

**Illinois-American Water Company**  
**Docket No. 09-0319**  
**AG/JM Exhibit 5.5**  
**Copies of Applicant's Responses to Discovery Requests**  
**Referenced in the Rebuttal Testimony of**  
**Ralph C. Smith**

<b>Discovery Request</b>	<b>Subject</b>	<b>Proprietary or Confidential</b>	<b>No. of Pages</b>	<b>Page No.</b>
IAWC-AG 2.18	Cash Working Capital - uncollectibles deduction	No	1	2
LHW 5.01	Current Rate Case Expense	No	6	3 - 8
LHW 3.05	Current Rate Case Expense - attorney invoices	No	1	9
LHW 9.01	Insurance Expense - retrospective adjustment	No	1	10
LHW 10.01	Insurance Expense - retrospective adjustment documentation	No	7	11 - 17
AG 8.3	Insurance Expense - over-projection	No	3	18 - 20
IAWC-AG 2.38	explanation	No	2	21 - 22
AG 8.1	Affiliated Management Fees - allocation to Chicago Metro Waste Water	No	1	23
IWC 3.5	U.S. Steel water usage	No	1	24
	Total Pages Including this Page		24	

**Responses of the People of the State of Illinois  
to IAWC Second Set of Data Requests, Numbers 2.13-2.42.  
ICC Docket 09-0319  
October 22, 2009**

IAWC-AG 2.18        On page 28, lines 593-94 of his direct testimony, Mr. Smith recommends “The total amount of adjusted uncollectibles should be deducted from Revenue in the CWC calculation.” Explain the basis for that recommendation, and identify and produce all Documents that Mr. Smith relies on to support this recommendation.

RESPONSE:

The People of the State of Illinois object to this data request to the extent it is overbroad, unduly burdensome, and/or not reasonably calculated to lead to the discovery of admissible evidence. In particular, and without limitation, the People of the State of Illinois object to the extent this data request seeks documents or information beyond the scope of their testimony in this proceeding.

The People of the State of Illinois object to this data request to the extent it seeks documents or information that are in the Company’s possession or were produced by the Company in the context of this docket.

Without waiving the objection, the following response is provided:

Cash working capital is the cash needed by the Company to cover its day-to-day operations. Uncollectibles represent revenue that is not collected (because it is by definition uncollectible), i.e., it is not a cash expense; consequently, uncollectibles are deducted from Revenue in the computation of cash working capital, as shown, for example, on IAWC Schedule B-8, line 4, or ICC Staff Exhibit 1.0, Schedule 1.8, line 4. The issue remaining concerns the proper coordination or “matching” of the amount to be deducted for Uncollectibles with the adjustments to Uncollectibles presented by the respective parties, such that the full or total amount of Uncollectibles is properly matched with the respective parties’ presentation of the calculation of the allowance cash working capital to be reflected in rate base. IAWC already has copies of the referenced documents. Also see response to IAWC AG-2.05. The Attorney General reserves the right to present additional details on such an adjustment in its rebuttal testimony and briefs.

**Responsible witness:** Ralph Smith, Senior Regulatory Consultant, Larkin & Associates PLLC.

**ILLINOIS-AMERICAN WATER COMPANY**  
**RESPONSE TO ILLINOIS COMMERCE COMMISSION**  
**DATA REQUEST NUMBER LHW 5.01**

Witness Responsible:	<u>Tyler Bernsen</u>
Title:	<u>Financial Analyst II</u>
Phone No.:	<u>(314) 996-2366</u>
Date Received:	<u>July 21, 2009</u>
Docket No.:	<u>09-0319</u>

**LHW 5.01**

Referring to Section 9-229 of the Public Utilities Act, which states:  
(220 ILCS 5/9-229 new) Sec. 9-229. Consideration of attorney and expert compensation as an expense. The Commission shall specifically assess the justness and reasonableness of any amount expended by a public utility to compensate attorneys or technical experts to prepare and litigate a general rate case filing. This issue shall be expressly addressed in the Commission's final order.

Please answer the following:

- a) Does IAWC contend that each amount set forth in Schedule C-10 is a just and reasonable expense? If so, provide all facts, information, data, analyses and assessments supporting the contention that the amounts set forth in Schedule C-10 are just and reasonable amounts to prepare and litigate the current general rate case;
- b) For the items set forth in the Company's Schedule C-10, provide the amount actually incurred for each item as of June 30, 2009 and, to the extent not otherwise provided in response to part a) of this data request, provide a specific assessment of why the Commission should find that each of the amounts actually incurred is a just and reasonable amount to prepare and litigate the current general rate case. This response should be updated to reflect additional rate case expense actually incurred each subsequent month as documentation such as invoices becomes available;
- c) To the extent that any overtime to compensate any attorney or technical expert employed or retained by IAWC to prepare and litigate this general rate case is included in the test year revenue requirement proposed by the Company, identify the amounts so included and, to the extent not otherwise provided in response to parts a) and b) of this data request, provide a specific assessment of why the Commission should find that each of the amounts is a just and reasonable amount to prepare and litigate the current general rate case; and
- d) To the extent that IAWC has actually incurred expenses including overtime to compensate any attorney or technical expert employed or retained by the Company to prepare and litigate this general rate case, provide the amount of overtime expenses actually incurred to date and provide a specific assessment of why the Commission should find that the amount of overtime expense actually incurred is a just and reasonable amount to prepare and litigate the current general rate case.

Provide all supporting calculations and workpapers. To the extent applicable, all documents and workpapers should be provided in Excel format with working formulas.

**ILLINOIS-AMERICAN WATER COMPANY  
RESPONSE TO ILLINOIS COMMERCE COMMISSION  
DATA REQUEST NUMBER ICC LHW 5.01  
PAGE 2**

**RESPONSE**

IAWC objects to this request as calling for a legal conclusion. IAWC further objects to this request as overly broad and unduly burdensome. Subject to and without waiving these objections IAWC responds as follows.

- a) Each of the amounts shown on Schedule C-10 is a just and reasonable expense. The following addresses each of the expense components of Rate Case Expense as shown on Schedule C-10 (First Revised):

**Legal Fees and Expenses**

The amount of Legal Fees and Expenses is reasonable because it is based on a projection of legal fees and expense for this rate case by the Company's legal service providers that reflects those providers' past experience representing Illinois water utilities in rate proceedings, including IAWC's prior rate case, Docket 07-0507. Mr. Springer has 30 years of experience representing Illinois public utilities before the Commission and Jones Day has represented Illinois water utilities in numerous Commission rate proceedings. The legal fees and expense amount is based on hourly rates for Jones Day attorneys and Mr. Springer (as shown on AG 1.17-R1) that are consistent with or below the market rates for law partners and associates in the Midwest region (particularly Chicago and St. Louis) as shown on IAWC Exhibit 11.01 (Service Company Cost Study), Schedules 4, 4.2, 4.3 and 4.4. The amount shown on Schedule C-10 (First Revised) also represents a lower amount of legal fees and expenses than the amount actually incurred in Docket 07-0507, as shown on Schedule C-10.1. In addition, as set forth in LHW 3.04 and AG 1.17, the legal fees of Jones Day and Mr. Springer include a "not-to-exceed" amount, which is intended in part to ensure that the projection of legal expense is reliable and that the amounts actually incurred for legal expense are consistent with the projection. As shown on the attachment to LHW 3.04(c), over 43% of the projected legal fees and expenses amount has already been incurred, despite the fact that significant work (review of testimony, hearing and briefing) remains to be done in the case.

**Revenue Requirement**

The Company notes that it does not consider the costs under "Revenue Requirement" on Schedule C-10 to be "attorney and expert compensation" as set forth in Section 9-229 of the Public Utilities Act. The costs under "Revenue Requirement" represent the cost of IAWC, Service Company, and temporary personnel to prepare the rate case filing. The costs estimated for Revenue Requirement include the preparation of the revenue requirement and all testimonies, preparation of responses to data requests, participation in hearings, providing analyses during the case, and preparation of final tariffs. The amount for Revenue Requirement was determined by estimating the number of hours expected to be expended by Company personnel and multiplying the hours by the respective employee rate including overheads. The Revenue Requirement estimate represents a 34% decrease from the amount included in the prior rate case.

**ILLINOIS-AMERICAN WATER COMPANY  
RESPONSE TO ILLINOIS COMMERCE COMMISSION  
DATA REQUEST NUMBER ICC LHW 5.01  
PAGE 3**

**CPA Review**

The amount for CPA Review is reasonable because it is set as a flat fee. The flat fee level is nearly 32% less than the actual cost incurred for CPA Review in the prior case, as shown on Schedule C-10.1. The firm retained to perform the CPA Review and audit of IAWC's forecast has performed the audit for IAWC's prior rate case and has experience working with IAWC personnel and Illinois regulatory matters.

**Rate of Return Consultant**

The amount for rate of return consultant is reasonable because it is consistent with the actual expense incurred for the rate of return consultant in the prior case, Docket 07-0507, as shown in Schedule C-10.1. The rate of return consultant, Ms. Ahern, has significant experience performing rate of return analyses for regulated utilities. In addition, the amount for the rate of return consultant is based on hourly rates (set forth in AG 1.17-R1) that are consistent with the market rates for accounting services as shown on IAWC Exhibit 11.01 (Service Company Cost Study), Schedule 1 and are substantially lower than the market rates for cost of equity consultants shown on IAWC Exhibit 11.01, Schedule 5.2.

**Demand Study**

Preparation of a demand study was required by the Commission in its Order in Docket 07-0507. The increase reflects the differences between the two studies as described in LHW 4.06. See also response to PL 3.01. The difference in scope between the prior demand study in 07-0507 and the current case results from the fact that the demand study in the present case is the product of a methodology that was, as discussed by Mr. Grubb (IAWC Exhibit 5.00, pp. 12-15), developed in coordination with the parties in Docket 08-0463 and approved by the Commission in that Docket. The approved demand study methodology was intended, in part, to address concerns raised in docket 07-0507 about the demand study utilized in that case. As indicated in the response to those concerns, the demand study consultant was selected due to his expertise and prior experience in the preparation of water demand studies. In addition, the amount for the demand study is based in part on an hourly rate (set forth in AG 1.17-R1) that is consistent with the market rate for consultants as shown on IAWC Exhibit 11.01 (Service Company Cost Study), Schedule 5.

**Cost of Service Study**

Preparation of the cost of service study ("COSS") was required by the Commission in its Order in Docket 07-0507. The amount for the cost of service study is reasonable because the COSS consultant was selected as a result of a competitive bid (see LHW 4.06). The COSS consultant's bid was the low bid. In addition, the COSS consultant, Mr. Herbert, has substantial experience performing COSS for regulated utilities. The amount for the cost of service study is based on hourly rates for a principal and associate (set forth in AG 1.17-R1) that are consistent with the market rates for similar positions in the management consulting services area shown in Exhibit 11.01 (Service Company Cost Study), Schedules 5 and 5.2.

**ILLINOIS-AMERICAN WATER COMPANY  
RESPONSE TO ILLINOIS COMMERCE COMMISSION  
DATA REQUEST NUMBER ICC LHW 5.01  
PAGE 4**

**Other**

The Company notes that it does not consider the costs under “Other” on Schedule C-10 to be “attorney and expert compensation” as set forth in Section 9-229 of the Public Utilities Act. Other rate case expense includes amounts estimated for mailing to customers rate case-related information and legal notices as required under the Public Utilities Act and Commission rules, postage, and additional communications needs during the course of the rate case including estimated costs to be incurred for public meetings. The amount of Other rate case expense represents a 17% increase from the actual amount of this expense incurred in Docket 07-0507. The 17% increase is reasonable because it reflects a postal rate increase that took effect subsequent to the last rate case and includes a projected level of costs related to additional public forums, over and above the one public forum that was held in Champaign in the last rate case.

**Service Company Study**

The Commission’s Final Order in Docket 07-0507, Section IV.B.6.d, required IAWC to “...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.” As Mr. Uffelman explains (IAWC Ex. 10.00, p. 4-5) the Service Fee Study is part of the testimony and exhibits presented by IAWC in response to the requirements of the Commission’s Order in Docket 07-0507. The amount on Schedule C-10 for the service company study is reasonable because the service company study consultant was selected as a result of a competitive bid (see LHW 4.06). The service company study consultant’s bid was the low bid. In addition, Mr. Uffelman, one of the service company study consultants, has extensive experience working in the Illinois regulatory field (and worked for the Commission at one time), and had recently worked on IAWC’s Municipal Rate Study in Docket 07-0507. The service company study consultant was also selected due to the fact that the service company study consultant had superior expertise and experience related to the scope of the service company study and the service company study consultant (both Deloitte & Touche and Mr. Uffelman) had the necessary resources to perform the service company study in the Company’s time frame. In addition, as set forth in LHW 3.04 and AG 1.17, the cost to prepare the service company study and direct testimony included a “not-to-exceed” amount, which is intended in part to ensure that the projection of the expense is reliable and that the amounts actually incurred for the service company study are consistent with the projection.

- b) The amounts actually incurred to date for Legal Fees and Expenses rate case expense were provided in response to LHW 3.04. The amounts actually incurred to date for the other items in Schedule C-10 are shown on the attached. An assessment of the reasonableness of the cost for each item is provided in (a).
- c) No overtime compensation was provided to any attorney or technical expert employed or retained by IAWC to prepare and litigate this general rate case.

**ILLINOIS-AMERICAN WATER COMPANY  
RESPONSE TO ILLINOIS COMMERCE COMMISSION  
DATA REQUEST NUMBER ICC LHW 5.01  
PAGE 5**

d) See (c).

**Attached:** [ICC LHW 5.01 \(b\) rate case expense.xls](#)

**Date Response Provided:** September 2, 2009

Illinois-American Water Company  
ICC LHW 5.01 (b)  
Rate Case expense as of June 30, 2009

	Rate Case Expense incurred As of June 30, 2009
Legal Fees and Expenses	\$ 330,760
Revenue Requirement	267,628
CPA Review	41,283
Rate of Return Consultant	12,800
Demand Study	34,953
Cost of Service Study	38,324
Other	84,142
Service Company Study	348,871
Total	\$ 1,158,760

**ILLINOIS-AMERICAN WATER COMPANY**  
**RESPONSE TO ILLINOIS COMMERCE COMMISSION**  
**DATA REQUEST NUMBER LHW 3.05**

Witness Responsible:	<u>Tyler Bernsen</u>
Title:	<u>Financial Analyst II</u>
Phone No.:	<u>(314) 996-2366</u>
Date Received:	<u>July 6, 2009</u>
Docket No.:	<u>09-0319</u>

**LHW 3.05**

Please update your responses to LHW 3.04 through the date of your rebuttal testimony, including any additional invoices received but not included in your initial response to LHW 3.04.

**RESPONSE**

The information will be provided as requested.

**Date Response Provided:** August 25, 2009

**ILLINOIS-AMERICAN WATER COMPANY**  
**RESPONSE TO ILLINOIS COMMERCE COMMISSION**  
**DATA REQUEST NUMBER LHW 9.01**

Witness Responsible:	<u>Tyler Bernsen</u>
Title:	<u>Financial Analyst II</u>
Phone No.:	<u>(314) 996-2274</u>
Date Received:	<u>September 23, 2009</u>
Docket No.:	<u>09-0319</u>

**LHW 9.01**

Reference Schedule C-17 First Revised, Insurance Expense, Page 1 of 4, Line No. 19, "Retrospective Adjustment (Commercial General Liab, Auto Liab, and Workers Comp)." Please explain the composition of this line item to include its individual components with respective dollar amounts. Include with your explanation any documentation upon which the adjustment was based.

Please provide all supporting calculations and workpapers. To the extent applicable, all documents and workpapers should be provided in Excel format with working formulas.

**RESPONSE**

The Company's primary casualty insurance policies, including Commercial General Liability, Business Auto Liability, and Workers Compensation is issued on a loss sensitive Retrospective Incurred Deductible cash flow basis. Claims are paid as payments are incurred which enables the Company to minimize and control its claims cost.

Liability and workers compensation claims have long tail exposures and can be expected to pay losses for thirty to forty years from the date of injury. The insurance company reviews the Company's open claims annually and issues adjustment for each annual policy period since 1975.

Current forecast estimates for the Company for its 2010 retrospective adjustment will be an approximate \$2,000,000 additional premium charge

The IAWC allocation is \$212,660.

**Date Response Provided:** September 25, 2009

**ILLINOIS-AMERICAN WATER COMPANY**  
**RESPONSE TO ILLINOIS COMMERCE COMMISSION**  
**DATA REQUEST NUMBER LHW 10.01**

Witness Responsible:	<u>Tyler Bernsen</u>
Title:	<u>Financial Analyst II</u>
Phone No.:	<u>(314) 996-2274</u>
Date Received:	<u>October 2, 2009</u>
Docket No.:	<u>09-0319</u>

**LHW 10.01**

Referring to the Company's response to Staff Data Request LHW 9.01:

- a) The aforementioned data request referenced Schedule C-17 First Revised, Insurance Expense, Page 1 of 4, Line No. 19, "Retrospective Adjustment (Commercial General Liab, Auto Liab, and Workers Comp)" and requested (among other things) "its individual components with respective dollar amounts." Staff Data Request LHW 9.01 also asked for "any documentation upon which the adjustment was based." The response did not provide all of the information requested. Please provide this information.
- b) Was "Retrospective Adjustment (Commercial General Liab, Auto Liab, and Workers Comp)" included as an expense in the original filing for the current rate case? If so, please indicate on what schedule(s) and line(s) it can be found. If not, please explain why not.
- c) Was "Retrospective Adjustment (Commercial General Liab, Auto Liab, and Workers Comp)" included in as an expense in the previous rate case (Docket No. 07-0507)? If so, please indicate on what schedule(s) and line(s) it can be found. If not, please explain why not.
- d) Please provide the ending balance in the "Retrospective Adjustment (Commercial General Liab, Auto Liab, and Workers Comp)" account for fiscal years 2006, 2007, and 2008, and the estimated ending balance for fiscal year 2009.
- e) The IAWC response states, in part, "Current forecast estimates for the Company for its 2010 retrospective adjustment will be an approximate \$2,000,000 additional premium charge." Please provide any documentation upon which that estimate was based. Also, for the holding company, please provide actual retrospective adjustment amounts for fiscal years 2006, 2007, and 2008 and the estimated retrospective adjustment amount for fiscal year 2009.
- f) Please explain the methodology utilized by the holding company to allocate "Retrospective Adjustment (Commercial General Liab, Auto Liab, and Workers Comp)" to IAWC and other component units. Provide the calculations for 2006, 2007, 2008, 2009, and the 2010 test year.

**ILLINOIS-AMERICAN WATER COMPANY  
RESPONSE TO ILLINOIS COMMERCE COMMISSION  
DATA REQUEST NUMBER ICC LHW 10.01  
PAGE 2**

- g) The IAWC response states, in part, “The insurance company reviews the Company’s open claims annually and issues adjustment for each annual policy period...” For the holding company, please provide a list of open claims (to include estimated total liability) for fiscal years 2006, 2007, 2008, and 2009. Please indicate which of these claims are specific to IAWC.

Please provide all supporting calculations and workpapers. To the extent applicable, all documents and workpapers should be provided in Excel format with working formulas.

**RESPONSE**

- a) As noted in our response to AG 8.3., the correct terminology is Retrospective Accrual which is a prospective review of expected future insurance claims cost based upon current Insurance Other Than Group Insurance premium for General Liability (GL), Auto Liability (AL), and Workers Compensation (WC), utilizing most recent available Loss Development Factors, and current claims experience. This review results in an adjustment to annual IOTG expense.

Current IOTG premium for all AW includes:

<u>Policy Period</u>	<u>GL</u>	<u>AL</u>	<u>WC</u>	<u>Total</u>
1/1/09 – 1/1/10	17,425,842,	2,087,173	10,454,472	29,967,487

The most recent loss development factors (LDF) used to develop the Retrospective Accrual available indicates an approximate 4% to 5% increase for most recent policy periods and current policy periods premiums to fund losses that may be inadequate. A 5% increase is applied to 2009 IOTG premium.

LDF exhibit attached.

The Company also experienced more claims with potential severity or larger losses than other years.

- b) The Retrospective Accrual in the original filing was in the amount of \$172,791 and is listed on line 3, page 1 under the “Annual Premium” column of Schedule C-17. The Commercial General Liability amount was \$1,680,016, giving a total of \$1,852,807. The Retrospective Accrual for 2009 was also in the amount of \$172,791 and is listed on line 3, page 2 under the “Annual Premium” column of Schedule C-17.
- c) There was no Retrospective Accrual contained in Docket No. 07-0507. Sufficient additional monies were collected from 2001 to 2005 to support the claims loss fund and no adjustment was needed.
- d) The ending balance in the Retrospective Accrual account (account 146105) for IAWC for fiscal years 2006-2009 are as follows; 2006 \$0, 2007 \$0, 2008 \$370,428, \$401,558 August 2009, \$696,494 September 2009. The Company does not have an estimate for the ending balance at the end of 2009.
- e) See response to a and d.

**ILLINOIS-AMERICAN WATER COMPANY  
RESPONSE TO ILLINOIS COMMERCE COMMISSION  
DATA REQUEST NUMBER ICC LHW 10.01  
PAGE 3**

- f) IOTG annual insurance premium including Workers compensation (WC), general liability (GL) and auto liability (AL), is based upon 50/50 split between underwriting exposure (estimated annual payroll for WC and GL) and loss history (Average 5 year loss history to incent Business Units to control its losses and adhere to safety and loss prevention practices. Average of 5 years is used to smooth out and mitigate penalizing a BU for having one year with exceptional poor performance). For 2009, the amount of IOTG expense is allocated as follows:

WC and GL: Illinois AWC estimated annual payroll of \$28,029,798 is 6.4% of total AW payroll

WC: 5 year average losses of \$852,429 is 14.28% of AW total losses.

IL AWC \$1,424,191 WC premium is 3.62% of AW total WC premium of \$10,454,472.

GL: 5 year average losses of \$456,402 is 3.54% of AW total losses.

IL AWC \$1,092,206 GL premium is 6.26% of AW total GL premium of \$17,425,842.

AL is based upon IL AWC 361 vehicles which is 8.7% of 4,166 AW fleet.

AL: 5 year average losses of \$29,107 is 3.3% of AW total losses.

IL AWC \$124,862 AL premium is 5.98% of AW total AL premium of \$2,087,173.

The Retrospective Accrual allocated to ILAWC will be the same percentage for the respective policy period.

- g) Please see attached

See also AG 8.3 for further discussion.

**Attachment:**

ICC LHW 10.01 a - LDF Comparison 2009 2010.xls

ICC LHW 10.01 g - 2006 to 2009 AWK AL GL-PR WC.pdf

ICC LHW 10.01 g - 2006 to 2009 ILAWC AL GL-PR WC.pdf

**Date Response Provided:** October 14, 2009

**American Water Works Company, Inc.**  
Incurred and Paid Loss Development Factors: Claim Count Development Factors  
Results from Loss Triangles 6/30/2009 ( Source: Marsh)

		2009				2008			
Months From Inception	Incurred Loss Development Factors				Incurred Loss Development Factors				
	WC	GL-BI	GL-PD	Auto	WC	GL-BI	GL-PD	Auto	
6	6.113898	11.84657	3.600414	5.14916	6.252486	11.98813	3.761382	5.121209	
7	5.470436	10.33623	2.621774	4.66633	5.000621	10.46684	3.39151	4.623558	
8	4.894696	9.038923	2.953898	4.228907	4.472070	9.778918	2.775302	4.174266	
9	4.397552	7.869605	2.475575	3.829711	3.993936	8.662397	2.486165	3.402418	
10	3.91862	6.866703	2.023475	3.469637	3.576677	7.602364	2.241169	3.071739	
11	3.502602	5.991611	2.119513	3.14378	3.198637	6.301515	2.021255	2.77329	
12	3.161718	5.282041	1.988299	2.848363	2.860554	5.436613	1.824293	2.503797	
13	2.870113	4.56178	1.800957	2.560706	2.558205	4.048229	1.643283	2.260492	
14	2.511587	3.980427	1.631266	2.3392	2.287814	3.534511	1.481692	2.04892	
15	2.247253	3.473162	1.477564	2.119482	2.048001	3.085983	1.335992	1.842513	
16	2.010739	3.030542	1.338344	1.91941	1.823746	2.694373	1.204618	1.663468	
17	1.799117	2.644333	1.212242	1.739046	1.636351	2.352458	1.086163	1.501821	
18	1.609768	2.307337	1.098022	1.575663	1.512013	2.028269	0.927192	1.345421	
19	1.587859	2.219756	1.093653	1.541951	1.456418	1.827639	0.844766	1.274546	
20	1.565085	2.135499	1.089302	1.509992	1.390037	1.673439	0.763043	1.19185	
21	1.543211	2.05444	1.084968	1.476737	1.354418	1.534231	0.706083	1.121473	
22	1.521643	1.976458	1.080652	1.445171	1.315415	1.403423	0.652743	1.056657	
23	1.500376	1.901436	1.076353	1.414281	1.278229	1.283659	0.609414	1.00331	
24	1.479406	1.829262	1.07207	1.38405	1.249564	1.162694	0.569096	0.95424	
25	1.458729	1.759827	1.067805	1.354486	1.217403	1.071616	0.527688	0.92089	
26	1.438342	1.69303	1.063557	1.325514	1.191489	1.002525	0.492998	0.89698	
27	1.418238	1.628716	1.059325	1.297181	1.172499	0.942419	0.462202	0.873443	
28	1.398447	1.565694	1.055111	1.269454	1.154924	0.885924	0.432924	0.850316	
29	1.378873	1.50746	1.050913	1.242319	1.138762	0.834216	0.404969	0.827609	
30	1.359601	1.451024	1.046732	1.215764	1.123541	0.787490	0.37814	0.805314	
31	1.351432	1.42258	1.044836	1.198876	1.108251	0.744734	0.352119	0.781185	
32	1.343312	1.395444	1.042942	1.184195	1.093504	0.702029	0.327119	0.758338	
33	1.33524	1.36883	1.041053	1.168719	1.078889	0.661426	0.302119	0.735268	
34	1.327217	1.34272	1.039167	1.153445	1.064141	0.621171	0.277671	0.713021	
35	1.319243	1.31710	1.037284	1.138371	1.049894	0.581365	0.253035	0.691093	
36	1.311316	1.29198	1.035405	1.123494	1.035938	0.541850	0.228811	0.669869	
37	1.303437	1.26733	1.033529	1.108812	1.021089	0.501442	0.204678	0.649279	
38	1.295605	1.24316	1.031656	1.094321	1.006938	0.461850	0.181247	0.629354	
39	1.28782	1.21945	1.029787	1.08002	993328	0.422462	0.158287	0.60964	
40	1.280082	1.19619	1.027921	1.065905	987027	0.383524	0.136233	0.590364	
41	1.272391	1.17337	1.026059	1.051975	976418	0.344632	0.114436	0.571681	
42	1.264745	1.15099	1.0242	1.038227	966485	0.306354	0.092869	0.553034	
43	1.2569613	1.14965	1.023604	1.035589	957179	0.269679	0.071442	0.536206	
44	1.249432	1.14832	1.02301	1.032958	949477	0.234754	0.051371	0.519554	
45	1.2428412	1.14699	1.022415	1.030333	942366	0.201276	0.032167	0.503676	
46	1.236343	1.14566	1.021821	1.027715	935842	0.169366	0.0129949	0.488496	
47	1.230394	1.14434	1.021227	1.025104	929894	0.139171	0.002856	0.473935	
48	1.224265	1.14301	1.020634	1.0225	924425	0.110278	0.001752	0.459452	
49	1.218257	1.14169	1.020041	1.019901	919448	0.083499	0.001295	0.445095	
50	1.212429	1.14037	1.019448	1.017371	914921	0.058121	0.000831	0.430925	
51	1.206731	1.13905	1.018855	1.014723	910454	0.033109	0.000273	0.416954	
52	1.201134	1.13773	1.018263	1.012146	906047	0.008131	0.000178	0.403176	
53	1.195537	1.13641	1.017671	1.009575	901692	0.002324	0.000137	0.389558	
54	1.1904519	1.13510	1.01708	1.007001	897397	0.000631	0.000086	0.376033	
55	1.185374	1.13379	1.016493	1.004426	893152	0.000155	0.000053	0.362652	
56	1.180303	1.13209	1.015906	1.001851	888957	0.000036	0.000028	0.349328	
57	1.175236	1.13038	1.015318	1.000275	884802	0.000016	0.000016	0.336053	
58	1.170175	1.12867	1.014732	0.998703	880697	0.000008	0.000008	0.322828	
59	1.165117	1.12701	1.014146	0.997137	876642	0.000004	0.000004	0.309653	

  

		2008				2009			
Months From Inception	Incurred Loss Development Factors				Incurred Loss Development Factors				
	WC	GL-BI	GL-PD	Auto	WC	GL-BI	GL-PD	Auto	
6	16.92084	138.4684	6.130504	7.811295	16.92084	138.4684	6.130504	7.811295	
7	14.53434	110.4786	5.377254	7.033103	14.53434	110.4786	5.377254	7.033103	
8	12.48442	88.14657	4.716556	6.324338	12.48442	88.14657	4.716556	6.324338	
9	10.72362	70.32872	4.132702	5.733562	10.72362	70.32872	4.132702	5.733562	
10	9.21117	56.11255	3.628722	5.133562	9.21117	56.11255	3.628722	5.133562	
11	7.912031	44.77002	3.182865	4.622136	7.912031	44.77002	3.182865	4.622136	
12	6.796122	35.72026	2.791789	4.161661	6.796122	35.72026	2.791789	4.161661	
13	5.837601	28.49981	2.448764	3.74706	5.837601	28.49981	2.448764	3.74706	
14	5.014268	22.73889	2.147887	3.373763	5.014268	22.73889	2.147887	3.373763	
15	4.307058	18.14248	1.883978	3.037656	4.307058	18.14248	1.883978	3.037656	
16	3.695953	14.47518	1.652495	2.735032	3.695953	14.47518	1.652495	2.735032	
17	3.177804	11.34918	1.449454	2.462558	3.177804	11.34918	1.449454	2.462558	
18	2.729608	9.214643	1.271361	2.217228	2.729608	9.214643	1.271361	2.217228	
19	2.342917	7.477434	1.120163	2.00212	2.342917	7.477434	1.120163	2.00212	
20	2.005978	6.092205	0.990684	1.816662	2.005978	6.092205	0.990684	1.816662	
21	1.777705	5.175237	0.8729063	1.650554	1.777705	5.175237	0.8729063	1.650554	
22	1.599014	4.477002	0.771159	1.5199781	1.599014	4.477002	0.771159	1.5199781	
23	1.452822	3.90368	0.673068	1.41635	1.452822	3.90368	0.673068	1.41635	
24	1.332822	3.49049	0.587198	1.326537	1.332822	3.49049	0.587198	1.326537	
25	1.247662	3.15402	0.5195018	1.247662	1.247662	3.15402	0.5195018	1.247662	
26	1.184959	2.89863	0.464983	1.184959	1.184959	2.89863	0.464983	1.184959	
27	1.138316	2.69627	0.4217406	1.138316	1.138316	2.69627	0.4217406	1.138316	
28	1.096657	2.502559	0.387319	1.096657	1.096657	2.502559	0.387319	1.096657	
29	1.059379	2.327736	0.3537736	1.059379	1.059379	2.327736	0.3537736	1.059379	
30	1.026298	2.1739124	0.322971	1.026298	1.026298	2.1739124	0.322971	1.026298	
31	0.99889	2.039054	0.294984	0.99889	0.99889	2.039054	0.294984	0.99889	
32	0.973861	1.925426	0.270798	0.973861	0.973861	1.925426	0.270798	0.973861	
33	0.95021	1.829498	0.248611	0.95021	0.95021	1.829498	0.248611	0.95021	
34	0.928526	1.74821	0.228486	0.928526	0.928526	1.74821	0.228486	0.928526	
35	0.908526	1.67958	0.210248	0.908526	0.908526	1.67958	0.210248	0.908526	
36	0.89016	1.620398	0.194233	0.89016	0.89016	1.620398	0.194233	0.89016	
37	0.873462	1.573462	0.180133	0.873462	0.873462	1.573462	0.180133	0.873462	
38	0.858263	1.536263	0.167175	0.858263	0.858263	1.536263	0.167175	0.858263	
39	0.844418	1.504418	0.155287	0.844418	0.844418	1.504418	0.155287	0.844418	
40	0.831859	1.477185	0.144418	0.831859	0.831859	1.477185	0.144418	0.831859	
41	0.820418	1.454418	0.134418	0.820418	0.820418	1.454418	0.134418	0.820418	
42	0.810018	1.436018	0.125418	0.810018	0.810018	1.436018	0.125418	0.810018	
43	0.800618	1.422018	0.117418	0.800618	0.800618	1.422018	0.117418	0.800618	
44	0.792218	1.412018	0.110418	0.792218	0.792218	1.412018	0.110418	0.792218	
45	0.784818	1.406018	0.104418	0.784818	0.784818	1.406018	0.104418	0.784818	
46	0.778418	1.400018	0.099418	0.778418	0.778418	1.400018	0.099418	0.778418	
47	0.772018	1.394018	0.094418	0.772018	0.772018	1.394018	0.094418	0.772018	
48	0.765618	1.388018	0.089418	0.765618	0.765618	1.388018	0.089418	0.765618	
49	0.759218	1.382018	0.084418	0.759218	0.759218	1.382018	0.084418	0.759218	
50	0.752818	1.376018	0.079418	0.752818	0.752818	1.376018	0.079418	0.752818	
51	0.746418	1.370018	0.074418	0.746418	0.746418	1.370018	0.074418	0.746418	
52	0.740018	1.364018	0.069418	0.740018	0.740018	1.364018	0.069418	0.740018	
53	0.733618	1.358018	0.064418	0.733618	0.733618	1.358018	0.064418	0.733618	
54	0.727218	1.352018	0.059418	0.727218	0.727218	1.			

**American Water Works Company, Inc.**  
Incurred and Paid Loss Development Factors: Claim Count Development Factors  
Results from Loss Triangles 6/30/2009 (Source: Marsh)

Months From Inception	2009					2008					2008				
	WC	GL-BI	GL-PD	GL-PT	Auto	WC	GL-BI	GL-PD	GL-PT	Auto	WC	GL-BI	GL-PD	GL-PT	Auto
60	1.164463	1.09326	1.013036	1.004502	1.000000	1.339744	1.408163	1.037918	1.078724	1.020333	1.168633	1.10154	1.015251	1.020333	1.020333
61	1.157906	1.08644	1.012364	1.004084	1.000000	1.332316	1.383798	1.035448	1.069063	1.017085	1.161162	1.09707	1.014998	1.017085	1.017085
62	1.151336	1.07962	1.011692	1.003367	1.000000	1.324928	1.338884	1.030286	1.059489	1.010662	1.153739	1.08619	1.014491	1.010662	1.010662
63	1.144922	1.07296	1.01102	1.002833	1.000000	1.317582	1.336325	1.029524	1.059489	1.007403	1.146633	1.08216	1.014491	1.007403	1.007403
64	1.138485	1.06623	1.010349	1.002833	1.000000	1.310276	1.313203	1.028074	1.040596	1.004197	1.139035	1.08377	1.014238	1.004197	1.004197
65	1.132084	1.05958	1.009678	1.002417	1.000000	1.303011	1.290481	1.025628	1.031276	1.001197	1.131753	1.07938	1.013985	1.001197	1.001197
66	1.125719	1.05296	1.009008	1.002000	1.000000	1.295786	1.268152	1.023188	1.022044	1.001197	1.124518	1.07500	1.013732	1.001197	1.001197
67	1.124663	1.05200	1.009008	1.002000	1.000000	1.290221	1.263308	1.022344	1.020355	1.001197	1.123308	1.07375	1.011895	1.001197	1.001197
68	1.123437	1.05105	1.009008	1.002000	1.000000	1.284668	1.258482	1.021492	1.016872	1.001197	1.122121	1.07251	1.008232	1.001197	1.001197
69	1.122367	1.05009	1.009008	1.002000	1.000000	1.279163	1.253674	1.020646	1.016993	1.001197	1.120892	1.07127	1.008232	1.001197	1.001197
70	1.121258	1.04913	1.009008	1.002000	1.000000	1.273967	1.248885	1.0198	1.015316	1.001197	1.119687	1.07003	1.006405	1.001197	1.001197
71	1.120139	1.04818	1.009008	1.002000	1.000000	1.268201	1.244114	1.018954	1.013642	1.001197	1.118482	1.06879	1.004582	1.001197	1.001197
72	1.119025	1.04722	1.009008	1.002000	1.000000	1.262755	1.239361	1.01811	1.01197	1.001197	1.117279	1.06755	1.002761	1.001197	1.001197
73	1.117913	1.04627	1.009008	1.002000	1.000000	1.257332	1.234627	1.017266	1.010302	1.001197	1.116077	1.06631	1.000945	1.001197	1.001197
74	1.116802	1.04531	1.009008	1.002000	1.000000	1.251932	1.229917	1.016423	1.008636	1.001197	1.114876	1.06508	0.999131	1.001197	1.001197
75	1.115690	1.04436	1.009008	1.002000	1.000000	1.246556	1.225212	1.01558	1.006973	1.001197	1.113677	1.06384	0.997321	1.001197	1.001197
76	1.114584	1.043408	1.009008	1.002000	1.000000	1.241203	1.220532	1.014739	1.005313	1.001197	1.112479	1.062613	0.995514	1.001197	1.001197
77	1.113477	1.042457	1.009008	1.002000	1.000000	1.235873	1.215869	1.013897	1.003655	1.001197	1.111282	1.061382	0.993971	1.001197	1.001197
78	1.112371	1.041508	1.009008	1.002000	1.000000	1.230566	1.211224	1.013057	1.002	1.001197	1.110087	1.060153	0.99191	1.001197	1.001197
79	1.111265	1.040551	1.009008	1.002000	1.000000	1.225158	1.197457	1.012252	1.001833	1.001197	1.108931	1.058794	0.992241	1.001197	1.001197
80	1.110159	1.039591	1.009008	1.002000	1.000000	1.221766	1.184024	1.011248	1.001666	1.001197	1.107811	1.05759	0.992573	1.001197	1.001197
81	1.109052	1.03863	1.009008	1.002000	1.000000	1.21739	1.170654	1.010543	1.0015	1.001197	1.106723	1.05629	0.992904	1.001197	1.001197
82	1.107945	1.03767	1.009008	1.002000	1.000000	1.213029	1.157435	1.009839	1.001333	1.001197	1.105669	1.05503	0.993236	1.001197	1.001197
83	1.106838	1.03671	1.009008	1.002000	1.000000	1.208684	1.144365	1.009135	1.001166	1.001197	1.104611	1.05378	0.993568	1.001197	1.001197
84	1.105731	1.03575	1.009008	1.002000	1.000000	1.204355	1.131442	1.008432	1.001	1.001197	1.103563	1.05249	0.993939	1.001197	1.001197
85	1.104624	1.03479	1.009008	1.002000	1.000000	1.200041	1.118666	1.007628	1.000833	1.001197	1.102511	1.05124	0.994324	1.001197	1.001197
86	1.103517	1.03383	1.009008	1.002000	1.000000	1.195743	1.106033	1.006925	1.000666	1.001197	1.101464	1.05007	0.994696	1.001197	1.001197
87	1.102410	1.03287	1.009008	1.002000	1.000000	1.19146	1.093544	1.006252	1.0005	1.001197	1.100417	1.04891	0.995068	1.001197	1.001197
88	1.101303	1.03191	1.009008	1.002000	1.000000	1.187192	1.081965	1.005521	1.000333	1.001197	1.099370	1.04774	0.995442	1.001197	1.001197
89	1.100196	1.03095	1.009008	1.002000	1.000000	1.18294	1.069966	1.004717	1.000167	1.001197	1.098323	1.04657	0.995823	1.001197	1.001197
90	1.099089	1.03000	1.009008	1.002000	1.000000	1.178703	1.058915	1.004015	1.000	1.001197	1.097276	1.04540	0.996193	1.001197	1.001197
91	1.097982	1.02905	1.009008	1.002000	1.000000	1.174528	1.048074	1.003283	0.999583	1.001197	1.096229	1.04423	0.996563	1.001197	1.001197
92	1.096875	1.02810	1.009008	1.002000	1.000000	1.170364	1.037241	1.002551	0.999171	1.001197	1.095181	1.04306	0.996933	1.001197	1.001197
93	1.095768	1.02715	1.009008	1.002000	1.000000	1.166209	1.026486	1.001846	0.998793	1.001197	1.094134	1.04189	0.997299	1.001197	1.001197
94	1.094661	1.02620	1.009008	1.002000	1.000000	1.162054	1.015741	1.001117	0.998417	1.001197	1.093087	1.04072	0.997663	1.001197	1.001197
95	1.093554	1.02525	1.009008	1.002000	1.000000	1.157900	1.005033	1.000442	0.997993	1.001197	1.092040	1.03955	0.998033	1.001197	1.001197
96	1.092447	1.02430	1.009008	1.002000	1.000000	1.153745	0.994323	1.000000	0.997506	1.001197	1.091000	1.03840	0.998400	1.001197	1.001197
97	1.091340	1.02335	1.009008	1.002000	1.000000	1.149590	0.983610	0.999512	0.997019	1.001197	1.089959	1.03725	0.998771	1.001197	1.001197
98	1.090233	1.02240	1.009008	1.002000	1.000000	1.145435	0.972903	0.999025	0.996534	1.001197	1.088918	1.03610	0.999141	1.001197	1.001197
99	1.089126	1.02145	1.009008	1.002000	1.000000	1.141280	0.962196	0.998539	0.996047	1.001197	1.087877	1.03495	0.999514	1.001197	1.001197
100	1.088019	1.02050	1.009008	1.002000	1.000000	1.137125	0.951489	0.998054	0.995560	1.001197	1.086836	1.03380	0.999883	1.001197	1.001197
101	1.086912	1.01955	1.009008	1.002000	1.000000	1.132970	0.940782	0.997565	0.995073	1.001197	1.085795	1.03265	0.999993	1.001197	1.001197
102	1.085805	1.01860	1.009008	1.002000	1.000000	1.128815	0.930075	0.997076	0.994582	1.001197	1.084754	1.03150	0.999993	1.001197	1.001197
103	1.084698	1.01765	1.009008	1.002000	1.000000	1.124660	0.919368	0.996587	0.994091	1.001197	1.083713	1.03035	0.999993	1.001197	1.001197
104	1.083591	1.01670	1.009008	1.002000	1.000000	1.120505	0.908661	0.996092	0.993600	1.001197	1.082672	1.02920	0.999993	1.001197	1.001197
105	1.082484	1.01575	1.009008	1.002000	1.000000	1.116350	0.897944	0.995603	0.993109	1.001197	1.081631	1.02805	0.999993	1.001197	1.001197
106	1.081377	1.01480	1.009008	1.002000	1.000000	1.112195	0.887227	0.995114	0.992618	1.001197	1.080590	1.02690	0.999993	1.001197	1.001197
107	1.080270	1.01385	1.009008	1.002000	1.000000	1.108040	0.876510	0.994625	0.992127	1.001197	1.079549	1.02575	0.999993	1.001197	1.001197
108	1.079163	1.01290	1.009008	1.002000	1.000000	1.103885	0.865793	0.994134	0.991636	1.001197	1.078508	1.02460	0.999993	1.001197	1.001197
109	1.078056	1.01195	1.009008	1.002000	1.000000	1.100000	0.855076	0.993643	0.991145	1.001197	1.077467	1.02345	0.999993	1.001197	1.001197
110	1.076949	1.01100	1.009008	1.002000	1.000000	1.096145	0.844359	0.993152	0.990654	1.001197	1.076426	1.02230	0.999993	1.001197	1.001197
111	1.075842	1.01005	1.009008	1.002000	1.000000	1.092290	0.833642	0.992661	0.990163	1.001197	1.075385	1.02115	0.999993	1.001197	1.001197
112	1.074735	1.00910	1.009008	1.002000	1.000000	1.088435	0.822925	0.992170	0.989672	1.001197	1.074344	1.02000	0.999993	1.001197	1.001197
113	1.073628	1.00815	1.009008	1.002000	1.000000	1.084580	0.812208	0.991679	0.989181	1.001197	1.073303	1.01885	0.999993	1.001197	1.001197
114	1.072521	1.00720	1.009008	1.002000	1.000000	1.080725	0.801491	0.991186	0.988693	1.001197	1.072262	1.01770	0.999993	1.001197	1.001197
115	1.071414	1.00625	1.009008	1.002000	1.000000	1.076870	0.790774	0.990691	0.988204	1.001197	1.071221	1.01655	0.999993	1.001197	1.001197
116	1.070307	1.00530	1.009008	1.002000	1.000000	1.073015	0.780057	0.990196	0.987715	1.001197	1.070180	1.01540	0.999993	1.001197	1.001197
117	1.069200	1.00435	1.009008	1.002000	1.000000	1.069160	0.769340	0.989693	0.987226	1.001197	1.069139	1.01425	0.999993	1.001197	1.001197
118	1.068093	1.00340	1.009008</												

**American Water Works Company, Inc.**  
Incurred and Paid Loss Development Factors: Claim Count Development Factors  
Results from Loss Triangles 6/30/2009 ( Source: Marsh)

Months From Inception	2009				2008				2008				2008			
	WC	GL-BI	GL-PD	Auto	WC	GL-BI	GL-PD	Auto	WC	GL-BI	GL-PD	Auto	WC	GL-BI	GL-PD	Auto
120	0.956876	1.007011	1.004996	1.002	1.108778	1.009516	1.0015	1	0.973694	1.005008	0.993933	1	1.119131	1.011027	1.0005	1
121	0.993991	1.006509	1.004329	1.002	1.107495	1.008763	1.001417	1	0.971613	1.00484	0.993109	1	1.117835	1.010189	1.000417	1
122	0.992109	1.006007	1.003862	1.002	1.106212	1.00801	1.001334	1	0.969537	1.004673	0.992286	1	1.116341	1.009351	1.000333	1
123	0.992031	1.005506	1.002996	1.002	1.104931	1.007258	1.00125	1	0.967466	1.004506	0.991463	1	1.115248	1.008515	1.000225	1
124	0.988356	1.005005	1.002333	1.002	1.103652	1.006506	1.001167	1	0.965399	1.004338	0.990642	1	1.113957	1.007679	1.000167	1
125	0.986485	1.004504	1.001665	1.002	1.102374	1.005755	1.001083	1	0.963336	1.004171	0.989882	1	1.112667	1.006844	1.000083	1
126	0.984617	1.004003	1.001166	1.002	1.101097	1.005004	1.001	1	0.961278	1.004004	0.989	1	1.111379	1.006009	1	1
127	0.982812	1.003502	1.000668	1.002	1.099828	1.00467	1.001	1	0.959336	1.003837	0.989012	1	1.110551	1.005674	1	1
128	0.981015	1.003021	1.000233	1.002	1.098615	1.004336	1.001	1	0.957363	1.003603	0.98825	1	1.109418	1.005304	1	1
129	0.979263	1.00251	1.000017	1.002	1.097448	1.004002	1.001	1	0.955404	1.003376	0.98759	1	1.108292	1.005006	1	1
130	0.977511	1.00201	1.000017	1.002	1.096287	1.003668	1.001	1	0.953451	1.003169	0.98683	1	1.107174	1.004671	1	1
131	0.975759	1.00151	1.000017	1.002	1.095126	1.003334	1.001	1	0.951498	1.002952	0.98598	1	1.106056	1.004337	1	1
132	0.974007	1.00101	1.000017	1.002	1.093969	1.003001	1.001	1	0.949545	1.002735	0.98513	1	1.104941	1.004003	1	1
133	0.972255	1.00051	1.000017	1.002	1.092812	1.002666	1.001	1	0.947592	1.002518	0.98428	1	1.103826	1.003668	1	1
134	0.970503	1.00001	1.000017	1.002	1.091655	1.002333	1.001	1	0.945639	1.002301	0.98343	1	1.102711	1.003334	1	1
135	0.968751	1.00001	1.000017	1.002	1.090498	1.002000	1.001	1	0.943686	1.002084	0.98258	1	1.101596	1.003001	1	1
136	0.967000	1.00001	1.000017	1.002	1.089341	1.001666	1.001	1	0.941733	1.001867	0.98173	1	1.100481	1.002668	1	1
137	0.965248	1.00001	1.000017	1.002	1.088184	1.001333	1.001	1	0.939780	1.001649	0.98088	1	1.099366	1.002334	1	1
138	0.963496	1.00001	1.000017	1.002	1.087027	1.001000	1.001	1	0.937827	1.001432	0.98003	1	1.098251	1.002001	1	1
139	0.961744	1.00001	1.000017	1.002	1.085870	1.000666	1.001	1	0.935874	1.001215	0.97918	1	1.097136	1.001672	1	1
140	0.960000	1.00001	1.000017	1.002	1.084713	1.000333	1.001	1	0.933921	1.001000	0.97833	1	1.096021	1.001343	1	1
141	0.958256	1.00001	1.000017	1.002	1.083556	1.000000	1.001	1	0.931968	1.000783	0.97748	1	1.094906	1.001014	1	1
142	0.956504	1.00001	1.000017	1.002	1.082399	1.000000	1.001	1	0.930015	1.000566	0.97663	1	1.093791	1.000685	1	1
143	0.954752	1.00001	1.000017	1.002	1.081242	1.000000	1.001	1	0.928062	1.000349	0.97578	1	1.092676	1.000356	1	1
144	0.953000	1.00001	1.000017	1.002	1.080085	1.000000	1.001	1	0.926109	1.000132	0.97493	1	1.091561	1.000027	1	1
145	0.951248	1.00001	1.000017	1.002	1.078928	1.000000	1.001	1	0.924156	1.000000	0.97408	1	1.090446	1.000000	1	1
146	0.949496	1.00001	1.000017	1.002	1.077771	1.000000	1.001	1	0.922203	1.000000	0.97323	1	1.089331	1.000000	1	1
147	0.947744	1.00001	1.000017	1.002	1.076614	1.000000	1.001	1	0.920250	1.000000	0.97238	1	1.088216	1.000000	1	1
148	0.945992	1.00001	1.000017	1.002	1.075457	1.000000	1.001	1	0.918297	1.000000	0.97153	1	1.087101	1.000000	1	1
149	0.944240	1.00001	1.000017	1.002	1.074300	1.000000	1.001	1	0.916344	1.000000	0.97068	1	1.085986	1.000000	1	1
150	0.942488	1.00001	1.000017	1.002	1.073143	1.000000	1.001	1	0.914391	1.000000	0.96983	1	1.084871	1.000000	1	1
151	0.940736	1.00001	1.000017	1.002	1.071986	1.000000	1.001	1	0.912438	1.000000	0.96898	1	1.083756	1.000000	1	1
152	0.938984	1.00001	1.000017	1.002	1.070829	1.000000	1.001	1	0.910485	1.000000	0.96813	1	1.082641	1.000000	1	1
153	0.937232	1.00001	1.000017	1.002	1.069672	1.000000	1.001	1	0.908532	1.000000	0.96728	1	1.081526	1.000000	1	1
154	0.935480	1.00001	1.000017	1.002	1.068515	1.000000	1.001	1	0.906579	1.000000	0.96643	1	1.080411	1.000000	1	1
155	0.933728	1.00001	1.000017	1.002	1.067358	1.000000	1.001	1	0.904626	1.000000	0.96558	1	1.079296	1.000000	1	1
156	0.931976	1.00001	1.000017	1.002	1.066201	1.000000	1.001	1	0.902673	1.000000	0.96473	1	1.078181	1.000000	1	1
157	0.930224	1.00001	1.000017	1.002	1.065044	1.000000	1.001	1	0.900720	1.000000	0.96388	1	1.077066	1.000000	1	1
158	0.928472	1.00001	1.000017	1.002	1.063887	1.000000	1.001	1	0.898767	1.000000	0.96303	1	1.075951	1.000000	1	1
159	0.926720	1.00001	1.000017	1.002	1.062730	1.000000	1.001	1	0.896814	1.000000	0.96218	1	1.074836	1.000000	1	1
160	0.924968	1.00001	1.000017	1.002	1.061573	1.000000	1.001	1	0.894861	1.000000	0.96133	1	1.073721	1.000000	1	1
161	0.923216	1.00001	1.000017	1.002	1.060416	1.000000	1.001	1	0.892908	1.000000	0.96048	1	1.072606	1.000000	1	1
162	0.921464	1.00001	1.000017	1.002	1.059259	1.000000	1.001	1	0.890955	1.000000	0.95963	1	1.071491	1.000000	1	1
163	0.919712	1.00001	1.000017	1.002	1.058102	1.000000	1.001	1	0.889002	1.000000	0.95878	1	1.070376	1.000000	1	1
164	0.917960	1.00001	1.000017	1.002	1.056945	1.000000	1.001	1	0.887049	1.000000	0.95793	1	1.069261	1.000000	1	1
165	0.916208	1.00001	1.000017	1.002	1.055788	1.000000	1.001	1	0.885096	1.000000	0.95708	1	1.068146	1.000000	1	1
166	0.914456	1.00001	1.000017	1.002	1.054631	1.000000	1.001	1	0.883143	1.000000	0.95623	1	1.067031	1.000000	1	1
167	0.912704	1.00001	1.000017	1.002	1.053474	1.000000	1.001	1	0.881190	1.000000	0.95538	1	1.065916	1.000000	1	1
168	0.910952	1.00001	1.000017	1.002	1.052317	1.000000	1.001	1	0.879237	1.000000	0.95453	1	1.064801	1.000000	1	1
169	0.909200	1.00001	1.000017	1.002	1.051160	1.000000	1.001	1	0.877284	1.000000	0.95368	1	1.063686	1.000000	1	1
170	0.907448	1.00001	1.000017	1.002	1.050003	1.000000	1.001	1	0.875331	1.000000	0.95283	1	1.062571	1.000000	1	1
171	0.905696	1.00001	1.000017	1.002	1.048846	1.000000	1.001	1	0.873378	1.000000	0.95198	1	1.061456	1.000000	1	1
172	0.903944	1.00001	1.000017	1.002	1.047689	1.000000	1.001	1	0.871425	1.000000	0.95113	1	1.060341	1.000000	1	1
173	0.902192	1.00001	1.000017	1.002	1.046532	1.000000	1.001	1	0.869472	1.000000	0.95028	1	1.059226	1.000000	1	1
174	0.900440	1.00001	1.000017	1.002	1.045375	1.000000	1.001	1	0.867519	1.000000	0.94943	1	1.058111	1.000000	1	1
175	0.898688	1.00001	1.000017	1.002	1.044218	1.000000	1.001	1	0.865566	1.000000	0.94858	1	1.057000	1.000000	1	1
176	0.896936	1.00001	1.000017	1.002	1.043061	1.000000	1.001	1	0.863613	1.000000	0.94773	1	1.055889	1.000000	1	1
177	0.895184	1.00001	1.000017	1.002	1.041904	1.000000	1.001	1	0.861660	1.000000	0.94688	1	1.054778	1.000000	1	1
178	0.893432	1.00001	1.000017	1.002	1.040747	1.000000	1.001	1	0.859707	1.000000	0.94603	1	1.053667	1.000000	1	1
179	0.891680	1.00001	1.000017	1.002	1.039590	1.000000	1.001	1	0.857754	1.000000	0.94518	1	1.052556	1.000000	1	1

Incurred Loss Development Factors Variance				Incurred Loss Development Factors Variance				Incurred Loss Development Factors Variance			
WC	GL-BI	GL-PD	Auto	WC	GL-BI	GL-PD	Auto	WC	GL-BI	GL-PD	Auto
-2.23%	-0.20%	-1.10%	-0.20%	-2.25%	-0.17%	-1.12%	-0.20%	-2.30%	-0.10%	-1.15%	-0.20%
-2.28%	-0.13%	-1.13%	-0.20%	-2.35%	-0.07%	-1.17%	-0.20%	-2.40%	-0.03%	-1.18%	-0.20%
-2.32%	-0.03%	-1.18%	-0.20%	-2.37%	0.00%	-1.19%	-0.20%	-2.42%	0.01%	-1.20%	-0.20%
-2.33%	0.01%	-1.11%	-0.20%	-2.29%	0.02%	-1.03%	-0.20%	-2.25%	0.03%	-0.93%	-0.20%
-2.20%	0.03%	-0.83%	-0.20%	-2.16%	0.04%	-0.74%	-0.20%	-2.12%	0.06%		

**American Water Works Company, Inc.**  
**Incurred and Paid Loss Development Factors: Claim Count Development Factors**  
**Results from Loss Triangles 6/30/2009 ( Source: Marsh)**

Months From Inception	2009				2009				2008				2008			
	WC	GL-BI	GL-PD	Auto	WC	GL-BI	GL-PD	Auto	WC	GL-BI	GL-PD	Auto	WC	GL-BI	GL-PD	Auto
180	1.0005	1	1	1.001	1.015539	1	1	1	1.001	1.001	1	1	1.007968	1	1	1
181	1.000417	1	1	1.000833	1.014781	1	1	1	1.000833	1.000833	1	1	1.006636	1	1	1
182	1.000333	1	1	1.000666	1.014024	1	1	1	1.000666	1.000666	1	1	1.005305	1	1	1
183	1.00025	1	1	1.0005	1.013267	1	1	1	1.0005	1.0005	1	1	1.003976	1	1	1
184	1.000167	1	1	1.000333	1.012511	1	1	1	1.000333	1.000333	1	1	1.002649	1	1	1
185	1.000083	1	1	1.000167	1.011755	1	1	1	1.000167	1.000167	1	1	1.001324	1	1	1

Incurred Loss Development Factors Variance			
WC	GL-BI	GL-PD	Auto
0.05%	0.10%	0.00%	-0.10%
0.04%	0.08%	0.00%	-0.08%
0.03%	0.07%	0.00%	-0.07%
0.02%	0.05%	0.00%	-0.05%
0.01%	0.02%	0.00%	-0.02%

Paid Loss Development Factors			
WC	GL-BI	GL-PD	Auto
1.007968	1	1	1
1.006636	1	1	1
1.005305	1	1	1
1.003976	1	1	1
1.002649	1	1	1
1.001324	1	1	1

**ILLINOIS-AMERICAN WATER COMPANY**  
**RESPONSE TO OFFICE OF THE ATTORNEY GENERAL**  
**DATA REQUEST NUMBER AG 8.3**

Witness Responsible:	<u>Tyler Bernsen</u>
Title:	<u>Financial Analyst II</u>
Phone No.:	<u>(314) 996-2366</u>
Date Received:	<u>October 1, 2009</u>
Docket No.:	<u>09-0319</u>

**AG 8.3**

Insurance Other Than Group.

- a. Refer to Schedule G-1, line 18, Insurance Other Than Group. Please identify, quantify and explain in detail why the 2007 and 2008 actual amounts were so much under the planned amounts in each of these years.
- b. Refer to Schedule G-9, page 2, account 657, Insurance General Liability. Are the "Quarterly Retroactive adjustments" the same thing as the "Retrospective Adjustment" on IAWC Schedule C-17 First Revised? If not, explain fully how these are different.
- c. Please identify, quantify and explain all Retrospective Adjustments (a) for each year 2000 through 2008, (b) separately, year-to-date 2009 and (c ) separately for the 12 months ending June 30, 2009, for (1) American Water Works in total and (2) as allocated to IAWC each year or period.
- d. Please identify, quantify and explain all Retroactive Adjustments (a) for each year 2000 through 2008, (b) separately, year-to-date 2009 and (c ) separately for the 12 months ending June 30, 2009, for (1) American Water Works in total and (2) as allocated to IAWC each year or period.

**RESPONSE:**

- a. The variance of \$1.6 million for 2008 is as follows; Retrospective Accrual adjustments \$0.7 million; Variance due to lower claim volume (and average cost). Additionally, premiums were lower by \$0.9 million due to favorable insurance market conditions earlier in the year holding down General Liability insurance premiums \$0.5 million, and Workers Compensation \$0.4 million. The variance of \$0.9 million for 2007 is as follows: Workers Comp \$0.2 million; Variance related to higher capitalization of Insurance resulting in lower expenses. Additionally, Property Insurance lower premiums were related to favorable claim value/volumes during the year of \$0.7 million.
- b. Yes. The correct terminology is Retrospective Accrual which is a prospective review of expected future insurance claims cost based upon current Insurance Other Than Group (IOTG) Insurance cost for General Liability, Auto Liability, and Workers Compensation, utilizing most recent available Loss Development Factors, and current claims experience. This review results in an adjustment to annual IOTG expense. See LHW 10.01.

**ILLINOIS-AMERICAN WATER COMPANY  
RESPONSE TO ILLINOIS ATTORNEY GENERAL  
DATA REQUEST NUMBER AG 8.3  
PAGE 2**

- c. Retrospective Adjustments (which are different from Retrospective Accruals discussed in (b)) review adequacy of loss funds to settle historical open and incurred but not reported claims since 1975. The claims from this period will have matured and developed. The Retrospective Adjustments from the older years are expected to fluctuate less.

Due to the significant premium shortfalls for the policy periods from 10/1/97-10/1/98 to 10/1/01 to 10/1/02, retrospective premium adjustments were not completed from 2001 until 2007. A retrospective return premium was issued in 2007 to the Company for \$4,597,345 for policy period from 1975 to 2006. IAWC received \$382,829.08

In 2008, a retrospective return premium of \$547,835 was returned to the Company. IAWC received \$29,071.46.

For 2009, the insurance company determined an additional premium of \$100,680 is due. This is subject to ongoing negotiations. None of the contributions or payments reflected in (c) and (d) are reflected in the current case.

- d. Beginning 2000 to 2001, the Company's insurance broker determined that IOTG premiums collected for policy periods from 10/1/97-10/1/98 to 10/1/01 to 10/1/02 were significantly underfunded to pay for expected total incurred claims in future years. A Retrospective Accrual process was initiated to fund \$19,360,236 expected additional premium adjustments. Quarterly installment payments were initiated beginning January 1, 2001 and were paid through October, 1, 2005. The following additional premiums were paid to the Travelers Insurance Company:

2000 year data is not available.

Initial Accrual for All American Water

<u>Policy Period</u>	<b>Total To Be Collected</b>
10/1/97-98	<b>516,571.00</b>
10/1/98-99	<b>5,469,303.00</b>
10/1/99-00	<b>4,226,445.90</b>
10/1/00-01	<b>4,254,160.00</b>
10/1/01-02	<b>4,893,756.00</b>
<b>Total To Be Collected</b>	<b>19,360,236</b>

**ILLINOIS-AMERICAN WATER COMPANY  
RESPONSE TO ILLINOIS ATTORNEY GENERAL  
DATA REQUEST NUMBER AG 8.3  
PAGE 3**

IAWC contributed the following from 2001 to 2005:

	<u>Policy Period</u>	<u>Total To Be Paid</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>Check Sum</u>
<b>IL</b>								
<b>AWC</b>	10/1/97-98	(48,800.00)	(24,399.72)	(24,400.04)				(48,799.76)
	10/1/98-99	521,171.00	173,723.64	173,723.68	173,723.68			521,171.00
	10/1/99-00	449,754.97		149,920.00	149,920.00	149,920.00		449,760.00
	10/1/00-01	421,766.00		52,720.00	116,464.92	105,440.00	105,440.00	380,064.92 *
	10/1/01-02	<u>430,535.32</u>	<u>                    </u>	<u>273,346.00</u>	<u>42,869.81</u>	<u>57,159.75</u>	<u>57,159.75</u>	<u>430,535.32</u>
	Total	1,774,427.29	149,323.92	625,309.64	482,978.41	312,519.75	162,599.75	1,732,731.48

10/1/00-01 premiums collection was incomplete. All other policy periods premiums collected in 2005 . Only premium balance to be collected in 2006 was for 10/1/00-10/1/01.

\* Insurance company agreed to waive collecting this premium.

**Date Response Provided: October 14, 2009**

**Responses of the People of the State of Illinois  
to IAWC Second Set of Data Requests, Numbers 2.13-2.42.  
ICC Docket 09-0319  
October 22, 2009**

IAWC-AG 2.38        On page 49, lines 1051-52, Mr. Smith recommends that “the affiliated management fees be limited to a 5% increase over the amount allowed in the prior case.”

Explain the basis for that recommendation (including but not limited to the basis for Mr. Smith’s selection of 5% as an appropriate increase), and identify and produce all Documents that Mr. Smith relies on to support this recommendation.

RESPONSE:

The People of the State of Illinois object to this data request to the extent it is overbroad, unduly burdensome, and/or not reasonably calculated to lead to the discovery of admissible evidence. In particular, and without limitation, the People of the State of Illinois object to the extent this data request seeks documents or information beyond the scope of their testimony in this proceeding.

The People of the State of Illinois object to this data request to the extent it seeks documents or information that, by reason of filing with public agencies or otherwise, are in the public domain, are otherwise publicly accessible.

The People of the State of Illinois object to this data request to the extent it seeks documents or information that are in the Company’s possession or were produced by the Company in the context of this docket.

Without waiving the objections, the following response is provided:

IAWC’s Schedule G-5 First Revised, at page 8, replaced the designation “Management Fees” with “Business Support Services” and increased the amount requested from \$22,015,202 in the original filing to a new amount of \$22,560,025, an increase of \$544,823. This \$22,560,025 that is now requested by IAWC does not include \$263,137 for costs that were transferred to Customer Accounting expense and \$20,106 for costs that were transferred to Miscellaneous Expense and is an increase of \$2,438,861 or 12.1% from its planned 2009 expense.

IAWC has removed \$1,423,968 from this amount to remove Service Company incentive compensation expense that is not allowable for ratemaking purposes. After removal of the incentive compensation, IAWC is requesting expense for affiliate Management Fees of \$21,167,057. This is a substantial increase from the June 30, 2009 test year expense of \$18,523,751, which included expense for incentive compensation that has been removed for ratemaking purposes in this case. After removing incentive compensation, the amount of affiliate Management Fee charges from Docket No. 07-0507 is approximately \$17.251 million.

IAWC’s revised requested amount of \$21.136 million for “Business Support Services” is an increase of \$3.885 million or 22.5% over the affiliate Management Fee charges from the prior rate case, which had used a test year ended June 30, 2009 only 18 months before the December

**Responses of the People of the State of Illinois  
to IAWC Second Set of Data Requests, Numbers 2.13-2.42.  
ICC Docket 09-0319  
October 22, 2009**

31, 2010 test year in this case. IAWC has not justified or demonstrated to be reasonable an affiliated charge expense increase of \$3.885 million or 22.5% from the authorized test year ended June 30, 2009 level, especially in the current economic situation.

Mr. Smith has recommended that the affiliated management fees be limited to a 5% increase over the amount allowed in the prior case (i.e., a 5% increase over the \$17.251 million amount from Docket No. 07-0507 that excludes affiliate Service Company incentive compensation). The 5% is based on limiting the shockingly high 22.5% increase of this affiliate expense contained in the Company's filing to a more reasonable level. As recognized in the Hewitt "U.S. Salary Increase Survey, Survey Findings: 2009 and 2010" (August 2009)<sup>13</sup> at page vii "we can expect to see continued low salary increase projections through 2010" and "There will be long-term pressure to keep salary increases low and 2010 will not be a year with loose purse strings."

Upon further examination, the 5% increase is probably somewhat overly generous in comparison with the overall 2009 and 2010 overall salary increase budgets, merit increase budgets, general salary increase budgets, salary structure increase budgets including and excluding zero/negative percents reported on pages 2-3 of the Hewitt study, and with respect to the Escalation Memo of the California PUC's Division of Ratepayer Advocates that was attached in AG Exhibit 1.2, It is under consideration for a potential further reduction at a later point, when rebuttal testimony is filed. The 5% proposed allowed increase over the prior case approved amount is roughly equivalent to an annual labor rate increase of approximately 3.3% over an 18 month (1.5 year) period. Also see AG Exhibits 1.0, 1.1 and 1.2 and the response to IAWC AG 2.05.

**Responsible witness:** Ralph Smith, Senior Regulatory Consultant, Larkin & Associates PLLC.

---

<sup>13</sup> American Water Works Company participated in that study and thus should have been provided a copy by Hewitt of this public document.

**ILLINOIS-AMERICAN WATER COMPANY**  
**RESPONSE TO OFFICE OF THE ATTORNEY GENERAL**  
**DATA REQUEST NUMBER AG 8.1**

Witness Responsible:	<u>Edward J. Grubb</u>
Title:	<u>Director, Rates &amp; Regulation</u>
Phone No.:	<u>(618) 239-3209</u>
Date Received:	<u>October 1, 2009</u>
Docket No.:	<u>09-0319</u>

**AG 8.1**

Refer to the Company's Schedule C-2 Second Revised.

- a. Please confirm that IAWC has made no allocation of AWWSC management fee expense to Chicago Metro Waste Water. If this cannot be confirmed, please identify, quantify and explain all AWWSC management fee expense that IAWC has allocated to Chicago Metro Waste Water and show in detail how the allocation was made. If this is confirmed, please explain fully why IAWC has not allocated AWWSC management fee expense to Chicago Metro Waste Water.
- b. Does Chicago Metro Waste Water use AWWSC services? If not, explain fully why not.

**RESPONSE:**

- a. IAWC has made no allocation of AWWSC management fee expense to Chicago Metro Waste Water customers. In Chicago Metro, management fee expense was allocated to Chicago Metro Water customers in the cost of service study. The allocation reflects the fact that many of the IAWC water customers in the Chicago Metro areas are also sewer customers, and those combined customers receive the benefit of management expense related to both Chicago Metro Water and Chicago Metro Waste Water. The allocation has the benefit of reducing the level of the requested rate increase for Chicago Metro Waste Water service.
- b. Yes.

**Attachment:**

**Date Response Provided:** October 9, 2009

**ILLINOIS-AMERICAN WATER COMPANY**  
**RESPONSE TO ILLINOIS INDUSTRIAL WATER CONSUMERS**  
**DATA REQUEST NUMBER IIWC 3-5**

Witness Responsible:	<u>Edward J. Grubb</u>
Title:	<u>Director of Finance</u>
Phone No.:	<u>(618) 239-3209</u>
Date Received:	<u>November 4, 2009</u>
Docket No.:	<u>09-0319</u>

**IIWC 3-5**

Please provide the October 2009 usage for U.S. Steel. Please update this data request response for the remainder of this docket as additional actual monthly usages become available to Illinois-American.

**RESPONSE**

The actual water usage by U.S. Steel for October 2009 was 161,136 CCF. The Company will provide the additional actual monthly water usages as it becomes available.

**Date Response Provided:** November 11, 2009