		$ 2,911,706	$ 51,615	$ 2,963,321	$ 74,419	$ 2,636	$ 3,040,375
15							
16							
17	NET UTILITY PLANT	$ 6,082,539	$ (11,106)	$ 6,071,433	$ 26,653	$ 355,476	$ 6,453,562
18							
19	Deduct:						
20	Contributions in aid of construction	$ 700,680	$ -	$ 700,680		$ 102	$ 700,782
21	Customer advances for construction	180,956	0	180,956	40,556	12	221,523
22	Capacity Adjustment - Somerset		0			0	0
23		$ 881,636	$ -	$ 881,636	$ 40,556	$ 114	$ 922,305
24							
25	Add:						
26	Acquisition Adjustment (net)	0	0	0	0	0	0
27	Materials and supplies (13 Month Average)	21,412	0	21,412		0	21,412
28		$ 21,412	$ -	$ 21,412	$ -	$ -	$ 21,412
29							
30							
31	ORIGINAL COST RATE BASE	$ 5,222,316	$ (11,106)	$ 5,211,210	$ (13,903)	$ 355,362	$ 5,552,669
32							
33							
34							

Indiana-American Water Company
Cause No. 43187
Calculation of Original Cost Rate Base
Northwest
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line No.	Components of Original Cost Rate Base	Per Books at June, 2006	Change	Per Books at August, 2006	Pro Forma Adjustments	24.52% Allocation of Corp. / CSC Rate Base	Pro Forma At December 31, 2006
1	Utility Plant:						
2	Plant in service	$ 237,028,368	$ 1,634,607	$ 238,662,976	$ 7,275,064	$ 5,488,061	$ 251,426,101
3	Capitalized tank painting		0			0	0
4	Deferred depreciation	62,507	0	62,507		0	62,507
5	Post-in-service AFUDC	209,573	0	209,573		0	209,573
6		$ 237,300,449	$ 1,634,607	$ 238,935,056	$ 7,275,064	$ 5,488,061	$ 251,698,181
7							
8	Accumulated Depreciation:						
9	Plant in service	$ 53,034,455	$ 758,219	$ 53,792,674	$ 2,204,281	$ 33,553	$ 56,030,508
10	Plant in service - amortization		0			6,847	6,847
11	Capitalized tank painting	0	0	0		0	0
12	Deferred depreciation	9,892	180	10,072	360	0	10,432
13	Post-in-service AFUDC	29,147	530	29,677	1,060	0	30,737
14		$ 53,073,494	$ 758,929	$ 53,832,424	$ 2,205,701	$ 40,400	$ 56,078,525
15							
16							
17	NET UTILITY PLANT	$ 184,226,954	$ 875,678	$ 185,102,632	$ 5,069,363	$ 5,447,661	$ 195,619,656
18							
19	Deduct:						
20	Contributions in aid of construction	$ 23,000,340	$ 8,710	$ 23,009,050		$ 1,567	$ 23,010,617
21	Customer advances for construction	22,705,449	408,357	23,113,805	3,752,862	191	26,866,858
22	Capacity Adjustment - Somerset		0			0	0
23		$ 45,705,789	$ 417,067	$ 46,122,855	$ 3,752,862	$ 1,758	$ 49,877,475
24							
25	Add:						
26	Acquisition Adjustment (net)	0	0	0	0	0	0
27	Materials and supplies (13 Month Average)	462,708	0	462,708		0	462,708
28		$ 462,708	$ -	$ 462,708	$ -	$ -	$ 462,708
29							
30							
31	ORIGINAL COST RATE BASE	$ 138,983,874	$ 458,611	$ 139,442,485	$ 1,316,501	$ 5,445,903	$ 146,204,890
32							
33							
34							

Indiana-American Water Company
Cause No. 43187
Calculation of Original Cost Rate Base
Mooresville
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line No.	Components of Original Cost Rate Base	Per Books at June, 2006	Change	Per Books at August, 2006	Pro Forma Adjustments	1.31% Allocation of Corp. / CSC Rate Base	Pro Forma At December 31, 2006
1	Utility Plant:						
2	Plant in service	$ 8,231,161	$ 35,281	$ 8,266,443	$ 428,689	$ 293,204	$ 8,988,336
3	Capitalized tank painting	90,123	0	90,123		0	90,123
4	Deferred depreciation	0	0	0		0	0
5	Post-in-service AFUDC	0	0	0		0	0
6		$ 8,321,284	$ 35,281	$ 8,356,566	$ 428,689	$ 293,204	$ 9,078,459
7							
8	Accumulated Depreciation:						
9	Plant in service	$ 1,810,247	$ 39,247	$ 1,849,494	$ 59,753	$ 1,793	$ 1,911,040
10	Plant in service - amortization		0			366	366
11	Capitalized tank painting	71,097	1,002	72,099	2,004	0	74,103
12	Deferred depreciation	0	0	0		0	0
13	Post-in-service AFUDC	0	0	0	0	0	0
14		$ 1,881,344	$ 40,249	$ 1,921,593	$ 61,757	$ 2,159	$ 1,985,509
15							
16							
17	NET UTILITY PLANT	$ 6,439,940	$ (4,967)	$ 6,434,973	$ 366,932	$ 291,045	$ 7,092,950
18							
19	Deduct:						
20	Contributions in aid of construction	$ 1,568,795	$ 458	$ 1,569,253		$ 84	$ 1,569,337
21	Customer advances for construction	594,916	(31,043)	563,874	300,961	10	864,845
22	Capacity Adjustment - Somerset		0			0	0
23		$ 2,163,712	$ (30,585)	$ 2,133,127	$ 300,961	$ 94	$ 2,434,182
24							
25	Add:						
26	Acquisition Adjustment (net)	0	0	0	0	0	0
27	Materials and supplies (13 Month Average)	2,983	0	2,983		0	2,983
28		$ 2,983	$ -	$ 2,983	$ -	$ -	$ 2,983
29							
30							
31	ORIGINAL COST RATE BASE	$ 4,279,211	$ 25,618	$ 4,304,829	$ 65,971	$ 290,951	$ 4,661,751
32							
33							
34							

Indiana-American Water Company
Cause No. 43187
Calculation of Original Cost Rate Base
Warsaw
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line No.	Components of Original Cost Rate Base	Per Books at June, 2006	Change	Per Books at August, 2006	Pro Forma Adjustments	1.55% Allocation of Corp. / CSC Rate Base	Pro Forma At December 31, 2006
1	Utility Plant:						
2	Plant in service	$ 11,337,046	$ 112,537	$ 11,449,584	$ 358,055	$ 346,921	$ 12,154,560
3	Capitalized tank painting	154,369	0	154,369		0	154,369
4	Deferred depreciation	0	0	0		0	0
5	Post-in-service AFUDC	0	0	0		0	0
6		$ 11,491,415	$ 112,537	$ 11,603,952	$ 358,055	$ 346,921	$ 12,308,929
7							
8	Accumulated Depreciation:						
9	Plant in service	$ 3,369,603	$ 56,158	$ 3,425,761	$ 104,306	$ 2,121	$ 3,532,188
10	Plant in service - amortization		0			433	433
11	Capitalized tank painting	109,748	1,806	111,554	3,612	0	115,166
12	Deferred depreciation	0	0	0		0	0
13	Post-in-service AFUDC	0	0	0	0	0	0
14		$ 3,479,351	$ 57,964	$ 3,537,315	$ 107,918	$ 2,554	$ 3,647,787
15							
16							
17	NET UTILITY PLANT	$ 8,012,064	$ 54,573	$ 8,066,637	$ 250,137	$ 344,367	$ 8,661,142
18							
19	Deduct:						
20	Contributions in aid of construction	$ 1,040,368	$ 5,277	$ 1,045,645		$ 99	$ 1,045,744
21	Customer advances for construction	1,099,985	40,642	1,140,627	78,896	12	1,219,534
22	Capacity Adjustment - Somerset		0			0	0
23		$ 2,140,353	$ 45,919	$ 2,186,271	$ 78,896	$ 111	$ 2,265,278
24							
25	Add:						
26	Acquisition Adjustment (net)	0	0	0	0	0	0
27	Materials and supplies (13 Month Average)	30,939	0	30,939		0	30,939
28		$ 30,939	$ -	$ 30,939	$ -	$ -	$ 30,939
29							
30							
31	ORIGINAL COST RATE BASE	$ 5,902,650	$ 8,655	$ 5,911,305	$ 171,242	$ 344,256	$ 6,426,802
32							
33							
34							

Indiana-American Water Company
Cause No. 43187
Calculation of Original Cost Rate Base
West Lafayette
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line No.	Components of Original Cost Rate Base	Per Books at June, 2006	Change	Per Books at August, 2006	Pro Forma Adjustments	3.62% Allocation of Corp. / CSC Rate Base	Pro Forma At December 31, 2006
1	Utility Plant:						
2	Plant in service	$ 22,779,417	$ 69,777	$ 22,849,195	$ 840,482	$ 810,228	$ 24,499,905
3	Capitalized tank painting	148,289	0	148,289		0	148,289
4	Deferred depreciation	0	0	0		0	0
5	Post-in-service AFUDC	0	0	0		0	0
6		$ 22,927,706	$ 69,777	$ 22,997,484	$ 840,482	$ 810,228	$ 24,648,194
7							
8	Accumulated Depreciation:						
9	Plant in service	$ 5,245,898	$ 106,576	$ 5,352,474	$ 187,791	$ 4,954	$ 5,545,219
10	Plant in service - amortization		0			1,011	1,011
11	Capitalized tank painting	95,763	1,666	97,429	3,332	0	100,761
12	Deferred depreciation	0	0	0		0	0
13	Post-in-service AFUDC	0	0	0	0	0	0
14		$ 5,341,661	$ 108,242	$ 5,449,903	$ 191,123	$ 5,965	$ 5,646,992
15							
16							
17	NET UTILITY PLANT	$ 17,586,045	$ (38,465)	$ 17,547,580	$ 649,359	$ 804,263	$ 19,001,202
18							
19	Deduct:						
20	Contributions in aid of construction	$ 3,407,856	$ -	$ 3,407,856		$ 231	$ 3,408,087
21	Customer advances for construction	4,142,119	0	4,142,119	792,045	28	4,934,192
22	Capacity Adjustment - Somerset		0			0	0
23		$ 7,549,976	$ -	$ 7,549,976	$ 792,045	$ 259	$ 8,342,279
24							
25	Add:						
26	Acquisition Adjustment (net)	0	0	0	0	0	0
27	Materials and supplies (13 Month Average)	36,563	0	36,563		0	36,563
28		$ 36,563	$ -	$ 36,563	$ -	$ -	$ 36,563
29							
30							
31	ORIGINAL COST RATE BASE	$ 10,072,632	$ (38,465)	$ 10,034,168	$ (142,686)	$ 804,004	$ 10,695,486
32							
33							
34							

Indiana-American Water Company
Cause No. 43187
Calculation of Original Cost Rate Base
Winchester
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line No.	Components of Original Cost Rate Base	Per Books at June, 2006	Change	Per Books at August, 2006	Pro Forma Adjustments	0.71% Allocation of Corp. / CSC Rate Base	Pro Forma At December 31, 2006
1	Utility Plant:						
2	Plant in service	$ 4,596,706	$ 11,979	$ 4,608,685	$ 123,268	$ 158,912	$ 4,890,865
3	Capitalized tank painting	47,784	0	47,784	0	0	47,784
4	Deferred depreciation	0	0	0		0	0
5	Post-in-service AFUDC	0	0	0		0	0
6		$ 4,644,490	$ 11,979	$ 4,656,469	$ 123,268	$ 158,912	$ 4,938,649
7							
8	Accumulated Depreciation:						
9	Plant in service	$ 1,303,429	$ 24,564	$ 1,327,992	$ 24,569	$ 972	$ 1,353,534
10	Plant in service - amortization		0			198	198
11	Capitalized tank painting	45,847	646	46,493	1,292	0	47,785
12	Deferred depreciation	0	0	0		0	0
13	Post-in-service AFUDC	0	0	0	0	0	0
14		$ 1,349,275	$ 25,210	$ 1,374,485	$ 25,861	$ 1,170	$ 1,401,517
15							
16							
17	NET UTILITY PLANT	$ 3,295,215	$ (13,231)	$ 3,281,984	$ 97,407	$ 157,742	$ 3,537,133
18							
19	Deduct:						
20	Contributions in aid of construction	$ 479,653	$ -	$ 479,653		$ 45	$ 479,698
21	Customer advances for construction	445,564	0	445,564	33,500	6	479,070
22	Capacity Adjustment - Somerset		0			0	0
23		$ 925,217	$ -	$ 925,217	$ 33,500	$ 51	$ 958,768
24							
25	Add:						
26	Acquisition Adjustment (net)	0	0	0	0	0	0
27	Materials and supplies (13 Month Average)	11,133	0	11,133	0	0	11,133
28		$ 11,133	$ -	$ 11,133	$ -	$ -	$ 11,133
29							
30							
31	ORIGINAL COST RATE BASE	$ 2,381,130	$ (13,231)	$ 2,367,899	$ 63,907	$ 157,691	$ 2,589,497
32							
33							
34							

Indiana-American Water Company, Inc.
Test Year Ended June 2006
Listing of Projects - Deferred Depreciation and Post-in-Service AFUDC

Petitioner's Exhibit EJG-3
Schedule 2
Cause No. 43187

Operation	Description of Project	Commission Approval of Deferred Depreciation and Post-in-Service AFUDC Granted in		Rate Base Recognition Amortization Expense Granted in	
		Cause No	Order Date	Cause No	Order Date
Kokomo	Phase II treatment plant construction	39150	06/19/91	39215	05/27/92
Wabash Valley	Collector well	"	"	"	"
Kokomo	Phase IIIB treatment plant construction	39924	08/24/94	40103	05/30/96
Seymour	Pump station & chemical feed improvements	"	"	"	"
Johnson County	Sugar Creek well #1, raw water transmission main, & Orme tank / Marlin plant expansion	39925	"	"	"
Johnson County	Sugar Creek Well #2	"	"	40703	12/11/97
Southern Indiana	Middle Road main	"	"	"	"
Northwest	South Haven, MLK Station, East Chicago projects	40402	9/19/96	40467	3/26/97
Muncie Sewer	Collection system improvements	40442	11/08/96	40703	12/11/97
Crawfordsville	Operation and treatment center, four wells	40701	04/09/97	"	"
Johnson County	Sugar Creek water treatment plant, Meridian Parke booster station and elevated tank, Marlin plant / Orme pump station improv.	"	"	"	"
Noblesville	Source of supply and treatment facility	"	"	"	"
Southern Indiana	Phase I regional water supply project	"	"	41320	7/01/99
Southern Indiana	Phases II/III regional water supply project	41244	11/25/98	"	"
Wabash Valley	Prairieton system main extension	41638	2/9/2000		

Indiana-American Water Company, Inc.
Test Year Ended June 2006
Summary of Acquisition Adjustments

Petitioner's Exhibit EJG
Schedule 3
Cause No. 43187

Acquisition	District	Gross UPAA	06/30/06 Net UPAA	6 month Amortization	Adjustment	12/31/06 Amount in Orig Cost RB	Cause No. Acquisition	Approving Ratemaking	
5/1/51 NIPSCO	North West	($937,256)	$0	$0	$0	$0	22736 1951	38126 8/12/87	included in original cost rate base amortized below-the-line
9/1/67 Indiana Gas & Water		3,441,727	770,046	(34,410)	0	735,636	31513 7/21/67	37579 et seq 6/12/85	included in original cost rate base amortized below-the-line
9/1/93 Indiana Cities	Corporate	17,412,009	13,166,107		(13,166,107)	0	39669 7/07/93	40103 5/31/96	included in fair value rate base amortized below-the-line
11/8/96 Farmington	Muncie WW	35,794	25,993	(510)	0	25,483	40442 10/02/96	40442 10/02/96	included in original cost rate base amortized above-the-line
6/98 Shorewood Forest		18,731	0	0	0	0	40934 11/19/97	42029 11/6/02	amortized below-the-line
2/3/99 People's Water	North West	100,000	64,384		(64,384)	0	41322 2/03/99	42029 11/6/02	amortized below-the-line
6/7/99 Cementville	Southern	335,992	217,001	(8,400)	(217,001)	(8,400)	41383 4/21/99	42029 11/6/02	amortized below-the-line
2/1/00 United Water	Corporate	12,405,032	10,695,333		(10,695,333)	0	41516 11/15/99	42029 11/6/02	amortized below-the-line
1/15/02 Flowing Wells	Kokomo	324,596	283,486		(283,486)	0	41702 10/4/00		amortized below-the-line
12/20/02 Turkey Creek	North West	167,592	152,508	0	(152,508)	0	42191 11/6/02		included in original cost rate base amortized below-the-line
2/14/03 Westwood	West Lafayette	(24,684)	(22,670)	0	22,670	0	42298 1/15/03		included in original cost rate base amortized below-the-line
Totals		$33,279,534	$25,352,189	($43,320)	($24,556,150)	$752,720			

Pro Forma Calculation of Federal and State Income Taxes

Line	Description	Total	Total Water Groups	Wabash	Total Sewer	Northwest	Moores -ville	Warsaw	West Lafayette	Winchester
1	Operating Revenues	$141,938,306	$92,346,832	$1,938,722	$320,604	$38,991,805	$1,529,204	$2,290,814	$3,690,085	$830,240
2										
3	Less Deductions:									
4	Operating & Maintenance Expenses	63,780,084	38,601,779	1,157,563	254,733	19,186,289	798,029	1,266,361	2,049,681	465,648
5	Depreciation - Tax Normalized	23,286,508	15,827,525	301,287	24,914	5,926,704	213,415	339,554	516,964	136,145
6	Amortization	422,736	352,241	3,136	1,224	52,093	2,551	3,038	7,070	1,383
7	General Taxes	17,523,216	8,275,118	161,162	62,454	8,238,389	161,293	185,598	350,511	88,691
8	Amortization of ITC	(229,964)	(180,605)	(4,941)	(204)	(36,646)	(1,001)	(4,356)	(1,503)	(708)
9	Permanent Taxable Differences	(81,227)	(50,245)	(1,127)	(98)	(23,787)	(1,235)	(1,731)	(2,521)	(483)
10	Interest on Customer Deposits	0	0	0	0	0	0	0	0	0
11	Interest Synchronization Deduction	16,317,846	10,536,395	181,572	21,965	4,780,900	152,439	210,156	349,742	84,677
12	Total Deductions	121,019,199	73,362,208	1,798,651	364,988	38,123,942	1,325,492	1,998,620	3,269,944	775,353
13										
14	Federal Taxable Income									
15	Before State Income Taxes	20,919,107	18,984,624	140,070	(44,384)	867,863	203,713	292,193	420,141	54,887
16	Less State Income Taxes	1,966,928	1,738,803	14,401	(3,356)	123,283	19,346	27,891	40,787	5,773
17	Plus Amortization of Reg. Assets/Liablities	(58,366)	(37,686)	(648)	(82)	(17,101)	(543)	(753)	(1,249)	(304)
18	Less Allocation of Parent Company Interest	1,330,571	859,151	14,769	1,863	389,857	12,374	17,164	28,474	6,919
19	Federal Taxable Income	$17,563,242	$16,348,984	$110,252	($42,973)	$337,622	$171,450	$246,385	$349,631	$41,891
20										
21	Current and Deferred Federal Income Taxes									
22	Taxes @ 35% rate	$6,147,136	$5,722,145	$38,588	($15,040)	$118,168	$60,007	$86,235	$122,371	$14,662
23	Plus: SFAS 109 Amortization to FIT	58,366	37,686	648	82	17,101	543	753	1,249	304
24	Plus: Investment Credit Amortization	(229,964)	(180,605)	(4,941)	(204)	(36,646)	(1,001)	(4,356)	(1,503)	(708)
25	Total Federal Income Taxes	5,975,538	5,579,226	34,295	(15,162)	98,623	59,549	82,632	122,117	14,258
26	Less Test Year Expense	0	0	0	0	0	0	0	0	0
27	Pro-forma Adjustment	$5,975,538	$5,579,226	$34,295	($15,162)	$98,623	$59,549	$82,632	$122,117	$14,258
28										
29										
30	Federal Taxable Income									
31	Before State Income Taxes	$20,919,107	$18,984,624	$140,070	($44,384)	$867,863	$203,713	$292,193	$420,141	$54,887
32	Add: Utility Gross Receipts Tax	1,859,185	1,238,121	25,332	4,392	476,446	20,528	31,262	51,953	11,151
33	Add Amortization of Reg. Assets/Liablities	(97,421)	(62,903)	(1,082)	(137)	(28,544)	(906)	(1,257)	(2,085)	(507)
34	State Taxable Income	$22,680,871	$20,159,842	$164,320	($40,129)	$1,315,765	$223,335	$322,198	$470,009	$65,531
35										
36	Current and Deferred State Income Taxes									
37	Supplemental Income Tax @ 8.5%	$1,927,873	$1,713,586	$13,967	($3,411)	$111,840	$18,983	$27,387	$39,951	$5,570
38	Plus: SFAS Amortization to SIT	39,055	25,217	434	55	11,443	363	504	836	203
39	Total State Income Taxes	1,966,928	1.738,803	14,401	(3,356)	123,283	19,346	27,891	40,787	5,773
40	Less Test Year Expense	0	0	0	0	0	0	0	0	0
41	Pro-forma Adjustment	$1,966,928	$1,738,803	$14,401	($3,356)	$123,283	$19,346	$27,891	$40,787	$5,773

Allocation of Parent Company Interest Expense For Federal Income Tax Calculation

Line No.		Indiana-American Water Co., Inc. Pro Forma Equity Capital	Debt Ratio American Water Works Co., Inc. Parent Only	Indiana-American Water Company Inc., Equity Represented by Parent Debt	Interest Deductible on Parent Debt @ 4.73%
1	Common Stock	$92,760,900	22.20%	$20,592,920	$974,045
2	Paid in capital	33,952,868	22.20%	7,537,537	356,526
3	Retained earnings	80,795,170	0.00%	0	0
4		$207,508,938		$28,130,457	$1,330,571
5					
6	Federal income tax rate				35%
7	Reduction in federal income taxes				$465,700
8					
9					
10		American Water Works Company, Inc.			
11		At June 30, 2006			
12					
13	Capital Structure			Amount	Ratio
14					
15	Long term debt			$1,244,837,587	22.20%
16	Preferred equity			1,750,000,000	31.20%
17	Common equity			2,613,696,000	46.60%
18	Total			$5,608,533,587	100.00%
19					
20					
21	Long-Term Debt			Amount	Annual Cost
22					
25	4.92% note with AWCC			452,454,000	22,260,737
26	4.92% note with RWE, due 11/06/2006			150,000,000	7,380,000
27	4.00% note with AWCC to be issued 12/2003 replacing matured debt in 2003			100,000,000	4,000,000
28	Variable rate note with AWCC due 11/12/2006	[6 Mo. LIBOR + 10bps]		407,300,000	17,965,975
29	Variable rate note with AWCC due 3/18/2015	[6 Mo. LIBOR + 36bps]		75,000,000	3,474,808
30	5.90% note with AWCC due 9/30/2034			30,000,000	1,770,000
31	6.87% note with AWCC due 3/29/2011			30,000,000	2,061,000
32	Capital Lease			83,587	6,686
33	Total			$1,244,837,587	$58,919,206
34					
35	Average net cost				4.73%
36					
37					

Calculation of Effective Federal Income Tax Rate

Line No.		Present Rates	Proposed Rates
1	Utility Operating Income	$26,239,040	$40,304,754
2			
3	Book Depreciation - Tax Normalized Depreciation	2,744,256	2,744,256
4	Other Permanent Taxable Differences	(311,191)	(311,191)
5	Total Permanent Taxable Differences	2,433,065	2,433,065
6			
7			
8	Synchronized Interest	16,317,846	16,317,846
9	Interest on Customer Deposits	0	0
10	Allocated Parent Company Interest	1,330,571	1,330,571
11	Total Interest	17,648,417	17,648,417
12			
13			
14	Federal Income Taxes - Current & Deferred	6,147,136	13,721,405
15	Amortization of Investment Tax Credit	(229,964)	(229,964)
16	SFAS 109 Amortization to FIT	58,366	58,366
17	Total Federal Income Taxes	5,975,538	13,549,807
18			
19			
20	Taxable Net Income Before Federal Income Taxes	$16,999,226	$38,639,209
21	(L1 + L5 - L11 + L18)		
22			
23	Effective Federal Income Tax Rate (L17 / L20)	35.15%	35.07%

AGREEMENT

Agreement dated January 1, 1989, between AMERICAN WATER WORKS SERVICE COMPANY, INC., a Delaware corporation (hereinafter "Service Company"), and INDIANA-AMERICAN WATER COMPANY, INC., a Indiana corporation (hereinafter "Water Company").

The background of this Agreement is that:

1. Both Service Company and Water Company are subsidiaries of American Water Works Company, Inc., a Delaware corporation (hereinafter "American").
2. Water Company has been organized for and is presently engaged in the business of providing potable water as a public utility in the State of Indiana.
3. Service Company maintains an organization whose officers and employees are familiar with all facets of the water utility business, including the development, business and property of Water Company, and are experienced in the efficient management, financing, accounting and operation of water utility properties and the extension and improvement thereof. The officers and employees of Service Company are qualified to aid, assist and advise Water Company in its business operations through the services to be performed under this Agreement.
4. Service Company has provided administrative and operating services to Water Company for many years, the past 17 years pursuant to an agreement dated January 1,

1971. Because Water Company is of the opinion that it cannot obtain the same quality and diversification of services on a comparable economic basis elsewhere, it proposes to enter into a new agreement with Service Company more specifically defining the types of services available to it.

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

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

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

ARTICLE 1. PERSONNEL AND SERVICES TO BE PROVIDED

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

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

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

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

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

Service Company shall assist in the preparation of operating and construction budgets and monitor the control over such budgets by comparing experienced costs to the projections.

Service Company shall prepare or assist in the preparation of federal, state and local tax returns for and to the extent required by Water Company.

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

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

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

Service Company shall review and may assist in the preparation of documents and reports required by Water Company such as deeds, easements, contracts, charters, franchises, trust indentures and regulatory reports and filings.

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

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

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

The engineering services provided by Service Company shall also include the conduct of field investigations as necessary to

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

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

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

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

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

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

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

J. **Rates and Revenue**: Service Company personnel shall make recommendations for changes in rates, rules and regulations and shall assist Water Company in the conduct of proceedings before, and in its compliance with the rulings of, regulatory bodies having jurisdiction over its operation. These personnel

shall keep abreast of economic and regulatory developments and conditions that may affect Water Company; and advise Water Company of any such developments and conditions to the extent that they may be important to Water Company. Rates and Revenue personnel shall assist in the preparation of rate filings or applications and the supporting documents and exhibits requested or required by the Water Company and their respective regulatory commissions. Service Company shall also provide qualified personnel to testify on Water Company's behalf as required during any regulatory proceedings.

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

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

technical assistance and general direction for Water Company personnel.

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

ARTICLE II. PAYMENT FOR SERVICES

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

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

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

2.4 All costs incurred in rendering services to Water Company in common with similar services to other Water Companies which cannot be identified and related exclusively to services rendered to a particular Water Company, shall be allocated among all Water Companies so served, or, in the case of costs incurred with respect to services rendered to a particular group of Water

Companies, among the members of such group, based on the number of customers served at the immediately preceding calendar year end.

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

ARTICLE III. ALLOWANCE FOR OVERHEAD

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

3.2 The term "general overhead" shall include:

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

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

(c) taxes,

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

(e) interest on working capital.

ARTICLE IV. BILLING PROCEDURES AND BOOKS AND RECORDS

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

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

4.3 Service Company shall at any time, upon request of Water Company, furnish any and all information required by Water Company with respect to the services rendered by Service Company

hereunder, the costs thereof, and the allocation of such costs among Water Companies.

ARTICLE V. OTHER AGREEMENTS

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

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

ARTICLE VI. TERM OF AGREEMENT

This agreement shall become effective as of the later of (a) the date first mentioned above or (b) the date the parties receive the last of any necessary approvals of governmental regulatory agencies having jurisdiction in the premises. Upon becoming effective, this agreement shall be the sole agreement between the parties concerning the subject matter hereof and shall supersede all prior agreements, written or oral, including the agreement dated January 1, 1971, which shall terminate on the date this

agreement becomes effective. This agreement shall continue in full force and effect until terminated by either of the parties hereto giving the other party hereto ninety day's notice in writing; provided, however, that this agreement shall terminate as of the date Water Company or Service Company ceases to be an affiliate of American.

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

ATTEST:

AMERICAN WATER WORKS SERVICE COMPANY, INC.

By _____
President

ATTEST:

INDIANA-AMERICAN WATER COMPANY, INC.,

By _____
President

American Water Works Service Company
Support Service and
Support Services Structure and Billing
(Management Fees)

American Water Works Service Company

Support Services Structure and Billing

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Appendices

A - Basis for Costs pools by Affiliate Company

Support Services Structure and Billing
I-Introduction

Purpose

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

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

Cost Assignment Principles

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

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

Support Services Structure and Billing
II – Overview of American Water Works Company, Inc.

Overview of American Water

Regulated Operating Companies

AW provides water and wastewater services to 10 million persons in 19 states through the following operating companies:

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

Unregulated Business

American Water Enterprises (AWE), through its subsidiaries provides a range of unregulated water and wastewater services for municipal, industrial and military customers throughout North America. These services include:

- Operations and Maintenance - Water supply and wastewater treatment
- Engineering and Planning - Plant & process design, construction management, project management, information & automation, storm water management and comprehensive facility planning
- Residuals Management – Bio-solids and residuals management including beneficial reuse programs, dredging, mobile dewatering and digester cleaning
- Underground Infrastructure Rehabilitation - Pipe repair & rehabilitation services including, subsurface utility engineering, closed circuit television inspection and pipe cleaning
- Carbon Regeneration – Regeneration of spent granular activated carbon on a customized basis
- Homeowner Services – A convenient and cost-effective Service Line Protection program to homeowners to safeguard them from expenses related to repairing or replacing their water or sewer lines.
- Developer Services – Residuals solutions for small communities through an innovative and environmentally friendly decentralized wastewater system.

Business Services

The Service Company provides various services to the regulated and non-regulated companies. These services include accounting, administration, communication, corporate secretarial, engineering, financial, human resources, information technology, operations, rates and revenue, risk management and water quality. The service agreement between operating companies and the Service Company provides an extensive description of these services. A discussion under Section IV will address the cost assignment for non-regulated business.

Support Services Structure and Billing
III – Overview of The Service Company

American Water Works Service Company

The Service Company maintains offices in several locations, and provides the services previously described to AW operating companies. They offices include:

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

- National Call Center – These call centers perform customer service functions, including: customer call processing, service order processing, correspondence processing, credit and collections. The first call center facility, located in Alton, Illinois, went into operation in the second quarter of 2001. Operating companies transitioned to the National Call Center in during the period December 2001 to March 2004. The second call center in Pensacola, FL went into operation the second quarter of 2005.

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

- Regional Offices – Regional offices provide the day-to-day management to the operating companies. There are four Regional Offices.

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

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

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

American Water Company
Service Company Locations

Office	Location	Services Provided
Corporate	1025 Laurel Oak Road Voorhees, NJ 08043	Corporate governance functions including executive management, finance, human resources, engineering, water quality and operations support
Shared Services Center	131 Woodcrest Road Cherry Hill, NJ 08034	Financial, accounting, procurement, cash management and human resource benefits coordination
Call Center	1410 Discovery Parkway Alton, IL 62002 7303 Plantation Road Pensacola, FL 32504	National customer call center
Belleville Lab	1125 S. Illinois Street Belleville, IL 62222	National trace substance laboratory
Northeast Region	989 Lenox Drive Suite 224 Lawrenceville, NJ 08648	Management, rates and revenues, external affairs, loss control, maintenance, legal, human resources, engineering and construction management, water quality and other operations support services for operating companies in: • New Jersey • New York
Southeast Region	1600 Pennsylvania Avenue Charleston, WV 62002 800 West Hershey park Drive Hershey, PA 17033	Management, rates and revenues, external affairs, loss control, maintenance, legal, human resources, engineering and construction management, water quality and other operations support services for operating companies in: • Kentucky • Maryland • Pennsylvania • Tennessee • Virginia • West Virginia
Western Region	303 H Street Suite 250 Chula Vista, CA 91910	Management, rates and revenues, external affairs, loss control, maintenance, legal, human resources, engineering and construction management, water quality and other operations support services for operating companies in: • Arizona • California • Hawaii • New Mexico

American Water Company
Service Company Locations

Office	Location	Services Provided
Haddon Heights Information Technology Services Center	500 Grove Street Haddon Heights, NJ 08035	Information technology support and customer billing for operating companies
Hershey Information Technology Services Center	800 West Hersheypark Drive Hershey, PA 17033	Information technology support and customer billing for operating companies
Central Region	727 Craig Road Creve Coeur, MO 63141	Management, rates and revenues, external affairs, loss control, maintenance, legal, human resources, engineering and construction management, water quality and other operations support services for operating companies in: • Illinois • Indiana • Iowa • Michigan • Missouri • Ohio

Indiana American Water Company
Designation Of Responsibility For Water Utility Functions

Primarily Responsible P
Provides Support S

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

American Water Company
Designation Of Responsibility For Water Utility Functions

Primarily Responsible P
Provides Support S

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

American Water Company
Designation Of Responsibility For Water Utility Functions

Primarily Responsible P
Provides Support S

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

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

American Water Company
Designation Of Responsibility For Water Utility Functions

Primarily Responsible P
Provides Support S

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

American Water Company
Designation Of Responsibility For Water Utility Functions

Primarily Responsible P
Provides Support S

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

Support Services Structure and Billing
III – The Service Company Agreement

A formal agreement has been established between the Service Company and operating companies which defines the nature of services that are provided and the terms and conditions of the service arrangement. The agreement is the same for every operating company.

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

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

Support Services Structure and Billing
IV – Service Company Cost Assignment Process

Service Company Expense Categories

Service Company expenses can be categorized as follows:

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

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

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

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

Support Services Structure and Billing
IV – Service Company Cost Assignment Process

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

Basic Elements of charging Service Company time and expenses

Charging Of Service Company Time and Expenses

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

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

Charges originate from the following systems:

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

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

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

The "formula" field on Exhibit 3 now designates whether the labor charge is a direct or allocated charge.

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

METHODOLOGY TO ALLOCATE COMMON COSTS FOR REGULATED AND NON-REGULATED COMPANIES

American Water has developed a methodology to allocate costs for common services provided to both regulated and non-regulated companies. Service Company employees have the ability to charge hours on their time sheets to billing formula numbers that allocate those hours (or portions of hours) among the group of companies (including regulated and non-regulated) benefiting from those services when it is not practicable to determine the actual time spent performing that task for each of the companies.

The previous discussion has dealt with Service Company personnel providing services to only one or more regulated company. Starting in 2005, the responsibility of managing non-regulated business located in the Service Company Regions now lies with the Regional Service Company management team. With this responsibility came the need to assign Service Company costs to the non-regulated business in a fair and reasonable manner for these businesses as well as for the regulated businesses.

As previously discussed, Service Company personnel can charge their time either on a direct basis or on an allocated basis using specific formula allocators so that those Companies benefiting from those services are charged appropriately. This same process has been developed and implemented as it relates to the non-regulated businesses. A Service Company employee who provides services that solely benefits a non-regulated company can charge their time "directly" to that Company. Those labor charges will also include the same overhead as any other charge. If a Service Company employee provides services that benefit both the regulated and non-regulated Companies, a Tier-One Allocation Formula will be used to allocate the charges to both regulated and non-regulated. The Tier-One allocators were developed using the allocations shown in the Appendix. The Appendix also shows the Regulated Formulas which are used by Service Company employees who do not provide services to the non-regulated Companies. As before, the costs that are allocated to the regulated businesses are based on the number of customers.

American Water Company
Sample Electronic Time Sheet

American Water Works Company (581020) - 2/18/05

File Edit Help

Time Entry 15:31:53

Week Ending: 2/20/05 Grubb, Edward J. Emp#: 17009049

Dept: 033507 CE-Finance Edit Mode

Formula	Typ	Mo 2/14	Tu 2/15	We 2/16	Th 2/17	Fr 2/18	Sa 2/19	Su 2/20	Total Hours	Meal Money
Totals:		8.00	8.00	8.00	8.00	8.00			40.00	
100032	001	1.00	1.00		1.00	3.00			6.00	
100048	001		5.00	8.00	6.00	1.00			20.00	
100046	001		2.00		1.00	2.00			5.00	
100050	001	2.00				2.00			4.00	
100042	001	2.00							2.00	
100040	001	3.00							3.00	
									.00	
									.00	
									.00	
									.00	
									.00	
									.00	

Hours are not valid on a Meal Money line

OK Cancel Help F9-Comments Display Errors F10-Save Template

American Water Works Company (581050) - 2/18/05

File Edit Functions Help

Comments Entry 15:33:09

Week Ending: 2/20/05 Grubb, Edward J. Emp#: 17009049

Comments	User	Date	Time
MONTHLY CLOSING			
MO CAM FOR 2004			
PREPARE FOR MO PSC STAFF / OPC MTG			
IN DSIC FILLING			
OH SIC FILING			
MI RATE FILING			

More...

Hours are not valid on a Meal Money line

OK Cancel Help

Indiana-American Water Company

Service Company Authorizations - As of December 2005

New Formula Number	Decription	Auth No.	Old Formula Number	Account Number	JDE Account Number *
100107	ASSESSMENT OF SEASONAL CHLORINATION PRACTICES AND IMPACTS TO CHOLORAMINATING UTILITIES	213	13-01	930.39	534600
100109	EPA TESTING FOR SPECIFIC ORGANISMS AT SURFACE WATER PLANTS	216	16-01	930.39	534600
100110	CAPITAL PROG MGT AND ASSET PLAN	221	21-00	184	184100
100111	SUPPLY CHAIN CP-ALL REG COMPANIES	100111		184	184100
100113	KNOWLEDGE SHARE PROJECT	258		930.39	534600
100114	SOP'S FOR DECONTAMINATION OF PIPELINE SYSTEMS	259	59-00	930.39	534600
100115	DETECTION METHODS FOR E. COLI 015:H7 IN WATER	297	97-01	930.39	534600
100124	BUSINESS CHANGE TEAM	400	34-00	923.1	534620
100127	GROW THE BUSINESS PROGRAM	402	34-02	923.1	534620
100129	INTEGRATING REG/NON-REG BUS.	410	34-10	923.1	534620
100130	PERF,STAY BONUS,ASSET SALE,INC	412	34-12	923.1	534620
100131	PARTNERSHIP APPROACH	417	34-17	923.1	534620
100132	LICENSE TO MANAGE	422	34-22	923.1	534620
100133	PHASE 4 REORGANIZATION	427	34-27	923.1	534620
100134	RESTOCKING BD POSITIONS	431	34-31	923.1	534620
100135	RESTRUCTURING MISC PEOPLE COST	433	34-33	923.1	534620
100136	BUSINESS CHANGE-REORGANIZATION RESOURCING	100136		923.1	534620
100137	SEVERANCE	434	34-34	923.1	534620
100138	WEBSITE MAKEOVER	439		923.1	534620
100139	STEP-MANAGEMENT	440		107	105270
100140	SERVICE CO SPECIAL RES FND	443		923.1	534620
100142	CENTRAL SPECIAL RES FND	441		923.1	534620
100144	STEP-EAM2 T&D MAXIMO	506		107	105270
100145	STEP-EAM1 PLANT MAXIMO	507		107	105270
100146	STEP-GIS	508		107	105270
100147	STEP-TAX/FIXED ASSETS MANAGEMENT	509		107	105270
100148	STEP-FICO	510		107	105270
100149	STEP-HUMAN RESOURCE INFORMATION SYSTEM	511		107	105270
100150	STEP-MATERIAL MANAGEMENT	512		107	105270
100151	STEP-INVENTORY BARCODE	513		107	105270
100152	STEP-REG/CCS	514		107	105270
100153	STEP-WO DIAGNOSTIC	515		107	105270
100154	STEP-BUS INFORMATION	516		107	105270
100155	STEP-PORTAL	517	35-17	107	105270
100156	STEP-BUSINESS INTELLEGENCE	518		107	105270
100157	STEP-EAI	519		107	105270
100158	STEP-DOCUMENT MANAGEMENT	520		107	105270
100159	STEP-SERVICE FIRST	521		107	105270

Indiana-American Water Company

Service Company Authorizations - As of December 2005

100160	STEP-MDSI PHASE	522		107	105270
100161	STEP-SCADA DATA WHSE	523		107	105270
100199	ADVICE ON SRP, SERP	404		923.1	534620
100205	DIVERSITY COUNCIL	413	34-13	923.1	534620
100206	2003 SURVEY FOLLOW-UP	414	34-14	923.1	534620
100207	PULSE SURVEY 2004	415	34-15	923.1	534620
100209	LEGAL ADVICE - COLL AGREEMENTS	418	34-18	923.1	534620
100210	BENEFITS & IMPLEMENT COMMITTEE	419	34-19	923.1	534620
100211	HR & UNION LEADERSHIP TRAINING	420	34-20	923.1	534620
100212	LEADERSHIP DEVELOPMENT	421	34-21	923.1	534620
100214	ATLANTA CONFERENCE 2004	424	34-24	923.1	534620
100215	MANAGEMENT CONFERENCE IN 2005	425	34-25	923.1	534620
100216	PHASE 3 REORGANIZATION	426	34-26	923.1	534620
100217	REVIEW OF EXISTING POLICIES	428	34-28	923.1	534620
100220	VIDEO/COMMUNICATIONS	435	34-35	923.1	534620
100225	BUSINESS CHANGE - TOTAL REWARDS	446		923.1	534620
100526	INTEGRATION UV DISINFECTION INTO EXISTING WATER TREATMENT PLANTS	212	12-01	930.39	534600
100527	1701 ENDOCRINE DISRUPTING SUBSTANCES IN RAW AND FINISHED WATER	217	17-01	930.39	534600
100528	1801 SUSCEPTIBILITY OF DISTRIBUTION SYSTEMS TO NEGATIVE PRESSURE TRANSIENTS	218	18-01	930.39	534600
100530	RESEARCH & TECHNOLOGY DEVELOPMENT-GEN. PROGRAM OPERATIONS (76-01)	257	87-00	930.39	534600
100534	DATABASE-WASTE WATER PLANTS	204		930.39	534600
100535	CROSS-CONNECT & BACKFLOW	208		930.39	534600
100569	SEVERANCE - CORPORATE	100569		923.1	534620
100573	SEVERANCE - CENTRAL REGION	100573		923.1	534620
100579	STANDARD OPERATING PROCEDURE	100579		923.1	534620
100590	FAIL ANLY ORIEN PIPE ASM STUDY	100590		184	184103
100591	AUTO METER READING MGT STUDY	100591		184	184102
100596	SUPPLY CHAIN CE-ALL REGION REG	100596		184	184100
100599	BUS CHNG- HR ACTION PLAN	100599		923.1	534620
100600	BUS CHNG-ANALYSIS INTO ACTION	100600		923.1	534620
100601	BUS CHNG-IDEAS INTO ACTION	100601		923.1	534620
100657	CE-BUS DEVELOPMENT GENERAL	100657		930.39	534600
100666	STEP-PROJECT MGT OFFICE	100666		107	105270
100667	STEP-DESIGN AUTHORITY	100667		107	105270
100694	CP-BUS DEVELOPMENT GENERAL	100694		930.39	534600
100709	MERCURY ITG TOOL	100709		107	105270
100713	EXTENDED KNOWLEDGE SHARING PRG	100713		930.39	534600
100722	ON DEMAND SOFTWARE	100722		107	105270
100756	HURRICANE KATRINA	100756		417	717570
100757	VOICE RECOGNITION (OLD 100122)	100757		107	105270
100768	STEP-CSC REPORTING	100768		107	105270
100774	ENVIRONMENTAL REPORTING RECHRG	100774		921	575881

* JDE Account Number - 534600 & 534620 is Corporate, 534700 and 534720 is Region

Support Services Structure and Billing
IV – Service Company Cost Assignment Process

Cost Accumulation Process

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

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

Support (administrative) personnel charge their time to the activity "General Admin." As described in the table on page 13, their labor charges are allocated to operating companies based upon how their office's professional personnel labor charges are assigned. For instance, if 20% of the Central Region's professional labor was assigned to Indiana American during a month, then the 20% of that office's administrative labor charges are also assigned to the company.

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

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

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

As discussed earlier, the use of the Tier-One Allocation allows Service Company employees to allocate time to both the regulated and non-regulated businesses. Exhibit 5 shows how labor charges can be directly charged to the regulated business. The methodology for charging to the non-regulated business is the same.

American Water Company
Service Company Cost Accumulation And Assignment Process

Cost Accumulation

Labor

Service Company Managers, Professional and Technical Labor

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

Hours are costed-out based on each person's actual salary
Dollar amounts accumulated by account, authorization and work order

Other Cost Categories

Support
Labor-Related Overheads
Office Expenses
Journals and Vouchers

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

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

Cost Accumulation -- Direct Charges

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

Cost Accumulation -- Allocated Charges

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

Cost Assignment To Operating Companies

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

Support Services Structure and Billing
IV – Service Company Cost Assignment Process

Cost Pooling and Allocation of Service Company Charges

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

The Service Company offices that may utilize each formula are shown in Exhibit 6. The basis for allocating the costs accumulated in each formula cost pool is the Tier-One Allocation or the number of customers. The Appendix shows how every operating company's allocation percentage is calculated for each formula.

Indiana-American Water Company
Allocation Formulas Used by Location

Exhibit 6

	Corporate Offices						Regional Offices			
Formulas	Corporate	Supply Chain	Info Tech Systems	Belleville Lab	Shared Services Center	Call Center	Central	Northeast	Southeast	Western
100001	X	X	X	X	X	X	X	X	X	X
100002	X				X		X			X
100003	X	X	X	X	X		X	X	X	X
100004	X		X		X				X	
100005	X	X							X	X
100006	X				X					
100007		X	X					X		X
100008	X	X	X		X	X	X	X	X	X
100010	X			X			X			X
100012		X		X	X					X
100013	X		X	X	X	X				
100014	X	X	X		X				X	X
100015	X		X							X
100016	X		X		X		X			X
100017			X							X
100018					X			X		X
100019										X
100020	X	X								X
100021	X									X
100022	X	X	X		X	X				X
100023			X		X		X			X
100024	X		X		X	X			X	X
100025					X	X				X
100026	X		X		X	X				X
100027	X		X		X					X
100028	X		X		X	X				X
100029			X		X	X		X		X
100030			X		X					X
100031					X					X
100032	X	X	X		X	X	X			

Indiana-American Water Company
Allocation Formulas Used by
Location

Exhibit 6

	Corporate Offices						Regional Offices			
Formulas	Corporate	Supply Chain	Info Tech Systems	Belleville Lab	Shared Services Center	Call Center	Central	Northeast	Southeast	Western
100033	X	X		X	X		X			X
100034							X			X
100035					X		X			
100036			X				X			
100037	X						X			
100038	X	X	X				X			X
100039	X						X			
100040		X	X		X	X	X			
100041			X		X		X			X
100042	X		X		X	X	X			
100043	X		X		X		X			X
100044			X		X	X	X			
100045			X		X		X			
100046	X					X	X		X	
100047			X		X		X			
100048			X		X	X	X			
100049	X		X		X		X			X
100050			X		X	X	X		X	
100051			X		X		X			X
100052	X	X	X		X	X	X		X	
100053			X			X	X		X	X
100054						X			X	
100055	X								X	
100056									X	
100058									X	
100059							X		X	
100060	X		X		X	X			X	
100061	X		X		X				X	X
100062	X		X		X	X			X	
100063			X		X	X	X		X	
100064	X		X		X	X	X	X	X	X
100065			X		X				X	
100066	X		X		X	X			X	

Indiana-American Water Company
Allocation Formulas Used by Location

Exhibit 6

	Corporate Offices:						Regional Offices:			
Formulas	Corporate	Supply Chain	Info Tech Systems	Belleville Lab	Shared Services Center	Call Center	Central	Northeast	Southeast	Western
100067			X		X				X	
100068	X		X		X	X	X		X	
100069			X		X				X	
100070	X		X		X	X			X	X
100071	X		X		X				X	
100072					X				X	
100073			X		X		X		X	
100074	X	X	X		X		X	X	X	
100075	X		X					X		
100076								X		
100078	X							X		
100080	X						X	X		
100081	X							X		
100082	X		X		X	X		X		
100083	X				X			X		
100084	X		X		X	X		X		
100085					X					
100086	X		X		X	X	X		X	
100087	X				X					X
100088	X		X		X	X				X
100089					X				X	X
100094			X		X					X
100095			X							
100096	X		X		X					X
100097			X		X					
100098	X		X		X	X				
100099					X					
100100					X					
100101	X				X					X
100102					X				X	

Indiana-American Water Company
Allocation Formulas Used by Location

Exhibit 6

	Corporate Offices:						Regional Offices:			
	Corporate	Supply Chain	Info Tech Systems	Belleville Lab	Shared Services Center	Call Center	Central	Northeast	Southeast	Western
Formulas										
100103					X				X	
100104					X				X	
100106	X		X			X				
100107	X							X		
100109	X			X						
100110	X									
100111	X	X					X			
100113	X					X			X	X
100114	X									X
100115	X									
100116	X									
100119	X									
100120	X				X					X
100121					X					
100122	X		X		X	X				
100123	X		X			X				
100124	X		X		X					
100127	X									
100129	X				X				X	
100130	X									
100131	X									
100132	X	X	X				X		X	
100133	X									
100134	X									
100135	X				X					
100136	X									
100137	X									
100138	X		X							
100139	X		X		X					
100140	X				X					

Indiana-American Water Company
Allocation Formulas Used by
Location

Exhibit 6

	Corporate Offices:						Regional Offices:			
	Corporate	Supply Chain	Info Tech Systems	Belleville Lab	Shared Services Center	Call Center	Central	Northeast	Southeast	Western
Formulas										
100142	X						X			
100144	X	X	X		X					X
100145	X		X		X					
100146	X		X		X					
100147	X		X		X					
100148	X		X		X		X	X	X	X
100149	X		X		X					X
100150	X	X	X		X	X				
100151	X									
100152	X		X		X					
100153	X		X		X	X				
100154	X	X	X		X		X		X	X
100155	X		X		X				X	
100156	X		X		X					
100157	X		X		X					
100158	X					X				
100159	X		X		X	X	X		X	
100160	X		X		X					
100161	X									
100164								X	X	
100165	X		X					X		
100166	X							X		
100167	X		X					X		
100168	X							X		
100169	X							X		
100170			X					X		
100171	X							X		
100173							X			
100174							X			
100175							X			
100178	X						X	X	X	
100179	X						X			
100180									X	

Indiana-American Water Company
Allocation Formulas Used by
Location

Exhibit 6

	Corporate Offices:						Regional Offices:			
	Corporate	Supply Chain	Info Tech Systems	Belleville Lab	Shared Services Center	Call Center	Central	Northeast	Southeast	Western
Formulas										
100181									X	
100182	X		X						X	
100183	X									
100185									X	
100186	X								X	
100189									X	
100190	X				X				X	X
100191	X									X
100192	X									X
100193		X	X							X
100194	X		X							X
100195	X									
100196	X	X	X	X	X	X	X	X	X	X
100197	X	X	X					X	X	X
100199	X						X		X	
100205	X						X			
100206	X									
100207	X									
100209	X									
100210	X									
100211	X									
100212	X									
100214	X									
100215	X									
100216	X									
100217	X									
100220	X				X					
100224						X				
100225	X									
100228	X		X		X	X				
100229	X	X	X		X	X	X	X		
100230	X	X	X			X				
100231		X			X			X		
100233				X						

Indiana-American Water Company
Allocation Formulas Used by
Location

Exhibit 6

	Corporate Offices						Regional Offices			
Formulas	Corporate	Supply Chain	Info Tech Systems	Belleville Lab	Shared Services Center	Call Center	Central	Northeast	Southeast	Western
100234	X									
100235	X								X	X
100500	X		X					X	X	
100502			X				X			
100503			X						X	
100504			X						X	X
100506									X	
100507									X	
100508		X								
100509		X								
100510		X								
100511		X								
100512									X	
100514	X				X					
100515	X		X		X					
100516	X									
100517	X									
100518	X									
100519	X				X					
100520	X							X	X	X
100521	X					X				X
100522	X									X
100524	X		X			X	X			
100526	X					X				
100527	X			X						
100528	X					X				
100529	X									
100530				X						
100532	X									
100533	X		X	X		X				
100534	X			X						X
100535	X			X				X		
100536	X									X

	Corporate Offices:						Regional Offices:			
Formulas	Corporate	Supply Chain	Info Tech Systems	Belleville Lab	Shared Services Center	Call Center	Central	Northeast	Southeast	Western
100541	X				X					
100543	X									
100544					X					
100546	X									X
100548						X				X
100551	X						X			
100552	X						X			
100553				X			X			
100554			X			X	X			
100556	X						X			
100557	X						X			
100558	X									
100559						X				
100560									X	
100561									X	
100563									X	
100564									X	
100565									X	
100566									X	
100569	X									
100570	X									
100571	X									
100572	X									
100573	X									
100574	X				X	X			X	
100575	X				X					
100578					X					X
100579	X						X	X	X	X
100580	X									
100581					X					X
100584	X							X	X	X
100585	X							X		
100586							X			
100588										X

Indiana-American Water Company
Allocation Formulas Used by
Location

Exhibit 6

	Corporate Offices:						Regional Offices:			
Formulas	Corporate	Supply Chain	Info Tech Systems	Belleville Lab	Shared Services Center	Call Center	Central	Northeast	Southeast	Western
100590	X									
100591	X									
100592		X				X				
100595		X	X			X				
100596		X					X			
100597		X				X				
100598	X		X			X			X	
100599	X				X					
100600	X									
100601	X		X							
100602	X							X	X	X
100603	X						X	X	X	
100604							X	X		
100605	X						X			
100606									X	
100607	X								X	
100608							X			
100609							X			
100610	X							X	X	
100611										X
100612							X			
100613										X
100614	X							X	X	
100615									X	
100616	X								X	
100617									X	
100618										X
100619										X
100620									X	
100622	X							X		
100623								X		
100624	X								X	
100625	X							X		
100627							X			

Indiana-American Water Company
Allocation Formulas Used by
Location

Exhibit 6

	Corporate Offices						Regional Offices			
Formulas	Corporate	Supply Chain	Info Tech Systems	Belleville Lab	Shared Services Center	Call Center	Central	Northeast	Southeast	Western
100629								X		
100631	X							X	X	
100632	X							X	X	
100634							X			
100635							X			
100637	X							X		
100639								X	X	
100642	X									X
100643	X							X		
100644	X							X		
100645	X							X	X	
100647	X						X	X		
100649	X							X	X	
100650									X	
100652									X	
100653								X		
100654										X
100655							X			
100657	X						X			
100658	X							X	X	
100659	X							X	X	
100660	X							X		
100661								X		
100662								X		
100663	X									
100664					X					
100666	X		X							
100667	X		X							
100668	X									
100669	X									
100670						X				
100671						X				
100672	X									X
100673	X								X	

Indiana-American Water Company
Allocation Formulas Used by
Location

Exhibit 6

	Corporate Offices						Regional Offices			
Formulas	Corporate	Supply Chain	Info Tech Systems	Belleville Lab	Shared Services Center	Call Center	Central	Northeast	Southeast	Western
100674			X							
100675	X						X		X	
100677	X								X	
100678	X								X	
100679									X	
100680									X	
100681									X	
100682									X	
100684									X	
100685									X	
100686									X	
100690	X				X					
100691								X		
100692									X	
100693									X	
100694	X							X	X	
100695	X							X		
100701	X									
100702										X
100705										X
100707	X							X		X
100708	X									
100709	X		X							
100710	X		X							
100711	X							X	X	X
100712	X									
100713	X					X		X		
100714							X			
100717									X	
100718	X									
100720					X			X		
100721	X							X		
100722	X		X							
100723									X	

Indiana-American Water Company
Allocation Formulas Used by Location

Exhibit 6

	Corporate Offices						Regional Offices			
Formulas	Corporate	Supply Chain	Info Tech Systems	Belleville Lab	Shared Services Center	Call Center	Central	Northeast	Southeast	Western
100724					X					X
100725					X				X	
100727									X	
100734	X							X	X	
100735	X						X			
100736	X									
100737	X					X				
100738					X					
100739	X						X			
100740	X									
100741									X	
100742	X								X	
100743	X									
100744								X		
100746	X							X		
100747	X									X
100748	X		X							
100749	X									
100750									X	
100752										X
100756							X			
100757	X		X		X	X				
100759	X									X
100760	X									
100761					X					
100762	X									X
100765	X								X	
100767										X
100768	X		X							
100769							X			
100770	X									
100771	X									X
100772										X
100774			X							

Support Services Structure and Billing
IV – Service Company Cost Assignment Process

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

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

Support Services Structure and Billing
V – Service Company Billing and Accounting Process

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

The J.D. Edwards system also prepares the corresponding operating company records entries to record Service Company charges. Actual Service Company charges are recorded at the operating company level. Operating companies remit payment for their Service Company bill to American Water Capital Corporation (AWCC). AWCC in turn pays the Service Company.

Support Services Structure and Billing
V – Service Company Billing and Accounting Process

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

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

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

1. Service Company Invoice
2. Service Company Invoice – Detail
3. Budget/Actual Spending By Service Company Location

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

Support Services Structure and Billing
VI – American Water Capital Cost Assignment Process

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

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

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

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

Support Services Structure and Billing
VII – Operating Company Governance of Affiliate Transactions

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

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

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

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

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

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

- **Service Company Budget Variance Reporting**- A summary and explanation of year-to-date budget variances is prepared for the entire Service Company on a monthly basis.

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

- **Capital Project Authorization** – All capital expenditures must be approved by the Board of Directors before any design and construction begins.

Appendix
Allocation Formulas

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

SUMMARY OF STANDARD FORMULAS

CORPORATE TIER-ONE FORMULAS		CA	IL	IN	IA	KY	MD	MI
100002	CP-PLANT/REV/EMPLOY W/CHILE	4.45%	7.51%	7.16%	1.53%	2.87%	0.12%	0.10%
100003	CP-PLANT/REV/EMPLOY W/O CHILE	4.77%	8.07%	7.69%	1.64%	3.08%	0.13%	0.11%
100004	CP-REV/EMPLOY W/CHILE	4.10%	6.93%	6.60%	1.41%	2.65%	0.11%	0.09%
100005	CP-REV/EMPLOY W/O CHILE	4.51%	7.61%	7.25%	1.55%	2.91%	0.13%	0.10%
100006	CP-REVENUE	4.71%	7.96%	7.59%	1.62%	3.04%	0.13%	0.11%
100007	CP-BILLED PREMISES	5.78%	9.78%	9.31%	1.99%	3.73%	0.16%	0.00%
100008	CP-EMPLOYEES	4.80%	8.11%	7.73%	1.65%	3.10%	0.13%	0.11%
100010	CP-CAPEX	5.12%	8.66%	8.25%	1.76%	3.30%	0.14%	0.11%
100012	CP-PURCHASE ORDERS	4.82%	8.14%	7.76%	1.66%	3.11%	0.13%	0.11%
100013	CP-INVOICES	4.82%	8.14%	7.76%	1.66%	3.11%	0.13%	0.11%
100513	CP-EMPLOYEES/RETIREES	4.65%	7.86%	7.49%	1.60%	3.00%	0.13%	0.10%

CORPORATE REGION REGULATED FORMULAS		CA	IL	IN	IA	KY	MD	MI
100001	CP-ALL REGULATED CO'S (W & WW)	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100533	CP-ALL REGULATED WATER CO'S	5.55%	8.77%	9.00%	1.92%	3.61%	0.16%	0.12%
100233	CP-ALL REGULATED WASTE WTR CO	1.22%	16.96%	0.36%	0.00%	0.07%	0.00%	0.00%
100524	CP-CUST CALL CNTR REG CO'S	5.79%	9.79%	9.32%	1.99%	3.73%	0.16%	0.00%

WESTERN REGION TIER-ONE FORMULAS		CA	NM	AZ	HI	TX	TOT. REG	AWK
100016	WE-PLANT/REV/EMPLOY	49.12%	4.61%	37.53%	2.97%	1.48%	95.71%	0.00%
100018	WE-REV/EMPLOY	48.08%	4.51%	36.73%	2.90%	1.45%	93.67%	0.00%
100504	WE-EMPLOYEES	47.83%	4.49%	36.53%	2.89%	1.44%	93.18%	0.00%
100020	WE-CAPEX	51.32%	4.82%	39.21%	3.10%	1.55%	100.00%	0.00%
100508	WE-PURCHASE ORDERS	47.39%	4.45%	36.21%	2.86%	1.43%	92.34%	0.00%

WESTERN REGION REGULATED FORMULAS		CA	NM	AZ	HI	TX	TOT. REG	AWK
100014	WE-ALL REGION REGULATED	51.32%	4.82%	39.21%	3.10%	1.55%	100.00%	0.00%

CENTRAL REGION TIER-ONE FORMULAS		IL	IN	IA	MI	MO	OH	TOT. REG
100034	CE-PLANT/REV/EMPLOY	25.02%	23.82%	5.08%	0.32%	39.16%	5.01%	98.41%
100036	CE-REV/EMPLOY	24.81%	23.63%	5.04%	0.32%	38.84%	4.97%	97.61%
100502	CE-EMPLOYEES	24.75%	23.58%	5.02%	0.32%	38.75%	4.96%	97.38%
100038	CE-CAPEX	25.42%	24.21%	5.16%	0.33%	39.79%	5.09%	100.00%
100509	CE-PURCHASE ORDERS	24.76%	23.58%	5.03%	0.32%	38.76%	4.96%	97.41%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

SUMMARY OF STANDARD FORMULAS

CORPORATE TIER-ONE FORMULAS		MO	NJ	NM	OH	AZ	PA	TN
100002	CP-PLANT/REV/EMPLOY W/CHILE	11.76%	10.03%	0.42%	1.50%	3.40%	16.21%	1.86%
100003	CP-PLANT/REV/EMPLOY W/O CHILE	12.63%	10.77%	0.45%	1.62%	3.65%	17.43%	2.00%
100004	CP-REV/EMPLOY W/CHILE	10.85%	9.26%	0.39%	1.39%	3.13%	14.99%	1.72%
100005	CP-REV/EMPLOY W/O CHILE	11.92%	10.17%	0.43%	1.52%	3.44%	16.45%	1.88%
100006	CP-REVENUE	12.46%	10.63%	0.45%	1.59%	3.60%	17.22%	1.97%
100007	CP-BILLED PREMISES	15.30%	13.05%	0.54%	1.96%	4.41%	21.14%	2.43%
100008	CP-EMPLOYEES	12.70%	10.83%	0.46%	1.62%	3.67%	17.54%	2.01%
100010	CP-CAPEX	13.55%	11.56%	0.49%	1.73%	3.91%	18.71%	2.14%
100012	CP-PURCHASE ORDERS	12.74%	10.87%	0.46%	1.63%	3.68%	17.58%	2.02%
100013	CP-INVOICES	12.74%	10.87%	0.46%	1.63%	3.68%	17.58%	2.02%
100513	CP-EMPLOYEES/RETIREES	12.30%	10.50%	0.44%	1.57%	3.55%	16.98%	1.95%

CORPORATE REGION REGULATED FORMULAS		MO	NJ	NM	OH	AZ	PA	TN
100001	CP-ALL REGULATED CO'S (W & WW)	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100533	CP-ALL REGULATED WATER CO'S	14.81%	11.78%	0.53%	1.68%	2.81%	20.03%	2.35%
100233	CP-ALL REGULATED WASTE WTR CO	0.08%	20.78%	0.00%	5.29%	35.72%	10.41%	0.00%
100524	CP-CUST CALL CNTR REG CO'S	15.32%	13.07%	0.54%	1.96%	4.42%	21.17%	2.43%

WESTERN REGION TIER-ONE FORMULAS		AWR	AWS	TOT. NREG	TOTAL
100016	WE-PLANT/REV/EMPLOY	0.00%	4.29%	4.29%	100.00%
100018	WE-REV/EMPLOY	0.00%	6.33%	6.33%	100.00%
100504	WE-EMPLOYEES	0.00%	6.82%	6.82%	100.00%
100020	WE-CAPEX	0.00%	0.00%	0.00%	100.00%
100508	WE-PURCHASE ORDERS	0.00%	7.66%	7.66%	100.00%

WESTERN REGION REGULATED FORMULAS		AWR	AWS	TOT. NREG	TOTAL
100014	WE-ALL REGION REGULATED	0.00%	0.00%	0.00%	100.00%

CENTRAL REGION TIER-ONE FORMULAS		AWK	AWR	AWS	TOT. NREG	TOTAL
100034	CE-PLANT/REV/EMPLOY	0.00%	0.00%	1.59%	1.59%	100.00%
100036	CE-REV/EMPLOY	0.00%	0.00%	2.39%	2.39%	100.00%
100502	CE-EMPLOYEES	0.00%	0.00%	2.62%	2.62%	100.00%
100038	CE-CAPEX	0.00%	0.00%	0.00%	0.00%	100.00%
100509	CE-PURCHASE ORDERS	0.00%	0.00%	2.59%	2.59%	100.00%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

SUMMARY OF STANDARD FORMULAS

CORPORATE TIER-ONE FORMULAS		VA	WV	HI	LI	VA-EAST	TX	ETOWN
100002	CP-PLANT/REV/EMPLOY W/CHILE	1.39%	4.29%	0.27%	1.91%	0.06%	0.13%	5.26%
100003	CP-PLANT/REV/EMPLOY W/O CHILE	1.49%	4.61%	0.29%	2.05%	0.06%	0.14%	5.64%
100004	CP-REV/EMPLOY W/CHILE	1.28%	3.96%	0.25%	1.76%	0.05%	0.12%	4.85%
100005	CP-REV/EMPLOY W/O CHILE	1.41%	4.35%	0.28%	1.93%	0.06%	0.13%	5.33%
100006	CP-REVENUE	1.47%	4.55%	0.29%	2.02%	0.06%	0.14%	5.57%
100007	CP-BILLED PREMISES	1.81%	5.58%	0.35%	2.49%	0.07%	0.00%	0.00%
100008	CP-EMPLOYEES	1.50%	4.63%	0.29%	2.06%	0.06%	0.14%	5.68%
100010	CP-CAPEX	1.60%	4.94%	0.31%	2.20%	0.07%	0.15%	6.06%
100012	CP-PURCHASE ORDERS	1.50%	4.65%	0.30%	2.07%	0.06%	0.14%	5.70%
100013	CP-INVOICES	1.50%	4.65%	0.30%	2.07%	0.06%	0.14%	5.70%
100513	CP-EMPLOYEES/RETIREES	1.45%	4.49%	0.29%	2.00%	0.06%	0.14%	5.50%

CORPORATE REGION REGULATED FORMULAS		VA	WV	HI	LI	VA-EAST	TX	ETOWN
100001	CP-ALL REGULATED CO'S (W & WW)	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100533	CP-ALL REGULATED WATER CO'S	1.75%	5.41%	0.00%	2.40%	0.07%	0.13%	6.62%
100233	CP-ALL REGULATED WASTE WTR CO	0.00%	0.00%	8.24%	0.00%	0.00%	0.87%	0.00%
100524	CP-CUST CALL CNTR REG CO'S	1.81%	5.59%	0.35%	2.49%	0.07%	0.00%	0.00%

WESTERN REGION TIER-ONE FORMULAS	
100016	WE-PLANT/REV/EMPLOY
100018	WE-REV/EMPLOY
100504	WE-EMPLOYEES
100020	WE-CAPEX
100508	WE-PURCHASE ORDERS

WESTERN REGION REGULATED FORMULAS	
100014	WE-ALL REGION REGULATED

CENTRAL REGION TIER-ONE FORMULAS	
100034	CE-PLANT/REV/EMPLOY
100036	CE-REV/EMPLOY
100502	CE-EMPLOYEES
100038	CE-CAPEX
100509	CE-PURCHASE ORDERS

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

SUMMARY OF STANDARD FORMULAS

		MT HLLY	TOT. REG	AWK	AWR	AWS	TOT. NREG	TOTAL
CORPORATE TIER-ONE FORMULAS								
100002	CP-PLANT/REV/EMPLOY W/CHILE	0.40%	82.63%	8.29%	0.67%	8.41%	17.37%	100.00%
100003	CP-PLANT/REV/EMPLOY W/O CHILE	0.43%	88.75%	0.02%	1.61%	9.62%	11.25%	100.00%
100004	CP-REV/EMPLOY W/CHILE	0.37%	76.26%	8.20%	0.09%	15.45%	23.74%	100.00%
100005	CP-REV/EMPLOY W/O CHILE	0.40%	83.76%	0.00%	0.12%	16.12%	16.24%	100.00%
100006	CP-REVENUE	0.42%	87.60%	0.00%	0.00%	12.40%	12.40%	100.00%
100007	CP-BILLED PREMISES	0.00%	99.88%	0.00%	0.00%	0.12%	0.12%	100.00%
100008	CP-EMPLOYEES	0.43%	89.25%	0.00%	0.33%	10.42%	10.75%	100.00%
100010	CP-CAPEX	0.46%	95.22%	0.01%	3.02%	1.75%	4.78%	100.00%
100012	CP-PURCHASE ORDERS	0.43%	89.56%	0.44%	0.33%	9.67%	10.44%	100.00%
100013	CP-INVOICES	0.43%	89.56%	0.44%	0.33%	9.67%	10.44%	100.00%
100513	CP-EMPLOYEES/RETIREES	0.41%	86.46%	0.75%	0.20%	12.59%	13.54%	100.00%
CORPORATE REGION REGULATED FORMULAS		MT HLLY	TOT. REG	AWK	AWR	AWS	TOT. NREG	TOTAL
100001	CP-ALL REGULATED CO'S (W & WW)	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100533	CP-ALL REGULATED WATER CO'S	0.50%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100233	CP-ALL REGULATED WASTE WTR CO	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100524	CP-CUST CALL CNTR REG CO'S	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
WESTERN REGION TIER-ONE FORMULAS								
100016	WE-PLANT/REV/EMPLOY							
100018	WE-REV/EMPLOY							
100504	WE-EMPLOYEES							
100020	WE-CAPEX							
100508	WE-PURCHASE ORDERS							
WESTERN REGION REGULATED FORMULAS								
100014	WE-ALL REGION REGULATED							
CENTRAL REGION TIER-ONE FORMULAS								
100034	CE-PLANT/REV/EMPLOY							
100036	CE-REV/EMPLOY							
100502	CE-EMPLOYEES							
100038	CE-CAPEX							
100509	CE-PURCHASE ORDERS							

CENTRAL REGION REGULATED FORMULAS		IL	IN	IA	MI	MO	OH	TOT REG
100032	CE-ALL REGION REGULATED	25.42%	24.21%	5.16%	0.33%	39.79%	5.09%	100.00%

NORTHEAST REGION TIER-ONE FORMULAS		NJ	LI	ETOWN	MT HLLY	TOT REG	AWK	AWR
100076	NE-PLANT/REV/EMPLOY	53.55%	10.18%	28.05%	2.09%	93.87%	0.00%	0.00%
100078	NE-REV/EMPLOY	51.80%	9.85%	27.13%	2.03%	90.81%	0.00%	0.00%
100500	NE-EMPLOYEES	51.29%	9.76%	26.87%	2.01%	89.93%	0.00%	0.00%
100080	NE-CAPEX	57.04%	10.85%	29.88%	2.23%	100.00%	0.00%	0.00%
100510	NE-PURCHASE ORDERS	54.02%	10.27%	28.30%	2.11%	94.70%	0.00%	0.00%

NORTHEAST REGION TIER-ONE FORMULAS		NJ	LI	ETOWN	MT HLLY	TOT REG	AWK	AWR
100074	NE-ALL REGION REGULATED	57.04%	10.85%	29.88%	2.23%	100.00%	0.00%	0.00%

SOUTHEAST REGION TIER-ONE FORMULAS		KY	MD	PA	TN	VA	WV	VA-EAST
100054	SE-PLANT/REV/EMPLOY	10.17%	0.44%	57.58%	6.61%	4.92%	15.22%	0.20%
100056	SE-REV/EMPLOY	9.91%	0.43%	56.12%	6.44%	4.79%	14.83%	0.19%
100503	SE-EMPLOYEES	9.98%	0.43%	56.47%	6.49%	4.82%	14.93%	0.20%
100058	SE-CAPEX	10.69%	0.46%	60.52%	6.95%	5.17%	16.00%	0.21%
100511	SE-PURCHASE ORDERS	10.16%	0.44%	57.53%	6.61%	4.92%	15.21%	0.20%

NORTHEAST REGION TIER-ONE FORMULAS		KY	MD	PA	TN	VA	WV	VA-EAST
100052	SE-ALL REGION REGULATED	10.69%	0.46%	60.52%	6.95%	5.17%	16.00%	0.21%

CORPORATE REGION REGULATED FORMULAS		CA	IL	IN	IA	KY	MD	MI
100124	BUSINESS CHANGE TEAM AU0400	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100127	GROW BUSINESS PROGRAM AU0402	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100129	INTEGRATING REG/NONREG AU0410	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100130	PERF,BONUS,ASSET SALE AU0412	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100131	PARTNERSHIP APPROACH AU0417	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100132	LICENSE TO MANAGE AU0422	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100133	PHASE 4 REORGANIZATION AU0427	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100134	RESTOCKING BD POSITIONS AU0431	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100135	RESTRUC MISC PROPLE CST AU0433	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100136	BUS CHNG-REORG. RESOURCING	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100137	SEVERANCE AU0434	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100138	WEBSITE MAKE OVER AU0439	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100139	STEP -MANAGEMENT AU0440	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100140	SERV CO SPECIAL RES FND AU0443	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100144	STEP EAM2 T&D MAXIMO AU0506	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100145	STEP EAM1 PLANT MAXIMO AU0507	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%

CENTRAL REGION REGULATED FORMULAS		AWK	AWR	AWS	TOT. NREG	TOTAL
100032	CE-ALL REGION REGULATED	0.00%	0.00%	0.00%	0.00%	100.00%

NORTHEAST REGION TIER-ONE FORMULAS		AWS	TOT. NREG	TOTAL
100076	NE-PLANT/REV/EMPLOY	6.13%	6.13%	100.00%
100078	NE-REV/EMPLOY	9.19%	9.19%	100.00%
100500	NE-EMPLOYEES	10.07%	10.07%	100.00%
100080	NE-CAPEX	0.00%	0.00%	100.00%
100510	NE-PURCHASE ORDERS	5.30%	5.30%	100.00%

NORTHEAST REGION TIER-ONE FORMULAS		AWS	TOT. NREG	TOTAL
100074	NE-ALL REGION REGULATED	0.00%	0.00%	100.00%

SOUTHEAST REGION TIER-ONE FORMULAS		TOT. REG	AWK	AWR	AWS	TOT. NREG	TOTAL
100054	SE-PLANT/REV/EMPLOY	95.14%	0.00%	0.00%	4.86%	4.86%	100.00%
100056	SE-REV/EMPLOY	92.71%	0.00%	0.00%	7.29%	7.29%	100.00%
100503	SE-EMPLOYEES	93.32%	0.00%	0.00%	6.68%	6.68%	100.00%
100058	SE-CAPEX	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100511	SE-PURCHASE ORDERS	95.07%	0.00%	0.00%	4.93%	4.93%	100.00%

NORTHEAST REGION TIER-ONE FORMULAS		TOT. REG	AWK	AWR	AWS	TOT. NREG	TOTAL
100052	SE-ALL REGION REGULATED	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%

CORPORATE REGION REGULATED FORMULAS		MO	NJ	NM	OH	AZ	PA	TN
100124	BUSINESS CHANGE TEAM AU0400	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100127	GROW BUSINESS PROGRAM AU0402	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100129	INTEGRATING REG/NONREG AU0410	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100130	PERF,BONUS,ASSET SALE AU0412	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100131	PARTNERSHIP APPROACH AU0417	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100132	LICENSE TO MANAGE AU0422	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100133	PHASE 4 REORGANIZATION AU0427	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100134	RESTOCKING BD POSITIONS AU0431	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100135	RESTRUC MISC PROPLE CST AU0433	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100136	BUS CHNG-REORG. RESOURCING	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100137	SEVERANCE AU0434	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100138	WEBSITE MAKE OVER AU0439	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100139	STEP -MANAGEMENT AU0440	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100140	SERV CO SPECIAL RES FND AU0443	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100144	STEP EAM2 T&D MAXIMO AU0506	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100145	STEP EAM1 PLANT MAXIMO AU0507	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%

CENTRAL REGION REGULATED FORMULAS									
100032	CE-ALL REGION REGULATED								
NORTHEAST REGION TIER-ONE FORMULAS									
100076	NE-PLANT/REV/EMPLOY								
100078	NE-REV/EMPLOY								
100500	NE-EMPLOYEES								
100080	NE-CAPEX								
100510	NE-PURCHASE ORDERS								
NORTHEAST REGION TIER-ONE FORMULAS									
100074	NE-ALL REGION REGULATED								
SOUTHEAST REGION TIER-ONE FORMULAS									
100054	SE-PLANT/REV/EMPLOY								
100056	SE-REV/EMPLOY								
100503	SE-EMPLOYEES								
100058	SE-CAPEX								
100511	SE-PURCHASE ORDERS								
NORTHEAST REGION TIER-ONE FORMULAS									
100052	SE-ALL REGION REGULATED								
CORPORATE REGION REGULATED FORMULAS		VA	WV	HI	LI	VA-EAST	TX	ETOWN	
100124	BUSINESS CHANGE TEAM AU0400	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%	
100127	GROW BUSINESS PROGRAM AU0402	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%	
100129	INTEGRATING REG/NONREG AU0410	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%	
100130	PERF,BONUS,ASSET SALE AU0412	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%	
100131	PARTNERSHIP APPROACH AU0417	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%	
100132	LICENSE TO MANAGE AU0422	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%	
100133	PHASE 4 REORGANIZATION AU0427	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%	
100134	RESTOCKING BD POSITIONS AU0431	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%	
100135	RESTRUC MISC PROPLE CST AU0433	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%	
100136	BUS CHNG-REORG. RESOURCING	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%	
100137	SEVERANCE AU0434	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%	
100138	WEBSITE MAKE OVER AU0439	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%	
100139	STEP -MANAGEMENT AU0440	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%	
100140	SERV CO SPECIAL RES FND AU0443	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%	
100144	STEP EAM2 T&D MAXIMO AU0506	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%	
100145	STEP EAM1 PLANT MAXIMO AU0507	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%	

CENTRAL REGION REGULATED FORMULAS								
100032	CE-ALL REGION REGULATED							
NORTHEAST REGION TIER-ONE FORMULAS								
100076	NE-PLANT/REV/EMPLOY							
100078	NE-REV/EMPLOY							
100500	NE-EMPLOYEES							
100080	NE-CAPEX							
100510	NE-PURCHASE ORDERS							
NORTHEAST REGION TIER-ONE FORMULAS								
100074	NE-ALL REGION REGULATED							
SOUTHEAST REGION TIER-ONE FORMULAS								
100054	SE-PLANT/REV/EMPLOY							
100056	SE-REV/EMPLOY							
100503	SE-EMPLOYEES							
100058	SE-CAPEX							
100511	SE-PURCHASE ORDERS							
NORTHEAST REGION TIER-ONE FORMULAS								
100052	SE-ALL REGION REGULATED							
CORPORATE REGION REGULATED FORMULAS		MT HLLY	TOT. REG	AWK	AWR	AWS	TOT. NREG	TOTAL
100124	BUSINESS CHANGE TEAM AU0400	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100127	GROW BUSINESS PROGRAM AU0402	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100129	INTEGRATING REG/NONREG AU0410	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100130	PERF,BONUS,ASSET SALE AU0412	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100131	PARTNERSHIP APPROACH AU0417	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100132	LICENSE TO MANAGE AU0422	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100133	PHASE 4 REORGANIZATION AU0427	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100134	RESTOCKING BD POSITIONS AU0431	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100135	RESTRUC MISC PROPLE CST AU0433	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100136	BUS CHNG-REORG. RESOURCING	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100137	SEVERANCE AU0434	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100138	WEBSITE MAKE OVER AU0439	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100139	STEP -MANAGEMENT AU0440	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100140	SERV CO SPECIAL RES FND AU0443	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100144	STEP EAM2 T&D MAXIMO AU0506	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100145	STEP EAM1 PLANT MAXIMO AU0507	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%

100146	STEP-GIS AU0508	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100147	STEP TAX/FA MGMT AU0509	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100148	STEP-FICO AU0510	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100149	STEP-HRIS AU0511	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100150	STEP MATERIAL MGMT AU0512	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100152	STEP-REG/CCS AU0514	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100153	STEP-WO DIAGNOSTIC AU0515	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100154	STEP-BUS INFORMATION AU0516	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100155	STEP-PORTAL AU0517	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100156	STEP-BUS INTELLEGENCE AU0518	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100157	STEP-EAI AU0519	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100158	STEP-DOCUMENT MGMT AU0520	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100159	STEP-SERVICE FIRST AU0521	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100160	STEP-MDSI PHASE 3 AU0522	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100199	ADVICE ON SRP, SERP AU0404	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100205	DIVERSITY COUNCIL AU0413	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100206	2003 SURVEY FOLLOW UP AU0414	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100207	PULSE SURVEY 2004 AU0415	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100209	LEGAL- COLL AGRMNTS AU0418	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100210	BENEFITS & IMPLEMENT AU0419	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100211	HR & UNION LEADER TRAIN AU0420	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100212	LEADERSHIP DEVELOPMENT AU0421	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100214	ATLANTA CONFERENCE 2004 AU0424	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100215	MGMT CONFERENCE IN 2005 AU0425	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100216	PHASE 3 REORGANIZATION AU0426	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100217	REVIEW OF POLICIES AU0428	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100220	VIDEO/COMMUNICATIONS AU0435	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100225	BUS CHG-TOTAL REWARDS AU0446	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100569	SEVERANCE - CORPORATE	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100579	STANDARD OPERATING PROCEDURE	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100599	BUS CHNG- HR ACTION PLAN	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100600	BUS CHNG-ANALYSIS INTO ACTION	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100601	BUS CHNG-IDEAS INTO ACTION	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100666	STEP-PROJECT MGT OFFICE	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100667	STEP-DESIGN AUTHORITY	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100709	MERCURY ITG TOOL	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100722	ON DEMAND SOFTWARE	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100736	CP-CAPEX REGULATED CO'S ONLY	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100757	VOICE RECOGNITION (OLD 100122)	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100768	STEP-CSC REPORTING	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%
100774	ENVIRONMENTAL REPORTING RECHRG	5.38%	9.09%	8.66%	1.85%	3.47%	0.15%	0.12%

100146	STEP-GIS AU0508	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100147	STEP TAX/FA MGMT AU0509	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100148	STEP-FICO AU0510	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100149	STEP-HRIS AU0511	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100150	STEP MATERIAL MGMT AU0512	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100152	STEP-REG/CCS AU0514	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100153	STEP-WO DIAGNOSTIC AU0515	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100154	STEP-BUS INFORMATION AU0516	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100155	STEP-PORTAL AU0517	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100156	STEP-BUS INTELLEGENCE AU0518	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100157	STEP-EAI AU0519	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100158	STEP-DOCUMENT MGMT AU0520	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100159	STEP-SERVICE FIRST AU0521	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100160	STEP-MDSI PHASE 3 AU0522	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100199	ADVICE ON SRP, SERP AU0404	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100205	DIVERSITY COUNCIL AU0413	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100206	2003 SURVEY FOLLOW UP AU0414	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100207	PULSE SURVEY 2004 AU0415	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100209	LEGAL- COLL AGRMNTS AU0418	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100210	BENEFITS & IMPLEMENT AU0419	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100211	HR & UNION LEADER TRAIN AU0420	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100212	LEADERSHIP DEVELOPMENT AU0421	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100214	ATLANTA CONFERENCE 2004 AU0424	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100215	MGMT CONFERENCE IN 2005 AU0425	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100216	PHASE 3 REORGANIZATION AU0426	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100217	REVIEW OF POLICIES AU0428	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100220	VIDEO/COMMUNICATIONS AU0435	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100225	BUS CHG-TOTAL REWARDS AU0446	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100569	SEVERANCE - CORPORATE	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100579	STANDARD OPERATING PROCEDURE	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100599	BUS CHNG- HR ACTION PLAN	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100600	BUS CHNG-ANALYSIS INTO ACTION	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100601	BUS CHNG-IDEAS INTO ACTION	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100666	STEP-PROJECT MGT OFFICE	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100667	STEP-DESIGN AUTHORITY	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100709	MERCURY ITG TOOL	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100722	ON DEMAND SOFTWARE	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100736	CP-CAPEX REGULATED CO'S ONLY	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100757	VOICE RECOGNITION (OLD 100122)	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100768	STEP-CSC REPORTING	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%
100774	ENVIRONMENTAL REPORTING RECHRG	14.23%	12.14%	0.51%	1.82%	4.11%	19.64%	2.25%

100146	STEP-GIS AU0508	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100147	STEP TAX/FA MGMT AU0509	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100148	STEP-FICO AU0510	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100149	STEP-HRIS AU0511	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100150	STEP MATERIAL MGMT AU0512	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100152	STEP-REG/CCS AU0514	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100153	STEP-WO DIAGNOSTIC AU0515	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100154	STEP-BUS INFORMATION AU0516	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100155	STEP-PORTAL AU0517	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100156	STEP-BUS INTELLEGENCE AU0518	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100157	STEP-EAI AU0519	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100158	STEP-DOCUMENT MGMT AU0520	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100159	STEP-SERVICE FIRST AU0521	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100160	STEP-MDSI PHASE 3 AU0522	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100199	ADVICE ON SRP, SERP AU0404	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100205	DIVERSITY COUNCIL AU0413	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100206	2003 SURVEY FOLLOW UP AU0414	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100207	PULSE SURVEY 2004 AU0415	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100209	LEGAL- COLL AGRMNTS AU0418	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100210	BENEFITS & IMPLEMENT AU0419	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100211	HR & UNION LEADER TRAIN AU0420	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100212	LEADERSHIP DEVELOPMENT AU0421	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100214	ATLANTA CONFERENCE 2004 AU0424	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100215	MGMT CONFERENCE IN 2005 AU0425	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100216	PHASE 3 REORGANIZATION AU0426	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100217	REVIEW OF POLICIES AU0428	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100220	VIDEO/COMMUNICATIONS AU0435	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100225	BUS CHG-TOTAL REWARDS AU0446	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100569	SEVERANCE - CORPORATE	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100579	STANDARD OPERATING PROCEDURE	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100599	BUS CHNG- HR ACTION PLAN	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100600	BUS CHNG-ANALYSIS INTO ACTION	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100601	BUS CHNG-IDEAS INTO ACTION	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100666	STEP-PROJECT MGT OFFICE	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100667	STEP-DESIGN AUTHORITY	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100709	MERCURY ITG TOOL	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100722	ON DEMAND SOFTWARE	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100736	CP-CAPEX REGULATED CO'S ONLY	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100757	VOICE RECOGNITION (OLD 100122)	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100768	STEP-CSC REPORTING	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%
100774	ENVIRONMENTAL REPORTING RECHRG	1.68%	5.19%	0.33%	2.31%	0.07%	0.16%	6.36%

100146	STEP-GIS AU0508	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100147	STEP TAX/FA MGMT AU0509	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100148	STEP-FICO AU0510	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100149	STEP-HRIS AU0511	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100150	STEP MATERIAL MGMT AU0512	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100152	STEP-REG/CCS AU0514	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100153	STEP-WO DIAGNOSTIC AU0515	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100154	STEP-BUS INFORMATION AU0516	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100155	STEP-PORTAL AU0517	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100156	STEP-BUS INTELLEGENCE AU0518	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100157	STEP-EAI AU0519	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100158	STEP-DOCUMENT MGMT AU0520	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100159	STEP-SERVICE FIRST AU0521	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100160	STEP-MDSI PHASE 3 AU0522	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100199	ADVICE ON SRP, SERP AU0404	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100205	DIVERSITY COUNCIL AU0413	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100206	2003 SURVEY FOLLOW UP AU0414	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100207	PULSE SURVEY 2004 AU0415	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100209	LEGAL- COLL AGRMNTS AU0418	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100210	BENEFITS & IMPLEMENT AU0419	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100211	HR & UNION LEADER TRAIN AU0420	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100212	LEADERSHIP DEVELOPMENT AU0421	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100214	ATLANTA CONFERENCE 2004 AU0424	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100215	MGMT CONFERENCE IN 2005 AU0425	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100216	PHASE 3 REORGANIZATION AU0426	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100217	REVIEW OF POLICIES AU0428	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100220	VIDEO/COMMUNICATIONS AU0435	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100225	BUS CHG-TOTAL REWARDS AU0446	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100569	SEVERANCE - CORPORATE	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100579	STANDARD OPERATING PROCEDURE	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100599	BUS CHNG- HR ACTION PLAN	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100600	BUS CHNG-ANALYSIS INTO ACTION	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100601	BUS CHNG-IDEAS INTO ACTION	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100666	STEP-PROJECT MGT OFFICE	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100667	STEP-DESIGN AUTHORITY	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100709	MERCURY ITG TOOL	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100722	ON DEMAND SOFTWARE	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100736	CP-CAPEX REGULATED CO'S ONLY	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100757	VOICE RECOGNITION (OLD 100122)	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100768	STEP-CSC REPORTING	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
100774	ENVIRONMENTAL REPORTING RECHRG	0.48%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%

CENTRAL REGION TIER-ONE FORMULAS		IL	IN	IA	MI	MO	OH	TOT. REG
100035	CE-PLANT/REV/EMPLOY-NO O/H	25.02%	23.82%	5.08%	0.32%	39.16%	5.01%	98.41%
100037	CE-REV/EMPLOY-NO O/H	24.81%	23.63%	5.04%	0.32%	38.84%	4.97%	97.61%
100039	CE-CAPEX-NO O/H	25.42%	24.21%	5.16%	0.33%	39.79%	5.09%	100.00%
100573	SEVERANCE - CENTRAL REGION	25.42%	24.21%	5.16%	0.33%	39.79%	5.09%	100.00%
100596	SUPPLY CHAIN CE-ALL REGION REG	25.42%	24.21%	5.16%	0.33%	39.79%	5.09%	100.00%
100756	HURRICANE KATRINA	25.42%	24.21%	5.16%	0.33%	39.79%	5.09%	100.00%

CENTRAL REGION REGULATED FORMULAS		IL	IN	IA	MI	MO	OH	TOT. REG
100033	CE-ALL REGION REGULATED-NO O/H	25.42%	24.21%	5.16%	0.33%	39.79%	5.09%	100.00%

CUSTOMER COUNT AS OF 04/01/03 - FORMULA 01		AZ	CA	EPA	HI	IL	IN	IA
100107	SEASONAL CHLORINATION AU0213	2.68%	6.05%	0.00%	0.00%	9.44%	9.65%	2.07%
100114	SOP-DECON PIPELINE SYS AU0259	2.68%	6.05%	0.00%	0.00%	9.44%	9.65%	2.07%
100527	ENDOCRINE DISRUPT SUBST AU0217	2.68%	6.05%	0.00%	0.00%	9.44%	9.65%	2.07%
100528	NEG. PRESSURE TRANSIENT AU0218	2.68%	6.05%	0.00%	0.00%	9.44%	9.65%	2.07%
100530	R&D-GEN PROGRAM OPER AU0257	2.68%	6.05%	0.00%	0.00%	9.44%	9.65%	2.07%

CUSTOMER COUNT AS OF DEC 2004 - FORMULA 00		AZ	CA	ELI	HI	IL	IN	IA
100534	DATABASE-WST WTR PLANTS AU0204	3.74%	5.47%	6.44%	0.32%	9.38%	8.62%	1.86%

CUSTOMER COUNT AS OF DEC 2004 - FORMULA 01		AZ	CA	ELI	HI	IL	IN	IA
100535	CROSS-CONNECT&BACKFLOW AU0208	2.53%	5.65%	6.71%	0.00%	8.82%	8.97%	1.93%

CUSTOMER COUNT AS OF DEC 2004 - FORMULA 443		AZ	CA	ELI	HI	IL	IN	IA
100142	CENTRAL SPECIAL RES FND AU0441	0.00%	0.00%	0.00%	0.00%	26.14%	24.03%	5.17%

CUSTOMER COUNT AS OF DEC 2004 - FORMULA 445		AZ	CA	ELI	HI	IL	IN	IA
100110	CAP PROG MGT/ASSET PLAN AU0221	4.02%	5.88%	0.00%	0.35%	10.07%	9.26%	1.99%
100111	SUPPLY CHAIN CP-ALL REG CO'S	4.02%	5.88%	0.00%	0.35%	10.07%	9.26%	1.99%
100113	KNOWLEDGE SHARE PRJ AU0258	4.02%	5.88%	0.00%	0.35%	10.07%	9.26%	1.99%
100713	EXTENDED KNOWLEDGE SHARING PRG	4.02%	5.88%	0.00%	0.35%	10.07%	9.26%	1.99%

CAPITALIZATION OF RESEARCH COSTS		AZ	CA	ELI	HI	IL	IN	IA
100590	FAILURE ANALYSIS ORIENTED PIPE STUDY	2.40%	2.15%	8.51%	0.00%	11.40%	8.00%	1.09%
100591	AUTO METER READING MGMT STUDY	0.55%	1.10%	10.08%	0.05%	3.61%	2.57%	0.51%

DIRECT CHARGE FORMULAS		IN
100042	CO 10 (MO) DIR CHG EXP	100.00%
100043	CO 10 (MO) DIR CHG EXP-NO O/H	100.00%

CENTRAL REGION TIER-ONE FORMULAS		AWK	AWR	AWS	TOT. NREG	TOTAL
100035	CE-PLANT/REV/EMPLOY-NO O/H	0.00%	0.00%	1.59%	1.59%	100.00%
100037	CE-REV/EMPLOY-NO O/H	0.00%	0.00%	2.39%	2.39%	100.00%
100039	CE-CAPEX-NO O/H	0.00%	0.00%	0.00%	0.00%	100.00%
100573	SEVERANCE - CENTRAL REGION	0.00%	0.00%	0.00%	0.00%	100.00%
100596	SUPPLY CHAIN CE-ALL REGION REG	0.00%	0.00%	0.00%	0.00%	100.00%
100756	HURRICANE KATRINA	0.00%	0.00%	0.00%	0.00%	100.00%

CENTRAL REGION REGULATED FORMULAS		AWK	AWR	AWS	TOT. NREG	TOTAL
100033	CE-ALL REGION REGULATED-NO O/H	0.00%	0.00%	0.00%	0.00%	100.00%

CUSTOMER COUNT AS OF 04/01/03 - FORMULA 01		KY	LI	MD	MI	MO	NJ	NM
100107	SEASONAL CHLORINATION AU0213	3.81%	2.66%	0.17%	0.14%	15.96%	12.74%	0.56%
100114	SOP-DECON PIPELINE SYS AU0259	3.81%	2.66%	0.17%	0.14%	15.96%	12.74%	0.56%
100527	ENDOCRINE DISRUPT SUBST AU0217	3.81%	2.66%	0.17%	0.14%	15.96%	12.74%	0.56%
100528	NEG. PRESSURE TRANSIENT AU0218	3.81%	2.66%	0.17%	0.14%	15.96%	12.74%	0.56%
100530	R&D-GEN PROGRAM OPER AU0257	3.81%	2.66%	0.17%	0.14%	15.96%	12.74%	0.56%

CUSTOMER COUNT AS OF DEC 2004 - FORMULA 00		KY	LI	MD	MI	MO	MTH	NJ
100534	DATABASE-WST WTR PLANTS AU0204	3.41%	2.35%	0.15%	0.12%	14.08%	0.48%	12.14%

CUSTOMER COUNT AS OF DEC 2004 - FORMULA 01		KY	LI	MD	MI	MO	MTH	NJ
100535	CROSS-CONNECT&BACKFLOW AU0208	3.56%	2.45%	0.16%	0.13%	14.68%	0.50%	11.82%

CUSTOMER COUNT AS OF DEC 2004 - FORMULA 443		KY	LI	MD	MI	MO	MTH	NJ
100142	CENTRAL SPECIAL RES FND AU0441	0.00%	0.00%	0.00%	0.34%	39.27%	0.00%	0.00%

CUSTOMER COUNT AS OF DEC 2004 - FORMULA 445		KY	LI	MD	MI	MO	MTH	NJ
100110	CAP PROG MGT/ASSET PLAN AU0221	3.67%	2.53%	0.16%	0.13%	15.13%	0.00%	13.04%
100111	SUPPLY CHAIN CP-ALL REG CO'S	3.67%	2.53%	0.16%	0.13%	15.13%	0.00%	13.04%
100113	KNOWLEDGE SHARE PRJ AU0258	3.67%	2.53%	0.16%	0.13%	15.13%	0.00%	13.04%
100713	EXTENDED KNOWLEDGE SHARING PRG	3.67%	2.53%	0.16%	0.13%	15.13%	0.00%	13.04%

CAPITALIZATION OF RESEARCH COSTS		KY	LI	MD	MI	MO	MO	MTH
100590	FAILURE ANALYSIS ORIENTED PIPE STUDY	3.64%	0.00%	0.07%	0.06%	17.35%	0.00%	0.29%
100591	AUTO METER READING MGMT STUDY	0.74%	0.73%	0.07%	0.07%	2.51%	22.13%	0.96%

DIRECT CHARGE FORMULAS	
100042	CO 10 (MO) DIR CHG EXP
100043	CO 10 (MO) DIR CHG EXP-NO O/H

CENTRAL REGION TIER-ONE FORMULAS								
100035	CE-PLANT/REV/EMPLOY-NO O/H							
100037	CE-REV/EMPLOY-NO O/H							
100039	CE-CAPEX-NO O/H							
100573	SEVERANCE - CENTRAL REGION							
100596	SUPPLY CHAIN CE-ALL REGION REG							
100756	HURRICANE KATRINA							
CENTRAL REGION REGULATED FORMULAS								
100033	CE-ALL REGION REGULATED-NO O/H							
CUSTOMER COUNT AS OF 04/01/03 - FORMULA 01		OH	PA	TN	VA	WV	TOTAL	
100107	SEASONAL CHLORINATION AU0213	1.85%	21.75%	2.54%	1.98%	5.93%	100.00%	
100114	SOP-DECON PIPELINE SYS AU0259	1.85%	21.75%	2.54%	1.98%	5.93%	100.00%	
100527	ENDOCRINE DISRUPT SUBST AU0217	1.85%	21.75%	2.54%	1.98%	5.93%	100.00%	
100528	NEG. PRESSURE TRANSIENT AU0218	1.85%	21.75%	2.54%	1.98%	5.93%	100.00%	
100530	R&D-GEN PROGRAM OPER AU0257	1.85%	21.75%	2.54%	1.98%	5.93%	100.00%	
CUSTOMER COUNT AS OF DEC 2004 - FORMULA 00		NM	OH	PA	TN	TX	UWV	VA
100534	DATABASE-WST WTR PLANTS AU0204	0.50%	1.81%	19.72%	2.25%	0.17%	0.07%	1.68%
CUSTOMER COUNT AS OF DEC 2004 - FORMULA 01		NM	OH	PA	TN	TX	UWV	VA
100535	CROSS-CONNECT&BACKFLOW AU0208	0.52%	1.67%	20.14%	2.35%	0.13%	0.07%	1.75%
CUSTOMER COUNT AS OF DEC 2004 - FORMULA 443		NM	OH	PA	TN	TX	UWV	VA
100142	CENTRAL SPECIAL RES FND AU0441	0.00%	5.04%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER COUNT AS OF DEC 2004 - FORMULA 445		NM	OH	PA	TN	TX	UWV	VA
100110	CAP PROG MGT/ASSET PLAN AU0221	0.54%	1.94%	21.19%	2.42%	0.18%	0.07%	1.80%
100111	SUPPLY CHAIN CP-ALL REG CO'S	0.54%	1.94%	21.19%	2.42%	0.18%	0.07%	1.80%
100113	KNOWLEDGE SHARE PRJ AU0258	0.54%	1.94%	21.19%	2.42%	0.18%	0.07%	1.80%
100713	EXTENDED KNOWLEDGE SHARING PRG	0.54%	1.94%	21.19%	2.42%	0.18%	0.07%	1.80%
CAPITALIZATION OF RESEARCH COSTS		NJ	NM	OH	PA	TN	TX	VA
100590	FAILURE ANALYSIS ORIENTED PIPE STUDY	16.28%	0.54%	1.83%	13.38%	4.46%	0.04%	1.29%
100591	AUTO METER READING MGMT STUDY	5.58%	0.25%	1.16%	40.20%	1.33%	0.07%	1.12%
DIRECT CHARGE FORMULAS								
100042	CO 10 (MO) DIR CHG EXP							
100043	CO 10 (MO) DIR CHG EXP-NO O/H							

CENTRAL REGION TIER-ONE FORMULAS				
100035	CE-PLANT/REV/EMPLOY-NO O/H			
100037	CE-REV/EMPLOY-NO O/H			
100039	CE-CAPEX-NO O/H			
100573	SEVERANCE - CENTRAL REGION			
100596	SUPPLY CHAIN CE-ALL REGION REG			
100756	HURRICANE KATRINA			
CENTRAL REGION REGULATED FORMULAS				
100033	CE-ALL REGION REGULATED-NO O/H			
CUSTOMER COUNT AS OF 04/01/03 - FORMULA 01				
100107	SEASONAL CHLORINATION AU0213			
100114	SOP-DECON PIPELINE SYS AU0259			
100527	ENDOCRINE DISRUPT SUBST AU0217			
100528	NEG. PRESSURE TRANSIENT AU0218			
100530	R&D-GEN PROGRAM OPER AU0257			
CUSTOMER COUNT AS OF DEC 2004 - FORMULA 00		WV	TOTAL	
100534	DATABASE-WST WTR PLANTS AU0204	5.23%	100.00%	
CUSTOMER COUNT AS OF DEC 2004 - FORMULA 01		WV	TOTAL	
100535	CROSS-CONNECT&BACKFLOW AU0208	5.46%	100.00%	
CUSTOMER COUNT AS OF DEC 2004 - FORMULA 443		WV	TOTAL	
100142	CENTRAL SPECIAL RES FND AU0441	0.00%	100.00%	
CUSTOMER COUNT AS OF DEC 2004 - FORMULA 445		WV	TOTAL	
100110	CAP PROG MGT/ASSET PLAN AU0221	5.62%	100.00%	
100111	SUPPLY CHAIN CP-ALL REG CO'S	5.62%	100.00%	
100113	KNOWLEDGE SHARE PRJ AU0258	5.62%	100.00%	
100713	EXTENDED KNOWLEDGE SHARING PRG	5.62%	100.00%	
CAPITALIZATION OF RESEARCH COSTS		UWV	WV	TOTAL
100590	FAILURE ANALYSIS ORIENTED PIPE STUDY	0.09%	7.13%	100.00%
100591	AUTO METER READING MGMT STUDY	0.08%	4.55%	100.00%
DIRECT CHARGE FORMULAS				
100042	CO 10 (MO) DIR CHG EXP			
100043	CO 10 (MO) DIR CHG EXP-NO O/H			

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
CUSTOMER COUNT
AS OF 12/10/2004

COMPANY NUMBER	COMPANY NAME	WATER	WASTEWATER	TOTAL	%
05	CALIFORNIA-AMERICAN	170,249	1,534	171,783	5.38%
09	ILLINOIS-AMERICAN	269,016	21,393	290,409	9.09%
10	INDIANA-AMERICAN	276,153	458	276,611	8.66%
11	IOWA-AMERICAN	59,002	-	59,002	1.85%
12	KENTUCKY-AMERICAN	110,707	83	110,790	3.47%
13	MARYLAND-AMERICAN	4,766	-	4,766	0.15%
16	MICHIGAN-AMERICAN	3,820	-	3,820	0.12%
17	MISSOURI-AMERICAN	454,406	100	454,506	14.23%
18	NEW JERSEY-AMERICAN	361,498	26,205	387,703	12.14%
19	NEW MEXICO-AMERICAN	16,145	-	16,145	0.51%
22	OHIO-AMERICAN	51,462	6,667	58,129	1.82%
23	ARIZONA-AMERICAN	86,175	45,066	131,241	4.11%
24	PENNSYLVANIA-AMERICAN	614,268	13,135	627,403	19.64%
26	TENNESSEE-AMERICAN	72,013	-	72,013	2.25%
27	VIRGINIA-AMERICAN	53,642	-	53,642	1.68%
28	WEST VIRGINIA-AMERICAN	165,857	-	165,857	5.19%
30	HAWAII-AMERICAN	-	10,393	10,393	0.33%
38	LONG ISLAND-AMERICAN	73,754	-	73,754	2.31%
42	UNITED WATER VIRGINIA	2,209	-	2,209	0.07%
50	TEXAS-AMERICAN	4,096	1,094	5,190	0.16%
52	ELIZABETHTOWN WATER Co	203,130		203,130	6.36%
53	Mt HOLLY WATER Co	15,185		15,185	0.48%
	Total	3,067,553	126,128	3,193,681	100.00%

100001	**CP-ALL REGULATED CO'S (W & WW)**				
05	CALIFORNIA-AMERICAN			171,783	5.38%
09	ILLINOIS-AMERICAN			290,409	9.09%
10	INDIANA-AMERICAN			276,611	8.66%
11	IOWA-AMERICAN			59,002	1.85%
12	KENTUCKY-AMERICAN			110,790	3.47%
13	MARYLAND-AMERICAN			4,766	0.15%
16	MICHIGAN-AMERICAN			3,820	0.12%
17	MISSOURI-AMERICAN			454,506	14.23%
18	NEW JERSEY-AMERICAN			387,703	12.14%
19	NEW MEXICO-AMERICAN			16,145	0.51%
22	OHIO-AMERICAN			58,129	1.82%
23	ARIZONA-AMERICAN			131,241	4.11%
24	PENNSYLVANIA-AMERICAN			627,403	19.64%
26	TENNESSEE-AMERICAN			72,013	2.25%
27	VIRGINIA-AMERICAN			53,642	1.68%
28	WEST VIRGINIA-AMERICAN			165,857	5.19%
30	HAWAII-AMERICAN			10,393	0.33%
38	LONG ISLAND-AMERICAN			73,754	2.31%
42	UNITED WATER VIRGINIA			2,209	0.07%
50	TEXAS-AMERICAN			5,190	0.16%
52	ELIZABETHTOWN WATER Co			203,130	6.36%
53	Mt HOLLY WATER Co			15,185	0.48%
	Total	0	0	3,193,681	100.00%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
CUSTOMER COUNT
AS OF 12/10/2004

COMPANY NUMBER	COMPANY NAME	WATER	WASTEWATER	TOTAL	%
100533	**CP-ALL REGULATED WATER CO'S**				
05	CALIFORNIA-AMERICAN	170,249			5.55%
09	ILLINOIS-AMERICAN	269,016			8.77%
10	INDIANA-AMERICAN	276,153			9.00%
11	IOWA-AMERICAN	59,002			1.92%
12	KENTUCKY-AMERICAN	110,707			3.61%
13	MARYLAND-AMERICAN	4,766			0.16%
16	MICHIGAN-AMERICAN	3,820			0.12%
17	MISSOURI-AMERICAN	454,406			14.81%
18	NEW JERSEY-AMERICAN	361,498			11.78%
19	NEW MEXICO-AMERICAN	16,145			0.53%
22	OHIO-AMERICAN	51,462			1.68%
23	ARIZONA-AMERICAN	86,175			2.81%
24	PENNSYLVANIA-AMERICAN	614,268			20.03%
26	TENNESSEE-AMERICAN	72,013			2.35%
27	VIRGINIA-AMERICAN	53,642			1.75%
28	WEST VIRGINIA-AMERICAN	165,857			5.41%
30	HAWAII-AMERICAN	-			0.00%
38	LONG ISLAND-AMERICAN	73,754			2.40%
42	UNITED WATER VIRGINIA	2,209			0.07%
50	TEXAS-AMERICAN	4,096			0.13%
52	ELIZABETHTOWN WATER Co	203,130			6.62%
53	Mt HOLLY WATER Co	15,185			0.50%
	Total	3,067,553	0	0	100.00%
100233	**CP-ALL REGULATED WASTE WTR CO**				
05	CALIFORNIA-AMERICAN		1,534		1.22%
09	ILLINOIS-AMERICAN		21,393		16.96%
10	INDIANA-AMERICAN		458		0.36%
11	IOWA-AMERICAN		-		0.00%
12	KENTUCKY-AMERICAN		83		0.07%
13	MARYLAND-AMERICAN		-		0.00%
16	MICHIGAN-AMERICAN		-		0.00%
17	MISSOURI-AMERICAN		100		0.08%
18	NEW JERSEY-AMERICAN		26,205		20.78%
19	NEW MEXICO-AMERICAN		-		0.00%
22	OHIO-AMERICAN		6,667		5.29%
23	ARIZONA-AMERICAN		45,066		35.72%
24	PENNSYLVANIA-AMERICAN		13,135		10.41%
26	TENNESSEE-AMERICAN		-		0.00%
27	VIRGINIA-AMERICAN		-		0.00%
28	WEST VIRGINIA-AMERICAN		-		0.00%
30	HAWAII-AMERICAN		10,393		8.24%
38	LONG ISLAND-AMERICAN		-		0.00%
42	UNITED WATER VIRGINIA		-		0.00%
50	TEXAS-AMERICAN		1,094		0.87%
52	ELIZABETHTOWN WATER Co		-		0.00%
53	Mt HOLLY WATER Co		-		0.00%
	Total	0	126,128	0	100.00%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
CUSTOMER COUNT
AS OF 12/10/2004

COMPANY NUMBER	COMPANY NAME	WATER	WASTEWATER	TOTAL	%
100524	**CP-CUST CALL CNTR REG CO'S**				
05	CALIFORNIA-AMERICAN			171,783	5.79%
09	ILLINOIS-AMERICAN			290,409	9.79%
10	INDIANA-AMERICAN			276,611	9.32%
11	IOWA-AMERICAN			59,002	1.99%
12	KENTUCKY-AMERICAN			110,790	3.73%
13	MARYLAND-AMERICAN			4,766	0.16%
17	MISSOURI-AMERICAN			454,506	15.32%
18	NEW JERSEY-AMERICAN			387,703	13.07%
19	NEW MEXICO-AMERICAN			16,145	0.54%
22	OHIO-AMERICAN			58,129	1.96%
23	ARIZONA-AMERICAN			131,241	4.42%
24	PENNSYLVANIA-AMERICAN			627,403	21.17%
26	TENNESSEE-AMERICAN			72,013	2.43%
27	VIRGINIA-AMERICAN			53,642	1.81%
28	WEST VIRGINIA-AMERICAN			165,857	5.59%
30	HAWAII-AMERICAN			10,393	0.35%
38	LONG ISLAND-AMERICAN			73,754	2.49%
42	UNITED WATER VIRGINIA			2,209	0.07%
	Total	0	0	2,966,356	100.00%
100014	**WE-ALL REGION REGULATED**				
05	CALIFORNIA-AMERICAN			171,783	51.32%
19	NEW MEXICO-AMERICAN			16,145	4.82%
23	ARIZONA-AMERICAN			131,241	39.21%
30	HAWAII-AMERICAN			10,393	3.10%
50	TEXAS-AMERICAN			5,190	1.55%
	Total	0	0	334,752	100.00%
100032	**CE-ALL REGION REGULATED**				
09	ILLINOIS-AMERICAN			290,409	25.42%
10	INDIANA-AMERICAN			276,611	24.21%
11	IOWA-AMERICAN			59,002	5.16%
16	MICHIGAN-AMERICAN			3,820	0.33%
17	MISSOURI-AMERICAN			454,506	39.79%
22	OHIO-AMERICAN			58,129	5.09%
	Total	0	0	1,142,477	100.00%
100052	**SE-ALL REGION REGULATED**				
12	KENTUCKY-AMERICAN			110,790	10.69%
13	MARYLAND-AMERICAN			4,766	0.46%
24	PENNSYLVANIA-AMERICAN			627,403	60.52%
26	TENNESSEE-AMERICAN			72,013	6.95%
27	VIRGINIA-AMERICAN			53,642	5.17%
28	WEST VIRGINIA-AMERICAN			165,857	16.00%
42	UNITED WATER VIRGINIA			2,209	0.21%
	Total	0	0	1,036,680	100.00%
100074	**NE-ALL REGION REGULATED**				
18	NEW JERSEY-AMERICAN			387,703	57.04%
38	LONG ISLAND-AMERICAN			73,754	10.85%
52	ELIZABETHTOWN WATER Co			203,130	29.88%
53	Mt HOLLY WATER Co			15,185	2.23%
	Total	0	0	679,772	100.00%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100002	CP-PLANT/REV/EMPLOY W/CHILE						
	REV	$ 1,766,124	$ 321,932	$ 2,088,056	84.58%	15.42%	100.00%
	PLANT	$ 7,647,617	$ 371,579	$ 8,019,196	95.37%	4.63%	100.00%
	EMPLOYEES (ALL)	4,083	1,927	6,010	67.94%	32.06%	100.00%
	AVERAGE				82.63%	17.37%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
05	CALIFORNIA-AMERICAN	171,783	5.38%	4.45%
09	ILLINOIS-AMERICAN	290,409	9.09%	7.51%
10	INDIANA-AMERICAN	276,611	8.66%	7.16%
11	IOWA-AMERICAN	59,002	1.85%	1.53%
12	KENTUCKY-AMERICAN	110,790	3.47%	2.87%
13	MARYLAND-AMERICAN	4,766	0.15%	0.12%
16	MICHIGAN-AMERICAN	3,820	0.12%	0.10%
17	MISSOURI-AMERICAN	454,506	14.23%	11.76%
18	NEW JERSEY-AMERICAN	387,703	12.14%	10.03%
19	NEW MEXICO-AMERICAN	16,145	0.51%	0.42%
22	OHIO-AMERICAN	58,129	1.82%	1.50%
23	ARIZONA-AMERICAN	131,241	4.11%	3.40%
24	PENNSYLVANIA-AMERICAN	627,403	19.64%	16.21%
26	TENNESSEE-AMERICAN	72,013	2.25%	1.86%
27	VIRGINIA-AMERICAN	53,642	1.68%	1.39%
28	WEST VIRGINIA-AMERICAN	165,857	5.19%	4.29%
30	HAWAII-AMERICAN	10,393	0.33%	0.27%
38	LONG ISLAND-AMERICAN	73,754	2.31%	1.91%
42	UNITED WATER VIRGINIA	2,209	0.07%	0.06%
50	TEXAS-AMERICAN	5,190	0.16%	0.13%
52	ELIZABETHTOWN WATER Co	203,130	6.36%	5.26%
53	Mt HOLLY WATER Co	15,185	0.48%	0.40%
	Total	3,193,681	100.00%	82.63%

ALLOCATE NON-REGULATED BY FACTOR		REV	PLANT	EMPLOY
00002	American Water Works Company	$ 71,824	$ 275,252	901
00021	American Water Resources, Inc	$ -	$ 40,269	15
00031	AW Products & Services Total	$ 250,108	$ 56,058	1,011
	Total Non-Regulated	$ 321,932	$ 371,579	1,927

Individual Factor Percentages:	% REV	% PLANT	% EMPLOY	% AVG	FINAL %
American Water Works Company	22.31%	74.08%	46.76%	47.71%	8.29%
American Water Resources, Inc	0.00%	10.84%	0.78%	3.87%	0.67%
AW Products & Services Total	77.69%	15.09%	52.46%	48.41%	8.41%
Total Non-Regulated	100.00%	100.00%	100.00%	100.00%	17.37%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100003	CP-PLANT/REV/EMPLOY W/O CHILE						
	REV	$ 1,766,124	$ 250,108	$ 2,016,232	87.60%	12.40%	100.00%
	PLANT	$ 7,647,617	$ 96,820	$ 7,744,437	98.75%	1.25%	100.00%
	EMPLOYEES (ALL)	4,083	1,026	5,109	79.92%	20.08%	100.00%
	AVERAGE				88.75%	11.25%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
05	CALIFORNIA-AMERICAN	171,783	5.38%	4.77%
09	ILLINOIS-AMERICAN	290,409	9.09%	8.07%
10	INDIANA-AMERICAN	276,611	8.66%	7.69%
11	IOWA-AMERICAN	59,002	1.85%	1.64%
12	KENTUCKY-AMERICAN	110,790	3.47%	3.08%
13	MARYLAND-AMERICAN	4,766	0.15%	0.13%
16	MICHIGAN-AMERICAN	3,820	0.12%	0.11%
17	MISSOURI-AMERICAN	454,506	14.23%	12.63%
18	NEW JERSEY-AMERICAN	387,703	12.14%	10.77%
19	NEW MEXICO-AMERICAN	16,145	0.51%	0.45%
22	OHIO-AMERICAN	58,129	1.82%	1.62%
23	ARIZONA-AMERICAN	131,241	4.11%	3.65%
24	PENNSYLVANIA-AMERICAN	627,403	19.64%	17.43%
26	TENNESSEE-AMERICAN	72,013	2.25%	2.00%
27	VIRGINIA-AMERICAN	53,642	1.68%	1.49%
28	WEST VIRGINIA-AMERICAN	165,857	5.19%	4.61%
30	HAWAII-AMERICAN	10,393	0.33%	0.29%
38	LONG ISLAND-AMERICAN	73,754	2.31%	2.05%
42	UNITED WATER VIRGINIA	2,209	0.07%	0.06%
50	TEXAS-AMERICAN	5,190	0.16%	0.14%
52	ELIZABETHTOWN WATER Co	203,130	6.36%	5.64%
53	Mt HOLLY WATER Co	15,185	0.48%	0.43%
	Total	3,193,681	100.00%	88.75%

ALLOCATE NON-REGULATED BY FACTOR		REV	PLANT	EMPLOY
00002	American Water Works Company	$ -	$ 493	-
00021	American Water Resources, Inc	$ -	$ 40,269	15
00031	AW Products & Services Total	$ 250,108	$ 56,058	1,011
	Total Non-Regulated	$ 250,108	$ 96,820	1,026

Individual Factor Percentages:	% REV	% PLANT	% EMPLOY	% AVG	FINAL %
American Water Works Company	0.00%	0.51%	0.00%	0.17%	0.02%
American Water Resources, Inc	0.00%	41.59%	1.46%	14.35%	1.61%
AW Products & Services Total	100.00%	57.90%	98.54%	85.48%	9.62%
Total Non-Regulated	100.00%	100.00%	100.00%	100.00%	11.25%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100004	**CP-REV/EMPLOY W/CHILE**						
	REV	$ 1,766,124	$ 321,932	$ 2,088,056	84.58%	15.42%	100.00%
	EMPLOYEES (ALL)	4,083	1,927	6,010	67.94%	32.06%	100.00%
	AVERAGE				76.26%	23.74%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
05	CALIFORNIA-AMERICAN	171,783	5.38%	4.10%
09	ILLINOIS-AMERICAN	290,409	9.09%	6.93%
10	INDIANA-AMERICAN	276,611	8.66%	6.60%
11	IOWA-AMERICAN	59,002	1.85%	1.41%
12	KENTUCKY-AMERICAN	110,790	3.47%	2.65%
13	MARYLAND-AMERICAN	4,766	0.15%	0.11%
16	MICHIGAN-AMERICAN	3,820	0.12%	0.09%
17	MISSOURI-AMERICAN	454,506	14.23%	10.85%
18	NEW JERSEY-AMERICAN	387,703	12.14%	9.26%
19	NEW MEXICO-AMERICAN	16,145	0.51%	0.39%
22	OHIO-AMERICAN	58,129	1.82%	1.39%
23	ARIZONA-AMERICAN	131,241	4.11%	3.13%
24	PENNSYLVANIA-AMERICAN	627,403	19.64%	14.99%
26	TENNESSEE-AMERICAN	72,013	2.25%	1.72%
27	VIRGINIA-AMERICAN	53,642	1.68%	1.28%
28	WEST VIRGINIA-AMERICAN	165,857	5.19%	3.96%
30	HAWAII-AMERICAN	10,393	0.33%	0.25%
38	LONG ISLAND-AMERICAN	73,754	2.31%	1.76%
42	UNITED WATER VIRGINIA	2,209	0.07%	0.05%
50	TEXAS-AMERICAN	5,190	0.16%	0.12%
52	ELIZABETHTOWN WATER Co	203,130	6.36%	4.85%
53	Mt HOLLY WATER Co	15,185	0.48%	0.37%
	Total	3,193,681	100.00%	76.26%

ALLOCATE NON-REGULATED BY FACTOR		REV	PLANT	EMPLOY
00002	American Water Works Company	$ 71,824		901
00021	American Water Resources, Inc	$ -		15
00031	AW Products & Services Total	$ 250,108		1,011
	Total Non-Regulated	$ 321,932		1,927

Individual Factor Percentages:	% REV	% PLANT	% EMPLOY	% AVG	FINAL %
American Water Works Company	22.31%		46.76%	34.53%	8.20%
American Water Resources, Inc	0.00%		0.78%	0.39%	0.09%
AW Products & Services Total	77.69%		52.46%	65.08%	15.45%
Total Non-Regulated	100.00%		100.00%	100.00%	23.74%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
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FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100005	**CP-REV/EMPLOY W/O CHILE**						
	REV	$ 1,766,124	$ 250,108	$ 2,016,232	87.60%	12.40%	100.00%
	EMPLOYEES (ALL)	4,083	1,026	5,109	79.92%	20.08%	100.00%
	AVERAGE				83.76%	16.24%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
05	CALIFORNIA-AMERICAN	171,783	5.38%	4.51%
09	ILLINOIS-AMERICAN	290,409	9.09%	7.61%
10	INDIANA-AMERICAN	276,611	8.66%	7.25%
11	IOWA-AMERICAN	59,002	1.85%	1.55%
12	KENTUCKY-AMERICAN	110,790	3.47%	2.91%
13	MARYLAND-AMERICAN	4,766	0.15%	0.13%
16	MICHIGAN-AMERICAN	3,820	0.12%	0.10%
17	MISSOURI-AMERICAN	454,506	14.23%	11.92%
18	NEW JERSEY-AMERICAN	387,703	12.14%	10.17%
19	NEW MEXICO-AMERICAN	16,145	0.51%	0.43%
22	OHIO-AMERICAN	58,129	1.82%	1.52%
23	ARIZONA-AMERICAN	131,241	4.11%	3.44%
24	PENNSYLVANIA-AMERICAN	627,403	19.64%	16.45%
26	TENNESSEE-AMERICAN	72,013	2.25%	1.88%
27	VIRGINIA-AMERICAN	53,642	1.68%	1.41%
28	WEST VIRGINIA-AMERICAN	165,857	5.19%	4.35%
30	HAWAII-AMERICAN	10,393	0.33%	0.28%
38	LONG ISLAND-AMERICAN	73,754	2.31%	1.93%
42	UNITED WATER VIRGINIA	2,209	0.07%	0.06%
50	TEXAS-AMERICAN	5,190	0.16%	0.13%
52	ELIZABETHTOWN WATER Co	203,130	6.36%	5.33%
53	Mt HOLLY WATER Co	15,185	0.48%	0.40%
	Total	3,193,681	100.00%	83.76%

ALLOCATE NON-REGULATED BY FACTOR		REV	PLANT	EMPLOY
00002	American Water Works Company	$ -		-
00021	American Water Resources, Inc	$ -		15
00031	AW Products & Services Total	$ 250,108		1,011
	Total Non-Regulated	$ 250,108		1,026

Individual Factor Percentages:	% REV	% PLANT	% EMPLOY	% AVG	FINAL %
American Water Works Company	0.00%		0.00%	0.00%	0.00%
American Water Resources, Inc	0.00%		1.46%	0.73%	0.12%
AW Products & Services Total	100.00%		98.54%	99.27%	16.12%
Total Non-Regulated	100.00%		100.00%	100.00%	16.24%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100006	CP-REVENUE						
	REV	$ 1,766,124	$ 250,108	$ 2,016,232	87.60%	12.40%	100.00%
	AVERAGE				87.60%	12.40%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
05	CALIFORNIA-AMERICAN	171,783	5.38%	4.71%
09	ILLINOIS-AMERICAN	290,409	9.09%	7.96%
10	INDIANA-AMERICAN	276,611	8.66%	7.59%
11	IOWA-AMERICAN	59,002	1.85%	1.62%
12	KENTUCKY-AMERICAN	110,790	3.47%	3.04%
13	MARYLAND-AMERICAN	4,766	0.15%	0.13%
16	MICHIGAN-AMERICAN	3,820	0.12%	0.11%
17	MISSOURI-AMERICAN	454,506	14.23%	12.46%
18	NEW JERSEY-AMERICAN	387,703	12.14%	10.63%
19	NEW MEXICO-AMERICAN	16,145	0.51%	0.45%
22	OHIO-AMERICAN	58,129	1.82%	1.59%
23	ARIZONA-AMERICAN	131,241	4.11%	3.60%
24	PENNSYLVANIA-AMERICAN	627,403	19.64%	17.22%
26	TENNESSEE-AMERICAN	72,013	2.25%	1.97%
27	VIRGINIA-AMERICAN	53,642	1.68%	1.47%
28	WEST VIRGINIA-AMERICAN	165,857	5.19%	4.55%
30	HAWAII-AMERICAN	10,393	0.33%	0.29%
38	LONG ISLAND-AMERICAN	73,754	2.31%	2.02%
42	UNITED WATER VIRGINIA	2,209	0.07%	0.06%
50	TEXAS-AMERICAN	5,190	0.16%	0.14%
52	ELIZABETHTOWN WATER Co	203,130	6.36%	5.57%
53	Mt HOLLY WATER Co	15,185	0.48%	0.42%
	Total	3,193,681	100.00%	87.60%

ALLOCATE NON-REGULATED BY FACTOR		REV	PLANT	EMPLOY
00002	American Water Works Company	$ -		
00021	American Water Resources, Inc	$ -		
00031	AW Products & Services Total	$ 250,108		
	Total Non-Regulated	$ 250,108		

Individual Factor Percentages:	% REV	% PLANT	% EMPLOY	% AVG	FINAL %
American Water Works Company	0.00%			0.00%	0.00%
American Water Resources, Inc	0.00%			0.00%	0.00%
AW Products & Services Total	100.00%			100.00%	12.40%
Total Non-Regulated	100.00%			100.00%	12.40%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100007	CP-BILLED PREMISES						
	BILLED PREMISES (billed from orcom)	$ 4,038,462	$ 5,001	$ 4,043,463	99.88%	0.12%	100.00%
	AVERAGE				99.88%	0.12%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
05	CALIFORNIA-AMERICAN	171,783	5.79%	5.78%
09	ILLINOIS-AMERICAN	290,409	9.79%	9.78%
10	INDIANA-AMERICAN	276,611	9.32%	9.31%
11	IOWA-AMERICAN	59,002	1.99%	1.99%
12	KENTUCKY-AMERICAN	110,790	3.73%	3.73%
13	MARYLAND-AMERICAN	4,766	0.16%	0.16%
17	MISSOURI-AMERICAN	454,506	15.32%	15.30%
18	NEW JERSEY-AMERICAN	387,703	13.07%	13.05%
19	NEW MEXICO-AMERICAN	16,145	0.54%	0.54%
22	OHIO-AMERICAN	58,129	1.96%	1.96%
23	ARIZONA-AMERICAN	131,241	4.42%	4.41%
24	PENNSYLVANIA-AMERICAN	627,403	21.15%	21.14%
26	TENNESSEE-AMERICAN	72,013	2.43%	2.43%
27	VIRGINIA-AMERICAN	53,642	1.81%	1.81%
28	WEST VIRGINIA-AMERICAN	165,857	5.59%	5.58%
30	HAWAII-AMERICAN	10,393	0.35%	0.35%
38	LONG ISLAND-AMERICAN	73,754	2.49%	2.49%
42	UNITED WATER VIRGINIA	2,209	0.07%	0.07%
	Total	2,966,356	99.98%	99.88%

ALLOCATE NON-REGULATED BY FACTOR		PREMISES
00002	American Water Works Company	$ -
00021	American Water Resources, Inc	$ -
00031	AW Products & Services Total	$ 5,001
	Total Non-Regulated	$ 5,001

Individual Factor Percentages:	% PREMISES	% AVG	FINAL %
American Water Works Company	0.00%	0.00%	0.00%
American Water Resources, Inc	0.00%	0.00%	0.00%
AW Products & Services Total	100.00%	100.00%	0.12%
Total Non-Regulated	100.00%	100.00%	0.12%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100008	**CP-EMPLOYEES**						
	EMPLOYEES (FROM PAYROLL)	$ 4,083	$ 492	$ 4,575	89.25%	10.75%	100.00%
	AVERAGE				89.25%	10.75%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
05	CALIFORNIA-AMERICAN	171,783	5.38%	4.80%
09	ILLINOIS-AMERICAN	290,409	9.09%	8.11%
10	INDIANA-AMERICAN	276,611	8.66%	7.73%
11	IOWA-AMERICAN	59,002	1.85%	1.65%
12	KENTUCKY-AMERICAN	110,790	3.47%	3.10%
13	MARYLAND-AMERICAN	4,766	0.15%	0.13%
16	MICHIGAN-AMERICAN	3,820	0.12%	0.11%
17	MISSOURI-AMERICAN	454,506	14.23%	12.70%
18	NEW JERSEY-AMERICAN	387,703	12.14%	10.83%
19	NEW MEXICO-AMERICAN	16,145	0.51%	0.46%
22	OHIO-AMERICAN	58,129	1.82%	1.62%
23	ARIZONA-AMERICAN	131,241	4.11%	3.67%
24	PENNSYLVANIA-AMERICAN	627,403	19.64%	17.54%
26	TENNESSEE-AMERICAN	72,013	2.25%	2.01%
27	VIRGINIA-AMERICAN	53,642	1.68%	1.50%
28	WEST VIRGINIA-AMERICAN	165,857	5.19%	4.63%
30	HAWAII-AMERICAN	10,393	0.33%	0.29%
38	LONG ISLAND-AMERICAN	73,754	2.31%	2.06%
42	UNITED WATER VIRGINIA	2,209	0.07%	0.06%
50	TEXAS-AMERICAN	5,190	0.16%	0.14%
52	ELIZABETHTOWN WATER Co	203,130	6.36%	5.68%
53	Mt HOLLY WATER Co	15,185	0.48%	0.43%
	Total	3,193,681	100.00%	89.25%

ALLOCATE NON-REGULATED BY FACTOR		REV	PLANT	EMPLOY
00002	American Water Works Company			-
00021	American Water Resources, Inc			15
00031	AW Products & Services Total			477
	Total Non-Regulated			492

Individual Factor Percentages:	% REV	% PLANT	% EMPLOY	% AVG	FINAL %
American Water Works Company			0.00%	0.00%	0.00%
American Water Resources, Inc			3.05%	3.05%	0.33%
AW Products & Services Total			96.95%	96.95%	10.42%
Total Non-Regulated			100.00%	100.00%	10.75%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100010	**CP-CAPEX**						
	CAPEX	$ 563,171	$ 28,267	$ 591,438	95.22%	4.78%	100.00%
	AVERAGE				95.22%	4.78%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
05	CALIFORNIA-AMERICAN	171,783	5.38%	5.12%
09	ILLINOIS-AMERICAN	290,409	9.09%	8.66%
10	INDIANA-AMERICAN	276,611	8.66%	8.25%
11	IOWA-AMERICAN	59,002	1.85%	1.76%
12	KENTUCKY-AMERICAN	110,790	3.47%	3.30%
13	MARYLAND-AMERICAN	4,766	0.15%	0.14%
16	MICHIGAN-AMERICAN	3,820	0.12%	0.11%
17	MISSOURI-AMERICAN	454,506	14.23%	13.55%
18	NEW JERSEY-AMERICAN	387,703	12.14%	11.56%
19	NEW MEXICO-AMERICAN	16,145	0.51%	0.49%
22	OHIO-AMERICAN	58,129	1.82%	1.73%
23	ARIZONA-AMERICAN	131,241	4.11%	3.91%
24	PENNSYLVANIA-AMERICAN	627,403	19.64%	18.71%
26	TENNESSEE-AMERICAN	72,013	2.25%	2.14%
27	VIRGINIA-AMERICAN	53,642	1.68%	1.60%
28	WEST VIRGINIA-AMERICAN	165,857	5.19%	4.94%
30	HAWAII-AMERICAN	10,393	0.33%	0.31%
38	LONG ISLAND-AMERICAN	73,754	2.31%	2.20%
42	UNITED WATER VIRGINIA	2,209	0.07%	0.07%
50	TEXAS-AMERICAN	5,190	0.16%	0.15%
52	ELIZABETHTOWN WATER Co	203,130	6.36%	6.06%
53	Mt HOLLY WATER Co	15,185	0.48%	0.46%
	Total	3,193,681	100.00%	95.22%

ALLOCATE NON-REGULATED BY FACTOR		CAPEX
00002	American Water Works Company	$ 44
00021	American Water Resources, Inc	$ 17,877
00031	AW Products & Services Total	$ 10,346
	Total Non-Regulated	$ 28,267

Individual Factor Percentages:	% CAPEX	% AVG	FINAL %
American Water Works Company	0.16%	0.16%	0.01%
American Water Resources, Inc	63.24%	63.24%	3.02%
AW Products & Services Total	36.60%	36.60%	1.75%
Total Non-Regulated	100.00%	100.00%	4.78%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100012	**CP-PURCHASE ORDERS**						
	INVOICES SUBSTITUTED	$ 410,443	$ 47,838	$ 458,281	89.56%	10.44%	100.00%
	AVERAGE				89.56%	10.44%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
05	CALIFORNIA-AMERICAN	171,783	5.38%	4.82%
09	ILLINOIS-AMERICAN	290,409	9.09%	8.14%
10	INDIANA-AMERICAN	276,611	8.66%	7.76%
11	IOWA-AMERICAN	59,002	1.85%	1.66%
12	KENTUCKY-AMERICAN	110,790	3.47%	3.11%
13	MARYLAND-AMERICAN	4,766	0.15%	0.13%
16	MICHIGAN-AMERICAN	3,820	0.12%	0.11%
17	MISSOURI-AMERICAN	454,506	14.23%	12.74%
18	NEW JERSEY-AMERICAN	387,703	12.14%	10.87%
19	NEW MEXICO-AMERICAN	16,145	0.51%	0.46%
22	OHIO-AMERICAN	58,129	1.82%	1.63%
23	ARIZONA-AMERICAN	131,241	4.11%	3.68%
24	PENNSYLVANIA-AMERICAN	627,403	19.64%	17.58%
26	TENNESSEE-AMERICAN	72,013	2.25%	2.02%
27	VIRGINIA-AMERICAN	53,642	1.68%	1.50%
28	WEST VIRGINIA-AMERICAN	165,857	5.19%	4.65%
30	HAWAII-AMERICAN	10,393	0.33%	0.30%
38	LONG ISLAND-AMERICAN	73,754	2.31%	2.07%
42	UNITED WATER VIRGINIA	2,209	0.07%	0.06%
50	TEXAS-AMERICAN	5,190	0.16%	0.14%
52	ELIZABETHTOWN WATER Co	203,130	6.36%	5.70%
53	Mt HOLLY WATER Co	15,185	0.48%	0.43%
	Total	3,193,681	100.00%	89.56%

ALLOCATE NON-REGULATED BY FACTOR		INVOICES
00002	American Water Works Company	$ 2,022
00021	American Water Resources, Inc	$ 1,497
00031	AW Products & Services Total	$ 44,319
	Total Non-Regulated	$ 47,838

Individual Factor Percentages:	% INVOICES	% AVG	FINAL %
American Water Works Company	4.23%	4.23%	0.44%
American Water Resources, Inc	3.13%	3.13%	0.33%
AW Products & Services Total	92.64%	92.64%	9.67%
Total Non-Regulated	100.00%	100.00%	10.44%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100013	CP-INVOICES						
	INVOICES	$ 410,443	$ 47,838	$ 458,281	89.56%	10.44%	100.00%
	AVERAGE				89.56%	10.44%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
05	CALIFORNIA-AMERICAN	171,783	5.38%	4.82%
09	ILLINOIS-AMERICAN	290,409	9.09%	8.14%
10	INDIANA-AMERICAN	276,611	8.66%	7.76%
11	IOWA-AMERICAN	59,002	1.85%	1.66%
12	KENTUCKY-AMERICAN	110,790	3.47%	3.11%
13	MARYLAND-AMERICAN	4,766	0.15%	0.13%
16	MICHIGAN-AMERICAN	3,820	0.12%	0.11%
17	MISSOURI-AMERICAN	454,506	14.23%	12.74%
18	NEW JERSEY-AMERICAN	387,703	12.14%	10.87%
19	NEW MEXICO-AMERICAN	16,145	0.51%	0.46%
22	OHIO-AMERICAN	58,129	1.82%	1.63%
23	ARIZONA-AMERICAN	131,241	4.11%	3.68%
24	PENNSYLVANIA-AMERICAN	627,403	19.64%	17.58%
26	TENNESSEE-AMERICAN	72,013	2.25%	2.02%
27	VIRGINIA-AMERICAN	53,642	1.68%	1.50%
28	WEST VIRGINIA-AMERICAN	165,857	5.19%	4.65%
30	HAWAII-AMERICAN	10,393	0.33%	0.30%
38	LONG ISLAND-AMERICAN	73,754	2.31%	2.07%
42	UNITED WATER VIRGINIA	2,209	0.07%	0.06%
50	TEXAS-AMERICAN	5,190	0.16%	0.14%
52	ELIZABETHTOWN WATER Co	203,130	6.36%	5.70%
53	Mt HOLLY WATER Co	15,185	0.48%	0.43%
	Total	3,193,681	100.00%	89.56%

ALLOCATE NON-REGULATED BY FACTOR		INVOICES
00002	American Water Works Company	$ 2,022
00021	American Water Resources, Inc	$ 1,497
00031	AW Products & Services Total	$ 44,319
	Total Non-Regulated	$ 47,838

Individual Factor Percentages:	% INVOICES	% AVG	FINAL %
American Water Works Company	4.23%	4.23%	0.44%
American Water Resources, Inc	3.13%	3.13%	0.33%
AW Products & Services Total	92.64%	92.64%	9.67%
Total Non-Regulated	100.00%	100.00%	10.44%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100513	CP-EMPLOYEES/RETIREES						
	EMPLOYEES (ALL) + RETIREES	6,945	1,088	$ 8,033	86.46%	13.54%	100.00%
	AVERAGE				86.46%	13.54%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
05	CALIFORNIA-AMERICAN	171,783	5.38%	4.65%
09	ILLINOIS-AMERICAN	290,409	9.09%	7.86%
10	INDIANA-AMERICAN	276,611	8.66%	7.49%
11	IOWA-AMERICAN	59,002	1.85%	1.60%
12	KENTUCKY-AMERICAN	110,790	3.47%	3.00%
13	MARYLAND-AMERICAN	4,766	0.15%	0.13%
16	MICHIGAN-AMERICAN	3,820	0.12%	0.10%
17	MISSOURI-AMERICAN	454,506	14.23%	12.30%
18	NEW JERSEY-AMERICAN	387,703	12.14%	10.50%
19	NEW MEXICO-AMERICAN	16,145	0.51%	0.44%
22	OHIO-AMERICAN	58,129	1.82%	1.57%
23	ARIZONA-AMERICAN	131,241	4.11%	3.55%
24	PENNSYLVANIA-AMERICAN	627,403	19.64%	16.98%
26	TENNESSEE-AMERICAN	72,013	2.25%	1.95%
27	VIRGINIA-AMERICAN	53,642	1.68%	1.45%
28	WEST VIRGINIA-AMERICAN	165,857	5.19%	4.49%
30	HAWAII-AMERICAN	10,393	0.33%	0.29%
38	LONG ISLAND-AMERICAN	73,754	2.31%	2.00%
42	UNITED WATER VIRGINIA	2,209	0.07%	0.06%
50	TEXAS-AMERICAN	5,190	0.16%	0.14%
52	ELIZABETHTOWN WATER Co	203,130	6.36%	5.50%
53	Mt HOLLY WATER Co	15,185	0.48%	0.41%
	Total	3,193,681	100.00%	86.46%

ALLOCATE NON-REGULATED BY FACTOR		REV	RETIREE	EMP/RET
00002	American Water Works Company			60
00021	American Water Resources, Inc			16
00031	AW Products & Services Total			1,012
	Total Non-Regulated			1,088

Individual Factor Percentages:	% REV	% RETIREE	% EMPLOY	% AVG	FINAL %
American Water Works Company			5.51%	5.51%	0.75%
American Water Resources, Inc			1.47%	1.47%	0.20%
AW Products & Services Total			93.01%	93.01%	12.59%
Total Non-Regulated			100.00%	100.00%	13.54%

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100016	**WE-PLANT/REV/EMPLOY**						
	REV	$ 177,991	$ 11,037	$ 189,028	94.16%	5.84%	100.00%
	PLANT	$ 775,378	$ 1,695	$ 777,073	99.78%	0.22%	100.00%
	EMPLOYEES	396	29	425	93.18%	6.82%	100.00%
	AVERAGE				95.71%	4.29%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
05	CALIFORNIA-AMERICAN	171,783	51.32%	49.12%
19	NEW MEXICO-AMERICAN	16,145	4.82%	4.61%
23	ARIZONA-AMERICAN	131,241	39.21%	37.53%
30	HAWAII-AMERICAN	10,393	3.10%	2.97%
50	TEXAS-AMERICAN	5,190	1.55%	1.48%
	Total	334,752	100.00%	95.71%

ALLOCATE NON-REGULATED TO:

31	AW Products & Services	4.29%

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100018	**WE-REV/EMPLOY**						
	REV	$ 177,991	$ 11,037	$ 189,028	94.16%	5.84%	100.00%
	EMPLOYEES	396	29	425	93.18%	6.82%	100.00%
	AVERAGE				93.67%	6.33%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
05	CALIFORNIA-AMERICAN	171,783	51.32%	48.08%
19	NEW MEXICO-AMERICAN	16,145	4.82%	4.51%
23	ARIZONA-AMERICAN	131,241	39.21%	36.73%
30	HAWAII-AMERICAN	10,393	3.10%	2.90%
50	TEXAS-AMERICAN	5,190	1.55%	1.45%
	Total	334,752	100.00%	93.67%

ALLOCATE NON-REGULATED TO:

31	AW Products & Services	6.33%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100504	**WE-EMPLOYEES**						
	EMPLOYEES	396	29	425	93.18%	6.82%	100.00%
	AVERAGE				93.18%	6.82%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
05	CALIFORNIA-AMERICAN	171,783	51.32%	47.83%
19	NEW MEXICO-AMERICAN	16,145	4.82%	4.49%
23	ARIZONA-AMERICAN	131,241	39.21%	36.53%
30	HAWAII-AMERICAN	10,393	3.10%	2.89%
50	TEXAS-AMERICAN	5,190	1.55%	1.44%
	Total	334,752	100.00%	93.18%

ALLOCATE NON-REGULATED TO:

31	AW Products & Services	6.82%

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100020	**WE-CAPEX**						
	CAPEX	$ 101,458	$ -	101,458	100.00%	0.00%	100.00%
	AVERAGE				100.00%	0.00%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
05	CALIFORNIA-AMERICAN	171,783	51.32%	51.32%
19	NEW MEXICO-AMERICAN	16,145	4.82%	4.82%
23	ARIZONA-AMERICAN	131,241	39.21%	39.21%
30	HAWAII-AMERICAN	10,393	3.10%	3.10%
50	TEXAS-AMERICAN	5,190	1.55%	1.55%
	Total	334,752	100.00%	100.00%

ALLOCATE NON-REGULATED TO:

31	AW Products & Services	0.00%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100508	WE-PURCHASE ORDERS						
	INVOICES SUBSTITUTED	$ 57,712	$ 4,785	62,497	92.34%	7.66%	100.00%
	AVERAGE				92.34%	7.66%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
05	CALIFORNIA-AMERICAN	171,783	51.32%	47.39%
19	NEW MEXICO-AMERICAN	16,145	4.82%	4.45%
23	ARIZONA-AMERICAN	131,241	39.21%	36.21%
30	HAWAII-AMERICAN	10,393	3.10%	2.86%
50	TEXAS-AMERICAN	5,190	1.55%	1.43%
	Total	334,752	100.00%	92.34%

ALLOCATE NON-REGULATED TO:

31	AW Products & Services	7.66%

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100034	CE-PLANT/REV/EMPLOY						
	REV	$ 523,628	$ 11,527	$ 535,155	97.85%	2.15%	100.00%
	PLANT	$ 2,156,086	$ 95	$ 2,156,181	100.00%	0.00%	100.00%
	EMPLOYEES	1,375	37	1,412	97.38%	2.62%	100.00%
	AVERAGE				98.41%	1.59%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
09	ILLINOIS-AMERICAN	290,409	25.42%	25.02%
10	INDIANA-AMERICAN	276,611	24.21%	23.82%
11	IOWA-AMERICAN	59,002	5.16%	5.08%
16	MICHIGAN-AMERICAN	3,820	0.33%	0.32%
17	MISSOURI-AMERICAN	454,506	39.79%	39.16%
22	OHIO-AMERICAN	58,129	5.09%	5.01%
	Total	1,142,477	100.00%	98.41%

ALLOCATE NON-REGULATED TO:

31	AW Products & Services	1.59%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100036	CE-REV/EMPLOY						
	REV	$ 523,628	$ 11,527	$ 535,155	97.85%	2.15%	100.00%
	EMPLOYEES	1,375	37	1,412	97.38%	2.62%	100.00%
	AVERAGE				97.61%	2.39%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
09	ILLINOIS-AMERICAN	290,409	25.42%	24.81%
10	INDIANA-AMERICAN	276,611	24.21%	23.63%
11	IOWA-AMERICAN	59,002	5.16%	5.04%
16	MICHIGAN-AMERICAN	3,820	0.33%	0.32%
17	MISSOURI-AMERICAN	454,506	39.79%	38.84%
22	OHIO-AMERICAN	58,129	5.09%	4.97%
	Total	1,142,477	100.00%	97.61%

ALLOCATE NON-REGULATED TO:

31	AW Products & Services	2.39%

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100502	CE-EMPLOYEES						
	EMPLOYEES	1,375	37	1,412	97.38%	2.62%	100.00%
	AVERAGE				97.38%	2.62%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
09	ILLINOIS-AMERICAN	290,409	25.42%	24.75%
10	INDIANA-AMERICAN	276,611	24.21%	23.58%
11	IOWA-AMERICAN	59,002	5.16%	5.02%
16	MICHIGAN-AMERICAN	3,820	0.33%	0.32%
17	MISSOURI-AMERICAN	454,506	39.79%	38.75%
22	OHIO-AMERICAN	58,129	5.09%	4.96%
	Total	1,142,477	100.00%	97.38%

ALLOCATE NON-REGULATED TO:

31	AW Products & Services	2.62%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100038	**CE-CAPEX**						
	CAPEX	$ 158,829	$ -	158,829	100.00%	0.00%	100.00%
	AVERAGE				100.00%	0.00%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
09	ILLINOIS-AMERICAN	290,409	25.42%	25.42%
10	INDIANA-AMERICAN	276,611	24.21%	24.21%
11	IOWA-AMERICAN	59,002	5.16%	5.16%
16	MICHIGAN-AMERICAN	3,820	0.33%	0.33%
17	MISSOURI-AMERICAN	454,506	39.79%	39.79%
22	OHIO-AMERICAN	58,129	5.09%	5.09%
	Total	1,142,477	100.00%	100.00%

ALLOCATE NON-REGULATED TO:		
31	AW Products & Services	0.00%

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100509	**CE-PURCHASE ORDERS**						
	INVOICES SUBSTITUTED	$ 142,067	$ 3,773	145,840	97.41%	2.59%	100.00%
	AVERAGE				97.41%	2.59%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
09	ILLINOIS-AMERICAN	290,409	25.42%	24.76%
10	INDIANA-AMERICAN	276,611	24.21%	23.58%
11	IOWA-AMERICAN	59,002	5.16%	5.03%
16	MICHIGAN-AMERICAN	3,820	0.33%	0.32%
17	MISSOURI-AMERICAN	454,506	39.79%	38.76%
22	OHIO-AMERICAN	58,129	5.09%	4.96%
	Total	1,142,477	100.00%	97.41%

ALLOCATE NON-REGULATED TO:		
31	AW Products & Services	2.59%

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
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AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100076	**NE-PLANT/REV/EMPLOY**						
	REV	$ 469,529	$ 42,549	$ 512,078	91.69%	8.31%	100.00%
	PLANT	$ 1,966,240	$ 427	$ 1,966,667	99.98%	0.02%	100.00%
	EMPLOYEES	902	101	1,003	89.93%	10.07%	100.00%
	AVERAGE				93.87%	6.13%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
18	NEW JERSEY-AMERICAN	387,703	57.04%	53.55%
38	LONG ISLAND-AMERICAN	73,754	10.85%	10.18%
52	ELIZABETHTOWN WATER Co	203,130	29.88%	28.05%
53	Mt HOLLY WATER Co	15,185	2.23%	2.09%
	Total	679,772	100.00%	93.87%

ALLOCATE NON-REGULATED TO:
31 AW Products & Services 6.13%

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100078	**NE-REV/EMPLOY**						
	REV	$ 469,529	$ 42,549	$ 512,078	91.69%	8.31%	100.00%
	EMPLOYEES	902	101	1,003	89.93%	10.07%	100.00%
	AVERAGE				90.81%	9.19%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
18	NEW JERSEY-AMERICAN	387,703	57.04%	51.80%
38	LONG ISLAND-AMERICAN	73,754	10.85%	9.85%
52	ELIZABETHTOWN WATER Co	203,130	29.88%	27.13%
53	Mt HOLLY WATER Co	15,185	2.23%	2.03%
	Total	679,772	100.00%	90.81%

ALLOCATE NON-REGULATED TO:
31 AW Products & Services 9.19%

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100500	**NE-EMPLOYEES**						
	EMPLOYEES	902	101	1,003	89.93%	10.07%	100.00%
	AVERAGE				89.93%	10.07%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
18	NEW JERSEY-AMERICAN	387,703	57.04%	51.29%
38	LONG ISLAND-AMERICAN	73,754	10.85%	9.76%
52	ELIZABETHTOWN WATER Co	203,130	29.88%	26.87%
53	Mt HOLLY WATER Co	15,185	2.23%	2.01%
	Total	679,772	100.00%	89.93%

ALLOCATE NON-REGULATED TO:
31 AW Products & Services 10.07%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100080	NE-CAPEX						
	CAPEX	$ 130,186	$ -	130,186	100.00%	0.00%	100.00%
	AVERAGE				100.00%	0.00%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
18	NEW JERSEY-AMERICAN	387,703	57.04%	57.04%
38	LONG ISLAND-AMERICAN	73,754	10.85%	10.85%
52	ELIZABETHTOWN WATER Co	203,130	29.88%	29.88%
53	Mt HOLLY WATER Co	15,185	2.23%	2.23%
	Total	679,772	100.00%	100.00%

ALLOCATE NON-REGULATED TO:
31 AW Products & Services 0.00%

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100510	NE-PURCHASE ORDERS						
	INVOICES SUBSTITUTED	$ 77,582	$ 4,345	81,927	94.70%	5.30%	100.00%
	AVERAGE				94.70%	5.30%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
18	NEW JERSEY-AMERICAN	387,703	57.04%	54.02%
38	LONG ISLAND-AMERICAN	73,754	10.85%	10.27%
52	ELIZABETHTOWN WATER Co	203,130	29.88%	28.30%
53	Mt HOLLY WATER Co	15,185	2.23%	2.11%
	Total	679,772	100.00%	94.70%

ALLOCATE NON-REGULATED TO:
31 AW Products & Services 5.30%

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100054	SE-PLANT/REV/EMPLOY						
	REV	$ 594,976	$ 50,949	$ 645,925	92.11%	7.89%	100.00%
	PLANT	$ 2,749,913	$ 34	$ 2,749,947	100.00%	0.00%	100.00%
	EMPLOYEES	1,410	101	1,511	93.32%	6.68%	100.00%
	AVERAGE				95.14%	4.86%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
12	KENTUCKY-AMERICAN	110,790	10.69%	10.17%
13	MARYLAND-AMERICAN	4,766	0.46%	0.44%
24	PENNSYLVANIA-AMERICAN	627,403	60.52%	57.58%
26	TENNESSEE-AMERICAN	72,013	6.95%	6.61%
27	VIRGINIA-AMERICAN	53,642	5.17%	4.92%
28	WEST VIRGINIA-AMERICAN	165,857	16.00%	15.22%
42	UNITED WATER VIRGINIA	2,209	0.21%	0.20%
	Total	1,036,680	100.00%	95.14%

ALLOCATE NON-REGULATED TO:
31 AW Products & Services 4.86%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100056	SE-REV/EMPLOY						
	REV	$ 594,976	$ 50,949	$ 645,925	92.11%	7.89%	100.00%
	EMPLOYEES	1,410	101	1,511	93.32%	6.68%	100.00%
	AVERAGE				92.71%	7.29%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
12	KENTUCKY-AMERICAN	110,790	10.69%	9.91%
13	MARYLAND-AMERICAN	4,766	0.46%	0.43%
24	PENNSYLVANIA-AMERICAN	627,403	60.52%	56.12%
26	TENNESSEE-AMERICAN	72,013	6.95%	6.44%
27	VIRGINIA-AMERICAN	53,642	5.17%	4.79%
28	WEST VIRGINIA-AMERICAN	165,857	16.00%	14.83%
42	UNITED WATER VIRGINIA	2,209	0.21%	0.19%
	Total	1,036,680	100.00%	92.71%

ALLOCATE NON-REGULATED TO:

31	AW Products & Services	7.29%

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100503	SE-EMPLOYEES						
	EMPLOYEES	1,410	101	1,511	93.32%	6.68%	100.00%
	AVERAGE				93.32%	6.68%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
12	KENTUCKY-AMERICAN	110,790	10.69%	9.98%
13	MARYLAND-AMERICAN	4,766	0.46%	0.43%
24	PENNSYLVANIA-AMERICAN	627,403	60.52%	56.47%
26	TENNESSEE-AMERICAN	72,013	6.95%	6.49%
27	VIRGINIA-AMERICAN	53,642	5.17%	4.82%
28	WEST VIRGINIA-AMERICAN	165,857	16.00%	14.93%
42	UNITED WATER VIRGINIA	2,209	0.21%	0.20%
	Total	1,036,680	100.00%	93.32%

ALLOCATE NON-REGULATED TO:

31	AW Products & Services	6.68%

AMERICAN WATER COMPANY
ALLOCATION COST POOLS BY OPERATING COMPANY

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/10/2004

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100058	**SE-CAPEX**						
	CAPEX	$ 172,698	$ 3	172,701	100.00%	0.00%	100.00%
	AVERAGE				100.00%	0.00%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
12	KENTUCKY-AMERICAN	110,790	10.69%	10.69%
13	MARYLAND-AMERICAN	4,766	0.46%	0.46%
24	PENNSYLVANIA-AMERICAN	627,403	60.52%	60.52%
26	TENNESSEE-AMERICAN	72,013	6.95%	6.95%
27	VIRGINIA-AMERICAN	53,642	5.17%	5.17%
28	WEST VIRGINIA-AMERICAN	165,857	16.00%	16.00%
42	UNITED WATER VIRGINIA	2,209	0.21%	0.21%
	Total	1,036,680	100.00%	100.00%

ALLOCATE NON-REGULATED TO:

31	AW Products & Services	0.00%

FORMULA #	FORMULA DESCRIPTION	DATA REG	DATA NON-REG	DATA TOTAL	PERCENTAGES REG	PERCENTAGES NON-REG	PERCENTAGES TOTAL
100511	**SE-PURCHASE ORDERS**						
	INVOICES SUBSTITUTED	$ 133,082	$ 6,897	139,979	95.07%	4.93%	100.00%
	AVERAGE				95.07%	4.93%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
12	KENTUCKY-AMERICAN	110,790	10.69%	10.16%
13	MARYLAND-AMERICAN	4,766	0.46%	0.44%
24	PENNSYLVANIA-AMERICAN	627,403	60.52%	57.53%
26	TENNESSEE-AMERICAN	72,013	6.95%	6.61%
27	VIRGINIA-AMERICAN	53,642	5.17%	4.92%
28	WEST VIRGINIA-AMERICAN	165,857	16.00%	15.21%
42	UNITED WATER VIRGINIA	2,209	0.21%	0.20%
	Total	1,036,680	100.00%	95.07%

ALLOCATE NON-REGULATED TO:

31	AW Products & Services	4.93%

INDIANA-AMERICAN WATER COMPANY

Support Services Analysis

Change in Expense by Functional Area from Test Year for Last Rate Case to Test Year for Current Rate Case (per books)

Line No.	Schedule Reference	Function	Prior Rate Case (7/02 - 6/03 per books) East Central Region	Prior Rate Case Corporate	Prior Rate Case Total	Current Rate Case (7/05 - 6/06 per books) Central Region	Current Rate Case Corporate	Current Rate Case Total	Total Dollars ($) Increase
1									
2		**Production Related**							
3	(a)	Production	$0	$0	$0	$139,013	$0	$139,013	$139,013
4	(a)	Maintenance	$0	$0	$0	$222,921	$0	$222,921	$222,921
5									
6		**TOTAL PRODUCTION AND RELATED**	$0	$0	$0	$361,934	$0	$361,934	$361,934
7									
8	(a)	TOTAL NETWORK AND RELATED	$0	$0	$0	$74,356	$0	$74,356	$74,356
9									
10		**TOTAL CUSTOMER RELATIONS**	$0	($179,704)	($179,704)	$397,066	$3,363,617	$3,760,683	$3,940,388
11									
12		**Environment Related**							
13		Water Quality	$0	$386,153	$386,153	$0	$399,237	$399,237	$13,084
14	(a)	Environmental Mgmt.	$0	$0	$0	$224,516	$0	$224,516	$224,516
15									
16		**TOTAL WATER QUALITY / ENVIRONMENTAL**	$0	$386,153	$386,153	$224,516	$399,237	$623,752	$237,599
17									
18		**Other Function Areas**							
19	(b)	Administrative	$604,274	($15,872)	$588,402	$929,234	$2,099,880	$3,029,114	$2,440,712
20		Business Development	$122,329	$8,364	$130,693	$177,033	$39,108	$216,140	$85,447
21		Engineering	$129,902	($57,045)	$72,857	$151,645	$0	$151,645	$78,788
22	(b)	External Affairs	$0	$116,370	$116,370	$253,726	$122,526	$376,252	$259,882
23		Finance	$172,308	$1,612,632	$1,784,940	$413,167	$2,149,471	$2,562,638	$777,697
24	(b)	Human Resources	$0	$365,003	$365,003	$596,786	$605,038	$1,201,824	$836,821
25		ITS	$247,696	$1,566,552	$1,814,248	$364	$1,943,276	$1,943,640	$129,391
26		Legal	$148,251	$27,947	$176,198	$235,116	$167,546	$402,662	$226,464
27		Operational Risk	$808	$105,189	$105,997	$212,740	$94,779	$307,519	$201,522
28	(a)	Supply Chain	$0	$0	$0	$0	$315,327	$315,327	$315,327
29									
30		**TOTAL OTHER FUNCTION AREAS**	$1,425,569	$3,729,140	$5,154,709	$2,969,808	$7,536,951	$10,506,759	$5,352,050
31									
32		**TOTAL COST**	$1,425,569	$3,935,589	$5,361,157	$4,027,680	$11,299,805	$15,327,484	$9,966,327
33									
34	(a)	New Function							
35	(b)	Increased Scope and Breadth	$5,361,157			$15,327,484			
36									

Indiana American Water
Savings from 2003 / 2004 Reorganization

Petitioner's Exhibit EJG-7
Schedule 2

Location	Position	Salary (1)	Salary % Adj (5)	Salary in Reorg Savings	2003 Case Inflation (2)	Adjusted for Expensed	% Wages Expensed	Incentive Pay
Positions Eliminated								
Corp	President	$ 208,100	100.00%	$ -	$ -	$ -	95.00%	$ -
Corp	Executive Assistant	39,850	0.00%	39,850	44,852	42,609	95.00%	4,048
Corp	Vice President Engineering	107,600	0.00%	107,600	121,105	0	0.00%	0
Corp	Corporate Counsel & Sec.	164,268	100.00%	0	0	0	95.00%	0
Corp	Director HR	103,400	0.00%	103,400	116,378	116,378	100.00%	23,276
Corp	Vice President Operations	165,600	100.00%	0	0	0	90.00%	0
Corp	Director Business Dev.	94,800	50.00%	47,400	53,349	50,682	95.00%	9,630
Corp	Director of Communications	73,150	0.00%	73,150	82,331	82,331	100.00%	16,466
Corp	Vice President & Treasurer	149,100	8.33%	136,675	153,829	146,138	95.00%	34,708
Corp	Executive Secretary	34,900	0.00%	34,900	39,280	39,280	100.00%	3,928
Corp	Director Water Quality	92,850	0.00%	92,850	104,503	104,503	100.00%	15,675
Corp	Director Loss Control	75,900	0.00%	75,900	85,426	85,426	100.00%	12,814
Corp	Manager Loss Control	60,750	0.00%	60,750	68,375	68,375	100.00%	13,675
WV	Operations Supervisor	54,800	0.00%	54,800	61,678	55,418	89.85%	4,979
JC	Operations Supervisor	47,700	0.00%	47,700	53,687	41,301	76.93%	3,177
JC	Operations Supervisor	49,250	0.00%	49,250	55,431	42,643	76.93%	3,281
MUN	Operations Manager	77,500	0.00%	77,500	87,227	82,866	95.00%	15,745
MUN	Operations Supt	73,200	0.00%	73,200	82,387	78,268	95.00%	11,153
MUN	Gen Svc Clerk	32,324	0.00%	32,324	36,381	34,562	95.00%	0
MUN	Operations Supv	54,400	0.00%	54,400	61,228	58,167	95.00%	5,526
RICH	Operations Mgr.	72,000	0.00%	72,000	81,037	77,253	95.33%	14,729
RICH	Operations Supt	63,100	0.00%	63,100	71,020	67,703	95.33%	9,681
KOK	Operations Manager	71,700	0.00%	71,700	80,699	77,536	96.08%	14,899
KOK	Operations Supervisor	48,500	0.00%	48,500	54,587	52,447	96.08%	5,039
W. LAF	Operations Manager	74,150	0.00%	74,150	83,456	72,724	87.14%	12,674
So. IND	Operations Supervisor	59,800	0.00%	59,800	67,305	53,844	80.00%	4,308
So. IND	Operations Manager	93,450	0.00%	93,450	105,179	84,143	80.00%	13,463
So. IND	Operations Supervisor	68,288	0.00%	68,288	76,859	61,487	80.00%	4,919
NW	Operations Supervisor	62,500	0.00%	62,500	70,344	57,112	81.19%	4,637
NW	Operations Manager	107,450	0.00%	107,450	120,936	98,188	81.19%	15,944
NW	Government Affairs Manager	78,700	0.00%	78,700	88,578	71,916	81.19%	8,758
NW	Operations Supervisor	60,500	0.00%	60,500	68,093	55,285	81.19%	4,489
NW	Operations Supervisor	77,300	0.00%	77,300	87,002	70,637	81.19%	5,735
NW	Operations Supervisor	57,800	0.00%	57,800	65,054	52,817	81.19%	4,288
Corp	Engineering Manager	76,400	0.00%	76,400	85,989	0	0.00%	0
Corp	Operations Engineer	61,500	0.00%	61,500	69,219	37,088	53.58%	994
Corp	Engineer	50,000	0.00%	50,000	56,275	15,206	27.02%	205
Corp	Engineer	50,900	0.00%	50,900	57,288	0	0.00%	0

Indiana American Water
Savings from 2003 / 2004 Reorganization

Petitioner's Exhibit EJG-7
Schedule 2

Location	Position	Salary (1)	Salary % Adj (5)	Salary in Reorg Savings	2003 Case Inflation (2)	Adjusted for Expensed	% Wages Expensed	Incentive Pay
Corp	Engineering Manager	88,800	0.00%	88,800	99,945	9,995	10.00%	150
NW	Ops Engineer	56,400	0.00%	56,400	63,479	51,539	81.19%	2,092
NW	Engineer	41,600	0.00%	41,600	46,821	38,014	81.19%	1,543
NW	Engineering Tech	46,300	0.00%	46,300	52,111	42,309	81.19%	0
Corp	CAD Drafter	42,200	0.00%	42,200	47,496	0	0.00%	0
Ohio	Engineering Manager	75,700	0.00%	75,700	85,201	0	0.00%	0
Corp	Generalist	55,600	0.00%	55,600	62,578	62,578	100.00%	3,129
Corp	Generalist	51,000	0.00%	51,000	57,401	57,401	100.00%	2,870
Corp	General Services Clerk	24,000	0.00%	24,000	27,012	27,012	100.00%	0
Corp	Associate & Org Dev Mgr.	65,000	0.00%	65,000	73,158	73,158	100.00%	10,974
Corp	Communications Specialist	30,160	0.00%	30,160	33,945	33,945	100.00%	1,697
Corp	Manager Bus Dev	84,500	50.00%	42,250	47,553	45,175	95.00%	6,437
Corp	Intermediate Fin Analyst	76,000	100.00%	0	0	0	100.00%	0
Corp	Financial Analyst	47,300	0.00%	47,300	53,237	53,237	100.00%	2,662
Corp	Financial Analyst	43,900	0.00%	43,900	49,410	49,410	100.00%	2,471
Corp	Senior Financial Analyst	93,800	0.00%	93,800	105,573	105,573	100.00%	10,557
Corp	Intermediate Fin Analyst	51,300	100.00%	0	0	0	100.00%	0
Corp	Director Rates & Revenue	102,300	0.00%	102,300	115,140	115,140	100.00%	23,028
Corp	Financial Analyst	45,600	0.00%	45,600	51,323	51,323	100.00%	2,566
Total of Positions Eliminated						$ 2,950,142		$ 373,019

Net Decrease in Labor Costs - Reorganization	2,950,142	(a)
Incentive Pay	373,019	
Benefit Cost Savings (a x b)	1,803,422	
Rent on Greenwood Office	347,744	
Transportation Costs	155,915	
Procurement Savings - CAPEX (6)	19,570	
Procurement Savings - OPEX (7)	651,671	
Total Labor and Related Cost Savings (4)	$ 6,301,483	

Employee Benefits (3)	
Total Pension Cost	$ 1,870,954
Total Group Insurance	4,951,669
Total Payroll Taxes	1,171,260
Worker's Comp	240,209
Total 401k Cost	247,687
	8,481,780
Total Labor Cost	13,875,785
Ratio Benefits to Labor (b)	61.13%

(1) Actual wage rates in 2003
(2) Merit increases of 3% per year for 4 years to proforma 2007
(3) Current rate case workpapers
(4) Does not include savings in non-labor / related costs (i.e. office equipment, vehicle maintenance, travel expenses, miscellaneous other, etc)
(5) Salary adjusted due to employee being on Service Co payroll for part or all of 12 months ended June 2003
(6) Reflects revenue requirement on capex savings of $168,900 using a revenue conversion factor of 11.587%
(7) Reflects 2005 savings and adjusted for inflation of 2.50% for two years