Schedule A-1

IAWC - Pekin District Acquisition Analysis
Projection of Operating Expense

	Base Year [1]	Adjustments	Adjusted Base Year	2002	2003 [2]	2004	2005	2006	2007	2008	2009	2010	2011	2012
					Projected									
OPERATING & MAINTENANCE COSTS														
Labor (i)	$ 876,427		$ 876,427	$ 898,585	$ 918,999	$ 942,893	$ 968,352	$ 995,465	$ 1,023,338	$ 1,051,992	$ 1,081,448	$ 1,111,728	$ 1,142,857	$ 1,174,857
Fuel, Power & Chemicals (g+i)	277,062		277,062	288,240	298,295	307,000	318,398	330,538	343,140	356,223	369,805	383,905	398,543	413,738
Waste Disposal and Management Fees(i)	57,457		57,457	58,779	60,248	61,814	63,483	65,261	67,088	68,967	70,898	72,883	74,924	77,022
Insurance (i)	405,349		405,349	414,672	425,039	436,090	447,864	460,404	473,296	486,548	500,171	514,176	528,573	543,373
Pensions (i)	33,204		33,204	33,968	34,817	35,722	36,687	37,714	38,770	39,855	40,971	42,119	43,298	44,510
Regulatory Expense/Rents (i)	26,217		26,217	26,820	27,490	28,205	28,967	29,778	30,612	31,469	32,350	33,258	34,187	35,144
General Office/Customer Accounting (i)	238,771		238,771	244,263	250,369	256,879	263,815	271,201	278,795	286,601	294,626	302,876	311,356	320,074
Maintenance and Miscellaneous (i)	417,526		417,526	427,129	437,807	449,190	461,318	474,235	487,514	501,184	515,197	529,622	544,452	559,697
Uncollectable accounts expense (g)	-		-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	$ 2,332,013	$ -	$ 2,332,013	$ 2,388,455	$ 2,451,066	$ 2,517,794	$ 2,588,884	$ 2,664,597	$ 2,742,553	$ 2,822,820	$ 2,905,467	$ 2,990,565	$ 3,078,189	$ 3,168,414
DEPRECIATION EXPENSE	$ 843,031	$ (843,031)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AMORTIZATION	1,206	(1,206)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	$ 844,237	$ (844,237)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TAXES OTHER THAN INCOME														
Property Taxes	$ 58,924	$ (58,924)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Invested Capital Taxes	86,071	(86,071)	-	-	-	-	-	-	-	-	-	-	-	-
Payroll Taxes (i)	69,241		69,241	70,634	72,804	74,492	76,503	78,645	80,848	83,111	85,436	87,831	90,290	92,818
Other General Taxes (i)	4,219		4,219	4,316	4,424	4,539	4,662	4,792	4,926	5,064	5,206	5,352	5,502	5,656
Subtotal	$ 218,455	$ (144,995)	$ 73,460	$ 75,150	$ 77,028	$ 79,031	$ 81,165	$ 83,438	$ 85,774	$ 88,175	$ 90,644	$ 93,182	$ 95,791	$ 98,474
TRANSFER TO TAXING ENTITIES (nup)		58,924	58,924	60,686	62,501	64,371	66,298	68,278	70,320	72,424	74,590	76,820	79,118	81,484
INCOME TAXES														
Federal Income Tax	$ 418,600	$ (418,600)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	45,073	(45,073)	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Taxes and ITCs Net	(73,069)	73,069	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	$ 390,604	$ (390,604)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL OPERATING EXPENSE	**$ 3,785,309**	**$ (1,320,912)**	**$ 2,464,397**	**$ 2,524,291**	**$ 2,590,595**	**$ 2,661,196**	**$ 2,736,344**	**$ 2,816,313**	**$ 2,898,647**	**$ 2,983,419**	**$ 3,070,701**	**$ 3,160,568**	**$ 3,253,098**	**$ 3,348,372**

Escalation keys for projections:
- i - Annual inflation rate (Sched. A-5, Assumpt. #2)
- g+i - Compound annual growth plus annual inflation rate (Sched. A-5, Assumpt. #2)
- g - Compound annual growth rate (Sched. A-5, Assumpt. #2)
- nup - Average annual growth in net utility plant (Sched. A-5, Assumpt. # 5)

[1] Expenses as of Base Year 2001 for IAWC (Sched. B-1).
[2] The City is assumed to take ownership of IAWC - Pekin District.

IAWC - Pekin District Acquisition Analysis
Projection of Capital Improvement Plan

Schedule A-2

	Projected									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
CAPITAL INVESTMENTS [1]										
Renewal and Replacement	$ 887,130	$ 952,809	$ 1,020,430	$ 1,090,049	$ 1,150,613	$ 1,213,624	$ 1,279,310	$ 1,347,772	$ 1,419,116	$ 1,493,451
New Capital Investments	955,738	955,738	955,738	955,738	683,502	702,640	722,314	742,538	763,329	784,703
Total Capital Investments	$ 1,842,868	$ 1,908,547	$ 1,976,167	$ 2,045,786	$ 1,834,115	$ 1,916,264	$ 2,001,624	$ 2,090,311	$ 2,182,446	$ 2,278,154
DISTRIBUTION OF CAPITAL COSTS (Sched. A-5, Assumpt. #3)										
Debt Financed Projects	$ -	$ 954,273	$ 988,084	$ 1,227,472	$ 917,058	$ 1,149,758	$ 1,401,137	$ 1,567,733	$ 1,309,467	$ 1,708,615
Revenue Financed Projects	1,842,868	954,273	988,084	818,315	550,235	574,879	600,487	418,062	654,734	569,538
Fund Balance Financed Projects	-	-	-	-	366,823	191,626	-	104,516	218,245	-
Total	$ 1,842,868	$ 1,908,547	$ 1,976,167	$ 2,045,786	$ 1,834,115	$ 1,916,264	$ 2,001,624	$ 2,090,311	$ 2,182,446	$ 2,278,154

[1] It is assumed that the City of Pekin will perform the same capital improvements and renewal and replacement as projected under continued IAWC ownership (Sched. A-5).

IAWC - Pekin District Acquisition Analysis
Bond Sizing and Debt Service Schedule

Schedule A-3

	Series 2003	Series 2004	Series 2005	Series 2006	Series 2007	Series 2008	Series 2009	Series 2010	Series 2011	Series 2012
NET REQUIRED CAPITAL										
Debt Financed Projects (Sched. A-2) [1]	$ 1,942,357			$ 3,294,288			$ 4,278,337			$ 5,352,398
Acquisition Costs (Sched. A-5, Assumpt. #1)	13,969,261									
Est. of Operating Reserve [2]	817,022									
Subtotal	$ 16,728,640	$ -	$ -	$ 3,294,288	$ -	$ -	$ 4,278,337	$ -	$ -	$ 5,352,398
ACQUISITION FEES	750,000									
ISSUANCE COST (Sched. A-5, Assumpt. #8)	218,517			41,185			53,487			66,915
BOND INSURANCE (Sched. A-5, Assumpt. #9)	2,703			509			662			828
TOTAL ISSUANCE AMOUNT	**$ 17,699,860**	**$ -**	**$ -**	**$ 3,335,982**	**$ -**	**$ -**	**$ 4,332,486**	**$ -**	**$ -**	**$ 5,420,142**

	Projected									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
TOTAL ISSUANCE AMOUNT	$17,699,860	$0	$0	$3,335,982	$0	$0	$4,332,486	$0	$0	$5,420,142
TOTAL PROPOSED ANNUAL DEBT SERVICE (Sched. A-5, Assumpt. #4)	$391,344	$1,351,516	$1,351,516	$1,425,274	$1,608,243	$1,606,243	$1,702,034	$1,937,060	$1,937,060	$2,056,900

[1] Debt will be issued once every three years to cover acquisition costs and capital improvements for the current year and two subsequent years.

[2] An operating reserve will be created equal to one-third of O&M Expenses.

IAWC - Pekin District Acquisition Analysis
Rate Impact Summary

	Projected									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues [1]										
Baseline Rate Revenue from Current Rates	$ 5,021,175	$ 5,072,028	$ 5,123,395	$ 5,175,283	$ 5,227,696	$ 5,280,640	$ 5,334,121	$ 5,388,142	$ 5,442,711	$ 5,497,833
Change in Revenues due to Rate Increase	-	-	-	-	-	-	160,024	161,644	499,641	504,701
Total Revenues	$ 5,021,175	$ 5,072,028	$ 5,123,395	$ 5,175,283	$ 5,227,696	$ 5,280,640	$ 5,494,144	$ 5,549,787	$ 5,942,352	$ 6,002,534
Revenue Requirements										
Adjusted Operating Expenses (Sched. A-1)	$ 2,590,595	$ 2,661,196	$ 2,736,344	$ 2,816,313	$ 2,898,647	$ 2,983,419	$ 3,070,701	$ 3,160,568	$ 3,253,098	$ 3,348,372
Capital Costs - Revenue Financed Capital Projects (Sched. A-2)	1,842,868	954,273	988,084	818,315	550,235	574,879	600,487	416,062	654,734	569,538
Capital Costs - Debt Service (Sched. A-3)	391,344	1,351,516	1,351,516	1,425,274	1,606,243	1,606,243	1,702,034	1,937,060	1,937,060	2,056,900
Total Revenue Requirements	$ 4,824,807	$ 4,966,985	$ 5,075,944	$ 5,059,902	$ 5,055,125	$ 5,164,541	$ 5,373,222	$ 5,515,690	$ 5,844,892	$ 5,974,810
ANNUAL REVENUE SURPLUS	$ 196,368	$ 105,043	$ 47,452	$ 115,381	$ 172,571	$ 116,099	$ 120,922	$ 34,096	$ 97,460	$ 27,724
BEGINNING FUND BALANCE	$ -	$ 3,000,759	$ 2,229,990	$ 1,342,952	$ 3,599,283	$ 2,580,673	$ 1,415,327	$ 4,502,213	$ 2,976,238	$ 1,814,852
Additions to Fund Balance										
Revenue Surplus	$ 196,368	$ 105,043	$ 47,452	$ 115,381	$ 172,571	$ 116,099	$ 120,922	$ 34,096	$ 97,460	$ 27,724
Debt Issuance (Sched. A-3)	17,699,860	-	-	3,335,982	-	-	4,332,486	-	-	5,420,142
Total Additions	$ 17,896,228	$ 105,043	$ 47,452	$ 3,451,364	$ 172,571	$ 116,099	$ 4,453,408	$ 34,096	$ 97,460	$ 5,447,865
Deductions to Fund Balance										
Acquisition Costs [2]	$ 14,719,261									
Bond Issuance and Insurance Costs [3]	221,220	-	-	41,694	-	-	54,149	-	-	67,743
Debt Financed Capital Projects (Sched. A-2)	-	954,273	988,084	1,227,472	917,058	1,149,758	1,401,137	1,567,733	1,309,467	1,708,615
Fund Financed Capital Projects (Sched. A-2)	-	-	-	-	366,623	191,625	-	104,516	218,245	-
Total Deductions	$ 14,940,481	$ 954,273	$ 988,084	$ 1,269,166	$ 1,283,681	$ 1,341,385	$ 1,455,286	$ 1,672,248	$ 1,527,712	$ 1,776,359
Interest on Fund Balance (Sched. A-5, Assumpt. #6)	45,011	78,461	53,594	74,134	92,699	59,940	68,763	112,177	68,866	105,095
ENDING FUND BALANCE	$ 3,000,759	$ 2,229,990	$ 1,342,952	$ 3,599,283	$ 2,580,673	$ 1,415,327	$ 4,502,213	$ 2,976,238	$ 1,814,852	$ 5,391,454
25% of Revenue Requirements	$ 1,206,202	$ 1,241,746	$ 1,268,986	$ 1,264,975	$ 1,263,781	$ 1,291,135	$ 1,343,305	$ 1,378,923	$ 1,461,223	$ 1,493,703
Rate Increases [4]										
Annual Increase in Rates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.00%	0.00%	6.00%	0.00%
Cumulative Increase in Rates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.00%	3.00%	9.18%	9.18%
Debt Service Coverage Ratio		1.78	1.77	1.66	1.45	1.43	1.42	1.23	1.39	1.29
IAWC Rate Increases (Sched. B-4)										
Annual Increase in Rates	1.10%	3.70%	3.61%	3.52%	2.68%	2.66%	2.65%	2.63%	2.82%	2.60%
Cumulative Increase in Rates	1.10%	4.84%	8.62%	12.44%	15.46%	18.53%	21.67%	24.88%	28.14%	31.48%

(1) Revenues were projected using Base Year 2001 for IAWC (Sched. B-1), escalated by the compound annual growth rate (Sched. A-5, Assumpt. #2). There will be no rate increase until necessary based on revenue requirements, debt service coverage ratios, and appropriate fund balances.

(2) Includes the price paid for the IAWC - Pekin System and any costs associated with the acquisition (Sched. A-3).

(3) Includes bond issuance costs and bond insurance (Sched. A-3).

(4) There will be no rate increase until necessary based on revenue requirements, debt service coverage ratios, and appropriate fund balances.

IAWC - Pekin District Acquisition Analysis
Rate Impact Summary

	Projected									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues [1]										
Baseline Rate Revenue from Current Rates	$ 5,553,513	$ 5,609,757	$ 5,666,570	$ 5,723,959	$ 5,781,929	$ 5,840,486	$ 5,899,636	$ 5,959,385	$ 6,019,739	$ 6,080,705
Change in Revenues due to Rate Increase	873,612	882,460	1,350,454	1,364,131	1,807,539	1,825,845	2,308,975	2,332,359	2,942,281	2,972,079
Total Revenues	$ 6,427,125	$ 6,492,218	$ 7,017,024	$ 7,088,090	$ 7,589,468	$ 7,666,331	$ 8,208,611	$ 8,291,744	$ 8,962,020	$ 9,052,784
Revenue Requirements										
Adjusted Operating Expenses (Sched. A-1)	$ 3,446,472	$ 3,547,483	$ 3,651,494	$ 3,758,593	$ 3,868,875	$ 3,982,436	$ 4,099,375	$ 4,219,783	$ 4,343,797	$ 4,471,494
Capital Costs - Revenue Financed Capital Projects (Sched. A-2)	475,513	496,162	776,411	539,675	844,495	733,753	764,905	797,243	996,970	692,517
Capital Costs - Debt Service (Sched. A-3)	2,350,928	2,350,928	2,469,349	2,759,897	2,759,897	2,907,256	3,268,805	3,268,805	3,427,655	3,817,399
Total Revenue Requirements	$ 6,272,914	$ 6,394,574	$ 6,897,253	$ 7,058,366	$ 7,473,268	$ 7,623,445	$ 8,133,084	$ 8,285,840	$ 8,768,422	$ 8,981,410
ANNUAL REVENUE SURPLUS	$ 154,211	$ 97,642	$ 119,771	$ 29,724	$ 116,200	$ 42,885	$ 75,527	$ 5,904	$ 193,598	$ 71,374
BEGINNING FUND BALANCE	$ 5,391,454	$ 3,781,203	$ 1,980,622	$ 5,692,910	$ 3,704,089	$ 1,934,376	$ 6,483,778	$ 4,428,270	$ 2,140,985	$ 7,243,853
Additions to Fund Balance										
Revenue Surplus	$ 154,211	$ 97,642	$ 119,771	$ 29,724	$ 116,200	$ 42,885	$ 75,527	$ 5,904	$ 193,598	$ 71,374
Debt Issuance (Sched. A-3)	-	-	5,355,980	-	-	6,664,602	-	-	7,184,556	-
Total Additions	$ 154,211	$ 97,642	$ 5,475,751	$ 29,724	$ 116,200	$ 6,707,488	$ 75,527	$ 5,904	$ 7,378,154	$ 71,374
Deductions to Fund Balance										
Acquisition Costs [2]										
Bond Issuance and Insurance Costs [3]	-	-	66,941	-	-	83,299	-	-	89,795	-
Debt Financed Capital Projects (Sched. A-2)	1,783,174	1,860,609	1,294,018	2,024,532	1,970,489	2,054,509	2,294,715	2,232,279	2,326,264	2,423,810
Fund Financed Capital Projects (Sched. A-2)	118,878	124,041	517,607	134,969	-	146,751	-	159,449	-	346,259
Total Deductions	$ 1,902,052	$ 1,984,650	$ 1,878,566	$ 2,159,501	$ 1,970,489	$ 2,284,559	$ 2,294,715	$ 2,391,728	$ 2,416,059	$ 2,770,069
Interest on Fund Balance (Sched. A-5, Assumpt. #6)	137,590	86,427	115,103	140,955	84,577	126,272	163,681	98,539	140,773	179,528
ENDING FUND BALANCE	$ 3,781,203	$ 1,980,622	$ 5,692,910	$ 3,704,089	$ 1,934,376	$ 6,483,778	$ 4,428,270	$ 2,140,985	$ 7,243,853	$ 4,724,686
25% of Revenue Requirements	$ 1,568,228	$ 1,598,644	$ 1,724,313	$ 1,764,591	$ 1,868,317	$ 1,905,861	$ 2,033,271	$ 2,071,460	$ 2,192,105	$ 2,245,352
Rate Increases [4]										
Annual Increase in Rates	6.00%	0.00%	7.00%	0.00%	6.00%	0.00%	6.00%	0.00%	7.00%	0.00%
Cumulative Increase in Rates	15.73%	15.73%	23.63%	23.63%	31.26%	31.26%	39.14%	39.14%	48.88%	48.88%
Debt Service Coverage Ratio	1.27	1.25	1.36	1.21	1.35	1.27	1.28	1.25	1.35	1.20
IAWC Rate Increases (Sched. B-4)										
Annual Increase in Rates	2.59%	2.58%	2.56%	2.55%	2.54%	2.53%	2.52%	2.51%	2.50%	2.49%
Cumulative Increase in Rates	34.88%	38.36%	41.90%	45.52%	49.21%	52.98%	56.83%	60.76%	64.77%	68.87%

IAWC - Pekin District Acquisition Analysis
Rate Impact Summary

	Projected									
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Revenues [1]										
Baseline Rate Revenue from Current Rates	$ 6,142,288	$ 6,204,494	$ 6,267,331	$ 6,330,804	$ 6,394,920	$ 6,459,685	$ 6,525,106	$ 6,591,190	$ 6,657,943	$ 6,725,372
Change in Revenues due to Rate Increase	3,459,403	3,494,438	3,529,828	3,565,577	3,601,688	3,638,164	3,675,010	3,712,229	3,749,825	3,787,802
Total Revenues	$ 9,601,690	$ 9,698,932	$ 9,797,159	$ 9,896,381	$ 9,996,608	$ 10,097,849	$ 10,200,116	$ 10,303,419	$ 10,407,768	$ 10,513,174
Revenue Requirements										
Adjusted Operating Expenses (Sched. A-1)	$ 4,602,996	$ 4,738,419	$ 4,877,881	$ 5,021,505	$ 5,169,417	$ 5,321,748	$ 5,478,631	$ 5,640,205	$ 5,806,612	$ 5,978,000
Capital Costs - Revenue Financed Capital Projects (Sched. A-2)	1,082,183	1,878,646	1,956,513	1,833,577	1,696,907	1,324,859	1,378,988	1,435,136	746,687	517,926
Capital Costs - Debt Service (Sched. A-3)	3,817,399	2,597,367	2,919,965	2,919,965	2,844,071	3,282,843	3,282,843	3,186,157	3,760,605	3,760,605
Total Revenue Requirements	$ 9,502,557	$ 9,214,431	$ 9,754,359	$ 9,775,047	$ 9,710,395	$ 9,929,450	$ 10,140,462	$ 10,261,498	$ 10,313,905	$ 10,256,532
ANNUAL REVENUE SURPLUS	$ 99,133	$ 484,502	$ 42,801	$ 121,334	$ 286,213	$ 168,400	$ 59,655	$ 41,921	$ 93,863	$ 256,642
BEGINNING FUND BALANCE	$ 4,724,686	$ 2,405,729	$ 7,025,520	$ 5,296,640	$ 3,305,975	$ 9,223,256	$ 6,536,718	$ 3,529,730	$ 10,898,091	$ 7,029,642
Additions to Fund Balance										
Revenue Surplus	$ 99,133	$ 484,502	$ 42,801	$ 121,334	$ 286,213	$ 168,400	$ 59,655	$ 41,921	$ 93,863	$ 256,642
Debt Issuance (Sched. A-3)	-	5,946,792	-	-	8,088,347	-	-	10,589,406	-	-
Total Additions	$ 99,133	$ 6,431,294	$ 42,801	$ 121,334	$ 8,374,559	$ 168,400	$ 59,655	$ 10,631,327	$ 93,863	$ 256,642
Deductions to Fund Balance										
Acquisition Costs [2]										
Bond Issuance and Insurance Costs [3]	-	74,325	-	-	99,856	-	-	130,733	-	-
Debt Financed Capital Projects (Sched. A-2)	2,344,686	1,878,646	1,956,513	2,037,308	2,121,134	2,849,718	3,217,639	3,348,651	3,484,541	3,825,481
Fund Financed Capital Projects (Sched. A-2)	180,360	-	-	203,731	424,227	441,620	-	-	746,687	1,035,852
Total Deductions	$ 2,525,047	$ 1,952,971	$ 1,956,513	$ 2,241,039	$ 2,645,217	$ 3,091,338	$ 3,217,639	$ 3,479,384	$ 4,231,228	$ 4,861,333
Interest on Fund Balance (Sched. A-5, Assumpt. #6)	106,956	141,459	184,832	129,039	187,938	236,400	150,897	216,417	268,918	147,024
ENDING FUND BALANCE	$ 2,405,729	$ 7,025,520	$ 5,296,640	$ 3,305,975	$ 9,223,256	$ 6,536,718	$ 3,529,730	$ 10,898,091	$ 7,029,642	$ 2,771,975
25% of Revenue Requirements	$ 2,375,639	$ 2,303,608	$ 2,438,590	$ 2,443,762	$ 2,427,599	$ 2,482,362	$ 2,535,115	$ 2,565,374	$ 2,578,476	$ 2,564,133
Rate Increases [4]										
Annual Increase in Rates	5.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cumulative Increase in Rates	56.32%	56.32%	56.32%	56.32%	56.32%	56.32%	56.32%	56.32%	56.32%	56.32%
Debt Service Coverage Ratio	1.31	1.91	1.68	1.67	1.70	1.45	1.44	1.46	1.22	1.21
IAWC Rate Increases (Sched. B-4)										
Annual Increase in Rates	2.48%	2.47%	2.46%	2.45%	2.44%	2.43%	2.43%	2.42%	2.41%	2.40%
Cumulative Increase in Rates	73.05%	77.32%	81.68%	86.13%	90.67%	95.31%	100.05%	104.88%	109.82%	114.87%

IAWC - Pekin District Acquisition Analysis
Assumptions

Schedule A-5

1. Potential Purchase Price $ 13,969,261

2. Growth Factors [1]	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Compounded Growth Rate	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%
Annual Inflation	2.30%	2.50%	2.60%	2.70%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
Growth + Inflation	3.31%	3.51%	3.61%	3.71%	3.81%	3.81%	3.81%	3.81%	3.81%	3.81%	3.81%

3. Investment Plan Financing [2]	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Financed		0.00%	50.00%	50.00%	60.00%	50.00%	60.00%	70.00%	75.00%	60.00%	75.00%
Revenue Financed		100.00%	50.00%	50.00%	40.00%	30.00%	30.00%	30.00%	20.00%	30.00%	25.00%
Fund Balance Financed		0.00%	0.00%	0.00%	0.00%	20.00%	10.00%	0.00%	5.00%	10.00%	0.00%

4. Bond Financing Terms [3]	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Interest	4.422%	4.422%	4.422%	4.422%	4.422%	4.422%	4.422%	4.422%	4.422%	4.422%	4.422%
Repayment Period	20	20	20	20	20	20	20	20	20	20	20
Level Debt Service											

5. Average Annual Growth Rate in Net Utility Plant [1] 2.99%

6. Interest Earned on Fund Balance [3] 3.00%

7. Annual New Capital Investments [1]

Years 2003-2006	$ 955,738
Year 2007	$ 683,502

Future years assumed at year 2007 level, escalated by inflation.

8. Issuance Cost (% of issuance amount) [3] 1.25%

9. Bond Insurance (% of total annual debt service) [3] 0.20%

(1) See Schedule B-6.
(2) Capital Improvements will be financed through issuance of debt, revenues generated through rates, and surpluses in fund balances.
(3) Provided by Todd Goffoy of Piper Jaffray, Financial Advisors for the City of Pekin.

IAWC - Pekin District Acquisition Analysis
Projection of Net Operating Income

Schedule B-1

	Actual 1999 [1]	Estimated 2000 [1]	Base Year 2001 [1]	Projected 2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
OPERATING REVENUES (Sched. B-4)	$ 4,919,452	$ 4,935,662	$ 4,920,995	$ 4,970,833	$ 5,076,357	$ 5,317,436	$ 5,564,924	$ 5,819,153	$ 6,035,811	$ 6,259,381	$ 6,490,160	$ 6,728,443	$ 6,974,453	$ 7,228,441
OPERATING EXPENSES														
Labor (i)	$ 926,292	$ 861,010	$ 876,427	$ 896,585	$ 918,999	$ 942,893	$ 968,352	$ 995,465	$ 1,023,338	$ 1,051,982	$ 1,081,448	$ 1,111,728	$ 1,142,857	$ 1,174,857
Fuel, Power & Chemicals (g+i)	216,597	256,874	277,062	286,240	296,295	307,000	318,398	330,538	343,140	356,223	369,805	383,905	398,543	413,738
Waste Disposal and Management Fees (i)	90,724	54,249	57,457	58,779	60,248	61,814	63,483	65,261	67,088	68,967	70,898	72,883	74,924	77,022
Insurance (i)	384,108	361,944	405,349	414,672	425,039	436,090	447,864	460,404	473,296	486,548	500,171	514,178	528,573	543,373
Pensions (i)	45,588	29,045	33,204	33,968	34,817	35,722	36,687	37,714	38,770	39,855	40,971	42,119	43,298	44,510
Regulatory Expense/Rents (i)	28,954	20,234	26,217	26,820	27,490	28,205	28,967	29,778	30,612	31,469	32,350	33,256	34,187	35,144
General Office/Customer Accounting (i)	238,539	229,663	238,771	244,263	250,369	256,879	263,815	271,201	278,795	286,601	294,628	302,876	311,356	320,074
Maintenance and Miscellaneous (i)	435,852	397,565	417,528	427,129	437,807	449,190	461,318	474,235	487,514	501,164	515,197	529,622	544,452	559,697
Uncollectable accounts expense (g)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total O&M Expense	$ 2,366,654	$ 2,212,784	$ 2,332,013	$ 2,388,455	$ 2,451,066	$ 2,517,794	$ 2,588,884	$ 2,664,597	$ 2,742,553	$ 2,822,820	$ 2,905,467	$ 2,990,565	$ 3,078,189	$ 3,168,414
DEPRECIATION EXPENSE (Sched. B-3)	$ 749,506	$ 728,905	$ 843,031	$ 823,336	$ 887,130	$ 952,809	$ 1,020,430	$ 1,090,049	$ 1,150,613	$ 1,213,624	$ 1,279,310	$ 1,347,772	$ 1,419,116	$ 1,493,451
AMORTIZATION (i)	2,737	1,206	1,206	1,234	1,265	1,297	1,332	1,370	1,408	1,448	1,488	1,530	1,573	1,617
Subtotal	752,243	730,111	844,237	824,571	888,395	954,107	1,021,762	1,091,419	1,152,022	1,215,072	1,280,798	1,349,302	1,420,689	1,495,068
TAXES OTHER THAN INCOME														
Property Taxes (nup)	$ 58,458	$ 57,437	$ 58,924	$ 60,686	$ 62,501	$ 64,371	$ 66,296	$ 68,278	$ 70,320	$ 72,424	$ 74,590	$ 76,820	$ 79,118	$ 81,484
Invested Capital Taxes (c)	149,916	83,488	86,071	86,071	86,071	86,071	86,071	86,071	86,071	86,071	86,071	86,071	86,071	86,071
Payroll Taxes (i)	101,682	68,787	69,241	70,834	72,604	74,492	76,503	78,645	80,848	83,111	85,438	87,831	90,290	92,818
Other General Taxes (i)	7,265	4,538	4,219	4,316	4,424	4,539	4,662	4,792	4,926	5,064	5,206	5,352	5,502	5,656
Subtotal	$ 317,321	$ 214,250	$ 218,455	$ 221,907	$ 225,601	$ 229,473	$ 233,532	$ 237,787	$ 242,165	$ 246,670	$ 251,305	$ 256,074	$ 260,980	$ 266,029
Total Operating Income Before Income Taxes	$ 1,483,234	$ 1,778,517	$ 1,526,290	$ 1,535,899	$ 1,511,296	$ 1,616,063	$ 1,720,747	$ 1,825,350	$ 1,899,071	$ 1,974,799	$ 2,052,590	$ 2,132,502	$ 2,214,595	$ 2,298,930
INCOME TAXES (Sched. B-6, Assumpt. #5)	$ 465,932	$ 510,843	$ 390,604	$ 393,063	$ 385,767	$ 413,578	$ 440,369	$ 467,139	$ 486,005	$ 505,385	$ 525,293	$ 545,744	$ 566,753	$ 588,336
NET OPERATING INCOME	**$ 1,017,302**	**$ 1,267,674**	**$ 1,135,686**	**$ 1,142,836**	**$ 1,124,529**	**$ 1,202,484**	**$ 1,280,378**	**$ 1,358,212**	**$ 1,413,066**	**$ 1,469,414**	**$ 1,527,297**	**$ 1,586,758**	**$ 1,647,842**	**$ 1,710,594**

Escalation keys for projections:
- i - Annual inflation rate (Sched. B-5, Assumpt. #2)
- g+i - Compound annual growth plus annual inflation rate (Sched. B-6, Assumpt. #2)
- g - Compound annual growth rate (Sched. B-6, Assumpt. #1)
- c - Constant
- nup - Average annual growth in net utility plant (Sched. B-6, Assumpt. #6)

[1] Years 1999 through 2001 from IAWC Exhibit, Docket #00-0340.

IAWC - Pekin District Acquisition Analysis
Projection of Rate Base Calculation

Schedule B-2

	Actual 1999 [1]	Estimated 2000 [1]	Base Year 2001 [1]	Projected 2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Gross Utility Plant in Service (Sched. B-3)	$ 17,393,448	$ 18,844,696	$ 19,213,723	$ 20,776,471	$ 22,385,416	$ 24,041,925	$ 25,747,404	$ 27,503,300	$ 29,027,755	$ 30,617,196	$ 32,274,100	$ 34,001,036	$ 35,800,664	$ 37,675,738
FAS 109 Regulatory Asset - Net of Liability (c)	457,253	478,907	474,043	474,043	474,043	474,043	474,043	474,043	474,043	474,043	474,043	474,043	474,043	474,043
Less: Accum. Depreciation and Amort. (Sched. B-3)	$ (4,220,388)	$ (4,742,853)	$ (5,100,166)	$ (5,708,410)	$ (6,362,882)	$ (7,064,951)	$ (7,816,025)	$ (8,617,554)	$ (9,459,915)	##########	$ (11,284,242)	$ (12,270,170)	$ (13,306,041)	$ (14,400,029)
Net Plant in Service	$ 13,630,313	$ 14,580,750	$ 14,587,600	$ 15,542,104	$ 16,496,577	$ 17,451,017	$ 18,405,422	$ 19,359,790	$ 20,041,883	$ 20,743,075	$ 21,463,901	$ 22,204,909	$ 22,968,666	$ 23,749,752
ADDITIONS TO RATE BASE														
Working Capital (Sched. B-6, Assumpt. #8)	$ 290,797	$ 274,205	$ 288,513	$ 295,496	$ 303,242	$ 311,498	$ 320,293	$ 329,660	$ 339,304	$ 349,235	$ 359,460	$ 369,988	$ 380,829	$ 391,991
Materials and Supplies (g+i)	133,811	131,999	135,431	139,918	144,832	150,065	155,636	161,571	167,731	174,126	180,765	187,657	194,812	202,240
Deferred Maintenance (g+i)	93,320	130,607	117,174	121,056	125,308	129,835	134,656	139,790	145,120	150,653	156,397	162,360	168,550	174,976
Reengineering Cost (c) [2]	79,865	80,164	76,156	76,156	76,156	76,156	76,156	76,156	76,156	76,156	76,156	76,156	76,156	76,156
Amortization of CIAC (ci)	414,351	450,697	468,870	487,043	505,216	523,389	541,562	559,735	577,908	596,081	614,254	632,427	650,600	668,773
Total Additions to Rate Base	$ 1,012,144	$ 1,067,672	$ 1,086,144	$ 1,119,668	$ 1,154,755	$ 1,190,943	$ 1,228,303	$ 1,266,911	$ 1,306,219	$ 1,346,250	$ 1,387,031	$ 1,428,588	$ 1,470,947	$ 1,514,137
DEDUCTIONS FROM RATE BASE														
Contribution in Aid of Construction (c)	1,650,075	1,650,075	1,650,075	1,650,075	1,650,075	1,650,075	1,650,075	1,650,075	1,650,075	1,650,075	1,650,075	1,650,075	1,650,075	1,650,075
Customer Advances for Construction (c)	442,123	499,383	514,133	514,133	514,133	514,133	514,133	514,133	514,133	514,133	514,133	514,133	514,133	514,133
Deferred Federal & State Income Tax (nup)	1,959,014	1,985,865	1,972,910	2,031,915	2,092,684	2,155,271	2,219,730	2,286,117	2,354,489	2,424,906	2,497,429	2,572,121	2,649,047	2,728,273
Investment Tax Credit - Pre 1971 (c)	9,176	7,852	7,190	7,190	7,190	7,190	7,190	7,190	7,190	7,190	7,190	7,190	7,190	7,190
Total Deductions from Rate Base	$ 4,060,388	$ 4,143,175	$ 4,144,308	$ 4,203,313	$ 4,264,082	$ 4,326,669	$ 4,391,128	$ 4,457,515	$ 4,525,887	$ 4,596,304	$ 4,668,827	$ 4,743,519	$ 4,820,445	$ 4,899,671
RATE BASE	$ 10,582,069	$ 11,505,247	$ 11,529,436	$ 12,458,459	$ 13,387,249	$ 14,315,290	$ 15,242,596	$ 16,169,186	$ 16,622,215	$ 17,493,022	$ 18,182,105	$ 18,889,978	$ 19,617,168	$ 20,364,217
ANNUAL CHANGE IN RATE BASE	$ 169,320	$ 923,178	$ 24,189	$ 929,023	$ 928,790	$ 928,041	$ 927,306	$ 926,589	$ 453,029	$ 870,807	$ 689,083	$ 707,873	$ 727,190	$ 747,049

Escalation keys for projections:
- c - Constant
- g+i - Compound annual growth plus annual inflation rate (Sched. B-6, Assumpt. #2)
- ci - Increase at a constant rate (equal to increase between 2000 and 2001)
- nup - Average annual growth in net utility plant (Sched. B-6, Assumpt. #6)

[1] Years 1999 through 2001 from IAWC Exhibit, Docket #00-0340.

[2] Typically, reengineering costs are a one-time cost. However, to be consistent with IAWC submissions to ICC, RFC has included the costs in the calculation of rate base.

IAWC - Pekin District Acquisition Analysis
Projection of Depreciation Expense

Schedule B-3

	Projected										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Starting Gross Plant in Service [1]	$ 19,213,723	$ 20,776,471	$ 22,385,416	$ 24,041,925	$ 25,747,484	$ 27,503,300	$ 29,027,755	$ 30,617,196	$ 32,274,100	$ 34,001,036	$ 35,800,654
Plus:											
Renewal and Replacement [2]	823,338	887,130	952,809	1,020,430	1,090,049	1,150,613	1,213,624	1,279,310	1,347,772	1,419,116	1,493,451
New Capital Investments [3]	955,738	955,738	955,738	955,738	955,738	583,502	702,640	722,314	742,538	763,329	784,703
Less:											
Asset Retirement (Sched. B-6, Assumpt. #7)	(216,327)	(233,922)	(252,038)	(270,688)	(289,890)	(309,660)	(326,824)	(344,719)	(363,374)	(382,818)	(403,080)
Ending Gross Plant in Service	$ 20,776,471	$ 22,385,416	$ 24,041,925	$ 25,747,484	$ 27,503,300	$ 29,027,755	$ 30,617,196	$ 32,274,100	$ 34,001,036	$ 35,800,654	$ 37,675,735
Accumulated Depreciation and Amortization [1]	$ (5,100,186)	$ (5,708,410)	$ (6,362,882)	$ (7,064,951)	$ (7,815,025)	$ (8,617,554)	$ (9,459,915)	$ (10,348,164)	$ (11,284,242)	$ (12,270,170)	$ (13,308,041)
PLUS:											
Depreciation Expense (Sched. B-6, Assumpt. #3)	(823,338)	(887,130)	(952,809)	(1,020,430)	(1,090,049)	(1,150,613)	(1,213,624)	(1,279,310)	(1,347,772)	(1,419,116)	(1,493,451)
Amortization Expense (Sched. B-1)	(1,234)	(1,265)	(1,297)	(1,332)	(1,370)	(1,408)	(1,446)	(1,488)	(1,530)	(1,573)	(1,617)
LESS:											
Cost of Retired Assets (Sched. B-6, Assumpt. #7)	216,327	233,922	252,038	270,688	289,890	309,660	326,824	344,719	363,374	382,818	403,080
Ending Accumulated Depreciation and Amortization	$ (5,708,410)	$ (6,362,882)	$ (7,064,951)	$ (7,815,025)	$ (8,617,554)	$ (9,459,915)	$ (10,348,164)	$ (11,284,242)	$ (12,270,170)	$ (13,308,041)	$ (14,400,029)

[1] 2002 from Sched. A-4; future years from ending total of previous year.
[2] It is assumed that renewal and replacement will equal the current year's depreciation expense.
[3] Sched. B-6, Assumpt. #9 for years 2002-2007, then escalated by inflation.

IAWC - Pekin District Acquisition Analysis
Revenue Projections

Schedule B-4

	Base Year	Projected										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
EXPENSES (Sched. B-1)												
Operating Expense	$ 2,332,013	$ 2,388,456	$ 2,451,066	$ 2,517,794	$ 2,588,884	$ 2,664,597	$ 2,742,553	$ 2,822,820	$ 2,905,467	$ 2,990,565	$ 3,078,189	$ 3,168,414
Depreciation	843,031	823,338	887,130	952,809	1,020,430	1,090,049	1,150,613	1,213,824	1,279,310	1,347,772	1,419,116	1,493,451
Amortization	1,206	1,234	1,265	1,297	1,332	1,370	1,408	1,448	1,488	1,530	1,573	1,617
Taxes Other than Income	218,455	221,907	225,601	229,473	233,532	237,787	242,165	246,670	251,305	256,074	260,980	266,029
Income Taxes	390,604	393,063	386,767	413,578	440,369	467,139	488,005	505,385	525,293	545,744	566,753	588,336
Subtotal	$ 3,785,309	$ 3,827,997	$ 3,951,828	$ 4,114,952	$ 4,284,546	$ 4,460,941	$ 4,622,745	$ 4,789,947	$ 4,962,863	$ 5,141,685	$ 5,326,611	$ 5,517,847
RETURN ON RATE BASE												
Rate Base (Sched. B-2)	$ 11,529,436	$ 12,458,459	$ 13,387,249	$ 14,315,290	$ 15,242,598	$ 16,169,186	$ 16,822,215	$ 17,493,022	$ 18,182,105	$ 18,889,978	$ 19,617,168	$ 20,364,217
Rate of Return (Sched. B-6, Assumpt. #4)	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%
	$ 968,473	$ 1,046,511	$ 1,124,529	$ 1,202,484	$ 1,280,378	$ 1,358,212	$ 1,413,066	$ 1,469,414	$ 1,527,297	$ 1,586,758	$ 1,647,842	$ 1,710,594
PROJECTED REVENUE REQUIREMENTS	$ 4,753,782	$ 4,874,507	$ 5,076,357	$ 5,317,436	$ 5,564,924	$ 5,819,153	$ 6,035,811	$ 6,259,361	$ 6,490,160	$ 6,728,443	$ 6,974,453	$ 7,228,441
PROJECTED REVENUES WITH RATE INCREASES[1]	$ 4,920,995	$ 4,970,833	$ 5,076,357	$ 5,317,436	$ 5,564,924	$ 5,819,153	$ 6,035,811	$ 6,259,361	$ 6,490,160	$ 6,728,443	$ 6,974,453	$ 7,228,441
PROJECTED RATE INCREASE												
Individual Years		0.00%	1.10%	3.70%	3.61%	3.52%	2.68%	2.66%	2.65%	2.63%	2.62%	2.60%
Cumulative Years		0.00%	1.10%	4.84%	8.62%	12.44%	15.46%	18.53%	21.67%	24.88%	28.14%	31.48%

[1] Test Year 2001 is taken from Sched. B-1. Projected years are escalated by the compound annual growth rate (Sched. B-6, Assumpt. #1), except for those years with a rate increase. In this case, it is assumed that rates will be set to cover projected revenue requirements.

IAWC - Pekin District Acquisition Analysis
Income Capitalization Valuation

Schedule B-5

	Total	Projected 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Into Perpetuity [1]
Net Operating Income (Sched. B-1)		$ 1,124,529	$ 1,202,484	$ 1,280,378	$ 1,358,212	$ 1,413,066	$ 1,469,414	$ 1,527,297	$ 1,586,758	$ 1,647,842	$ 1,710,594	
Less: Capital Investment (Change in Rate Base - Sched. B-2)		928,790	928,041	927,306	926,589	853,029	870,807	889,083	707,873	727,190	747,049	
Distributable Income		$ 195,739	$ 274,443	$ 353,072	$ 431,622	$ 560,037	$ 598,607	$ 638,213	$ 878,885	$ 920,652	$ 963,545	
Distributable Income to Perpetuity												
Multiplied By: Discount Factor (Sched. B-6, Assumpt. #4)		95.05%	88.60%	81.74%	75.40%	69.56%	64.17%	59.20%	54.61%	50.38%	46.48%	
Present Value	$ 13,969,261	$ 188,002	$ 243,169	$ 288,595	$ 325,463	$ 525,692	$ 512,474	$ 496,209	$ 479,968	$ 463,817	$ 447,810	$ 9,995,061

[1] Into Perpetuity - Distributable income projected until its present value is equal to 0.

IAWC - Pekin District Acquisition Analysis
Assumptions

Schedule B-6

1. Growth Trends - Pekin District [1]

	1999	2000	2001
Water Sold to Customers (1,000 Gallons)	2,279,572	2,300,405	2,325,979
Compound Annual Growth 1999-2001	1.01%		

2. Growth & Inflation Factors

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Compounded Growth Rate	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%
Annual Inflation[2]	2.30%	2.50%	2.60%	2.70%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
Growth + Inflation	3.31%	3.51%	3.61%	3.71%	3.81%	3.81%	3.81%	3.81%	3.81%	3.81%	3.81%

3. Composite Depreciation Rate [3] 3.92%

4. Allowable Return on Rate Base [4] 8.40%

5. Total Income Tax Rate for Test Year 2001 25.59%

6. Projected Change in Net Utility Plant from 2002 - 2202

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Gross Utility Plant	$20,776,471	$22,385,416	$24,041,925	$25,747,404	$27,503,300	$29,027,755	$30,617,196	$32,274,100	$34,001,036	$35,800,664	$ 37,675,738
Less: Accumulated Depreciation	(5,708,410)	(6,362,882)	(7,064,951)	(7,816,025)	(8,617,554)	(9,459,915)	(10,348,164)	(11,284,242)	(12,270,170)	(13,308,041)	(14,400,029)
Net Utility Plant	$15,068,061	$16,022,534	$16,976,974	$17,931,379	$18,885,747	$19,567,840	$20,269,032	$20,989,858	$21,730,866	$22,492,623	$ 23,275,709
Annual Growth		6.33%	5.96%	5.62%	5.32%	3.61%	3.58%	3.56%	3.53%	3.51%	3.48%
Average Annual Growth in Net Utility Plant (rup)	2.99%										

7. Average Annual Rate of Retirement Gross Utility Plant [1]

	1993	1994	1995	1996	1997	1998	1999	2000	2001
A. Current Year - Book Cost of Plant Retired	$ 1,657,474	$ 2,925,461	$ 1,941,724	$ 2,328,704	$ 1,596,689	$ 3,916,816	$ 2,683,720	$ 7,652,768	$ 6,152,880
B. Previous Year - Total Utility Plant	207,697,767	218,945,080	231,227,007	243,218,531	264,075,769	294,925,558	319,477,971	347,099,218	502,262,637
A / B - Annual Rate of Retirement	0.80%	1.34%	0.84%	0.96%	0.60%	1.33%	0.84%	2.20%	1.23%
Average Annual Rate of Retirement	1.13%								

8. Working Capital Allowance Calculation Percentage of Operating Expenses

A. Rate Case Test Year Operating Expenses	$ 2,332,013
B. Rate Case Test Year Working Capital Allowance	288,513
B / A	12.37%

9. Annual New Capital Investments

Years 2002-2006 [5]	$ 955,738
Year 2007 [5]	$ 683,502

Future years assumed at year 2007 level, escalated by inflation.

Sources:

[1] IAWC's Annual Reports to the Illinois Commerce Commission (1993-2001).

[2] Value Line's Forecast for the U.S. Economy (Value Line Selection and Opinion, August 30, 2002, page 3421).

[3] Per Teresa Ebery of ICC, this percentage was developed during IAWC's 2000 Rate Case.

[4] IAWC's 2000 Rate Case, Docket # 00-0340.

[5] IAWC's Response to City of Pekin Water Study Advisory Committee, October 20, 1998 Minutes, Question #28. IAWC indicated that $4.3 million would be spent in major improvements over the next 5 years (1999-2003). However, according to increases in net utility plant, it does not appear that all of these improvements have been implemented. Therefore, RFC has assumed this capital plan for 2002-2006 (escalated to 2002 dollars using the Consumer Price Index).

[6] Annual change in net utility plant for years 1996 through 2001 was averaged with projected change in net utility plant for years 2002-2006 to project future capital needs.