

Illinois-American Water Company

Rate of Return

<u>Line</u>	<u>Description</u>	<u>Amount (000)</u> (1)	<u>Weight</u> (2)	<u>Cost</u> (3)	<u>Weighted Cost</u> (4)
1	Long-Term Debt	\$ 393,852	48.90%	6.07%	2.97%
2	Short-Term Debt	2,068	0.26%	0.76%	0.00%
3	Common Equity	<u>409,476</u>	<u>50.84%</u>	9.30%	<u>4.73%</u>
4	Total	\$ 805,396	100.00%		7.70%

Source:

Schedule D-1, Page 1 of 7.

Illinois-American Water Company

Docket No. 11-0767 Treasury and Utility Bond Yields

<u>Line</u>	<u>Date</u>	<u>Treasury Bond Yield¹</u> (1)	<u>"A" Rated Utility Bond Yield²</u> (2)	<u>"Baa" Rated Utility Bond Yield²</u> (3)
1	02/17/12	3.12%	4.40%	5.07%
2	02/10/12	3.13%	4.37%	5.00%
3	02/03/12	3.02%	4.42%	5.09%
4	01/27/12	3.12%	4.35%	5.04%
5	01/20/12	3.00%	4.40%	5.10%
6	01/13/12	2.98%	4.22%	4.95%
7	01/06/12	3.02%	4.35%	5.10%
8	12/30/11	2.94%	4.24%	4.99%
9	12/23/11	2.95%	4.42%	5.18%
10	12/16/11	2.95%	4.21%	4.93%
11	12/09/11	3.05%	4.45%	5.17%
12	12/02/11	3.02%	4.36%	5.09%
13	11/25/11	2.90%	4.19%	4.90%
14	13-Wk Average	3.02%	4.34%	5.05%
15	Spread		1.32%	2.03%

Sources:

¹ St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org>.

² www.moodys.com, Bond Yields and Key Indicators.

Illinois-American Water Company

Docket No. 09-0319 Treasury and Utility Bond Yields

<u>Line</u>	<u>Date</u>	<u>Treasury Bond Yield¹</u> (1)	<u>"A" Rated Utility Bond Yield²</u> (2)	<u>"Baa" Rated Utility Bond Yield²</u> (3)
1	04/09/10	4.78%	5.90%	6.26%
2	04/02/10	4.76%	5.98%	6.33%
3	03/26/10	4.68%	5.93%	6.30%
4	03/19/10	4.59%	5.77%	6.16%
5	03/12/10	4.67%	5.83%	6.21%
6	03/05/10	4.58%	5.86%	6.25%
7	02/26/10	4.62%	5.77%	6.17%
8	02/19/10	4.70%	5.95%	6.36%
9	02/12/10	4.62%	5.93%	6.30%
10	02/05/10	4.55%	5.74%	6.10%
11	01/29/10	4.55%	5.73%	6.09%
12	01/22/10	4.54%	5.68%	6.04%
13	01/15/10	4.66%	5.71%	6.09%
14	13-Wk Average	4.64%	5.83%	6.20%
15	Spread		1.19%	1.56%

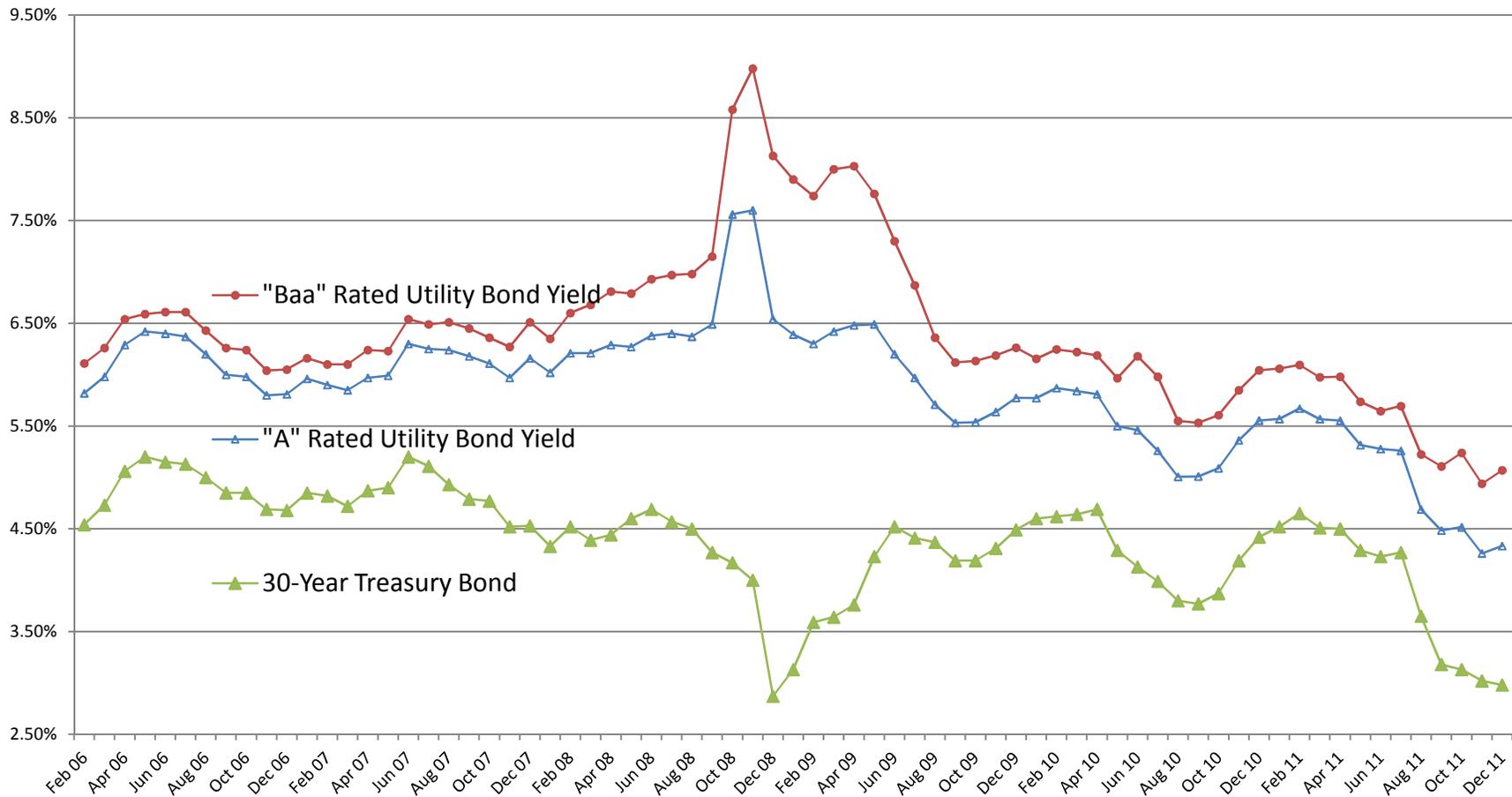
Sources:

¹ St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org>.

² www.moodys.com, Bond Yields and Key Indicators.

Illinois-American Water Company

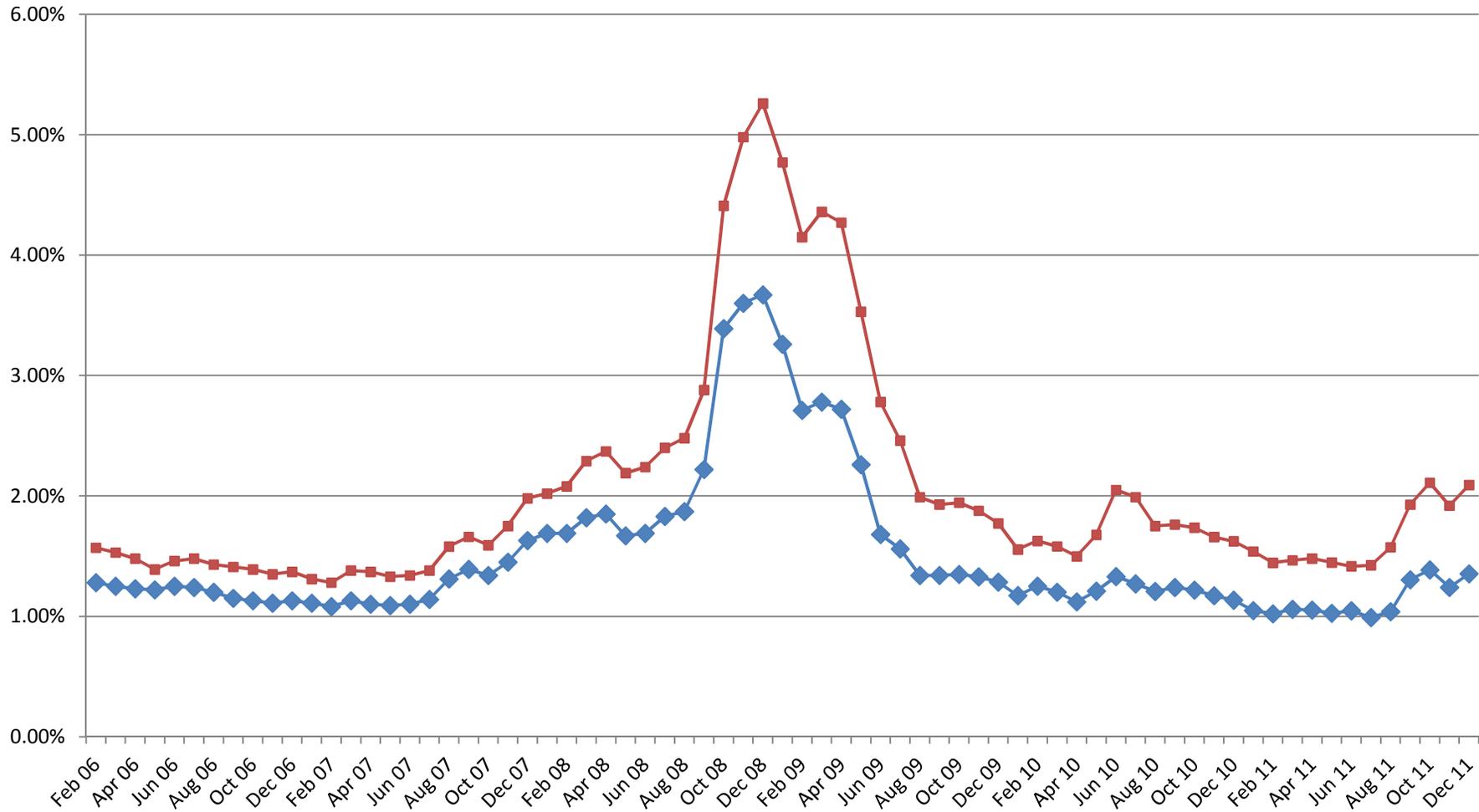
Trends in Utility Bond Yields



Sources:
Merchant Bond Record.
www.moodys.com, Bond Yields and Key Indicators.
St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org/>

Illinois-American Water Company

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



Sources:

Merchant Bond Record.

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

St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org/>

Illinois-American Water Company

Water Utilities Proxy Group - Investment Risk

<u>Line</u>	<u>Company</u>	<u>Corporate Credit Ratings</u>		<u>Common Equity Ratios</u>		<u>S&P Business Risk Score¹</u>
		<u>S&P¹</u> (1)	<u>Moody's²</u> (2)	<u>AUS³</u> (3)	<u>Value Line⁴</u> (4)	
1	American States Water	A+	N/R	54.0%	54.5%	Excellent
2	American Water Works Co.	BBB+	Baa2	42.3%	42.0%	Excellent
3	Aqua America, Inc.	A+	N/R	43.1%	47.0%	Excellent
4	Artesian Resources Corp	N/R	N/R	47.9%	N/A	N/A
5	California Water Serv. Grp.	A+	N/R	46.6%	47.5%	Excellent
6	Connecticut Water Services	A	N/R	45.4%	N/A	Excellent
7	Middlesex Water Company	A-	N/R	51.8%	57.0%	Excellent
8	SJW Corporation	A	N/R	42.6%	43.0%	Excellent
9	York Water Company	A-	N/R	52.6%	51.7%	Excellent
10	Average	A	Baa2	47.4%	49.0%	Excellent
11	Illinois-American Water Company American Water Works Co. Inc.	BBB+ ¹	Baa2 ²		50.8% ⁵	Excellent

Sources and Notes:

¹ *S&P RatingsDirect*: "U.S. Investor-Owned Water Utilities, Strongest To Weakest," January 11, 2012.

² *Moody's*, <http://www.moodys.com>, downloaded on February 24, 2012.

³ *AUS Utility Reports*, February 2012.

⁴ *The Value Line Investment Survey*, January 20, 2012.

⁵ IIRC/FEA Exhibit 1.1.

N/R: Not Rated.

N/A: Not Available.

Illinois-American Water Company

Gas Utilities Proxy Group - Investment Risk

<u>Line</u>	<u>Company</u>	<u>Corporate Credit Ratings¹</u>		<u>Common Equity Ratios</u>		<u>S&P Business Risk Score⁴</u>
		<u>S&P</u> (1)	<u>Moody's</u> (2)	<u>AUS²</u> (3)	<u>Value Line³</u> (4)	
1	Atmos Energy Corp.	BBB+	Baa1	48.3%	50.5%	Excellent
2	Laclede Group, Inc.	A	Baa2	58.3%	61.0%	Excellent
3	New Jersey Resources	A	Aa3	56.7%	64.5%	Excellent
4	NiSource Inc.	BBB-	N/R	39.7%	44.0%	Excellent
5	Northwest Natural Gas	A+	A3	45.8%	55.0%	Excellent
6	Piedmont Natural Gas	A	A3	49.8%	59.0%	Excellent
7	South Jersey Industries	BBB+	N/R	46.4%	59.0%	Strong
8	Southwest Gas Corp.	BBB+	Baa2	50.7%	56.0%	Excellent
9	UGI Corporation	N/R	A3	44.1%	48.5%	N/A
10	WGL Holdings, Inc.	A+	N/R	62.2%	66.2%	Excellent
11	Average	A-	A3	50.2%	56.4%	Excellent
12	Illinois-American Water Company American Water Works Co. Inc.	BBB+ ¹	Baa2 ⁵		50.8% ⁶	Excellent

Sources and Notes:

¹ *SNL Financial*, <http://www.snl.com>, downloaded on February 21, 2012.

² *AUS Utility Reports*, February 2012.

³ *The Value Line Investment Survey*, December 9, 2012.

⁴ *S&P RatingsDirect*: "U.S. Nat. Gas Distributors And Integrated Gas Companies, Strongest To Weakest," January 11, 2012

⁵ *Moody's*, <http://www.moody's.com>, downloaded on February 24, 2012

⁶ IIRC/FEA Exhibit 1.1.

N/R: Not Rated.

N/A: Not Available.

Illinois-American Water Company

Water Utilities Consensus Analysts' Growth Rates

<u>Line</u>	<u>Company</u>	<u>Zacks</u>		<u>Reuters</u>		<u>Average of Growth Rates (5)</u>
		<u>Estimated Growth %¹ (1)</u>	<u>Number of Estimates (2)</u>	<u>Estimated Growth %² (3)</u>	<u>Number of Estimates (4)</u>	
1	American States Water	12.00%	N/A	7.57%	3	9.79%
2	American Water Works Co.	8.00%	N/A	11.21%	9	9.61%
3	Aqua America, Inc.	8.30%	N/A	7.85%	6	8.08%
4	Artesian Resources Corp	N/A	N/A	4.93%	3	4.93%
5	California Water Serv. Grp.	10.00%	N/A	9.80%	1	9.90%
6	Connecticut Water Services	N/A	N/A	5.70%	3	5.70%
7	Middlesex Water Company	N/A	N/A	-1.15%	2	-1.15%
8	SJW Corporation	N/A	N/A	N/A	N/A	N/A
9	York Water Company	N/A	N/A	5.63%	3	5.63%
10	Average	9.58%	N/A	6.44%	4	6.56%
11	Median					6.89%

Sources and Notes:

¹ Zacks Elite, <http://www.zackselite.com/>, downloaded on February 24, 2012.

² Reuters, <http://www.reuters.com/>, downloaded on February 24, 2012.

N/A: Not Available.

Illinois-American Water Company

Gas Utilities Consensus Analysts' Growth Rates

<u>Line</u>	<u>Company</u>	<u>Zacks</u>		<u>SNL</u>		<u>Reuters</u>		<u>Average of Growth Rates (7)</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>	
		(1)	(2)	(3)	(4)	(5)	(6)	
1	Atmos Energy Corp.	4.70%	N/A	5.00%	3	4.15%	4	4.62%
2	Laclede Group, Inc.	3.00%	N/A	3.80%	2	5.15%	2	3.98%
3	New Jersey Resources	4.50%	N/A	4.00%	5	3.00%	4	3.83%
4	NiSource Inc.	N/A	N/A	9.00%	3	7.70%	5	8.35%
5	Northwest Natural Gas	4.30%	N/A	3.80%	4	4.17%	3	4.09%
6	Piedmont Natural Gas	4.70%	N/A	4.60%	4	4.37%	3	4.56%
7	South Jersey Industries	6.00%	N/A	7.50%	2	8.00%	4	7.17%
8	Southwest Gas Corp.	5.30%	N/A	5.00%	3	1.58%	4	3.96%
9	UGI Corporation	3.20%	N/A	5.10%	2	0.20%	1	2.83%
10	WGL Holdings, Inc.	5.20%	N/A	4.50%	4	4.12%	4	4.61%
11	Average	4.54%	N/A	5.23%	3	4.24%	3	4.80%
12	Median							4.32%

Sources and Notes:

¹ Zacks Elite, <http://www.zackselite.com/>, downloaded on February 24, 2012.

² SNL Interactive, <http://www.snl.com/>, downloaded on February 24, 2012.

³ Reuters, <http://www.reuters.com/>, downloaded on February 24, 2012.

N/A: Not Available.

Illinois-American Water Company

Water Utilities Consensus Analysts' Growth Rates Constant Growth DCF Model

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price¹</u> (1)	<u>Analysts' Growth²</u> (2)	<u>Annualized Dividend³</u> (3)	<u>Adjusted Yield</u> (4)	<u>Constant Growth DCF</u> (5)
1	American States Water	\$35.40	9.79%	\$1.12	3.47%	13.30%
2	American Water Works Co.	\$32.09	9.61%	\$0.92	3.14%	12.78%
3	Aqua America, Inc.	\$21.76	8.08%	\$0.66	3.28%	11.39%
4	Artesian Resources Corp	\$18.69	4.93%	\$0.77	4.33%	9.33%
5	California Water Serv. Grp.	\$18.23	9.90%	\$0.62	3.71%	13.66%
6	Connecticut Water Services	\$28.48	5.70%	\$0.95	3.53%	9.28%
7	Middlesex Water Company	\$18.53	-1.15%	\$0.74	3.95%	2.86%
8	SJW Corporation	\$23.79	N/A	\$0.69	N/A	N/A
9	York Water Company	\$17.52	5.63%	\$0.53	3.21%	8.87%
10	Average	\$23.83	6.56%	\$0.78	3.58%	10.18%
11	Median		6.89%			10.36%

Sources and Notes:

¹ <http://www.google.com/finance>, downloaded on February 24, 2012.

² IWC/FEA Exhibit 1.4, Page 1 of 2.

⁴ *The Value Line Investment Survey*, January 20, 2012.

N/A: Not Available.

Illinois-American Water Company

Gas Utilities Consensus Analysts' Growth Rates Constant Growth DCF Model

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price</u> ¹ (1)	<u>Analysts' Growth</u> ² (2)	<u>Annualized Dividend</u> ³ (3)	<u>Adjusted Yield</u> (4)	<u>Constant Growth DCF</u> (5)
1	Atmos Energy Corp.	\$32.71	4.62%	\$1.38	4.41%	9.10%
2	Laclede Group, Inc.	\$40.62	3.98%	\$1.62	4.15%	8.19%
3	New Jersey Resources	\$47.84	3.83%	\$1.52	3.30%	7.17%
4	NiSource Inc.	\$22.82	8.35%	\$0.92	4.37%	12.78%
5	Northwest Natural Gas	\$47.37	4.09%	\$1.74	3.82%	7.97%
6	Piedmont Natural Gas	\$33.03	4.56%	\$1.16	3.67%	8.28%
7	South Jersey Industries	\$55.20	7.17%	\$1.46	2.83%	10.03%
8	Southwest Gas Corp.	\$41.05	3.96%	\$1.06	2.68%	6.67%
9	UGI Corporation	\$28.19	2.83%	\$1.04	3.79%	6.68%
10	WGL Holdings, Inc.	\$42.81	4.61%	\$1.56	3.81%	8.47%
11	Average	\$39.17	4.80%	\$1.35	3.68%	8.53%
12	Median		4.32%			8.23%

Sources:

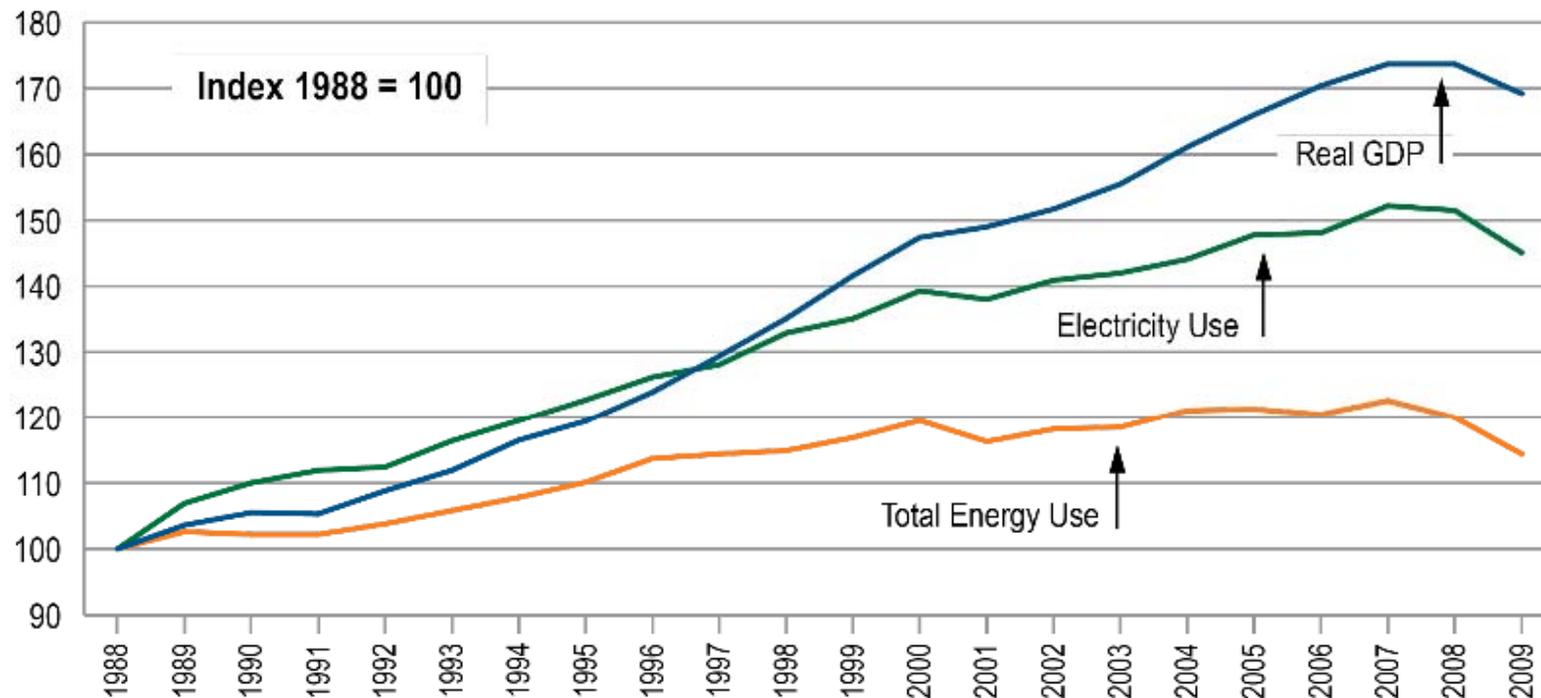
¹ <http://www.google.com/finance>, downloaded on February 24, 2012.

² IWC/FEA Exhibit 1.4, Page 2 of 2.

³ *The Value Line Investment Survey*, December 9, 2012.

Illinois-American Water Company

Electricity Sales Are Linked to U.S. Economic Growth



Note:

1988 represents the base year. Graph depicts increases or decreases from the base year.

Sources:

U.S. Department of Energy, Energy Information Administration.

Edison Electric Institute, <http://www.eei.org>.

Illinois-American Water Company

Water Utilities Payout Ratios

<u>Line</u>	<u>Company</u>	<u>Dividends Per Share</u>		<u>Earnings Per Share</u>		<u>Payout Ratio</u>	
		<u>2011</u> (1)	<u>Projected</u> (2)	<u>2011</u> (3)	<u>Projected</u> (4)	<u>2011</u> (5)	<u>Projected</u> (6)
1	American States Water	\$1.10	\$1.32	\$2.25	\$2.60	48.89%	50.77%
2	American Water Works Co.	\$0.91	\$1.22	\$1.78	\$2.30	51.12%	53.04%
3	Aqua America, Inc.	\$0.63	\$0.78	\$1.05	\$1.40	60.00%	55.71%
4	Artesian Resources Corp	\$0.75	N/A	\$1.00	N/A	75.00%	N/A
5	California Water Serv. Grp.	\$0.62	\$0.72	\$1.01	\$1.30	61.39%	55.38%
6	Connecticut Water Services	\$0.92	N/A	\$1.13	N/A	81.42%	N/A
7	Middlesex Water Company	\$0.73	\$0.80	\$0.90	\$1.20	81.11%	66.67%
8	SJW Corporation	\$0.69	\$0.86	\$0.88	\$1.30	78.41%	66.15%
9	York Water Company	\$0.52	N/A	\$0.71	N/A	73.24%	N/A
10	Average	\$0.76	\$0.95	\$1.19	\$1.68	67.84%	57.96%

Source and Note:
The Value Line Investment Survey, January 20, 2012.
N/A: Not Available.

Illinois-American Water Company

Gas Utilities Payout Ratios

<u>Line</u>	<u>Company</u>	<u>Dividends Per Share</u>		<u>Earnings Per Share</u>		<u>Payout Ratio</u>	
		<u>2011</u> (1)	<u>Projected</u> (2)	<u>2011</u> (3)	<u>Projected</u> (4)	<u>2011</u> (5)	<u>Projected</u> (6)
1	Atmos Energy Corp.	\$1.36	\$1.45	\$2.26	\$2.70	60.18%	53.70%
2	Laclede Group, Inc.	\$1.61	\$1.80	\$2.86	\$3.05	56.29%	59.02%
3	New Jersey Resources	\$1.44	\$1.64	\$2.58	\$3.35	55.81%	48.96%
4	NiSource Inc.	\$0.92	\$0.92	\$1.35	\$1.85	68.15%	49.73%
5	Northwest Natural Gas	\$1.74	\$1.90	\$2.55	\$3.40	68.24%	55.88%
6	Piedmont Natural Gas	\$1.15	\$1.31	\$1.58	\$1.80	72.78%	72.78%
7	South Jersey Industries	\$1.50	\$2.10	\$2.90	\$4.10	51.72%	51.22%
8	Southwest Gas Corp.	\$1.06	\$1.25	\$2.15	\$3.10	49.30%	40.32%
9	UGI Corporation	\$1.02	\$1.25	\$2.06	\$2.90	49.51%	43.10%
10	WGL Holdings, Inc.	\$1.55	\$1.71	\$2.25	\$2.75	68.89%	62.18%
11	Average	\$1.34	\$1.53	\$2.25	\$2.90	60.09%	53.69%

Source:
The Value Line Investment Survey, December 9, 2012.

Illinois-American Water Company

Water Utilities Sustainable Growth Rates

Line	Company	3 to 5 Year Projections										Sustainable
		Dividends	Earnings	Book Value	Book Value	ROE	Adjustment	Adjusted	Payout	Retention	Internal	Growth
		Per Share	Per Share	Per Share	Growth		Factor	ROE	Ratio	Rate	Growth Rate	Rate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)		
1	American States Water	\$1.32	\$2.60	\$20.00	-1.75%	13.00%	0.99	12.88%	50.77%	49.23%	6.34%	6.95%
2	American Water Works Co.	\$1.22	\$2.30	\$25.55	1.60%	9.00%	1.01	9.07%	53.04%	46.96%	4.26%	5.14%
3	Aqua America, Inc.	\$0.78	\$1.40	\$11.05	4.31%	12.67%	1.02	12.94%	55.71%	44.29%	5.73%	6.75%
4	Artesian Resources Corp	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5	California Water Serv. Grp.	\$0.72	\$1.30	\$12.55	2.77%	10.36%	1.01	10.50%	55.38%	44.62%	4.68%	6.76%
6	Connecticut Water Services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	Middlesex Water Company	\$0.80	\$1.20	\$11.10	0.64%	10.81%	1.00	10.85%	66.67%	33.33%	3.62%	5.07%
8	SJW Corporation	\$0.86	\$1.30	\$17.10	4.08%	7.60%	1.02	7.75%	66.15%	33.85%	2.62%	6.03%
9	York Water Company	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
10	Average	\$0.95	\$1.68	\$16.23	1.94%	10.57%	1.01	10.67%	57.96%	42.04%	4.54%	6.12%
11	Median											6.39%

Sources and Notes:

Cols. (1), (2) and (3): *The Value Line Investment Survey*, January 20, 2012.

Col. (4): [Col. (3) / Page 2 Col. (2)] ^ (1/5) - 1.

Col. (5): Col. (2) / Col. (3).

Col. (6): [2 * (1 + Col. (4))] / (2 + Col. (4)).

Col. (7): Col. (6) * Col. (5).

Col. (8): Col. (1) / Col. (2).

Col. (9): 1 - Col. (8).

Col. (10): Col. (9) * Col. (7).

Col. (11): Col. (10) + Page 2 Col. (9).

N/A: Not Available.

Illinois-American Water Company

Water Utilities Sustainable Growth Rates

Line	Company	13-Week	2011	Market	Common Shares		Growth	S Factor ³	V Factor ⁴	S * V ⁵
		Average	Book Value		to Book	Outstanding (in Millions) ²				
		Stock Price ¹	Per Share ²	Ratio	2011	3-5 Years	(6)	(7)	(8)	(9)
		(1)	(2)	(3)	(4)	(5)				
1	American States Water	\$35.40	\$21.85	1.62	18.75	19.50	0.99%	1.60%	38.27%	0.61%
2	American Water Works Co.	\$32.09	\$23.60	1.36	177.00	195.00	2.45%	3.33%	26.46%	0.88%
3	Aqua America, Inc.	\$21.76	\$8.95	2.43	138.90	142.90	0.71%	1.73%	58.87%	1.02%
4	Artesian Resources Corp	\$18.69	\$12.44	1.50	7.65	N/A	N/A	N/A	33.43%	N/A
5	California Water Serv. Grp.	\$18.23	\$10.95	1.66	42.00	47.50	3.12%	5.20%	39.93%	2.08%
6	Connecticut Water Services	\$28.48	\$13.05	2.18	8.68	N/A	N/A	N/A	54.18%	N/A
7	Middlesex Water Company	\$18.53	\$10.75	1.72	15.70	17.00	2.01%	3.46%	42.00%	1.45%
8	SJW Corporation	\$23.79	\$14.00	1.70	18.60	22.50	4.87%	8.28%	41.15%	3.41%
9	York Water Company	\$17.52	\$7.19	2.44	12.69	N/A	N/A	N/A	58.95%	N/A
10	Average	\$23.83	\$13.64	1.85	48.89	74.07	2.36%	3.93%	43.69%	1.58%

Sources and Notes:

¹ <http://www.google.com/finance>, downloaded on February 24, 2012.

² *The Value Line Investment Survey*, January 20, 2012.

³ Expected Growth in the Number of Shares, Column (3) * Column (6).

⁴ Expected Profit of Stock Investment, [1 - 1 / Column (3)].

⁵ Column (7) * Column (8).

N/A: Not Available.

Illinois-American Water Company

Gas Utilities Sustainable Growth Rates

Line	Company	3 to 5 Year Projections										Sustainable
		Dividends	Earnings	Book Value	Book Value	Adjustment		Adjusted	Payout	Retention	Internal	Growth
		Per Share	Per Share	Per Share	Growth	ROE	Factor	ROE	Ratio	Rate	Growth Rate	Rate
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1	Atmos Energy Corp.	\$1.45	\$2.70	\$30.10	3.87%	8.97%	1.02	9.14%	53.70%	46.30%	4.23%	5.42%
2	Laclede Group, Inc.	\$1.80	\$3.05	\$31.15	4.08%	9.79%	1.02	9.99%	59.02%	40.98%	4.09%	6.28%
3	New Jersey Resources	\$1.64	\$3.35	\$24.25	5.29%	13.81%	1.03	14.17%	48.96%	51.04%	7.23%	5.88%
4	NiSource Inc.	\$0.92	\$1.85	\$20.90	3.03%	8.85%	1.01	8.98%	49.73%	50.27%	4.52%	4.61%
5	Northwest Natural Gas	\$1.90	\$3.40	\$34.40	4.69%	9.88%	1.02	10.11%	55.88%	44.12%	4.46%	4.60%
6	Piedmont Natural Gas	\$1.31	\$1.80	\$14.75	1.56%	12.20%	1.01	12.30%	72.78%	27.22%	3.35%	1.58%
7	South Jersey Industries	\$2.10	\$4.10	\$26.45	6.07%	15.50%	1.03	15.96%	51.22%	48.78%	7.78%	11.99%
8	Southwest Gas Corp.	\$1.25	\$3.10	\$32.00	3.96%	9.69%	1.02	9.88%	40.32%	59.68%	5.89%	6.92%
9	UGI Corporation	\$1.25	\$2.90	\$22.90	5.29%	12.66%	1.03	12.99%	43.10%	56.90%	7.39%	9.08%
10	WGL Holdings, Inc.	\$1.71	\$2.75	\$27.65	3.31%	9.95%	1.02	10.11%	62.18%	37.82%	3.82%	4.14%
11	Average	\$1.53	\$2.90	\$26.46	4.12%	11.13%	1.02	11.36%	53.69%	46.31%	5.28%	6.05%
12	Median											5.65%

Sources and Notes:

Cols. (1), (2) and (3): *The Value Line Investment Survey*, December 9, 2012.

Col. (4): $[\text{Col. (3)} / \text{Page 2 Col. (2)}]^{(1/5)} - 1$.

Col. (5): $\text{Col. (2)} / \text{Col. (3)}$.

Col. (6): $[2 * (1 + \text{Col. (4)})] / (2 + \text{Col. (4)})$.

Col. (7): $\text{Col. (6)} * \text{Col. (5)}$.

Col. (8): $\text{Col. (1)} / \text{Col. (2)}$.

Col. (9): $1 - \text{Col. (8)}$.

Col. (10): $\text{Col. (9)} * \text{Col. (7)}$.

Col. (11): $\text{Col. (10)} + \text{Page 2 Col. (9)}$.

Illinois-American Water Company

Gas Utilities Sustainable Growth Rates

Line	Company	13-Week	2011	Market to Book Ratio	Common Shares Outstanding (in Millions) ²		Growth	S Factor ³	V Factor ⁴	S * V ⁵
		Average Stock Price ¹	Book Value Per Share ²		2011	3-5 Years				
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Atmos Energy Corp.	\$32.71	\$24.90	1.31	90.50	105.00	3.79%	4.97%	23.88%	1.19%
2	Laclede Group, Inc.	\$40.62	\$25.50	1.59	22.50	26.00	3.68%	5.86%	37.23%	2.18%
3	New Jersey Resources	\$47.84	\$18.74	2.55	41.42	40.00	-0.87%	-2.22%	60.83%	-1.35%
4	NiSource Inc.	\$22.82	\$18.00	1.27	281.20	285.00	0.34%	0.43%	21.13%	0.09%
5	Northwest Natural Gas	\$47.37	\$27.35	1.73	26.75	26.95	0.19%	0.32%	42.26%	0.14%
6	Piedmont Natural Gas	\$33.03	\$13.65	2.42	71.50	68.00	-1.25%	-3.02%	58.68%	-1.77%
7	South Jersey Industries	\$55.20	\$19.70	2.80	31.00	34.00	2.34%	6.55%	64.31%	4.21%
8	Southwest Gas Corp.	\$41.05	\$26.35	1.56	46.50	50.00	1.83%	2.85%	35.81%	1.02%
9	UGI Corporation	\$28.19	\$17.70	1.59	111.70	125.00	2.85%	4.54%	37.22%	1.69%
10	WGL Holdings, Inc.	\$42.81	\$23.49	1.82	51.20	52.00	0.39%	0.71%	45.12%	0.32%
11	Average	\$39.17	\$21.54	1.87	77.43	81.20	1.33%	2.10%	42.65%	0.77%

Sources and Notes:

¹ <http://www.google.com/finance>, downloaded on February 24, 2012.

² *The Value Line Investment Survey*, December 9, 2012.

³ Expected Growth in the Number of Shares, Column (3) * Column (6).

⁴ Expected Profit of Stock Investment, [1 - 1 / Column (3)].

⁵ Column (7) * Column (8).

Illinois-American Water Company

Water Utilities Sustainable Growth Rates Constant Growth DCF Model

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price¹</u> (1)	<u>Sustainable Growth²</u> (2)	<u>Annualized Dividend³</u> (3)	<u>Adjusted Yield</u> (4)	<u>Constant Growth DCF</u> (5)
1	American States Water	\$35.40	6.95%	\$1.12	3.38%	10.38%
2	American Water Works Co.	\$32.09	5.14%	\$0.92	3.01%	8.19%
3	Aqua America, Inc.	\$21.76	6.75%	\$0.66	3.24%	10.02%
4	Artesian Resources Corp	\$18.69	N/A	\$0.77	N/A	N/A
5	California Water Serv. Grp.	\$18.23	6.76%	\$0.62	3.61%	10.42%
6	Connecticut Water Services	\$28.48	N/A	\$0.95	N/A	N/A
7	Middlesex Water Company	\$18.53	5.07%	\$0.74	4.20%	9.33%
8	SJW Corporation	\$23.79	6.03%	\$0.69	3.08%	9.15%
9	York Water Company	\$17.52	N/A	\$0.53	N/A	N/A
10	Average	\$23.83	6.12%	\$0.78	3.42%	9.58%
11	Median		6.39%			9.68%

Sources and Notes:

¹ <http://www.google.com/finance>, downloaded on February 24, 2012.

² IIWC/FEA Exhibit 1.8, Page 1 of 4.

³ *The Value Line Investment Survey*, January 20, 2012.

N/A: Not Available.

Illinois-American Water Company

Gas Utilities Sustainable Growth Rates Constant Growth DCF Model

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price¹</u> (1)	<u>Sustainable Growth²</u> (2)	<u>Annualized Dividend³</u> (3)	<u>Adjusted Yield</u> (4)	<u>Constant Growth DCF</u> (5)
1	Atmos Energy Corp.	\$32.71	5.42%	\$1.38	4.45%	9.94%
2	Laclede Group, Inc.	\$40.62	6.28%	\$1.62	4.24%	10.58%
3	New Jersey Resources	\$47.84	5.88%	\$1.52	3.36%	9.29%
4	NiSource Inc.	\$22.82	4.61%	\$0.92	4.22%	8.89%
5	Northwest Natural Gas	\$47.37	4.60%	\$1.74	3.84%	8.49%
6	Piedmont Natural Gas	\$33.03	1.58%	\$1.16	3.57%	5.19%
7	South Jersey Industries	\$55.20	11.99%	\$1.46	2.96%	14.99%
8	Southwest Gas Corp.	\$41.05	6.92%	\$1.06	2.76%	9.70%
9	UGI Corporation	\$28.19	9.08%	\$1.04	4.02%	13.16%
10	WGL Holdings, Inc.	\$42.81	4.14%	\$1.56	3.80%	7.99%
11	Average	\$39.17	6.05%	\$1.35	3.72%	9.82%
12	Median		5.65%			9.50%

Sources:

¹ <http://www.google.com/finance>, downloaded on February 24, 2012.

² IIWC/FEA Exhibit 1.8, Page 3 of 4.

³ *The Value Line Investment Survey*, December 9, 2012.

Illinois-American Water Company

Water Utilities Multi-Stage Growth DCF Model

Line	Company	13-Week AVG	Annualized	First Stage	Second Stage Growth					Third Stage	Quarterly
		<u>Stock Price</u> ¹	<u>Dividend</u> ²	<u>Growth</u> ³	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>Growth</u> ⁴	<u>Growth DCF</u>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	American States Water	\$35.40	\$1.12	9.79%	8.99%	8.19%	7.39%	6.60%	5.80%	5.00%	9.51%
2	American Water Works Co.	\$32.09	\$0.92	9.61%	8.84%	8.07%	7.30%	6.54%	5.77%	5.00%	9.05%
3	Aqua America, Inc.	\$21.76	\$0.66	8.08%	7.56%	7.05%	6.54%	6.03%	5.51%	5.00%	8.91%
4	Artesian Resources Corp	\$18.69	\$0.77	4.93%	4.94%	4.95%	4.97%	4.98%	4.99%	5.00%	9.38%
5	California Water Serv. Grp.	\$18.23	\$0.62	9.90%	9.08%	8.27%	7.45%	6.63%	5.82%	5.00%	9.85%
6	Connecticut Water Services	\$28.48	\$0.95	5.70%	5.58%	5.47%	5.35%	5.23%	5.12%	5.00%	8.71%
7	Middlesex Water Company	\$18.53	\$0.74	-1.15%	-0.13%	0.90%	1.93%	2.95%	3.98%	5.00%	7.82%
8	SJW Corporation	\$23.79	\$0.69	N/A	N/A	N/A	N/A	N/A	N/A	5.00%	N/A
9	York Water Company	\$17.52	\$0.53	5.63%	5.53%	5.42%	5.32%	5.21%	5.11%	5.00%	8.35%
10	Average	\$23.83	\$0.78	6.56%	6.30%	6.04%	5.78%	5.52%	5.26%	5.00%	8.95%
11	Median										8.98%

Sources and Notes:

¹ <http://www.google.com/finance>, downloaded on February 24, 2012.

² *The Value Line Investment Survey*, January 20, 2012.

³ Consensus Analysts' 5-Year Growth Rates, IIRC/FEA Exhibit 1.4, Page 1 of 2.

⁴ Consensus Economists' Long-Term GDP Growth Rate, *Blue Chip Financial Forecasts*, December 1, 2011 at 14.

N/A: Not Available.

Illinois-American Water Company

Gas Utilities Multi-Stage Growth DCF Model

<u>Line</u>	<u>Company</u>	<u>13-Week AVG</u>	<u>Annualized</u>	<u>First Stage</u>	<u>Second Stage Growth</u>					<u>Third Stage</u>	<u>Quarterly</u>
		<u>Stock Price</u> ¹	<u>Dividend</u> ²	<u>Growth</u> ³	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>Growth</u> ⁴	<u>Growth DCF</u>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Atmos Energy Corp.	\$32.71	\$1.38	4.62%	4.68%	4.74%	4.81%	4.87%	4.94%	5.00%	9.39%
2	Laclede Group, Inc.	\$40.62	\$1.62	3.98%	4.15%	4.32%	4.49%	4.66%	4.83%	5.00%	8.98%
3	New Jersey Resources	\$47.84	\$1.52	3.83%	4.03%	4.22%	4.42%	4.61%	4.81%	5.00%	8.12%
4	NiSource Inc.	\$22.82	\$0.92	8.35%	7.79%	7.23%	6.68%	6.12%	5.56%	5.00%	10.26%
5	Northwest Natural Gas	\$47.37	\$1.74	4.09%	4.24%	4.39%	4.55%	4.70%	4.85%	5.00%	8.69%
6	Piedmont Natural Gas	\$33.03	\$1.16	4.56%	4.63%	4.70%	4.78%	4.85%	4.93%	5.00%	8.63%
7	South Jersey Industries	\$55.20	\$1.46	7.17%	6.81%	6.44%	6.08%	5.72%	5.36%	5.00%	8.22%
8	Southwest Gas Corp.	\$41.05	\$1.06	3.96%	4.13%	4.31%	4.48%	4.65%	4.83%	5.00%	7.53%
9	UGI Corporation	\$28.19	\$1.04	2.83%	3.19%	3.56%	3.92%	4.28%	4.64%	5.00%	8.41%
10	WGL Holdings, Inc.	\$42.81	\$1.56	4.61%	4.67%	4.74%	4.80%	4.87%	4.93%	5.00%	8.78%
11	Average	\$39.17	\$1.35	4.80%	4.83%	4.87%	4.90%	4.93%	4.97%	5.00%	8.70%
12	Median										8.66%

Sources and Notes:

¹ <http://www.google.com/finance>, downloaded on February 24, 2012.

² *The Value Line Investment Survey*, December 9, 2012.

³ Consensus Analysts' 5-Year Growth Rates, IIRC/FEA Exhibit 1.4, Page 2 of 2.

⁴ Consensus Economists' Long-Term GDP Growth Rate, *Blue Chip Financial Forecasts*, December 1, 2011 at 14.

Illinois-American Water Company

Water Utilities Value Line Beta

<u>Line</u>	<u>Company</u>	<u>Beta</u>
1	American States Water	0.70
2	American Water Works Co.	0.65
3	Aqua America, Inc.	0.65
4	Artesian Resources Corp	0.55
5	California Water Serv. Grp.	0.65
6	Connecticut Water Services	0.75
7	Middlesex Water Company	0.70
8	SJW Corporation	0.85
9	York Water Company	0.65
10	Average	0.68

Source:

The Value Line Investment Survey, January 20, 2012.

Illinois-American Water Company

Gas Utilities Value Line Beta

<u>Line</u>	<u>Company</u>	<u>Beta</u>
1	Atmos Energy Corp.	0.70
2	Laclede Group, Inc.	0.60
3	New Jersey Resources	0.65
4	NiSource Inc.	0.85
5	Northwest Natural Gas	0.60
6	Piedmont Natural Gas	0.70
7	South Jersey Industries	0.65
8	Southwest Gas Corp.	0.75
9	UGI Corporation	0.70
10	WGL Holdings, Inc.	0.65
11	Average	0.69

Source:

The Value Line Investment Survey, December 9, 2012.

Illinois-American Water Company

Water Utilities CAPM Return

<u>Line</u>	<u>Description</u>	<u>Market Risk Premium</u>
1	Risk-Free Rate ¹	3.80%
2	Risk Premium ²	6.70%
3	Beta ³	0.69
4	CAPM	8.42%

Sources:

¹ *Blue Chip Financial Forecasts*; February 1, 2012, at 2.

² Morningstar, Inc. *Ibbotson S&P 500 2011 Classic Yearbook* at 86, and Morningstar, Inc. *Ibbotson S&P 500 2011 Valuation Yearbook* at 54 and 66.

³ *The Value Line Investment Survey*, January 20, 2012.

Illinois-American Water Company

Water Utilities CAPM Return

<u>Line</u>	<u>Description</u>	<u>Market Risk Premium</u>
1	Risk-Free Rate ¹	3.80%
2	Risk Premium ²	6.70%
3	Beta ³	0.68
4	CAPM	8.36%

Sources:

¹ *Blue Chip Financial Forecasts*; February 1, 2012, at 2.

² Morningstar, Inc. *Ibbotson S&P 500 2011 Classic Yearbook* at 86, and Morningstar, Inc. *Ibbotson S&P 500 2011 Valuation Yearbook* at 54 and 66.

³ *The Value Line Investment Survey*, December 9, 2012.

Illinois-American Water Company

Standard & Poor's Credit Metrics

<u>Line</u>	<u>Description</u>	Retail	S&P Benchmark ^{1/2}			<u>Reference</u> (5)
		Cost of Service <u>Amount</u> (1)	<u>Intermediate</u> (2)	<u>Significant</u> (3)	<u>Aggressive</u> (4)	
1	Rate Base	\$ 716,114,349				Schedule A-2, Page 1 of 7.
2	Weighted Common Return	4.73%				Page 2, Line 3, Col. 4.
3	Pre-Tax Rate of Return	10.65%				Page 2, Line 4, Col. 5.
4	Income to Common	\$ 33,859,825				Line 1 x Line 2.
5	EBIT	\$ 76,247,452				Line 1 x Line 3.
6	Depreciation & Amortization	\$ 43,951,339				Schedule C-1, Page 1 of 7.
7	Deferred Income Taxes & ITC	\$ 2,103,819				Schedule C-2, Page 2 of 14.
8	Funds from Operations (FFO)	\$ 79,914,983				Sum of Lines 4, and 6 to 7.
9	EBITDA	\$ 120,198,791				Sum of Lines 5 and 6.
10	Total Debt Ratio	49%	35% - 45%	45% - 50%	50% - 60%	Page 3, Line 3, Col. 2.
11	Debt to EBITDA	2.9x	2.0x - 3.0x	3.0x - 4.0x	4.0x - 5.0x	(Line 1 x Line 10) / Line 9.
12	FFO to Total Debt	23%	30% - 45%	20% - 30%	12% - 20%	Line 8 / (Line 1 x Line 10).

Sources:

¹ Standard & Poor's: "Criteria Methodology: Business Risk/Financial Risk Matrix Expanded," May 27, 2009.

² S&P RatingsDirect: "U.S. Investor-Owned Water Utilities, Strongest To Weakest," January 11, 2012.

Note:

Based on the May 2009 S&P metrics, AWC has an "Excellent" business profile and an "Aggressive" financial profile.

Illinois-American Water Company

Standard & Poor's Credit Metrics (Pre-Tax Rate of Return)

<u>Line</u>	<u>Description</u>	<u>Amount (000)</u> (1)	<u>Weight</u> (2)	<u>Cost</u> (3)	<u>Weighted Cost</u> (4)	<u>Pre-Tax Weighted Cost</u> (5)
1	Long-Term Debt	\$ 393,852	48.90%	6.07%	2.97%	2.97%
2	Short-Term Debt	2,068	0.26%	0.76%	0.00%	0.00%
3	Common Equity	<u>409,476</u>	<u>50.84%</u>	9.30%	<u>4.73%</u>	<u>7.68%</u>
4	Total	\$ 805,396	100.00%		7.70%	10.65%
5	Tax Conversion Factor*					1.62366

Sources:

Schedule D-1, Page 1 of 7.

* Schedule A-2, Page 1 of 7.

Illinois-American Water Company

Standard & Poor's Credit Metrics (Financial Capital Structure)

<u>Line</u>	<u>Description</u>	<u>Amount (000)</u> (1)	<u>Weight</u> (2)
1	Long-Term Debt	\$ 393,852	48.90%
2	Short-Term Debt	<u>2,068</u>	<u>0.26%</u>
3	Total Long-Term Debt	\$ 395,920	49.16%
4	Common Equity	<u>409,476</u>	<u>50.84%</u>
5	Total	\$ 805,396	100.00%

Source:
Schedule D-1, Page 1 of 7.

Illinois-American Water Company

Ms. Ahern's Single-Stage DCF Model

<u>Line</u>	<u>Company</u>	<u>Average Dividend Yield</u> (1)	<u>Value Line Projected Five Year Growth Rate</u> (2)	<u>Reuters Mean Consensus Projected Five Year Growth Rate</u> (3)	<u>Zack's Five Year Growth Rate</u> (4)	<u>Yahoo! Finance Five Year Growth Rate</u> (5)	<u>Average Projected Five Year Growth Rate</u> (6)	<u>Adjusted Dividend Yield</u> (7)	<u>Indicated Common Equity Cost Rate</u> (8)
1	American States Water Co.	3.08%	5.50%	7.40%	-	7.43%	6.78%	3.18%	9.96%
2	American Water Works Co., Inc.	3.06%	8.50%	11.00%	8.40%	8.43%	9.08%	3.20%	12.28%
3	Aqua America, Inc.	2.85%	10.50%	7.20%	6.50%	6.00%	7.55%	2.96%	10.51%
4	Artesian Resources Corp.	4.10%	3.60%	4.50%	-	4.53%	4.21%	4.19%	8.40%
5	California Water Service Group	3.37%	6.00%	6.30%	-	9.00%	7.10%	3.49%	10.59%
6	Connecticut Water Service, Inc.	3.68%	4.00%	5.50%	4.00%	3.00%	4.13%	3.76%	7.88%
7	Middlesex Water Company	4.02%	3.00%	-1.00%	3.00%	3.00%	3.00%	4.08%	7.08%
8	SJW Corporation	3.00%	5.50%	14.00%	-	14.00%	11.17%	3.17%	14.33%
9	York Water Company	3.10%	6.00%	6.00%	6.00%	6.00%	<u>6.00%</u>	3.19%	<u>9.19%</u>
10	Average						<u>6.56%</u>		<u>10.02%</u>
11	Median						<u>6.78%</u>		<u>9.96%</u>

Source:
IAWC Exhibit 10.07, Page 1 of 10.

Illinois-American Water Company

Multi-Stage Growth DCF Model (Revision of Ms. Ahern's DCF Model)

Line	Company	60-Day AVG	Indicated	First Stage	Second Stage Growth					Third Stage	Quarterly
		Stock Price (1)	Dividend (2)	Growth (3)	Year 6 (4)	Year 7 (5)	Year 8 (6)	Year 9 (7)	Year 10 (8)	Growth* (9)	Multi-Stage Growth DCF (10)
1	American States Water Co.	\$34.08	\$1.05	6.78%	6.48%	6.18%	5.89%	5.59%	5.30%	5.00%	8.66%
2	American Water Works Co., Inc.	\$29.01	\$0.89	9.08%	8.40%	7.72%	7.04%	6.36%	5.68%	5.00%	9.19%
3	Aqua America, Inc.	\$21.77	\$0.62	7.55%	7.13%	6.70%	6.28%	5.85%	5.43%	5.00%	8.55%
4	Artesian Resources Corp.	\$18.60	\$0.76	4.21%	4.34%	4.47%	4.61%	4.74%	4.87%	5.00%	9.16%
5	California Water Service Group	\$18.42	\$0.62	7.10%	6.75%	6.40%	6.05%	5.70%	5.35%	5.00%	9.09%
6	Connecticut Water Service, Inc.	\$25.37	\$0.93	4.13%	4.27%	4.42%	4.56%	4.71%	4.85%	5.00%	8.70%
7	Middlesex Water Company	\$18.40	\$0.74	3.00%	3.33%	3.67%	4.00%	4.33%	4.67%	5.00%	8.77%
8	SJW Corporation	\$23.25	\$0.70	11.17%	10.14%	9.11%	8.08%	7.06%	6.03%	5.00%	9.65%
9	York Water Company	\$16.96	\$0.53	6.00%	5.83%	5.67%	5.50%	5.33%	5.17%	5.00%	8.51%
10	Average	\$22.87	\$0.76	6.56%	6.30%	6.04%	5.78%	5.52%	5.26%	5.00%	8.92%
11	Median										8.77%

Sources:

IAWC Exhibit 10.07, Page 1 of 10.

* Consensus Economists' Long-Term GDP Growth Rate, *Blue Chip Financial Forecasts*, December 1, 2011 at 14.

Illinois-American Water Company

CAPM (Revision of Ms. Ahern's CAPM)

<u>Line</u>	<u>Company</u>	Value Line <u>Adjusted Beta¹</u>	<u>Market Risk Premium²</u>	<u>Risk-Free Rate¹</u>	<u>CAPM</u>
1	American States Water Co.	0.75	6.70 %	4.67 %	9.70 %
2	American Water Works Co., Inc.	0.65	6.70	4.67	9.03
3	Aqua America, Inc.	0.65	6.70	4.67	9.03
4	Artesian Resources Corp.	0.60	6.70	4.67	8.69
5	California Water Service Group	0.70	6.70	4.67	9.36
6	Connecticut Water Service, Inc.	0.80	6.70	4.67	10.03
7	Middlesex Water Company	0.75	6.70	4.67	9.70
8	SJW Corporation	0.90	6.70	4.67	10.70
9	York Water Company	0.70	6.70	4.67	<u>9.36</u>
10	Average				<u><u>9.51</u></u> %
11	Median				<u><u>9.36</u></u> %

Sources:

¹ IAWC Exhibit 10.11, Page 1 of 2.

² IAWC Exhibit 10.11, Page 2 of 2.