

**SERVICE COMPANY COST STUDY**

**PREPARED FOR ILLINOIS-AMERICAN WATER COMPANY**

**MAY, 2009**

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## I. INTRODUCTION

Deloitte & Touche LLP (“Deloitte & Touche”) was engaged by Illinois-American Water Company (“IAWC”) to conduct a Service Company Cost Study (“Study”) comparing the cost of certain services expected to be obtained by IAWC from American Water Works Service Company, Inc. (“AWWSC” or “Service Company”) to the costs that would be incurred if such services were obtained in the open market. This Study is prepared in response to the Illinois Commerce Commission’s (“Commission”) Order of July 30, 2008 in Docket 07-0507 that IAWC

“...conduct a study comparing the cost of each service obtained from the Service Company to the costs of such services had they been obtained through competitive bidding on the open market. As part of the study, IAWC must also provide an analysis of the services provided by the Service Company to all of IAWC’s affiliates. The analysis must provide details on the specific services provided to IAWC and how costs are allocated among affiliates of IAWC. IAWC shall include the study in its next rate filing.”<sup>1</sup>

As the testimony of IAWC’s President, Ms. Teasley, discusses, in response to this requirement, IAWC has presented the testimony of five witnesses, including the testimony of Messrs. Mark Young of Deloitte & Touche and Bernard L. Uffelman of Uffelman Advisory Services, LLC, who sponsor this Study. As Ms. Teasley explains, Mr. John Young, President of AWWSC discusses each service that AWWSC performs. Mr. Edward Grubb addresses the cost assignment and allocation process, and other matters related to AWWSC services.

As Ms. Teasley explains, in procuring services, IAWC’s practice is to provide support for utility operations based on considerations of cost-effectiveness, timeliness, reliability and adequacy. For certain services, IAWC is able to maintain adequate service quality and achieve efficiencies through the use of qualified third-party providers (i.e., AWWSC or a non-affiliate provider). As Ms. Teasley indicates, for certain services that can be outsourced, IAWC has determined that use of a non-affiliate provider is not feasible. For the reasons Ms. Teasley discusses, the services in this category include corporate governance, the customer service center and the employee benefits service center. For the reasons given by Ms. Teasley, IAWC believes that these services should be performed only by employees of IAWC or those of an affiliated company. Ms. Teasley sponsors a study that compares the cost incurred by IAWC in obtaining these, and other services, from AWWSC to the market cost that IAWC would incur if it were to itself retain the personnel needed to provide these services on a stand-alone basis (“Self Provision Study”). Thus the Self Provision Study provides the applicable market comparison for services that cannot be

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<sup>1</sup> Illinois Commerce Commission Docket 07-0507, Section IV. B. 6. d

outsourced to non-affiliates. The required market comparison for services that IAWC can effectively outsource to an affiliate or non-affiliate provider are the subject of this Study. This Study also provides an analysis of IAWC's customer service center costs which supports the Self Provision Study sponsored by Ms. Teasley.

The remainder of this Study is comprised of the following seven sections:

- Overview of AWWSC
- Study Methodology
- Market Cost Comparison Survey Information
- Market Analysis
- Customer Accounts Analysis
- Study Conclusions
- Professional Standards

The Service Company provided Deloitte & Touche with information pertaining to AWWSC and IAWC to perform the Study, including but not limited to information related to the projected level of service costs for the fully forecasted 2010 test year. The analysis also relied on market information obtained directly by Deloitte & Touche. The sources of information used in developing the analysis are noted throughout this Study and supporting schedules.

The methodology used by Deloitte & Touche for comparing the cost of each service expected to be obtained from the Service Company that can be performed by a non-affiliate to the costs of such services that would be incurred if such services were obtained through competitive bidding on the open market is described in greater detail in the following sections of this Study. The methodology incorporates a comparison of the forecasted cost of certain services expected to be obtained by IAWC from the Service Company during the forecast period to the expected cost or market price for the services in the future period if such services were obtained on the open market. The results of the analysis show either the cost savings expected to be realized (i.e., Service Company costs lower than market) or the excess costs expected to be incurred (i.e., Service Company costs higher than market) by IAWC from obtaining professional and managerial services through the Service Company when compared to the costs of acquiring such services in the open market from third-party service providers.

As discussed above, the Self Provision Study provides the applicable market comparison for IAWC's customer service related cost (comparing the cost incurred by IAWC to obtain this service from AWWSC to the cost to self provision, i.e., the cost to IAWC of retaining the needed personnel in the market to provide this service on a stand-alone basis). As Ms. Teasley discusses, the Self Provision Study demonstrates that the cost incurred by IAWC to obtain this service through AWWSC is significantly below the cost that would be incurred to self-provide the services.

This Study provides an additional analysis of customer service costs that supports the Self Provision Study sponsored by Ms. Teasley. The analysis performed by Deloitte & Touche includes a comparison of IAWC's customer service cost to the customer service costs reported by other utilities in narrowly defined customer accounts for providing comparable services. Although not a market cost comparison for this type of service, the additional analysis demonstrates that IAWC's customer service cost to obtain this service through AWWSC is below the average level of cost incurred by other utilities for this function.

## **II. OVERVIEW OF AWWSC**

AWWSC is a subsidiary of American Water Works Company, Inc. ("AWWC" or "American Water") and is organized as a services organization to provide governance and support services to AWWC affiliates, including IAWC. Service companies are common in the utility industry and provide support services to affiliates in a centralized manner resulting in cost efficiencies to affiliates by eliminating the need for affiliates to perform support services on a stand-alone basis.

### **A. AWWSC Locations**

AWWSC is a collection of organizations (i.e., functions) that provide managerial and professional support services to AWWC affiliates including IAWC from a number of locations. The AWWSC locations are described below.

**Belleville Lab** – personnel at this location perform water quality testing for all AWWC operating water utility affiliates. The Belleville Lab is located in Belleville, Illinois.

**National Call Centers** – AWWSC personnel perform the following customer service activities: customer call processing, service order processing, customer payment processing, credit and collection, customer billing and other customer related activities. AWWSC operates two call centers located in Alton, Illinois and Pensacola, Florida. AWWSC's call centers respond to customer inquiries nationwide from AWWC's regulated operations, including customers in Illinois served by IAWC.

**Corporate** – personnel located in Voorhees, New Jersey include AWWC's executive management group as well as AWWSC functional leadership who provide corporate oversight and support services to AWWC affiliates. Corporate operations personnel are also located in Mt. Laurel, New Jersey.

**Information Technology Service Centers ("ITS")** – this function consists of a principal data center located in Hershey, Pennsylvania to support AWWC's information technology infrastructure required to operate AWWSC and operating company business applications and computer systems. A second data center is

located in Haddon Heights, New Jersey. ITS administrative personnel are located in Voorhees, New Jersey.

**Shared Service Center (“SSC”)** – personnel at this location in Cherry Hill, New Jersey provide financial, accounting and treasury services to AWWC’s operating companies.

## **B. AWWSC Business Functions**

As discussed in Mr. John Young’s testimony, AWWSC services are provided to American Water affiliates by AWWSC personnel in the following functions:

- **Communications and External Affairs**
- **Corporate Finance**
  - Treasury
  - Controller
  - Planning & Reporting
- **Customer Service Center**
- **Human Resources**
- **Information Technology Services**
- **Legal**
- **Operations Services**
  - Engineering
  - Maintenance & SCADA
  - Innovation & Environmental Stewardship
  - Central Laboratory Services
  - Supply Chain
  - Best Operating Practices
  - Operations Risk Management
- **Divisional Operations Support and Regulated Operations**
- **Shared Services Center**
- **Other**
  - Business Development
  - Internal Audit
  - Investor Relations
  - Regulatory Programs

## **C. AWWSC Costs**

The types of costs incurred by AWWSC in providing service to affiliates including IAWC include the following:

- **Compensation costs** – this cost category includes the salaries and wages of AWWSC professional and managerial and administrative personnel who provide services to AWWC affiliates, and
- **Overhead costs** – this cost category includes labor-related overhead costs, building/office costs, and other overhead costs. Labor-related overhead costs include but are not limited to: employee benefits, pensions and payroll taxes. Building/office and other overhead costs include but are not limited to: depreciation expense, property and equipment rental, transportation lease and maintenance costs, property and liability insurance, utility and miscellaneous general office costs.

Labor loading rates are developed by AWWSC and applied to AWWSC employee compensation costs to recover the overhead costs referenced above. The “fully-loaded” AWWSC costs are billed to affiliates for services provided. Charges for services provided by AWWSC to affiliates are therefore billed “at cost” and do not include a profit or mark-up.

### III. **STUDY METHODOLOGY**

This section of the Study provides an overview of the methodology used by Deloitte & Touche for comparing the cost of certain services expected to be obtained by IAWC from the Service Company to the costs of such services that would be incurred if the services were obtained through competitive bidding on the open market. This section of the Study also provides an overview of the methodology used by Deloitte & Touche for comparing IAWC’s customer service related costs to those of other utilities. Sections V and VI of the Study provide additional detailed information including schedules summarizing the results of the market and customer accounts analyses discussed below.

#### A. **Market Analysis**

##### 1. **Primary Analysis**

This section describes the primary analysis used by Deloitte & Touche to compare the cost of each service expected to be obtained from the Service Company that can be effectively outsourced to an affiliate or non-affiliate provider to the cost that would be incurred for the service if it were obtained on the open market (“Market Analysis”). To develop the analysis, the Service Company provided Deloitte & Touche with test year forecast information regarding IAWC’s fully forecasted test year including the services expected to be utilized by IAWC during the forecast period and the costs expected to be incurred in the provision of such services. Information provided by the Service Company related to the test year included, but was not limited to, the business units and locations providing the services (e.g., Belleville Lab, Corporate, SSC); the functions providing the services (e.g., accounting, audit, finance, treasury); the categories

of services to be provided within each function (e.g., accounting, engineering, legal); the job titles of the personnel expected to provide the services and the number of positions in each job title; the number of hours expected to be worked in providing the services; and the costs expected to be incurred in providing the services (e.g., labor, labor overheads, building and office costs, and other overheads). This information provided Deloitte & Touche with an understanding of the services and costs expected to be incurred by the Service Company at the service level (i.e., business unit and function) in providing services to IAWC during the test year for comparison to an expected market price if such services were obtained from third-party providers through a competitive bidding process.

In providing professional and managerial services to affiliates, including IAWC, the Service Company incurs similar types of costs as shown in Section II above as do third-party providers. However, unlike charges or billing rates established by third-party vendors to bill for services provided that include a profit component, services provided by AWWSC to affiliates are billed at cost. Services provided by the Service Company and their related fully-loaded costs can be grouped or categorized for an “apples-to-apples” comparison to the services and costs that would result from obtaining such services from outside service providers in the open market.

To develop the market service categories and cost information to compare to the IAWC test year services and costs, Deloitte & Touche obtained and used market survey cost information as described in Section IV of this Study for the following professional and managerial service categories:

- Accounting Services,
- Engineering Services,
- Information Technology Services,
- Legal Services, and
- Management Consulting Services.

The market surveys corresponding to the above five service categories contain external market survey hourly billing rate (“Market Rate”) information or, in the case of information technology services, compensation information for computing a Market Rate for the professional service classifications listed in the market surveys. For example, as explained in greater detail in Section IV of this Study, the Market Rate information for accounting services was reported by accounting firms for the following professional service classifications:

- Partner,
- Director,
- Manager,
- Senior Associate, and
- Associate.

To assist Deloitte & Touche with the comparison of the 2010 forecasted cost for each type of service expected to be obtained by IAWC from the Service Company to an expected market price for the service in the future period (for those services that can be effectively outsourced to a non-affiliate provider), the Service Company provided Deloitte & Touche with a summary by business unit location and function of the test year costs and hours expected to be incurred during the test year. The summary also included the Service Company's expected unitized cost per hour ("Service Company Rate") for providing each service. The Service Company Rate was calculated by dividing the expected test year costs to provide the service by the projected number of hours required to provide the service. This information was mapped to the professional and managerial personnel classifications contained in the market surveys as provided to the Service Company by Deloitte & Touche for each of the five service categories listed above and resulted in comparative data for comparing the fully-loaded cost of certain services expected to be obtained from the Service Company to the cost of such services if they were obtained through competitive bidding on the open market.

Since professional services firms typically recover the cost of administrative personnel and executive assistants through the hourly billing rates they charge for their professional personnel, the Service Company's cost of its administrative personnel and executive assistants were included in the calculation of the Service Company Rates for its professional and managerial personnel. This adjustment resulted in the recognition of the Service Company's costs for administrative personnel and executive assistants in the fully-loaded cost of each service expected to be provided by the Service Company to IAWC for comparison to the market survey costs charged by outside providers.

To compare IAWC's costs for the services expected to be provided by the Service Company during the forecasted 2010 test year to the costs for such services had they been provided by outside third-party service providers, it was necessary to exclude employee meals and travel expenses. This adjustment was necessary since professional services firms typically charge clients directly for meals and travel expenses and therefore, travel-related costs are not recovered through the firms' hourly billing rates. In addition, an adjustment was made by IAWC to exclude certain software and hardware related costs (e.g., computer software applications and maintenance, computer hardware costs, depreciation and amortization, license fees and annual updates) from Service Company costs. To the extent a professional services firm incurs costs related to specialized hardware and software applications required to perform services on behalf of a specific client, such as American Water, such costs would typically be charged directly to the client as an expense and therefore would not be included in the firm's hourly billing rates.

Based on the professional service classifications defined by Deloitte & Touche, Deloitte & Touche and the Service Company developed for each of the five service categories a time distribution of the expected test year Service Company

hours for each professional service classification within each of the service categories. The time distributions were used by Deloitte & Touche to apply to the Market Rate for each professional classification to compute a weighted average Market Rate for each service category and professional classification. Because the market surveys contained 2007 or, in the case of information technology services, 2008 price information, the Market Rates for each service category were escalated using the consumer price index – all urban consumers (“CPI”) to 2010 expected cost levels.<sup>2</sup>

The weighted average Market Rate for each service category and professional classification was compared to the Service Company Rate for each service category and professional classification as computed by the Service Company for IAWC’s test year. The differences between the Service Company Rates and the Market Rates were then multiplied by the number of budgeted hours contained in IAWC’s forecast period to calculate either the cost savings expected to be realized (i.e., Service Company costs lower than market) or the excess costs expected to be incurred (i.e., Service Company costs higher than market) by IAWC from obtaining professional and managerial services through the Service Company when compared to the costs of such professional services if they were acquired in the open market from third-party service providers.

To supplement the Market Rates used in the analyses, and to verify that the Market Rates are an appropriate measure for comparing to the Service Company Rates, Deloitte & Touche requested information from American Water regarding rates quoted or charged by third-party vendors (“Supplemental Rates”) to American Water for services provided. American Water provided information relating to the Supplemental Rates charged for services provided to it or subsidiaries by third-party vendors in relevant markets. Section V of this Study contains the analysis and discussion of the comparison of the Service Company’s fully-loaded Service Company Rates to the Market Rates and the Supplemental Rates.

## 2. Secondary Analysis

In addition to the primary Market Analysis described above which included analysis of the Service Company Rates for Belleville Lab employees, IAWC witness Edward Grubb performed an analysis of the Belleville Lab costs. As described in Mr. Grubb’s testimony, the Service Company performed a cost study comparing the Belleville Lab’s cost to perform certain tests on a “per test” basis to the cost for use of outside commercial testing labs to perform the same tests. The analysis recognizes that laboratory services of the type utilized by IAWC are available in the market on a “per test” basis (while the primary Market

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<sup>2</sup> United States Department Of Labor, Bureau Of Labor Statistics for changes in CPI-U through 2008. Congressional Budget Office *The Budget and Economic Outlook: Fiscal Years 2009 to 2019*, January 8, 2009, economic projection of percentage changes in CPI-U for calendar years 2009 and 2010.

Analysis recognizes that personnel qualified to perform the tests can be retained in the market on an hourly basis).

## **B. Customer Accounts Analysis**

This section describes the Customer Accounts Analysis performed by Deloitte & Touche which supports the market comparison for customer service related costs contained in the Self Provision Study sponsored by Ms. Teasley. AWWSC's National Call Centers and IAWC perform numerous customer-related activities, the costs of which are charged or allocated to IAWC. Customer-related activities performed and costs incurred by AWWSC and IAWC include but are not limited to:

- Customer billing inquiries,
- Customer order processing,
- Billing information processing,
- Customer payment processing,
- Correspondence processing,
- Bank service charges,
- Postage, and
- Bill forms.

In most circumstances, the reasonableness of costs incurred by a specific utility cannot properly be assessed based solely on a comparison of the utility's costs with those incurred by other entities. This is because the needs, activities and cost structures of the entities involved may differ with the result that a cost comparison is meaningless. Where, however, a comparison is narrowly focused on a process reasonably expected to involve similar activities, and there is an applicable standardized accounting process, a cost comparison may provide an indication of reasonableness.

In the case of customer service, such activities among utilities are sufficiently similar to allow cost comparisons among regulated utilities that apply an established regulatory accounting framework. In these circumstances, there is some basis to expect reasonable accuracy and consistency of approach among the entities involved. United States electric utilities perform similar customer-related activities and incur similar types of customer-related costs in providing services to customers as does IAWC, therefore a Customer Accounts Analysis using information from regulatory filings was performed. Deloitte & Touche selected 13 electric utilities, 7 of which are combination electric and gas utilities, operating in the central region of the United States (i.e., Illinois, Indiana, Iowa, Missouri, and Ohio) for purposes of the Customer Accounts Analysis. Of the 13 utilities, 11 receive support services from a centralized service company affiliate.<sup>3</sup>

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<sup>3</sup> *FERC Financial Report FERC Form No. 60: Annual Report of Centralized Service Companies.* Form No. 60 is an annual regulatory support filing under 18 CFR 366.23

The number of customers served by the electric utilities ranges from approximately 166 thousand to over 3.8 million.

The results of Deloitte & Touche's Customer Accounts Analysis are discussed in greater detail in Section VI of this Study.

#### **IV. MARKET COST COMPARISON SURVEY INFORMATION**

This section of the Study provides a discussion of the market surveys from which Deloitte & Touche obtained the service classifications and Market Rates used to calculate the weighted average hourly billing rates for each of the five service categories used in the Market Analysis. The market surveys contain information relating to the compensation, fee and billing practices for the five categories of professional services firms. The market surveys were identified by Deloitte & Touche through research based on selection criteria, which included the following: availability of survey information to member firms or through purchase; reliability of survey information for use in determining the price of services in relevant markets; reputation of the organization that conducted the survey and published the survey data; if the organization conducting the survey was a trade organization, the number and types of member firms; the purpose of the survey; the number of information requests sent and responses received; number and frequency of presentations of the survey by the organization in past years; type of categorization in the survey of the market information; and the amount of information provided regarding educational and experience requirements for identified market categories. The selection criteria are discussed as applicable below in connection with each survey selected. Based on the research conducted, Deloitte & Touche concluded that the surveys selected each provide a reliable indication of a market price for services covered by the survey.

The Market Rates and professional service classifications for each of the five service categories are provided in schedules of the Study, which will be discussed below. The discussion below highlights certain information relative to the Study.

##### **A. Accounting Services**

Deloitte & Touche used the results of the AICPA's 2008 *PCPS/TSCPA National Management of an Accounting Practice Survey ("MAP Survey")*<sup>4</sup> for the accounting services classifications. The 2008 MAP Survey was conducted by Intelli-Service, an independent market research company.

The AICPA has approximately 339,000 members ranging from sole practitioners to the largest U.S. accounting firms. Surveys were sent to 80,000 members and

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<sup>4</sup> AICPA refers to the American Institute of Certified Public Accountants, PCPS refers to the Private Companies Practice Section of the AICPA, and TSCPA refers to the Texas Society of Certified Public Accountants

responses were received from 2,808 firms who provided information regarding their last fiscal year, which for most respondents was December, 2007. Average billing rate information was provided on both a regional and national basis. The survey respondents represented firms comprised of sole practitioners, single-office firms or regional firms. The MAP Survey has been conducted on an annual basis for 5 years and addresses key metrics that firms rely on to gauge their performance and profitability. For purposes of the analysis, Deloitte & Touche used the average billing rates reported by accounting firms in the Midwest Region having net client fees of two million dollars or more per year. Such firms typically have lower billing rates than national or “Big 4” firms (i.e., Deloitte, PricewaterhouseCoopers, KPMG or Ernst & Young). Therefore the accounting services Market Rates used in the Study are lower than those of the larger firms (as confirmed by Supplemental Rates that will be discussed) and are therefore conservative for purposes of the Study.

According to the MAP Survey, average billing rates for accounting services range from 1.84 times for partners to 4.43 times for associates of the professional’s hourly compensation. For example, using a 4.43 times multiplier, an associate making \$20 per hour would have a billing rate of approximately \$89 per hour. Professional services firms that establish hourly billing rates based on a multiple of employees’ salaries, use a multiplier, which, when applied to the employee’s hourly compensation, is intended to cover the employee’s salary and benefits, a portion of overhead costs, and a profit for the owners of the firm.

The MAP Survey also identifies the types of accounting firm costs and overheads (e.g., salaries, employee benefits, professional dues and licenses, library costs, continuing education, insurance, rent and other company costs, interest, computer and technology, promotion and marketing, payroll taxes, phone and web connectivity, and depreciation) incurred in providing service to clients. In general, the hourly billing rates of professional services providers are set at a level to recover all expenses (i.e., fully-loaded) and earn a profit for the owners.

## **B. Engineering Services**

Deloitte & Touche used the results of the ZweigWhite Information Services, LLC *2008 Fee & Billing Survey of Architecture, Engineering, Planning & Environmental Consulting Firms* (“ZweigWhite Survey”) for developing the engineering services classifications. The purpose of the eleventh annual ZweigWhite Survey is to gather, analyze, and publish information on the fee and billing practices of engineering, architecture, planning and environmental consulting firms. Survey responses to an 83-item questionnaire were received from 102 firms regarding their 2007 operations and represents a diverse cross-section of the design and consulting industry. Of the respondents, 85% have standard billing rates for each position or status level. Firms that use a multiple of employees’ salaries to determine billing rates use a median of 3.0 times the employee’s hourly wage rate.

The majority of firms (67%) mark up reimbursable expenses using a standard median markup of 10%, although a quarter of the firms mark up reimbursables by 15%. Average billing rate information was provided on both a national and regional basis. For analysis purposes, Deloitte & Touche used the average billing rates reported in the ZweigWhite Survey by firms for the North Central region including Illinois, Ohio, Indiana, Iowa and Missouri).

### **C. Information Technology Services**

Deloitte & Touche used the *2008 IT Salary Report* published by Computer Economics, Inc. ("Computer Economics Report") and the *2008 IT Market Compensation Study* published by Gartner, Inc. ("Gartner Study") for developing information applicable to technology services classifications. The Computer Economics Report draws on a survey of information technology managers based on actual salaries paid to their employees in 2007 as well as their estimates of projected pay raises for 2008. The Computer Economics Report provides base salary projections for 78 specific job titles in 78 metropolitan areas of the United States. Computer Economics has been publishing salary data since 1990. The Gartner Study, which has been conducted annually for the past ten years, provided compensation data based on survey responses from 283 enterprises effective as of March 1, 2008. The Gartner Study data was utilized for six AWWSC positions for which no corresponding market compensation information was provided by the Computer Economics Report.

Unlike the other market survey data obtained by Deloitte & Touche, the Computer Economics Report and the Gartner Study provide average salary information, rather than average billing rate information, by position or service classification. For this reason, Deloitte & Touche calculated an hourly compensation rate and applied a billing rate multiplier of 3.0 times to develop a Market Rate for the job titles listed in the Computer Economics Report and the Gartner Study. Use of a billing rate multiplier of 3.0 times to develop a Market Rate for the job titles listed in the Computer Economics Report and the Gartner Study is both appropriate and conservative, as the 3.0 times multiplier is within the range of the other multipliers listed in the market rate surveys (i.e., 1.84 times to 4.43 times for accountants and 3.0 times for engineers as previously discussed in the Accounting Services and Engineering Services sections above, and 5.0 times for management consultants as discussed in the Management Consulting Services section below).

For developing the calculated Market Rates for each job title, Deloitte & Touche used the Middle Atlantic (i.e., Philadelphia, Pennsylvania / Atlantic City, New Jersey Metropolitan Area) median salary information for large companies (i.e., annual revenues greater than \$750 million) listed in the Computer Economics Report. For developing the calculated Market Rates for the six job titles matched to the Gartner Study, Deloitte & Touche used the Northeast Region salary information listed in the Gartner Study.

#### **D. Legal Services**

Deloitte & Touche used the results of the Incisive Legal Intelligence *2008 NLJ Billing Survey* (“NLJ Survey”) of the 250 largest law firms in the United States based on number of lawyers for developing the legal services classifications. The National Law Journal (“NLJ”) surveyed approximately 300 law firms to determine the largest firms. The NLJ’s thirty-first annual survey contains billing information for 216 large law firms regarding their 2007 billing practices. The NLJ is a subsidiary of Incisive Legal Intelligence, an Incisive Media US Properties, LLC company. Of the 216 firms, 127 firms provided specific hourly billing rate information for partners and associates. Some of the 127 firms provided their average partner and associate billing rates. For those firms that did not provide an average hourly billing rate, but did report high and low hourly billing rates, Deloitte & Touche used the reported partner and associate high and low hourly billing rates to develop an average partner and associate billing rate for the market comparison.

The NLJ Survey provides partner and associate billing rate information for the law firms listed by name and location. Deloitte & Touche used the NLJ Survey Midwest firm information (i.e., law firms operating in the states of Illinois, Missouri, Michigan, and Ohio) for developing the Market Rates for comparison to the Service Company Rates.

#### **E. Management Consulting Services**

Deloitte & Touche used the results of the Association of Management Consulting Firms’ (“AMCF”) 2008 Edition of the *Operating Ratios for Management Consulting Firms: A Resource for Benchmarking* (“AMCF Survey”) for the management consulting services classifications.

The twenty-second annual AMCF Survey is based on 2007 consulting industry results including industry billing rates and procedures and was compiled by Industry Insights, Inc. AMCF distributed questionnaires to all 31 AMCF members as well as to other U.S. management consulting firms. Requests to participate in the AMCF Survey were primarily targeted to larger volume consulting businesses rather than single practitioners. In all, 49 responses were received and included in the AMCF Survey data.

Among survey respondents, billing rates on an overall staff basis for 2007 were set at a multiplier of approximately 5.0 times employee earnings. In other words, if an employee effectively earns \$50 per hour, a 5.0 times earnings multiplier for billing rate determination would translate into a billing rate of \$250 per hour.

### **V. MARKET ANALYSIS**

This section of the Study provides the results of the Deloitte & Touche Market Analysis comparing the cost of each service expected to be obtained from the Service Company during the test year that can be performed by an affiliate or

non-affiliate provider to the cost that would be incurred for the service if it were obtained from a non-affiliate provider through competitive bidding in the open market. The Market Analysis provides a reasonable estimate of the cost savings realized, or the excess costs incurred by IAWC from obtaining professional and managerial services through AWWSC as compared to the cost of obtaining the services from non-affiliate providers. As shown on Schedule 8, the expected test year net cost savings realized by IAWC from obtaining each category of service from the Service Company rather than through outside third-party service providers totals \$7.692 million.

The test year savings expected to be realized by IAWC, as shown on Schedule 8, are effectively understated due to the fact that Service Company managerial and professional personnel are “exempt employees” and, as such, only report a maximum time worked of eight hours per day even though they may actually work more than an eight-hour day. Since outside third-party vendors typically charge for all time incurred associated with the services provided, had the market analysis comparison recognized the additional time worked by Service Company employees, the Service Company Rates used in the market analysis would have been lower and the expected test year savings to IAWC would be greater than \$7.692 million.

#### **A. Accounting Services**

Schedules 1 through 1.2 show the Market Analysis of accounting services. Schedule 1 Column A shows the accounting professional classifications contained in the MAP Survey as used in the analysis. Columns B and C show respectively the Market Rates from the MAP Survey for all participant firms and for Midwest Region firms having net client fees of \$2 million or more per year. The adjusted 2010 Market Rates resulting from application of the cost escalator, as shown on Schedule 6 to adjust the Market Rates from the MAP Survey to a 2010 level, are shown in Column D. Column E shows the time distribution for each professional classification as provided by the Service Company on Schedule 1.1. Column F of Schedule 1 shows the weighted average Market Rate by professional classification resulting from applying the time distributions to the adjusted 2010 MAP Survey Market Rates. The weighted average Market Rate from Schedule 1 is used on Schedule 8 for comparison to the AWWSC average internal rate per hour for accounting services as provided by the Service Company on Schedule 1.1.

The table at the bottom of Schedule 1 provides a comparison of the Service Company Rates by professional classification as provided by the Service Company on Schedule 1.1 to the MAP Survey adjusted 2010 Market Rates for accounting services as shown at the top of Schedule 1. Schedule 1 also quantifies the hourly rate difference between the Service Company Rate and the MAP Survey Market Rate for each professional classification and whether the Service Company Rate is above or below the Market Rate. As shown on

Schedule 8, the cost savings realized by IAWC for accounting-related services obtained through the Service Company is projected to be \$1.773 million.

Schedule 1.2 contains Supplemental Rate information regarding hourly billing rates for a “Big 4” accounting firm from information provided by American Water. As shown on Schedule 1.2, the Supplemental Rates, as adjusted to 2010 test year levels, range from a low of \$254 per hour for staff accountants to a high of \$489 per hour for partners. The Supplemental Rates shown on Schedule 1.2 are substantially higher than the MAP Survey Market Rates shown at the bottom of Schedule 1. As previously stated in the Study, this is to be expected as the larger accounting firms typically have higher billing rates than smaller firms. Since the Study compares the Service Company Rates to the average MAP Survey Market Rates of smaller accounting firms, the projected level of cost savings realized by IAWC for accounting related services obtained through the Service Company of \$1.773 million is a conservative estimate.

## **B. Engineering Services**

Schedules 2 through 2.2 show the Market Analysis of engineering services. Schedule 2 Column A shows the engineering professional classifications contained in the ZweigWhite Survey. Columns B and C show respectively the Market Rates from the ZweigWhite Survey for all firms and for North Central Region firms. The adjusted 2010 Market Rates from application of the cost escalator, as shown on Schedule 6 to adjust the ZweigWhite Survey Market Rates to a 2010 level, are shown in Column D. Column E of Schedule 2 shows the time distribution for each professional classification as provided by the Service Company on Schedule 2.1. Column F of Schedule 2 shows the weighted average Market Rate by professional classification resulting from applying the time distributions to the adjusted 2010 ZweigWhite Survey Market Rates. The weighted average Market Rate from Schedule 2 is used on Schedule 8 for comparison to the AWWSC average internal rate per hour for engineering services as provided by the Service Company on Schedule 2.1.

The table at the bottom of Schedule 2 provides a comparison of the Service Company Rates by professional classification as provided by the Service Company on Schedule 2.1 to the ZweigWhite Survey adjusted 2010 Market Rates for engineering services as shown at the top of Schedule 2. Schedule 2 also quantifies the hourly rate difference between the Service Company Rate and the ZweigWhite Survey Market Rate for each professional classification and whether the Service Company Rate is above or below the Market Rate. As shown on Schedule 8 the cost savings realized by IAWC for engineering-related services obtained through the Service Company is projected to be \$1.167 million.

Schedule 2.2 contains Supplemental Rate information regarding hourly billing rates for engineering firms that provide service to American Water. Schedule 2.2 was prepared from information provided by the Service Company for contracted services with eight outside engineering firms. As shown on Schedule 2.2, the

Supplemental Rates, as adjusted to 2010 test year levels, range from a low of \$66 per hour for technicians to a high of \$211 per hour for principals. The Market Rates adjusted to 2010 test year levels, as shown in Column D of Schedule 2, range from a low of \$70 per hour for drafters to a high of \$142 for department heads. The Supplemental Rate information supports the reasonableness of the Market Rates as a comparative measure for use in the Market Analysis.

### **C. Information Technology Services**

Schedules 3 through 3.3 show the Market Analysis for information technology services. Schedule 3 Column A shows the information technology services professional classifications contained in the Computer Economics Report or the Gartner Study. Columns B and C show, respectively, the national and Middle Atlantic information technology services Market Rates as calculated from the Computer Economics Report, or the national and Northeast Region Market Rates as calculated from the Gartner Study, as shown on Schedule 3.2. The adjusted 2010 Market Rates from application of the cost escalator, as shown on Schedule 6 to adjust the Market Rates to a 2010 level, are shown in Column D. Column E of Schedule 3 shows the time distribution for each professional classification as provided by the Service Company on Schedule 3.1. Column F of Schedule 3 shows the weighted average Market Rate by professional classification resulting from applying the time distributions to the adjusted 2010 Computer Economics Report or the Gartner Study Market Rates. The weighted average Market Rate from Schedule 3 is used on Schedule 8 for comparison to the AWWSC average internal rate per hour for information technology services as provided by the Service Company on Schedule 3.1.

The table at the bottom of Schedule 3 provides a comparison of the Service Company Rates by professional classification as provided by the Service Company on Schedule 3.1 to the Market Rates from the Computer Economics Report or the Gartner Study as adjusted to reflect 2010 Market Rates for information technology services. Schedule 3 also quantifies the hourly rate difference between the Service Company Rate and the calculated Computer Economics Report or the Gartner Study Market Rate for each professional classification and whether the Service Company Rate is above or below the Market Rate. As shown on Schedule 8, the cost savings realized by IAWC for information technology services obtained through the Service Company is projected to be \$1.468 million.

Schedule 3.3 contains Supplemental Rate information regarding hourly billing rates for information technology firms that provide service to American Water. Schedule 3.3 was prepared from information provided by the Service Company for contracted services with outside information technology services vendors. As shown on Schedule 3.3 the Supplemental Rates, as adjusted to 2010 test year levels, range from a low of \$87 per hour for analysts to a high of \$741 per hour for business sponsors. The Market Rates adjusted to 2010 test year levels as shown in Column C of Schedule 3 range from a low of \$57 for a computer

operator to a high of \$223 for a director of client services. The Supplemental Rate information supports the reasonableness of the Market Rates as a measure for use in the Market Analysis.

#### **D. Legal Services**

Schedules 4 through 4.4 show the Market Analysis of legal services. Schedule 4 Column A shows the legal professional classifications used in the Market Analysis. The partner and associate professional classifications are from the NLJ Survey. The paralegal classification was included for the analysis although paralegal information is not contained in the NLJ Survey. Including the paralegal classification was necessary since the Service Company employs several paralegals. Schedules 4.2 and 4.3 show the Midwest Region law firms from the NLJ Survey and the average Market Rates for the partner and associate professional classifications respectively. The billing rate for the paralegal classification is shown on Schedule 4.4 and is discussed below. The adjusted 2010 Market Rates resulting from application of the cost escalator, as shown on Schedule 6 to adjust the NLJ Survey partner and associate Market Rates as well as the paralegal billing rate are shown in Column C of Schedule 4. Column D shows the time distribution for each professional classification as provided by the Service Company on Schedule 4.1. Column E of Schedule 4 shows the weighted average Market Rate by professional classification resulting from applying the time distributions to the adjusted Market Rates shown in Column C. The weighted average Market Rate from Schedule 4 is used on Schedule 8 for comparison to the AWWSC average internal rate per hour for legal services as provided by the Service Company on Schedule 4.1.

The table at the bottom of Schedule 4 provides a comparison of the Service Company Rates by professional classification as provided by the Service Company on Schedule 4.1 to the adjusted 2010 Market Rates for legal services as shown at the top of Schedule 4. Schedule 4 also quantifies the hourly rate difference between the Service Company Rate and the Market Rate for each professional classification and whether the Service Company Rate is above or below the Market Rate. As shown on Schedule 8 the cost savings realized by IAWC for legal services obtained through the Service Company is projected to be \$0.668 million.

Schedule 4.4 contains Supplemental Rate information for law firms that provide service to American Water. Schedule 4.4 was prepared from information provided by the Service Company for contracted services with eleven outside law firms. As shown on Schedule 4.4, the Supplemental Rates, as adjusted to 2010 test year levels, range from a low of \$143 per hour for paralegals to a high of \$534 per hour for partners. As shown on Schedule 4.4, paralegal billing rates range from \$143 per hour to \$193 per hour. Deloitte & Touche used the \$143 per hour paralegal billing rate as the Market Rate to compare to the Service Company Rate for the paralegal classification. The Market Rates adjusted to 2010 test year levels as shown in Column C of Schedule 4 range from a low of

\$143 for paralegals to a high of \$435 for partners. The reasonableness of the Market Rates for use in the Market Analysis is supported by the Supplemental Rate information.

#### **E. Management Consulting Services**

Schedules 5 through 5.2 show the Market Analysis of management consulting services. Schedule 5 Column A shows the management consulting professional classifications contained in the AMCF Survey as used in the analysis. Column B shows the Market Rates from the AMCF Survey. The adjusted 2010 Market Rates resulting from application of the cost escalator, as shown on Schedule 6 to adjust the AMCF Survey Market Rates to a 2010 level, are shown in Column C. Column D shows the time distribution for each professional classification as provided by the Service Company on Schedule 5.1. Column E of Schedule 5 shows the weighted average Market rate by professional classification resulting from applying the time distributions to the adjusted 2010 AMCF Survey Market Rates. The weighted average Market Rate from Schedule 5 is used on Schedule 8 for comparison to the AWWSC average internal rate per hour for management consulting services as provided by the Service Company on Schedule 5.1.

The table at the bottom of Schedule 5 provides a comparison of the Service Company Rates by professional classification as provided by the Service Company on Schedule 5.1 to the AMCF Survey adjusted 2010 Market Rates for management consulting services as shown at the top of Schedule 5. Schedule 5 also quantifies the hourly rate difference between the Service Company Rate and the AMCF Survey Market Rate for each professional classification and whether the Service Company Rate is above or below the Market Rate. As shown on Schedule 8 the cost savings realized by IAWC for management consulting services obtained through the Service Company is projected to be \$2.616 million.

Schedule 5.2 contains Supplemental Rate information regarding hourly billing rates for management consulting firms that provide service to American Water. Schedule 5.2 was prepared from information provided by the Service Company for contracted services with outside consulting firms. As shown on Schedule 5.2, the Supplemental Rates, as adjusted to 2010 test year levels, range from a low of \$81 per hour for technicians to a high of \$763 per hour for principals. The Market Rates adjusted to 2010 test year levels as shown in Column C of Schedule 5 range from a low of \$137 for research associates to a high of \$301 for junior partners. The Supplemental Rate information supports the reasonableness of the Market Rates for use in the Market Analysis.

#### **VI. CUSTOMER ACCOUNTS ANALYSIS**

As discussed in Section IV of the Study, Deloitte & Touche performed a Customer Accounts Analysis of the 2007 customer accounts expenses of 13 electric utilities operating in the states of Illinois, Indiana, Iowa, Missouri, and Ohio. For electric and combination utilities, customer accounts expenses are

recorded to specific accounts as defined in the Federal Energy Regulatory Commission (“FERC”) Uniform System of Accounts.<sup>5</sup> The utilities file annual financial reports with the FERC<sup>6</sup> which contain customer accounts information which can be used to compare to IAWC’s customer service related costs.

The Customer Accounts Analysis is based on 2007 FERC Form 1 amounts reported for Accounts 901, 903 and 905, as well as computations of employee benefits and payroll taxes associated with customer accounts activities recorded to FERC Accounts 926 and 402, respectively. The Customer Accounts Analysis computes a 2007 customer accounts “expense per customer” for the 13 utilities which was escalated to a 2010 level for comparison to IAWC’s 2010 test year customer service expense per customer.

The 13 utilities included in the Customer Accounts Analysis as shown on Schedule 7 include:

Iowa:

- Interstate Power and Light Company
- MidAmerican Energy Company

Illinois:

- Central Illinois Light Company (Ameren-CILCO)
- Central Illinois Public Service Company (Ameren-CIPS)
- Commonwealth Edison
- Illinois Power Company (Ameren-IP)

Indiana:

- Duke Energy Indiana
- Indiana Michigan Power Company

Missouri:

- The Empire District Electric Company
- Kansas City Power & Light Company
- Union Electric Company (Ameren UE)

Ohio:

- Duke Energy Ohio
- Ohio Power Company

The following provides a brief discussion of the FERC accounts for reporting costs associated with customer accounts activities. The complete account

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<sup>5</sup> 18 CFR Part 101

<sup>6</sup> *FERC Financial Report FERC Form No. 1: Annual Report of Major Electric Utilities, Licensees and Others and Supplemental Form 3-Q: Quarterly Financial Report*

descriptions and types of expenses recorded to FERC accounts 901, 903 and 905 are provided in Appendix 1 of the Study.

**Account 901** – Supervision – this account shall include the cost of labor and expenses incurred in the general direction and supervision of customer accounting and collecting activities. Direct supervision of a specific activity shall be charged to Account 902, Meter Reading Expenses, or Account 903, Customer Records and Collection Expenses.

Because the general supervision expenses recorded to Account 901 relate to both Accounts 902 and 903, a portion of the total Account 901 expense amount related to Account 903 was included in the Customer Accounts Analysis.

**Account 903** – Customer Records and Collection Expenses – this account shall include the cost of labor, materials used and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints.

**Account 905** – Miscellaneous Customer Accounts Expenses – this account shall include the cost of labor, materials used and expenses incurred not provided for in other accounts.

The types of electric utility customer accounts activities whose costs are recorded to Accounts 903 and 905 include but are not limited to:

- Customer account inquiries,
- Customer order processing,
- Verifying billing with contracts or rate schedules,
- Customer bill preparation and mailing,
- Collections,
- Payment processing,
- Receiving, refunding, or applying customer deposits, and
- Correspondence processing.

Utility employee labor is charged to Accounts 901, 903, or 905, however, employee pension and benefit expenses as well as payroll tax expenses are recorded to Account 926 – Employee Pensions and Benefits and Account 408 – Taxes Other Than Income Taxes, Other Income and Deductions respectively. To properly compare the customer accounts expenses incurred by the utilities to those incurred by IAWC, calculated amounts of pension and benefits and payroll tax expense were included in the Customer Accounts Analysis as shown on Schedule 7.

The 2007 customer accounts expense per customer for the utilities shown on Schedule 7 were escalated to a 2010 level using the CPI cost escalator as previously discussed in the Study for comparison to IAWC's 2010 test year

forecasted customer service cost per customer. IAWC's 2010 test year forecasted customer service costs were prepared by IAWC and are shown on Schedule 7.1.

The IAWC forecasted 2010 test year customer service expense expected to be incurred for customer service activities performed by AWWSC, Regional Offices, and IAWC is \$7.286 million as shown on Schedule 7.1. IAWC's forecasted 2010 test year customer services expense per customer is \$23.33 as shown on Schedule 7.1.

The results of the Deloitte & Touche Customer Accounts Analysis are summarized on Schedule 7.2. As shown on Schedule 7.2, the customer accounts expense per customer for the 13 utilities range from \$16.75 to \$41.38 with a group average cost per customer of \$33.98. IAWC's forecasted test year 2010 customer service expense per customer is \$23.33 per customer as shown on Schedule 7.1. IAWC's customer service expense per customer is below the average expense per customer of the utility group included in the analysis.

## **VII. STUDY CONCLUSIONS**

The provision of services to IAWC through the Service Company results in significant cost benefits to IAWC. Based on the Market Analysis, and as shown on Schedule 8, the cost savings expected to be realized by IAWC from obtaining services through the Service Company during the forecast period when compared to the costs of acquiring such services in the open market from third-party service providers amount to \$ 7.692 million. The net savings expected to be realized by IAWC results from the Service Company's ability to provide services at a cost which is lower than the market cost of such services. As mentioned previously in the Study, had the Market Analysis recognized the fact that Service Company managerial and professional employees actually work more time than the maximum reportable time of eight hours per day, the expected net savings of \$7.692 million would be larger.

The results of the Customer Accounts Analysis show that IAWC's forecasted 2010 test year customer service expense compares favorably with the customer accounts expenses reported by the group of utilities. The customer accounts expense per customer for the utilities ranges from \$16.75 to \$41.38. IAWC's test year customer service expense per customer of \$23.33 is below the \$33.98 average expense per customer of the other utilities included in the comparison.

## **VIII. PROFESSIONAL STANDARDS**

The services provided by Deloitte & Touche for this Study were performed under the Standards for Consulting Services of the American Institute of Certified Public Accountants (“AICPA”). Consulting services differ fundamentally from attestation services provided in an attestation engagement. Consulting services may include consultations, advisory services such as this Study, implementation services, transaction services, staff and other support services, and product services. However, consulting services exclude services subject to other AICPA Technical Standards, such as Statements on Auditing Standards, Statements on Standards for Attestation Engagements, or Statements on Standards for Accounting and Review Services.

**Illinois-American Water Company**  
**FERC Account Descriptions**

**901 – Supervision (Major only).**

This account shall include the cost of labor and expenses incurred in the general direction and supervision of customer accounting and collecting activities. Direct supervision of a specific activity shall be charged to account 902, Meter Reading Expenses, or account 903, Customer Records and Collection Expenses, as appropriate. (See operating expense instruction 1.)

**903 – Customer Records and Collection Expenses.**

This account shall include the cost of labor, materials used and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints.

Labor

1. Receiving, preparing, recording and handling routine orders for service, disconnections, transfers or meter tests initiated by the customer, excluding the cost of carrying out such orders, which is chargeable to the account appropriate for the work called for by such orders.
2. Investigations of customers' credit and keeping of records pertaining thereto, including records of uncollectible accounts written off.
3. Receiving, refunding or applying customer deposits and maintaining customer deposit, line extension, and other miscellaneous records.
4. Checking consumption shown by meter readers' reports where incidental to preparation of billing data.
5. Preparing address plates and addressing bills and delinquent notices.
6. Preparing billing data.
7. Operating billing and bookkeeping machines.
8. Verifying billing records with contracts or rate schedules.
9. Preparing bills for delivery, and mailing or delivering bills.
10. Collecting revenues, including collection from prepayment meters unless incidental to meter-reading operations.
11. Balancing collections, preparing collections for deposit, and preparing cash reports.
12. Posting collections and other credits or charges to customer accounts and extending unpaid balances.
13. Balancing customer accounts and controls.
14. Preparing, mailing, or delivering delinquent notices and preparing reports of delinquent accounts.
15. Final meter reading of delinquent accounts when done by collectors incidental to regular activities.
16. Disconnecting and reconnecting service because of nonpayment of bills.
17. Receiving, recording, and handling of inquiries, complaints, and requests for investigations from customers, including preparation of necessary orders, but

**Illinois-American Water Company**  
**FERC Account Descriptions**

excluding the cost of carrying out such orders, which is chargeable to the account appropriate for the work called for by such orders.

18. Statistical and tabulating work on customer accounts and revenues, but not including special analyses for sales department, rate department, or other general purposes, unless incidental to regular customer accounting routines.
19. Preparing and periodically rewriting meter reading sheets.
20. Determining consumption and computing estimated or average consumption when performed by employees other than those engaged in reading meters.

**Materials and Expenses**

21. Address plates and supplies.
22. Cash overages and shortages.
23. Commissions or fees to others for collecting.
24. Payments to credit organizations for investigations and reports.
25. Postage.
26. Transportation expenses (Major only), including transportation of customer bills and meter books under centralized billing procedure.
27. Transportation, meals, and incidental expenses.
28. Bank charges, exchange, and other fees for cashing and depositing customers' checks.
29. Forms for recording orders for services removals, etc.
30. Rent of mechanical equipment.
31. Communication service (Nonmajor only).

**905 – Miscellaneous Customer Accounts Expenses (Major only).**

This account shall include the cost of labor, materials used and expenses incurred not provided for in other accounts.

**Labor**

1. General clerical and stenographic work.
2. Miscellaneous labor.

**Materials and Expenses**

3. Communication service.
4. Miscellaneous office supplies and expenses and stationery and printing other than those specifically provided for in accounts 902 and 903.

**Illinois-American Water Company**  
**Market Analysis - Accounting Services**

Line No.	Professional Classification [a]	Market Rate			Adjusted to 2010 Rate [b]	Time Distribution by Professional Classification [c]	Weighted Average Market Rate [d]
		National [a] [2]	Midwest Firms [a] [1]				
	(A)	(B)	(C)	(D)	(E)	(F)	
1	Partners	\$ 240	\$ 208	\$ 220	2%	\$ 3	
2	Directors	193	171	181	7%	13	
3	Managers	156	137	145	35%	51	
4	Senior Associates	121	109	115	26%	30	
5	Associates	95	89	94	30%	29	
6	<b>Total</b>				<b>100%</b>	<b>\$ 126</b>	

**Comparison of Service Company Rates to Market Rates**

Professional Classification [a]	Rate		AWWSC Rate Above/(Below) Market Rate [f]
	Service Company [c]	Market [e]	
(A)	(B)	(C)	(D)
7 Partners	\$ 217	\$ 220	\$ (3)
8 Directors	149	181	(32)
9 Managers	100	145	(45)
10 Senior Associates	74	115	(41)
11 Associates	63	94	(31)

**Source**

- [a] 2008 AICPA PCPS/TSCPA National MAP Survey
- [b] Column C x 1.0571 (Schedule 6, Line 11)
- [c] Schedule 1.1
- [d] Column D x Column E = Column F
- [e] Schedule 1, Column D Above
- [f] Column B - Column C

**Footnote**

- [1] Midwest Region firms having net client fees of \$2 million or more per year
- [2] National refers to all participant firms having net client fees of \$2 million or more per year

**Illinois-American Water Company**  
**Market Analysis - Accounting Services**  
**Forecast of AWWSC Hours and Costs Allocated to IAWC [1]**  
**(2010 Test Year)**

Line No.	Location (A)	Business Unit (B)	Associate		Director		Manager		Partner		Senior Associate		Accounting Services	
			Hours (C)	Amount (D)	Hours (E)	Amount (F)	Hours (G)	Amount (H)	Hours (I)	Amount (J)	Hours (K)	Amount (L)	Total Hours (M)	Total Amount (N)
1	CENTRAL	Finance	2,317	\$ 121,266	1,158	\$ 147,580	8,688	\$ 828,219	579	\$ 124,666	4,634	\$ 308,691	17,377	\$ 1,530,422
2		Subtotal	2,317	\$ 121,266	1,158	\$ 147,580	8,688	\$ 828,219	579	\$ 124,666	4,634	\$ 308,691	17,377	\$ 1,530,422
3	CORP	Finance	321	\$ 19,034	308	\$ 47,874	3,233	\$ 331,748			1,108	\$ 82,507	4,970	\$ 481,162
4		Regulated Operations			158	\$ 35,582							158	\$ 35,582
5		Other			323	\$ 45,172	647	\$ 70,304			323	\$ 28,400	1,293	\$ 143,877
6		Subtotal	321	\$ 19,034	789	\$ 128,628	3,880	\$ 402,052	-	\$ -	1,432	\$ 110,907	6,421	\$ 660,621
7	SSC	Finance	9,357	\$ 547,694	1,374	\$ 218,706	3,065	\$ 319,059	156	\$ 34,585	6,040	\$ 480,745	19,992	\$ 1,600,789
8		Human Resources	2,142	\$ 208,806			714	\$ 88,565					2,856	\$ 297,371
9		Subtotal	11,499	\$ 756,500	1,374	\$ 218,706	3,779	\$ 407,623	156	\$ 34,585	6,040	\$ 480,745	22,848	\$ 1,898,160
10		<b>Total</b>	<b>14,136</b>	<b>\$ 896,800</b>	<b>3,321</b>	<b>\$ 494,914</b>	<b>16,348</b>	<b>\$ 1,637,894</b>	<b>735</b>	<b>\$ 159,251</b>	<b>12,105</b>	<b>\$ 900,343</b>	<b>46,645</b>	<b>\$ 4,089,202</b>
11		<b>Time Distribution</b>	30.31%		7.12%		35.05%		1.58%		25.95%		100.00%	
12		<b>Average Rate per Hour</b>	\$	63	\$	149	\$	100	\$	217	\$	74	\$	88

**Footnote**

[1] Schedule 1.1 prepared by Service Company

**Illinois-American Water Company**  
**Market Analysis - Accounting Services - Supplemental Rates**

Line No.	Firm Name	Professional Classification	Billing Rate	Cost Escalator Factor	Adjusted 2010 Rate
	(A)	(B)	(C)	(D)	(E)
1	Firm #1 (2007)	<b>Partner/Director</b>	[a] \$ <b>480</b>	<b>1.01802</b>	[b] \$ <b>489</b>
2		Senior Manager	[a] \$ 380	1.01802	[b] \$ 387
3		Manager	[a] \$ 350	1.01802	[b] \$ 356
4		Staff	[a] \$ 280	1.01802	[b] \$ 285
5	Firm #1 (2009)	Partner/Principal/Director	[a] \$ 425	1.01700	[c] \$ 432
6		<b>Consultant/Senior Consultant</b>	[a] \$ <b>250</b>	<b>1.01700</b>	[c] \$ <b>254</b>
7		Subcontractor	[a] \$ 275	1.01700	[c] \$ 280

**Source**

[a] Information provided by Service Company

[b] Schedule 6, Line 14

[c] Schedule 6, Line 10

**Illinois-American Water Company  
Market Analysis - Engineering Services**

Line No.	Professional Classification [a]	Market Rate			Adjusted to 2010 Rate [b]	Time Distribution by Professional Classification [c]		Weighted Average Market Rate [d]
		All Firms [a]	North Central Region [a]					
	(A)	(B)	(C)	(D)	(E)	(F)		
1	Drafters	\$ 71	\$ 66	\$ 70	0%		\$ -	
2	Designers	93	89	94	1%		1	
3	CADD technicians	76	72	76	4%		3	
4	Civil engineers	97	85	90	3%		3	
5	Senior civil engineers	126	116	123	11%		13	
6	Electrical engineers	94	89	94	2%		2	
7	Planners	98	107	113	13%		15	
8	Scientists	84	83	88	11%		10	
9	Senior scientists [1]	127	127	134	8%		11	
10	Project managers	128	123	130	14%		18	
11	Department heads	143	134	142	8%		12	
12	Associate	143	124	131	1%		2	
13	Mechanical Engineer	95	92	97	18%		17	
14	Senior Mechanical Engineer	128	124	131	2%		2	
15	Senior Electrical Engineer	124	122	129	3%		4	
16	<b>Total</b>				<b>100%</b>		<b>\$ 113</b>	

Comparison of Service Company Rates to Market Rates					
Professional Classification [a]	Rate			AWWSC Rate Above/(Below) Market Rate [f]	
	Service Company [c]	Market [e]			
(A)	(B)	(C)	(D)		
17 Drafters	\$ 52	\$ 70	\$ (18)		
18 Designers	77	94	(17)		
19 CADD technicians	67	76	(9)		
20 Civil engineers	78	90	(12)		
21 Senior civil engineers	98	123	(24)		
22 Electrical engineers	70	94	(24)		
23 Planners	67	113	(46)		
24 Scientists	66	88	(22)		
25 Senior scientists	85	134	(50)		
26 Project managers	101	130	(29)		
27 Department heads	126	142	(16)		
28 Associate	158	131	27		
29 Mechanical Engineer	57	97	(41)		
30 Senior Mechanical Engineer	97	131	(34)		
31 Senior Electrical Engineer	90	129	(39)		

**Source**

- [a] 2008 ZweigWhite Fee & Billing Survey of Architecture, Engineering, Planning & Environmental Consulting Firms
- [b] Column C x 1.0571 (Schedule 6, Line 11)
- [c] Schedule 2.1
- [d] Column D x Column E = Column F
- [e] Schedule 2, Column D Above
- [f] Column B - Column C

**Footnote**

[1] Regional information was unavailable, therefore, the all firms billing rate was used for the North Central region.

**Illinois-American Water Company**  
**Market Analysis - Engineering Services**  
**Forecast of AWWSC Hours and Costs Allocated to IAWC [1]**  
**(2010 Test Year)**

Line No.	Location	Business Unit	CADD Technician		Civil Engineer		Department Head		Designer	
			Hours	Amount	Hours	Amount	Hours	Amount	Hours	Amount
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
1	BELLEVILLE LAB	Water Quality					364	\$ 38,067		
2		Subtotal	-	-	-	-	364	\$ 38,067	-	\$ -
3	CENTRAL	Engineering	787	\$ 55,899	393	\$ 33,321	393	\$ 45,470		
4		Operations	609	\$ 37,129			1,214	\$ 156,128		
5		Supply Chain								
6		Water Quality					172	\$ 18,338		
7		Subtotal	1,396	\$ 93,028	393	\$ 33,321	1,780	\$ 219,936	-	\$ -
8	CORP	Engineering			817	\$ 61,183	491	\$ 70,499	431	\$ 33,299
9		Operations					187	\$ 34,871		
10		Supply Chain								
11		Water Quality					306	\$ 29,673		
12		Subtotal	-	\$ -	817	\$ 61,183	985	\$ 135,044	431	\$ 33,299
13		<b>Total</b>	<b>1,396</b>	<b>\$ 93,028</b>	<b>1,210</b>	<b>\$ 94,504</b>	<b>3,129</b>	<b>\$ 393,047</b>	<b>431</b>	<b>\$ 33,299</b>
14		<b>Time Distribution</b>	<b>4%</b>		<b>3%</b>		<b>8%</b>		<b>1%</b>	
15		<b>Average Rate per Hour</b>		<b>\$ 67</b>		<b>\$ 78</b>		<b>\$ 126</b>		<b>\$ 77</b>

**Footnote**

[1] Schedule 2.1 Prepared by Service Company

**Illinois-American Water Company**  
**Market Analysis - Engineering Services**  
**Forecast of AWWSC Hours and Costs Allocated to IAWC [1]**  
**(2010 Test Year)**

Line No.	Location (A)	Business Unit (B)	Drafter		Electrical Engineer		Planner		Project Manager	
			Hours (K)	Amount (L)	Hours (M)	Amount (N)	Hours (O)	Amount (P)	Hours (Q)	Amount (R)
1	BELLEVILLE LAB	Water Quality								
2		Subtotal	-	\$ -	-	\$ -	-	\$ -	-	\$ -
3	CENTRAL	Engineering							393	\$ 47,862
4		Operations			609	\$ 42,440	870	\$ 64,254	609	\$ 49,250
5		Supply Chain					476	\$ 26,371	476	\$ 50,509
6		Water Quality								
7		Subtotal	-	\$ -	609	\$ 42,440	1,346	\$ 90,625	1,479	\$ 147,621
8	CORP	Engineering	161	\$ 8,295			434	\$ 30,575	643	\$ 67,886
9		Operations					679	\$ 46,147	1,072	\$ 125,584
10		Supply Chain					2,577	\$ 168,630	2,062	\$ 192,010
11		Water Quality								
12		Subtotal	161	\$ 8,295	-	\$ -	3,690	\$ 245,352	3,777	\$ 385,481
13		<b>Total</b>	<b>161</b>	<b>\$ 8,295</b>	<b>609</b>	<b>\$ 42,440</b>	<b>5,036</b>	<b>\$ 335,977</b>	<b>5,255</b>	<b>\$ 533,101</b>
14		<b>Time Distribution</b>	<b>0%</b>		<b>2%</b>		<b>13%</b>		<b>14%</b>	
15		<b>Average Rate per Hour</b>		<b>\$ 52</b>		<b>\$ 70</b>		<b>\$ 67</b>		<b>\$ 101</b>

**Footnote**

[1] Schedule 2.1 Prepared by Service Company

**Illinois-American Water Company**  
**Market Analysis - Engineering Services**  
**Forecast of AWWSC Hours and Costs Allocated to IAWC [1]**  
**(2010 Test Year)**

Line No.	Location	Business Unit	Scientist		Senior Civil Engineer		Senior Scientist		Associate	
			Hours	Amount	Hours	Amount	Hours	Amount	Hours	Amount
	(A)	(B)	(S)	(T)	(U)	(V)	(W)	(X)	(Y)	(Z)
1	BELLEVILLE LAB	Water Quality	3,637	\$ 257,465			909	\$ 81,301	182	\$ 30,122
2		Subtotal	3,637	\$ 257,465	-	\$ -	909	\$ 81,301	182	\$ 30,122
3	CENTRAL	Engineering			787	\$ 73,622				
4		Operations			325	\$ 33,025	870	\$ 93,402		
5		Supply Chain								
6		Water Quality								
7		Subtotal	-	\$ -	1,112	\$ 106,646	870	\$ 93,402	-	\$ -
8	CORP	Engineering			2,686	\$ 268,154				
9		Operations							172	\$ 26,338
10		Supply Chain							172	\$ 26,730
11		Water Quality	613	\$ 23,768	306	\$ 28,468	1,226	\$ 79,603		
12		Subtotal	613	\$ 23,768	2,993	\$ 296,622	1,226	\$ 79,603	344	\$ 53,068
13		<b>Total</b>	<b>4,250</b>	<b>\$ 281,233</b>	<b>4,105</b>	<b>\$ 403,268</b>	<b>3,005</b>	<b>\$ 254,306</b>	<b>526</b>	<b>\$ 83,189</b>
14		<b>Time Distribution</b>	<b>11%</b>		<b>11%</b>		<b>8%</b>		<b>1%</b>	
15		<b>Average Rate per Hour</b>		<b>\$ 66</b>		<b>\$ 98</b>		<b>\$ 85</b>		<b>\$ 158</b>

**Footnote**

[1] Schedule 2.1 Prepared by Service Company

**Illinois-American Water Company**  
**Market Analysis - Engineering Services**  
**Forecast of AWWSC Hours and Costs Allocated to IAWC [1]**  
**(2010 Test Year)**

Line No.	Location (A)	Business Unit (B)	Mechanical Engineer		Senior Mechanical Engineer		Senior Electrical Engineer		Engineering Services	
			Hours (AA)	Amount (AB)	Hours (AC)	Amount (AD)	Hours (AE)	Amount (AF)	Total Hours (AG)	Total Amount (AH)
1	BELLEVILLE LAB	Water Quality							5,092	\$ 406,954
2		Subtotal	-	\$ -	-	\$ -	-	\$ -	5,092	\$ 406,954
3	CENTRAL	Engineering							2,754	\$ 256,173
4		Operations	6,700	\$ 380,149	609	\$ 59,001	1,218	\$ 109,165	13,633	\$ 1,023,943
5		Supply Chain							952	\$ 76,880
6		Water Quality							172	\$ 18,338
7		Subtotal	6,700	\$ 380,149	609	\$ 59,001	1,218	\$ 109,165	17,512	\$ 1,375,335
8	CORP	Engineering							5,663	\$ 539,891
9		Operations							2,111	\$ 232,941
10		Supply Chain							4,810	\$ 387,370
11		Water Quality							2,452	\$ 161,512
12		Subtotal	-	\$ -	-	\$ -	-	\$ -	15,036	\$ 1,321,714
13		<b>Total</b>	<b>6,700</b>	<b>\$ 380,149</b>	<b>609</b>	<b>\$ 59,001</b>	<b>1,218</b>	<b>\$ 109,165</b>	<b>37,640</b>	<b>\$ 3,104,003</b>
14		<b>Time Distribution</b>	<b>18%</b>		<b>2%</b>		<b>3%</b>		<b>100%</b>	
15		<b>Average Rate per Hour</b>		<b>\$ 57</b>		<b>\$ 97</b>		<b>\$ 90</b>		<b>\$ 82</b>

**Footnote**

[1] Schedule 2.1 Prepared by Service Company

**Illinois-American Water Company**  
**Market Analysis - Engineering Services - Supplemental Rates**

Line No.	Firm Name (A)	Professional Classification (B)	Billing Rate (C)	Cost Escalator		Adjusted 2010 Rate (E)
				Factor (D)		
1	Firm #1	Engineer I/II	[a] \$84	1.01802	[b]	\$86
2		Engineer III	[a] \$98	1.01802	[b]	\$100
3		Engineer IV	[a] \$118	1.01802	[b]	\$120
4		Engineer V	[a] \$134	1.01802	[b]	\$136
5		Engineer VI	[a] \$162	1.01802	[b]	\$165
6		Engineer VII	[a] \$169	1.01802	[b]	\$172
7		Engineer VIII	[a] \$174	1.01802	[b]	\$177
8		Project Manager	[a] \$160	1.01802	[b]	\$163
9		Senior Technician	[a] \$96	1.01802	[b]	\$98
10		Mid-Level Technician	[a] \$82	1.01802	[b]	\$83
11		<b>Technician</b>	[a] <b>\$65</b>	<b>1.01802</b>	[b]	<b>\$66</b>
12		Pipeline Inspector	[a] \$82	1.01802	[b]	\$83
13		Principal/Executive	[a] \$185	1.01802	[b]	\$188
14		Schedule Engineer	[a] \$98	1.01802	[b]	\$100
15		Cost Engineer	[a] \$118	1.01802	[b]	\$120
16		Senior Process Specialist	[a] \$192	1.01802	[b]	\$195
17		Process Specialist	[a] \$177	1.01802	[b]	\$180
18	Firm #2	Field Service Technician Work	[a] \$110	1.01802	[b]	\$112
19		Project Design & RTU/PLC Configuration	[a] \$125	1.01802	[b]	\$127
20		Engineering & Project Management	[a] \$125	1.01802	[b]	\$127
21		SCADA HMI Programming	[a] \$125	1.01802	[b]	\$127
22	Firm #3	Drafting	[a] \$75	1.01802	[b]	\$76
23		Control Technician	[a] \$85	1.01802	[b]	\$87
24		Systems/Computer Programmer	[a] \$95	1.01802	[b]	\$97
25		Project Engineer	[a] \$105	1.01802	[b]	\$107
26		Computer Software Engineer	[a] \$105	1.01802	[b]	\$107
27		Senior Engineer/Specialist	[a] \$125	1.01802	[b]	\$127
28		Project Manager	[a] \$165	1.01802	[b]	\$168
29	Firm #4	Service Technician	[a] \$105	1.05710	[c]	\$111
30		Project Design & RTU/PLC Configuration	[a] \$110	1.05710	[c]	\$116
31		Panel Building	[a] \$95	1.05710	[c]	\$100
32		Engineering & Project Management	[a] \$125	1.05710	[c]	\$132
33	Firm #5	Senior Project Manager	[a] \$130	1.05710	[c]	\$137
34		Engineer	[a] \$85	1.05710	[c]	\$90
35		Senior Engineer	[a] \$90	1.05710	[c]	\$95
36		Project Engineer	[a] \$115	1.05710	[c]	\$122
37		Technician/CADD	[a] \$70	1.05710	[c]	\$74
38	Firm #6	<b>Principal</b>	[a] <b>\$200</b>	<b>1.05710</b>	[c]	<b>\$211</b>
39		Project Manager	[a] \$150	1.05710	[c]	\$159
40		Engineer VI	[a] \$140	1.05710	[c]	\$148
41		Engineer V	[a] \$115	1.05710	[c]	\$122
42		Engineer IV	[a] \$105	1.05710	[c]	\$111
43		Engineer III	[a] \$96	1.05710	[c]	\$101
44		Senior Technician	[a] \$90	1.05710	[c]	\$95
45		Technician	[a] \$65	1.05710	[c]	\$69
46	Firm #7	Principal Consultant	[a] \$200	1.01802	[b]	\$204
47		Project Director	[a] \$185	1.01802	[b]	\$188
48		Senior Project Manager	[a] \$130 - \$150	1.01802	[b]	\$132 - \$152
49		Project Manager	[a] \$115 - \$130	1.01802	[b]	\$117 - \$132
50		Senior Engineer	[a] \$135	1.01802	[b]	\$137
51		Senior Consultant	[a] \$100 - \$115	1.01802	[b]	\$102 - \$117
52		Staff Engineer I	[a] \$80	1.01802	[b]	\$81
53		Staff Engineer II	[a] \$90	1.01802	[b]	\$92
54		Staff Engineer III	[a] \$100	1.01802	[b]	\$102
55		Engineer Technician Grade I	[a] \$75	1.01802	[b]	\$76
56		Engineer Technician Grade II	[a] \$85	1.01802	[b]	\$87
57		Senior Program Manager	[a] \$150	1.01802	[b]	\$153
58		Project Consultant	[a] \$90	1.01802	[b]	\$92
59		Production Specialist	[a] \$75 - \$85	1.01802	[b]	\$76 - \$87
60		Senior Environmental Planner	[a] \$90 - \$110	1.01802	[b]	\$92 - \$112
61		Environmental Analyst/Planner	[a] \$75 - \$90	1.01802	[b]	\$76 - \$92
62		Document Manager	[a] \$70 - \$75	1.01802	[b]	\$71 - \$76

**Illinois-American Water Company**  
**Market Analysis - Engineering Services - Supplemental Rates**

<b>Line No.</b>	<b>Firm Name</b>	<b>Professional Classification</b>	<b>Billing Rate</b>	<b>Cost Escalator Factor</b>	<b>Adjusted 2010 Rate</b>
	(A)	(B)	(C)	(D)	(E)
63	Firm #8	Project Manager and/or Industrial Hygiene Technician	[a] \$75	1.01802	[b] \$76
64		Field Work by Certified Industrial Hygienist	[a] \$125	1.01802	[b] \$127
65		Report Preparation by Certified Industrial Hygienist	[a] \$145	1.01802	[b] \$148
66		Consulting / Expert Witness Testimony by Cert Ind Hyg	[a] \$175	1.01802	[b] \$178

**Source**

- [a] Information provided by Service Company
- [b] Schedule 6, Line 14
- [c] Schedule 6, Line 11

**Illinois-American Water Company  
Market Analysis - Information Technology Services**

**Calculated Market Rate**

Line No.	Professional Classification [a] (A)	Calculated Market Rate			Adjusted 2010 Rate [d] (D)	Time Distribution by Professional Classification [e] (E)	Weighted Average Market Rate [f] (F)
		All Companies [b] (B)	Middle Atlantic (Philadelphia) [c] (C)				
1	Director of Client Services	\$ 207	\$ 219	\$ 223	0.4%	\$ 1	
2	Director of IT Operations	198	210	213	0.4%	1	
3	Director of Systems Development	200	212	215	0.4%	1	
4	Manager of Data Center Operations	141	150	153	0.4%	1	
5	Manager of Information Security	140	148	151	0.4%	1	
6	Manager of IT Finance	140	148	151	0.4%	1	
7	Manager of Systems Development	169	179	182	3.1%	6	
8	Manager of Technical Support	139	148	150	3.4%	5	
9	Manager of Telecommunications	150	159	162	0.4%	1	
10	Senior IT Trainer	121	128	131	4.3%	6	
11	Senior Project Manager	158	167	170	1.8%	3	
12	Application programmer II	105	110	112	6.2%	7	
13	Application programmer III	126	132	135	3.1%	4	
14	Business Systems Analyst II	99	104	106	4.0%	4	
15	Business Systems Analyst III	119	125	128	5.4%	7	
16	Quality Assurance Analyst II	88	92	94	4.0%	4	
17	Senior Data Warehouse Analyst	144	152	154	0.4%	1	
18	Senior Database Administrator	142	149	152	2.7%	4	
19	Senior Technical Architect	159	167	170	2.7%	5	
20	Senior Customer Relationship Manager	135	141	144	8.2%	12	
21	Web Application Developer III	132	138	141	0.4%	1	
22	Computer Operator I	53	56	57	0.8%	-	
23	Computer Operator III	74	78	79	1.7%	1	
24	Help Desk Representative I	63	66	67	1.2%	1	
25	Help Desk Representative II	74	77	79	1.6%	1	
26	Help Desk Representative III	89	93	95	0.8%	1	
27	Production Control Analyst II	92	96	98	0.4%	-	
28	Shift Supervisor, Data Center Operations	114	120	122	0.8%	1	
29	Technical Support Analyst I	81	85	87	8.8%	8	
30	Technical Support Analyst II	102	107	109	6.3%	7	
31	Technical Support Analyst III	115	120	122	2.4%	3	
32	Information Security Analyst II	112	118	120	1.3%	2	
33	Information Security Analyst III	135	142	144	2.2%	3	
34	Network Administrator III	115	121	123	2.2%	3	
35	Systems Administrator II	113	118	120	2.6%	3	
36	Systems Administrator III	136	142	145	2.6%	4	
37	Systems Programmer II	106	111	113	0.4%	1	
38	Telecommunications Support Analyst III	120	126	128	1.3%	2	
39	Test Engineer II	101	106	108	1.3%	1	
40	Unix System Administrator III	133	140	142	3.0%	4	
41	Webmaster	116	121	123	0.9%	1	
42	Director, IT Process and Change Mgmt [g]	179	195	206 [1]	0.5%	1	
43	Configuration Mgmt Analyst [g]	101	119	126 [1]	0.5%	1	
44	Project Manager [g]	144	147	155 [1]	1.8%	3	
45	Director Program Management [g]	184	181	192 [1]	0.4%	1	
46	Project Leader [g]	128	130	137 [1]	0.4%	1	
47	Release/Build Engineer [g]	119	108	114 [1]	0.4%	-	
48	<b>Total</b>				<b>100%</b>	<b>\$ 130</b>	

**Comparison of Service Company Rates to Market Rates**

	Professional Classification [a]	Rate		AWWSC Rate Above/(Below) Market Rate [i]
		Service Company [e]	Market [h]	
		(B)	(C)	
49	Director of Client Services	\$ 130	\$ 223	(93)
50	Director of IT Operations	199	213	(14)
51	Director of Systems Development	164	215	(52)
52	Manager of Data Center Operations	105	153	(48)
53	Manager of Information Security	102	151	(49)
54	Manager of IT Finance	243	151	92
55	Manager of Systems Development	124	182	(58)
56	Manager of Technical Support	100	150	(50)
57	Manager of Telecommunications	107	162	(55)
58	Senior IT Trainer	77	131	(54)
59	Senior Project Manager	123	170	(47)
60	Application programmer II	98	112	(14)
61	Application programmer III	112	135	(23)
62	Business Systems Analyst II	83	106	(23)
63	Business Systems Analyst III	95	128	(33)
64	Quality Assurance Analyst II	62	94	(32)
65	Senior Data Warehouse Analyst	102	154	(52)
66	Senior Database Administrator	100	152	(51)
67	Senior Technical Architect	114	170	(56)
68	Senior Customer Relationship Manager	87	144	(57)
69	Web Application Developer III	131	141	(10)
70	Computer Operator I	41	57	(16)
71	Computer Operator III	52	79	(27)
72	Help Desk Representative I	51	67	(16)
73	Help Desk Representative II	66	79	(13)
74	Help Desk Representative III	57	95	(38)
75	Production Control Analyst II	128	98	30
76	Shift Supervisor, Data Center Operations	66	122	(56)
77	Technical Support Analyst I	55	87	(32)
78	Technical Support Analyst II	71	109	(38)
79	Technical Support Analyst III	80	122	(43)
80	Information Security Analyst II	98	120	(22)
81	Information Security Analyst III	109	144	(35)
82	Network Administrator III	98	123	(25)
83	Systems Administrator II	122	120	1
84	Systems Administrator III	104	145	(41)
85	Systems Programmer II	75	113	(37)
86	Telecommunications Support Analyst III	81	128	(46)
87	Test Engineer II	97	108	(11)
88	Unix System Administrator III	123	142	(19)
89	Webmaster	115	123	(9)
90	Director, IT Process and Change Mgmt [g]	127	206	(79)
91	Configuration Mgmt Analyst [g]	94	126	(32)
92	Project Manager [g]	102	155	(54)
93	Director Program Management [g]	142	192	(49)
94	Project Leader [g]	100	137	(37)
95	Release/Build Engineer [g]	37	114	(76)

**Source**

- [a] 2008 Computer Economics IT Salary Report
- [b] Schedule 3.2 - Column D
- [c] Schedule 3.2 - Column G
- [d] Column C x 1.01802 (Schedule 6, Line 14)
- [e] Schedule 3.1
- [f] Column D x Column E
- [g] 2008 Gartner IT Market Compensation Study
- [h] Schedule 3, Column D Above
- [i] Column B - Column C

**Footnote**

- [1] Rate escalated using a factor of 1.0571 (Schedule 6, Line 11) due to the Gartner Study containing 2007 data

**Illinois-American Water Company**  
**Market Analysis - Information Technology Services**  
**Forecast of AWWSC Hours and Costs Allocated to IAWC [1]**  
**(2010 Test Year)**

Line No.	Location (A)	Business Unit (B)	Professional Classification (C)	Hours (D)	Amount (E)	Time Distribution (F)	Average Rate per Hour (G)
1	ITS	ITS	Project Manager	672	\$ 68,234	1.8%	\$ 102
2	ITS	ITS	Webmaster	333	\$ 38,111	0.9%	\$ 115
3	Central	Customer Service	Technical Support Analyst III	743	\$ 56,171		
4	ITS	ITS	Technical Support Analyst III	168	\$ 16,666		
5		Subtotal		911	\$ 72,837	2.4%	\$ 80
6	Central	Customer Service	Manager of Technical Support	1,114	\$ 101,277		
7	ITS	ITS	Manager of Technical Support	163	\$ 26,417		
8		Subtotal		1,278	\$ 127,693	3.4%	\$ 100
9	Central	Customer Service	Technical Support Analyst I	2,972	\$ 163,510		
10	ITS	Business Services	Technical Support Analyst I	326	\$ 18,809		
11		Subtotal		3,297	\$ 182,319	8.8%	\$ 55
12	Central	Customer Service	Technical Support Analyst II	2,229	\$ 156,635		
13	ITS	ITS	Technical Support Analyst II	154	\$ 11,553		
14		Subtotal		2,382	\$ 168,188	6.3%	\$ 71
15	ITS	ITS	Director of Client Services	167	\$ 21,702	0.4%	\$ 130
16	ITS	ITS	Helpdesk Representative III	307	\$ 17,436	0.8%	\$ 57
17	ITS	ITS	Help Desk Rep I	461	\$ 23,504	1.2%	\$ 51
18	ITS	ITS	Help Desk Rep II	614	\$ 40,677	1.6%	\$ 66
19	ITS	ITS	System Administrator III	991	\$ 103,233	2.6%	\$ 104
20	ITS	ITS	Manager of Information Security	169	\$ 17,226	0.4%	\$ 102
21	ITS	ITS	Systems Programmer II	169	\$ 12,735	0.4%	\$ 75
22	ITS	ITS	Senior Data Warehouse Analyst	169	\$ 17,226	0.4%	\$ 102
23	ITS	ITS	Manager of IT Finance	166	\$ 40,189	0.4%	\$ 243
24	ITS	ITS	Senior Project Manager	672	\$ 82,413	1.8%	\$ 123
25	ITS	ITS	Director of IT Operations	169	\$ 33,642	0.4%	\$ 199
26	ITS	ITS	Computer Operator I	320	\$ 13,114	0.8%	\$ 41
27	ITS	ITS	Shift Supervisor Data Center Ops	320	\$ 21,137	0.8%	\$ 66
28	ITS	ITS	Manager Data Center Operations	160	\$ 16,755	0.4%	\$ 105
29	ITS	ITS	Computer Operator III	639	\$ 33,139	1.7%	\$ 52
30	ITS	ITS	Network Administrator III	837	\$ 82,248	2.2%	\$ 98
31	ITS	ITS	System Administrator II	980	\$ 119,253	2.6%	\$ 122
32	ITS	ITS	Unix Systems Administrator III	1,143	\$ 140,329	3.0%	\$ 123
33	ITS	ITS	Telecommunication Support Analyst III	505	\$ 41,146	1.3%	\$ 81
34	ITS	ITS	Manager of Telecommunications	168	\$ 17,988	0.4%	\$ 107
35	ITS	ITS	Director of System Development	168	\$ 27,590	0.4%	\$ 164
36	ITS	ITS	Manager of Systems Development	1,178	\$ 146,234	3.1%	\$ 124
37	ITS	ITS	Application Programmer III	1,180	\$ 131,677	3.1%	\$ 112
38	ITS	ITS	Web Application Developer III	166	\$ 21,787	0.4%	\$ 131
39	ITS	ITS	Business Systems Analyst II	1,495	\$ 123,542	4.0%	\$ 83
40	ITS	ITS	Business Systems Analyst III	2,016	\$ 190,661	5.4%	\$ 95
41	ITS	ITS	Application Programmer II	2,318	\$ 226,425	6.2%	\$ 98
42	ITS	ITS	Quality Assurance Analyst II	1,517	\$ 93,845	4.0%	\$ 62
43	ITS	ITS	Senior Customer Relationship Mgr	3,101	\$ 269,061	8.2%	\$ 87
44	ITS	Business Services	Senior IT Trainer	1,629	\$ 125,364	4.3%	\$ 77
45	ITS	ITS	Production Control Analyst II	169	\$ 21,572	0.4%	\$ 128
46	ITS	ITS	Senior Technical Architect	1,014	\$ 115,521	2.7%	\$ 114
47	ITS	ITS	Release Build Engineer	154	\$ 5,720	0.4%	\$ 37
48	ITS	ITS	Config Management Analyst	170	\$ 15,930	0.5%	\$ 94
49	ITS	ITS	Dir IT Process and Change Mgt	170	\$ 21,571	0.5%	\$ 127
50	ITS	ITS	Director Program Management	168	\$ 23,899	0.4%	\$ 142
51	ITS	ITS	Project Leader	168	\$ 16,835	0.4%	\$ 100
52	ITS	ITS	Senior Database Administrator	1,005	\$ 100,913	2.7%	\$ 100
53	ITS	ITS	Information Security Analyst III	837	\$ 91,237	2.2%	\$ 109
54	ITS	ITS	Test Engineer II	505	\$ 49,072	1.3%	\$ 97
55	ITS	ITS	Information Security Analyst II	499	\$ 48,972	1.3%	\$ 98
56	<b>Total</b>		<b>Information Technology Services</b>	<b>37,629</b>	<b>\$ 3,419,899</b>	<b>100.0%</b>	<b>\$ 91</b>

**Footnote**

[1] Schedule 3.1 Prepared by Service Company

**Illinois-American Water Company**  
**Market Analysis - Information Technology Services (Detail)**

Line No.	Professional Classification [a]	All Companies			Middle Atlantic (Philadelphia)			Time Distribution by	
		Survey Median Salary [a]	Calculated Median Rate per Hour [b]	Calculated Market Rate per Hour [c]	Median Salary [a]	Calculated Median Rate per Hour [d]	Calculated Market Rate per Hour [e]	Professional Classification [f]	Weighted Average Market Rate [g]
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Director of Client Services	\$ 143,564	\$ 69	\$ 207	\$ 152,097	\$ 73	\$ 219	0.4%	\$ 1
2	Director of IT Operations	137,166	66	198	145,319	70	210	0.4%	1
3	Director of Systems Development	138,523	67	200	146,746	71	212	0.4%	1
4	Manager of Data Center Operations	98,051	47	141	103,879	50	150	0.4%	1
5	Manager of Information Security	96,903	47	140	102,663	49	148	0.4%	1
6	Manager of IT Finance	97,056	47	140	102,825	49	148	0.4%	1
7	Manager of Systems Development	117,070	56	169	124,029	60	179	3.1%	6
8	Manager of Technical Support	96,686	46	139	102,433	49	148	3.4%	5
9	Manager of Telecommunications	103,985	50	150	110,166	53	159	0.4%	1
10	Senior IT Trainer	83,972	40	121	88,963	43	128	4.3%	6
11	Senior Project Manager	109,360	53	158	115,860	56	167	1.8%	3
12	Application programmer II	72,518	35	105	76,101	37	110	6.2%	7
13	Application programmer III	87,371	42	126	91,688	44	132	3.1%	4
14	Business Systems Analyst II	68,729	33	99	72,126	35	104	4.0%	4
15	Business Systems Analyst III	82,806	40	119	86,898	42	125	5.4%	7
16	Quality Assurance Analyst II	60,930	29	88	63,941	31	92	4.0%	4
17	Senior Data Warehouse Analyst	100,138	48	144	105,090	51	152	0.4%	1
18	Senior Database Administrator	98,545	47	142	103,414	50	149	2.7%	4
19	Senior Technical Architect	110,292	53	159	115,737	56	167	2.7%	4
20	Senior Customer Relationship Manager	93,359	45	135	97,972	47	141	8.2%	12
21	Web Application Developer III	91,472	44	132	95,988	46	138	0.4%	1
22	Computer Operator I	36,882	18	53	38,708	19	56	0.8%	0
23	Computer Operator III	51,224	25	74	53,761	26	78	1.7%	1
24	Help Desk Representative I	43,786	21	63	45,951	22	66	1.2%	1
25	Help Desk Representative II	51,186	25	74	53,717	26	77	1.6%	1
26	Help Desk Representative III	61,670	30	89	64,720	31	93	0.8%	1
27	Production Control Analyst II	63,650	31	92	66,802	32	96	0.4%	0
28	Shift Supervisor, Data Center Operations	79,230	38	114	83,154	40	120	0.8%	1
29	Technical Support Analyst I	56,413	27	81	59,198	28	85	8.8%	7
30	Technical Support Analyst II	70,728	34	102	74,219	36	107	6.3%	7
31	Technical Support Analyst III	79,455	38	115	83,377	40	120	2.4%	3
32	Information Security Analyst II	77,763	37	112	81,602	39	118	1.3%	2
33	Information Security Analyst III	93,690	45	135	98,316	47	142	2.2%	3
34	Network Administrator III	79,919	38	115	83,866	40	121	2.2%	3
35	Systems Administrator II	78,104	38	113	81,961	39	118	2.6%	3
36	Systems Administrator III	94,101	45	136	98,748	47	142	2.6%	4
37	Systems Programmer II	73,153	35	106	76,766	37	111	0.4%	0
38	Telecommunications Support Analyst III	82,996	40	120	87,096	42	126	1.3%	2
39	Test Engineer II	69,939	34	101	73,393	35	106	1.3%	1
40	Unix System Administrator III	92,308	44	133	96,867	47	140	3.0%	4
41	Webmaster	80,107	39	116	84,062	40	121	0.9%	1
42	Director, IT Process and Change Mgmt [h]	124,000	60	179	135,300	65	195	0.5%	1
43	Configuration Mgmt Analyst [h]	70,000	34	101	82,400	40	119	0.5%	1
44	Project Manager [h]	100,000	48	144	101,900	49	147	1.8%	3
45	Director Program Management [h]	127,800	61	184	125,700	60	181	0.4%	1
46	Project Leader [h]	89,000	43	128	90,000	43	130	0.4%	1
47	Release Build Engineer [h]	82,700	40	119	74,600	36	108	0.4%	0
48	<b>Total</b>							<b>100%</b>	<b>\$ 124</b>

**Source**

- [a] 2008 Computer Economics IT Salary Report
- [b] Column B ÷ 2,080
- [c] Column C x 3
- [d] Column E ÷ 2,080
- [e] Column F x 3
- [f] Schedule 3.1
- [g] Column G x Column H
- [h] 2008 Gartner IT Market Compensation Study

**Illinois-American Water Company**  
**Market Analysis - Information Technology Services - Supplemental Rates**

Line No.	Firm Name (A)	Professional Classification (B)	Billing Rate (C)	Cost Escalator Factor (D)	Adjusted 2010 Rate (E)
1	Firm #1	Business Analyst [3]	[a] \$191	1.01802 [b]	\$194
2		Project Manager [3]	[a] \$272	1.01802 [b]	\$277
3	Firm #2	Business Analyst [1]	[a] \$150 - \$163	1.01802 [b]	\$153 - \$166
4		Technical Lead [1]	[a] \$188 - \$200	1.01802 [b]	\$191 - \$204
5	Firm #3	<b>Business Sponsor</b>	<b>[a] \$728</b>	<b>1.01802 [b]</b>	<b>\$741</b>
6		Design Architect	[a] \$253	1.01802 [b]	\$258
7		Developer	[a] \$206	1.01802 [b]	\$210
8		Project Manager	[a] \$355	1.01802 [b]	\$361
9		QA Lead	[a] \$253	1.01802 [b]	\$258
10		Technical Lead	[a] \$265	1.01802 [b]	\$270
11		Tester	[a] \$144	1.01802 [b]	\$147
12	Firm #4	Web Architect	[a] \$225	1.01802 [b]	\$229
13	Firm #5	Partner	[a] \$315	1.01802 [b]	\$321
14		Project Manager	[a] \$180	1.01802 [b]	\$183
15		Web Self Service Design	[a] \$120 - \$350	1.01802 [b]	\$122 - \$356
16	Firm #6	Sabrix Installation	[a] \$275	1.01802 [b]	\$280
17	Firm #7	JDE Developer	[a] \$118	1.01802 [b]	\$120
18	Firm #8	<b>Analysts</b>	<b>[a] \$85 - \$225</b>	<b>1.01802 [b]</b>	<b>\$87 - \$229</b>
19		Architect	[a] \$233	1.01802 [b]	\$237
20		Architect/Engineer	[a] \$180	1.01802 [b]	\$183
21		Business Analyst [1] [2] [3]	[a] \$150 - \$188	1.01802 [b]	\$153 - \$191
22		Consultant	[a] \$200	1.01802 [b]	\$204
23		Developer	[a] \$100 - \$250	1.01802 [b]	\$102 - \$255
24		Hyperion Strategy Development	[a] \$263	1.01802 [b]	\$268
25		Implementation Consultant	[a] \$250	1.01802 [b]	\$255
26		PowerPlant Developers [1]	[a] \$288	1.01802 [b]	\$293
27		Project Manager	[a] \$150 - \$250	1.01802 [b]	\$153 - \$255
28		Senior Remedy Solution Consultant	[a] \$185	1.01802 [b]	\$188
29		Technician	[a] \$167	1.01802 [b]	\$170
30		Testers	[a] \$100	1.01802 [b]	\$102

**Source**

[a] Information Provided by Service Company  
[b] Schedule 6, Line 14

**Footnote**

[1] Daily Rate ÷ 8  
[2] Weekly Rate ÷ 40  
[3] Monthly Rate ÷ 173 (2,080 ÷ 12)

**Illinois-American Water Company**  
**Market Analysis - Legal Services**

Line No.	Professional Classification [a]	Market Rate [b]	Adjusted to 2010 Rate [c]	Time Distribution by Professional Classification [d]	Weighted Average Market Rate [e]
	(A)	(B)	(C)	(D)	(E)
1	Partner	\$ 412	\$ 435	14%	\$ 60
2	Associate	250	264	58%	154
3	Paralegal	140 [1]	143	28%	39
4	<b>Total</b>			<b>100%</b>	<b>\$ 253</b>

**Comparison of Service Company Rates to Market Rates**

Professional Classification [a]	Service Company [d]	Market [f]	AWWSC Rate Above/(Below) Market Rate [g]
(A)	(B)	(C)	(D)
5 Partner	\$ 226	\$ 435	\$ (209)
6 Associate	140	264	(124)
7 Paralegal	84	143	(59)

**Source**

- [a] 2008 NLJ Billing Survey except for Paralegal (See footnote [1] below)
- [b] Schedule 4.2 and 4.3 except for Paralegal (See footnote [1] below)
- [c] Column B x 1.0571 (Schedule 6, Line 11) except for Paralegal (Column B x 1.01802 [Schedule 6, Line 14])
- [d] Schedule 4.1
- [e] Column C x Column D
- [f] Schedule 4, Column C Above
- [g] Column B - Column C

**Footnote**

- [1] Paralegal rate from supplemental information (See Schedule 4.4)

**Illinois-American Water Company**  
**Market Analysis - Legal Services**  
**Forecast of AWWSC Hours and Costs Allocated to IAWC [1]**  
**(2010 Test Year)**

Page No.	Location	Business Unit	Associate		Paralegal		Partner		Legal Services	
			Hours	Amount	Hours	Amount	Hours	Amount	Total Hours	Total Amount
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
1	CENTRAL	Legal	3,340	\$ 467,987	954	\$ 61,946	477	\$ 109,626	4,771	\$ 639,559
2		Subtotal	3,340	\$ 467,987	954	\$ 61,946	477	\$ 109,626	4,771	\$ 639,559
3	CORP	Legal			628	\$ 70,908	314	\$ 69,244	942	\$ 140,152
4		Subtotal	-	\$ -	628	\$ 70,908	314	\$ 69,244	942	\$ 140,152
5		<b>Total</b>	<b>3,340</b>	<b>\$ 467,987</b>	<b>1,582</b>	<b>\$ 132,854</b>	<b>791</b>	<b>\$ 178,870</b>	<b>5,713</b>	<b>\$ 779,711</b>
6										
7		<b>Time Distribution</b>	<b>58%</b>		<b>28%</b>		<b>14%</b>		<b>100%</b>	
8		<b>Average Rate per Hour</b>		<b>\$ 140</b>		<b>\$ 84</b>		<b>\$ 226</b>		<b>\$ 136</b>

**Footnote**

[1] Schedule 4.1 prepared by Service Company

**Illinois-American Water Company**  
**Market Analysis - Legal Services (Midwest Region Partners)**

			Market Rate [a]			Calculated [b]			
Line No.	Firm Name	Location	Partner Billing Rate Average	Partner Billing Rate High	Partner Billing Rate Low	Partner Billing Rate Average	Market Rate or Calculated Market Rate Average [c]		
	(A)	(B)	(C)	(D)	(E)	(F)	(G)		
1	Armstrong Teasdale	St. Louis, MO	\$ -	\$ 450	\$ 295	\$ 373	\$ 373		
2	Brinks Hofer Gilson & Lione	Chicago, IL	499	700	320	-	499		
3	Bryan Cave	St. Louis, MO	525	750	340	-	525		
4	Butzel Long	Detroit, MI	-	650	300	475	475		
5	Dickinson Wright	Detroit, MI	-	550	275	413	413		
6	Dinsmore & Shohl	Cincinnati, OH	347	495	220	-	347		
7	Dykema Gossett	Detroit, MI	415	650	265	-	415		
8	Frost Brown Todd	Cincinnati, OH	317	490	225	-	317		
9	Husch Blackwell Sanders	St. Louis, MO	352	740	205	-	352		
10	Jenner & Block	Chicago, IL	616	1,000	525	-	616		
11	Lathrop & Gage	Kansas City, MO	-	490	255	373	373		
12	Lewis, Rice & Fingersh	St. Louis, MO	-	440	225	333	333		
13	Miller, Canfield, Paddock and Stone	Detroit, MI	425	620	275	-	425		
14	Polsinelli Shalton Flanigan Suelthaus	Kansas City, MO	-	600	250	425	425		
15	Roetzel & Andress	Akron, Ohio	333	500	225	-	333		
16	Shughart Thomson & Kilroy	Kansas City, MO	-	500	240	370	370		
17	Shumaker, Loop & Kendrick	Toledo, OH	329	500	225	-	329		
18	Stinson Morrison Hecker	Kansas City, MO	363	680	275	-	363		
19	Taft Stettinius & Hollister	Cincinnati, OH	354	475	200	-	354		
20	Thompson Coburn	St. Louis, MO	-	555	295	425	425		
21	Thompson Hine	Cleveland, OH	425	740	275	-	425		
22	Ulmer & Berne	Cleveland, OH	319	495	230	-	319		
23	Vedder Price	Chicago, IL	455	685	310	-	455		
24	Winston & Strawn	Chicago, IL	622	975	400	-	622		
25	<b>Billing Rate Average for Midwest Region Partners</b>							<b>\$ 412</b>	

**Source**

[a] 2008 NLJ Billing Survey

[b] (Column D + Column E) ÷ 2

[c] Column C as provided in survey, otherwise Column F as calculated

**Illinois-American Water Company**  
**Market Analysis - Legal Services (Midwest Region Associates)**

Line No.	Firm Name	Location	Market Rate [a]			Calculated [b]		Market Rate or Calculated Market Rate Average [c]
			Associate Billing Rate Average	Associate Billing Rate High	Associate Billing Rate Low	Associate Billing Rate Average		
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	
1	Armstrong Teasdale	St. Louis, MO	\$ -	\$ 300	\$ 175	\$ 238	\$ 238	
2	Brinks Hofer Gilson & Lione	Chicago, IL	281	435	180	-	281	
3	Bryan Cave	St. Louis, MO	314	510	170	-	314	
4	Butzel Long	Detroit, MI	-	290	180	235	235	
5	Dickinson Wright	Detroit, MI	-	300	180	240	240	
6	Dinsmore & Shohl	Cincinnati, OH	202	305	160	-	202	
7	Dykema Gossett	Detroit, MI	277	435	170	-	277	
8	Frost Brown Todd	Cincinnati, OH	188	260	145	-	188	
9	Husch Blackwell Sanders	St. Louis, MO	218	380	150	-	218	
10	Jenner & Block	Chicago, IL	393	495	325	-	393	
11	Lathrop & Gage	Kansas City, MO	-	265	180	223	223	
12	Lewis, Rice & Fingersh	St. Louis, MO	-	305	140	223	223	
13	Miller, Canfield, Paddock and Stone	Detroit, MI	240	375	165	-	240	
14	Polsinelli Shalton Flanigan Suelthaus	Kansas City, MO	-	275	175	225	225	
15	Roetzel & Andress	Akron, Ohio	219	295	170	-	219	
16	Shughart Thomson & Kilroy	Kansas City, MO	-	245	185	215	215	
17	Shumaker, Loop & Kendrick	Toledo, OH	227	380	185	-	227	
18	Stinson Morrison Hecker	Kansas City, MO	224	290	190	-	224	
19	Taft Stettinius & Hollister	Cincinnati, OH	217	325	165	-	217	
20	Thompson Coburn	St. Louis, MO	-	400	170	285	285	
21	Thompson Hine	Cleveland, OH	240	510	185	-	240	
22	Ulmer & Berne	Cleveland, OH	205	310	175	-	205	
23	Vedder Price	Chicago, IL	290	390	235	-	290	
24	Winston & Strawn	Chicago, IL	376	625	210	-	376	
25	<b>Billing Rate Average for Midwest Region Associates</b>						<b>\$ 250</b>	<b>250</b>

**Source**

[a] 2008 NLJ Billing Survey

[b] (Column D + Column E) ÷ 2

[c] Column C as provided in survey, otherwise Column F as calculated

**Illinois-American Water Company**  
**Market Analysis - Legal Services - Supplemental Rates**

Line No.	Firm Name (A)	Professional Classification (B)	Billing Rate (C)	Cost Escalator	
				Factor (D)	Adjusted 2010 Rate (E)
1	Firm #1	Partner	[a] \$284	1.01802 [b]	\$289
2	Firm #2	Associate / Partner	[a] \$205 - \$475	1.01802 [b]	\$209 - \$484
3		<b>Paralegal</b>	[a] <b>\$140 - \$190</b>	<b>1.01802 [b]</b>	<b>\$143 - \$193</b>
4	Firm #3	Utilities Attorney	[a] \$200 - \$423	1.01700 [c]	\$203 - \$430
5		Labor Attorney	[a] \$152 - \$314	1.01700 [c]	\$155 - \$319
6		Environmental Attorney	[a] \$285 - \$385	1.01700 [c]	\$290 - \$392
7		Real Estate Attorney	[a] \$285	1.01700 [c]	\$290
8		Litigation Attorney	[a] \$385	1.01700 [c]	\$392
9	Firm #4	Associate / Partner	[a] \$157 - \$353	1.01700 [c]	\$160 - \$359
10	Firm #5	Partner	[a] \$360 - \$400	1.01802 [b]	\$366 - \$407
11		Associate	[a] \$220 - \$320	1.01802 [b]	\$224 - \$326
12		Paralegal	[a] \$156	1.01802 [b]	\$159
13	Firm #6	<b>Partner</b>	[a] <b>\$405 - \$525</b>	<b>1.01700 [c]</b>	<b>\$412 - \$534</b>
14		Senior Associate	[a] \$360 - \$450	1.01700 [c]	\$366 - \$458
15		Second-Year Associate	[a] \$270	1.01700 [c]	\$275
16		First-Year Associate	[a] \$248	1.01700 [c]	\$252
17	Firm #7	Partner	[a] \$250 - \$420	1.01802 [b]	\$255 - \$428
18		Associate	[a] \$210 - \$250	1.01802 [b]	\$214 - \$255
19	Firm #8	Partner	[a] \$325 - \$475	1.01802 [b]	\$331 - \$484
20		Senior Associate	[a] \$250 - \$325	1.01802 [b]	\$255 - \$331
21		Junior Associate	[a] \$190 - \$250	1.01802 [b]	\$193 - \$255
22	Firm #9	Senior Partner	[a] \$355 - \$505	1.01802 [b]	\$361 - \$514
23		Junior Partner	[a] \$320 - \$430	1.01802 [b]	\$326 - \$438
24		Senior Associate	[a] \$260 - \$310	1.01802 [b]	\$265 - \$316
25		Mid-level Associate	[a] \$185 - \$255	1.01802 [b]	\$188 - \$260
26	Firm #10	Partner / Shareholder	[a] \$350 - \$420	1.01802 [b]	\$356 - \$428
27		Associate	[a] \$250 - \$350	1.01802 [b]	\$255 - \$356
28	Firm #11	Associate	[a] \$225 - \$300	1.01802 [b]	\$229 - \$305

**Source**

[a] Information provided by Service Company

[b] Schedule 6, Line 14

[c] Schedule 6, Line 10

**Illinois-American Water Company**  
**Market Analysis - Management Consulting Services**

Line No.	Professional Classification [a]	Market Rate [a]		Adjusted to 2010 Rate [b]		Time Distribution by Professional Classification [c]	Weighted Average Market Rate [d]
		(B)	(C)	(C)	(D)	(E)	
1	Junior Partners	\$ 285	\$ 301	8%	\$ 23		
2	Senior Management Consultants	233	246	15%	37		
3	Management Consultants	199	210	28%	58		
4	Entry Level Consultants	154	163	8%	13		
5	Research Associates	130	137	42%	58		
6	<b>Total</b>			<b>100%</b>	<b>\$ 188</b>		

Comparison of Service Company Rates to Market Rates				
Professional Classification [a]	Rate		Market [e]	AWWSC Rate Above/(Below) Market Rate [f]
	Service Company [c]	(B)		
7 Junior Partners	\$ 222	\$ 301	\$ (79)	
8 Senior Management Consultants	126	246	(120)	
9 Management Consultants	120	210	(90)	
10 Entry Level Consultants	78	163	(85)	
11 Research Associates	78	137	(59)	

**Source**

- [a] 2008 Association of Management Consulting Firms' Operating Ratios for Management Consulting Firms: A Resource for Benchmarking
- [b] Column B x 1.0571 (Schedule 6, Line 11)
- [c] Schedule 5.1
- [d] Column C x Column D
- [e] Schedule 5, Column C Above
- [f] Column B - Column C

**Illinois-American Water Company**  
**Market Analysis - Management Consulting Services**  
**Forecast of AWWSC Hours and Costs Allocated to IAWC [1]**  
**(2010 Test Year)**

Line No.	Location (A)	Business Unit (B)	Entry Level Consultant		Management Consultant		Junior Partner		Research Associate	
			Hours (C)	Amount (D)	Hours (E)	Amount (F)	Hours (G)	Amount (H)	Hours (I)	Amount (J)
1	BELLEVILLE LAB	Water Quality							1,455	\$ 86,400
2		Subtotal	-	\$ -	-	\$ -	-	\$ -	1,455	\$ 86,400
3	CENTRAL	Customer Service	484	\$ 48,906	2,789	\$ 355,662	484	\$ 162,027	4,352	\$ 352,971
4		External Affairs					284	\$ 41,218		
5		Human Resources	1,791	\$ 129,798	2,687	\$ 296,659	448	\$ 94,289	3,134	\$ 196,155
6		Legal							477	\$ 29,663
7		Regulated Operations							1,352	\$ 129,650
9		Other			909	\$ 74,246	455	\$ 85,796	455	\$ 30,798
10		Subtotal	2,275	\$ 178,704	6,385	\$ 726,567	1,670	\$ 383,330	9,770	\$ 739,238
11	CORP	External Affairs			325	\$ 42,190	483	\$ 96,106	158	\$ 18,735
12		Human Resources	322	\$ 24,122	963	\$ 104,334	166	\$ 37,448	656	\$ 66,365
13		Legal							157	\$ 14,639
14		Operations			153	\$ 68,882			168	\$ 16,826
15		Regulated Operations							158	\$ 14,479
16		Other			429	\$ 55,744	107	\$ 22,912	277	\$ 37,847
17		Subtotal	322	\$ 24,122	1,870	\$ 271,149	756	\$ 156,466	1,574	\$ 168,889
18	SSC	Finance			640	\$ 67,920			795	\$ 60,908
19		Subtotal	-	\$ -	640	\$ 67,920	-	\$ -	795	\$ 60,908
20		<b>Total</b>	<b>2,597</b>	<b>\$ 202,826</b>	<b>8,895</b>	<b>\$ 1,065,637</b>	<b>2,426</b>	<b>\$ 539,796</b>	<b>13,594</b>	<b>\$ 1,055,434</b>
21		<b>Time Distribution</b>	<b>8%</b>		<b>28%</b>		<b>8%</b>		<b>42%</b>	
22		<b>Average Rate per Hour</b>	<b>\$ 78</b>		<b>\$ 120</b>		<b>\$ 222</b>		<b>\$ 78</b>	

**Footnote**

[1] Schedule 5.1 prepared by Service Company

**Illinois-American Water Company**  
**Market Analysis - Management Consulting Services**  
**Forecast of AWWSC Hours and Costs Allocated to IAWC [1]**  
**(2010 Test Year)**

Line No.	Location (A)	Business Unit (B)	Senior Management Consultant		Management Consulting Services	
			Hours (K)	Amount (L)	Total Hours (M)	Total Amount (N)
1	BELLEVILLE LAB	Water Quality			1,455	\$ 86,400
2		Subtotal	-	\$ -	1,455	\$ 86,400
3	CENTRAL	Customer Service			8,107	\$ 919,566
4		External Affairs	1,706	\$ 175,951	1,990	\$ 217,169
5		Human Resources			8,060	\$ 716,901
6		Legal			477	\$ 29,663
7		Regulated Operations			1,352	\$ 129,650
9		Other	1,364	\$ 164,394	3,183	\$ 355,235
10		Subtotal	3,070	\$ 340,345	23,170	\$ 2,368,184
11	CORP	External Affairs	1,288	\$ 202,008	2,253	\$ 359,040
12		Human Resources	322	\$ 45,166	2,429	\$ 277,434
13		Legal			157	\$ 14,639
14		Operations			321	\$ 85,707
15		Regulated Operations			158	\$ 14,479
16		Other	107	\$ 17,008	921	\$ 133,510
17		Subtotal	1,717	\$ 264,181	6,239	\$ 884,808
18	SSC	Finance			1,435	\$ 128,828
19		Subtotal	-	\$ -	1,435	\$ 128,828
20		<b>Total</b>	<b>4,787</b>	<b>\$ 604,527</b>	<b>32,299</b>	<b>\$ 3,468,220</b>
21		<b>Time Distribution</b>	<b>15%</b>		<b>100%</b>	
22		<b>Average Rate per Hour</b>	<b>\$</b>	<b>126</b>	<b>\$</b>	<b>107</b>

**Footnote**

[1] Schedule 5.1 prepared by Service Company

**Illinois-American Water Company**  
**Market Analysis - Management Consulting Services - Supplemental Rates**

Line No.	Firm Name (A)	Professional Classification (B)	Billing Rate (C)	Cost Escalator Factor (D)	Adjusted 2010 Rate (E)
1	Firm #1	[a] Principal	\$190	1.01802	[b] \$193
2		[a] Financial Analyst	\$90 - \$120	1.01802	[b] \$92 - \$122
3	Firm #2	[a] President	\$195	1.01802	[b] \$199
4		[a] Vice President	\$185	1.01802	[b] \$188
5		[a] Manager	\$175	1.01802	[b] \$178
6		[a] Director	\$185	1.01802	[b] \$188
7		[a] Project Manager	\$145	1.01802	[b] \$148
8		[a] Analysts/Engineers	\$115	1.01802	[b] \$117
9		[a] Associate Analysts/Engineers	\$105	1.01802	[b] \$107
10		[a] Assistant Analysts/Engineers	\$95	1.01802	[b] \$97
11		[a] Senior Technicians	\$85	1.01802	[b] \$87
12		<b>[a] Technicians</b>	<b>\$80</b>	<b>1.01802</b>	[b] <b>\$81</b>
13	Firm #3	[a] Principal	\$225	1.01802	[b] \$229
14	Firm #4	[a] Principal	\$175	1.01802	[b] \$178
15	Rate Case Assistance	[a] Junior Partner	\$180 - \$225	1.01802	[b] \$183 - \$229
16		[a] Junior Consultant	\$103 - \$124	1.01802	[b] \$105 - \$126
17	Cost of Equity	[a] Principal	\$380 - \$480	1.01802	[b] \$387 - \$489
18		[a] Associate	\$265 - \$340	1.01802	[b] \$270 - \$346
19		[a] Research Associate	\$143 - \$200	1.01802	[b] \$146 - \$204
20	Human Resources	[a] <b>Principal</b>	<b>\$530 - \$750</b>	<b>1.01700</b>	[c] <b>\$539 - \$763</b>
21		[a] Senior Consultant	\$540 - \$580	1.01700	[c] \$549 - \$590
22		[a] Consultant	\$435 - \$475	1.01700	[c] \$442 - \$483
23		[a] Associate	\$210 - \$370	1.01700	[c] \$214 - \$376

**Source**

[a] Information provided by Service Company

[b] Schedule 6, Line 14

[c] Schedule 6, Line 10

**Illinois-American Water Company**  
**Cost Escalator Calculation**

Line No.	Service (A)	Cost Escalator Factor (B)
1	Accounting (Schedule 1)	1.05710 [1]
2	Engineering (Schedule 2)	1.05710 [1]
3	Information Technology (Schedule 3)	1.01802 [2]
4	Legal (Schedule 4)	1.05710 [1]
5	Management Consulting (Schedule 5)	1.05710 [1]

**Source**

[a] U.S. Department of Labor, Bureau of Labor Statistics

[b] Congressional Budget Office

**Footnote**

[1] Based on a Cost Escalation Adjustment from 2007 to 2010

	CPI	% Change
6	Year 2008 [a]	215.303
7	Year 2007 [a]	<u>207.342</u>
8	2008 Change in CPI	7.961
9	2009 Forecasted change in CPI [b]	3.84%
10	2010 Forecasted change in CPI [b]	0.10%
11	<b>Cost Escalator Factor 2007 to 2010</b>	<u><u>1.05710</u></u>

[2] Based on a Cost Escalation Adjustment from 2008 to 2010

	% Change
12	2009 Forecasted change in CPI [b]
13	2010 Forecasted change in CPI [b]
14	<b>Cost Escalator Factor 2008 to 2010</b>
	<u><u>1.01802</u></u>

**Illinois-American Water Company**  
**Customer Accounts Analysis**

Line No.	(A)	Iowa		Illinois				
		Interstate Power and Light Company (B)	MidAmerican Energy Company (C)	Central Illinois Light Company (D)	Central Illinois Public Service Company (E)	Commonwealth Edison Company (F)	Illinois Power Company (G)	
	Customer Accounts Expense (2007 FERC Form No. 1)							
1	Acct 901 - Supervision (As Applicable to Customer Accounts Expense)	[1] \$ 137,950	\$ 834,872	\$ 1,496	\$ 2,597	\$ 327,370	\$ 9,567	
2	Acct 903 - Customer Records & Collection (Pg 322, Ln 161)	\$ 6,841,367	\$ 14,254,909	\$ 5,596,991	\$ 8,716,470	\$ 120,610,588	\$ 10,983,933	
3	Acct 905 - Misc Customer Accounts (Pg 322, Ln 163)	\$ 28,667	\$ 309,674	\$ 223,985	\$ 302,592	\$ -	\$ 645,956	
4	Subtotal	\$ 7,007,984	\$ 15,399,455	\$ 5,822,472	\$ 9,021,659	\$ 120,937,958	\$ 11,639,456	
	Add: Employee Benefits & Employer FICA (not included in above amounts)							
5	Account 926 - Employee Pension & Benefits	[2] \$ 989,239	\$ 3,409,266	\$ 999,024	\$ 782,849	\$ 22,781,792	\$ 673,567	
6	Account 408 - Taxes Other Than Income (Employer's Portion of FICA)	[3] \$ 371,998	\$ 1,521,496	\$ 334,211	\$ 442,765	\$ 5,097,155	\$ 618,915	
7	<b>Total Customer Accts Expense</b>	<b>\$ 8,369,221</b>	<b>\$ 20,330,217</b>	<b>\$ 7,155,707</b>	<b>\$ 10,247,273</b>	<b>\$ 148,816,904</b>	<b>\$ 12,931,938</b>	
8	Average Number of Customers (Pg 304, Ln 43)	528,093	716,315	210,178	387,776	3,802,140	616,239	
9	<b>Customer Accts Expense per Customer</b>	<b>\$ 15.85</b>	<b>\$ 28.38</b>	<b>\$ 34.05</b>	<b>\$ 26.43</b>	<b>\$ 39.14</b>	<b>\$ 20.99</b>	
10	Consumer Price Index Cost Escalator	[4] 1.0571	1.0571	1.0571	1.0571	1.0571	1.0571	
11	<b>Customer Accts Expense per Customer on 2010 Basis</b>	<b>\$ 16.75</b>	<b>\$ 30.00</b>	<b>\$ 35.99</b>	<b>\$ 27.93</b>	<b>\$ 41.38</b>	<b>\$ 22.18</b>	
<b>Footnote</b>								
[1] Allocation of Account 901 Between Meter Reading & Customer Accounts								
12	Acct 902 - Meter Reading (Pg 322, Ln 160)	\$ 5,953,252	\$ 7,779,904	\$ 1,890,408	\$ 3,981,834	\$ 33,825,388	\$ 7,065,186	
13	Acct 903 - Customer Records & Collection (Pg 322, Ln 161)	\$ 6,841,367	\$ 14,254,909	\$ 5,596,991	\$ 8,716,470	\$ 120,610,588	\$ 10,983,933	
14	Total of Accts 902 & 903	\$ 12,794,619	\$ 22,034,813	\$ 7,487,399	\$ 12,698,304	\$ 154,435,976	\$ 18,049,119	
15	% of Acct 901 to Allocate to Acct 902 (Ln 12 ÷ Ln 14)	46.5%	35.3%	25.2%	31.4%	21.9%	39.1%	
16	% of Acct 901 to Allocate to Acct 903 (Ln 13 ÷ Ln 14)	53.5%	64.7%	74.8%	68.6%	78.1%	60.9%	
17	Acct 901 - Supervision (Pg 322, Ln 159)	257,992	\$ 1,290,520	\$ 2,001	\$ 3,783	\$ 419,181	\$ 15,720	
18	Portion of Acct 901 Applicable to Acct 902 (Ln 17 x Ln 15)	120,042	455,648	505	1,186	91,811	6,153	
19	Portion of Acct 901 Applicable to Acct 903 (Ln 17 x Ln 16)	137,950	834,872	1,496	2,597	327,370	9,567	
[2] Calculation of Pension & Benefits Related to Customer Accounts								
20	Account 926 - Employee Pension & Benefits (Pg 323, Ln 187)	\$ 23,724,694	\$ 38,097,558	\$ 8,354,060	\$ 8,570,858	\$ 115,712,143	\$ 7,324,915	
21	Total O&M Payroll (Pg 355, Ln 65)	\$ 116,621,416	\$ 222,251,966	\$ 36,532,693	\$ 63,366,179	\$ 338,421,095	\$ 87,981,507	
22	Total Benefits as Percent of Payroll	20.3%	17.1%	22.9%	13.5%	34.2%	8.3%	
Payroll Applicable to Customer Accounts								
Total Payroll Charged to Customer Accounts Function								
23	Electric (Pg 354, Ln 7)	6,582,592	16,414,627	3,140,575	5,666,365	85,366,508	7,888,565	
24	Gas (Pg 354, Ln 37)	2,494,279	14,720,361	2,647,376	2,677,418	-	5,121,044	
25	Total Payroll Charged to Customer Accounts	9,076,871	31,134,988	5,787,951	8,343,783	85,366,508	13,009,609	
Percent Applicable to Customer Accounts (903 and 905):								
26	Acct 901 - Supervision (Portion of Acct 901 Applicable to Acct 903)	137,950	834,872	1,496	2,597	327,370	9,567	
27	Acct 903 - Customer Records & Collection (Pg 322, Ln 161)	6,841,367	14,254,909	5,596,991	8,716,470	120,610,588	10,983,933	
28	Acct 905 - Misc Customer Accounts (Pg 322, Ln 163)	28,667	309,674	223,985	302,592	-	645,956	
29	Subtotal - Total Charges Applicable to Customer Accounts	7,007,984	14,564,583	5,820,976	9,019,062	120,610,588	11,629,889	
30	Acct 901 - Supervision (Portion of Acct 901 Applicable to Acct 902)	120,042	455,648	505	1,186	91,811	6,153	
31	Acct 902 - Meter Reading Expenses (Form 1, page 322, line 160)	5,953,252	7,779,904	1,890,408	3,981,834	33,825,388	7,065,186	
32	Total Charges Applicable to Customer Accounts & Meter Reading	13,081,278	22,800,135	7,711,889	13,002,082	154,527,787	18,701,228	
33	Percent Applicable to Customer Accounts (903 and 905):	53.6%	63.9%	75.5%	69.4%	78.1%	62.2%	
34	Customer Accounts Portion of Total Payroll	\$ 4,862,718	\$ 19,888,835	\$ 4,368,777	\$ 5,787,773	\$ 66,629,471	\$ 8,090,394	
35	Pension & Benefits Pertaining to Customer Accounts	\$ 989,239	\$ 3,409,266	\$ 999,024	\$ 782,849	\$ 22,781,792	\$ 673,567	
[3] Calculation of Employer's FICA Related to Customer Accounts								
36	Customer Accounts Portion of Total Payroll	\$ 4,862,718	\$ 19,888,835	\$ 4,368,777	\$ 5,787,773	\$ 66,629,471	\$ 8,090,394	
37	Employers Portion of FICA (From IRS Publication 15 - Employer's Tax Guide)	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	
38	Total Calculated Employer's Portion of FICA	\$ 371,998	\$ 1,521,496	\$ 334,211	\$ 442,765	\$ 5,097,155	\$ 618,915	
[4] Calculation of CPI Cost Escalator								
39	% Change in 2008 CPI (Schedule 6)	3.84%						
40	% Change in 2009 CPI (Schedule 6)	0.10%						
41	% Change in 2010 CPI (Schedule 6)	1.70%						
42	Cost Escalator Factor 2007 to 2010	1.0571						

**Illinois-American Water Company**  
**Customer Accounts Analysis**

Line No.	(A)	Indiana		Missouri		
		Duke Energy Indiana, Inc (H)	Indiana Michigan Power Company (I)	The Empire District Electric Company (J)	Kansas City Power & Light Company (K)	Union Electric Company (L)
	Customer Accounts Expense (2007 FERC Form No. 1)					
1	Acct 901 - Supervision (As Applicable to Customer Accounts Expense)	[1] \$ 117,089	\$ 1,378,472	\$ 443,125	\$ 72,079	\$ 973,180
2	Acct 903 - Customer Records & Collection (Pg 322, Ln 161)	\$ 20,424,866	\$ 17,077,474	\$ 4,306,182	\$ 10,445,176	\$ 23,559,069
3	Acct 905 - Misc Customer Accounts (Pg 322, Ln 163)	\$ 71,323	\$ 101,472	\$ 363,017	\$ 6,055	\$ 393,593
4	Subtotal	\$ 20,613,278	\$ 18,557,418	\$ 5,112,324	\$ 10,523,310	\$ 24,925,842
	Add: Employee Benefits & Employer FICA (not included in above amounts)					
5	Account 926 - Employee Pension & Benefits	[2] \$ 3,566,879	\$ 869,841	\$ 1,088,404	\$ 2,027,200	\$ 2,742,079
6	Account 408 - Taxes Other Than Income (Employer's Portion of FICA)	[3] \$ 709,267	\$ 355,368	\$ 221,032	\$ 393,265	\$ 819,412
7	<b>Total Customer Accts Expense</b>	<b>\$ 24,889,424</b>	<b>\$ 19,782,627</b>	<b>\$ 6,421,759</b>	<b>\$ 12,943,775</b>	<b>\$ 28,487,333</b>
8	Average Number of Customers (Pg 304, Ln 43)	773,954	581,882	166,497	514,210	1,179,789
9	<b>Customer Accts Expense per Customer</b>	<b>\$ 32.16</b>	<b>\$ 34.00</b>	<b>\$ 38.57</b>	<b>\$ 25.17</b>	<b>\$ 24.15</b>
10	Consumer Price Index Cost Escalator	[4] 1.0571	1.0571	1.0571	1.0571	1.0571
11	<b>Customer Accts Expense per Customer on 2010 Basis</b>	<b>\$ 34.00</b>	<b>\$ 35.94</b>	<b>\$ 40.77</b>	<b>\$ 26.61</b>	<b>\$ 25.53</b>
<b>Footnote</b>						
[1] Allocation of Account 901 Between Meter Reading & Customer Accounts						
12	Acct 902 - Meter Reading (Pg 322, Ln 160)	\$ 6,609,800	\$ 3,635,670	\$ 1,510,835	\$ 3,687,007	\$ 17,397,091
13	Acct 903 - Customer Records & Collection (Pg 322, Ln 161)	\$ 20,424,866	\$ 17,077,474	\$ 4,306,182	\$ 10,445,176	\$ 23,559,069
14	Total of Accts 902 & 903	\$ 27,034,666	\$ 20,713,144	\$ 5,817,017	\$ 14,132,183	\$ 40,956,160
15	% of Acct 901 to Allocate to Acct 902 (Ln 12 ÷ Ln 14)	24.4%	17.6%	26.0%	26.1%	42.5%
16	% of Acct 901 to Allocate to Acct 903 (Ln 13 ÷ Ln 14)	75.6%	82.4%	74.0%	73.9%	57.5%
17	Acct 901 - Supervision (Pg 322, Ln 159)	\$ 154,981	\$ 1,671,939	\$ 598,596	\$ 97,522	\$ 1,691,821
18	Portion of Acct 901 Applicable to Acct 902 (Ln 17 x Ln 15)	37,892	293,467	155,471	25,443	718,641
19	Portion of Acct 901 Applicable to Acct 903 (Ln 17 x Ln 16)	117,089	1,378,472	443,125	72,079	973,180
[2] Calculation of Pension & Benefits Related to Customer Accounts						
20	Account 926 - Employee Pension & Benefits (Pg 323, Ln 187)	\$ 64,187,707	\$ 31,214,137	\$ 14,263,924	\$ 60,859,546	\$ 84,255,317
21	Total O&M Payroll (Pg 355, Ln 65)	\$ 166,844,415	\$ 166,697,050	\$ 37,865,334	\$ 154,332,016	\$ 329,122,912
22	Total Benefits as Percent of Payroll	38.5%	18.7%	37.7%	39.4%	25.6%
Payroll Applicable to Customer Accounts						
	Total Payroll Charged to Customer Accounts Function					
23	Electric (Pg 354, Ln 7)	12,278,547	5,707,798	3,920,412	6,966,789	15,228,065
24	Gas (Pg 354, Ln 37)	-	-	-	-	3,584,281
25	Total Payroll Charged to Customer Accounts	12,278,547	5,707,798	3,920,412	6,966,789	18,812,346
Percent Applicable to Customer Accounts (903 and 905):						
26	Acct 901 - Supervision (Portion of Acct 901 Applicable to Acct 903)	117,089	1,378,472	443,125	72,079	973,180
27	Acct 903 - Customer Records & Collection (Pg 322, Ln 161)	20,424,866	17,077,474	4,306,182	10,445,176	23,559,069
28	Acct 905 - Misc Customer Accounts (Pg 322, Ln 163)	71,323	101,472	363,017	6,055	393,593
29	Subtotal - Total Charges Applicable to Customer Accounts	20,496,189	17,178,946	4,669,199	10,451,231	23,952,662
30	Acct 901 - Supervision (Portion of Acct 901 Applicable to Acct 902)	37,892	293,467	155,471	25,443	718,641
31	Acct 902 - Meter Reading Expenses (Form 1, page 322, line 160)	6,609,800	3,635,670	1,510,835	3,687,007	17,397,091
32	Total Charges Applicable to Customer Accounts & Meter Reading	27,143,881	21,108,083	6,335,505	14,163,681	42,068,394
33	Percent Applicable to Customer Accounts (903 and 905):	75.5%	81.4%	73.7%	73.8%	56.9%
34	Customer Accounts Portion of Total Payroll	\$ 9,271,461	\$ 4,645,327	\$ 2,889,301	\$ 5,140,720	\$ 10,711,266
35	Pension & Benefits Pertaining to Customer Accounts	\$ 3,566,879	\$ 869,841	\$ 1,088,404	\$ 2,027,200	\$ 2,742,079
[3] Calculation of Employer's FICA Related to Customer Accounts						
36	Customer Accounts Portion of Total Payroll	\$ 9,271,461	\$ 4,645,327	\$ 2,889,301	\$ 5,140,720	\$ 10,711,266
37	Employers Portion of FICA (From IRS Publication 15 - Employer's Tax Guide)	7.65%	7.65%	7.65%	7.65%	7.65%
38	Total Calculated Employer's Portion of FICA	\$ 709,267	\$ 355,368	\$ 221,032	\$ 393,265	\$ 819,412
[4] Calculation of CPI Cost Escalator						
39	% Change in 2008 CPI (Schedule 6)					
40	% Change in 2009 CPI (Schedule 6)					
41	% Change in 2010 CPI (Schedule 6)					
42	Cost Escalator Factor 2007 to 2010					

**Illinois-American Water Company**  
**Customer Accounts Analysis**

Line No.	(A)	Ohio		
		Duke Energy Ohio, Inc (M)	Ohio Power Company (N)	Group Average (O)
	Customer Accounts Expense (2007 FERC Form No. 1)			
1	Acct 901 - Supervision (As Applicable to Customer Accounts Expense)	[1] \$ 96,843	\$ 1,253,725	\$ 5,648,364
2	Acct 903 - Customer Records & Collection (Pg 322, Ln 161)	\$ 18,254,512	\$ 23,346,691	\$ 284,418,228
3	Acct 905 - Misc Customer Accounts (Pg 322, Ln 163)	\$ 7,279	\$ 36,717	\$ 2,490,330
4	Subtotal	\$ 18,358,634	\$ 24,637,133	\$ 292,556,922
	Add: Employee Benefits & Employer FICA (not included in above amounts)			
5	Account 926 - Employee Pension & Benefits	[2] \$ 5,123,287	\$ 1,030,723	\$ 44,190,042
6	Account 408 - Taxes Other Than Income (Employer's Portion of FICA)	[3] \$ 1,289,239	\$ 414,687	\$ 12,791,795
7	<b>Total Customer Accts Expense</b>	<b>\$ 24,771,160</b>	<b>\$ 26,082,543</b>	<b>\$ 349,538,759</b>
8	Average Number of Customers (Pg 304, Ln 43)	686,578	711,406	10,875,057
9	<b>Customer Accts Expense per Customer</b>	<b>\$ 36.08</b>	<b>\$ 36.66</b>	<b>\$ 32.14</b>
10	Consumer Price Index Cost Escalator	[4] 1.0571	1.0571	1.0571
11	<b>Customer Accts Expense per Customer on 2010 Basis</b>	<b>\$ 38.14</b>	<b>\$ 38.76</b>	<b>\$ 33.98</b>

**Footnote**

[1] Allocation of Account 901 Between Meter Reading & Customer Accounts				
12	Acct 902 - Meter Reading (Pg 322, Ln 160)	\$ 5,910,289	\$ 5,348,894	\$ 104,595,558
13	Acct 903 - Customer Records & Collection (Pg 322, Ln 161)	\$ 18,254,512	\$ 23,346,691	\$ 284,418,228
14	Total of Accts 902 & 903	\$ 24,164,801	\$ 28,695,585	\$ 389,013,786
15	% of Acct 901 to Allocate to Acct 902 (Ln 12 ÷ Ln 14)	24.5%	18.6%	26.9%
16	% of Acct 901 to Allocate to Acct 903 (Ln 13 ÷ Ln 14)	75.5%	81.4%	73.1%
17	Acct 901 - Supervision (Pg 322, Ln 159)	\$ 128,198	\$ 1,540,962	\$ 7,873,216
18	Portion of Acct 901 Applicable to Acct 902 (Ln 17 x Ln 15)	31,355	287,237	2,224,852
19	Portion of Acct 901 Applicable to Acct 903 (Ln 17 x Ln 16)	96,843	1,253,725	5,648,364
[2] Calculation of Pension & Benefits Related to Customer Accounts				
20	Account 926 - Employee Pension & Benefits (Pg 323, Ln 187)	\$ 52,482,158	\$ 22,732,455	\$ 531,779,472
21	Total O&M Payroll (Pg 355, Ln 65)	\$ 172,637,482	\$ 119,553,966	\$ 2,012,228,031
22	Total Benefits as Percent of Payroll	30.4%	19.0%	26.4%
Payroll Applicable to Customer Accounts				
Total Payroll Charged to Customer Accounts Function				
23	Electric (Pg 354, Ln 7)	8,774,665	6,727,321	\$ 184,662,829
24	Gas (Pg 354, Ln 37)	13,561,352	-	\$ 44,806,111
25	Total Payroll Charged to Customer Accounts	22,336,017	6,727,321	229,468,940
Percent Applicable to Customer Accounts (903 and 905):				
26	Acct 901 - Supervision (Portion of Acct 901 Applicable to Acct 903)	96,843	1,253,725	5,648,364
27	Acct 903 - Customer Records & Collection (Pg 322, Ln 161)	18,254,512	23,346,691	284,418,228
28	Acct 905 - Misc Customer Accounts (Pg 322, Ln 163)	7,279	36,717	2,490,330
29	Subtotal - Total Charges Applicable to Customer Accounts	18,261,791	23,383,408	286,908,558
30	Acct 901 - Supervision (Portion of Acct 901 Applicable to Acct 902)	31,355	287,237	2,224,852
31	Acct 902 - Meter Reading Expenses (Form 1, page 322, line 160)	5,910,289	5,348,894	104,595,558
32	Total Charges Applicable to Customer Accounts & Meter Reading	24,203,435	29,019,539	393,728,968
33	Percent Applicable to Customer Accounts (903 and 905):	75.5%	80.6%	72.9%
34	Customer Accounts Portion of Total Payroll	\$ 16,852,801	\$ 5,420,751	\$ 167,213,002
35	Pension & Benefits Pertaining to Customer Accounts	\$ 5,123,287	\$ 1,030,723	\$ 44,190,042
[3] Calculation of Employer's FICA Related to Customer Accounts				
36	Customer Accounts Portion of Total Payroll	\$ 16,852,801	\$ 5,420,751	\$ 167,213,002
37	Employers Portion of FICA (From IRS Publication 15 - Employer's Tax Guide)	7.65%	7.65%	7.65%
38	Total Calculated Employer's Portion of FICA	\$ 1,289,239	\$ 414,687	\$ 12,791,795
[4] Calculation of CPI Cost Escalator				
39	% Change in 2008 CPI (Schedule 6)			
40	% Change in 2009 CPI (Schedule 6)			
41	% Change in 2010 CPI (Schedule 6)			
42	Cost Escalator Factor 2007 to 2010			

**Illinois-American Water Company**  
**2010 Customer Accounts Analysis [1]**

Line No.	(A)	Object Account (B)	IAWC Test Year Amount (C)
	<b>Customer Service Costs</b>		
1	Call Center Customer Service		\$ 4,800,656
2	Regional Customer Service		733,409
	<b>Bill Processing Costs (IAWC)</b>		
3	Bank Service Charges	575100	338,250
4	Postage	575660	1,057,800
5	Bill Forms	356400	356,700
6	<b>Total Cost</b>		<b><u>\$ 7,286,815</u></b>
7	Estimated 2010 Customers		<u>312,351</u>
8	<b>Average Cost per Customer</b>		<b><u>\$ 23.33</u></b>

**Footnote**

[1] Schedule 7.1 prepared by Service Company

**Illinois-American Water Company**  
**Customer Accounts Expense Per Customer**

Line No.	Company Name [a]	Expense Per Customer [b]
	(A)	(B)
1	Commonwealth Edison Company	\$ 41.38
2	The Empire District Electric Company	\$ 40.77
3	Ohio Power Company	\$ 38.76
4	Duke Energy Ohio, Inc.	\$ 38.14
5	Central Illinois Light Company	\$ 35.99
6	Indiana Michigan Power Company	\$ 35.94
7	Duke Energy Indiana, Inc.	\$ 34.00
8	<b>Group Average</b>	<b>\$ 33.98</b>
9	MidAmerican Energy Company	\$ 30.00
10	Central Illinois Public Service Company	\$ 27.93
11	Kansas City Power & Light Company	\$ 26.61
12	Union Electric Company	\$ 25.53
13	<b>Illinois-American Water Company [c]</b>	<b>\$ 23.33</b>
14	Illinois Power Company	\$ 22.18
15	Interstate Power and Light Company	\$ 16.75

**Source**

[a] Schedule 7

[b] Schedule 7, Line 11

[c] Schedule 7.1, Line 8

**Illinois-American Water Company**  
**Service Company/Outside Provider Market Cost Comparison**

IAWC 2010 Test Year

Line No.	Service Category [a]	Service Company		Hourly Rate Difference -- AWWSC		Forecast of Service Hours [b]	Projected AWWSC Cost Above/(Below) Market [d]
		Rate [b]	Market Rate [a]	Above/(Below) Market Rate [c]			
	(A)	(B)	(C)	(D)	(E)	(F)	
1	Accounting Services	\$ 88	\$ 126	\$ (38)	46,645	\$ (1,772,510)	
2	Engineering Services	82	113	(31)	37,640	(1,166,840)	
3	Information Technology Services	91	130	(39)	37,629	(1,467,531)	
4	Legal Services	136	253	(117)	5,713	(668,421)	
5	Management Consulting Services	107	188	(81)	32,299	(2,616,219)	
6	<b>Projected Cost Savings Realized by IAWC through AWWSC</b>					<b>\$ (7,691,521)</b>	

**Source**

[a] Schedules 1, 2, 3, 4 and 5

[b] Schedules 1.1, 2.1, 3.1, 4.1 and 5.1

[c] Column B - Column C

[d] Column D x Column E