

Illinois American Water Company

Cost Benefit Analysis of Refinancing IAWC 9.63% Taxable Bond

Expected Refund Date	3/30/2011
Maturity of Bond	2/1/2019
Bond Notional Amount	\$6,000,000
Old Coupon	9.630%
New Coupon	6.500%
Average life of bond	7.8
Duration of new bond	30.0
Annual interest of old bond	(\$577,800)
Annual interest of new bond	(\$390,000)
Annual savings	<u>\$187,800</u>
PV of Savings	\$2,452,419
Underwriter's Discount @\$5.00/\$1,000	(\$30,000)
Underwriter's Counsel	(\$8,000)
Trustee	(\$2,000)
Trustee Counsel	(\$3,200)
Company Counsel	(\$3,200)
Rating cost- Moodys	(\$27,000)
Rating cost - S&P	(\$29,000)
Printing & Miscellaneous	(\$2,000)
PWC fee	(\$30,000)
SEC Fee	(\$4,000)
Call Premium	\$0
Miscellaneous expenses	(\$20,000)
Total Issuance cost	<u>(\$158,400)</u>
Net PV of Savings	<u>\$2,314,019</u>
Payback Period	0.8