State Fiscal Year 2007 concluded on June 30, 2007, marking another successful year for the State’s SRF Loan Programs. This newsletter highlights some of our accomplishments over the past fiscal year and details the savings provided to the ratepayers that took advantage of the SRF Loan Program’s subsidized interest rates. Also, by leveraging our federal wastewater and drinking water capitalization grants we will be able to set aside $125 Million for wastewater projects and $25 Million for drinking water projects for State Fiscal Year 2008.

Jim McGoff, Director

YEAR IN REVIEW:

2007 ACCOMPLISHMENTS

- 28 - the total number of communities served
- $178,919,000 - the total amount of dollars loaned
- $212,327,445 - the total disbursed for construction
- 3.32% - the average interest rate
- 1,214,270 - the total population served
- 15 - the total number of technical assistance grants awarded
- $32,726,592 - the savings provided to these 28 communities

FUNDABLE RANGE

The SRF Loan Programs have set aside $125 Million to fund projects in our wastewater program and $25 Million for our drinking water program during State Fiscal Year 2008, which runs from July 1, 2007 to June 30, 2008.

Projects within the Fundable Range, determined by the SRF Loan Programs’ current loan capacity, may qualify for an SRF loan. A project’s ranking on the Project Priority List (PPL) is important because only ranked projects within the Fundable Range have the ability to close an SRF loan. Eligible communities will have until December 31, 2007 to close their loan. After January 1, 2008, the SRF Loan Programs will permit the bypass of projects within the Fundable Range that have not closed loans. Lower ranked projects will be permitted to close loans as long as funds are available.

All communities that are eligible for SRF-subsidized financing must bid the entire SRF-financed project in advance of the December 31, 2007 loan closing deadline.

Please note, communities that do not fit within our Fundable Range may participate in the SRF Pooled Program. The Pooled Program provides a “AAA” interest rate to eligible Participants, thereby enabling most Participants to realize a substantial savings when compared to an “open market” rate. The fall Pooled Closing is tentatively scheduled for November 2007.

DW NEEDS SURVEY UPDATE

The 2007 Drinking Water Infrastructure Needs Survey and Assessment is well underway with nearly 60 percent of surveys returned. All across Indiana, drinking water systems are responding to our request for help. The “Needs Survey” is a survey of 111 community water systems (selected by the U.S. Environmental Protection Agency) to assess their 20-year capital improvement needs. The results of the survey determine the amount of money available to Indiana systems for drinking water infrastructure projects through the Drinking Water SRF Loan Program. SRF is working hard to increase funding, and to those first 65 systems that responded – SRF says thank you!

Let’s keep the momentum going – we still require 46 surveys to ensure Indiana’s capital improvement needs are accurately represented. If you are one of the 46 systems we have not heard from, please let us know how we can help you complete the survey! We recently met onsite with a superintendent and completed the survey together in one hour.

INTEREST RATE SAVINGS

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Wastewater</td>
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<tr>
<td>DW and WW Amounts</td>
<td>$178,919,000</td>
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<tr>
<td>Total Savings</td>
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WASTEWATER PROJECT IMPROVES WATER QUALITY

EVANSVILLE COMBINED SEWER OVERFLOW
LONG TERM CONTROL PLAN – EARLY ACTION PROJECTS

Evansville’s collection system consists of a combination of combined and sanitary sewers, with 23 combined sewer overflow (CSO) outfalls and 70 pumping stations. The Southeast Sewer Separation project is identified as an Early Action Project (EAP) within the City’s revised CSO Long Term Control Plan, which is currently under review by the Indiana Department of Environmental Management (IDEM).

In order to reduce frequent backups, as well as reduce CSO volumes, the City proposed to install a separate sanitary sewer system and stormwater system for each project area. In addition, the Southeast/Alvord project area will include a 1.8 acre-foot (equivalent to 586,532 gallons) underground stormwater detention basin (see basin below located in Lorraine Park) and a 7,500 gallon per minute storm water pumping station.

To finance this and other EAPs, the City closed a $63.1 million dollar loan through the SRF Loan Programs on June 30, 2004, saving the city approximately $12.5 Million in interest over a 20-year period.

DRINKING WATER PROJECT IMPROVES WATER QUALITY

An adequate supply of quality water is of vital importance to public water suppliers striving to meet growing residential, commercial and industrial demands. The Reelsville Water Authority project, which provided for the construction of a new well field, water treatment facility and 1 million gallon elevated water storage tank, is designed to meet future demand.

The SRF-financed project included a new 1 million gallon storage tank, a new water treatment plant, 70,000 feet of rural water main and 12,000 feet of transmission main.

The plant is designed to efficiently utilize the available land area while also allowing for future plant expansion. As local water demands grow, the plant capacity can be increased.

The new plant reduces iron levels from .5 parts per million (ppm) to zero, and the manganese levels from .40 ppm to 0.01 ppm. This level of removal efficiency will ensure the Authority’s water quality will always remain high.

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