

ILLINOIS AMERICAN WATER COMPANY
REVENUE DEFICIENCY (EXCESS)
For the Test Year Ending December 31, 2017

<u>Line</u>	<u>Description</u>	<u>Total Co</u> (a)	<u>Zone 1</u> (b)	<u>WW</u> (c)	<u>Pekin</u> (d)	<u>Lincoln</u> (e)	<u>Source</u>
1	Rate Base	\$ 874,783,800	\$ 775,992,444	\$ 64,370,761	\$ 23,322,739	\$ 11,097,857	AG Schedule A-1, pg 1 Line 3
2	Rate of Return		<u>7.21%</u>	<u>7.21%</u>	<u>7.21%</u>	<u>7.21%</u>	AG Schedule A-3 Line 4
3	Op Income Requirement	63,071,911	55,949,055	4,641,132	1,681,569	800,155	Line 1 x Line 2
4	Adjusted Operating Income	<u>46,624,271</u>	<u>42,360,661</u>	<u>1,722,255</u>	<u>1,614,773</u>	<u>926,582</u>	AG Schedule A-1, pg 2 Line 3
5	Income Deficiency (Excess)	16,447,640	13,588,394	2,918,877	66,796	(126,427)	Line 3 - Line 4
6	Revenue Conversion Factor		<u>1.586284854</u>	<u>1.586284761</u>	<u>1.586284761</u>	<u>1.585804429</u>	AG Schedule A-2 Line 10
7	Revenue Deficiency (Excess)	26,090,703	21,555,064	4,630,170	105,958	(200,489)	Line 1 * Line 6
8	Co Proposed Increase	<u>49,494,546</u>	<u>42,086,695</u>	<u>6,302,300</u>	<u>925,864</u>	<u>179,687</u>	IAWC Schedule C-1, Line 3
9	Adj to Co Proposed Increase	<u>(\$23,403,843)</u>	<u>(\$20,531,631)</u>	<u>(\$1,672,130)</u>	<u>(\$819,906)</u>	<u>(\$380,176)</u>	Line 7 - Line 8

**ILLINOIS AMERICAN WATER COMPANY
ADJUSTMENTS
For the Test Year Ending December 31, 2017**

<u>Line</u>	<u>Description</u>	<u>Total Co</u>	<u>Zone 1</u>	<u>WW</u>	<u>Pekin</u>	<u>Lincoln</u>	<u>Source</u>
		(a)	(b)	(c)	(d)	(e)	
	<u>RATE BASE</u>						
1	Rate Base per Company	\$ 899,344,527	\$ 797,191,604	\$ 66,764,349	\$ 23,946,835	\$ 11,441,739	IAWC Schedule B-1, Line 35
	AG Adjustments:						
B-1	Accrued OPEB Liability	(1,898,284)	(1,612,402)	(207,293)	(49,925)	(28,664)	AG Schedule B-1
B-2	ADIT - FIN48	(18,183,772)	(15,445,296)	(1,985,668)	(478,233)	(274,576)	AG Schedule B-2
	Capitalized Cost of 2012-						
B-3	2016 Performance Plans	(1,398,172)	(1,172,195)	(138,726)	(61,387)	(25,864)	AG Schedule B-3
B-4	Agreed Rate Base Adjustment	(2,421,302)	(2,382,326)	(28,261)	(6,806)	(3,908)	AG Schedule B-4
C-2	Headcount Variance	(516,839)	(467,830)	(19,341)	(21,438)	(8,230)	AG Schedule C-2, page 2
C-3	2017 Performance Plans	<u>(142,358)</u>	<u>(119,111)</u>	<u>(14,299)</u>	<u>(6,307)</u>	<u>(2,641)</u>	AG Schedule C-3, page 2
2	Total Adjustments	<u>(24,560,727)</u>	<u>(21,199,160)</u>	<u>(2,393,588)</u>	<u>(624,096)</u>	<u>(343,882)</u>	
3	Rate Base per AG	<u>\$874,783,800</u>	<u>\$ 775,992,444</u>	<u>\$ 64,370,761</u>	<u>\$ 23,322,739</u>	<u>\$ 11,097,857</u>	Line 1 + Line 2

ILLINOIS AMERICAN WATER COMPANY
ADJUSTMENTS
For the Test Year Ending December 31, 2017

<u>Line</u>	<u>Description</u>	<u>Total Co</u> (a)	<u>Zone 1</u> (b)	<u>WW</u> (c)	<u>Pekin</u> (d)	<u>Lincoln</u> (e)	<u>Source</u>
	<u>OPERATING INCOME</u>						
1	Operataing Income per Co	\$ 41,614,814	\$ 37,998,711	\$ 1,454,905	\$ 1,351,892	\$ 809,306	IAWC Schedule C-1 Line 3
	AG Adjustments:						
C-1	Miscellaneous Revenues	630,490	536,085	83,274	2,595	8,535	AG Schedule C-1
C-2	Test Year Employees	709,221	637,942	30,394	25,718	15,167	AG Schedule C-2
C-3	Performance Plan Costs	978,000	885,450	36,467	35,285	20,799	AG Schedule C-3
C-4	Rate Case Expense	186,636	155,953	18,869	8,343	3,472	AG Schedule C-4
C-5	Power Cost Auction Adj	139,405	117,434	15,958	3,262	2,751	AG Schedule C-5
C-6	Depreciation Expense	125,621	110,169	9,502	4,202	1,748	AG Schedule C-6
C-7	State Income Tax	379,503	351,349	(11,812)	25,361	14,605	AG Schedule C-7, page 1
C-7	Federal Income Tax	597,306	549,360	17,301	17,979	12,666	AG Schedule C-7, page 2
C-7	State Deferred Income Tax	333,344	271,784	29,737	23,908	7,915	AG Schedule C-7, page 3
C-7	Federal Deferred Income Tax	556,627	403,497	20,106	107,043	25,981	AG Schedule C-7, page 4
C-7	Interest Synchronization	215,762	196,888	10,399	6,039	2,435	AG Schedule C-7, page 5
C-8	Agreed Adjustments	123,020	118,491	2,786	1,231	512	AG Schedule C-8
	Capitalized Cost of 2012-2016						
B-3	Performance Plans	<u>34,522</u>	<u>27,548</u>	<u>4,370</u>	<u>1,914</u>	<u>689</u>	AG Schedule B-3
2	Total AG Adjustments	<u>5,009,457</u>	<u>4,361,950</u>	<u>267,350</u>	<u>262,881</u>	<u>117,276</u>	
3	Operating Income per AG	<u>\$46,624,271</u>	<u>\$ 42,360,661</u>	<u>\$ 1,722,255</u>	<u>\$ 1,614,773</u>	<u>\$ 926,582</u>	Line 1 + Line 2

ILLINOIS AMERICAN WATER COMPANY
GROSS REVENUE CONVERSION FACTOR
For the Test Year Ending December 31, 2017

<u>Line</u>	<u>Description</u>	<u>Zone 1</u> (b)	<u>WW</u> (c)	<u>Pekin</u> (d)	<u>Lincoln</u> (e)	<u>Source</u>
1	Change in Operating Revenues	1.000000	1.000000	1.000000	1.000000	
	Less:					
2	Increase in Uncollectible Accounts Expens	<u>0.009500</u>	<u>0.009500</u>	<u>0.009500</u>	<u>0.009200</u>	IAWC Schedule C-16 Line 18
3	Income before State Income Tax	0.990500	0.990500	0.990500	0.990800	Line 1 - Line 2
4	State Income Tax Rate	2.0846%				AG Schedule C-7 line 13
5	State Income Tax Expense	<u>0.020648</u>	<u>0.02064796</u>	<u>0.020648</u>	<u>0.020654</u>	Line 3 x Line 4
6	Income before Federal Income Tax	0.969852	0.969852	0.969852	0.970146	Line 3 - Line 5
7	Federal Income Tax Rate	35.00%				
8	Federal Income Tax Expense	<u>0.3394482</u>	<u>0.3394482</u>	<u>0.3394482</u>	<u>0.339551</u>	Line 6 x Line 7
9	Operating Income	<u>0.630404</u>	<u>0.630404</u>	<u>0.630404</u>	<u>0.630595</u>	Line 6 - Line 8
10	Gross Revenue Conversion Factor	<u>1.586285</u>	<u>1.586285</u>	<u>1.586285</u>	<u>1.585804</u>	Line 1/Line 9

ILLINOIS AMERICAN WATER COMPANY
Capital Structure
For the Test Year Ending December 31, 2017

<u>Line</u>	<u>Class of Capital</u>	<u>11-0767</u> <u>% of Total</u> (a)	<u>11-0767</u> <u>Method</u> (b)	<u>Cost Rate</u> (c)	<u>Weighted</u> <u>Cost</u> (d)	<u>Source</u>
		11-0767 Order, p 79			Col (b)*Col (c)	
1	Short-Term Debt	1.30%	1.86%	1.56%	0.03%	Col (b) & (c): IAWC Exhibit 6.01
2	Long-Term Debt	50.60%	50.32%	5.39%	2.71%	Col (b): Line 2 Col (a) - ((Line 1 Col(b) - Line 1 Col (a))/2) Col (c): IAWC Exhibit 6.01
3	Common Equity	<u>48.10%</u>	<u>47.82%</u>	9.34%	<u>4.47%</u>	Col (b): Line 3 Col (a) - ((Line 1 Col(b) - Line 1 Col (a))/2) Col (c): 11-0767 Order, p. 113
4	Total Capital	<u>100.00%</u>	<u>100.00%</u>		<u>7.21%</u>	Sum of Lines 1 through 3

Illinois American Water Company
Rate Base Deduction for Other Post-Employment Benefits ("OPEB") Liability
For the Test Year Ending December 31, 2017

<u>Line</u>	<u>Description</u>	<u>Total Co</u> (a)	<u>Zone 1</u> (b)	<u>WW</u> (c)	<u>Pekin</u> (d)	<u>Lincoln</u> (e)	<u>Source</u>
	<u>Rate Base Deduction</u>						
1	Avg Accrued OPEB per AG	\$ (1,898,284)	\$ (1,612,402)	\$ (207,293)	\$ (49,925)	\$ (28,664)	IAWC Sch B-9.1 2017, pp 11-15, ln 32
2	Avg Accrued OPEB per Co	-	-	-	-	-	
3	AG Adjustment to Rate Base	<u>\$ (1,898,284)</u>	<u>\$ (1,612,402)</u>	<u>\$ (207,293)</u>	<u>\$ (49,925)</u>	<u>\$ (28,664)</u>	Line 1 - Line 2

Illinois American Water Company
Adjustment to Accumulated Deferred Income Taxes ("ADIT") for FIN48
For the Test Year Ending December 31, 2017

<u>Line</u>	<u>Description</u>	<u>Total Co</u>	<u>Zone 1</u>	<u>WW</u>	<u>Pekin</u>	<u>Lincoln</u>	<u>Source</u>
		(a)	(b)	(c)	(d)	(e)	
1	FIN48 Liability in ADIT per AG \$	-	-	-	-	-	
	FIN48 Liability in ADIT per Co						<u>Plant Allocator F applied</u>
2	FIN48 Liability at 12/31/14	(14,400,419)	(12,231,716)	(1,572,526)	(378,731)	(217,446)	IAWC WPB-9e.xlsx
3	FIN48 Liability for 2015	(1,753,540)	(1,489,457)	(191,486)	(46,118)	(26,479)	IAWC Sch B-9.1, 2015, line 5 SIT + FI
4	FIN48 Liability for 2016	(2,543,031)	(2,160,050)	(277,699)	(66,882)	(38,400)	IAWC Sch B-9.1, 2016, line 5 SIT + FI
5	Avg FIN48 Liability for 2017	<u>513,218</u>	<u>435,928</u>	<u>56,043</u>	<u>13,498</u>	<u>7,750</u>	IAWC Sch B-9.1 2017 line 5 SIT+FIT)
6	FIN48 Liability in ADIT per Co	<u>(18,183,772)</u>	<u>(15,445,296)</u>	<u>(1,985,668)</u>	<u>(478,233)</u>	<u>(274,576)</u>	Sum of Lines 2 through 5
7	AG Adjustment to ADIT	<u>\$18,183,772</u>	<u>\$15,445,296</u>	<u>\$1,985,668</u>	<u>\$478,233</u>	<u>\$274,576</u>	Line 1 - Line 6
8	AG Adjustment to Rate Base	<u>(\$18,183,772)</u>	<u>(\$15,445,296)</u>	<u>(\$1,985,668)</u>	<u>(\$478,233)</u>	<u>(\$274,576)</u>	

Illinois American Water Company
Removal of Capitalized Cost of Performance Plans Disallowed in Prior Rate Case
For the Test Year Ending December 31, 2017

<u>Line</u>	<u>Description</u>	<u>Total Co</u>	<u>Zone 1</u>	<u>WW</u>	<u>Pekin</u>	<u>Lincoln</u>	<u>Source</u>
		(a)	(b)	(c)	(d)	(e)	
	<u>RATE BASE</u>						
1	Amount in Rate Base per AG	\$ -	\$ -	\$ -	\$ -	\$ -	
	<u>Amount in Rate Base per Co</u>						<u>Co Response to AG-03.001 Attach</u>
2	Plant in Service	1,579,231	1,319,609	159,659	70,591	29,372	Line 4: Total Additions Less 2017 Adds
3	Accumulated Depreciation	(176,017)	(140,456)	(22,282)	(9,763)	(3,516)	Line 15: B-1 Less Ln 11 2017 Depr Adds
4	ADIT SIT	(656)	(908)	177	73	2	Line 36: B-1
5	ADIT FIT	(4,386)	(6,050)	1,172	486	6	Line 38: B-1
6	Disallowed Capitalized Cost on IAWC Schedule B-1	<u>1,398,172</u>	<u>1,172,195</u>	<u>138,726</u>	<u>61,387</u>	<u>25,864</u>	Sum of Lines 2 through 5
7	AG Adjustment to Rate Base	<u>(\$1,398,172)</u>	<u>\$ (1,172,195)</u>	<u>\$ (138,726)</u>	<u>\$ (61,387)</u>	<u>\$ (25,864)</u>	Line 1 less Line 6
	<u>OPERATING INCOME</u>						
8	Depreciation Expense per AG	\$ -	\$ -	\$ -	\$ -	\$ -	<u>Co Response to AG-03.001 Attach</u>
9	Depreciation Expense per Co	<u>54,241</u>	<u>43,284</u>	<u>6,866</u>	<u>3,008</u>	<u>1,083</u>	Line 13 C-12 - Line 11 2017
10	AG Adj to Depreciation Expense	(54,241)	(43,284)	(6,866)	(3,008)	(1,083)	Line 8 - Line 9
11	State Income Tax Expense	1,131	902	143	63	23	Line 10 * SIT Rate
12	Federal Income Tax Expense	<u>18,589</u>	<u>14,834</u>	<u>2,353</u>	<u>1,031</u>	<u>371</u>	(Line 10 + Line 11) x 35%
13	AG Adj to Operating Expenses	<u>(\$34,522)</u>	<u>(\$27,548)</u>	<u>(\$4,370)</u>	<u>(\$1,914)</u>	<u>(\$689)</u>	Sum of Lines 10 through 12
14	AG Adj to Operating Income	<u>\$34,522</u>	<u>\$27,548</u>	<u>\$4,370</u>	<u>\$1,914</u>	<u>\$689</u>	

Illinois American Water Company
Company Agreed Adjustments to Rate Base
For the Test Year Ending December 31, 2017

<u>Line</u>	<u>Description</u>	<u>Total Co</u> (a)	<u>Zone 1</u> (b)	<u>WW</u> (c)	<u>Pekin</u> (d)	<u>Lincoln</u> (e)	<u>Source</u>
1	Deferred Charge Correction	(\$2,162,500)	(\$2,162,500)	\$0	\$0	\$0	Co Response to DLH 3.001
2	ADIT Correction	<u>(258,802)</u>	<u>(219,826)</u>	<u>(28,261)</u>	<u>(6,806)</u>	<u>(3,908)</u>	Line 6 x Plant Allocator F
3	AG Adjustment to Rate Base	<u>(\$2,421,302)</u>	<u>(\$2,382,326)</u>	<u>(\$28,261)</u>	<u>(\$6,806)</u>	<u>(\$3,908)</u>	Line 1 + Line 2

ADIT Correction:

Removal of Net Utility Plant Acquisition Adjustment and Deferred Rate Proceedings from ADIT Balance

	<u>Total</u>	<u>State</u>	<u>Federal</u>	
4	ADIT per Co Response AG 3.02 (\$151,918,591)	(\$13,843,938)	(\$138,074,653)	Co Response to AG 3.027
5	ADIT per IAWC Sch. B-9.1 <u>(151,659,789)</u>	<u>(13,808,566)</u>	<u>(137,851,223)</u>	Co Response to AG 3.027
6	AG Adj Total Co <u>(\$258,802)</u>	<u>(\$35,372)</u>	<u>(\$223,430)</u>	Line 4 + Line 5

Illinois American Water Company
Adjustment to Miscellaneous Revenues
For the Test Year Ending December 31, 2017

<u>Line</u>	<u>Description</u>	<u>Total Co</u> (a)	<u>Zone 1</u> (b)	<u>WW</u> (c)	<u>Pekin</u> (d)	<u>Lincoln</u> (e)	<u>Source</u>
	<u>Miscellaneous Revenue per AG</u>						
	Actual Jan-Sept 2015 plus						
1	Projected Oct-Dec 2015	\$5,192,175	\$4,249,725	\$765,522	\$88,256	\$88,672	IAWC Sch C-23 Link In
2	Less: 2014 Rent Accrual	<u>(100,000)</u>	<u>(100,000)</u>				Co Response AG 3.011
3	Miscellaneous Revenue per AG	5,092,175	4,149,725	765,522	88,256	88,672	Line 1 + Line 2
4	Miscellaneous Revenue per Co	<u>4,101,540</u>	<u>3,307,420</u>	<u>634,681</u>	<u>84,178</u>	<u>75,261</u>	IAWC Sch C-23 Link In
	<u>AG Adjustment</u>						
5	AG Adj to Misc Revenues	990,635	842,305	130,841	4,078	13,411	Line 3 - Line 4
6	State Income Tax Expense	(20,651)	(17,559)	(2,728)	(85)	(280)	Line 5 * SIT Rate
7	Federal Income Tax Expense	<u>(339,494)</u>	<u>(288,661)</u>	<u>(44,840)</u>	<u>(1,398)</u>	<u>(4,596)</u>	(Line 5 + Line 6) x 35%
8	AG Adj to Operating Income	<u>\$630,490</u>	<u>536,085</u>	<u>\$83,274</u>	<u>\$2,595</u>	<u>\$8,535</u>	Sum Lines 5 through 7

Illinois American Water Company
Adjustment for Test Year Employees
For the Test Year Ending December 31, 2017

<u>Line</u>	<u>Description</u>	<u>Total Co</u>	<u>Zone 1</u>	<u>WW</u>	<u>Pekin</u>	<u>Lincoln</u>	<u>Source</u>
		(a)	(b)	(c)	(d)	(e)	
	<u>OPERATING INCOME</u>						
	<u>Employee Payroll & Benefits</u>						
1	Payroll Expense	\$23,740,348	\$ 21,332,901	\$ 1,015,948	\$ 875,668	\$ 515,831	IAWC WPC-11e, Total Expense
2	Associated Payroll Taxes	1,816,137	1,631,967	77,720	66,989	39,461	Line 2 * 7.65% (irs.gov/taxtopics/tc751.html)
3	401k/Retiree Medical/ESPP	897,994	808,791	43,455	28,627	17,121	IAWC Sch C-11.3
4	Pension Expense	2,800,686	2,534,621	106,986	99,424	59,655	IAWC Sch C-11.3
5	DCP	878,138	786,721	58,072	18,734	14,611	IAWC Sch C-11.3
6	OPEB	2,037,079	1,843,557	77,816	72,316	43,390	IAWC Sch C-11.3
7	Group Insurance	<u>5,317,767</u>	<u>4,781,928</u>	<u>226,596</u>	<u>197,643</u>	<u>111,600</u>	IAWC Sch C-11.3
8	Total subject to Vacancy Adj	37,488,149	33,720,486	1,606,593	1,359,401	801,669	Sum Lines 1 through 7
9	Vacancy Adjustment %	<u>-2.97%</u>	<u>-2.97%</u>	<u>-2.97%</u>	<u>-2.97%</u>	<u>-2.97%</u>	AG Schedule C-2, page 3, Line 15
10	Adj to Payroll & Benefits	(1,114,338)	(1,002,344)	(47,756)	(40,408)	(23,830)	Line 8 x Line 9
11	State Income Tax Expense	23,229	20,895	996	842	497	Line 10 x SIT Rate
12	Federal Income Tax Expense	<u>381,888</u>	<u>343,507</u>	<u>16,366</u>	<u>13,848</u>	<u>8,167</u>	(Line 10 + Line 11) x 35%
13	AG Adj to Operating Expenses:	<u>(\$709,221)</u>	<u>(\$637,942)</u>	<u>(\$30,394)</u>	<u>(\$25,718)</u>	<u>(\$15,167)</u>	Sum Lines 10 - 12
14	AG Adj to Operating Income	<u>\$709,221</u>	<u>\$637,942</u>	<u>\$30,394</u>	<u>\$25,718</u>	<u>\$15,167</u>	

Illinois American Water Company
Adjustment for Test Year Employees
For the Test Year Ending December 31, 2017

<u>Line</u>	<u>Description</u>	<u>Total Co</u>	<u>Zone 1</u>	<u>WW</u>	<u>Pekin</u>	<u>Lincoln</u>	<u>Source</u>
	<u>RATE BASE</u>	(a)	(b)	(c)	(d)	(e)	
<u>Capitalized Employee Payroll and Benefits</u>							
1	2017 Capitalized Payroll	\$8,510,489	\$ 7,742,769	\$ 314,136	\$ 323,724	\$ 129,860	IAWC WPC-11e
2	2017 Capitalized Benefits	<u>3,038,049</u>	<u>2,756,724</u>	<u>119,710</u>	<u>107,374</u>	<u>54,241</u>	IAWC Schedule C-11.3 2017 Line 11
3	Total 2017	<u>\$11,548,538</u>	<u>\$10,499,493</u>	<u>\$433,846</u>	<u>\$431,098</u>	<u>\$184,101</u>	Line 1 + Line 2
4	Average 2017	\$5,774,270	\$5,249,747	\$216,923	\$215,549	\$92,051	Line 3/2
5	2016 Capitalized Payroll	8,347,482	7,593,971	308,263	318,002	127,246	IAWC Schedule C-11d
6	2016 Capitalized Benefits	<u>3,265,551</u>	<u>2,894,827</u>	<u>125,490</u>	<u>187,661</u>	<u>57,573</u>	IAWC Schedule C-11.3 2016 Line 11
7	Total Subject to Vacancy Adj	17,387,303	15,738,545	650,676	721,212	276,870	Sum Lines 4 through 6
8	Vacancy Adjustment %	<u>-2.97%</u>	<u>-2.97%</u>	<u>-2.97%</u>	<u>-2.97%</u>	<u>-2.97%</u>	AG Schedule C-2, page 3, Line 15
9	Adj to Plant	<u>(\$516,839)</u>	<u>(\$467,830)</u>	<u>(\$19,341)</u>	<u>(\$21,438)</u>	<u>(\$8,230)</u>	Line 7 x Line 8

Illinois American Water Company
Adjustment for Test Year Employees
For the Test Year Ending December 31, 2017

<u>Line</u>	<u>Description</u>	<u>Production</u>	<u>Network</u>	<u>Admin & General</u>	<u>Total</u>	<u>Total %</u>	<u>Source</u>
		(a)	(b)	(c)	(d)	(e)	
1	2014 Actual	130	254	78	462	95.26%	Co Response to DGK 04.005 Attachment
2	2014 Budget	135	268	82	485		Co Response to DGK 04.005 Attachment
3	2014 Variance	(5)	(14)	(4)	(23)		Line 2 - Line 2
4	% Variance	-3.70%	-5.22%	-4.88%	-4.74%		Line 3/Line 2
5	2015 Actual	125	252	72	449	94.13%	Co Response to DGK 04.005 Attachment
6	2015 Budget	134	266	77	477		Co Response to DGK 04.005 Attachment
7	2015 Variance	(9)	(14)	(5)	(28)		Line 5 - Line 6
8	% Variance	-6.72%	-5.26%	-6.49%	-5.87%		Line 7/Line 6
9	2016 Actual through Feb	126	246	74	446	92.53%	Co Response to DGK 04.005 Attachment
10	2016 Budget	136	267	79	482		Co Response to DGK 04.005 Attachment
11	2016 Variance	(10)	(21)	(5)	(36)		Line 9 - Line 10
12	% Variance	-7.35%	-7.87%	-6.33%	-7.47%		Line 11/Line 10
13	Weighted Avg Variance	-5.37%	-5.45%	-5.74%	-5.47%		((Line 4*12)+(Line 8*12)+(Line 12*2))/26
14	Co Variance %	<u>-2.50%</u>	<u>-2.50%</u>	<u>-2.50%</u>	<u>-2.50%</u>		Co Response to DGK 4.04
15	Variance Adj %	<u>-2.87%</u>	<u>-2.95%</u>	<u>-3.24%</u>	<u>-2.97%</u>		Line 13 - Line 14

Illinois American Water Company
Disallowance of Annual Performance Plan and Long-Term Performance Plan Costs
For the Test Year Ending December 31, 2017

<u>Line</u>	<u>Description</u>	<u>Total Co</u>	<u>Zone 1</u>	<u>WW</u>	<u>Pekin</u>	<u>Lincoln</u>	<u>Source</u>
		(a)	(b)	(c)	(d)	(e)	
	<u>OPERATING INCOME</u>						
1	Performance Plan Costs per AG \$	- \$	- \$	- \$	- \$	- \$	
	<u>Performance Plan Costs per Co</u>						
2	Salaries & Wages	1,370,030	1,239,877	52,335	48,636	29,182	IAWC Schedule C-2.7, Line 7
3	Service Co Allocation	<u>52,716</u>	<u>48,736</u>	<u>295</u>	<u>2,604</u>	<u>1,081</u>	IAWC Schedule C-2.7, Line 22
4	Amount Subject to Payroll Tax	1,422,746	1,288,613	52,630	51,240	30,263	Line 2 + Line 3
5	Payroll Taxes	108,840	98,579	4,026	3,920	2,315	Line 3 x 7.65%
6	Depreciation Expense	<u>5,063</u>	<u>4,040</u>	<u>641</u>	<u>281</u>	<u>101</u>	Co Response AG 3.001 Attach: Ln 11 201
7	Total Operating Expenses per C	<u>1,536,649</u>	<u>1,391,232</u>	<u>57,297</u>	<u>55,441</u>	<u>32,679</u>	Sum Lines 4 through 6
	<u>AG Adjustment</u>						
7	AG Adj to Operating Expenses	(1,536,649)	(1,391,232)	(57,297)	(55,441)	(32,679)	Line 1 - Line 7
8	State Income Tax Expense	32,033	29,002	1,194	1,156	681	Line 7 * SIT Rate
9	Federal Income Tax Expense	<u>526,616</u>	<u>476,781</u>	<u>19,636</u>	<u>19,000</u>	<u>11,199</u>	(Line 7 + Line 8) x 35%
10	AG Adj to Operating Expenses	<u>(\$978,000)</u>	<u>(\$885,450)</u>	<u>(\$36,467)</u>	<u>(\$35,285)</u>	<u>(\$20,799)</u>	Sum Lines 7 through 9
11	AG Adj to Operating Income	<u>\$978,000</u>	<u>\$885,450</u>	<u>\$36,467</u>	<u>\$35,285</u>	<u>\$20,799</u>	

Note: Social Security & Medicare tax combined rate for employers is 7.65% per <https://www.irs.gov/taxtopics/tc751.html>

Illinois American Water Company
Disallowance of Annual Performance Plan and Long-Term Performance Plan Costs
For the Test Year Ending December 31, 2017

<u>Line</u>	<u>Description</u>	<u>Total Co</u>	<u>Zone 1</u>	<u>WW</u>	<u>Pekin</u>	<u>Lincoln</u>	<u>Source</u>
	<u>RATE BASE</u>	(a)	(b)	(c)	(d)	(e)	
1	Capitalized Cost per AG	\$ -	\$ -	\$ -	\$ -	\$ -	
	<u>Capitalized Cost per Co</u>						<u>Co Response to AG 3.001 Attachment</u>
2	Plant	147,421	123,151	14,940	6,588	2,742	Line 4: B-1 less AG Sch B-3 line2 (2012-2016)
3	Accumulated Depreciation	(5,063)	(4,040)	(641)	(281)	(101)	Line 11 2017 Adds
4	Total Rate Base	<u>142,358</u>	<u>119,111</u>	<u>14,299</u>	<u>6,307</u>	<u>2,641</u>	Line 2 + Line 3
5	AG Adjustment to Rate Base	<u>(\$142,358)</u>	<u>(\$119,111)</u>	<u>(\$14,299)</u>	<u>(\$6,307)</u>	<u>(\$2,641)</u>	Line 1 - Line 4

Illinois American Water Company
Disallowance of Rate Case Expense Correction
For the Test Year Ending December 31, 2017

<u>Line</u>	<u>Description</u>	<u>Total Co</u> (a)	<u>Zone 1</u> (b)	<u>WW</u> (c)	<u>Pekin</u> (d)	<u>Lincoln</u> (e)	<u>Source</u>
1	Rate Case Expense Correction	<u>\$586,491</u>	<u>\$490,072</u>	<u>\$59,294</u>	<u>\$26,216</u>	<u>\$10,909</u>	Sch C-10, line 12
2	Amount included in Rate Case Expense per AG	\$0	\$0	\$0	\$0	\$0	
3	Amount included in Rate Case Expense per Co	<u>293,246</u>	<u>245,036</u>	<u>29,647</u>	<u>13,108</u>	<u>5,455</u>	Line 1 / 2 year amortization
4	AG Adjustment to Regulatory Expense	(293,246)	(245,036)	(29,647)	(13,108)	(5,455)	Line 2 - Line 3
5	State Income Tax Expense	6,113	5,108	618	273	114	Line 4 * SIT Rate
6	Federal Income Tax Expense	<u>100,497</u>	<u>83,975</u>	<u>10,160</u>	<u>4,492</u>	<u>1,869</u>	(Line 4 + Line 5) x 35%
7	AG Adj to Operating Expenses	<u>(\$186,636)</u>	<u>(\$155,953)</u>	<u>(\$18,869)</u>	<u>(\$8,343)</u>	<u>(\$3,472)</u>	Sum Lines 4 - 6
8	AG Adj to Operating Income	<u>\$186,636</u>	<u>\$155,953</u>	<u>\$18,869</u>	<u>\$8,343</u>	<u>\$3,472</u>	

Illinois American Water Company
Adjustment for Power Cost Auction Adjustment
For the Test Year Ending December 31, 2017

<u>Line</u>	<u>Description</u>	<u>Total Co</u>	<u>Zone 1</u>	<u>WW</u>	<u>Pekin</u>	<u>Lincoln</u>	<u>Source</u>
		(a)	(b)	(c)	(d)	(e)	
	<u>Power Cost Auction Adjustment</u>						
1	Per AG	\$0	\$0	\$0	\$0	\$0	
2	Per Co	<u>219,035</u>	<u>184,514</u>	<u>25,073</u>	<u>5,125</u>	<u>4,323</u>	IAWC WPC-2.2a
3	AG Adj to Fuel and Power Exp	<u>(219,035)</u>	<u>(184,514)</u>	<u>(25,073)</u>	<u>(5,125)</u>	<u>(4,323)</u>	Line 1 - Line 2
4	State Income Tax Expense	4,566	3,846	523	107	90	Line 3 * SIT Rate
5	Federal Income Tax Expense	<u>75,064</u>	<u>63,234</u>	<u>8,593</u>	<u>1,756</u>	<u>1,482</u>	(Line 3 + Line 4) x 35%
6	AG Adj to Operating Expenses	<u>(\$139,405)</u>	<u>(\$117,434)</u>	<u>(\$15,958)</u>	<u>(\$3,262)</u>	<u>(\$2,751)</u>	Sum Lines 3 through 5
7	AG Adj to Operating Income	<u>\$139,405</u>	<u>\$117,434</u>	<u>\$15,958</u>	<u>\$3,262</u>	<u>\$2,751</u>	

Illinois American Water Company
Adjustment for Depreciation Expense
For the Test Year Ending December 31, 2017

<u>Line Description</u>	<u>Total Co</u> (a)	<u>Zone 1</u> (b)	<u>WW</u> (c)	<u>Pekin</u> (d)	<u>Lincoln</u> (e)	<u>Source</u>
1 Depreciation Expense per AG	\$54,825,189	\$46,229,026	\$5,795,976	\$1,810,719	\$989,468	IAWC Schedule C-2.11 Line 10
2 Depreciation Expense per Co	<u>55,022,567</u>	<u>46,402,125</u>	<u>5,810,906</u>	<u>1,817,321</u>	<u>992,215</u>	IAWC Schedule C-2 Line 23
3 AG Adj to Depreciation Expense	(197,378)	(173,099)	(14,930)	(6,602)	(2,747)	Line 1 - Line 2
4 State Income Tax Expense	4,115	3,608	311	138	57	Line 3 * SIT Rate
5 Federal Income Tax Expense	<u>67,642</u>	<u>59,322</u>	<u>5,117</u>	<u>2,263</u>	<u>941</u>	(Line 3 + Line 4) x 35%
6 AG Adj to Operating Expenses	<u>(\$125,621)</u>	<u>(\$110,169)</u>	<u>(\$9,502)</u>	<u>(\$4,202)</u>	<u>(\$1,748)</u>	Sum Lines 3 through 6
7 AG Adj to Operating Income	<u>\$125,621</u>	<u>\$110,169</u>	<u>\$9,502</u>	<u>\$4,202</u>	<u>\$1,748</u>	

Illinois American Water Company
Adjustment for Income Taxes
For the Test Year Ending December 31, 2017

<u>Line Description</u>	<u>Total Co</u>	<u>Zone 1</u>	<u>WW</u>	<u>Pekin</u>	<u>Lincoln</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)	
<u>STATE INCOME TAX</u>						
1 Op Revenues - Present Rates	\$223,624,560	\$197,875,308	\$13,104,757	\$8,190,696	\$4,453,799	IAWC Schedule C-2, Line 2
2 O&M Expenses - Present Rates	(98,602,774)	(88,036,763)	(5,116,759)	(3,546,608)	(1,902,644)	IAWC Schedule C-2, Line 21
3 TOTI - Present Rates	<u>(15,152,582)</u>	<u>(13,380,898)</u>	<u>(925,422)</u>	<u>(575,262)</u>	<u>(271,000)</u>	IAWC Schedule C-2, Line 25
4 Tax Op Income before Depr	109,869,204	96,457,647	7,062,576	4,068,826	2,280,155	Sum Lines 1 through 3
5 Depreciaion - Tax Basis	(45,973,310)	(39,049,730)	(5,020,285)	(1,209,098)	(694,197)	IAWC Schedule C-5, Line 27
6 Interest Expense per Company	(23,113,155)	(20,487,824)	(1,715,844)	(615,434)	(294,053)	IAWC Schedule C-5, Line 26
7 Repairs Deduction	(17,976,639)	(15,269,357)	(1,963,049)	(472,786)	(271,447)	IAWC Schedule C-5, Line 28
8 Taxable Meals & Travel Expenses	2,303	2,303	0	0	0	IAWC Schedule C-5, Line 16
9 Other Book/Tax Timing Diff	<u>(718,479)</u>	<u>(685,088)</u>	<u>0</u>	<u>(21,212)</u>	<u>(12,179)</u>	IAWC Schedule C-5, Line 17
10 Pro Forma State Taxable Income	22,089,924	20,967,951	(1,636,602)	1,750,296	1,008,279	Sum Lines 4 through 9
11 Illinois Tax Rate	7.75%					http://www.revenue.state.il.us/TaxRates/Income.htm
12 Apportionment	<u>26.898571%</u>					Co Response DLH 4.004 Att
13 Effective Tax Rate	<u>2.0846%</u>					Line 11 x Line 12
14 State Income Tax Expense per AG	460,487	437,098	(34,117)	36,487	21,019	Line 10 x Line 13
15 State Income Tax Expense per Co	<u>839,990</u>	<u>788,447</u>	<u>(45,929)</u>	<u>61,848</u>	<u>35,624</u>	IAWC Schedule C-2 Line 28
16 AG Adj to State Income Tax Expense	<u>(379,503)</u>	<u>(351,349)</u>	<u>11,812</u>	<u>(25,361)</u>	<u>(14,605)</u>	Line 14 - Line 15
17 AG Adj to Operating Expenses	<u>(\$379,503)</u>	<u>(\$351,349)</u>	<u>\$11,812</u>	<u>(\$25,361)</u>	<u>(\$14,605)</u>	Line 16
18 AG Adj to Operating Income	<u>\$379,503</u>	<u>\$351,349</u>	<u>(\$11,812)</u>	<u>\$25,361</u>	<u>\$14,605</u>	

Illinois American Water Company
Adjustment for Income Taxes
For the Test Year Ending December 31, 2017

<u>Line Description</u>	<u>Total Co</u>	<u>Zone 1</u>	<u>WW</u>	<u>Pekin</u>	<u>Lincoln</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)	
<u>FEDERAL INCOME TAX</u>						
1 Op Revenues - Present Rates	\$223,624,560	\$197,875,308	\$13,104,757	\$8,190,696	\$4,453,799	IAWC Schedule C-2, Line 2
2 O&M Expenses - Present Rates	(98,602,774)	(88,036,763)	(5,116,759)	(3,546,608)	(1,902,644)	IAWC Schedule C-2, Line 231
3 TOTI - Present Rates	<u>(15,152,582)</u>	<u>(13,380,898)</u>	<u>(925,422)</u>	<u>(575,262)</u>	<u>(271,000)</u>	IAWC Schedule C-2, Line 231
4 Op Income before Depreciation	109,869,204	96,457,647	7,062,576	4,068,826	2,280,155	Sum Lines 1 through 3
5 Depreciaion - Tax Basis	(58,068,114)	(49,323,056)	(6,341,038)	(1,527,191)	(876,829)	IAWC Schedule C-5, Line 27
6 Synchronized Interest Expense	(23,113,155)	(20,487,824)	(1,715,844)	(615,434)	(294,053)	IAWC Schedule C-5, Line 26
7 Repairs Deduction	(17,976,639)	(15,269,357)	(1,963,049)	(472,786)	(271,447)	IAWC Schedule C-5, Line 28
8 Taxable Meals & Travel Expense:	2,303	2,303	0	0	0	IAWC Schedule C-5, Line 16
9 Other Book/Tax Timing Diff	(806,555)	(685,088)	(88,076)	(21,212)	(12,179)	IAWC Schedule C-5, Line 17
10 State Income Tax Expense	<u>(460,487)</u>	<u>(437,098)</u>	<u>34,117</u>	<u>(36,487)</u>	<u>(21,019)</u>	AG Schedule C-7, pg 1, line 16
11 Federal Taxable Income	9,446,557	10,257,527	(3,011,314)	1,395,716	804,628	Sum Lines 4 through 10
12 Federal Tax Rate	<u>35.00%</u>					
13 Federal Income Tax Exp per AG	3,306,295	3,590,134	(1,053,960)	488,501	281,620	Line 11 x Line 12
14 Federal Income Tax Exp per Co	<u>3,903,601</u>	<u>4,139,494</u>	<u>(1,036,659)</u>	<u>506,480</u>	<u>294,286</u>	IAWC Schedule C-2 Line 27
15 AG Adj to Federal Income Tax Ex	<u>(597,306)</u>	<u>(549,360)</u>	<u>(17,301)</u>	<u>(17,979)</u>	<u>(12,666)</u>	Line 13 - Line 14
16 AG Adj to Operating Expenses	<u>(\$597,306)</u>	<u>(\$549,360)</u>	<u>(\$17,301)</u>	<u>(\$17,979)</u>	<u>(\$12,666)</u>	Line 15
17 AG Adj to Operating Income	<u>\$597,306</u>	<u>\$549,360</u>	<u>\$17,301</u>	<u>\$17,979</u>	<u>\$12,666</u>	

Illinois American Water Company
Adjustment for Income Taxes
For the Test Year Ending December 31, 2017

<u>Line</u>	<u>Description</u>	<u>Total Co</u> (a)	<u>Zone 1</u> (b)	<u>WW</u> (c)	<u>Pekin</u> (d)	<u>Lincoln</u> (e)	<u>Source</u>
<u>STATE DEFERRED INCOME TAXES ("SDIT")</u>							
1	Book over Tax Depreciation	(\$8,796,181)	(\$7,471,476)	(\$960,543)	(\$231,340)	(\$132,822)	IAWC Sch C-5.3 LINKIN cells I824-I828
2	Repairs Deduction	<u>17,976,639</u>	<u>15,269,357</u>	<u>1,963,049</u>	<u>472,786</u>	<u>271,447</u>	IAWC Schedule B-9.1 Ln 4
3	Subtotal	9,180,458	7,797,881	1,002,506	241,446	138,625	Line 1 + Line 2
4	State Tax Rate	2.0846%					
5	Deferred SIT Expense	191,376	162,555	20,898	5,033	2,890	Line 3 x Line 4
6	Amortization of ITCs	41,674	34,824	4,213	1,863	774	IAWC Schedule C-5.5 Line 8
7	Amort of Reg Assets/Liabilities	<u>670</u>	<u>569</u>	<u>73</u>	<u>18</u>	<u>10</u>	IAWC Sch C-5.2 line 9 * F Allocator
8	SDIT per AG	233,720	197,948	25,184	6,914	3,674	Sum of Lines 5 through 7
9	SDIT per Co	<u>567,064</u>	<u>469,732</u>	<u>54,921</u>	<u>30,822</u>	<u>11,589</u>	IAWC Schedule C-2 Line 30
10	AG Adj to SDIT	<u>(333,344)</u>	<u>(271,784)</u>	<u>(29,737)</u>	<u>(23,908)</u>	<u>(7,915)</u>	Line 10 - Line 11
11	AG Adj to Operating Expenses	<u>(\$333,344)</u>	<u>(\$271,784)</u>	<u>(\$29,737)</u>	<u>(\$23,908)</u>	<u>(\$7,915)</u>	Line 12
12	AG Adj to Operating Income	<u>\$333,344</u>	<u>\$271,784</u>	<u>\$29,737</u>	<u>\$23,908</u>	<u>\$7,915</u>	

Illinois American Water Company
Adjustment for Income Taxes
For the Test Year Ending December 31, 2017

<u>Line Description</u>	<u>Total Co</u> (a)	<u>Zone 1</u> (b)	<u>WW</u> (c)	<u>Pekin</u> (d)	<u>Lincoln</u> (e)	<u>Source</u>
<u>FEDERAL DEFERRED INCOME TAXES ("FDIT")</u>						
1 Book over Tax Depr	\$3,298,623	\$2,801,850	\$360,210	\$86,754	\$49,809	IAWC Sch C-5.3 LINKIN cells F824-F828
2 Repairs Deduction	17,976,639	15,269,357	1,963,049	472,786	271,447	IAWC Schedule B-9.1 Ln 4
3 State Deferred Income Tax	<u>(233,720)</u>	<u>(197,948)</u>	<u>(25,184)</u>	<u>(6,914)</u>	<u>(3,674)</u>	AG Schedule C-7, Line 8
4 Subtotal	21,041,542	17,873,259	2,298,075	552,626	317,582	Sum Lines 1 through 3
5 Federal Tax Rate 35%						
6 Fed Deferred Income Tax	7,364,540	6,255,641	804,326	193,419	111,154	Line 4 x Line 6
7 Amort of Reg Assets/Liab	<u>267,473</u>	<u>227,191</u>	<u>29,208</u>	<u>7,035</u>	<u>4,039</u>	IAWC Sched C-5.2, Line 9 * Plant Allocator F
8 FDIT per AG	7,632,013	6,482,832	833,534	200,454	115,193	Line 6 + Line 7
9 FDIT per Co	<u>7,921,167</u>	<u>6,659,138</u>	<u>824,432</u>	<u>300,462</u>	<u>137,135</u>	IAWC Schedule C-2 Line 29
10 AG Adj to FDIT	<u>(556,627)</u>	<u>(403,497)</u>	<u>(20,106)</u>	<u>(107,043)</u>	<u>(25,981)</u>	Line 8 - Line 9
11 AG Adj to Op Expenses	<u>(\$556,627)</u>	<u>(\$403,497)</u>	<u>(\$20,106)</u>	<u>(\$107,043)</u>	<u>(\$25,981)</u>	Line 15
12 AG Adj to Op Income	<u>\$556,627</u>	<u>\$403,497</u>	<u>\$20,106</u>	<u>\$107,043</u>	<u>\$25,981</u>	

ILLINOIS AMERICAN WATER COMPANY
Adjustment for Income Taxes
For the Test Year Ending December 31, 2017

<u>Line</u>	<u>Description</u>	<u>Total Co</u> (a)	<u>Zone 1</u> (b)	<u>WW</u> (c)	<u>Pekin</u> (d)	<u>Lincoln</u> (e)	<u>Source</u>
<u>INTEREST SYNCHRONIZATION</u>							
1	AG Adjusted Rate Base	\$ 874,783,800	\$ 775,992,444	\$ 64,370,761	\$ 23,322,739	\$ 11,097,857	AG Schedule A-1, Line 3
2	Weighted Average Cost of Debt	<u>2.71%</u>	<u>2.71%</u>	<u>2.71%</u>	<u>2.71%</u>	<u>2.71%</u>	AG Schedule A-3, Line 2, col (d)
3	Synchronized Interest per AG	23,706,641	21,029,395	1,744,448	632,046	300,752	Line 1 x Line 2
4	Synchronized Interest per Co	<u>23,113,155</u>	<u>20,487,824</u>	<u>1,715,844</u>	<u>615,434</u>	<u>294,053</u>	IAWC Sch C-5
5	Change in Interest Expense	593,486	541,571	28,604	16,612	6,699	Line 3 - Line 4
6	State Income Tax Expense	(12,372)	(11,290)	(596)	(346)	(140)	Line 5 x SIT Rate
7	Federal Income Tax Expense	<u>(203,390)</u>	<u>(185,598)</u>	<u>(9,803)</u>	<u>(5,693)</u>	<u>(2,296)</u>	(Line 5+Line 6) x FIT Rate
8	Adjustment to Op Expenses	<u>(\$215,762)</u>	<u>(\$196,888)</u>	<u>(\$10,399)</u>	<u>(\$6,039)</u>	<u>(\$2,435)</u>	Line 6 + Line 7
9	Adjustment to Op Income	<u>\$215,762</u>	<u>\$196,888</u>	<u>\$10,399</u>	<u>\$6,039</u>	<u>\$2,435</u>	

Illinois American Water Company
Company Agreed Adjustments to Operating Income
For the Test Year Ending December 31, 2017

<u>Line</u>	<u>Description</u>	<u>Total Co</u>	<u>Zone 1</u>	<u>WW</u>	<u>Pekin</u>	<u>Lincoln</u>	<u>Source</u>
		(a)	(b)	(c)	(d)	(e)	
	SFIO - Outside Professional						
1	Services	(\$32,839)	(\$27,440)	(\$3,320)	(\$1,468)	(\$611)	IAWC Sch C-6.2 & Workpaper & Allocator B
2	Lobbying Expenses	(10,452)	(8,734)	(1,057)	(467)	(194)	Co Response DGK 4.001(e) Attachment
3	Amort Deferred Charges	<u>(150,000)</u>	<u>(150,000)</u>	-	-	-	Co Response DLH 3.001 Attachment 2
4	Total Co Agreed Adj	(193,291)	(186,174)	(4,377)	(1,935)	(805)	Sum of Lines 1 - 3
5	State Income Tax Expense	4,029	3,881	91	40	17	Line 4 * SIT Rate
6	Federal Income Tax Expense	<u>66,242</u>	<u>63,803</u>	<u>1,500</u>	<u>663</u>	<u>276</u>	(Line 4 + Line 5) x 35%
7	AG Adj to Operating Expense	<u>(\$123,020)</u>	<u>(\$118,491)</u>	<u>(\$2,786)</u>	<u>(\$1,231)</u>	<u>(\$512)</u>	Sum Lines 5 + 6
8	AG Adj to Operating Income	<u>\$123,020</u>	<u>\$118,491</u>	<u>\$2,786</u>	<u>\$1,231</u>	<u>\$512</u>	