

Illinois-American Water Company

Regulatory Capital Structure (12-Month Average ended December 31, 2008)

<u>Line</u>	<u>Description</u>	<u>Amount</u> (1)	<u>Weight</u> (2)	<u>Cost</u> (3)	<u>Weighted</u> <u>Cost</u> (4)
1	Short-term Debt*	\$ 17,495,692	2.83%	1.00%	0.03%
2	Long-term Debt**	\$ 323,515,668	52.24%	6.27%	3.28%
3	Common Equity	<u>\$ 278,277,611</u>	<u>44.94%</u>	10.00%	<u>4.49%</u>
4	Total	\$ 619,288,970	100.0%		7.80%

Source:

Updated D-7 Exhibit.xls, JDE and Update D-Exhibit.xls.

* The cost of debt reflects the projected short-term debt cost.

** The cost of debt reflects the removal of the projected debt issuances.

Illinois-American Water Company

Utility Bond Yields (Current)

<u>Line</u>	<u>Date</u>	<u>"A" Rating Utility Bond Yield (1)</u>	<u>"Baa" Rating Utility Bond Yield (2)</u>
1	09/18/09	5.58%	6.15%
2	09/11/09	5.52%	6.11%
3	09/04/09	5.62%	6.24%
4	08/28/09	5.56%	6.19%
5	08/21/09	5.73%	6.38%
6	08/14/09	5.72%	6.36%
7	08/07/09	5.89%	6.52%
8	07/31/09	5.68%	6.45%
9	07/24/09	6.02%	6.89%
10	07/17/09	6.08%	7.00%
11	07/10/09	5.88%	6.80%
12	07/02/09	5.97%	6.91%
13	06/26/09	5.94%	6.98%
14	13-Wk Average	5.78%	6.54%
15	5-Wk Average	5.60%	6.21%

Source:

www.moodys.com, Bond Yields and Key Indicators.

Illinois-American Water Company

Utility Bond Yields (Prior Rate Case)

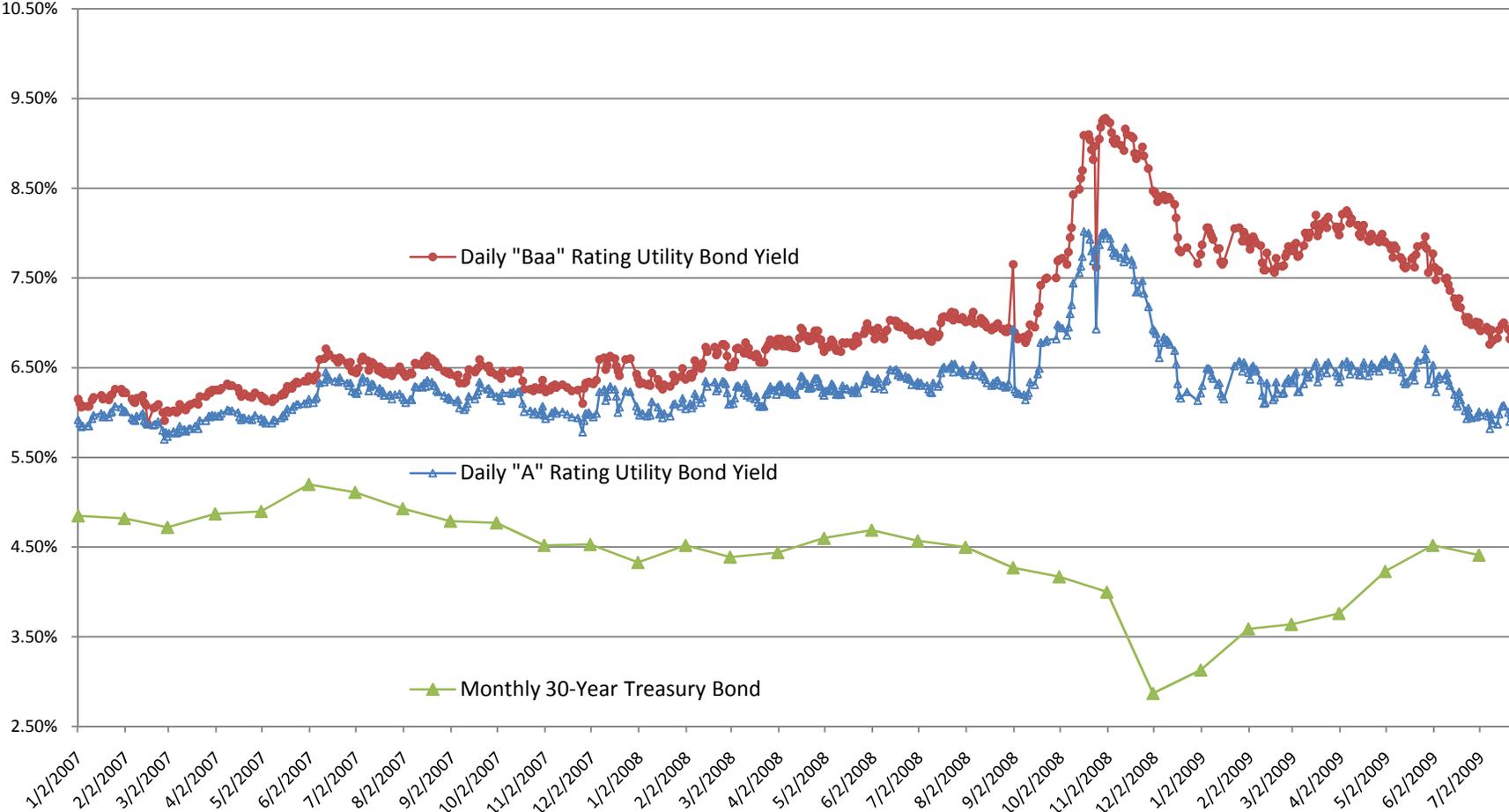
<u>Line</u>	<u>Date</u>	"A" Rating Utility <u>Bond Yield</u> (1)	"Baa" Rating Utility <u>Bond Yield</u> (2)
1	07/24/08	6.45%	7.03%
2	07/17/08	6.49%	7.06%
3	07/10/08	6.22%	6.79%
4	07/03/08	6.33%	6.89%
5	06/26/08	6.37%	6.92%
6	06/19/08	6.44%	6.99%
7	06/11/08	6.37%	6.92%
8	06/05/08	6.38%	6.94%
9	05/29/08	6.42%	6.99%
10	05/22/08	6.29%	6.85%
11	05/15/08	6.26%	6.77%
12	05/08/08	6.24%	6.73%
13	05/01/08	6.19%	6.68%
14	13-Wk Average	6.34%	6.89%
15	5-Wk Average	6.37%	6.94%

Source:

www.moodys.com, Bond Yields and Key Indicators.

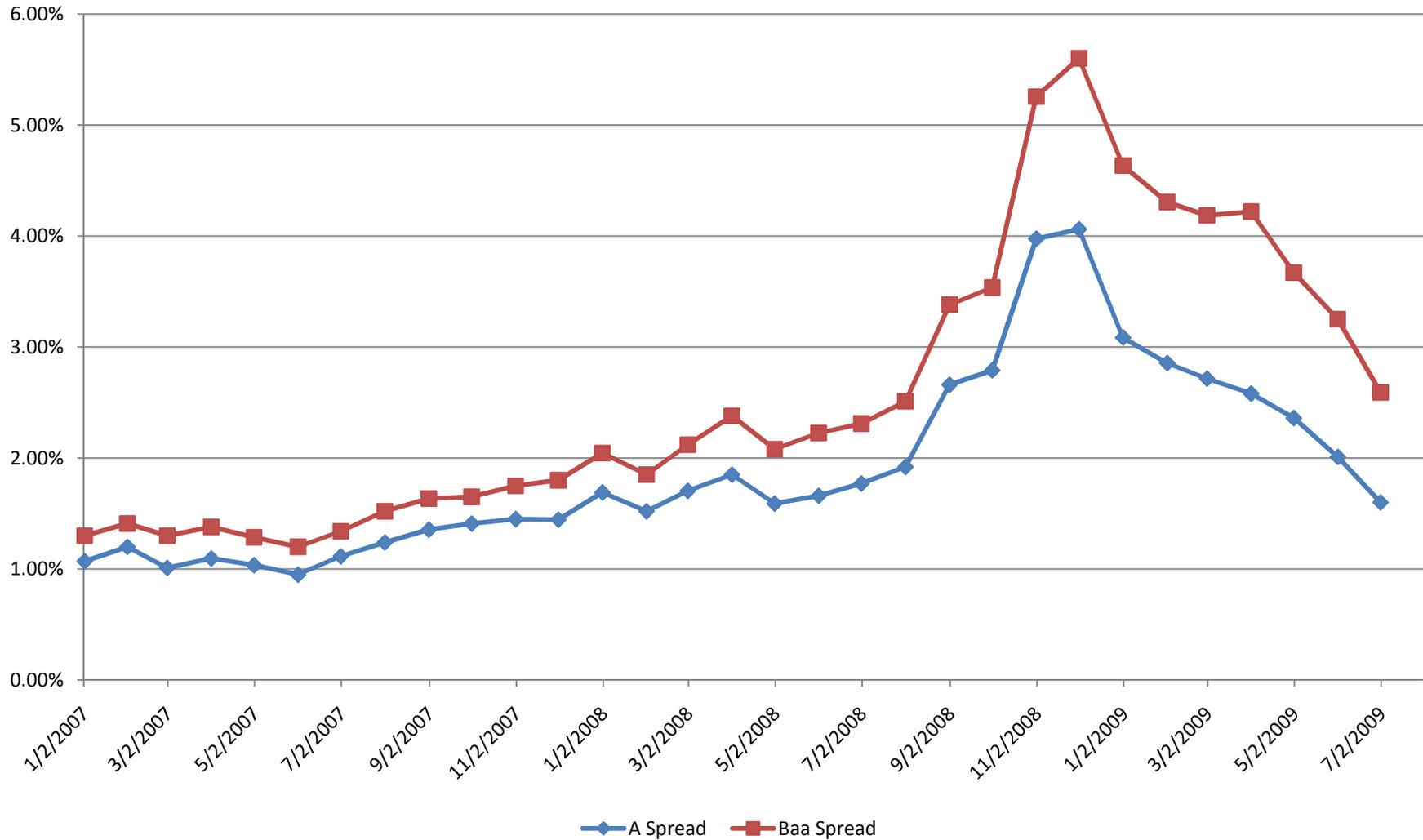
Illinois-American Water Company

Trends in Utility Bond Yields



Illinois-American Water Company

Spread Between "A" or "Baa" Rated Utility Yield and 30-Year Treasury Bond



Illinois-American Water Company

Proxy Group (Water Utility)

<u>Line</u>	<u>Company</u>	<u>Bond Ratings¹</u>		<u>Common Equity Ratios</u>		<u>S&P Business Risk Score³</u>
		<u>S&P</u> (1)	<u>Moody's</u> (2)	<u>AUS²</u> (3)	<u>Value Line³</u> (4)	
1	American States Water	A	N/R	53.0%	53.8%	Excellent
2	Aqua America Inc.	N/R	N/R	46.0%	45.9%	N/A
3	California Water Service Group	A+	N/R	51.0%	58.4%	Excellent
4	Middlesex Water Co.	A-	N/R	44.0%	53.0%	Excellent
5	York Water Co.	A-	N/R	45.0%	45.5%	Excellent
6	Average	A	N/R	47.8%	51.3%	Excellent
7	American Water Works	BBB+ ¹	Baa2 ¹	44.9% ⁵	46.2% ⁵	Excellent

Sources:

¹ Standard and Poor's, <http://www2.standardandpoors.com/>,
and Moody's, <http://www.moodys.com/cust/default.asp>, downloaded on September 15, 2009.

² *AUS Utility Reports*, September 2009.

³ *The Value Line Investment Survey*, July 24, 2009.

⁴ *S&P RatingsDirect*: "U.S. Investor-Owned Water Utilities, Strongest to Weakest," February 2, 2009.

⁵ IIRC Exhibit 1.1.

Illinois-American Water Company

Proxy Group (Gas Utility)

<u>Line</u>	<u>Company</u>	<u>Bond Ratings</u> ¹		<u>Common Equity Ratios</u>		<u>S&P Business Risk Score</u> ⁴ (5)
		<u>S&P</u> (1)	<u>Moody's</u> (2)	<u>AUS</u> ² (3)	<u>Value Line</u> ³ (4)	
1	AGL Resources	A-	Baa1	45.0%	49.7%	Excellent
2	Atmos Energy	BBB	Baa3	50.0%	49.2%	Excellent
3	Laclede Group Inc.	A	Baa2	50.0%	55.5%	Excellent
4	New Jersey Resources	A	N/R	61.0%	61.5%	Excellent
5	NICOR Inc.	AA	N/R	67.0%	68.4%	Excellent
6	Northwest Natural Gas	AA-	A3	49.0%	55.1%	Excellent
7	Piedmont Natural Gas	A	A3	54.0%	52.8%	Excellent
8	Southwest Gas	BBB-	Baa3	49.0%	44.7%	Excellent
9	WGL Holdings	AA-	N/R	60.0%	62.4%	Excellent
10	Average	A	Baa1	53.9%	55.5%	Excellent
11	American Water Works	BBB+ ⁵	Baa2 ⁵	44.9% ⁶	46.2% ⁶	Excellent

Sources:

¹ SNL Interactive, downloaded on September 21, 2009.

² *AUS Utility Reports*, September 2009.

³ *The Value Line Investment Survey*, September 11, 2009.

⁴ *S&P RatingsDirect*: "U.S. Natural Gas Distributors And Integrated Gas Companies," February 2, 2009.

⁵ Standard and Poor's, <http://www2.standardandpoors.com/>, and Moody's, <http://www.moody.com/cust/default.asp>, downloaded on September 15, 2009.

⁶ IIRC Exhibit 1.1.

Illinois-American Water Company

Proxy Group (Electric Utility)

<u>Line</u>	<u>Company</u>	<u>Bond Ratings¹</u>		<u>Common Equity Ratios</u>		<u>S&P Business Risk Score⁴</u> (5)
		<u>S&P</u> (1)	<u>Moody's</u> (2)	<u>AUS²</u> (3)	<u>Value Line³</u> (4)	
1	Alliant Energy	BBB+	N/R	55.0%	58.6%	Excellent
2	American Electric Power	BBB	Baa2	43.0%	40.7%	Excellent
3	Cleco Corp	BBB	Baa3	46.0%	48.9%	Excellent
4	Consol. Edison	A-	A2	48.0%	51.2%	Excellent
5	DPL Inc.	BBB	Baa2	42.0%	41.1%	Excellent
6	FPL Group	A	A2	41.0%	45.8%	Excellent
7	Hawaiian Electric	BBB	Baa1	46.0%	52.7%	Strong
8	Integrus Energy Group	A-	A3	52.0%	57.0%	Excellent
9	Northeast Utilities	BBB	Baa2	41.0%	38.1%	Excellent
10	NSTAR	A+	A2	38.0%	42.8%	Excellent
11	Pinnacle West Capital	BBB-	Baa3	45.0%	53.2%	Strong
12	Progress Energy	BBB+	Baa2	44.0%	44.4%	Excellent
13	Scana Corp	A-	Baa1	41.0%	40.5%	Excellent
14	Southern Co.	A	A3	41.0%	42.6%	Excellent
15	Vectren Corp	A-	N/R	45.0%	52.0%	N/A
16	Wisconsin Energy	BBB+	A3	46.0%	44.8%	Excellent
17	Xcel Energy	BBB+	Baa1	45.0%	47.1%	Excellent
18	Average	BBB+	Baa1	44.6%	47.1%	Excellent
19	American Water Works	BBB+ ⁵	Baa2 ⁵	44.9% ⁶	46.2% ⁶	Excellent

Sources:

¹ SNL Interactive, downloaded on September 21, 2009.

² *AUS Utility Reports*, September 2009.

³ *The Value Line Investment Survey*, June 26, August 7, and August 28, 2009.

⁴ *S&P RatingsDirect*: "U.S. Regulated Electric Utilities, Strongest to Weakest," March 2, 2009.

⁵ Standard and Poor's, <http://www2.standardandpoors.com/>, and Moody's, <http://www.moody.com/cust/default.asp>, downloaded on September 15, 2009.

⁶ IIRC Exhibit 1.1.

Illinois-American Water Company

Growth Rates (Water Utility)

<u>Line</u>	<u>Company</u>	<u>Zacks</u>		<u>SNL</u>		<u>Thomson</u>		<u>Reuters</u>		<u>Average of Growth Rates</u> <u>(9)</u>
		<u>Estimated Growth %¹</u>	<u>Number of Estimates</u>	<u>Estimated Growth %²</u>	<u>Number of Estimates</u>	<u>Estimated Growth %³</u>	<u>Number of Estimates</u>	<u>Estimated Growth %³</u>	<u>Number of Estimates</u>	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1	American States Water	7.00%	2	N/A	N/A	N/A	N/A	4.00%	1	5.50%
2	Aqua America Inc.	7.50%	6	N/A	N/A	8.17%	6	8.00%	6	7.89%
3	California Water Service Group	8.17%	6	N/A	N/A	7.75%	4	7.00%	3	7.64%
4	Middlesex Water Co.	7.00%	1	N/A	N/A	N/A	N/A	N/A	N/A	7.00%
5	York Water Co.	7.50%	2	N/A	N/A	6.00%	1	6.00%	1	6.50%
6	Average	7.43%	3	N/A	N/A	7.31%	4	6.25%	3	6.91%
7	Median									7.00%

Sources:

¹ Zacks Elite, <http://www.zackselite.com/>, downloaded on September 17, 2009.

² SNL Interactive, <http://www.snl.com/>, downloaded on September 17, 2009 (SNL does not cover the water companies).

³ Thomsons, http://tabsefin.swlearning.com/student/tabsefin_frame.html, downloaded on September 17, 2009.

⁴ Reuters, <http://www.reuters.com/>, downloaded on September 17, 2009.

Illinois-American Water Company

Growth Rates (Gas Utility)

Line	Company	Zacks		SNL		Thomson		Reuters		Average of Growth Rates (9)
		Estimated Growth % ¹	Number of Estimates	Estimated Growth % ²	Number of Estimates	Estimated Growth % ³	Number of Estimates	Estimated Growth % ³	Number of Estimates	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1	AGL Resources	4.67%	3	4.50%	3	4.50%	3	5.17%	3	4.71%
2	Atmos Energy	5.00%	5	5.00%	4	5.00%	4	4.80%	5	4.95%
3	Laclede Group Inc.	3.00%	2	N/A	N/A	N/A	N/A	N/A	N/A	3.00%
4	New Jersey Resources	6.50%	2	6.50%	2	6.50%	2	6.00%	2	6.38%
5	NICOR Inc.	4.23%	3	4.00%	3	4.33%	3	3.50%	2	4.02%
6	Northwest Natural Gas	6.00%	2	6.00%	3	5.17%	3	4.75%	2	5.48%
7	Piedmont Natural Gas	7.00%	5	5.40%	4	6.20%	4	7.00%	2	6.40%
8	Southwest Gas	6.00%	4	6.00%	3	5.67%	3	5.00%	3	5.67%
9	WGL Holdings	5.00%	1	4.50%	2	4.50%	2	4.00%	1	4.50%
10	Average	5.27%	3	5.24%	3	5.23%	3	5.03%	3	5.01%
11	Median									4.95%

Sources:

¹ Zacks Elite, <http://www.zackselite.com/>, downloaded on September 17, 2009.

² SNL Interactive, <http://www.snl.com/>, downloaded on September 17, 2009.

³ Thomsons, http://tabsefin.swlearning.com/student/tabsefin_frame.html, downloaded on September 17, 2009.

⁴ Reuters, <http://www.reuters.com/>, downloaded on September 17, 2009.

Illinois-American Water Company

Growth Rates (Electric Utility)

Line	Company	Zacks		SNL		Thomson		Reuters		Average of Growth Rates (9)
		Estimated Growth % ¹	Number of Estimates	Estimated Growth % ²	Number of Estimates	Estimated Growth % ³	Number of Estimates	Estimated Growth % ³	Number of Estimates	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1	Alliant Energy	4.33%	3	4.40%	2	4.40%	2	4.33%	3	4.37%
2	American Electric Power	3.80%	5	3.50%	4	3.75%	4	4.25%	4	3.83%
3	Cleco Corp	12.50%	2	12.50%	2	12.50%	2	9.72%	2	11.81%
4	Consol. Edison	3.80%	5	4.00%	5	3.40%	5	4.20%	5	3.85%
5	DPL Inc.	4.50%	2	9.50%	2	9.50%	2	15.00%	1	9.63%
6	FPL Group	8.33%	6	10.00%	7	9.53%	7	8.90%	6	9.19%
7	Hawaiian Electric	6.00%	2	6.10%	2	6.05%	2	3.00%	3	5.29%
8	Integrus Energy Group	26.20%	2	26.20%	2	26.20%	2	10.00%	3	22.15%
9	Northeast Utilities	8.50%	2	8.50%	4	8.50%	4	7.40%	5	8.23%
10	NSTAR	5.67%	3	5.50%	2	5.50%	2	5.33%	3	5.50%
11	Pinnacle West Capital	6.50%	2	5.50%	2	5.50%	2	3.00%	4	5.13%
12	Progress Energy	4.60%	5	4.00%	5	4.40%	5	5.22%	7	4.56%
13	Scana Corp	4.50%	4	5.00%	4	4.50%	4	4.93%	4	4.73%
14	Southern Co.	8.46%	5	5.40%	6	4.97%	6	4.97%	6	5.95%
15	Vectren Corp	6.80%	5	5.00%	3	5.00%	3	6.00%	2	5.70%
16	Wisconsin Energy	8.50%	6	9.00%	5	8.72%	5	8.66%	7	8.72%
17	Xcel Energy	5.20%	5	6.00%	5	6.70%	5	6.27%	6	6.04%
18	Average	7.54%	4	7.65%	4	7.60%	4	6.54%	4	7.33%
19	Median									5.70%

Sources:

¹ Zacks Elite, <http://www.zackselite.com/>, downloaded on September 17, 2009.

² SNL Interactive, <http://www.snl.com/>, downloaded on September 17, 2009.

³ Thomsons, http://tabsefin.swlearning.com/student/tabsefin_frame.html, downloaded on September 17, 2009.

⁴ Reuters, <http://www.reuters.com/>, downloaded on September 17, 2009.

Illinois-American Water Company

Constant Growth DCF Model (Water Utility)

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price</u> ¹ (1)	<u>Analysts' Growth</u> ² (2)	<u>Annual Dividend</u> ³ (3)	<u>Adjusted Yield</u> (4)	<u>Quarterly DCF Growth</u> (5)
1	American States Water	\$34.65	5.50%	\$1.00	3.04%	8.58%
2	Aqua America Inc.	\$17.27	7.89%	\$0.54	3.37%	11.30%
3	California Water Service Group	\$37.14	7.64%	\$1.18	3.42%	11.10%
4	Middlesex Water Co.	\$14.89	7.00%	\$0.71	5.12%	12.21%
5	York Water Co.	\$16.13	6.50%	\$0.50	3.33%	9.87%
6	Average	\$24.02	6.91%	\$0.79	3.66%	10.61%
7	Median	\$17.27	7.00%	\$0.71	3.37%	11.10%

Sources:

¹ <http://moneycentral.msn.com>, downloaded on September 21, 2009.

² IWC Exhibit 1.4, page 1 of 3, Column 9.

³ *The Value Line Investment Survey*, July 24, 2009.

Illinois-American Water Company

Constant Growth DCF Model (Gas Utility)

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price</u> ¹ (1)	<u>Analysts' Growth</u> ² (2)	<u>Annual Dividend</u> ³ (3)	<u>Adjusted Yield</u> (4)	<u>Quarterly DCF Growth</u> (5)
1	AGL Resources	\$33.19	4.71%	\$1.72	5.43%	10.24%
2	Atmos Energy	\$26.73	4.95%	\$1.32	5.18%	10.23%
3	Laclede Group Inc.	\$33.00	3.00%	\$1.54	4.81%	7.89%
4	New Jersey Resources	\$37.26	6.38%	\$1.24	3.54%	9.96%
5	NICOR Inc.	\$35.71	4.02%	\$1.86	5.42%	9.54%
6	Northwest Natural Gas	\$43.28	5.48%	\$1.58	3.85%	9.38%
7	Piedmont Natural Gas	\$24.21	6.40%	\$1.08	4.75%	11.23%
8	Southwest Gas	\$23.77	5.67%	\$0.95	4.23%	9.96%
9	WGL Holdings	\$32.75	4.50%	\$1.48	4.72%	9.30%
10	Average	\$32.21	5.01%	\$1.42	4.66%	9.75%
11	Median	\$33.00	4.95%	\$1.48	4.75%	9.96%

Sources:

¹ <http://moneycentral.msn.com>, downloaded on September 21, 2009.

² IIBC Exhibit 1.4, page 2 of 3, Column 9.

³ *The Value Line Investment Survey*, September 11, 2009.

Illinois-American Water Company

Constant Growth DCF Model (Electric Utility)

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price</u> ¹ (1)	<u>Analysts' Growth</u> ² (2)	<u>Annual Dividend</u> ³ (3)	<u>Adjusted Yield</u> (4)	<u>Quarterly DCF Growth</u> (5)
1	Alliant Energy	\$26.20	4.37%	\$1.50	5.98%	10.47%
2	American Electric Power	\$30.31	3.83%	\$1.64	5.62%	9.56%
3	Cleco Corp	\$23.61	11.81%	\$0.90	4.26%	16.13%
4	Consol. Edison	\$38.94	3.85%	\$2.36	6.29%	10.29%
5	DPL Inc.	\$24.25	9.63%	\$1.14	5.15%	14.87%
6	FPL Group	\$56.45	9.19%	\$1.89	3.66%	12.89%
7	Hawaiian Electric	\$17.76	5.29%	\$1.24	7.35%	12.83%
8	Integrus Energy Group	\$32.73	22.15%	\$2.72	10.15%	32.62%
9	Northeast Utilities	\$23.04	8.23%	\$0.95	4.46%	12.76%
10	NSTAR	\$31.68	5.50%	\$1.50	5.00%	10.58%
11	Pinnacle West Capital	\$31.57	5.13%	\$2.10	6.99%	12.29%
12	Progress Energy	\$38.58	4.56%	\$2.48	6.72%	11.44%
13	Scana Corp	\$33.83	4.73%	\$1.88	5.82%	10.68%
14	Southern Co.	\$31.39	5.95%	\$1.75	5.91%	11.98%
15	Vectren Corp	\$23.54	5.70%	\$1.34	6.02%	11.85%
16	Wisconsin Energy	\$43.28	8.72%	\$1.35	3.40%	12.16%
17	Xcel Energy	\$19.23	6.04%	\$0.98	5.40%	11.55%
18	Average	\$30.96	7.33%	\$1.63	5.78%	13.23%
19	Median	\$31.39	5.70%	\$1.50	5.82%	11.98%

Sources:

¹ <http://moneycentral.msn.com>, downloaded on September 21, 2009.

² IIRC Exhibit 1.4, page 3 of 3, Column 9.

³ *The Value Line Investment Survey*, June 26, August 7, and August 28, 2009.

Illinois-American Water Company

Dividend Yields (Water Utility)

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price</u> ¹ (1)	<u>Annual Dividend</u> ² (2)	<u>Dividend Yield</u> ²						<u>'04 - '08 Average Dividend Yield</u> (9)
				<u>2004</u> (3)	<u>2005</u> (4)	<u>2006</u> (5)	<u>2007</u> (6)	<u>2008</u> (7)	<u>2009</u> ³ (8)	
1	American States Water	\$34.65	\$1.00	3.60%	3.10%	2.50%	2.50%	2.90%	2.89%	2.92%
2	Aqua America Inc.	\$17.27	\$0.54	2.30%	1.80%	1.80%	2.10%	2.80%	3.13%	2.16%
3	California Water Service Group	\$37.14	\$1.18	3.90%	3.10%	2.90%	3.00%	3.10%	3.18%	3.20%
4	Middlesex Water Co.	\$14.89	\$0.71	3.40%	3.50%	3.70%	3.70%	4.00%	4.78%	3.66%
5	York Water Co.	\$16.13	\$0.50	3.10%	2.90%	2.50%	2.80%	3.50%	3.12%	2.96%
6	Average	\$24.02	\$0.79	3.26%	2.88%	2.68%	2.82%	3.26%	3.42%	2.98%

Sources:

¹ <http://moneycentral.msn.com>, downloaded on September 21, 2009.

² *The Value Line Investment Survey*, July 24, 2009.

³ Column (2) divided Column (1).

Illinois-American Water Company

Dividend Yields (Gas Utility)

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price</u> ¹ (1)	<u>Annual Dividend</u> ² (2)	<u>Dividend Yield</u> ²						<u>'04 - '08 Average Dividend Yield</u> (9)
				<u>2004</u> (3)	<u>2005</u> (4)	<u>2006</u> (5)	<u>2007</u> (6)	<u>2008</u> (7)	<u>2009</u> ³ (8)	
1	AGL Resources	\$33.19	\$1.72	3.90%	3.70%	4.00%	4.10%	5.00%	5.18%	4.14%
2	Atmos Energy	\$26.73	\$1.32	4.90%	4.50%	4.70%	4.20%	4.80%	4.94%	4.62%
3	Laclede Group Inc.	\$33.00	\$1.54	4.70%	4.40%	4.30%	4.40%	3.90%	4.67%	4.34%
4	New Jersey Resources	\$37.26	\$1.24	3.30%	3.10%	3.20%	3.00%	3.30%	3.33%	3.18%
5	NICOR Inc.	\$35.71	\$1.86	5.30%	4.70%	4.30%	4.20%	4.70%	5.21%	4.64%
6	Northwest Natural Gas	\$43.28	\$1.58	4.20%	3.70%	3.70%	3.10%	3.30%	3.65%	3.60%
7	Piedmont Natural Gas	\$24.21	\$1.08	4.10%	3.80%	3.90%	3.80%	3.80%	4.46%	3.88%
8	Southwest Gas	\$23.77	\$0.95	3.50%	3.20%	2.60%	2.60%	3.20%	4.00%	3.02%
9	WGL Holdings	\$32.75	\$1.48	4.60%	4.20%	4.50%	4.20%	4.20%	4.52%	4.34%
10	Average	\$32.21	\$1.42	4.28%	3.92%	3.91%	3.73%	4.02%	4.44%	3.97%

Sources:

¹ <http://moneycentral.msn.com>, downloaded on September 21, 2009.

² *The Value Line Investment Survey*, September 11, 2009.

³ Column (2) divided Column (1).

Illinois-American Water Company

Dividend Yields (Electric Utility)

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price¹</u> (1)	<u>Annual Dividend²</u> (2)	<u>Dividend Yield²</u>						<u>'04 - '08 Average Dividend Yield</u> (9)
				<u>2004</u> (3)	<u>2005</u> (4)	<u>2006</u> (5)	<u>2007</u> (6)	<u>2008</u> (7)	<u>2009³</u> (8)	
1	Alliant Energy	\$26.20	\$1.50	3.90%	3.80%	3.30%	3.10%	4.10%	5.73%	3.64%
2	American Electric Power	\$30.31	\$1.64	4.30%	3.90%	4.10%	3.40%	4.20%	5.41%	3.98%
3	Cleco Corp	\$23.61	\$0.90	5.00%	4.20%	3.80%	3.50%	3.80%	3.81%	4.06%
4	Consol. Edison	\$38.94	\$2.36	5.30%	5.00%	5.00%	4.80%	5.70%	6.06%	5.16%
5	DPL Inc.	\$24.25	\$1.14	4.70%	3.70%	3.70%	3.60%	4.30%	4.70%	4.00%
6	FPL Group	\$56.45	\$1.89	3.90%	3.40%	3.40%	2.70%	3.00%	3.35%	3.28%
7	Hawaiian Electric	\$17.76	\$1.24	4.80%	4.60%	4.60%	5.20%	5.00%	6.98%	4.84%
8	Integrus Energy Group	\$32.73	\$2.72	4.70%	4.10%	4.40%	4.80%	5.50%	8.31%	4.70%
9	Northeast Utilities	\$23.04	\$0.95	3.30%	3.50%	3.30%	2.60%	3.20%	4.12%	3.18%
10	NSTAR	\$31.68	\$1.50	4.60%	3.10%	5.00%	3.90%	4.30%	4.73%	4.18%
11	Pinnacle West Capital	\$31.57	\$2.10	4.50%	4.50%	4.70%	4.80%	6.20%	6.65%	4.94%
12	Progress Energy	\$38.58	\$2.48	5.30%	5.50%	5.50%	5.10%	5.80%	6.43%	5.44%
13	Scana Corp	\$33.83	\$1.88	4.00%	3.90%	4.20%	4.30%	4.90%	5.56%	4.26%
14	Southern Co.	\$31.39	\$1.75	4.70%	4.40%	4.50%	4.40%	4.60%	5.58%	4.52%
15	Vectren Corp	\$23.54	\$1.34	4.60%	4.40%	4.50%	4.50%	4.80%	5.69%	4.56%
16	Wisconsin Energy	\$43.28	\$1.35	2.60%	2.40%	2.20%	2.10%	2.40%	3.12%	2.34%
17	Xcel Energy	\$19.23	\$0.98	4.70%	4.60%	4.40%	4.00%	4.70%	5.10%	4.48%
18	Average	\$30.96	\$1.63	4.41%	4.06%	4.15%	3.93%	4.50%	5.37%	4.21%

Sources:

¹ <http://moneycentral.msn.com>, downloaded on September 21, 2009.

² *The Value Line Investment Survey*, June 26, August 7, and August 28, 2009.

³ Column (2) divided Column (1).

Illinois-American Water Company

Historical Growth Rates (Water Utility)

<u>Line</u>	<u>Company</u>	<u>Dividend Growth¹</u>			<u>Inflation (CPI)²</u>			<u>Nominal GDP</u>			
		<u>Historical</u>		<u>3-5 Years</u>	<u>Historical</u>		<u>3-5 Years</u>	<u>Historical²</u>		<u>Projected³</u>	
		<u>10 Years</u>	<u>5 Years</u>	<u>Projection</u>	<u>10 Years</u>	<u>5 Years</u>	<u>Projection</u>	<u>10 Years</u>	<u>5 Years</u>	<u>5 Years</u>	<u>10 Years</u>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	American States Water	1.5%	2.0%	5.0%							
2	Aqua America Inc.	7.0%	8.0%	4.5%							
3	California Water Service Group	1.0%	0.5%	2.5%							
4	Middlesex Water Co.	N/A	2.0%	N/A							
5	York Water Co.	N/A	6.0%	N/A							
6	Average	3.2%	3.7%	4.0%	2.8%	3.2%	2.8%	5.0%	5.4%	5.1%	5.0%

Sources:

¹ *The Value Line Investment Survey*, July 24, 2009.

² *The Value Line Investment Survey*, June 26, 2009.

³ *Blue Chip Financial Forecasts*, June 1, 2009 at 14.

Illinois-American Water Company

Historical Growth Rates (Gas Utility)

<u>Line</u>	<u>Company</u>	<u>Dividend Growth¹</u>			<u>Inflation (CPI)²</u>			<u>Nominal GDP</u>			
		<u>Historical</u>		<u>3-5 Years</u>	<u>Historical</u>		<u>3-5 Years</u>	<u>Historical²</u>		<u>Projected³</u>	
		<u>10 Years</u>	<u>5 Years</u>	<u>Projection</u>	<u>10 Years</u>	<u>5 Years</u>	<u>Projection</u>	<u>10 Years</u>	<u>5 Years</u>	<u>5 Years</u>	<u>10 Years</u>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	AGL Resources	4.0%	8.0%	2.5%							
2	Atmos Energy	2.5%	1.5%	1.5%							
3	Laclede Group Inc.	1.0%	1.5%	2.5%							
4	New Jersey Resources	4.0%	5.0%	5.5%							
5	NICOR Inc.	3.0%	0.5%	N/A							
6	Northwest Natural Gas	2.0%	3.0%	5.5%							
7	Piedmont Natural Gas	5.0%	4.5%	3.5%							
8	Southwest Gas	0.5%	1.0%	5.0%							
9	WGL Holdings	1.5%	1.5%	3.0%							
10	Average	2.6%	2.9%	3.6%	2.8%	3.2%	2.8%	5.0%	5.4%	5.1%	5.0%

Sources:

¹ *The Value Line Investment Survey*, September 11, 2009.

² *The Value Line Investment Survey*, June 26, 2009.

³ *Blue Chip Financial Forecasts*, June 1, 2009 at 14.

Illinois-American Water Company

Historical Growth Rates (Electric Utility)

Line	Company	Dividend Growth ¹			Inflation (CPI) ²			Nominal GDP				
		Historical		3-5 Years	Historical		3-5 Years	Historical ²		Projected ³		
		10 Years	5 Years	Projection	10 Years	5 Years	Projection	10 Years	5 Years	5 Years	10 Years	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
1	Alliant Energy	-4.5%	-5.0%	7.0%								
2	American Electric Power	-4.0%	-6.0%	3.0%								
3	Cleco Corp	1.5%	0.5%	10.0%								
4	Consol. Edison	1.0%	1.0%	1.0%								
5	DPL Inc.	1.5%	2.0%	3.5%								
6	FPL Group	5.5%	7.0%	6.0%								
7	Hawaiian Electric	N/A	N/A	N/A								
8	Integrus Energy Group	2.5%	3.5%	1.5%								
9	Northeast Utilities	3.5%	8.5%	6.5%								
10	NSTAR	4.0%	6.0%	5.5%								
11	Pinnacle West Capital	6.5%	5.0%	1.0%								
12	Progress Energy	2.5%	2.0%	1.0%								
13	Scana Corp	1.5%	6.5%	3.0%								
14	Southern Co.	2.0%	3.0%	4.0%								
15	Vectren Corp	N/A	3.5%	3.0%								
16	Wisconsin Energy	-4.0%	4.5%	13.5%								
17	Xcel Energy	-4.0%	-4.0%	3.0%								
18	Average	1.0%	2.4%	4.5%	2.8%	3.2%	2.8%	5.0%	5.4%	5.1%	5.0%	

Sources:

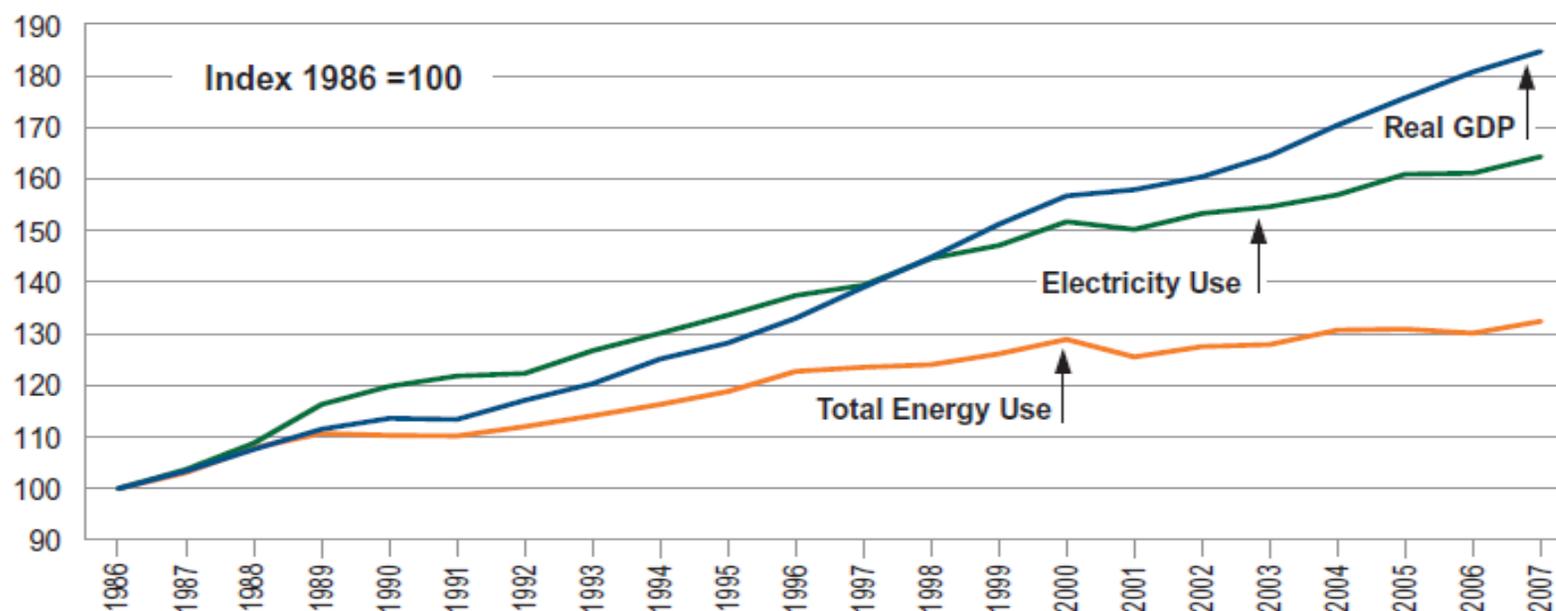
¹ *The Value Line Investment Survey*, June 26, August 7, and August 28, 2009.

² *The Value Line Investment Survey*, June 26, 2009.

³ *Blue Chip Financial Forecasts*, June 1, 2009 at 14.

Illinois-American Water Company

Electricity Sales Are Linked to U.S. Economic Growth



1986 represents the base year. Graph depicts increases or decreases from the base year.

Source: U.S. Department of Energy, Energy Information Administration (EIA).

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Illinois-American Water Company

Current and Projected Payout Ratios (Water Utility)

<u>Line</u>	<u>Company</u>	<u>Dividends Per Share</u>		<u>Earnings Per Share</u>		<u>Payout Ratio</u>	
		<u>2008¹</u>	<u>3-5 Years²</u>	<u>2008¹</u>	<u>3-5 Years²</u>	<u>2008¹</u>	<u>3-5 Years²</u>
		(1)	(2)	(3)	(4)	(5)	(6)
1	American States Water	\$1.00	\$1.16	\$1.55	\$2.20	64.52%	52.73%
2	Aqua America Inc.	\$0.51	\$0.70	\$0.73	\$1.05	69.86%	66.67%
3	California Water Service Group	\$1.17	\$1.20	\$1.90	\$2.20	61.58%	54.55%
4	Middlesex Water Co.	\$0.70	N/A	\$0.89	N/A	78.65%	N/A
5	York Water Co.	\$0.49	N/A	\$0.57	N/A	85.96%	N/A
6	Average	\$0.77	\$1.02	\$1.13	\$1.82	72.11%	57.98%

Sources:

¹ *The Value Line Investment Survey*, July 24, 2009.

² *The Value Line Investment Analyzer*.

Illinois-American Water Company

Current and Projected Payout Ratios (Gas Utility)

<u>Line</u>	<u>Company</u>	<u>Dividends Per Share</u>		<u>Earnings Per Share</u>		<u>Payout Ratio</u>	
		<u>2008</u> (1)	<u>3-5 Years</u> (2)	<u>2008</u> (3)	<u>3-5 Years</u> (4)	<u>2008</u> (5)	<u>3-5 Years</u> (6)
1	AGL Resources	\$1.68	\$1.88	\$2.71	\$3.30	61.99%	56.97%
2	Atmos Energy	\$1.30	\$1.40	\$2.00	\$2.50	65.00%	56.00%
3	Laclede Group Inc.	\$1.49	\$1.70	\$2.64	\$3.00	56.44%	56.67%
4	New Jersey Resources	\$1.11	\$1.40	\$2.70	\$2.80	41.11%	50.00%
5	NICOR Inc.	\$1.86	\$1.86	\$2.63	\$3.25	70.72%	57.23%
6	Northwest Natural Gas	\$1.52	\$2.00	\$2.57	\$3.45	59.14%	57.97%
7	Piedmont Natural Gas	\$1.03	\$1.23	\$1.49	\$1.90	69.13%	64.74%
8	Southwest Gas	\$0.90	\$1.15	\$1.39	\$2.30	64.75%	50.00%
9	WGL Holdings	\$1.41	\$1.63	\$2.44	\$2.70	57.79%	60.37%
10	Average	\$1.37	\$1.58	\$2.29	\$2.80	60.67%	56.66%

Source:

The Value Line Investment Survey, September 11, 2009.

Illinois-American Water Company

Current and Projected Payout Ratios (Electric Utility)

<u>Line</u>	<u>Company</u>	<u>Dividends Per Share</u>		<u>Earnings Per Share</u>		<u>Payout Ratio</u>	
		<u>2008</u>	<u>3-5 Years</u>	<u>2008</u>	<u>3-5 Years</u>	<u>2008</u>	<u>3-5 Years</u>
		(1)	(2)	(3)	(4)	(5)	(6)
1	Alliant Energy	\$1.40	\$1.92	\$2.54	\$3.20	55.12%	60.00%
2	American Electric Power	\$1.64	\$1.90	\$2.99	\$3.50	54.85%	54.29%
3	Cleco Corp	\$0.90	\$1.60	\$1.70	\$2.50	52.94%	64.00%
4	Consol. Edison	\$2.34	\$2.44	\$3.36	\$3.85	69.64%	63.38%
5	DPL Inc.	\$1.10	\$1.30	\$2.12	\$2.65	51.89%	49.06%
6	FPL Group	\$1.78	\$2.30	\$4.07	\$5.50	43.73%	41.82%
7	Hawaiian Electric	\$1.24	\$1.24	\$1.07	\$1.75	115.89%	70.86%
8	Integrus Energy Group	\$2.68	\$2.72	\$1.58	\$3.50	169.62%	77.71%
9	Northeast Utilities	\$0.83	\$1.15	\$1.86	\$2.25	44.62%	51.11%
10	NSTAR	\$1.43	\$1.95	\$2.22	\$3.25	64.41%	60.00%
11	Pinnacle West Capital	\$2.10	\$2.20	\$2.12	\$3.25	99.06%	67.69%
12	Progress Energy	\$2.46	\$2.56	\$2.96	\$3.60	83.11%	71.11%
13	Scana Corp	\$1.84	\$2.10	\$2.95	\$3.50	62.37%	60.00%
14	Southern Co.	\$1.66	\$2.00	\$2.25	\$3.00	73.78%	66.67%
15	Vectren Corp	\$1.31	\$1.51	\$1.63	\$2.25	80.37%	67.11%
16	Wisconsin Energy	\$1.08	\$2.15	\$3.03	\$4.50	35.64%	47.78%
17	Xcel Energy	\$0.94	\$1.10	\$1.46	\$2.00	64.38%	55.00%
18	Average	\$1.57	\$1.89	\$2.35	\$3.18	71.85%	60.45%

Source:

The Value Line Investment Survey, June 26, August 7, and August 28, 2009.

Illinois-American Water Company

Sustainable Growth Rate (Water Utility)

<u>Line</u>	<u>Company</u>	3 to 5 Year Projections							Growth Rate Plus $S * V^1$ (8)
		<u>Dividends Per Share</u> (1)	<u>Earnings Per Share</u> (2)	<u>Book Value Per Share</u> (3)	<u>ROE</u> (4)	<u>Payout Ratio</u> (5)	<u>Retention Rate</u> (6)	<u>Internal Growth Rate</u> (7)	
1	American States Water	\$1.16	\$2.20	\$19.10	11.52%	52.73%	47.27%	5.45%	6.99%
2	Aqua America Inc.	\$0.70	\$1.05	\$9.30	11.29%	66.67%	33.33%	3.76%	4.34%
3	California Water Service Group	\$1.20	\$2.20	\$20.50	10.73%	54.55%	45.45%	4.88%	6.23%
4	Middlesex Water Co.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5	York Water Co.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Average	\$1.02	\$1.82	\$16.30	11.18%	57.98%	42.02%	4.70%	5.85%
7	Median								6.23%

Sources:

The Value Line Investment Analyzer.

¹ Page 2, Column 9.

Illinois-American Water Company

Sustainable Growth (Water Utility)

<u>Line</u>	<u>Company</u>	<u>13-Week</u>	<u>3-5 Year</u>	<u>Market</u>	<u>Common Shares</u>		<u>Growth</u>	<u>S Factor</u> ³	<u>V Factor</u> ⁴	<u>S * V</u>
		<u>Average</u>	<u>Book Value P/S</u>	<u>to Book</u>	<u>Outstanding (in Millions)</u> ²					
		<u>Stock Price</u> ¹	<u>Projection</u> ²	<u>Ratio</u>	<u>2008</u>	<u>3-5 Years</u>	<u>(6)</u>	<u>(7)</u>	<u>(8)</u>	<u>(9)</u>
		(1)	(2)	(3)	(4)	(5)				
1	American States Water	\$34.65	\$19.10	1.81	17.30	19.00	1.89%	3.43%	44.87%	1.54%
2	Aqua America Inc.	\$17.27	\$9.30	1.86	135.37	140.00	0.67%	1.25%	46.16%	0.58%
3	California Water Service Group	\$37.14	\$20.50	1.81	20.72	22.50	1.66%	3.01%	44.81%	1.35%
4	Middlesex Water Co.	\$14.89	N/A	N/A	13.40	N/A	N/A	N/A	N/A	N/A
5	York Water Co.	\$16.13	N/A	N/A	11.37	N/A	N/A	N/A	N/A	N/A
6	Average	\$24.02	\$16.30	1.83	39.63	60.50	1.41%	2.57%	45.28%	1.16%

Sources:

¹ <http://moneycentral.msn.com>, downloaded on September 21, 2009.

² *The Value Line Investment Survey*, July 24, 2009 (2008 data), *The Value Line Investment Analyzer* (Projections).

³ Expected Growth in the Number of Shares.

⁴ Expected Profit of Stock Investment.

Illinois-American Water Company

Sustainable Growth Rate (Gas Utility)

Line	Company	3 to 5 Year Projections							Growth Rate Plus S * V ¹ (8)
		Dividends	Earnings	Book Value	Payout	Retention	Internal		
		Per Share (1)	Per Share (2)	Per Share (3)	Ratio (5)	Rate (6)	Growth Rate (7)		
1	AGL Resources	\$1.88	\$3.30	\$23.55	14.01%	56.97%	43.03%	6.03%	6.86%
2	Atmos Energy	\$1.40	\$2.50	\$26.90	9.29%	56.00%	44.00%	4.09%	4.06%
3	Laclede Group Inc.	\$1.70	\$3.00	\$28.05	10.70%	56.67%	43.33%	4.63%	5.24%
4	New Jersey Resources	\$1.40	\$2.80	\$27.45	10.20%	50.00%	50.00%	5.10%	5.59%
5	NICOR Inc.	\$1.86	\$3.25	\$26.80	12.13%	57.23%	42.77%	5.19%	5.24%
6	Northwest Natural Gas	\$2.00	\$3.45	\$30.50	11.31%	57.97%	42.03%	4.75%	5.22%
7	Piedmont Natural Gas	\$1.23	\$1.90	\$15.05	12.62%	64.74%	35.26%	4.45%	4.41%
8	Southwest Gas	\$1.15	\$2.30	\$28.00	8.21%	50.00%	50.00%	4.11%	3.73%
9	WGL Holdings	\$1.63	\$2.70	\$26.20	10.31%	60.37%	39.63%	4.08%	4.09%
10	Average	\$1.58	\$2.80	\$25.83	10.98%	56.66%	43.34%	4.72%	4.94%
11	Median								5.22%

Sources:

The Value Line Investment Survey, September 11, 2009.

¹ Page 4, Column 9.

Illinois-American Water Company

Sustainable Growth (Gas Utility)

<u>Line</u>	<u>Company</u>	<u>13-Week</u>	<u>3-5 Year</u>	<u>Market</u>	<u>Common Shares</u>		<u>Growth</u>	<u>S Factor</u> ³	<u>V Factor</u> ⁴	<u>S * V</u>
		<u>Average</u>	<u>Book Value P/S</u>	<u>to Book</u>	<u>Outstanding (in Millions)</u> ²					
		<u>Stock Price</u> ¹	<u>Projection</u> ²	<u>Ratio</u>	<u>2008</u>	<u>3-5 Years</u>	<u>(6)</u>	<u>(7)</u>	<u>(8)</u>	<u>(9)</u>
		(1)	(2)	(3)	(4)	(5)				
1	AGL Resources	\$33.19	\$23.55	1.41	76.90	85.00	2.02%	2.85%	29.04%	0.83%
2	Atmos Energy	\$26.73	\$26.90	0.99	90.81	110.00	3.91%	3.88%	-0.63%	-0.02%
3	Laclede Group Inc.	\$33.00	\$28.05	1.18	21.99	26.00	3.41%	4.01%	14.99%	0.60%
4	New Jersey Resources	\$37.26	\$27.45	1.36	42.06	45.00	1.36%	1.85%	26.33%	0.49%
5	NICOR Inc.	\$35.71	\$26.80	1.33	45.13	45.50	0.16%	0.22%	24.96%	0.05%
6	Northwest Natural Gas	\$43.28	\$30.50	1.42	26.50	28.00	1.11%	1.57%	29.53%	0.46%
7	Piedmont Natural Gas	\$24.21	\$15.05	1.61	73.26	73.00	-0.07%	-0.11%	37.82%	-0.04%
8	Southwest Gas	\$23.77	\$28.00	0.85	44.19	50.00	2.50%	2.12%	-17.78%	-0.38%
9	WGL Holdings	\$32.75	\$26.20	1.25	49.92	50.00	0.03%	0.04%	20.00%	0.01%
10	Average	\$32.21	\$25.83	1.27	52.31	56.94	1.60%	1.83%	18.25%	0.22%

Sources:

¹ <http://moneycentral.msn.com>, downloaded on September 21, 2009.

² *The Value Line Investment Survey*, September 11, 2009.

³ Expected Growth in the Number of Shares.

⁴ Expected Profit of Stock Investment.

Illinois-American Water Company

Sustainable Growth Rate (Electric Utility)

Line	Company	3 to 5 Year Projections							Growth Rate Plus S * V ¹ (8)
		Dividends Per Share	Earnings Per Share	Book Value Per Share	ROE	Payout Ratio	Retention Rate	Internal Growth Rate	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	
1	Alliant Energy	\$1.92	\$3.20	\$31.15	10.27%	60.00%	40.00%	4.11%	3.95%
2	American Electric Power	\$1.90	\$3.50	\$33.25	10.53%	54.29%	45.71%	4.81%	4.47%
3	Cleco Corp	\$1.60	\$2.50	\$22.75	10.99%	64.00%	36.00%	3.96%	4.03%
4	Consol. Edison	\$2.44	\$3.85	\$40.80	9.44%	63.38%	36.62%	3.46%	3.42%
5	DPL Inc.	\$1.30	\$2.65	\$13.90	19.06%	49.06%	50.94%	9.71%	10.72%
6	FPL Group	\$2.30	\$5.50	\$43.25	12.72%	41.82%	58.18%	7.40%	7.74%
7	Hawaiian Electric	\$1.24	\$1.75	\$16.75	10.45%	70.86%	29.14%	3.04%	3.08%
8	Integrus Energy Group	\$2.72	\$3.50	\$42.25	8.28%	77.71%	22.29%	1.85%	1.50%
9	Northeast Utilities	\$1.15	\$2.25	\$25.00	9.00%	51.11%	48.89%	4.40%	3.92%
10	NSTAR	\$1.95	\$3.25	\$22.00	14.77%	60.00%	40.00%	5.91%	5.91%
11	Pinnacle West Capital	\$2.20	\$3.25	\$36.50	8.90%	67.69%	32.31%	2.88%	2.59%
12	Progress Energy	\$2.56	\$3.60	\$36.80	9.78%	71.11%	28.89%	2.83%	2.91%
13	Scana Corp	\$2.10	\$3.50	\$33.25	10.53%	60.00%	40.00%	4.21%	4.27%
14	Southern Co.	\$2.00	\$3.00	\$21.50	13.95%	66.67%	33.33%	4.65%	5.18%
15	Vectren Corp	\$1.51	\$2.25	\$22.80	9.87%	67.11%	32.89%	3.25%	3.26%
16	Wisconsin Energy	\$2.15	\$4.50	\$37.75	11.92%	47.78%	52.22%	6.23%	6.23%
17	Xcel Energy	\$1.10	\$2.00	\$19.00	10.53%	55.00%	45.00%	4.74%	4.74%
18	Average	\$1.89	\$3.18	\$29.34	11.23%	60.45%	39.55%	4.55%	4.58%
19	Median								4.03%

Sources:

The Value Line Investment Survey, June 26, August 7, and August 28, 2009.

¹ Page 6, Column 9.

Illinois-American Water Company

Sustainable Growth (Electric Utility)

Line	Company	13-Week	3-5 Year	Market	Common Shares		Growth	S Factor ³	V Factor ⁴	S + V
		Average	Book Value P/S	to Book	Outstanding (in Millions) ²					
		Stock Price ¹	Projection ²	Ratio	2008	3-5 Years	(6)	(7)	(8)	(9)
		(1)	(2)	(3)	(4)	(5)				
1	Alliant Energy	\$26.20	\$31.15	0.84	110.45	116.00	0.99%	0.83%	-18.89%	-0.16%
2	American Electric Power	\$30.31	\$33.25	0.91	406.07	490.00	3.83%	3.49%	-9.69%	-0.34%
3	Cleco Corp	\$23.61	\$22.75	1.04	60.04	66.00	1.91%	1.98%	3.64%	0.07%
4	Consol. Edison	\$38.94	\$40.80	0.95	273.72	285.00	0.81%	0.77%	-4.78%	-0.04%
5	DPL Inc.	\$24.25	\$13.90	1.74	115.96	124.00	1.35%	2.35%	42.68%	1.01%
6	FPL Group	\$56.45	\$43.25	1.31	408.92	432.00	1.10%	1.44%	23.38%	0.34%
7	Hawaiian Electric	\$17.76	\$16.75	1.06	90.52	93.50	0.65%	0.69%	5.67%	0.04%
8	Integrus Energy Group	\$32.73	\$42.25	0.77	75.99	82.00	1.53%	1.19%	-29.09%	-0.35%
9	Northeast Utilities	\$23.04	\$25.00	0.92	155.83	210.00	6.15%	5.67%	-8.50%	-0.48%
10	NSTAR	\$31.68	\$22.00	1.44	106.81	106.81	0.00%	0.00%	30.56%	0.00%
11	Pinnacle West Capital	\$31.57	\$36.50	0.87	100.89	112.00	2.11%	1.83%	-15.60%	-0.28%
12	Progress Energy	\$38.58	\$36.80	1.05	264.00	288.00	1.76%	1.84%	4.61%	0.08%
13	Scana Corp	\$33.83	\$33.25	1.02	118.00	141.00	3.63%	3.69%	1.71%	0.06%
14	Southern Co.	\$31.39	\$21.50	1.46	777.19	823.00	1.15%	1.68%	31.50%	0.53%
15	Vectren Corp	\$23.54	\$22.80	1.03	81.03	83.00	0.48%	0.50%	3.16%	0.02%
16	Wisconsin Energy	\$43.28	\$37.75	1.15	116.92	117.00	0.01%	0.02%	12.77%	0.00%
17	Xcel Energy	\$19.23	\$19.00	1.01	453.79	464.00	0.45%	0.45%	1.18%	0.01%
18	Average	\$30.96	\$29.34	1.09	218.60	237.25	1.64%	1.67%	4.37%	0.03%

Sources:

¹ <http://moneycentral.msn.com>, downloaded on September 21, 2009.

² *The Value Line Investment Survey*, June 26, August 7, and August 28, 2009.

³ Expected Growth in the Number of Shares.

⁴ Expected Profit of Stock Investment.

Illinois-American Water Company

Sustainable Constant Growth DCF Model (Water Utility)

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price</u> ¹ (1)	<u>Sustainable Growth</u> ² (2)	<u>Annual Dividend</u> ³ (3)	<u>Adjusted Yield</u> (4)	<u>Quarterly Sustainable Growth DCF</u> (5)
1	American States Water	\$34.65	6.99%	\$1.00	3.09%	10.11%
2	Aqua America Inc.	\$17.27	4.34%	\$0.54	3.26%	7.64%
3	California Water Service Group	\$37.14	6.23%	\$1.18	3.37%	9.64%
4	Middlesex Water Co.	\$14.89	N/A	\$0.71	N/A	N/A
5	York Water Co.	\$16.13	N/A	\$0.50	N/A	N/A
6	Average	\$24.02	5.85%	\$0.79	3.24%	9.13%
7	Median	\$17.27	6.23%	\$0.71	3.26%	9.64%

Sources:

¹ <http://moneycentral.msn.com>, downloaded on September 21, 2009.

² IWC Exhibit 1.10, page 1 of 6, Column 8.

³ *The Value Line Investment Survey*, July 24, 2009.

Illinois-American Water Company

Sustainable Constant Growth DCF Model (Gas Utility)

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price</u> ¹ (1)	<u>Sustainable Growth</u> ² (2)	<u>Annual Dividend</u> ³ (3)	<u>Adjusted Yield</u> (4)	<u>Quarterly Sustainable Growth DCF</u> (5)
1	AGL Resources	\$33.19	6.86%	\$1.72	5.54%	12.50%
2	Atmos Energy	\$26.73	4.06%	\$1.32	5.14%	9.30%
3	Laclede Group Inc.	\$33.00	5.24%	\$1.54	4.91%	10.23%
4	New Jersey Resources	\$37.26	5.59%	\$1.24	3.51%	9.14%
5	NICOR Inc.	\$35.71	5.24%	\$1.86	5.48%	10.83%
6	Northwest Natural Gas	\$43.28	5.22%	\$1.58	3.84%	9.11%
7	Piedmont Natural Gas	\$24.21	4.41%	\$1.08	4.66%	9.15%
8	Southwest Gas	\$23.77	3.73%	\$0.95	4.15%	7.95%
9	WGL Holdings	\$32.75	4.09%	\$1.48	4.70%	8.88%
10	Average	\$32.21	4.94%	\$1.42	4.66%	9.68%
11	Median	\$33.00	5.22%	\$1.48	4.70%	9.15%

Sources:

¹ <http://moneycentral.msn.com>, downloaded on September 21, 2009.

² IWC Exhibit 1.10, page 3 of 6, Column 8.

³ *The Value Line Investment Survey*, September 11, 2009.

Illinois-American Water Company

Sustainable Constant Growth DCF Model (Electric Utility)

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price¹</u> (1)	<u>Sustainable Growth²</u> (2)	<u>Annual Dividend³</u> (3)	<u>Adjusted Yield</u> (4)	<u>Quarterly Sustainable Growth DCF</u> (5)
1	Alliant Energy	\$26.20	3.95%	\$1.50	5.95%	10.03%
2	American Electric Power	\$30.31	4.47%	\$1.64	5.65%	10.24%
3	Cleco Corp	\$23.61	4.03%	\$0.90	3.97%	8.05%
4	Consol. Edison	\$38.94	3.42%	\$2.36	6.27%	9.83%
5	DPL Inc.	\$24.25	10.72%	\$1.14	5.20%	16.01%
6	FPL Group	\$56.45	7.74%	\$1.89	3.61%	11.39%
7	Hawaiian Electric	\$17.76	3.08%	\$1.24	7.20%	10.47%
8	Integrus Energy Group	\$32.73	1.50%	\$2.72	8.44%	10.20%
9	Northeast Utilities	\$23.04	3.92%	\$0.95	4.28%	8.27%
10	NSTAR	\$31.68	5.91%	\$1.50	5.01%	11.01%
11	Pinnacle West Capital	\$31.57	2.59%	\$2.10	6.82%	9.59%
12	Progress Energy	\$38.58	2.91%	\$2.48	6.62%	9.69%
13	Scana Corp	\$33.83	4.27%	\$1.88	5.80%	10.19%
14	Southern Co.	\$31.39	5.18%	\$1.75	5.86%	11.17%
15	Vectren Corp	\$23.54	3.26%	\$1.34	5.88%	9.27%
16	Wisconsin Energy	\$43.28	6.23%	\$1.35	3.32%	9.58%
17	Xcel Energy	\$19.23	4.74%	\$0.98	5.34%	10.18%
18	Average	\$30.96	4.58%	\$1.63	5.60%	10.31%
19	Median	\$31.39	4.03%	\$1.50	5.80%	10.18%

Sources:

¹ <http://moneycentral.msn.com>, downloaded on September 21, 2009.

² IIRC Exhibit 1.10, page 5 of 6, Column 8.

³ *The Value Line Investment Survey*, June 26, August 7, and August 28, 2009.

Illinois-American Water Company

Multi-Stage Growth DCF Model (Water Utility)

Line	Company	13-Week AVG	Annual	First Stage	Second Stage Growth					Third Stage	Quarterly
		Stock Price ¹	Dividend ²	Growth	Year 6	Year 7	Year 8	Year 9	Year 10	Growth ³	Multi-Stage
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	American States Water	\$34.65	\$1.00	5.50%	5.42%	5.33%	5.25%	5.17%	5.08%	5.00%	8.16%
2	Aqua America Inc.	\$17.27	\$0.54	7.89%	7.41%	6.93%	6.44%	5.96%	5.48%	5.00%	8.98%
3	California Water Service Group	\$37.14	\$1.18	7.64%	7.20%	6.76%	6.32%	5.88%	5.44%	5.00%	8.98%
4	Middlesex Water Co.	\$14.89	\$0.71	7.00%	6.67%	6.33%	6.00%	5.67%	5.33%	5.00%	10.76%
5	York Water Co.	\$16.13	\$0.50	6.50%	6.25%	6.00%	5.75%	5.50%	5.25%	5.00%	8.65%
6	Average	\$24.02	\$0.79	6.91%	6.59%	6.27%	5.95%	5.64%	5.32%	5.00%	9.11%
7	Median										8.98%

Sources:

¹ <http://moneycentral.msn.com>, downloaded on September 21, 2009.

³ *The Value Line Investment Survey*, July 24, 2009.

³ *Blue Chip Financial Forecasts*, June 1, 2009 at 14.

Illinois-American Water Company

Multi-Stage Growth DCF Model (Gas Utility)

Line	Company	13-Week AVG	Annual	First Stage	Second Stage Growth					Third Stage	Quarterly
		<u>Stock Price</u> ¹	<u>Dividend</u> ²	<u>Growth</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>Growth</u> ³	<u>Growth DCF</u>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	AGL Resources	\$33.19	\$1.72	4.71%	4.76%	4.81%	4.86%	4.90%	4.95%	5.00%	10.45%
2	Atmos Energy	\$26.73	\$1.32	4.95%	4.96%	4.97%	4.98%	4.98%	4.99%	5.00%	10.27%
3	Laclede Group Inc.	\$33.00	\$1.54	3.00%	3.33%	3.67%	4.00%	4.33%	4.67%	5.00%	9.40%
4	New Jersey Resources	\$37.26	\$1.24	6.38%	6.15%	5.92%	5.69%	5.46%	5.23%	5.00%	8.86%
5	NICOR Inc.	\$35.71	\$1.86	4.02%	4.18%	4.34%	4.51%	4.67%	4.84%	5.00%	10.25%
6	Northwest Natural Gas	\$43.28	\$1.58	5.48%	5.40%	5.32%	5.24%	5.16%	5.08%	5.00%	9.00%
7	Piedmont Natural Gas	\$24.21	\$1.08	6.40%	6.17%	5.93%	5.70%	5.47%	5.23%	5.00%	10.19%
8	Southwest Gas	\$23.77	\$0.95	5.67%	5.56%	5.44%	5.33%	5.22%	5.11%	5.00%	9.45%
9	WGL Holdings	\$32.75	\$1.48	4.50%	4.58%	4.67%	4.75%	4.83%	4.92%	5.00%	9.68%
10	Average	\$32.21	\$1.42	5.01%	5.01%	5.01%	5.01%	5.00%	5.00%	5.00%	9.73%
11	Median										9.68%

Sources:

¹ <http://moneycentral.msn.com>, downloaded on September 21, 2009.

² *The Value Line Investment Survey*, September 11, 2009.

³ *Blue Chip Financial Forecasts*, June 1, 2009 at 14.

Illinois-American Water Company

Multi-Stage Growth DCF Model (Electric Utility)

Line	Company	13-Week AVG	Annual	First Stage	Second Stage Growth					Third Stage	Quarterly
		<u>Stock Price</u> ¹	<u>Dividend</u> ²	<u>Growth</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>Growth</u> ³	<u>Growth DCF</u>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Alliant Energy	\$26.20	\$1.50	4.37%	4.47%	4.58%	4.68%	4.79%	4.89%	5.00%	10.91%
2	American Electric Power	\$30.31	\$1.64	3.83%	4.02%	4.22%	4.41%	4.61%	4.80%	5.00%	10.40%
3	Cleco Corp	\$23.61	\$0.90	11.81%	10.67%	9.54%	8.40%	7.27%	6.13%	5.00%	11.07%
4	Consol. Edison	\$38.94	\$2.36	3.85%	4.04%	4.23%	4.43%	4.62%	4.81%	5.00%	11.08%
5	DPL Inc.	\$24.25	\$1.14	9.63%	8.85%	8.08%	7.31%	6.54%	5.77%	5.00%	11.58%
6	FPL Group	\$56.45	\$1.89	9.19%	8.49%	7.79%	7.09%	6.40%	5.70%	5.00%	9.61%
7	Hawaiian Electric	\$17.76	\$1.24	5.29%	5.24%	5.19%	5.14%	5.10%	5.05%	5.00%	12.65%
8	Integrus Energy Group	\$32.73	\$2.72	22.15%	19.29%	16.43%	13.58%	10.72%	7.86%	5.00%	24.28%
9	Northeast Utilities	\$23.04	\$0.95	8.23%	7.69%	7.15%	6.61%	6.08%	5.54%	5.00%	10.34%
10	NSTAR	\$31.68	\$1.50	5.50%	5.42%	5.33%	5.25%	5.17%	5.08%	5.00%	10.22%
11	Pinnacle West Capital	\$31.57	\$2.10	5.13%	5.10%	5.08%	5.06%	5.04%	5.02%	5.00%	12.21%
12	Progress Energy	\$38.58	\$2.48	4.56%	4.63%	4.70%	4.78%	4.85%	4.93%	5.00%	11.74%
13	Scana Corp	\$33.83	\$1.88	4.73%	4.78%	4.82%	4.87%	4.91%	4.96%	5.00%	10.86%
14	Southern Co.	\$31.39	\$1.75	5.95%	5.79%	5.63%	5.47%	5.32%	5.16%	5.00%	11.32%
15	Vectren Corp	\$23.54	\$1.34	5.70%	5.58%	5.47%	5.35%	5.23%	5.12%	5.00%	11.36%
16	Wisconsin Energy	\$43.28	\$1.35	8.72%	8.10%	7.48%	6.86%	6.24%	5.62%	5.00%	9.18%
17	Xcel Energy	\$19.23	\$0.98	6.04%	5.87%	5.70%	5.52%	5.35%	5.17%	5.00%	10.81%
18	Average	\$30.96	\$1.63	7.33%	6.94%	6.55%	6.17%	5.78%	5.39%	5.00%	11.74%
19	Median										11.07%

Sources:

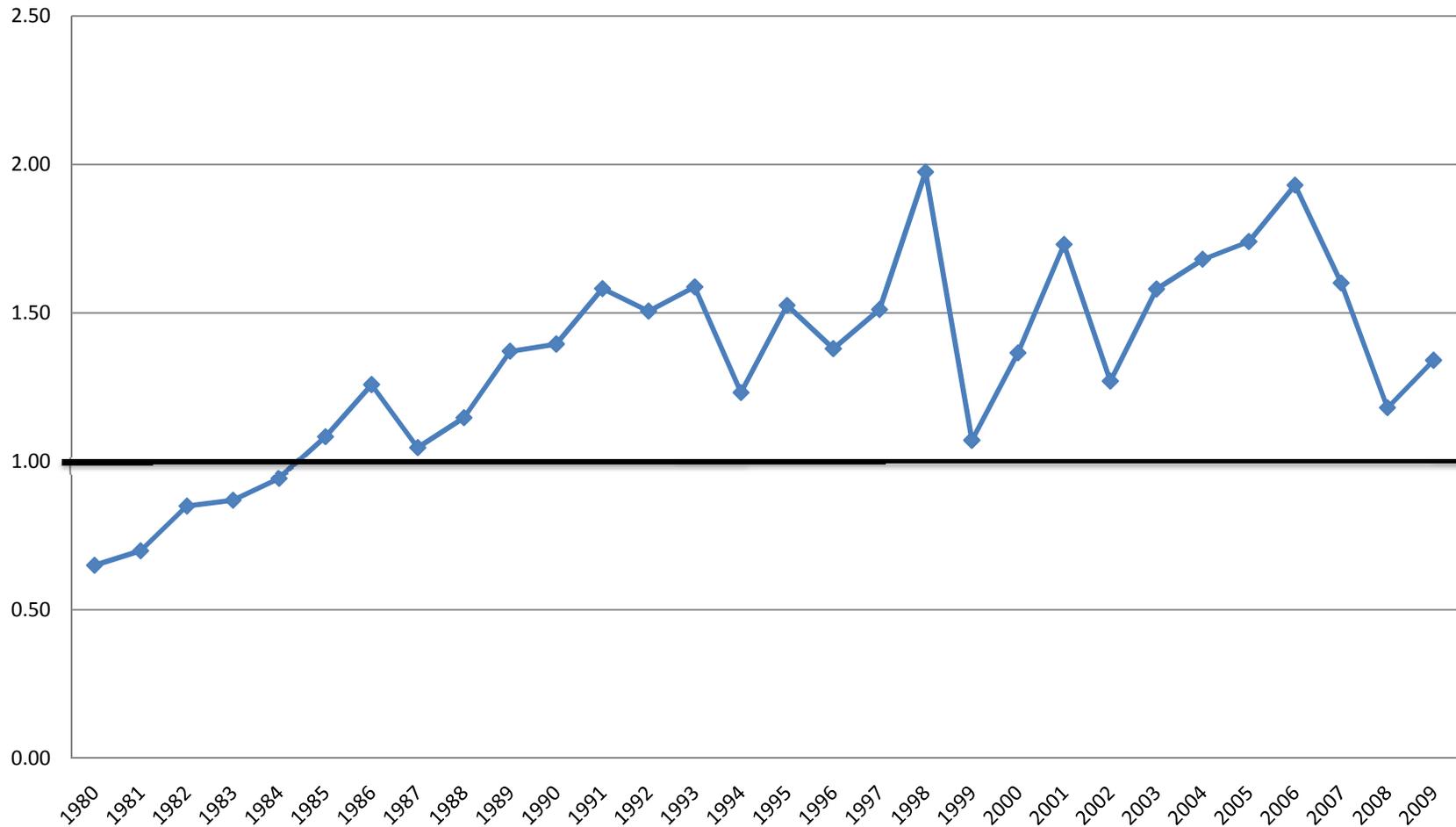
¹ <http://moneycentral.msn.com>, downloaded on September 21, 2009.

² *The Value Line Investment Survey*, June 26, August 7, and August 28, 2009.

³ *Blue Chip Financial Forecasts*, June 1, 2009 at 14.

Illinois-American Water Company

Electric Common Stock Market/Book Ratio



Sources:

2001 - June 2009: *AUS Utility Reports*.

1980 - 2000: *Mergent Public Utility Manual*; at a15, and a17.

Illinois-American Water Company

Equity Risk Premium - Treasury Bond

<u>Line</u>	<u>Date</u>	<u>Authorized Electric Returns¹</u> (1)	<u>Treasury Bond Yield²</u> (2)	<u>Indicated Risk Premium</u> (3)
1	1986	13.93%	7.78%	6.15%
2	1987	12.99%	8.59%	4.40%
3	1988	12.79%	8.96%	3.83%
4	1989	12.97%	8.45%	4.52%
5	1990	12.70%	8.61%	4.09%
6	1991	12.55%	8.14%	4.41%
7	1992	12.09%	7.67%	4.42%
8	1993	11.41%	6.59%	4.82%
9	1994	11.34%	7.37%	3.97%
10	1995	11.55%	6.88%	4.67%
11	1996	11.39%	6.71%	4.68%
12	1997	11.40%	6.61%	4.79%
13	1998	11.66%	5.58%	6.08%
14	1999	10.77%	5.87%	4.90%
15	2000	11.43%	5.94%	5.49%
16	2001	11.09%	5.49%	5.60%
17	2002	11.16%	5.43%	5.73%
18	2003	10.97%	4.96%	6.01%
19	2004	10.75%	5.05%	5.70%
20	2005	10.54%	4.65%	5.89%
21	2006	10.36%	4.91%	5.45%
22	2007	10.36%	4.84%	5.52%
23	2008	10.46%	4.28%	6.18%
24	Jun 2009 ³	10.43%	3.81%	6.62%
25	Average	11.55%	6.38%	5.16%

Sources:

¹ Regulatory Research Associates, Inc., *Regulatory Focus*, Jan. 85 - Dec. 06, and January 12, 2009.

² Economic Report of the President 2008: Table 73. The yields from 2002 to 2005 represent the 20-Year Treasury yields obtained from the Federal Reserve Bank.

³ Edison Electric Institute, Rate Case Summary 2Q 2009 Financial Update, the data reflects the 6-month period ending June 2009.

Illinois-American Water Company

Equity Risk Premium - Utility Bond

<u>Line</u>	<u>Date</u>	<u>Authorized Electric Returns¹</u> (1)	<u>Average "A" Rating Utility Bond Yield²</u> (2)	<u>Indicated Risk Premium</u> (3)
1	1986	13.93%	9.58%	4.35%
2	1987	12.99%	10.10%	2.89%
3	1988	12.79%	10.49%	2.30%
4	1989	12.97%	9.77%	3.20%
5	1990	12.70%	9.86%	2.84%
6	1991	12.55%	9.36%	3.19%
7	1992	12.09%	8.69%	3.40%
8	1993	11.41%	7.59%	3.82%
9	1994	11.34%	8.31%	3.03%
10	1995	11.55%	7.89%	3.66%
11	1996	11.39%	7.75%	3.64%
12	1997	11.40%	7.60%	3.80%
13	1998	11.66%	7.04%	4.62%
14	1999	10.77%	7.62%	3.15%
15	2000	11.43%	8.24%	3.19%
16	2001	11.09%	7.76%	3.33%
17	2002	11.16%	7.37%	3.79%
18	2003	10.97%	6.58%	4.39%
19	2004	10.75%	6.16%	4.59%
20	2005	10.54%	5.65%	4.89%
21	2006	10.36%	6.07%	4.29%
22	2007	10.36%	6.07%	4.29%
23	2008	10.46%	6.53%	3.93%
24	Jun 2009 ³	10.43%	6.38%	4.05%
25	Average	11.55%	7.85%	3.69%

Sources:

¹ Regulatory Research Associates, Inc., *Regulatory Focus*, Jan. 85 - Dec. 06, and January 12, 2009.

² Economic Report of the President 2008: Table 73. The yields from 2002 to 2005 represent the 20-Year Treasury yields obtained from the Federal Reserve Bank.

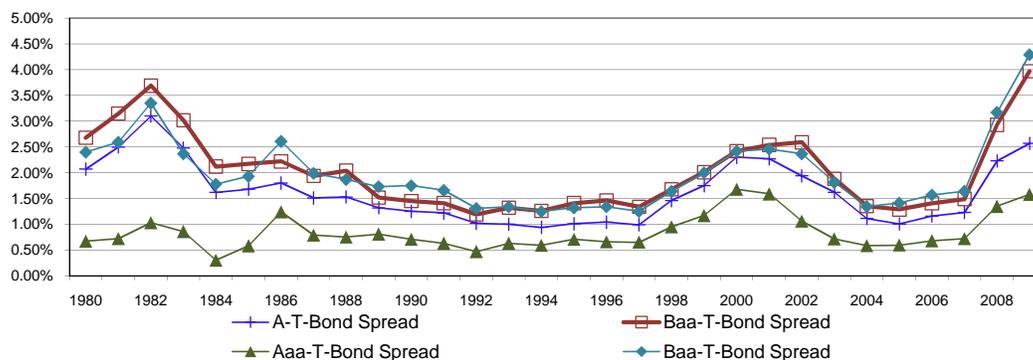
³ Edison Electric Institute, Rate Case Summary 2Q 2009 Financial Update, the data reflects the 6-month period ending June 2009.

Illinois-American Water Company

Bond Yield Spreads

Line	Year	Public Utility Bond Yields					Corporate Bond Yields				
		T-Bond Yield ¹ (1)	A ² (2)	Baa ² (3)	A-T-Bond Spread (4)	Baa-T-Bond Spread (5)	Aaa ¹ (6)	Baa ¹ (7)	Aaa-T-Bond Spread (8)	Baa-T-Bond Spread (9)	Baa Utility - Corporate (10)
1	1980	11.27%	13.34%	13.95%	2.07%	2.68%	11.94%	13.67%	0.67%	2.40%	0.28%
2	1981	13.45%	15.95%	16.60%	2.50%	3.15%	14.17%	16.04%	0.72%	2.59%	0.56%
3	1982	12.76%	15.86%	16.45%	3.10%	3.69%	13.79%	16.11%	1.03%	3.35%	0.34%
4	1983	11.18%	13.66%	14.20%	2.48%	3.02%	12.04%	13.55%	0.86%	2.37%	0.65%
5	1984	12.41%	14.03%	14.53%	1.62%	2.12%	12.71%	14.19%	0.30%	1.78%	0.34%
6	1985	10.79%	12.47%	12.96%	1.68%	2.17%	11.37%	12.72%	0.58%	1.93%	0.24%
7	1986	7.78%	9.58%	10.00%	1.80%	2.22%	9.02%	10.39%	1.24%	2.61%	-0.39%
8	1987	8.59%	10.10%	10.53%	1.51%	1.94%	9.38%	10.58%	0.79%	1.99%	-0.05%
9	1988	8.96%	10.49%	11.00%	1.53%	2.04%	9.71%	10.83%	0.75%	1.87%	0.17%
10	1989	8.45%	9.77%	9.97%	1.32%	1.52%	9.26%	10.18%	0.81%	1.73%	-0.21%
11	1990	8.61%	9.86%	10.06%	1.25%	1.45%	9.32%	10.36%	0.71%	1.75%	-0.30%
12	1991	8.14%	9.36%	9.55%	1.22%	1.41%	8.77%	9.80%	0.63%	1.66%	-0.25%
13	1992	7.67%	8.69%	8.86%	1.02%	1.19%	8.14%	8.98%	0.47%	1.31%	-0.12%
14	1993	6.59%	7.59%	7.91%	1.00%	1.32%	7.22%	7.93%	0.63%	1.34%	-0.02%
15	1994	7.37%	8.31%	8.63%	0.94%	1.26%	7.96%	8.62%	0.59%	1.25%	0.01%
16	1995	6.88%	7.89%	8.29%	1.01%	1.41%	7.59%	8.20%	0.71%	1.32%	0.09%
17	1996	6.71%	7.75%	8.17%	1.04%	1.46%	7.37%	8.05%	0.66%	1.34%	0.12%
18	1997	6.61%	7.60%	7.95%	0.99%	1.34%	7.26%	7.86%	0.65%	1.25%	0.09%
19	1998	5.58%	7.04%	7.26%	1.46%	1.68%	6.53%	7.22%	0.95%	1.64%	0.04%
20	1999	5.87%	7.62%	7.88%	1.75%	2.01%	7.04%	7.87%	1.17%	2.00%	0.01%
21	2000	5.94%	8.24%	8.36%	2.30%	2.42%	7.62%	8.36%	1.68%	2.42%	0.00%
22	2001	5.49%	7.76%	8.03%	2.27%	2.54%	7.08%	7.95%	1.59%	2.46%	0.08%
23	2002	5.43%	7.37%	8.02%	1.94%	2.59%	6.49%	7.80%	1.06%	2.37%	0.22%
24	2003	4.96%	6.58%	6.84%	1.62%	1.88%	5.67%	6.77%	0.71%	1.81%	0.07%
25	2004	5.05%	6.16%	6.40%	1.11%	1.35%	5.63%	6.39%	0.58%	1.34%	0.01%
26	2005	4.65%	5.65%	5.93%	1.00%	1.29%	5.24%	6.06%	0.59%	1.41%	-0.13%
27	2006	4.91%	6.07%	6.32%	1.16%	1.41%	5.59%	6.48%	0.68%	1.57%	-0.16%
28	2007	4.84%	6.07%	6.33%	1.23%	1.49%	5.56%	6.48%	0.72%	1.64%	-0.15%
29	2008	4.28%	6.51%	7.21%	2.23%	2.93%	5.63%	7.45%	1.35%	3.17%	-0.24%
30	Jun 2009 ³	3.81%	6.38%	7.78%	2.57%	3.97%	5.39%	8.10%	1.58%	4.29%	-0.32%
31	Aug 2009	4.37%	5.57%	6.17%	1.20%	1.80%	5.26%	6.58%	0.89%	2.21%	-0.41%
32	Average	7.50%	9.12%	9.53%	1.62%	2.03%	8.35%	9.50%	0.85%	2.00%	0.03%

Yield Spreads Treasury Vs. Corporate & Treasury Vs. Utility



Sources:

¹ Economic Report of the President 2008: Table 73 at 316. The yields from 2002 to 2005 represent the 20-Year Treasury yields obtained from the Federal Reserve Bank.

² *Mergent Public Utility Manual* 2003. Moody's Daily News Reports.

³ The data reflects the 6-month period ending June 2009.

Illinois-American Water Company

Beta **(Water Utility)**

<u>Line</u>	<u>Company</u>	<u>Beta</u>
1	American States Water	0.80
2	Aqua America Inc.	0.65
3	California Water Service Group	0.80
4	Middlesex Water Co.	0.80
5	York Water Co.	0.65
6	Average	0.74

Source:

The Value Line Investment Survey, July 24, 2009.

Illinois-American Water Company

Beta **(Gas Utility)**

<u>Line</u>	<u>Company</u>	<u>Beta</u>
1	AGL Resources	0.75
2	Atmos Energy	0.65
3	Laclede Group Inc.	0.60
4	New Jersey Resources	0.65
5	NICOR Inc.	0.70
6	Northwest Natural Gas	0.60
7	Piedmont Natural Gas	0.65
8	Southwest Gas	0.75
9	WGL Holdings	0.65
10	Average	0.67

Source:
The Value Line Investment Survey,
September 11, 2009.

Illinois-American Water Company

Beta **(Electric Utility)**

<u>Line</u>	<u>Company</u>	<u>Beta</u>
1	Alliant Energy	0.70
2	American Electric Power	0.75
3	Cleco Corp	0.70
4	Consol. Edison	0.65
5	DPL Inc.	0.60
6	FPL Group	0.75
7	Hawaiian Electric	0.70
8	Integrus Energy Group	0.95
9	Northeast Utilities	0.70
10	NSTAR	0.65
11	Pinnacle West Capital	0.75
12	Progress Energy	0.65
13	Scana Corp	0.65
14	Southern Co.	0.55
15	Vectren Corp	0.75
16	Wisconsin Energy	0.65
17	Xcel Energy	0.65
18	Average	0.69

Source:

The Value Line Investment Survey,
June 26, August 7, and August 28, 2009.

Illinois-American Water Company

S&P 500 Growth Rate

<u>Line</u>	<u>Description</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>5-Year Median</u>
1	Return on Equity	14.24%	15.73%	16.16%	12.50%	3.30%	14.24%
2	Payout Ratio	33.19%	31.77%	30.62%	42.13%	190.73%	33.19%
3	Retention Rate	66.81%	68.23%	69.38%	57.87%	-90.73%	66.81%
4	Internal Growth Rate	9.51%	10.73%	11.21%	7.23%	-2.99%	9.51%

Source:

Standard & Poor's Analysts' Handbook, 2009 Annual Edition.

Illinois-American Water Company

Quarterly DCF Model for the S&P 500

<u>Line</u>	<u>Company</u>	<u>6/30/2009 Stock Price</u> (1)	<u>Annual Dividend</u> (2)	<u>Adjusted Yield</u> (3)	<u>First Stage Growth</u> (4)	<u>Second Stage Growth</u> ³ (5)	<u>DCF Return</u> (6)
1	Two-Stage Growth DCF ¹	\$919.32	\$21.77	2.59%	9.51%	5.00%	8.62%
2	Constant Growth DCF ¹	\$919.32	\$21.77	2.56%	8.01%		10.59%
3	Risk-Free Rate ²						5.00%
4	Expected Market Risk Premium - Low End (Line 1 - Line 3)						3.62%
5	Expected Market Risk Premium - High End (Line 2 - Line 3)						5.59%

Sources:

Standard & Poor's: SP500_EPS_DIV_20090911.xlsx.

¹ IIRC Exhibit 2.18, Line 4.

² *Blue Chip Financial Forecasts*, August 1, 2009 at 2.

³ *Blue Chip Financial Forecasts*, June 1, 2009 at 14.

Illinois-American Water Company

CAPM **(Water Utility)**

<u>Line</u>	<u>Description</u>	<u>Return</u>	
		<u>Low</u>	<u>High</u>
1	Risk-Free Rate ¹	5.00%	5.00%
2	Risk Premium ^{2/4}	5.60%	5.80%
3	Beta ³	0.74	0.74
4	CAPM	9.14%	9.29%
5	CAPM Average		9.22%

Sources:

¹ *Blue Chip Financial Forecasts*; September 1, 2009 at 2.

² IIWC Exhibit 1.19.

³ *The Value Line Investment Survey*, July 24, 2009.

⁴ Morningstar, Inc. *Ibbotson S&P 500 2009 Classic Yearbook*, at 100.

Illinois-American Water Company

CAPM **(Gas Utility)**

<u>Line</u>	<u>Description</u>	<u>Return</u>	
		<u>Low</u>	<u>High</u>
1	Risk-Free Rate ¹	5.00%	5.00%
2	Risk Premium ^{2/4}	5.60%	5.80%
3	Beta ³	0.67	0.67
4	CAPM	8.73%	8.87%
5	CAPM Average		8.80%

Sources:

¹ *Blue Chip Financial Forecasts*; September 1, 2009 at 2.

² IIWC Exhibit 1.19.

³ *The Value Line Investment Survey*, September 11, 2009.

⁴ Morningstar, Inc. *Ibbotson SBBI 2009 Classic Yearbook*, at 100.

Illinois-American Water Company

CAPM (Electric Utility)

<u>Line</u>	<u>Description</u>	<u>Return</u>	
		<u>Low</u>	<u>High</u>
1	Risk-Free Rate ¹	5.00%	5.00%
2	Risk Premium ^{2/4}	5.60%	5.80%
3	Beta ³	0.69	0.69
4	CAPM	8.89%	9.03%
5	CAPM Average		8.96%

Sources:

¹ *Blue Chip Financial Forecasts*; September 1, 2009 at 2.

² IWC Exhibit 1.19.

³ *The Value Line Investment Survey*, June 26, August 7, and August 28, 2009.

⁴ Morningstar, Inc. *Ibbotson S&P 1909 Classic Yearbook*, at 100.

Illinois-American Water Company

S&P Credit Metric Financial Ratios ROE at 10.00%

Line	Description	Amount (1)	Old S&P Benchmark ¹		New S&P Benchmark ² (4)	Reference (5)	
			"AA" Rating (2)	"A" Rating (3)			
1	Rate Base	\$ 620,696,082				Schedule C-1 Second Revised, Page 1 of 6.	
2	Weighted Common Return	4.49%				IWC Exhibit 1.1, Line 3, Col. 4.	
3	Income to Common	\$ 27,890,990				Line 1 x Line 2.	
4	Depreciation & Amortization	\$ 39,728,881				Schedule C-1 Second Revised, Page 1 of 6.	
5	Deferred Income Tax	\$ (2,905,048)				Schedule C-2, Page 2 of 12.	
6	Funds from Operations (FFO)	\$ 64,714,823				Sum of Line 3 through Line 5.	
7	Weighted Interest Rate	3.30%				IWC Exhibit 1.1, Line 1 + Line 2, Col. 4.	
8	Interest Expense	\$ 20,505,876				Line 1 x Line 7.	
9	FFO Plus Interest	\$ 85,220,699				Line 6 + Line 8.	
10	FFO Interest Coverage		4.2x	4.0x - 3.0x	3.0x - 2.0x	2.0x - 3.5x	Line 9 / Line 8.
11	Total Debt Ratio		55%	45% - 52%	52% - 58%	45% - 60%	IWC Exhibit 1.1, Line 1 + Line 2, Col. 2.
12	FFO to Total Debt		19%	25% - 20%	20% - 12%	10% - 30%	Line 6 / (Line 1 x Line 11).

Sources:

¹ Standard & Poor's, "Assessing U.S. Vertically Integrated Utilities? Business Risk Drivers," September 14, 2006; and

² Standard & Poor's, "U.S. Utilities Ratings Analysis Now Portrayed in The S&P Corporate Ratings Matrix," November 30, 2007; and
"U.S. Integrated Electric Utility Companies, Strongest to Weakest," February 2, 2009.

Note:

Based on the old S&P metrics, the water utilities have a Business Profile Score of '2.'

Based on the new S&P metrics, American Water Works has an "Excellent" business profile and an "Aggressive" financial profile.

Illinois-American Water Company

Cash Working Capital Adjustment (Total Company)

<u>Line</u>	<u>Description</u>	<u>Amount</u> <u>(1)</u>
1	IIRC Proposed CWC Requirement ¹	\$ 5,648,000
2	Gorman Proposed CWC Requirement ²	\$ (2,000)
3	Rate Base Adjustment	\$ 5,650,000
4	Gorman Proposed Rate of Return ³	10.74%
5	Revenue Impact (Line 3 * Line 4)	\$ 607,044

Sources:

¹ Kerckhove, Schedule B-8 Second Revised, page 1 of 6.

² Page 2.

³ Page 3.

Illinois-American Water Company

Gorman Proposed Total Cash Working Capital Requirement

<u>Line</u>	<u>Expense Category</u>	<u>Proforma Proposed Amount (1)</u>	<u>Average Daily Expense (2)</u>	<u>Expense (Lead)/Lag (3)</u>	<u>Cash Requirement (4)</u>
1	Net Revenues	\$ 184,031,600	\$ 504,196		\$ 19,735,353
2	Labor	\$ 24,471,163	\$ 67,044		(804,531)
3	Fuel and Power	8,839,819	24,219		(674,325)
4	Chemicals	8,388,265	22,982		(562,487)
5	Purchased Water	21,305,628	58,372		(1,443,447)
6	Waste Disposal	2,293,264	6,283		(221,851)
7	Service Company Charges	21,136,057	57,907		(868,605)
8	Group Insurance	6,683,716	18,312		135,811
9	OPEBs	-	-		-
10	Pensions	4,200,615	11,509		-
11	Insurance Other than Group	3,721,451	10,196		-
12	Customer Accounting	2,609,852	7,150		(257,887)
13	Rents	1,183,926	3,244		-
14	General Office	2,384,289	6,532		(109,038)
15	Maintenance	7,661,514	20,990		(512,105)
16	Miscellaneous	<u>9,773,269</u>	26,776		<u>(450,433)</u>
17	Total O&M Expenses	\$ 124,652,829			\$ (5,768,899)
18	General Taxes	\$ 12,650,582	\$ 34,659		\$ (5,132,726)
19	Federal Income Tax - Current	22,741,062	62,304		(3,290,832)
20	State Income Tax - Current	2,511,044	6,880		(363,306)
21	Deferred Income Taxes	-	-		-
22	Interest Expense	<u>21,476,083</u>	58,839		<u>(5,181,578)</u>
23	Subtotal other expenses	\$ 59,378,771			\$ (13,968,443)
24	Total Cash Working Capital Requirement *				\$ (1,989)
25	Round to Nearest \$1,000				\$ (2,000)

Source:

Kerckhove, Schedule B-8 Second Revised, page 1 of 6.

* Reflects adjusted revenue lag.

Illinois-American Water Company

Proposed Rate of Return

<u>Line</u>	<u>Description</u>	<u>Amount</u> (1)	<u>Weight</u> (2)	<u>Cost</u> (3)	<u>Weighted</u> <u>Cost</u> (4)	<u>Pre-Tax</u> <u>Weighted</u> <u>Cost</u> (5)
1	Composite Tax Rate					39.745%
2	Common Stock	\$ 278,277,611	44.94%	10.00%	4.49%	7.46%
3	Short-term Debt	\$ 17,495,692	2.83%	1.00%	0.03%	0.01%
4	Long-term Debt	<u>\$ 323,515,668</u>	<u>52.24%</u>	6.27%	<u>3.28%</u>	<u>3.28%</u>
5	Total	\$ 619,288,970	100.00%		7.80%	10.74%

Source:

¹ Schedule D-1 First Revised, Page 1 of 6.

Illinois-American Water Company

Cash Working Capital Adjustment (Zone 1)

<u>Line</u>	<u>Description</u>	<u>Amount</u> <u>(1)</u>
1	IIRC Proposed Zone 1 CWC Requirement ¹	\$ 3,190,000
2	Gorman Proposed Zone 1 CWC Requirement ²	\$ (493,000)
3	Rate Base Adjustment	\$ 3,683,000
4	Gorman Proposed Rate of Return ³	10.74%
5	Revenue Impact (Line 3 * Line 4)	\$ 395,707

Sources:

¹ Kerckhove, Schedule B-8 Second Revised, page 2 of 6.

² Page 2.

³ IIRC Exhibit 1.22, Page 3.

Illinois-American Water Company

Gorman Proposed Zone 1 Cash Working Capital Requirement

<u>Line</u>	<u>Expense Category</u>	<u>Proforma Proposed Amount (1)</u>	<u>Average Daily Expense (2)</u>	<u>Expense (Lead)/Lag (3)</u>	<u>Cash Requirement (4)</u>
1	Net Revenues	\$ 122,288,568	\$ 335,037		\$ 13,126,898
2	Labor	\$ 18,434,289	\$ 50,505		(606,059)
3	Fuel and Power	7,079,807	19,397		(524,117)
4	Chemicals	8,053,697	22,065		(523,303)
5	Purchased Water	439,952	1,205		(9,444)
6	Waste Disposal	996,132	2,729		(78,428)
7	Service Company Charges	16,304,347	44,669		(670,042)
8	Group Insurance	5,103,169	13,981		103,695
9	OPEBs	-	-		-
10	Pensions	3,235,530	8,864		-
11	Insurance Other than Group	2,871,701	7,868		-
12	Customer Accounting	2,049,550	5,615		(188,618)
13	Rents	603,659	1,654		-
14	General Office	1,516,790	4,156		(70,829)
15	Maintenance	5,038,657	13,805		(339,741)
16	Miscellaneous	<u>6,896,193</u>	18,894		<u>(317,834)</u>
17	Total O&M Expenses	\$ 78,623,472			\$ (3,224,719)
18	General Taxes	\$ 9,738,523	\$ 26,681		\$ (4,046,432)
19	Federal Income Tax - Current	16,646,537	45,607		(2,389,844)
20	State Income Tax - Current	1,828,411	5,009		(262,389)
21	Deferred Income Taxes	-	-		-
22	Interest Expense	<u>15,451,625</u>	42,333		<u>(3,696,095)</u>
23	Subtotal other expenses	\$ 43,665,096			\$ (10,394,760)
24	Zone 1 Cash Working Capital Requirement *				\$ (492,581)
25	Round to Nearest \$1,000				\$ (493,000)

Source:

Kerckhove, Schedule B-8 Second Revised, page 2 of 6.

* Reflects adjusted revenue lag.

IAWC Exhibit 18.00
 Witness Responsible: Rich Kerckhove

Section 285.5015
 Schedule E-2
 Page 15 of 57

ILLINOIS-AMERICAN WATER COMPANY

ILL.C.C. No. 5

Twenty-second first Revised Sheet No. 1.1
 Canceling ~~Twenty-first~~ ~~Nineteenth~~ Revised Sheet No. 1.1

Applies to Champaign District Illinois
 (Name of City)

WATER SERVICE

USAGE CHARGE

In addition to the foregoing basic service charge, each customer served by the Company shall pay the following usage charges:

<u>Residential Customers</u>					*
<u>All Usage</u>			\$3.7030 per ccf		*
<u>Non-Residential Customers other than University of Illinois</u>					*
For the first	50	ccf per 2 month. period	\$2.8149 per ccf	\$ _____ per ccf	*
For the next	200	ccf per 2 month. period	2.0434 per ccf	\$ _____ per ccf	*
For the next	2,250	ccf per 2 month. period	1.8244 per ccf	\$ _____ per ccf	*
For all over	2,500	ccf per 2 month. period	1.4581 per ccf	\$ _____ per ccf	*

UNIVERSITY OF ILLINOIS USAGE CHARGES

In addition to the foregoing basic service charge, the University of Illinois shall pay the following usage charges:

<u>For Potable Water</u>					*
For the first	50	ccf per 2 mon. period	\$2.8149 per ccf	\$ _____ per ccf	*
For the next	200	ccf per 2 mon. period	2.0434 per ccf	\$ _____ per ccf	*
For the next	2,250	ccf per 2 mon. period	1.8244 per ccf	\$ _____ per ccf	*
For the next	17,500	ccf per 2 mon. period	1.4581 per ccf	\$ _____ per ccf	*
For all over	20,000	ccf per 2 mon. period	1.3136 per ccf	\$ _____ per ccf	*

Potable water usages recorded on all of the main meters at the points of entry to the University's distribution system shall be combined for the purposes of applying the rate blocks.

For Raw Water
~~\$0.8679~~ _____ per ccf

MISCELLANEOUS TEMPORARY USES

Charges to be based upon metered usage of water at rate of ~~\$4.0816~~ per ccf plus a charge for reasonable installation costs and necessary attendance.

Issued: ~~August 1, 2008~~ May 29, 2009 Effective: ~~August 8, 2008~~ July 13, 2009

Issued by: Karla Olson Teasley, President
 300 North Water Works Drive
 Belleville, Illinois 62223

Pursuant to Commission Order dated ~~July 30, 2008~~ _____, Docket No. ~~07-0507~~ _____