

RPU-2009-0004

**FILED WITH
Executive Secretary**

April 30, 2009

IOWA UTILITIES BOARD

IOWA AMERICAN WATER COMPANY

Depreciation Study
as of December 31, 2007



EARL M. ROBINSON
Principal & Director

AUS CONSULTANTS

792 Old Highway 66, Suite 200
Tijeras, NM 87059
717.763.9890 • Tel
775.243.4056 • Fax
erobinson@wfw-ausinc.com

March 3, 2009

Mr. Edward G. Grubb
Manager Rates and Regulation-Central Region
Iowa American Water Company
727 Craig Road
St Louis, MO 65141

RE: Iowa American Water Company-
Depreciation Study

Dear Mr. Grubb:

In accordance with your authorization, we have prepared a depreciation study related to the utility plant in service of Iowa American Water Company as of December 31, 2007. Our findings and recommendations, together with supporting schedules and exhibits, are set forth in the accompanying report.

Summary schedules have been prepared to illustrate the impact of instituting the recommended annual depreciation rates as a basis for the Company's annual depreciation expense as compared to the rates presently utilized. The application of the present rates to the Company's depreciable plant in service as of December 31, 2007 results in an annual depreciation expense of \$3,437,613. In comparison, the application of the proposed depreciation rates to the depreciable plant in service at December 31, 2007 results in an annual depreciation expense of \$3,769,205 which is an increase of \$331,593 from current rates. The composite annual depreciation rate under present rates is 2.69 percent, while the proposed composite depreciation rate is 2.95 percent.

Section 2 of our report contains the summary schedules showing the results of our service life and salvage studies and summaries of presently utilized depreciation rates. The subsequent sections of the report present a detailed outline of the methodology and procedures used in the study together with supporting calculations and analyses used in the development of the results.

Respectfully submitted,

A handwritten signature in cursive script that reads "Earl M. Robinson".

EARL M. ROBINSON, CDP

TABLE OF CONTENTS

	<u>Page No.</u>
<u>SECTION 1</u>	
Executive Summary	1-1
<u>SECTION 2</u>	
Summary of Original Cost of Utility Plant in Service as of December 31, 2007 and Related Annual Depreciation Expense Under Present and Proposed Depreciation Rates (Table 1)	2-1
Calculation of Cost of Removal in Book Depreciation Reserve as of December 31, 2007 Based Upon Theoretical Depreciation Reserves (Table 1a)	2-4
Summary of Original Cost of Utility Plant in Service and Calculation of Annual Depreciation Rates and Depreciation Expense Based Upon Utilization of Book Depreciation Reserve and Average Remaining Lives as of December 31, 2007 (Table 2-Plant Only)	2-6
Summary of Original Cost of Utility Plant in Service and Calculation of Annual Depreciation Rates and Depreciation Expense Based Upon Utilization of Book Depreciation Reserve and Average Remaining Lives as of December 31, 2007 (Table 2-Gross Salvage)	2-8
Summary of Original Cost of Utility Plant in Service and Calculation of Annual Depreciation Rates and Depreciation Expense Based Upon Utilization of Book Depreciation Reserve and Average Remaining Lives as of December 31, 2007 (Table 2-Cost of Removal)	2-10
Summary of Original Cost of Utility Plant in Service as of December 31, 2007 Per Books, Adjustments, and Adjusted Original Cost per Depreciation Study (Table 3)	2-12
Summary of Depreciation Reserve Related to Utility Plant in Service as of December 31, 2007 per Books, Adjustments, and Adjusted Depreciation Reserve per Depreciation Study (Table 4)	2-14
Summary of Original Cost of Utility Plant in Service as of December 31, 2007 And Present And Proposed Parameters (Table 5)	2-16

TABLE OF CONTENTS

	<u>Page No.</u>
<u>SECTION 2</u>	
Summary of Original Cost of Utility Plant in Service and Allocation of Book Depreciation Reserve Based Upon Theoretical Depreciation Reserve as of December 31, 2007 For Selected Accounts (Table 6)	2-18
<u>SECTION 3</u>	
General	3-1
Depreciation Study Overview	3-2
Annual Depreciation Accrual	3-3
Group Depreciation Procedures	3-4
Calculation of ASL, ARL, and Accrued Depreciation Factors Based Upon Iowa 10-R3 Using the Equal Life Group (ELG) Procedure (Table 7)	3-8
Remaining Life Technique	3-9
Salvage	3-11
Service Lives	3-15
Survivor Curves	3-15
Study Procedures	3-16
<u>SECTION 4</u>	
Study Results	4-1
<u>SECTION 5</u>	
Service Life Analysis	5-1
<u>SECTION 6</u>	
Composite Remaining Life Calculations	6-1
<u>SECTION 7</u>	
Salvage Analysis	7-1

SECTION 1

IOWA AMERICAN WATER COMPANY

Executive Summary

Table 1 on pages 2-1 to 2-3 is a comparative summary which illustrates the effect of instituting the revised historical depreciation rates. The schedule includes a comparison of the annual depreciation rates and annual depreciation expense under both present and proposed rates applied using the Straight Line Method for each depreciable property group of the Iowa American Water Company, Inc.'s ("Company") plant in service as of December 31, 2007. Both the present and proposed depreciation rates were developed utilizing the Straight Line (SL) Method, Broad Group (BG) Procedure, and the Average Remaining Life (ARL) Technique. In addition, Table 1 contains the proposed property group level depreciation rates detailed by depreciation rate component (i.e. plant only, gross salvage, and cost of removal).

Table 1a on pages 2-4 to 2-5 summarizes the Company's December 31, 2007 property group depreciation reserves by the detailed segments of plant only, gross salvage, and cost of removal components.

Table 2 - Plant Only on pages 2-6 to 2-7 which is the development of average remaining life depreciation rates for the Plant Only recovery component) provides a summary of the detailed life estimates and service life parameters (Iowa Curves) utilized in preparing the Average Remaining Life depreciation rates for each property group. The schedule provides a summary of the detailed data and narrative of the study results set forth in Sections 4 through 7. The developed depreciation rates (Column L) were determined by studying the Company's historical investment data together with the

interpretation of future life expectancies which will have a bearing on the overall service life of the Company's property.

Table 2 - Gross Salvage on pages 2-8 to 2-9 is a similar table to Table 2 - Plant Only, except that this table develops the component level depreciation rates for the recovery of the gross salvage portion of the property cost.

Table 2 - Cost of Removal on pages 2-10 to 2-11 summarizes the depreciation recovery rates for the cost of removal segment of the total plant cost.

Table 3 on pages 2-12 to 2-13 reconciles the December 31, 2007 account level plant in service balances per books versus the balances utilized in the performance of the depreciation study.

Table 4 on pages 2-14 to 2-15 summarizes the Company's December 31, 2007 book depreciation reserve balances per books, adjustments, and the depreciation reserve per the December 31, 2007 depreciation study.

Table 5 on pages 2-16 to 2-17 summarizes the depreciation parameters underlying the Company's current depreciation rates as well as also provides similar information relative to the proposed depreciation parameters and depreciation rates as of December 31, 2007.

Table 6 on pages 2-18 to 2-19 provides and allocation of the Company's book depreciation reserves for selected accounts to individual sub-account levels base upon a theoretical depreciation reserve calculation as of December 31, 2007.

With regard to the Company's plant in service, several of the proposed rates reflect marked changes (as outlined in Section 4 of the study) from the current depreciation rates. The accounts for which the most notable depreciation expense changes occurred in

comparison to the current depreciation rates include Account 331.20 - Mains - 10-16 Inch, Account 331.30 - Mains - 6-8 Inch, Account 334.11 - Meters -Bronze, Account 334.12 - Meters - Plastic, Account 340.20 Computers & Peripherals, Account 340.30 - Mainframe Computer Software, and Account 346 - Communication Equipment.

The proposed depreciation rate for Account 331.20 - Mains - 10-16 Inch, increased from 1.27 percent to 1.48 percent. The proposed depreciation rate is the result of combined changes of both the average service life and net salvage parameters. The average service life and net salvage was changed in accordance with the life indication developed through an analysis of the Company's historical data and consideration of future expectations. The proposed average service life decreased from ninety-five (95) years to ninety (90) years, while the future negative net salvage for the property group increased from negative fifteen (15) to thirty-five (35) percent.

The depreciation rate for Account 331.30 – Mains - 6-8 Inch increased from 1.44 percent to 1.84 percent. The drivers underlying the proposed depreciation rate is the use of a 85 year average service life (the same life as underlying the present depreciation rate) while future net salvage is estimated at negative thirty-five (35) percent for the proposed depreciation rate.. By comparison, net salvage of negative fifteen percent is contained within the present depreciation rate for this property group. The average service life and net salvage was changed in accordance with the life indication developed through an analysis of the Company's historical data and consideration of future expectations.

The proposed depreciation rate for Account 334.11 - Meters-Bronze, decreased from 8.53 percent to 5.82 percent. The proposed depreciation rate is the result of combined changes of both the average service life and net salvage parameters. The average service

life was changed in accordance with the life indication developed through an analysis of the Company's historical data and consideration of future expectations. The proposed average service life increased from fourteen (14) years to sixteen (16) years, while the future negative net salvage for the property group decreased from eight (8) percent two (2) percent. Also, contributing to the depreciation rate reduction is the fact that the book depreciation reserve for this property group's investment is somewhat higher than required for the age of the surviving investment.

The depreciation rate for Account 334.12 – Meters-Plastic decreased from 21.43 percent to 1.21 percent. The average service life for this account remained the same at thirteen years while the future net salvage underlying the current depreciation rate is eight (8) percent versus the future net salvage of two (2) percent under the proposed depreciation rate. The book depreciation reserve for this property group's modest investment is measurably higher than required for the age of the surviving investment, hence, the resulting annual depreciation rate is significantly reduced.

The depreciation rate for Account 340.20 - Computers & Peripherals increased from 9.87 percent to 20.21 percent. The depreciation parameters underlying the proposed depreciation rates are a six (6) year average service life and zero (0) percent net salvage while the depreciation parameters underlying the present depreciation rates are a seven (7) year average service life and zero (0) percent net salvage. Contributing to the increase in the proposed annual depreciation rate over the current depreciation rate is the fact that the Company's current book depreciation reserve for the property account is low in comparison to the average age of the current property group's investment and related average service life.

The depreciation rate for Account 340.30 – Mainframe Computer Software increased

from 5.60 percent to 10.41 percent. The drivers underlying the proposed depreciation rate is a thirteen (13) year average service life and estimated net salvage of zero (0) percent (as summarized on Table 5, Sec 2 of this report). The underlying depreciation parameter basis for the present depreciation rate is a five (5) year average service life and zero (0) percent net salvage.

The depreciation rate for Account 346 – Communication Equipment decreased from 10.31 percent to 6.08 percent. The drivers underlying the proposed depreciation rate is a twelve (12) year average service life and estimated future net salvage of zero (0) percent. The underlying depreciation parameter basis for the present depreciation rate is a seven (7) year average service life and zero (0) percent net salvage.

The utilization of the recommended depreciation rates based upon the Straight Line Average Remaining Life Procedure results in the setting of depreciation rates which will continuously true up the Company's level of capital recovery over the life of each asset group. Application of this procedure, which is based upon the current best estimates of service life together with the Company's plant in service and accrued depreciation, produces annual depreciation rates that will result in the Company recovering 100 percent of its investment -- no more, no less.

It is recommended that the Company continue to apply depreciation rates and maintain its book depreciation reserve on an account-level basis. The maintenance of the book reserve on an account-level basis requires both the development of annual depreciation expense and distribution of other reserve account charges to an individual level. Maintaining the Company's depreciation records in this detail will aid in completing

the various rate studies and, most importantly, clearly identify the Company's level of capital recovery relative to each category of plant investment.

The general drivers for the proposed depreciation rates include an assessment of the Company's historical experience with regard to achieved service lives and net salvage factors. In addition, consideration is given to current and anticipated events which are anticipated to impact the Company's ability to recover its fixed capital costs related to utility plant in service.

The depreciation rate for each individual account changed as a result of estimates obtained through the in-depth analysis of the Company's most recent data together with an interpretation of ongoing and anticipated future events. Some of the revisions were not significant and typically reflect fine tuning of previously utilized depreciation rates while others were more substantial in nature. Several of the accounts did reflect more significant changes (as outlined in Section 4 of this report) from the previously utilized depreciation rates.

Several of the remaining account/sub-accounts experienced increases or decreases in recommended depreciation rates to a lesser degree, as noted per Table 1 of this report. This revision in annual depreciation rates and expense is the result of both changes in the estimated service lives and salvage factors, and reflects the impact of the Company's property changes since the most recent study.

With regard to the inclusion of higher negative net salvage levels in the development of proposed depreciation rates, as noted within the discussion related to net salvage in Section 3 of the depreciation report, it should be noted that the level of experienced net salvage should simply be a benchmark from which to estimate future net salvage. It is

highly likely that the negative net salvage amounts experienced even recently will simply be the floor above which future negative net salvage levels will increase to a higher level. To appropriately and proportionately allocate the true total asset cost (original cost adjusted for net salvage) over its applicable service life, proper consideration must be given, in each accounting period, to the total costs that are anticipated to occur relative to the Company's assets that provide customer service.

Applying the proposed depreciation rates to the Company's December 31, 2007 plant in service balances produces annual depreciation expense of \$3,769,205 which is an increase of \$331,593 in depreciation expense from the application of the current depreciation rates.

The following summary compares the present and proposed composite depreciation rates and is for illustrative purposes only. The Composite Depreciation Rate should not be applied to the total Company investment inasmuch as the non-proportional change in plant investment as a result of property additions or retirements would render the composite rate inappropriate. The Table 1 schedule (in Section 2 of the report) list the recommended annual depreciation rates for each of the applicable property accounts.

Present Depreciation Rates

Depreciable Plant In Service at December 31, 2007	\$127,781,312
Annual Depreciation Expense	\$3,437,612
Composite Annual Depreciation Rate	2.69%

Proposed Depreciation Rates

Depreciable Plant In Service at December 31, 2007	\$127,781,312
Annual Depreciation Expense	\$3,769,205
Composite Annual Depreciation Rate	2.95%

SECTION 2

Table 1
 1 of 3

Iowa-American Water Company
 All Water Districts

Summary of Original Cost of Utility Plant in Service as of December 31, 2007
 and Related Annual Depreciation Expense Under Present and Proposed Rates

NARUC Account No.	Account No.	Description	Present Rates			Proposed Plant Only Rates			Proposed Gross Salv Rates			Proposed COR Rates			Total Proposed Rates			Net Change Dep'r. Exp. (c)	
			(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)					
			12-31-07																
			Original Cost	Rate %	Annual Accrual	Rate %	Annual Accrual	Rate %	Annual Accrual	Rate %	Annual Accrual	Rate %	Annual Accrual	Rate %	Annual Accrual	Rate %	Annual Accrual	Net Change Dep'r. Exp.	
			(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)	(t)	
			364,407.00	2.75%	10,021.19	2.52%	9,183.06	0.00%	0.00	0.44%	1,603.39	2.96%	10,786.45	2.96%	10,786.45	2.96%	10,786.45	765.26	
			459,746.00	3.86%	17,746.20	3.36%	6,344.49	0.00%	0.00	0.30%	1,375.24	1.68%	7,723.73	1.68%	7,723.73	1.68%	7,723.73	(10,022.47)	
			987,980.00	5.15%	50,860.97	2.21%	21,634.36	0.00%	0.00	1.10%	10,867.78	3.31%	32,702.14	3.31%	32,702.14	3.31%	32,702.14	(18,178.83)	
			58,736.00	1.92%	1,127.77	2.08%	1,221.75	0.00%	0.00	0.33%	193.84	2.41%	1,415.59	2.41%	1,415.59	2.41%	1,415.59	287.82	
			1,870,871.00	4.26%	79,776.13	2.06%	38,583.66	0.00%	0.00	0.75%	14,044.25	2.81%	52,627.91	2.81%	52,627.91	2.81%	52,627.91	(27,148.22)	
			DEPRECIABLE PLANT																
			Source of Supply																
			304.10	311.00	SS Structures & Improvements	2.48%	188,758.38	0.00%	0.00	0.93%	70,784.39	3.41%	259,542.77	3.41%	259,542.77	3.41%	259,542.77	29,663.78	
			306.00	313.00	Lakes, Rivers & Other Intakes	4.69%	17,614.61	0.00%	0.00	0.93%	5,301.48	5.62%	32,036.92	5.62%	32,036.92	5.62%	32,036.92	14,422.31	
			307.00	314.00	Wells & Springs	2.29%	167,051.37	0.00%	0.00	0.91%	49,678.67	3.20%	174,694.24	3.20%	174,694.24	3.20%	174,694.24	7,642.87	
			309.00	316.00	Supply Mains	0.76%	12,356.37	0.00%	0.00	0.64%	339.02	1.40%	741.61	1.40%	741.61	1.40%	741.61	(11,616.76)	
			13,693,444.00	3.12%	426,883.34	2.49%	340,911.98	0.00%	0.00	0.92%	126,103.56	3.41%	467,015.54	3.41%	467,015.54	3.41%	467,015.54	40,132.20	
			Pumping Plant																
			304.20	321.00	Pumping Structures & Improvements	2.97%	244,620.43	0.00%	0.00	0.56%	46,123.72	3.53%	290,744.14	3.53%	290,744.14	3.53%	290,744.14	29,650.96	
			310.00	323.00	Power Generation Equip	2.83%	282,830.31	0.00%	0.00	0.79%	78,952.63	3.62%	361,782.94	3.62%	361,782.94	3.62%	361,782.94	(5,996.41)	
			311.20	325.00	Electric Pumping Eq.	2.96%	141,639.43	0.00%	0.00	1.04%	49,431.21	4.02%	191,070.64	4.02%	191,070.64	4.02%	191,070.64	16,160.20	
			311.60	328.00	Other Pumping Eq.	2.88%	424,469.74	0.00%	0.00	0.87%	128,383.84	3.75%	552,853.58	3.75%	552,853.58	3.75%	552,853.58	10,163.80	
			14,747,005.00	3.68%	542,689.78	2.88%	424,469.74	0.00%	0.00	0.87%	128,383.84	3.75%	552,853.58	3.75%	552,853.58	3.75%	552,853.58	10,163.80	
			22,983,383.00	3.50%	803,782.97	2.91%	669,090.17	0.00%	0.00	0.76%	174,507.56	3.67%	843,597.72	3.67%	843,597.72	3.67%	843,597.72	39,814.75	
			Water Treatment Plant																
			304.30	331.00	WT Structures & Improvements	2.60%	464.51	0.00%	0.00	0.00%	0.00	2.60%	399.91	2.60%	399.91	2.60%	399.91	(64.60)	
			320.10	332.00	Treatment Plant Equipment	2.11%	257,435.45	0.00%	0.00	0.39%	46,267.20	2.50%	296,584.63	2.50%	296,584.63	2.50%	296,584.63	39,149.18	
			320.20	332.00	Chemical Equipment	0.79%	7,858.00	0.00%	0.00	0.68%	6,763.84	1.47%	14,621.84	1.47%	14,621.84	1.47%	14,621.84	(9,847.36)	
			331.10	343.11	Mains-All Material Types - 4 in & Under	1.01%	241,289.14	0.00%	0.00	0.47%	112,283.07	1.48%	353,572.21	1.48%	353,572.21	1.48%	353,572.21	50,169.03	
			331.30	343.20	Mains-All Material Types - 10 in - 16 in	1.30%	378,411.98	0.00%	0.00	0.54%	157,186.52	1.84%	535,598.50	1.84%	535,598.50	1.84%	535,598.50	116,434.46	
			331.94	343.40	Mains - All Material Types 18" & Over	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00	
			53,993,311.00	1.38%	747,036.42	1.16%	627,559.12	0.00%	0.00	0.51%	276,233.43	1.67%	903,792.55	1.67%	903,792.55	1.67%	903,792.55	156,756.13	
			TOTAL ACCOUNT 343																

Table 1
 2 of 3

Iowa-American Water Company
 All Water Districts

Summary of Original Cost of Utility Plant in Service as of December 31, 2007
 and Related Annual Depreciation Expense Under Present and Proposed Rates

NARUC Account No. (a)	Account No. (c)	Description (d)	Original Cost 12-31-07 (e)			Present Rates			Proposed Plant Only Rates			Proposed Gross Salv Rates			Proposed COR Rates			Total Proposed Rates			Net Change Depr. Exp. (o)
			Rate % (f)	Annual Accrual (g)	Rate % (h)	Annual Accrual (i)	Rate % (j)	Annual Accrual (k)	Rate % (l)	Annual Accrual (m)	Rate % (n)	Annual Accrual (m)	Rate % (n)	Annual Accrual (m)	Rate % (n)	Annual Accrual (m)					
333.00	345.00	Services	5.07%	152,143.86	1.51%	45,313.06	0.00%	0.00	4.25%	127,536.76	5.76%	172,849.82	5.76%	172,849.82	20,705.96						
334.11	346.01	Meters - Bronze	8.53%	259,209.04	5.17%	157,105.60	0.27%	8,204.74	0.38%	11,547.41	5.82%	176,857.75	5.82%	176,857.75	(82,351.25)						
334.12	346.02	Meters-Plastic	21.43%	52,639.58	-2.13%	-5,232.03	1.17%	2,873.93	2.17%	5,330.28	1.21%	2,972.18	2.17%	5,330.28	(49,667.40)						
		TOTAL ACCOUNT 346	9.49%	311,848.62	4.62%	151,873.57	0.34%	11,078.67	0.51%	16,877.69	5.48%	179,829.93	5.48%	179,829.93	(132,018.69)						
334.20	347.00	Meter Installations	2.68%	88,427.08	1.28%	42,233.83	0.00%	0.00	0.37%	12,208.22	1.65%	54,442.05	1.65%	54,442.05	(33,985.03)						
335.00	348.00	Hydrants	2.09%	131,998.15	1.21%	76,419.98	0.00%	0.00	2.06%	130,103.44	3.27%	206,523.42	3.27%	206,523.42	74,525.27						
339.00	349.00	Other Plant & Misc. Equip.	0.00%	0.00	-7.30%	-64.39	0.00%	0.00	0.00%	0.00	0.00%	-64.39	0.00%	-64.39	(64.39)						
		Total Trans & Distr Plant	2.07%	1,689,354.09	1.46%	1,194,052.50	0.01%	11,078.67	0.75%	609,226.74	2.22%	1,814,357.92	2.22%	1,814,357.92	125,003.83						
		General Plant																			
304.50	390.00	Adm & Gen Structures & Improvements	5.76%	45,958.98	5.64%	45,001.50	0.00%	0.00	0.31%	2,473.49	5.95%	47,474.99	5.95%	47,474.99	1,516.01						
340.10	391.01	Office Furniture & Equipment	3.18%	18,667.62	3.28%	19,254.65	0.00%	0.00	0.00%	0.00	3.28%	19,254.65	3.28%	19,254.65	587.03						
340.20	391.21	Computers & Peripherals	9.87%	54,751.85	20.21%	112,110.93	0.00%	0.00	0.00%	0.00	20.21%	112,110.93	20.21%	112,110.93	57,359.08						
340.30	391.25	Mainframe Computer Software	5.60%	132,591.65	10.41%	246,478.40	0.00%	0.00	0.00%	0.00	10.41%	246,478.40	10.41%	246,478.40	113,886.75						
340.32	391.26	PC Software	12.67%	6,893.11	38.46%	20,924.16	0.00%	0.00	0.00%	0.00	38.46%	20,924.16	38.46%	20,924.16	14,031.05						
340.40	391.40	Data Handling Equipment	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00						
340.50	391.30	Other Office Equipment	2.83%	9,400.98	5.95%	19,765.31	0.00%	0.00	0.00%	0.00	5.95%	19,765.31	5.95%	19,765.31	10,364.33						
		TOTAL ACCOUNT 391	5.71%	222,305.21	10.74%	418,533.45	0.00%	0.00	0.00%	0.00	10.74%	418,533.45	10.74%	418,533.45	196,228.24						
341.40	392.00	Transportation Equipment	0.00%	0.00	33.33%	2,658.40	0.00%	0.00	0.00%	0.00	33.33%	2,658.40	33.33%	2,658.40	2,658.40						
342.00	393.00	Stores Equipment	1.44%	588.60	-12.91%	-5,008.05	0.00%	0.00	0.00%	0.00	-12.91%	-5,008.05	0.00%	-5,008.05	(5,596.65)						
343.00	394.00	Tools, Shop & Garage Equipment	3.06%	18,831.73	4.14%	25,478.22	-0.11%	-676.96	0.06%	369.25	4.09%	25,170.51	4.09%	25,170.51	6,338.78						
344.00	395.00	Laboratory Equipment	7.02%	1,268.87	18.24%	3,296.88	0.00%	0.00	0.00%	0.00	18.24%	3,296.88	18.24%	3,296.88	2,028.02						
345.00	396.00	Power Operated Equipment	0.00%	0.00	6.15%	6,717.95	-0.71%	-775.57	0.38%	415.09	5.82%	6,357.48	5.82%	6,357.48	6,357.48						
346.10	397.00	Communication Equipment	10.31%	117,668.85	6.08%	69,391.53	0.00%	0.00	0.00%	0.00	6.08%	66,391.53	6.08%	66,391.53	(48,277.32)						
347.00	398.00	Miscellaneous Equipment	3.88%	31,223.99	2.88%	23,176.57	0.00%	0.00	0.00%	0.00	2.88%	23,176.57	2.88%	23,176.57	(8,047.42)						
399.00	399.00	Other Tangible Property	0.00%	0.00	1.81%	554.49	0.00%	0.00	0.00%	0.00	1.81%	554.49	1.81%	554.49	554.49						
		Total General Plant	5.87%	437,816.23	7.91%	589,800.94	-0.02%	(1,452.53)	0.04%	3,257.83	7.93%	591,606.25	7.93%	591,606.25	153,790.02						
		TOTAL DEPRECIABLE PLANT	2.69%	3,437,612.76	2.22%	2,832,439.25	0.01%	9,626.14	0.73%	927,139.94	2.95%	3,769,205.34	2.95%	3,769,205.34	331,592.58						

Table 1a
1 of 2

Iowa-American Water Company
All Water Districts

Calculation of Cost of Removal In Book Depreciation Reserve as of December 31, 2007 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters

NARUC Account	Account	Description	Original Cost 12-31-07	Total Depr Reserve 12-31-07	Cost of Removal In Book Res.	Gross Salvage In Book Res.	Plant Only Book Depr Resr 12-31-07
No.	No.	(c)	(d)	(e)	(f)	(g)	(h)
(a)	(b)						
DEPRECIABLE PLANT							
Source of Supply							
304.10	311.00	SS Structures & Improvements	364,407	83,754.91	4,587.19	0.00	79,167.72
306.00	313.00	Lakes, River & Other Intakes	459,746	297,177.95	9,183.45	0.00	287,994.50
307.00	314.00	Wells & Springs	987,980	533,215.48	46,586.08	0.00	486,629.40
309.00	316.00	Supply Mains	58,738	25,282.13	482.03	0.00	24,820.10
		Total Source of Supply Plant	1,870,871	939,430.47	60,818.75	0.00	878,611.72
Pumping Plant							
304.20	321.00	Pumping Structures & Improvements	7,611,225	2,917,705.06	99,592.12		2,818,112.94
310.00	323.00	Power Generation Equip	570,052	139,221.12	0.00		139,221.12
311.20	325.00	Electric Pumping Eq.	5,459,195	1,994,385.75	(10,944.83)		2,005,330.58
311.50	328.00	Other Pumping Eq.	52,972	44,056.99	3,160.44		40,896.55
		Total Pumping Plant	13,693,444	5,095,368.92	91,807.73	0.00	5,003,561.19
Water Treatment Plant							
304.30	331.00	WT Structures & Improvements	8,236,378	2,427,011.70	113,531.92		2,313,479.78
320.10	332.10	Treatment Plant Equipment	9,994,004	5,370,757.94	556,624.11		4,814,133.83
320.20	332.20	Chemical Equipment	4,753,001	2,022,358.35			2,022,358.35
		TOTAL ACCOUNT 332	14,747,005	7,393,116.29	556,624.11	0.00	6,836,492.18
		Total Water Treatment Plant	22,983,383	9,820,127.99	670,156.03	0.00	9,149,971.96
Transmission & Distribution Plant							
304.40	341.00	TD Structures & Improvements	15,381	0.00			0.00
330.00	342.00	Distr. Reservoirs & Standpipes	11,863,385	2,682,487.37	63,066.75		2,619,420.62
331.10	343.01	Mains-All Material Types - 4 In & Under	994,683	595,534.39	163.99		595,370.40
331.20	343.11	Mains-All Material Types - 10 In - 16 In	23,890,014	6,412,274.09	169,905.66		6,242,368.43
331.30	343.20	Mains-All Material Types - 6 In - 8 In	29,108,614	4,458,028.80	22,444.32		4,435,584.48
331.94	343.40	Mains - All Material Types 18" & Over	0	445.74	0.00		445.74
		TOTAL ACCOUNT 343	53,993,311	11,466,283.02	192,513.97	0.00	11,273,769.05
333.00	345.00	Services	3,000,865	888,255.31	209,122.94		679,132.37
334.11	346.01	Meters - Bronze	3,038,793	1,439,348.26	(100,940.74)	(131,437.07)	1,671,726.07
334.12	346.02	Meters-Plastic	245,635	231,955.47	(24,529.03)	(13,270.83)	269,755.33
		TOTAL ACCOUNT 346	3,284,428	1,671,303.73	(125,469.77)	(144,707.90)	1,941,481.40
334.20	347.00	Meter Installations	3,299,518	727,133.76	62,250.22		664,883.54
335.00	348.00	Hydrants	6,315,701	1,788,766.60	76,177.66		1,712,588.94
339.00	349.00	Other Plant & Misc. Equip.	882	3,367.97			3,367.97
		Total Trans & Distr Plant	81,773,471	19,227,597.76	477,661.77	(144,707.90)	18,894,643.89
General Plant							
304.50	390.00	Adm & Gen Structures & Improvements	797,899	55,243.80	(564.32)		55,808.12
340.10	391.01	Office Furniture & Equipment	587,032	252,253.92	479.68		251,774.24
340.20	391.21	Computers & Peripherals	554,730	128,626.72			128,626.72
340.30	391.25	Mainframe Computer Software	2,367,708	421,417.55			421,417.55
340.32	391.26	PC Software	54,405	0.00			0.00

Table 1a
2 of 2

Iowa-American Water Company
All Water Districts

Calculation of Cost of Removal In Book Depreciation Reserve as of December 31, 2007 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters

NARUC Account	Account	Description	Original Cost	Total Depr Reserve	Cost of Removal	Gross Salvage	Plant Only Book Depr Resr
No.	No.		12-31-07	12-31-07	In Book Res.	In Book Res.	12-31-07
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
340.40	391.40	Data Handling Equipment	0	14,567.61			14,567.61
340.50	391.30	Other Office Equipment	332,190	11,973.60			11,973.60
		TOTAL ACCOUNT 391	3,896,065	828,839.40	479.68	0.00	828,359.72
341.40	392.00	Transportation Equipment	7,976	0.00			0.00
342.00	393.00	Stores Equipment	38,792	125,931.22			125,931.22
343.00	394.00	Tools, Shop & Garage Equipment	615,416	69,833.10	(1,479.52)	(4,251.27)	75,563.89
344.00	395.00	Laboratory Equipment	18,075	(13,899.82)			(13,899.82)
345.00	396.00	Power Operated Equipment	109,235	15,583.30		(6,259.76)	21,843.06
346.10	397.00	Communication Equipment	1,141,308	703,950.67			703,950.67
347.00	398.00	Miscellaneous Equipment	804,742	247,605.27			247,605.27
	399.00	Other Tangible Property	30,635	14,579.26			14,579.26
		Total General Plant	7,460,143	2,047,666.20	(1,564.16)	(10,511.03)	2,059,741.39
		TOTAL DEPRECIABLE PLANT	127,781,312	37,130,191.34	1,298,880.12	(155,218.93)	35,986,530.15
		NON-DEPRECIABLE PLANT					
301.00	301.00	Organization	37,131	0.00			0.00
302.00	302.00	Franchises	22,804	0.00			0.00
339.00	303.00	Miscellaneous Intangible Plant	25,529	1,145.99			1,145.99
303.10	310.00	Source of Supply Land & Land Rights	23,472	0.00			0.00
303.20	320.00	Pumping Land & Land Rights	261,818	0.00			0.00
303.30	330.00	Treatment Land & Land Rights	2,874	0.00			0.00
303.40	340.00	Trans & Distr. Land & Land Rights	549,289	0.00			0.00
303.60	389.00	General Land & Land Rights	15,000	0.00			0.00
		TOTAL NON-DEPRECIABLE PLANT	937,917	1,145.99	0.00	0.00	1,145.99
		TOTAL PLANT IN SERVICE	128,719,229	37,131,337.33	1,298,880.12	(155,218.93)	35,987,676.14

Table 2 - Plant Only

Iowa-American Water Company
 All Water Districts

Summary of Original Cost of Utility Plant in Service and Calculation of
 Annual Depreciation Rates and Depreciation Expense Based Upon Utilization of
 Book Depreciation Reserve and Average Remaining Lives as of December 31, 2007

NARUC Account No. (a)	Account No. (b)	Description (c)	Original Cost 12-31-07 (d)	Estimated Net Salvage % Amount (e)	Original Cost Less Salvage (g)	Book Depreciation Reserve (h)	Net Original Cost Less Salvage (i)	A.S.L./ Survivor Curve (j)	Average Remaining Life (k)	Annual Depreciation Accrual (l)	Annual Depreciation Rate (m)	
DEPRECIABLE PLANT												
Source of Supply												
304.10	311.00	SS Structures & Improvements	364,407.00	0%	364,407.00	79,167.72	285,239.28 (1)	55-L1	31.0	9,201.27	2.52%	
306.00	313.00	Lakes, River & Other Intakes	459,746.00	0%	459,746.00	287,994.50	171,751.50	45-L3	27.0	6,361.17	1.38%	
307.00	314.00	Wells & Springs	987,980.00	0%	987,980.00	486,629.40	501,350.60	40-R1.5	23.0	21,797.85	2.21%	
309.00	316.00	Supply Mains	58,738.00	0%	58,738.00	24,820.10	33,917.90	52-S6	27.7	1,224.47	2.08%	
		Total Source of Supply Plant	1,870,871.00	0%	1,870,871.00	878,611.72	992,259.28			38,584.76	2.06%	
Pumping Plant												
304.20	321.00	Pumping Structures & Improvements	7,611,225.00	0%	7,611,225.00	2,818,112.94	4,793,112.06 (1)	50-R3	25.4	188,705.20	2.48%	
310.00	323.00	Power Generation Equip	570,052.00	0%	570,052.00	139,221.12	430,830.88	25-L3	16.1	26,759.68	4.69%	
311.20	325.00	Electric Pumping Eq.	5,459,195.00	0%	5,459,195.00	2,005,330.98	3,453,864.02	40-R2	27.6	125,140.02	2.29%	
311.50	326.00	Other Pumping Eq.	52,972.00	0%	52,972.00	40,896.55	12,075.45	35-R3	29.9	403.86	0.76%	
		Total Pumping Plant	13,693,444.00	0%	13,693,444.00	5,003,561.19	8,689,882.81			341,008.76	2.49%	
Water Treatment Plant												
304.30	331.00	WT Structures & Improvements	8,236,378.00	0%	8,236,378.00	2,313,479.78	5,922,898.22 (1)	60-L0.5	24.2	244,747.86	2.97%	
320.10	332.10	Treatment Plant Equipment	9,994,004.00	0%	9,994,004.00	4,814,133.83	5,179,870.17 (1)	45-L1	18.3	283,053.01	2.83%	
320.20	332.20	Chemical Equipment	4,753,001.00	0%	4,753,001.00	2,022,358.35	2,730,642.65	30-L3	19.3	141,484.08	2.98%	
		TOTAL ACCOUNT 332	14,747,005.00	0%	14,747,005.00	6,836,492.18	7,910,512.82			424,537.09	2.88%	
		Total Water Treatment Plant	22,983,383.00	0%	22,983,383.00	9,149,971.96	13,833,411.04			669,284.95	2.91%	
Transmission & Distribution Plant												
304.40	341.00	TD Structures & Improvements	15,381.00	0%	15,381.00	0.00	15,381.00	40-R3	38.5	399.51	2.60%	
330.00	342.00	Distr. Reservoirs & Standpipes	11,863,385.00	0%	11,863,385.00	2,619,420.62	9,243,964.38 (1)	100-R2.5	37.0	249,836.88	2.11%	
331.10	343.01	Mains-All Material Types - 4 in. & Under	994,683.00	0%	994,683.00	595,370.40	399,312.60	65-R2.5	51.1	7,814.34	0.79%	
331.20	343.11	Mains-All Material Types - 10 in. - 16 in	23,890,014.00	0%	23,890,014.00	6,242,368.43	17,647,645.57	90-R4	73.5	240,104.02	1.01%	
331.30	343.20	Mains-All Material Types - 6 in. - 8 in	29,108,614.00	0%	29,108,614.00	4,435,564.46	24,673,029.52	85-R4	65.1	379,001.99	1.30%	
331.94	343.40	Mains - All Material Types 18" & Over	0.00	0%	0.00	445.74	(445.74)	0	0.0	0.00	0.00%	
		TOTAL ACCOUNT 343	53,993,311.00	0%	53,993,311.00	11,273,769.05	42,719,541.95	6-L2	3.8	626,920.35	1.16%	
333.00	345.00	Services	3,000,865.00	0%	3,000,865.00	679,132.37	2,321,732.63	68-R2.5	51.3	45,257.95	1.51%	
334.11	346.01	Meters - Bronze	3,038,793.00	0%	3,038,793.00	1,671,726.07	1,367,066.93	16-R3	8.7	157,134.13	5.17%	
334.12	346.02	Meters-Plastic	245,635.00	0%	245,635.00	269,755.33	(24,120.33)	13-L3	4.6	-5,243.55	-2.13%	
		TOTAL ACCOUNT 346	3,284,428.00	0%	3,284,428.00	1,941,481.40	1,342,946.60			151,890.58	4.62%	

Table 2 - Plant Only

Iowa-American Water Company
 All Water Districts

Summary of Original Cost of Utility Plant in Service and Calculation of
 Annual Depreciation Rates and Depreciation Expense Based Upon Utilization of
 Book Depreciation Reserve and Average Remaining Lives as of December 31, 2007

NARUC Account No.	Account No.	Description	Original Cost 12-31-07	Estimated Future Net Salvage %	Estimated Future Net Salvage Amount	Original Cost Less Salvage	Book Depreciation Reserve	Net Original Cost Less Salvage	A.S.L./ Survivor Curve	Average Remaining Life	Annual Depreciation Accrual	Annual Depreciation Rate
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
304.20	347.00	Meter Installations	3,299,518.00	0%	0.00	3,299,518.00	664,883.54	2,634,634.46	75-R3	62.3	42,289.48	1.28%
305.00	348.00	Hydrants	6,315,701.00	0%	0.00	6,315,701.00	1,712,588.94	4,603,112.06	77-R3	60.0	76,718.53	1.21%
306.00	349.00	Other Plant & Misc. Equip.	882.00	0%	0.00	882.00	3,367.97	(2,485.97)	40-R2	38.6	-64.40	-7.30%
		Total Trans & Distr Plant	81,773,471.00	0%	0.00	81,773,471.00	18,894,643.89	62,878,827.11			1,193,248.86	1.46%
		General Plant										
304.50	390.00	Adm & Gen Structures & Improvements	797,899.00	0%	0.00	797,899.00	55,808.12	742,090.88	20-R3	16.5	44,975.20	5.64%
340.10	391.01	Office Furniture & Equipment	587,032.00	0%	0.00	587,032.00	251,774.24	335,257.76	22-L0.5	17.4	19,287.69	3.28%
340.20	391.21	Computers & Peripherals	554,730.00	0%	0.00	554,730.00	128,626.72	426,103.28	6-L2	3.8	112,132.44	20.21%
340.30	391.25	Mainframe Computer Software	2,367,708.00	0%	0.00	2,367,708.00	421,417.55	1,946,290.45	13-S5	7.9	246,365.88	10.41%
340.32	391.26	PC Software	54,405.00	0%	0.00	54,405.00	0.00	54,405.00	8-L3	2.6	20,925.00	38.46%
340.40	391.40	Data Handling Equipment	0.00	0%	0.00	0.00	14,567.61	(14,567.61)	0	0.0	0.00	0.00%
340.50	391.30	Other Office Equipment	332,190.00	0%	0.00	332,190.00	11,973.60	320,216.40	20-L2	16.2	19,766.44	5.95%
		TOTAL ACCOUNT 391	3,896,065.00	0%	0.00	3,896,065.00	828,359.72	3,067,705.28			418,457.45	10.74%
341.40	392.00	Transportation Equipment	7,976.00	0%	0.00	7,976.00	0.00	7,976.00	6-L3	3.0	2,656.67	33.33%
342.00	393.00	Stores Equipment	38,792.00	0%	0.00	38,792.00	125,931.22	(87,139.22)	30-S6	17.4	-5,008.00	-12.91%
343.00	394.00	Tools, Shop & Garage Equipment	615,416.00	0%	0.00	615,416.00	75,563.89	539,852.11	30-R2	21.2	25,464.72	4.14%
344.00	395.00	Laboratory Equipment	18,075.00	0%	0.00	18,075.00	(13,899.82)	31,974.82	12-L0.5	9.7	3,296.37	18.24%
345.00	396.00	Power Operated Equipment	109,235.00	0%	0.00	109,235.00	21,843.06	87,391.94	18-R1.5	13.0	6,722.46	6.15%
346.10	397.00	Communication Equipment	1,141,308.00	0%	0.00	1,141,308.00	703,950.67	437,357.33	12-L3	6.3	69,421.80	6.08%
347.00	398.00	Miscellaneous Equipment	804,742.00	0%	0.00	804,742.00	247,605.27	557,136.73	30-L1.5	24.0	23,214.03	2.88%
		Other Tangible Property	30,635.00	0%	0.00	30,635.00	14,579.26	16,055.74	30-R3	29.0	553.65	1.81%
		Total General Plant	7,460,143.00	0%	0.00	7,460,143.00	2,059,741.39	5,400,401.61			589,756.35	7.91%
		TOTAL DEPRECIABLE PLANT	127,781,312.00	0%	0.00	127,781,312.00	35,986,530.15	91,794,781.85			2,831,863.68	2.22%
		NON-DEPRECIABLE PLANT										
301.00	301.00	Organization	37,131.00									
302.00	302.00	Franchises	22,804.00									
303.00	303.00	Miscellaneous Intangible Plant	25,529.00									
303.10	310.00	Source of Supply Land & Land Rights	23,472.00									
303.20	320.00	Pumping Land & Land Rights	281,818.00									
303.30	330.00	Treatment Land & Land Rights	2,874.00									
303.40	340.00	Trans & Distr. Land & Land Rights	549,289.00									
303.60	389.00	General Land & Land Rights	15,000.00									
		TOTAL NON-DEPRECIABLE PLANT	937,917.00									
		TOTAL PLANT IN SERVICE	128,719,229.00									

(1) Interim Retirement Rate. Life Span Method Utilized. Service Lives Vary.

Table 2 - Gross Salvage
 1 of 2

Iowa-American Water Company
 All Water Districts

Summary of Original Cost of Utility Plant in Service and Calculation of
 Annual Depreciation Rates and Depreciation Expense Based Upon Utilization of
 Book Depreciation Reserve and Average Remaining Lives as of December 31, 2007

NARUC Account No. (a)	Account No. (b)	Description (c)	Original Cost 12-31-07 (d)	Estimated Future Net Salvage % Amount (e)	Original Cost Less Salvage (g)	Book Depreciation Reserve (h)	Net Original Cost Less Salvage (i)	A.S.L./ Survivor Curve (j)	Average Remaining Life (k)	Annual Depreciation Accrual (l)	Annual Depreciation Rate (m)
DEPRECIABLE PLANT											
Source of Supply											
304 10	311 00	SS Structures & Improvements	364,407 00	0%	364,407 00	0 00	0 00 (1)	55-L1.5	31	0 00	0.00%
306 00	313 00	Lakes, River & Other Intakes	459,746 00	0%	459,746 00	0 00	0 00	45-L3	27 0	0 00	0.00%
307 00	314 00	Wells & Springs	987,980 00	0%	987,980 00	0 00	0 00	40-R1.5	23 0	0 00	0.00%
309 00	316 00	Supply Mains	58,738 00	0%	58,738 00	0 00	0 00	52-S6	27 7	0 00	0.00%
Total Source of Supply Plant			1,870,871 00	0%	1,870,871 00	0 00	0 00			0 00	0.00%
Pumping Plant											
304 20	321 00	Pumping Structures & Improvements	7,611,225 00	0%	7,611,225 00	0 00	0 00 (1)	50-R3	25 4	0 00	0.00%
310 00	323 00	Power Generation Equip	570,052 00	0%	570,052 00	0 00	0 00	25-L3	16 1	0 00	0.00%
311 20	325 00	Electric Pumping Eq	5,459,195 00	0%	5,459,195 00	0 00	0 00	40-R2	27 6	0 00	0.00%
311 50	328 00	Other Pumping Eq	52,972 00	0%	52,972 00	0 00	0 00	35-R3	29 9	0 00	0.00%
Total Pumping Plant			13,693,444 00	0%	13,693,444 00	0 00	0 00			0 00	0.00%
Water Treatment Plant											
304 30	331 00	WT Structures & Improvements	8,236,378 00	0%	8,236,378 00	0 00	0 00 (1)	60-L0.5	24 2	0 00	0.00%
330 10	332 10	Treatment Plant Equipment	9,984,004 00	0%	9,984,004 00	0 00	0 00 (1)	45-L1	18 3	0 00	0.00%
330 20	332 20	Chemical Equipment	4,753,001 00	0%	4,753,001 00	0 00	0 00	30-L3	19 3	0 00	0.00%
TOTAL ACCOUNT 332			14,747,005 00	0%	14,747,005 00	0 00	0 00			0 00	0.00%
Total Water Treatment Plant			22,983,383 00	0%	22,983,383 00	0 00	0 00			0 00	0.00%
Transmission & Distribution Plant											
304 40	341 00	TD Structures & Improvements	15,381 00	0%	15,381 00	0 00	0 00	40-R3	38 5	0 00	0.00%
330 00	342 00	Distr. Reservoirs & Standpipes	11,863,385 00	0%	11,863,385 00	0 00	0 00 (1)	100-R2.5	37 0	0 00	0.00%
331 10	343 01	Mains-All Material Types - 4 in & Under	994,683 00	0%	994,683 00	0 00	0 00	65-R2.5	51 1	0 00	0.00%
331 20	343 11	Mains-All Material Types - 10 in - 16 in	23,890,014 00	0%	23,890,014 00	0 00	0 00	90-R4	73 5	0 00	0.00%
331 30	343 20	Mains-All Material Types - 6 in - 8 in	29,108,614 00	0%	29,108,614 00	0 00	0 00	85-R4	65 1	0 00	0.00%
331 94	343 40	Mains - All Material Types 18" & Over	0 00	0%	0 00	0 00	0 00	0	0 0	0 00	0.00%
TOTAL ACCOUNT 343			53,993,311 00	0%	53,993,311 00	0 00	0 00	6-L2	3 8	0 00	0.00%
333 00	345 00	Services	3,000,865 00	0%	3,000,865 00	0 00	0 00	68-R2.5	51 3	0 00	0.00%
334 11	346 01	Meters - Bronze	3,038,793 00	2%	2,978,017 14	(131,437 07)	70,661 21	16-R3	8 7	8,121 98	0.27%
334 12	346 02	Meters-Plastic	245,635 00	0%	245,635 00	(13,270 83)	13,270 83	13-L3	4 6	2,884 96	1.17%
TOTAL ACCOUNT 346			3,284,428 00	2%	3,223,652 14	(144,707 90)	85,932 04			11,006 94	0.34%

(1) Interim Retirement Rate Life Span Method Utilized. Service Lives Vary.

Table 2 - Gross Salvage
 2 of 2

Iowa-American Water Company
 All Water Districts

Summary of Original Cost of Utility Plant In Service and Calculation of
 Annual Depreciation Rates and Depreciation Expense Based Upon Utilization of
 Book Depreciation Reserve and Average Remaining Lives as of December 31, 2007

NARUC Account No. (a)	Account No. (b)	Description (c)	Original Cost 12-31-07 (d)	Estimated Future Net Salvage Amount (e)	% (f)	Original Cost Less Salvage (g)	Book Depreciation Reserve (h)	Net Original Cost Less Salvage (i)	A.S./ Survivor Curve (j)	Average Remaining Life (k)	Annual Depreciation Accrual (l)	Annual Depreciation Rate (m)
334.20	347.00	Meter Installations	3,296,518.00	0.00	0%	3,299,518.00	0.00	0.00	75-R3	62.3	0.00	0.00%
335.00	348.00	Hydrants	6,315,701.00	0.00	0%	6,315,701.00	0.00	0.00	77-R3	60.0	0.00	0.00%
339.00	349.00	Other Plant & Misc. Equip.	862.00	0.00	0%	862.00	0.00	0.00	40-R2	38.6	0.00	0.00%
		Total Trans & Distr Plant	81,773,471.00	60,775.86	0%	81,712,695.14	(144,707.90)	83,932.04			11,006.94	0.01%
		General Plant										
304.50	390.00	Adm & Gen Structures & Improvements	797,899.00	0.00	0%	797,899.00	0.00	0.00	20-R3	16.5	0.00	0.00%
340.10	391.01	Office Furniture & Equipment	587,032.00	0.00	0%	587,032.00	0.00	0.00	22-L0.5	17.4	0.00	0.00%
340.20	391.02	Computers & Peripherals	554,730.00	0.00	0%	554,730.00	0.00	0.00	6-L2	3.8	0.00	0.00%
340.30	391.03	Software	2,397,708.00	0.00	0%	2,397,708.00	0.00	0.00	13-S5	7.9	0.00	0.00%
340.30	391.04	PC Software	54,405.00	0.00	0%	54,405.00	0.00	0.00	6-L3	2.6	0.00	0.00%
340.40	391.05	Data Hardware	332,190.00	0.00	0%	332,190.00	0.00	0.00	0	0.0	0.00	0.00%
340.50	391.30	Other Office Equipment	332,190.00	0.00	0%	332,190.00	0.00	0.00	20-L2	16.2	0.00	0.00%
		TOTAL ACCOUNT 391	3,896,065.00	0.00	0%	3,896,065.00	0.00	0.00			0.00	0.00%
341.40	392.00	Transportation Equipment	7,976.00	0.00	0%	7,976.00	0.00	0.00	6-L3	3.0	0.00	0.00%
342.00	393.00	Stores Equipment	38,792.00	0.00	0%	38,792.00	0.00	0.00	30-S6	17.4	0.00	0.00%
343.00	394.00	Tools, Shop & Garage Equipment	615,416.00	18,462.48	3%	596,953.52	(4,251.27)	(14,211.21)	30-R2	21.2	-670.34	-0.11%
344.00	395.00	Laboratory Equipment	18,075.00	0.00	0%	18,075.00	0.00	0.00	12-L0.5	9.7	0.00	0.00%
345.00	396.00	Power Operated Equipment	109,235.00	16,395.25	15%	92,849.75	(6,259.76)	(10,125.49)	18-R1.5	13.0	-778.88	-0.71%
346.10	397.00	Communication Equipment	1,141,308.00	0.00	0%	1,141,308.00	0.00	0.00	12-L3	6.3	0.00	0.00%
347.00	398.00	Miscellaneous Equipment	804,742.00	0.00	0%	804,742.00	0.00	0.00	30-L1.5	24.0	0.00	0.00%
349.00	399.00	Other Tangible Property	30,635.00	0.00	0%	30,635.00	0.00	0.00	30-R3	29.0	0.00	0.00%
		Total General Plant	7,460,143.00	34,847.73	0%	7,425,295.27	(10,511.03)	(24,336.70)			-1,449.22	-0.02%
		TOTAL DEPRECIABLE PLANT	127,781,312.00	95,623.59	0%	127,685,688.41	(155,218.83)	59,595.34			9,557.72	0.01%
		NON-DEPRECIABLE PLANT										
301.00	301.00	Organization	37,131.00									
302.00	302.00	Franchises	22,804.00									
303.00	303.00	Miscellaneous Intangible Plant	25,529.00									
303.10	310.00	Source of Supply Land & Land Rights	23,472.00									
303.20	320.00	Pumping Land & Land Rights	261,818.00									
303.30	330.00	Treatment Land & Land Rights	2,814.00									
303.40	340.00	Trans & Distr Land & Land Rights	546,269.00									
303.50	389.00	General Land & Land Rights	15,000.00									
		TOTAL NON-DEPRECIABLE PLANT	837,917.00									
		TOTAL PLANT IN SERVICE	128,719,229.00									

(1) Interim Retirement Rate: Life Span Method Utilized. Service Lives Vary.

Table - COR
 1 of 2

Iowa-American Water Company
 All Water Districts

Summary of Original Cost of Utility Plant in Service and Calculation of
 Annual Depreciation Rates and Depreciation Expense Based Upon Utilization of
 Book Depreciation Reserve and Average Remaining Lives as of December 31, 2007

NARUC Account No.	Account No.	Description	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
			Original Cost 12-31-07	Estimated Future Net Salvage Amount	%	Original Cost Less Salvage	Book Depreciation Reserve	Net Original Cost Less Salvage	A.S.L./ Survivor Curve	Average Remaining Life	Annual Depreciation Accrual	Annual Depreciation Rate			
DEPRECIABLE PLANT															
Source of Supply															
304.10	311.00	SS Structures & Improvements	364,407.00	(54,661.05)	-15%	419,068.05	4,587.19	50,073.86	55-L1.5	31	1,615.29	0.44%			
306.00	313.00	Lakes, River & Other Intakes	459,746.00	(45,974.60)	-10%	505,720.60	9,183.45	36,791.15	45-L3	27.0	1,362.64	0.30%			
307.00	314.00	Wells & Springs	987,980.00	(296,394.00)	-30%	1,284,374.00	46,396.08	249,807.92	40-R1.5	23.0	10,861.21	1.10%			
309.00	316.00	Supply Mains	58,738.00	(5,873.80)	-10%	64,611.80	462.03	5,411.77	52-S6	27.7	195.37	0.33%			
		Total Source of Supply Plant	1,870,871.00	(402,903.45)	-22%	2,273,774.45	60,618.75	342,084.70			14,034.51	0.75%			
Pumping Plant															
304.20	321.00	Pumping Structures & Improvements	7,611,225.00	(1,902,806.25)	-25%	9,514,031.25	99,592.12	1,803,214.13	50-R3	25.4	70,992.68	0.93%			
310.00	323.00	Power Generation Equip	570,052.00	(85,507.80)	-15%	655,559.80	0.00	85,507.80	25-L3	16.1	5,311.04	0.93%			
311.20	325.00	Electric Pumping Eq	5,459,195.00	(1,364,798.75)	-25%	6,823,993.75	(10,944.83)	1,375,743.58	40-R2	27.6	49,845.78	0.91%			
311.50	328.00	Other Pumping Eq	52,972.00	(13,243.00)	-25%	66,215.00	3,160.44	10,082.56	35-R3	29.9	337.21	0.64%			
		Total Pumping Plant	13,693,444.00	(3,366,355.80)	-25%	17,059,799.80	91,807.73	3,274,548.07			126,486.72	0.92%			
Water Treatment Plant															
304.30	331.00	WT Structures & Improvements	8,236,378.00	(1,235,456.70)	-15%	9,471,834.70	113,531.92	1,121,924.78	60-L0.5	24.2	46,360.53	0.56%			
320.10	332.00	Treatment Plant Equipment	9,984,004.00	(1,998,800.80)	-20%	11,982,804.80	556,624.11	1,442,176.69	45-L1	18.3	78,807.47	0.79%			
320.20	332.00	Chemical Equipment	4,753,001.00	(950,600.20)	-20%	5,703,601.20	0.00	950,600.20	30-L3	19.3	49,253.90	1.04%			
		TOTAL ACCOUNT 332	14,747,005.00	(2,949,401.00)	-20%	17,696,406.00	556,624.11	2,392,776.89			128,061.37	0.87%			
		Total Water Treatment Plant	22,983,383.00	(4,184,857.70)	-18%	27,168,240.70	670,156.03	3,514,701.67			174,421.89	0.76%			
Transmission & Distribution Plant															
304.40	341.00	TD Structures & Improvements	15,381.00	0.00	0%	15,381.00	0.00	0.00	40-R3	38.5	0.00	0.00%			
330.00	342.00	Distr. Reservoirs & Standpipes	11,863,385.00	(1,779,507.75)	-15%	13,642,892.75	63,066.75	1,716,441.00	100-R2.5	37.0	46,390.30	0.39%			
331.10	343.01	Mains-All Material Types--4 In & Unde	984,683.00	(348,139.05)	-35%	1,342,822.05	163.99	347,975.06	65-R2.5	51.1	6,809.69	0.68%			
331.20	343.11	Mains-All Material Types -10 In - 16 In	23,890,014.00	(8,361,504.90)	-35%	32,251,518.90	169,905.66	8,191,589.24	90-R4	73.5	111,450.33	0.47%			
331.30	343.20	Mains-All Material Types - 6 In - 8 In	29,108,614.00	(10,188,014.90)	-35%	39,296,628.90	22,444.32	10,165,570.58	85-R4	65.1	156,153.16	0.54%			
331.94	343.40	Mains - All Material Types 18" & Over	0.00	0.00	0%	0.00	0.00	0.00	0	0.0	0.00	0.00%			
		TOTAL ACCOUNT 343	53,993,311.00	(18,897,656.85)	-35%	72,890,967.85	192,513.97	18,705,144.88	6-L2	3.8	274,413.18	0.51%			
333.00	345.00	Services	3,000,865.00	(6,751,946.25)	-225%	9,752,811.25	209,122.94	6,542,823.31	68-R2.5	51.3	127,540.42	4.25%			
334.11	346.01	Meiers - Bronze	3,038,793.00	0.00	0%	3,038,793.00	(100,940.74)	100,940.74	16-R3	8.7	11,602.38	0.38%			
334.12	346.02	Meiers-Plastic	245,635.00	0.00	0%	245,635.00	(24,529.03)	24,529.03	13-L3	4.6	5,332.40	2.17%			
		TOTAL ACCOUNT 346	3,284,428.00	0.00	0%	3,284,428.00	(125,469.77)	125,469.77			16,934.78	0.52%			

(1) Interim Retirement Rate. Life Span Method Utilized. Service Lives Vary.

Table - COR
 2 of 2

Iowa-American Water Company
 All Water Districts

Summary of Original Cost of Utility Plant in Service and Calculation of
 Annual Depreciation Rates and Depreciation Expense Based Upon Utilization of
 Book Depreciation Reserve and Average Remaining Lives as of December 31, 2007

NARUC Account No.	Account No.	Description	Original Cost 12-31-07	Estimated Future Net Salvage %	Estimated Future Net Salvage Amount	Original Cost Less Salvage	Book Depreciation Reserve	Net Original Cost Less Salvage	A.S.L./Survivor Curve	Average Remaining Life	Annual Depreciation Accrual	Annual Depreciation Rate
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
334.20	347.00	Meter Installations	3,299,518.00	-25%	(824,879.50)	4,124,397.50	62,250.22	762,629.28	75-R3	62.3	12,241.24	0.37%
335.00	348.00	Hydrants	6,315,701.00	-125%	(7,894,626.25)	14,210,327.25	76,177.66	7,818,448.59	77-R3	60.0	130,307.48	2.06%
339.00	349.00	Other Plant & Misc. Equip.	882.00	0%	0.00	882.00	0.00	0.00	40-R2	38.6	0.00	0.00%
		Total Trns & Distr Plant	81,773,471.00	-44%	(36,148,618.60)	117,922,089.60	477,661.77	35,670,956.83			607,827.39	0.74%
304.50	390.00	General Plant										
		Adm & Gen Structures & Improvement	797,899.00	-5%	(39,894.95)	837,793.95	(564.32)	40,459.27	20-R3	16.5	2,452.08	0.31%
340.10	391.01	Office Furniture & Equipment	587,032.00	0%	0.00	587,032.00	479.68	(479.68)	22-L0.5	17.4	-27.57	0.00%
340.20	391.21	Computers & Peripherals	554,730.00	0%	0.00	554,730.00	0.00	0.00	6-L2	3.8	0.00	0.00%
340.30	391.25	Mainframe Computer Software	2,367,708.00	0%	0.00	2,367,708.00	0.00	0.00	13-S5	7.9	0.00	0.00%
340.32	391.26	PC Software	54,405.00	0%	0.00	54,405.00	0.00	0.00	8-L3	2.6	0.00	0.00%
340.40	391.40	Data Handling Equipment	0.00	0%	0.00	0.00	0.00	0.00	0	0.00	0.00	0.00%
340.50	391.30	Other Office Equipment	332,190.00	0%	0.00	332,190.00	0.00	0.00	20-L2	16.2	0.00	0.00%
		TOTAL ACCOUNT 391	3,896,065.00	0%	0.00	3,896,065.00	479.68	(479.68)			-27.57	0.00%
341.40	392.00	Transportation Equipment	7,976.00	0%	0.00	7,976.00	0.00	0.00	6-L3	3.0	0.00	0.00%
342.00	393.00	Stores Equipment	38,792.00	0%	0.00	38,792.00	0.00	0.00	30-S6	17.4	0.00	0.00%
343.00	394.00	Tools, Shop & Garage Equipment	615,416.00	-1%	(6,154.16)	621,570.16	(1,479.52)	7,633.68	30-R2	21.2	360.08	0.06%
344.00	395.00	Laboratory Equipment	18,075.00	0%	0.00	18,075.00	0.00	0.00	12-L0.5	9.7	0.00	0.00%
345.00	396.00	Power Operated Equipment	109,235.00	-5%	(5,461.75)	114,696.75	0.00	5,461.75	18-R1.5	13.0	420.13	0.38%
346.10	397.00	Communication Equipment	1,141,308.00	0%	0.00	1,141,308.00	0.00	0.00	12-L3	6.3	0.00	0.00%
347.00	398.00	Miscellaneous Equipment	804,742.00	0%	0.00	804,742.00	0.00	0.00	30-L1.5	24.0	0.00	0.00%
399.00	399.00	Other Tangible Property	30,635.00	0%	0.00	30,635.00	0.00	0.00	30-R3	29.0	0.00	0.00%
		Total General Plant	7,460,143.00	-1%	(51,510.86)	7,511,653.86	(1,564.16)	55,075.02			3,204.72	0.04%
		TOTAL DEPRECIABLE PLANT	127,781,312.00	-35%	(44,154,246.41)	171,935,558.41	1,298,880.12	42,855,366.29			925,975.23	0.72%
		NON-DEPRECIABLE PLANT										
301.00	301.00	Organization	37,131.00									
302.00	302.00	Franchises	22,804.00									
303.00	303.00	Miscellaneous Intangible Plant	25,529.00									
303.10	310.00	Source of Supply Land & Land Rights	23,472.00									
303.20	320.00	Pumping Land & Land Rights	261,818.00									
303.30	330.00	Treatment Land & Land Rights	2,874.00									
303.40	340.00	Trns & Distr. Land & Land Rights	549,289.00									
303.60	369.00	General Land & Land Rights	15,000.00									
		TOTAL NON-DEPRECIABLE PLANT	937,917.00									
		TOTAL PLANT IN SERVICE	128,719,229.00									

(1) Interm. Retirement Rate. Life Span Method Utilized. Service Lives Vary.

Table 3
1 of 2

Iowa AMERICAN
All Water Districts

Summary of Original Cost of Utility Plant in Service as of December 31, 2007
Per Books, Pending Retirements, and Adjusted Original Cost Per Depreciation Study

NARUC Account <u>No.</u> (a)	Account <u>No.</u> (b)	<u>Description</u> (c)	Original Cost PUC Report <u>12-31-07</u> (d)	<u>Adjustments</u> (e)	Original Cost Per Depr. Study <u>12-31-07</u> (f)
DEPRECIABLE PLANT					
Source of Supply					
304.10	311.00	SS Structures & Improvements	364,407	0	364,407
306.00	313.00	Lakes, River & Other Intakes	459,746	0	459,746
307.00	314.00	Wells & Springs	987,980	0	987,980
309.00	316.00	Supply Mains	58,738	0	58,738
Total Source of Supply Plant			1,870,871	0	1,870,871
Pumping Plant					
304.20	321.00	Pumping Structures & Improvements	7,611,225	0	7,611,225
310.00	323.00	Power Generation Equip	570,052	0	570,052
311.20	325.00	Electric Pumping Eq.	5,459,195	0	5,459,195
311.50	328.00	Other Pumping Eq.	52,972	0	52,972
Total Pumping Plant			13,693,444	0	13,693,444
Water Treatment Plant					
304.30	331.00	WT Structures & Improvements	8,244,833	(8,455)	8,236,378
320.10	332.10	Treatment Plant Equipment	0		9,994,004
320.20	332.20	Chemical Equipment	0		4,753,001
TOTAL ACCOUNT 332			14,747,005	0	14,747,005
Total Water Treatment Plant			22,991,838	(8,455)	22,983,383
Transmission & Distribution Plant					
304.40	341.00	TD Structures & Improvements	15,209	172	15,381
330.00	342.00	Distr. Reservoirs & Standpipes	11,863,385	0	11,863,385
331.10	343.01	Mains-All Material Types - 4 In & Under	0		994,683
331.20	343.11	Mains-All Material Types - 10 In - 16 In	0		23,890,014
331.30	343.20	Mains-All Material Types - 6 In - 8 In	0		29,108,614
331.94	343.40	Mains - All Material Types 18" & Over	0		0
TOTAL ACCOUNT 343			52,256,044	1,737,267	53,993,311
333.00	345.00	Services	3,000,865	0	3,000,865
334.11	346.01	Meters - Bronze	0		3,038,793
334.12	346.02	Meters-Plastic	0		245,635
TOTAL ACCOUNT 346			3,284,428	0	3,284,428
334.20	347.00	Meter Installations	3,299,518	0	3,299,518
335.00	348.00	Hydrants	6,315,701	0	6,315,701
339.00	349.00	Other Plant & Misc. Equip.	882	0	882
Total Trans & Distr Plant			80,036,032	1,737,439	81,773,471

Table 3
2 of 2

Iowa AMERICAN
All Water Districts

Summary of Original Cost of Utility Plant in Service as of December 31, 2007
Per Books, Pending Retirements, and Adjusted Original Cost Per Depreciation Study

NARUC Account No. (a)	Account No. (b)	Description (c)	Original Cost PUC Report 12-31-07 (d)	Adjustments (e)	Original Cost Per Depr. Study 12-31-07 (f)
General Plant					
304.50	390.00	Adm & Gen Structures & Improvements	789,615	8,284	797,899
340.10	391.01	Office Furniture & Equipment	0		587,032
340.20	391.21	Computers & Peripherals	0		554,730
340.30	391.25	Mainframe Computer Software	0		2,367,708
340.32	391.26	PC Software	0		54,405
340.40	391.40	Data Handling Equipment	0		0
340.50	391.30	Other Office Equipment	0		332,190
TOTAL ACCOUNT 391			5,533,650	(1,637,585)	3,896,065
341.40	392.00	Transportation Equipment	7,976	0	7,976
342.00	393.00	Stores Equipment	38,792	0	38,792
343.00	394.00	Tools, Shop & Garage Equipment	615,416	0	615,416
344.00	395.00	Laboratory Equipment	18,075	0	18,075
345.00	396.00	Power Operated Equipment	109,235	0	109,235
346.10	397.00	Communication Equipment	1,240,382	(99,074)	1,141,308
347.00	398.00	Miscellaneous Equipment	804,742	0	804,742
	399.00	Other Tangible Property	30,635	0	30,635
Total General Plant			9,188,518	(1,728,375)	7,460,143
TOTAL DEPRECIABLE PLANT			127,780,703	609	127,781,312
NON-DEPRECIABLE PLANT					
301.00	301.00	Organization	37,131	0	37,131
302.00	302.00	Franchises	22,804	0	22,804
339.00	303.00	Miscellaneous Intangible Plant	26,137	(608)	25,529
303.10	310.00	Source of Supply Land & Land Rights	23,472	0	23,472
303.20	320.00	Pumping Land & Land Rights	261,818	0	261,818
303.30	330.00	Treatment Land & Land Rights	2,874	0	2,874
303.40	340.00	Trans & Distr. Land & Land Rights	549,289	0	549,289
303.60	389.00	General Land & Land Rights	15,000	0	15,000
TOTAL NON-DEPRECIABLE PLANT			938,525	(608)	937,917
TOTAL PLANT IN SERVICE			128,719,228	1	128,719,229

Table 4
1 of 2

Iowa AMERICAN
All Water Districts

Summary of Depreciation Reserve Related to Utility Plant in Service as of December 31, 2007
Per Books, Pending Retirements, and Adjusted Depreciation Reserve Per Depreciation Study

NARUC Account No. (a)	Account No. (b)	Description (c)	Depreciation Reserve Per Books 12-31-07 (d)	Adjustments (e)	Depreciation Reserve Per Depr. Study 12-31-07 (e)
DEPRECIABLE PLANT					
Source of Supply					
304.10	311.00	SS Structures & Improvements	83,754.91	0.00	83,754.91
306.00	313.00	Lakes, River & Other Intakes	297,177.95		297,177.95
307.00	314.00	Wells & Springs	533,215.48		533,215.48
309.00	316.00	Supply Mains	25,282.13		25,282.13
Total Source of Supply Plant			939,430.47	0.00	939,430.47
Pumping Plant					
304.20	321.00	Pumping Structures & Improvements	2,917,705.06		2,917,705.06
310.00	323.00	Power Generation Equip	139,221.12		139,221.12
311.20	325.00	Electric Pumping Eq.	1,994,385.75		1,994,385.75
311.50	328.00	Other Pumping Eq.	44,056.99		44,056.99
Total Pumping Plant			5,095,368.92	0.00	5,095,368.92
Water Treatment Plant					
304.30	331.00	WT Structures & Improvements	2,427,011.70		2,427,011.70
320.10	332.10	Treatment Plant Equipment	5,370,757.94		5,370,757.94
320.20	332.20	Chemical Equipment	2,022,358.35		2,022,358.35
TOTAL ACCOUNT 332			7,393,116.29	0.00	7,393,116.29
Total Water Treatment Plant			9,820,127.99	0.00	9,820,127.99
Transmission & Distribution Plant					
304.40	341.00	TD Structures & Improvements	0.00		0.00
330.00	342.00	Distr. Reservoirs & Standpipes	2,682,487.37		2,682,487.37
331.10	343.01	Mains-All Material Types - 4 In & Under	595,534.39		595,534.39
331.20	343.11	Mains-All Material Types - 10 In - 16 In	6,412,274.09		6,412,274.09
331.30	343.20	Mains-All Material Types - 6 In - 8 In	4,458,028.80		4,458,028.80
331.94	343.40	Mains - All Material Types 18" & Over	445.74		445.74
TOTAL ACCOUNT 343			11,466,283.02	0.00	11,466,283.02
333.00	345.00	Services	888,255.31		888,255.31
334.11	346.01	Meters - Bronze	1,439,348.26		1,439,348.26
334.12	346.02	Meters-Plastic	231,955.47		231,955.47
TOTAL ACCOUNT 346			1,671,303.73	0.00	1,671,303.73
334.20	347.00	Meter Installations	727,133.76		727,133.76

Table 4
2 of 2

Iowa AMERICAN
All Water Districts

Summary of Depreciation Reserve Related to Utility Plant in Service as of December 31, 2007
Per Books, Pending Retirements, and Adjusted Depreciation Reserve Per Depreciation Study

NARUC Account No.	Account No.	Description	Depreciation Reserve		Depreciation Reserve Per Depr. Study
			Per Books 12-31-07	Adjustments	
(a)	(b)	(c)	(d)	(e)	(e)
335.00	348.00	Hydrants	1,788,766.60		1,788,766.60
339.00	349.00	Other Plant & Misc. Equip.	3,367.97		3,367.97
		Total Trans & Distr Plant	19,227,597.76	0.00	19,227,597.76
		General Plant			
304.50	390.00	Adm & Gen Structures & Improvements	55,243.80		55,243.80
340.10	391.01	Office Furniture & Equipment	252,253.92		252,253.92
340.20	391.21	Computers & Peripherals	128,626.72		128,626.72
340.30	391.25	Mainframe Computer Software	421,417.55		421,417.55
340.32	391.26	PC Software	0.00		0.00
340.40	391.40	Data Handling Equipment	14,567.61		14,567.61
340.50	391.30	Other Office Equipment	11,973.60		11,973.60
		TOTAL ACCOUNT 391	828,839.40	0.00	828,839.40
341.40	392.00	Transportation Equipment	0.00		0.00
342.00	393.00	Stores Equipment	125,931.22		125,931.22
343.00	394.00	Tools, Shop & Garage Equipment	69,833.10		69,833.10
344.00	395.00	Laboratory Equipment	(13,899.82)		-13,899.82
345.00	396.00	Power Operated Equipment	15,583.30		15,583.30
346.10	397.00	Communication Equipment	703,950.67		703,950.67
347.00	398.00	Miscellaneous Equipment	247,605.27		247,605.27
	399.00	Other Tangible Property	14,579.26		14,579.26
		Total General Plant	2,047,666.20	0.00	2,047,666.20
		TOTAL DEPRECIABLE PLANT	37,130,191.34	0.00	37,130,191.34
		NON-DEPRECIABLE PLANT			
301.00	301.00	Organization	0.00		0.00
302.00	302.00	Franchises	0.00		0.00
339.00	303.00	Miscellaneous Intangible Plant	1,145.99		1,145.99
303.10	310.00	Source of Supply Land & Land Rights	0.00		0.00
303.20	320.00	Pumping Land & Land Rights	0.00		0.00
303.30	330.00	Treatment Land & Land Rights	0.00		0.00
303.40	340.00	Trans & Distr. Land & Land Rights	0.00		0.00
303.60	389.00	General Land & Land Rights	0.00		0.00
		TOTAL NON-DEPRECIABLE PLANT	1,145.99	0.00	1,145.99
		TOTAL PLANT IN SERVICE	37,131,337.33	0.00	37,131,337.33

Table 5
 1 of 2

Iowa-American Water Company
 All Water Districts

Summary of Original Cost of Utility Plant in Service as of December 31, 2007 and
 Present and Proposed Parameters

NARUC Account No. (a)	Account No. (b)	Description (c)	Original Cost 12/31/07 (e)			Present Parameters			Proposed Parameters			A.S.L./ Survivor Curve (m)	Average Remaining Life (n)
			W/COR %	Gross Salv %	Gross COR (f)	W/COR %	Gross Salv %	Gross COR (g)	W/COR %	Gross Salv %	Gross COR (h)		
DEPRECIABLE PLANT													
Source of Supply													
304.10	311.00	SS Structures & Improvements											
306.00	313.00	Lakes, River & Other Intakes											
307.00	314.00	Wells & Springs											
309.00	316.00	Supply Mains											
		Total Source of Supply Plant			1,870,871								
Pumping Plant													
304.20	321.00	Pumping Structures & Improvements											
310.00	323.00	Power Generation Equip											
311.20	325.00	Electric Pumping Eq											
311.50	328.00	Other Pumping Eq											
		Total Pumping Plant			13,693,444								
Water Treatment Plant													
304.30	331.00	WT Structures & Improvements											
320.10	332.10	Treatment Plant Equipment											
320.20	332.20	Chemical Equipment											
		TOTAL ACCOUNT 332			14,747,005								
		Total Water Treatment Plant			22,983,383								
Transmission & Distribution Plant													
304.40	341.00	TD Structures & Improvements											
330.00	342.00	Distr. Reservoirs & Standpipes											
331.10	343.01	Mains-All Material Types - 4 In. & Under											
331.20	343.11	Mains-All Material Types - 10 In. - 16 In											
331.30	343.20	Mains-All Material Types - 6 In. - 8 In											
331.94	343.40	Mains - All Material Types 18" & Over											
		TOTAL ACCOUNT 343			53,993,311								
333.00	345.00	Services											
334.11	346.01	Meters - Bronze											
334.12	346.02	Meters-Plastic											
		TOTAL ACCOUNT 346			3,284,428								

(1) Interim Retirement Rate. Life Span Method Utilized. Service Lives Vary.

Table 5
 2 of 2

Iowa-American Water Company
 All Water Districts

Summary of Original Cost of Utility Plant in Service as of December 31, 2007 and
 Present and Proposed Parameters

NARUC Account No. (a)	Account No. (b)	Description (c)	Original Cost 12/31/07 (e)	Present Parameters			Proposed Parameters			A.S.L./ Survivor Curve (m)	Average Remaining Life (n)			
				W/COR % (d)	Net Salvage Gross Salv % (f)	Gross COR (g)	Current Depreciation Rates (h)	W/COR % (i)	Net Salvage Gross Salv % (j)			Gross COR (k)	Life Span (l)	Trunc (o)
334.20	347.00	Meter Installations	3,299,518	-25%	0%	-25%	2.68%	-25%	0%	-25%	0%	Est	75-R3	62.3
335.00	348.00	Hydrants	6,315,701	-20%	0%	-20%	2.09%	-125%	0%	-125%	0%	Est	77-R3	60.0
339.00	349.00	Other Plant & Misc. Equip.	882	0%	0%	0%	0.00%	0%	0%	0%	0%	Est	40-R2	38.6
Total Trans & Distr Plant			81,773,471											
General Plant														
304.50	390.00	Adm & Gen Structures & Improvements	797,899	0%	0%	0%	5.76%	-5%	0%	-5%	0%		20-R3	16.5
340.10	391.01	Office Furniture & Equipment	587,032	0%	0%	0%	3.18%	0%	0%	0%	0%		22-L0.5	17.4
340.20	391.21	Computers & Peripherals	554,730	0%	0%	0%	9.87%	0%	0%	0%	0%	15	6-L2	3.8
340.30	391.25	Mainframe Computer Software	2,387,708	0%	0%	0%	5.60%	0%	0%	0%	0%		13-S5	7.9
340.32	391.26	PC Software	54,405	0%	0%	0%	12.67%	0%	0%	0%	0%		8-L3	2.6
340.40	391.40	Data Handling Equipment	0	0%	0%	0%	0.00%	0%	0%	0%	0%		0.0	0.0
340.50	391.30	Other Office Equipment	332,190	0%	0%	0%	2.83%	0%	0%	0%	0%		20-L2	16.2
TOTAL ACCOUNT 391			3,896,055											
341.40	392.00	Transportation Equipment	7,976	0%	0%	0%	0.00%	0%	0%	0%	0%		6-L3	3.0
342.00	393.00	Stores Equipment	38,792	0%	0%	0%	1.44%	0%	0%	0%	0%		30-S6	17.4
343.00	394.00	Tools, Shop & Garage Equipment	615,416	3%	3%	0%	3.06%	2%	3%	-1%	0%		30-R2	21.2
344.00	395.00	Laboratory Equipment	18,075	0%	0%	0%	7.02%	0%	0%	0%	0%		12-L0.5	9.7
345.00	396.00	Power Operated Equipment	109,235	15%	15%	0%	0.00%	10%	15%	-5%	0%		18-R1.5	13.0
346.10	397.00	Communication Equipment	1,141,308	0%	0%	0%	10.31%	0%	0%	0%	0%		12-L3	6.3
347.00	398.00	Miscellaneous Equipment	804,742	0%	0%	0%	3.88%	0%	0%	0%	0%		30-L1.5	24.0
399.00	399.00	Other Tangible Property	30,635	0%	0%	0%	0.00%	0%	0%	0%	0%	Est	30-R3	29.0
Total General Plant			7,460,143											
TOTAL DEPRECIABLE PLANT			127,781,312											
NON-DEPRECIABLE PLANT														
301.00	301.00	Organization	37,131											
302.00	302.00	Franchises	22,804											
303.00	303.00	Miscellaneous Intangible Plant	25,529											
303.10	310.00	Source of Supply Land & Land Rights	23,472											
303.20	320.00	Pumping Land & Land Rights	261,818											
303.30	330.00	Treatment Land & Land Rights	2,874											
303.40	340.00	Trains & Distr. Land & Land Rights	549,289											
303.60	389.00	General Land & Land Rights	15,000											
TOTAL NON-DEPRECIABLE PLANT			937,917											
TOTAL PLANT IN SERVICE			128,719,229											

(1) Interim Retirement Rate. Life Span Method Utilized. Service Lives Vary.

Table 6
1 of 2

Iowa-American Water Company
All Water Districts

Summary of Original Cost of Utility Plant in Service and Allocation of
Book Depreciation Reserve Based Upon Theoretical Depr Reserves as of December 31, 2007
For Selected Accounts

NARUC Account <u>No.</u> (a)	Account <u>No.</u> (b)	<u>Description</u> (c)	Original Cost <u>12-31-07</u> (c)	Net <u>Salvage</u> % (d)	A.S.L./ Survivor <u>Curve</u> (g)	Theoretical Depr <u>Reserve</u> (h)	Allocated Book Depr. <u>Reserve</u> (i)
DEPRECIABLE PLANT							
Source of Supply							
304.10	311.00	SS Structures & Improvements	364,407	-15%	55-L1.5		
306.00	313.00	Lakes, River & Other Intakes	459,746	-10%	45-L3		
307.00	314.00	Wells & Springs	987,980	-30%	40-R1.5		
309.00	316.00	Supply Mains	58,738	-10%	52-S6		
Total Source of Supply Plant			1,870,871				
Pumping Plant							
304.20	321.00	Pumping Structures & Improvements	7,611,225	-25%	50-R3		
310.00	323.00	Power Generation Equip	570,052	-15%	25-L3		
311.20	325.00	Electric Pumping Eq.	5,459,195	-25%	40-R2		
311.50	328.00	Other Pumping Eq.	52,972	-25%	35-R3		
Total Pumping Plant			13,693,444				
Water Treatment Plant							
304.30	331.00	WT Structures & Improvements	8,236,378	-15%	60-L0.5		
320.10	332.10	Treatment Plant Equipment	9,994,004	-20%	45-L1	5,390,694.14	5,370,757.94
320.20	332.20	Chemical Equipment	4,753,001	-20%	30-L3	2,029,865.32	2,022,358.35
TOTAL ACCOUNT 332			14,747,005			7,420,559.46	7,393,116.29
Total Water Treatment Plant			22,983,383				
Transmission & Distribution Plant							
304.40	341.00	TD Structures & Improvements	15,381	0%	40-R3		
330.00	342.00	Distr. Reservoirs & Standpipes	11,863,385	-15%	100-R2.5		
331.10	343.01	Mains-All Material Types - 4 In & Unde	994,683	-35%	65-R2.5		
331.20	343.11	Mains-All Material Types - 10 In - 16 In	23,890,014	-35%	90-R4		
331.30	343.20	Mains-All Material Types - 6 In - 8 In	29,108,614	-35%	85-R4		
331.94	343.40	Mains - All Material Types 18" & Over	0	0%	0		
TOTAL ACCOUNT 343			53,993,311				
333.00	345.00	Services	3,000,865	-225%	68-R2.5		
334.11	346.01	Meters - Bronze	3,038,793	2%	16-R3		
334.12	346.02	Meters-Plastic	245,635	0%	13-L3		
TOTAL ACCOUNT 346			3,284,428				
334.20	347.00	Meter Installations	3,299,518	-25%	75-R3		

Table 6
2 of 2

Iowa-American Water Company
All Water Districts

Summary of Original Cost of Utility Plant in Service and Allocation of
Book Depreciation Reserve Based Upon Theoretical Depr Reserves as of December 31, 2007
For Selected Accounts

NARUC Account	Account	Description	Original Cost	Net Salvage	A.S.L./ Survivor	Theoretical Depr Reserve	Allocated Book Depr. Reserve
No.	No.	(c)	12-31-07	%	Curve	(h)	(i)
(a)	(b)		(c)	(d)	(g)		
335.00	348.00	Hydrants	6,315,701	-125%	77-R3		
339.00	349.00	Other Plant & Misc. Equip.	882	0%	40-R2		
		Total Trans & Distr Plant	81,773,471				
		General Plant					
304.50	390.00	Adm & Gen Structures & Improvement	797,899	-5%	20-R3		
340.10	391.01	Office Furniture & Equipment	587,032	0%	22-L0.5		
340.20	391.21	Computers & Peripherals	554,730	0%	6-L2		
340.30	391.25	Mainframe Computer Software	2,367,708	0%	13-S5		
340.32	391.26	PC Software	54,405	0%	8-L3		
340.40	391.40	Data Handling Equipment	0	0%	0		
340.50	391.30	Other Office Equipment	332,190	0%	20-L2		
		TOTAL ACCOUNT 391	3,896,065				
341.40	392.00	Transportation Equipment	7,976	0%	6-L3		
342.00	393.00	Stores Equipment	38,792	0%	30-S6		
343.00	394.00	Tools, Shop & Garage Equipment	615,416	2%	30-R2		
344.00	395.00	Laboratory Equipment	18,075	0%	12-L0.5		
345.00	396.00	Power Operated Equipment	109,235	10%	18-R1.5		
346.10	397.00	Communication Equipment	1,141,308	0%	12-L3		
347.00	398.00	Miscellaneous Equipment	804,742	0%	30-L1.5		
	399.00	Other Tangible Property	30,635	0%	30-R3		
		Total General Plant	7,460,143				
		TOTAL DEPRECIABLE PLANT	127,781,312				
		NON-DEPRECIABLE PLANT					
301.00	301.00	Organization	37,131				
302.00	302.00	Franchises	22,804				
339.00	303.00	Miscellaneous Intangible Plant	25,529				
303.10	310.00	Source of Supply Land & Land Rights	23,472				
303.20	320.00	Pumping Land & Land Rights	261,818				
303.30	330.00	Treatment Land & Land Rights	2,874				
303.40	340.00	Trans & Distr. Land & Land Rights	549,289				
303.60	389.00	General Land & Land Rights	15,000				
		TOTAL NON-DEPRECIABLE PLANT	937,917				
		TOTAL PLANT IN SERVICE	128,719,229				

SECTION 3

IOWA AMERICAN WATER COMPANY

General

This report sets forth the results of our study of the depreciable property of Iowa American Water Company, Inc. (the "Company") as of December 31, 2007 and contains the basic depreciation parameters (recommended average service lives and life characteristics) for the proposed average remaining life depreciation rates. The implicit present and resulting proposed annual depreciation rates set forth in this depreciation study report are based upon the recovery of the unrecovered portion of the depreciation plant in service capital costs of two Company entities as of December 31, 2007.

The scope of the study included an analysis of the Company's historical data through December 31, 2007, discussions with Company management and staff to identify prior and prospective factors affecting the Company's plant in service, as well as interpretation of past service life data experience and future life expectancies to determine the appropriate average service lives of the Company's surviving plant. The service lives and life characteristics resulting from the in-depth study were utilized together with the Company's plant in service and book depreciation reserve to determine the recommended Average Remaining Life (ARL) depreciation rates related to the Company's plant in service as of December 31, 2007.

In preparing the study, the Company's historical investment data were studied using various service life analysis techniques. Further, discussions were held with the Company's management to obtain an overview of the Company's facilities and to discuss the general scope of operations together with other factors which could have a bearing on

the service lives of the Company's property. Finally, the study results were tempered by information gathered during plant inspection tours of a representative portion of the Company's property.

The Company maintains property records containing a summary of its fixed capital investments by property account. This investment data was analyzed and summarized by property group and/or sub group and vintage then utilized as a basis for the various depreciation calculations.

Depreciation Study Overview

There are numerous methods utilized to recover property investment depending upon the goal. For example, accelerated methods such as double declining balance and sum of years digits are methods used in tax accounting to motivate additional investments. Broad Group (BG) and Equal Life Group (ELG) are both Straight Line Grouping Procedures recognized and utilized by various regulatory jurisdictions depending upon the policy of the specific agency.

The Straight Line Group Method of depreciation utilized in this study to develop the recommended depreciation rates is the Broad Group Procedure together with the Average Remaining Life Technique. The use of this procedure and technique is based upon recovering the net book cost (original cost less book reserve) of the surviving plant in service over its estimated remaining useful life. Any variance between the book reserve and an implied theoretical calculated reserve is compensated for under this procedure. That is, as the Company's book reserve increases above or declines below the theoretical reserve at a specific point in time, the Company's average remaining life depreciation rate in subsequent years will be increased or decreased to compensate for the variance,

thereby, assuring full recovery of the Company's investment by the end of the property's life.

The Company, like any other business, includes as an annual operating expense an amount which reflects a portion of the capital investment which was consumed in providing service during the accounting period. The annual depreciation amount to be recognized is based upon the remaining productive life over which the undepreciated capital investment needs to be recovered. The determination of the productive remaining life for each property group usually includes an in-depth study of past experience in addition to estimates of future expectations.

Annual Depreciation Accrual

Through the utilization of the Average Remaining Life Technique, the Company will recover the undepreciated fixed capital investment in the appropriate amounts as annual depreciation expense in each year throughout the remaining life of the property. The procedure incorporates the future life expectancy of the property, the vintaged surviving plant in service, and estimated net salvage, together with the book depreciation reserve balance to develop the annual depreciation rate for each property account. Accordingly, the ARL technique meets the objective of providing a straight line recovery of the undepreciated fixed capital property investment.

As indicated, the use of the Average Remaining Life Technique results in charging the appropriate annual depreciation amounts over the remaining life of the property to insure full recovery by the end of the life of the property. The annual expense is calculated on a Straight Line Method rather than by the previously mentioned, "sum of the years digits" or "double declining balance" methods, etc. The "group" refers to the method of

calculating annual depreciation on the summation of the investment in any one depreciable group or plant account rather than calculating depreciation for each individual unit.

Under Broad Group Depreciation, some units may be over depreciated and other units may be under depreciated at the time when they are retired from service, but overall, the account is fully depreciated when average service life is attained. By comparison, Equal Life Group depreciation rates are designed to fully accrue the cost of the asset group by the time of retirement. For both the Broad Group and Equal Life Group Procedures the full cost of the investment is credited to plant in service when the retirement occurs and likewise the depreciation reserve is debited with an equal retirement cost. No gain or loss is recognized at the time of property retirement because of the assumption that the retired property was at average service life.

Group Depreciation Procedures

Group depreciation procedures are utilized to depreciate property when more than one item of property is being depreciated. Such a procedure is appropriate because all of the items within a specific group typically do not have identical service lives, but have lives which are dispersed over a range of time. Utilizing a group depreciation procedure allows for a condensed application of depreciation rates to groups of similar property in lieu of extensive depreciation calculations on an item by item basis. The two more common group depreciation procedures are the Broad Group (BG) and Equal Life Group (ELG) approach.

In developing depreciation rates using the Broad Group procedure, the annual depreciation rate is based on the average life of the overall property group, which is then applied to the group's surviving original cost investment. A characteristic of this procedure

is that retirements of individual units occurring prior to average service life will be under depreciated, while individual units retired after average service life will be over depreciated when removed from service, but overall, the group investment will achieve full recovery by the end of the life of the total property group. That is, the under recovery occurring early in the life of the account is balanced by the over recovery occurring subsequent to average service life. In summary, the cost of the investment is complete at the end of the property's life cycle, but the rate of recovery does not match the consumption pattern which was used to provide service to the company's customers.

Under the average service life procedure, the annual depreciation rate is calculated by the following formula:

$$\text{Annual Accrual Rate, Percent} = \frac{100\% - \text{Salvage}}{\text{Average Service Life}} \times 100$$

The application of the broad group procedure to life span groups results in each vintage investment having a different average service life. This circumstance exists because the concurrent retirement of all vintages at the anticipated retirement year results in truncating and, therefore, restricting the life of each successive years vintage investment. An average service life is calculated for each vintage investment in accordance with the above formula. Subsequently, a composite service life and depreciation rate is calculated relative to all vintages within the property group by weighting the life for each vintage by the related surviving vintage investment within the group.

In the Equal Life Group, the property group is subdivided, through the use of plant life tables, into equal life groups. In each equal life group, portions of the overall property group includes that portion which experiences the life of the specific sub-group. The relative size of each sub-group is determined from the overall group life characteristic

(property dispersion curve). This procedure both overcomes the disadvantage of voluminous record requirements of unit depreciation, as well as eliminates the need to base depreciation on overall lives as required under the broad group procedure. The application of this procedure results in each sub-group of the property having a single life. In this procedure, the full cost of short lived units is accrued during their lives leaving no under accruals to be recovered by over accruals on long lived plant. The annual depreciation for the group is the summation of the depreciation accruals based on the service life of each Equal Life Group.

The ELG Procedure is viewed as being the more definitive procedure for identifying the life characteristics of utility property and as a basis for developing service lives and depreciation rates, nevertheless, the Broad Group procedure is more widely utilized throughout the utility industry by regulatory commissions as a basis for depreciation rates. That is, the ELG Procedure is more definitive because it allocates the capital cost of a group property to annual expense in accordance with the consumption of the property group providing service to customers. In this regard, the company's customers are more appropriately charged with the cost of the property consumed in providing them service during the applicable service period. The more timely return of plant cost is accomplished by fully accruing each unit's cost during its service life, thereby not only reducing the risk of incomplete cost recovery, but also resulting in less return on rate base over the life of a depreciable group. The total depreciation expense over the life of the property is the same for all procedures which allocate the full capital cost to expense, but at any specific point in time, the depreciated original cost is less under the ELG procedure than under the BG procedure. This circumstance exists because under the equal life group procedure, the

rate base is not maintained at a level of greater than the future service value of the surviving plant as is the case when using the average service life procedure. Consequently, the total return required from the ratepayers is less under the ELG procedure.

While the Equal Life Group procedure has been known to depreciation experts for many years, widespread interest in applying the procedure developed only after high speed electronic computers became available to perform the large volume of arithmetic computations required in developing ELG based depreciation lives and rates. The table on the following page illustrates the procedure for calculating equal life group depreciation accrual rates and summarizes the results of the underlying calculations. Depreciation rates are determined for each age interval (one year increment) during the life of a group of property which was installed in a given year or vintage group. The age of the vintage group is shown in column (A) of the ELG table. The percent surviving at the beginning of each age interval is determined from the Iowa 10-R3 survivor curve which is set forth in column (B). The percent retired during each age interval, as shown in column (C), is the difference between the percent surviving at successive age intervals. Accordingly, the percentage amount of the vintage group retired defines the size of each equal life group. For example, during the interval 3 1/2 to 4 1/2, 1.93690 percent of the vintage group is retired at an average age of four years. In this case, the 1.93690 percent of the group experiences an equal life of four years.

Likewise, 3.00339 percent is retired during the interval 4 1/2 to 5 1/2 and experiences a service life of five years. Furthermore, 4.42969 percent experiences a six-year life; etc. Calculations are made for each age interval from the zero age interval through the end of

the life of the vintage group. The average service life for each age interval's equal life group is shown in column (E) of the table.

The amount to be accrued annually for each equal life group is equal to the percentage retired in the equal life group divided by its service life. In as much as additions and retirements are assumed, for calculation purposes, to occur at midyear only one-half of the equal life group's annual accrual is allocated to expense during its first and last years

Table 7

XYZ UTILITY COMPANY CALCULATION OF ASL, ARL AND ACCRUED DEPRECIATION FACTORS BASED UPON AN IOWA 10-R3 CURVE USING THE EQUAL LIFE GROUP (ELG) PROCEDURE										
AGE AT BEGIN OF INTERVAL	LIFE TABLE BEGIN OF INTERVAL	RETIREMENT DURING INTERVAL	AVERAGE SURVIVING	AGE OF AMOUNT RETIRED	AMOUNT FOR EACH LIFE GROUP	AMOUNT FOR REMAINING LIFE GROUPS	EQUAL LIFE GROUP PROCEDURE			
							AVERAGE SERVICE LIFE	AVERAGE REMAINING LIFE	ELG/ARL DEPR RATE	ACCRUED DEPR RES FACTOR
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
0.0	1.0000000	0.0009198	0.9995401	0.25	0.0009198	0.0583036	8.57	8.57	11.67	0.0000000
0.5	0.9990802	0.0033314	0.9974145	1.0	0.0033314	0.1131019	8.82	8.32	11.34	0.0566975
1.5	0.9967488	0.0065393	0.9924792	2.0	0.0032697	0.1098013	9.04	7.54	11.06	0.1659501
2.5	0.9892095	0.0117037	0.9833577	3.0	0.0039012	0.1062159	9.26	6.76	10.80	0.2700337
3.5	0.9775058	0.0193690	0.9678213	4.0	0.0048422	0.1018442	9.50	6.00	10.52	0.3683062
4.5	0.9581368	0.0300339	0.9431199	5.0	0.0060068	0.0964196	9.78	5.28	10.22	0.4600565
5.5	0.9281029	0.0442969	0.9059545	6.0	0.0073828	0.0897248	10.10	4.60	9.90	0.5447146
6.5	0.8838060	0.0631367	0.8522377	7.0	0.0090195	0.0815237	10.45	3.95	9.57	0.6217794
7.5	0.8206693	0.0876232	0.7768577	8.0	0.0109629	0.0715375	10.86	3.36	9.21	0.6906424
8.5	0.7330481	0.1166879	0.6747022	9.0	0.0129653	0.0595783	11.32	2.82	8.83	0.7505770
9.5	0.6163582	0.1431836	0.5447664	10.0	0.0143184	0.0459365	11.86	2.36	8.43	0.8010714
10.5	0.4731746	0.1533568	0.3964962	11.0	0.0139415	0.0318066	12.47	1.97	8.02	0.8423003
11.5	0.3198178	0.1363216	0.2516570	12.0	0.0113601	0.0191557	13.14	1.64	7.61	0.8753616
12.5	0.1834962	0.0975199	0.1347363	13.0	0.0075015	0.0097249	13.85	1.35	7.22	0.9022159
13.5	0.0859763	0.0559043	0.0580242	14.0	0.0039932	0.0039775	14.59	1.09	6.85	0.9254232
14.5	0.0300720	0.0244398	0.0178521	15.0	0.0016293	0.0011663	15.31	0.81	6.53	0.9473077
15.5	0.0056322	0.0055324	0.0028660	16.0	0.0003458	0.0001788	16.03	0.53	6.24	0.9667657
16.5	0.0000998	0.0000998	0.0000499	17.0	0.0000059	0.0000029	17.00	0.50	5.88	0.9705882
17.5	0.0000000	0.0000000	0.0000000	18.0	0.0000000	0.0000000				
		1.0000000				1.0000000				

of service life. The accrual amount for the property retired during age interval 0 to .5 must be equal to the amount retired to insure full recovery of that component during that period. The accruals for each equal life group during the age intervals of the vintage group's life cycle are shown in column (F).

The total accrual for a given year is the summation of the equal life group accruals for that year. For example, the total accrual for the second year, as shown in column (G), is 11.31019 percent and is the sum of all succeeding years remaining equal life group accruals plus one half of the current years life group accrual listed in column (F). For the zero age interval year, the total accrual is equal to one half of the sum of all succeeding years remaining equal life accruals plus the amount for the zero interval equal life group accrual. The one half year accrual for the zero age interval is consistent with the half year convention relative to property during its installation year. The sum of the annual accruals for each age interval contained in column (G) total to 1.000, demonstrating that the developed rates will recover 100% of plant, no more and no less. The annual accrual rate which will result in the accrual amount is the ratio of the accrual amount (11.31019 percent) to the average percent surviving during the interval, column (D), (99.74145 percent), which is a rate of 11.34% (column J). Column (J) contains a summary of the accrual rates for each age interval of the property groups life cycle based upon an Iowa 10-R3 survivor curve.

Remaining Life Technique

In the Average Remaining Life depreciation technique, the annual accrual is calculated according to the following formula where, (A) the annual depreciation for each group equals, (D) the depreciable cost of plant less (U) the accumulated provision for depreciation less (S) the estimated future net salvage, divided by (R) the composite

remaining life of the group:

$$A = \frac{D - U - S}{R}$$

The annual accrual rate (a) is expressed as a percentage of the depreciable plant balance by dividing the equation by (D) the depreciable cost of plant times 100:

$$(a) = \frac{D - U - S}{R} \times \frac{1}{D} \times 100$$

As further indicated by the equation, the accumulated provision for depreciation by vintage is required in order to calculate the remaining life depreciation rate for each property group. In practice, most often such detail is not available; therefore, composite remaining lives are determined for each depreciable group, (i.e., property account).

The remaining life for a depreciable group is calculated by first determining the remaining life for each vintage year in which there is surviving investment. This is accomplished by solving the area under the survivor curve selected to represent the average life and life characteristic of the property account. The remaining life for each vintage is determined by dividing (D) the depreciable cost of each vintage, by (L) its average service life, and multiplying this ratio by its average remaining life (E). The composite remaining life of the group (R) equals the sums of products divided by the sum of the quotients:

$$R \text{ Group} = \frac{\sum D/L \times E}{\sum D/L}$$

The functional level accumulated provision for depreciation, which was the basis for developing the composite average remaining life accrual and annual depreciation rate for each property account as per this report, was obtained from the Company's books and records. The functional level depreciation reserve was further allocated to each property account and sub-account based upon a detailed theoretical depreciation reserve

calculation as of December 31, 2004.

Salvage

Net salvage is the difference between gross salvage, or what is received when an asset is disposed of, and the cost of removing it from service. Salvage experience is normally included with the depreciation rate so that current accounting periods reflect a proportional share of the ultimate abandonment and removal cost or salvage received at the end of the property service life. Net salvage is said to be positive if gross salvage exceeds the cost of removal, but if cost of removal exceeds gross salvage the result is then negative salvage.

The cost of removal includes such costs as demolishing, dismantling, tearing down, disconnecting or otherwise removing plant, as well as normal environmental clean up costs associated with the property. Salvage includes proceeds received for the sale of plant and materials or the return of equipment to stores for reuse.

Net salvage experience is studied for a period of years to determine the trends which have occurred in the past. These trends are considered together with any changes that are anticipated in the future to determine the future net salvage factor for remaining life depreciation purposes. The net salvage percentage is determined by relating the total net positive or negative salvage to the book cost of the property investment.

Many retired assets generate little, if any, positive salvage. Instead, many of the Company's asset property groups generate negative net salvage at end of their life as a result of the cost of removal (retirement).

The method used to estimate the retirement cost is a standard analysis approach which is used to identify a company's historical experience with regard to what the end of life cost will be relative to the cost of the plant when first placed into service. This

information, along with knowledge about the average age of the historical retirements that have occurred to date, enables the depreciation professional to estimate the level of retirement cost that will be experienced by the Company at the end of each property group's useful life. The study methodology utilized has been extensively set forth in depreciation textbooks and has been the accepted practice by depreciation professionals for many decades. Furthermore, the cost of removal analysis approach is the current standard practice used for mass assets by essentially all depreciation professionals in estimating future net salvage for the purpose of identifying the applicable depreciation for a property group. There is a direct relationship to the installation of specific plant in service and its corresponding removal in that the installation is its beginning of life cost while the removal is its end of life cost. Also, it is important to note that average remaining life based depreciation rates incorporate future net salvage which is routinely more representative of recent versus long-term past average net salvage.

The Company's historical net salvage experience was analyzed to identify the historical net salvage factor for each applicable property group. This analysis routinely identifies that historical retirements have occurred at average ages significantly prior to the property group's average service life. This occurrence of historical retirements, at an age which is significantly younger than the average service life of the property category, clearly demonstrates that the historical data does not appropriately recognize the true level of retirement cost at the end of the property's useful life. An additional level of cost to retire will occur due to the passage of time until all the current in service plant is retired at end of life. That is, the level of retirement costs will increase over time until the average service life is attained. The estimated additional inflation, within the estimate of retirement cost, is related to those additional year's cost increases (primarily higher labor costs over time) that

will occur prior to the end of the property group's average life.

To provide an additional explanation of the issue, several general principles surrounding property retirements and related net salvage need to be highlighted. Those are that as property continues to age, the retirement of assets, if generating positive salvage when retired, will typically generate a lower percent of positive salvage. By comparison, if the class of property is one that typically generates negative net salvage (cost of removal), with increasing age at retirement the negative percentage as related to original cost will typically be greater. This situation is routinely driven by the higher labor cost with the passage of time.

Next, a simple example will aid in a better understanding of the above discussed net salvage analysis and the required adjustment to the historical analysis results. Assume the following scenario. A company has two (2) cars, Car #1 and Car #2, each purchased for \$20,000. Car #1 is retired after 2 years and Car #2, is retired after 10 years. Accordingly, the average life of the two cars is six (6) years (2 Yrs. Plus 10 Yrs./2). Car #1 generates 75% salvage or \$15,000 when retired and Car #2 generates 5% salvage or \$1,000 when retired.

<u>Unit</u>	<u>Cost</u>	<u>Ret. Age (Yrs)</u>	<u>% Salv.</u>	<u>Salvage Amount</u>
Car # 1	\$20,000	2	75%	\$15,000
<u>Car # 2</u>	<u>20,000</u>	<u>10</u>	<u>5%</u>	<u>1,000</u>
Total	40,000	6	40%	16,000

Assume an analysis of the experienced net salvage at year three (3). Based upon the Car #1 retirement, which was retired at a young age (2 Yrs.) as compared to the average six (6) year life of the property group, the analysis indicates that the property group would generate 75% salvage. This analysis indication is incorrect and is the result of basing the estimate on incomplete data. That is, the estimate is based upon the salvage

generated from a retirement that occurred at an age which is far less than the average service life of the property group. The actual total net salvage, that occurred over the average life of the assets (which experienced a six (6) year average life for the property group) is 40% as opposed to the initial incorrect estimate of 75%.

This is exactly the situation with the majority of the Company's historical net salvage data except that most of the Company's plant property groups routinely experience negative net salvage (cost of removal) as opposed to positive salvage.

The total end of life net salvage amount must be incorporated in the development of annual depreciation rates to enable the Company to fully recover its total plant life costs. Otherwise, upon retirement of the plant, the Company will incur end of life costs without having recovered those plant related costs from the customers who benefitted from the use of the expired plant.

With regard to location type properties (e.g. generation facilities, etc.) a company will routinely experience both interim and terminal net salvage. Interim net salvage occurs in conjunction with interim retirements that occur throughout the life of the asset group. This net salvage activity (routinely and largely cost of removal) is attributable to the removal of components within the Company's facilities to enable the placement of a new asset component. Interim net salvage is routinely negative given the care required in removing the defective component so as not to damage the remaining plant in service. Interim net salvage is applicable to the estimated interim retirement assets.

The terminal net salvage component is attributable to the end of life costs incurred (less any gross salvage received) to disconnect, remove, demolish and/or dispose of the operating asset. Terminal net salvage is attributable to those assets remaining in service subsequent to the occurrence of interim retirements.

The total net salvage incorporated into the depreciation rate for location type plant account investments is the sum of interim and terminal net salvage. Both of the items must be incorporated in the development of annual depreciation rates to enable the Company to fully recover its total plant life costs. Otherwise, upon retirement of the plant, the Company will incur end of life costs without having recovered those plant related costs from the customers who benefitted from the use of the expired facility.

Service Lives

Several factors contribute to the length of time or average service life which the property achieves. The three major categories under which these factors fall are: (1) physical; (2) functional, and; (3) contingent casualties.

The physical category includes such things as deterioration, wear and tear and the action of the natural elements. The functional category includes inadequacy, obsolescence and requirements of governmental authorities. Obsolescence occurs when it is no longer economically feasible to use the property to provide service to customers or when technological advances have provided a substitute of superior performance. The remaining factor of contingent casualties relates to retirements caused by accidental damage or construction activity of one type or another.

In performing the life analysis for any property being studied, both past experience and future expectations must be considered in order to fully evaluate the circumstances which may have a bearing on the remaining life of the property. This ensures the selection of an average service life which best represents the expected life of each property investment.

Survivor Curves

The preparation of a depreciation study or theoretical depreciation reserve typically

incorporates smooth curves to represent the experienced or estimated survival characteristics of the property. The "smoothed" or standard survivor curves generally used are the family of curves developed at Iowa State University which are widely used and accepted throughout the utility industry.

The shape of the curves within the Iowa family are dependent upon whether the maximum rate of retirement occurs before, during or after the average service life. If the maximum retirement rate occurs earlier in life, it is a left (L) mode curve; if occurring at average life, it is a symmetrical (S) mode curve; if it occurs after average life, it is a right (R) mode curve. In addition, there is the origin (O) mode curve for plant which has heavy retirements at the beginning of life.

Many times, actual Company data has not completed its life cycle, therefore, the survivor table generated from the Company data is not extended to zero percent surviving. This situation requires an estimate be made with regard to the remaining segment of the property group's life experience. Furthermore, actual Company experience is often erratic, making its utilization for average service life estimating difficult. Accordingly, the Iowa curves are used to both extend Company experience to zero percent surviving as well as to smooth actual Company data.

Study Procedures

Several study procedures were used to determine the prospective service lives recommended for the Company's plant in service. These include the review and analysis of historical retirements, current and future construction, historical experience and future expectations of salvage and cost of removal as related to plant investment. Service lives are affected by many different factors, some of which can be obtained from studying plant experience, others which may rely heavily on future expectations. When physical aspects

are the controlling factor in determining the service life of property, historical experience is a valuable tool in selecting service lives. In the case where changing technology or a less costly alternative develops, then historical experience is of lesser value.

While various methods are available to study historical data, the principal methods utilized to determine average service lives for a company's property are the Retirement Rate Method, the Simulated Plant Record Method, the Life Span Method, and the Judgement Method.

Retirement Rate Method - The Retirement Rate Method uses actual Company retirement experience to develop a survivor curve (Observed Life Table) which is used to determine the average service life being experienced in the account under study. Computer processing provides the opportunity to review various experience bands throughout the life of the account to observe trends and changes. For each experience band studied, the "observed life table" is constructed based on retirement experience within the band of years. In some cases, the total life of the account has not been achieved and the experienced life table, when plotted, results in a "stub curve." It is this "stub curve" or total life curve, if achieved, which is matched or fitted to a standard Survivor curve. The matching process is performed both by computer analysis, using a least squares technique, and by manually plotting observed life tables to which smooth curves are fitted. The fitted smooth curve provides the basis to determine the average service life of the property group under study.

Simulated Balances Method - In this method of analysis, simulated surviving balances are determined for each balance included in the test band by multiplying each proceeding year's original gross additions installed by the Company by the appropriate factor of each Standard Survivor Curve, summing the products, and comparing the results

with the related year end plant balance to determine the "best fitting" curve and life within the test period. Various test bands are reviewed to determine trends or changes to indicated service lives in various bands of years. By definition, the curve with the "best fit" is the curve which produces simulated plant balances that most closely matches the actual plant balances as determined by the sum of the "least squares". The sum of the "least squares" is arrived at by starting with the difference between the simulated balances and the actual balance for a given year, squaring the difference, and the curve which produces the smallest sum (of squared difference) is judged to be the "best fit".

Period Retirements Method - The application of the Period Retirements Method is similar to the "Simulated Plant Balances" Method, except the procedure utilizes a Standard Survivor Curve and service life to simulate annual retirements instead of balances in performing the "least squares" fitting process during the test period. This procedure does tend to experience wider fluctuations due to the greater variations in level of experienced retirements versus additions and balances thereby producing greater variation in the study results.

Life Span Method - The Life Span or Forecast Method is a method utilized to study various accounts in which the expected retirement dates of specific property or locations can be reasonably estimated. In the Life Span Method, an estimated probable retirement year is determined for each location of the property group. An example of this would be a structure account, in which the various segments of the account are "life spanned" to a probable retirement date, which is determined after considering a number of factors, such as management plans, industry standards, the original construction date, subsequent additions, resultant average age and the current - as well as the overall - expected service life of the property being studied. If, in the past, the property has experienced interim

retirements, these are studied to determine an interim retirement rate. Otherwise, interim retirement rate parameters are estimated for properties which are anticipated to experience such retirements. The selected interim service life parameters (Iowa curve and life) are then used with the vintage investment and probable retirement year of the property to determine the average remaining life as of the study date.

Judgement Method - Standard quantitative methods such as the Retirement Rate Method, Simulated Plant Record Method, etc. are normally utilized to analyze a Company's available historical service life data. The results of the analysis together with information provided by management as well as judgement are utilized in estimating the prospective recommended average service lives. However, there are some circumstances where sufficient retirements have not occurred, or where prospective plans or guidelines are unavailable. In these circumstances, judgement alone is utilized to estimate service lives based upon service lives used by other utilities for this class of plant as well as what is considered to be a reasonable life for this plant giving consideration to the current age and use of the facilities.

SECTION 4

IOWA AMERICAN WATER COMPANY

Study Analysis Results & Recommendations

ACCOUNT – 304.10 (311.00) Source of Supply Structures & Improvements

Historical Experience

Plant Statistics Plant Balance = \$364,407
 Average Age of Survivors = 8.70 years
 Original Gross Additions = \$436,802
 Oldest Surviving vintage =
 Retirements = \$8,294 or 1.8% of historical additions.
 Average Age of Retirements = 10.2 years

Experience Band 1969 – 2007 (Full Depth) 50-L1 FTA – 25 yrs

Historical Net Salvage: (1992-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1992-07</u>
0%	0%	0%	-34.8%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: -135%

Plant Considerations/Future Expectations

The investments in this account are, to a large degree, related to structures located at the Company's many well sites as well as the water source structures at its various treatment facilities. The well facilities are routinely of smaller to moderate size structures and are of masonry construction. Ongoing upgrades, related to various building components such as heating, roof covering, doors, windows, etc will continue to limit the overall average useful life of the property group investments.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Life Span

Life Span: 45 Years

Current Depreciation Parameters

ASL/Curve: Interim Retirement Rate 55-L1.5

Net Salvage: -10%

Proposed Depreciation Parameters

ASL/Curve: Interim Retirement Rate 55-L1

Future Net Salvage: -15%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	2.96%	2.75%
Av. Remaining Life	31.0 years	N/A

ACCOUNT – 304.20 (321.00) Pumping Structures & Improvements

Historical Experience

Plant Statistics Plant Balance = \$7,611,225
 Average Age of Survivors = 14.4 years
 Original Gross Additions = \$12,877,082
 Oldest Surviving vintage =
 Retirements = \$278,246 or 2.2% of historical additions.
 Average Age of Retirements = 36.1 years

Experience Band 1957 – 2007 (Full Depth) 50-R3 FTA 65 yrs.

Historical Net Salvage: (1983-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1983-07</u>
-99%	0%	-3%	-38%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: -121%

Plant Considerations/Future Expectations

Similar to the investments in Source of Supply Structures, the investments in this property account are, to a large degree, related to structures located at the Company’s many well and booster pumping sites. In addition, the pumping component investments of the Company’s water treatment facilities are also contained in this property account. Various of the facilities are routinely of smaller to moderate size structures and are routinely of masonry construction. Ongoing upgrades, related to the building components such as heating, roof covering, doors, windows, etc will continue to limit the overall average useful life of the property group investments. The larger of the facilities whose investments are contained in this property group are related to properties located at the Company’s East River Station complex

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Life Span

Life Span: 40 Years

Current Depreciation Parameters

ASL/Curve: Interim Retirement Rate 50-R1

Net Salvage: -10%

Proposed Depreciation Parameters

ASL/Curve: Interim Retirement Rate 50-R3

Future Net Salvage: -25%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	3.41 %	3.02%
Av. Remaining Life	25.4 years	N/A

ACCOUNT – 304.30 (331.00) Treatment Structures & Improvements

Historical Experience

Plant Statistics Plant Balance = \$8,236,378
 Average Age of Survivors = 13.0 years
 Original Gross Additions = \$14,091,205
 Oldest Surviving vintage =
 Retirements = \$560,329 or 4.0% of historical additions.
 Average Age of Retirements = 13.7 years

Experience Band 1957 – 2007 (Full Depth) 60-L0.5

Historical Net Salvage: (1983-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1983-07</u>
-1%	0%	0%	-13%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
1%	0%	0%	0%

Forecasted Net Salvage: -56%

Plant Considerations/Future Expectations

The facilities whose investments comprise this property account are the treatment components of the Company’s source of supply structures plus, treatment plants located within the Company’s service territory, the largest of which is the East River Station. Due to the ever increasing regulatory requirements on the treatment facilities, upgrades, expansions, and/or replacements continually impact the useful life of this property group. Ongoing required changes to processes, and necessary improvements, replacements, etc over the life of the properties have and will continue to impact the average service life to be achieved by the property group investments. For example, within the next several years the East River Station Flocculator structure requires replacement due to physical deterioration.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Life Span

Life Span: 40 Years

Current Depreciation Parameters

ASL/Curve: Interim Retirement Rate 50-R1.5

Net Salvage: -10%

Proposed Depreciation Parameters

ASL/Curve: Interim Retirement Rate 60-L0.5

Future Net Salvage: -15%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	3.53%	3.17%
Av. Remaining Life	24.2 years	N/A

ACCOUNT – 304.40 (341.00) Trans./Distr. Structures & Improvements

Historical Experience

Plant Statistics Plant Balance = \$15,381
 Average Age of Survivors = 1.5 years
 Original Gross Additions = \$15.381
 Oldest Surviving vintage = 2006
 Retirements = \$0 or 0% of historical additions.
 Average Age of Retirements = N/A

Experience Band 1991 – 2006 (Full Depth) Estimated 40-R3

Historical Net Salvage: N/A

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1969-07</u>
N/A	N/A	N/A	N/A

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
N/A	N/A	N/a	N/a

Forecasted Net Salvage: N/A

Plant Considerations/Future Expectations

The investments with in this property group are related to a limited quantity of smaller T&D facilities located at various locations throughout the Company’s service territory.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: N/A

Net Salvage: N/A

Proposed Depreciation Parameters

ASL/Curve 40-R3

Future Net Salvage: 0%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	2.60%	3.02%
Av. Remaining Life	38.5 years	N/A

ACCOUNT – 304.50 (390.00) Admin. & General Structures & Improvements

Historical Experience

Plant Statistics Plant Balance = \$797,899
 Average Age of Survivors = 3.6 years
 Original Gross Additions = \$864,527
 Oldest Surviving Vintage =
 Retirements = \$345,538 or 40.0% of historical additions.
 Average Age of Retirements = 18.9 years

Experience Band 1957 – 2007 (Full Depth) 20-R3

Historical Net Salvage (1982-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1982-07</u>
0%	0%	0%	-1%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: -2%

Plant Considerations/Future Expectations

This property group contains the Company’s limited investments/improvements applicable to business/administration offices. The general offices are leased. The property, whose investments comprise this property category will experience ongoing changes and alterations. Such changes are driven by changing business operations within the company. In addition, the need to maintain desirable business office working conditions also drives numerous changes within each of the facilities.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 20-R1.5

Net Salvage: 0%

Proposed Depreciation Parameters

ASL/Curve: 20-R3

Future Net Salvage: -5%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	5.95%	5.76%
Av. Remaining Life	16.5 years	N/A

ACCOUNT – 306.00 (313.00) Lakes, River & Other Intakes

Historical Experience

Plant Statistics Plant Balance = \$459,746
 Average Age of Survivors = 22.7 years
 Original Gross Additions = \$942,538
 Oldest Surviving Vintage = 1892
 Retirements = \$23,047 or 24% of historical additions.
 Average Age of Retirements =102.1 years

Experience Band 1957 – 2007 (Full Depth) 45-L3

Historical Net Salvage: (1989-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1989-07</u>
0%	0%	0%	-9%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: -20%

Plant Considerations/Future Expectations

This property group includes the investments associated with the East River Intake facilities.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 30-R4

Net Salvage: -10%

Proposed Depreciation Parameters

ASL/Curve: 45-L3

Future Net Salvage: -10%

Total Company (All Water Service Area) Parameters

New Rate @New Parameters Old Rate @ Old Parameters

Rate	1.68%	3.86%
Av. Remaining Life	27.0 years	N/A

ACCOUNT – 307.00 (314.00) Wells & Springs

Historical Experience

Plant Statistics Plant Balance = \$987,980
 Average Age of Survivors = 24.5 years
 Original Gross Additions = \$2,181,407
 Oldest Surviving Vintage = 1940
 Retirements = \$228,582, or 10.5% of historical additions.
 Average Age of Retirements = 20.3 years

Experience Band 1957 – 2007 (Full Depth) 40-R1.5

Historical Net Salvage: (1985-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1985-07</u>
-37%	-21%	0%	-24%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
5%	5%	1%	0%

Forecasted Net Salvage: -60%

Plant Considerations/Future Expectations

The Company has ground water supplies (Wells) located in its Clinton operating territory. Conversely, the Quad Cities area is serviced by surface water supplies. The Company has an ongoing effort to continuously maintain its wells to insure that the facilities continue to produce at sufficient production levels to meet both customer quantity and quality requirements.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 30-R2

Net Salvage: -20%

Proposed Depreciation Parameters

ASL/Curve: 40-R1.5

Future Net Salvage: -30%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	3.31%	5.15%
Av. Remaining Life	23.0 years	N/A

ACCOUNT – 309.00 (316.00) Supply Mains

Historical Experience

Plant Statistics Plant Balance = \$58,738
 Average Age of Survivors = 26.5years
 Original Gross Additions = \$113,330
 Oldest Surviving Vintage = 1952
 Retirements = \$15,387, or 13.6% of historical additions.
 Average Age of Retirements = 49.5years

Experience Band 1957 – 2007 (Full depth) 52-S6

Historical Net Salvage: (1982-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1982-07</u>
0%	0%	0%	4%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: 0%

Plant Considerations/Future Expectations

The Company’s limited investment contained in this account is related to piping, valves, and other appurtenant supply equipment installed in conjunction with the Davenport East River Treatment plant.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 45-R3

Net Salvage: -10%

Proposed Depreciation Parameters

ASL/Curve: 52-S6

Future Net Salvage: -10%

Total Company (All Water Service Area) Parameters

New Rate @New Parameters Old Rate @ Old Parameters

Rate	2.41%	1.92%
Av. Remaining Life	27.7 years	N/A

ACCOUNT – 310.00 (323.00) Power Generation Equipment

Historical Experience

Plant Statistics Plant Balance = \$570,052
 Average Age of Survivors = 9.6years
 Original Gross Additions = \$863,532
 Oldest Surviving Vintage = 1987
 Retirements = \$49,659, or 5.8% of historical additions.
 Average Age of Retirements = 18.2years

Experience Band 1987– 2007 (Full Depth) 25-L3

Historical Net Salvage: (1999-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1999-07</u>
-393%	0%	0%	-18%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage -31%

Plant Considerations/Future Expectations

This equipment is associated with and provides backup power to portions of the Company’s pumping and other equipment.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 30-R3

Net Salvage: 0%

Proposed Depreciation Parameters

ASL/Curve: 25-L3

Future Net Salvage: -15%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	5.62%	3.09%
Av. Remaining Life	16.1 years	N/A

ACCOUNT – 311.20 (325.00) Electric Pumping Equipment

Historical Experience

Plant Statistics Plant Balance = \$5,459,195
 Average Age of Survivors = 16.0years
 Original Gross Additions = \$9,399,957
 Oldest Surviving Vintage = 1940
 Retirements = \$871,488, or 9.3% of historical additions.
 Average Age of Retirements = 23.3 years

Experience Band 1957 – 2007 (Full Depth) 40-R2 FTA 55 yrs

Historical Net Salvage: (1982-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1982-07</u>
-47%	474%	242%	17%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: 21%

Plant Considerations/Future Expectations

The Company’s electric pumping equipment contains a wide range of sizes and types of property from larger high service pumps, to vertical turbine well pumps and smaller centrifugal booster pumps. The larger high service pumps will typically experience longer average service lives, however, the medium to smaller size pumps, which comprise the larger portion of facilities, experience greater levels of changes due to changes in flow requirements as well as normal operational wear and tear.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 33-R1

Net Salvage: -5%

Proposed Depreciation Parameters

ASL/Curve: 40-R2

Future Net Salvage: -25%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	3.20%	3.06%
Av. Remaining Life	27.6 years	N/A

ACCOUNT – 311.50 (328.00) Other Pumping Equipment

Historical Experience

Plant Statistics Plant Balance = \$52,972
 Average Age of Survivors = 5.2 years
 Original Gross Additions = \$75,282
 Oldest Surviving Vintage = 2002
 Retirements = \$18,667 or 24.8% of historical additions.
 Average Age of Retirements = 37.7 years

Experience Band 1957 – 2007 (Full Depth) 35-R3

Historical Net Salvage: (1989-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1989-07</u>
0%	0%	0%	-247%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: -516%

Plant Considerations/Future Expectations

This account investment is related to a minimal amount of miscellaneous pumping facilities at a couple of equipment sites.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 38-R4

Net Salvage: -5%

Proposed Depreciation Parameters

ASL/Curve: 35-R3

Future Net Salvage: -25%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	1.40%	23.33%
Av. Remaining Life	29.9 years	N/A

ACCOUNT – 320.10 (332.10) Treatment Plant

Historical Experience

Plant Statistics Plant Balance = \$9,994,004
 Average Age of Survivors = 19.4 years
 Original Gross Additions = \$10,693,528
 Oldest Surviving Vintage =
 Retirements = \$707,866, or 6.6% of historical additions.
 Average Age of Retirements = 23.9 years

Experience Band 1957 – 2007 (Full Depth) 45-L1 FTA 45 yrs

Historical Net Salvage: N/A

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1969-07</u>
N/A	N/A	N/A	N/A

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
N/A	N/A	N/A	N/A

Forecasted Net Salvage: N/A

Plant Considerations/Future Expectations

The majority of the investments that comprise this property account are relative to the Company’s East River treatment plant located in its Quad City service territory. Due to the ever increasing regulatory requirements on the treatment facilities, upgrades, expansions, and/or replacements continually impact the useful life of this property group. Ongoing changes to processes improvements/replacements, etc. over the life of the properties have and will continue to impact the average service life to be achieved by the property group investments. The investment within this property category includes not only the major treatment plant components, but also includes sizable investments for Granulated Activated Charcoal (GAC) which experiences a far shorter useful live given the need to routinely cycle the filter media. In addition, the property group includes investments related to the waste treatment (sludge handling) equipment. This equipment is exposed to a more corrosive environment and thus is subject to upgrade/replacement even more frequently that the water treatment facilities.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Life Span
 Life Span: 40 years

Current Depreciation Parameters

ASL/Curve: Interim Retirement Rate 45-R1

Net Salvage: -20%

Proposed Depreciation Parameters

ASL/Curve: Interim Retirement Rate 45-L1

Future Net Salvage: -20%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	3.62%	3.68%
Av. Remaining Life	18.3 years	N/A

ACCOUNT – 320.20 (332.20) Chemical Equipment

Historical Experience

Plant Statistics Plant Balance = \$4,753,001
 Average Age of Survivors = 11.6
 Original Gross Additions = 9,805,841
 Oldest Surviving Vintage = 1940
 Retirements = \$992,462, or 10.1% of historical additions.
 Average Age of Retirements = 25.5 years

Experience Band 1957 – 2007 30-L3

Historical Net Salvage: 1997-2007

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1997-07</u>
0%	0%	0%	-53%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: -120%

Plant Considerations/Future Expectations

Given the more corrosive environment in which the chemical feed equipment operates a somewhat short service life is experienced for this property group.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 27-R1

Net Salvage: 0%

Proposed Depreciation Parameters

ASL/Curve: 30-L3

Future Net Salvage: -20%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	4.02%	3.68%
Av. Remaining Life	19.3 years	N/A

ACCOUNT – 330.00 (342.00) Distribution Reservoirs & Standpipes

Historical Experience

Plant Statistics Plant Balance = \$11,863,385
 Average Age of Survivors = 11.0 years
 Original Gross Additions = \$6,963,863
 Oldest Surviving Vintage =
 Retirements = \$98,935, or % of historical additions.
 Average Age of Retirements =61.4 years

Experience Band 1957 – 2007 (Full Depth) 100-R2.5 FTA 55 yrs

Historical Net Salvage: (1982-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1982-07</u>
-12%	-117%	136%	-12%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
4%	3%	0%	0%

Forecasted Net Salvage: -203%

Plant Considerations/Future Expectations

The Company has approximately fifteen distribution storage facilities located throughout its operating territory, the majority of which are, metal storage tanks, standpipes, and elevated tanks ranging in capacities of from 250,000 gallons upwards to a million plus gallons. Of the storage facilities, three are clear wells and concrete ground storage reservoirs with capacities in the 1 to 2 plus million gallon capacity.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Life Span

Life Span: 55 Years

Current Depreciation Parameters

ASL/Curve: Interim Retirement Rate 100-R2.5

Net Salvage: -10%

Proposed Depreciation Parameters

ASL/Curve: Interim Retirement Rate 100-R2.5

Future Net Salvage: -15%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	2.50%	2.17%
Av. Remaining Life	37.0 years	N/A

ACCOUNT – 331.10 (343.01) Mains- All Material types – 4” & Under

Historical Experience

Plant Statistics Plant Balance = \$994,683
 Average Age of Survivors = 16.5 years
 Original Gross Additions = \$708,047
 Oldest Surviving Vintage = 1926
 Retirements = \$93,972 or 13.3% of historical additions.
 Average Age of Retirements =37.3 years

Experience Band 1957 – 2007 (Full Depth) 65-R2.5

Historical Net Salvage: (1997-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1997-07</u>
-1328%	-153%	-69%	-61%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
46%	0%	65%	0%

Forecasted Net Salvage: -947%

Plant Considerations/Future Expectations

This property group contains the Company’s investment in Transmission and Distribution Mains. Given that the investment group comprises approximately forty (40) percent of the Company’s depreciable plant in service, the property group was identified by various asset classes with service life parameters estimated for each of the individual property groups. The asset investments were identified by the size groups which were identified by 4 In & Under, 6-8 In, and 10-16 In. Section 2, Table 3 of the depreciation study report lists the applicable estimated depreciation parameters for each of the studied property groups.

The referenced depreciable plant in service which relates to approximately 150 miles of T&D Mains within the Rate Area. The installation materials include Copper, Lead, Cast & Ductile Iron, Asbestos, Cement, Galvanized Steel, Wrought Iron, and Plastic, however, the Mains are predominately of Cast and Ductile Iron construction. The Company’s efforts to upgrade/replace its Mains facilities are driven in larger part by leak surveys and leak reports as well as street and highway improvement projects. The Company spends approximately \$150,000 per year on small mains replacements. In addition in the coming year a sizable highway relocation project will be completed for which the Company does not receive reimbursement.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 50-R3

Net Salvage: -15%

Proposed Depreciation Parameters

ASL/Curve: 65-R2.5

Future Net Salvage: -35%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	1.47%	2.46%
Av. Remaining Life	51.1 years	N/A

4-31

(ASL – Average Service Life; NS – Net Salvage; FTA – Fit to Age; N/A—Not Available, Not Applicable

ACCOUNT – 331.20 (343.11) Mains- All Material types – 10” – 16”

Historical Experience

Plant Statistics Plant Balance = \$23,890,014
 Average Age of Survivors = 16.8 years
 Original Gross Additions = \$25,075,752
 Oldest Surviving Vintage = 1926
 Retirements = \$162,647 or 0.6% of historical additions.
 Average Age of Retirements =23.2 years

Experience Band 1957 – 2007 (Full Depth) Estimated 90-R4

Historical Net Salvage: (1997-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1997-07</u>
-1328%	-153%	-69%	-61%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
46%	0%	65%	0%

Forecasted Net Salvage: -947%

Plant Considerations/Future Expectations

This property group contains the Company’s investment in Transmission and Distribution Mains. Given that the investment group comprises approximately forty (40) percent of the Company’s depreciable plant in service, the property group was identified by various asset classes with service life parameters estimated for each of the individual property groups. The asset investments were identified by the size groups which were identified by 4 In & Under, 6-8 In, and 10-16 In. Section 2, Table 3 of the depreciation study report lists the applicable estimated depreciation parameters for each of the studied property groups.

The referenced depreciable plant in service which relates to approximately 150 miles of T&D Mains within the Rate Area. The installation materials include Copper, Lead, Cast & Ductile Iron, Asbestos, Cement, Galvanized Steel, Wrought Iron, and Plastic, however, the Mains are predominately of Cast and Ductile Iron construction. The Company’s efforts to upgrade/replace its Mains facilities are driven in larger part by leak surveys and leak reports as well as street and highway improvement projects. The Company spends approximately \$150,000 per year on small mains replacements. In addition in the coming year a sizable highway relocation project will be completed for which the Company does not receive reimbursement.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 95-R3

Net Salvage: -15%

Proposed Depreciation Parameters

ASL/Curve: 90-R4

Future Net Salvage: -35%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	1.48%	1.27%
Av. Remaining Life	73.5 years	N/A

(ASL – Average Service Life; NS – Net Salvage; FTA – Fit to Age; N/A—Not Available, Not Applicable

ACCOUNT – 331.30 (343.20) Mains- All Material Types – 6” – 8”

Historical Experience

Plant Statistics Plant Balance = \$29,108,614
 Average Age of Survivors = 20.5years
 Original Gross Additions = \$27,698,456
 Oldest Surviving Vintage = 1926
 Retirements = \$261,756 or 0.9% of historical additions.
 Average Age of Retirements =25.3 years

Experience Band 1957 – 2007 (Full Depth) Estimated 85-R4

Historical Net Salvage: (1997-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1997-07</u>
-1328%	-153%	-69%	-61%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
46%	0%	65%	0%

Forecasted Net Salvage: -947%

Plant Considerations/Future Expectations

This property group contains the Company’s investment in Transmission and Distribution Mains. Given that the investment group comprises approximately forty (40) percent of the Company’s depreciable plant in service, the property group was identified by various asset classes with service life parameters estimated for each of the individual property groups. The asset investments were identified by the size groups which were identified by 4 In & Under, 6-8 In, 10-16 In. Section 2, Table 3 of the depreciation study report lists the applicable estimated depreciation parameters for each of the studied property groups.

The referenced depreciable plant in service which relates to approximately 150 miles of T&D Mains within the Rate Area. The installation materials include Copper, Lead, Cast & Ductile Iron, Asbestos, Cement, Galvanized Steel, Wrought Iron, and Plastic, however, the Mains are predominately of Cast and Ductile Iron construction. The Company’s efforts to upgrade/replace its Mains facilities are driven in larger part by leak surveys and leak reports as well as street and highway improvement projects. The Company spends approximately \$150,000 per year on small mains replacements. In addition in the coming year a sizable highway relocation project will be completed for which the Company does not receive reimbursement.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 85-R3

Net Salvage: -15%

Proposed Depreciation Parameters

ASL/Curve: 85-R4

Future Net Salvage: -35%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	1.84%	1.44%
Av. Remaining Life	65.1 years	N/A

ACCOUNT – 333.00 (345.00) Services

Historical Experience

Plant Statistics Plant Balance = \$3,000,865
 Average Age of Survivors = 20.0 years
 Original Gross Additions = \$3,201,601
 Oldest Surviving Vintage = 1900
 Retirements = \$200,199, or 6.3 % of historical additions.
 Average Age of Retirements = 25.2 years

Experience Band 1957 – 2007 (Full Depth) 68-R2.5 FTA 70yrs

Historical Net Salvage: (1982-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1982-07</u>
-1751%	0%	-244%	-318%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: 1521%

Plant Considerations/Future Expectations

This property group contains the Company’s investment in customer Services. The investment group comprises approximately two (2) plus percent of the Company’s depreciable plant in service which relates to approximately 11,500 plus services in the Clinton District. The services are customer owned in the Quad Cities District While the installation materials include Copper, Cast & Ductile Iron, Asbestos Cement, Brass, Lead, Cement, Galvanized Steel, Wrought Iron, and Plastic the Customer Services are predominately Copper followed by Plastic with Galvanized Steel and Wrought Iron comprising smaller portions of the Services. Similar to the Company’s efforts to upgrade/replace its Mains facilities, the replacement of Services are driven in larger part by leak surveys and leak reports as well as street and highway improvement projects.

Life Analysis Method: Simulated Plant Record Method

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 55-R1.5

Net Salvage: -125%

Proposed Depreciation Parameters

ASL/Curve: 68-R2.5

Future Net Salvage: -225%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	5.76%	5.07%
Av. Remaining Life	51.3 years	N/A

ACCOUNT – 334.11 (346.01) Meters - Bronze

Historical Experience

Plant Statistics Plant Balance = \$3,038,793
 Average Age of Survivors = 24 years
 Original Gross Additions = \$4,282,709
 Oldest Surviving Vintage = 1926
 Retirements = \$1,783,870, or 41.7% of historical additions.
 Average Age of Retirements = 22.6 years

Experience Band 1957 – 2007 (Full Depth) 22-L2
 1998 – 2007 16-R3

Historical Net Salvage: (1997-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1997-07</u>
3%	1%	3%	4%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
6%	6%	6%	3%

Forecasted Net Salvage: 2%

Plant Considerations/Future Expectations

This property group contains the Company’s investment in customer Meters-Bronze. As with most, if not nearly all, operating water companies the overwhelming majority of the Company’s meters are smaller 5/8 inch residential meters. Of the approximate 65,000 Meters nearly 90 percent of the Meters are 5/8 inch. The Company’s current meter policy is to change out and retire approximately 6.7% of its 1 Inch and smaller meters each year. In addition, it changes out and tests approximately 25% of its 1 ½ and 2 Inch Meters on a yearly basis. The larger Meters that do not meet test standard are retired and return for repair.

Life Analysis Method: Simulated Plant Record Method

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 14-R4

Net Salvage: 8%

Proposed Depreciation Parameters

ASL/Curve: 16-R3

Future Net Salvage: 2%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	5.82%	8.53%
Av. Remaining Life	8.7 years	N/A

ACCOUNT – 334.12 (346.02) Meters - Plastic

Historical Experience

Plant Statistics Plant Balance = \$245,635
 Average Age of Survivors = 12.3 years
 Original Gross Additions = \$1,167,168
 Oldest Surviving Vintage = 1974
 Retirements = \$472,893, or 40.5% of historical additions.
 Average Age of Retirements = 14.0 years

Experience Band 1957 – 2007 (Full Depth) 13-L3

Historical Net Salvage: (1997-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1997-07</u>
0%	0%	0%	1%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: 0%

Plant Considerations/Future Expectations

This property group contains the Company’s minimal investment in customer Meters-Plastic. As with most, if not nearly all, operating water companies the overwhelming majority of the Company’s meters are smaller 5/8 inch residential meters. Of the approximate 65,000 Meters nearly 90 percent of the Meters are 5/8 inch. The Company’s current meter policy is to change out and retire approximately 6.7% of its 1 Inch and smaller meters each year. In addition, it changes out and tests approximately 25% of its 1 ½ and 2 Inch Meters on a yearly basis. The larger Meters that do not meet test standard are retired and return for repair.

Life Analysis Method: Simulated Plant Record Method

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 13-R3

Net Salvage: 0%

Proposed Depreciation Parameters

ASL/Curve: 13-L3

Future Net Salvage: 0%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	1.21%	21.43%
Av. Remaining Life	4.6 years	N/A

ACCOUNT – 334.20 (347.00) Meter Installations

Historical Experience

Plant Statistics Plant Balance = \$3,299,518
 Average Age of Survivors = 13.3 years
 Original Gross Additions = \$3,353,499
 Oldest Surviving Vintage = 1926
 Retirements = \$53,980, or 1.6% of historical additions.
 Average Age of Retirements = 17.5 years

Experience Band 1957 – 2007 (Full Depth) 75-R3

Historical Net Salvage: (1983-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1983-07</u>
0%	0%	0%	0%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: 0%

Plant Considerations/Future Expectations

This property group contains the Company’s investment in customer Meter Installation cost. As with Meters, the majority of the Company’s meter installation costs are related to smaller 5/8 inch residential meter installations. As meter sets are required to be replaced, the existing Meter Install materials and labor is retired from service.

Life Analysis Method: Simulated Plant Record Method

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 50-R2.5

Net Salvage: -25%

Proposed Depreciation Parameters

ASL/Curve: 75-R3

Future Net Salvage: -25%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	1.65%	2.68%
Av. Remaining Life	62.3 years	N/A

ACCOUNT – 335.00 (348.00) Hydrants

Historical Experience

Plant Statistics Plant Balance = \$6,315,701
 Average Age of Survivors = 18.2 years
 Original Gross Additions = \$6,288,803
 Oldest Surviving Vintage = 1923
 Retirements = \$197,631, or 3.14% of historical additions.
 Average Age of Retirements =28.1 years

Experience Band 1957 – 2007 (Full Depth) 77-R3

Historical Net Salvage: (1982-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1982-07</u>
-657%	-375%	-150%	-131%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
18%	0%	0%	22%

Forecasted Net Salvage: 1529%

Plant Considerations/Future Expectations

Due to the continued expansion of the Company’s operating system, internal grown, and the increased cost of replacement and installation of this property class, the Company’s investment in this account has grown at an annual compound rate in the range of 3 to 5 percent per year during recent periods. The property class continues to experience mechanical failure over time, is impacted by vehicular accidents, as well as experiences a certain amount of obsolescence which ultimately requires property replacement.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 60-R3

Net Salvage: -20%

Proposed Depreciation Parameters

ASL/Curve: 77-R3

Future Net Salvage: -125%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	3.27%	2.09%
Av. Remaining Life	60.0 years	N/A

ACCOUNT – 339.50 (349.00) Other Trans. & Distr. Equipment

Historical Experience

Plant Statistics Plant Balance = \$882
 Average Age of Survivors = 1.5years
 Original Gross Additions = \$882
 Oldest Surviving Vintage = 2006
 Retirements = \$0, or 0% of historical additions.
 Average Age of Retirements = N/A

Experience Band 1955 – 2006 (Full Depth) N/A

Historical Net Salvage: N/A

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1969-07</u>
N/A	N/A	N/A	N/A

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
N/A	N/A	N/A	N/A

Forecasted Net Salvage: N/A

Plant Considerations/Future Expectations

This property group investment is principally related to miscellaneous T & D Equipment. The estimated service life gives consideration to the general age of the surviving property, and the anticipated life of the overall property group.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: N/A

Net Salvage: 0%

Proposed Depreciation Parameters

ASL/Curve: 40-R2

Future Net Salvage: 0%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	-7.30%.	0%
Av. Remaining Life	38.6 years	N/A

ACCOUNT – 340.10 (391.00) Office Furniture & Equipment

Historical Experience

Plant Statistics Plant Balance = \$587,032
 Average Age of Survivors = 7.3 years
 Original Gross Additions = \$1,380,386
 Oldest Surviving Vintage = 1967
 Retirements = \$60,809, or 4.4% of historical additions.
 Average Age of Retirements =30.7 years

Experience Band 1957 – 2007 (Full Depth) 22-L0.5

Historical Net Salvage : (1997-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1997-07</u>
-120\$	0%	0%	-4%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: -6%

Plant Considerations/Future Expectations

This property group includes investments related to furniture and equipment located at the Company’s various office sites.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 25-L1

Net Salvage: 0%

Proposed Depreciation Parameters

ASL/Curve: 22-L0.5

Future Net Salvage: 0%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	3.28%	3.18%
Av. Remaining Life	17.4 years	N/A

ACCOUNT – 340.20 (391.21) Computer & Peripherals

Historical Experience

Plant Statistics Plant Balance = \$554,730
 Average Age of Survivors = 3.2 years
 Original Gross Additions = \$1,116,089
 Oldest Surviving Vintage = 1998
 Retirements = \$560,735, or 50.2% of historical additions.
 Average Age of Retirements = 6.0 years

Experience Band 1985 – 2007 (Full Depth) 6-L2 FTA 15yrs

Historical Net Salvage: (1997-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1997-07</u>
-4%	-7%	0%	-3%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: -3%

Plant Considerations/Future Expectations

This property group includes investments related to Personal Computer and related equipment.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 7-R3

Net Salvage: 0%

Proposed Depreciation Parameters

ASL/Curve: 6-L2

Future Net Salvage: 0%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	20.21%	9.87%
Av. Remaining Life	3.8 years	N/A

ACCOUNT – 340.30 (391.25) Mainframe Computer Software

Historical Experience

Plant Statistics Plant Balance = \$2,367,708
 Average Age of Survivors = 5.1 years
 Original Gross Additions = \$2,547,147
 Oldest Surviving Vintage = 1998
 Retirements = \$179,439, or 7.0% of historical additions.
 Average Age of Retirements = 12.0 years

Experience Band 1992 – 2007 (Full Depth) 13-S5

Historical Net Salvage N/A

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1978-07</u>
N/A	N/A	N/A	N/A

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
N/A	N/A	N/A	N/A

Forecasted Net Salvage: N/A

Plant Considerations/Future Expectations

This property group investment is principally related to the Customer Service software used to provide service to the Company’s customers.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 5-R3

Net Salvage: 0%

Proposed Depreciation Parameters

ASL/Curve: 13-S5

Future Net Salvage: 0%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	10.41%	5.60%
Av. Remaining Life	7.9 years	N/A

ACCOUNT – 340.32 (391.26) Computer Software

Historical Experience

Plant Statistics Plant Balance = \$54,405
 Average Age of Survivors = 7.4 years
 Original Gross Additions = \$122,193
 Oldest Surviving Vintage = 1999
 Retirements = \$68,412, or 56.0% of historical additions.
 Average Age of Retirements = 8.4 years

Experience Band 1984 – 2007 (Full Depth) 8-L3

Historical Net Salvage : (1998-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1998-07</u>
0%	0%	0%	0%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
2%	2%	2%	0%

Forecasted Net Salvage: 0%

Plant Considerations/Future Expectations

This property group investment is principally related to computer related type of equipment.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 5-R3

Net Salvage: 0%

Proposed Depreciation Parameters

ASL/Curve: 8-L3

Future Net Salvage: 0%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	38.46%	12.67%
Av. Remaining Life	2.6 years	N/A

ACCOUNT – 340.50 (391.30) Other Office Equipment

Historical Experience

Plant Statistics Plant Balance = \$332,190
 Average Age of Survivors = 4.1 years
 Original Gross Additions = \$372,620
 Oldest Surviving Vintage = 1988
 Retirements = \$40,430, or 10.9% of historical additions.
 Average Age of Retirements = 21.9 years

Experience Band 1957 – 2007 (Full Depth) 20-L2

Historical Net Salvage : (1997-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1997-07</u>
0%	0%	0%	-1%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: -1%

Plant Considerations/Future Expectations

This property group includes investments related to various other office equipment located at the Company’s office sites.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 16-R1.5

Net Salvage: 0%

Proposed Depreciation Parameters

ASL/Curve: 20-L2

Future Net Salvage: 0%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	5.95%	2.83%
Av. Remaining Life	16.2 years	N/A

ACCOUNT – 341.40 (392.10) Transportation Equipment

Historical Experience

Plant Statistics Plant Balance = \$7,976
 Average Age of Survivors = 4.1 years
 Original Gross Additions = \$7,976
 Oldest Surviving Vintage = 2001
 Retirements = \$N/A, or N/A of historical additions.
 Average Age of Retirements = 0 years

Experience Band 1964 – 2007 (Full Depth) 6-L3

Historical Net Salvage: (1980-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1980-07</u>
N/A	N/A	N/A	N/A

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
N/A	N/A	N/A	N/A

Forecasted Net Salvage: N/A

Plant Considerations/Future Expectations

This property group investment is principally related to miscellaneous transportation equipment used in maintaining the Company’s operating property and providing customer service.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: N/A

Net Salvage: 0%

Proposed Depreciation Parameters

ASL/Curve: 6-L3

Future Net Salvage: 0%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	33.33%	0%
Av. Remaining Life	3.0 years	N/A

ACCOUNT – 342.00 (393.00) Stores Equipment

Historical Experience

Plant Statistics Plant Balance = \$38,792
 Average Age of Survivors = 12.6 years
 Original Gross Additions = \$49,479
 Oldest Surviving Vintage = 1960
 Retirements = \$10,687, or 21.6% of historical additions.
 Average Age of Retirements = 29.1 years

Experience Band 1957 – 2007 (Full Depth) 30-S6

Historical Net Salvage: (1986-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1986-07</u>
0%	0%	0%	0%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: 0%

Plant Considerations/Future Expectations

This property group contains investments related to property used to store the Company’s materials inventory.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 35-L2

Net Salvage: 0%

Proposed Depreciation Parameters

ASL/Curve: 30-S6

Future Net Salvage: 0%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	-12.91%	1.44%
Av. Remaining Life	17.4 years	N/A

ACCOUNT – 343.00 (394.00) Tools, Shop & Garage Equip.

Historical Experience

Plant Statistics Plant Balance = \$615,416
 Average Age of Survivors = 10.6 years
 Original Gross Additions = \$787,512
 Oldest Surviving Vintage = 1967
 Retirements = \$101,194, or 14.1% of historical additions.
 Average Age of Retirements = 31.9 years

Experience Band 1957 – 2007 (Full Depth) 30-R2

Historical Net Salvage: (1982-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1982-07</u>
5%	4%	0%	4%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
2%	1%	4%	2%

Forecasted Net Salvage: 2%

Plant Considerations/Future Expectations

This property group is related to tools and equipment used by the Company’s workforce to maintain the distribution system.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 28-L0.5

Net Salvage: 3%

Proposed Depreciation Parameters

ASL/Curve: 30-R2

Future Net Salvage: 2%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	4.09%	3.06%
Av. Remaining Life	21.2 years	N/A

ACCOUNT – 344.00 (395.00) Laboratory Equipment

Historical Experience

Plant Statistics Plant Balance = \$18,075
 Average Age of Survivors = 3.9 years
 Original Gross Additions = \$129,276
 Oldest Surviving Vintage =1999
 Retirements = \$111,201, or 86.0% of historical additions.
 Average Age of Retirements =12.4 years

Experience Band 1957 – 2007 (Full Depth) 12-L0.5

Historical Net Salvage: (1982-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1982-07</u>
0%	0%	0%	0%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: 0%

Plant Considerations/Future Expectations

The equipment category typically includes facilities use for testing and/or research purposes. Given the continuing increase in regulatory requirements ongoing upgrades of equipment is required.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 15-R3

Net Salvage: 0%

Proposed Depreciation Parameters

ASL/Curve: 12-L0.5

Future Net Salvage: 0%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	18.24%	7.02%
Av. Remaining Life	9.7 years	N/A

ACCOUNT – 345.00 (396.00) Power Operated Equipment

Historical Experience

Plant Statistics Plant Balance = \$109,235
 Average Age of Survivors = 6.8 years
 Original Gross Additions = \$143,856
 Oldest Surviving Vintage = 1986
 Retirements = \$34,621, or 24.1% of historical additions.
 Average Age of Retirements =14.6 years

Experience Band 1957 – 2007 (Full Depth) 18-R1.5

Historical Net Salvage: (1984-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1984-07</u>
0%	0%	0%	35%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: 0%

Plant Considerations/Future Expectations

This property group investment is principally related equipment such as tractors, compressors, portable generators etc. used in the construction, replacement and/or maintenance of the Company’s distribution system.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 16-R4

Net Salvage: 15%

Proposed Depreciation Parameters

ASL/Curve: 18-R1.5

Future Net Salvage: 10%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	5.82%	0%
Av. Remaining Life	13.0 years	N/A

ACCOUNT – 346.00 (397.00) Communication Equipment

Historical Experience

Plant Statistics Plant Balance = \$1,141,308
 Average Age of Survivors = 6.1 years
 Original Gross Additions = \$1,218,740
 Oldest Surviving Vintage = 1998
 Retirements = \$77,431, or 6.4% of historical additions.
 Average Age of Retirements =6.6 years

Experience Band 1973 – 2007 (Full Depth) 12-L3

Historical Net Salvage: (1985-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1985-07</u>
-9%	-9%	0%	-1%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: -13%

Plant Considerations/Future Expectations

The investment in this account is related to Radio Telemetry, Telephones, Scada Equipment, etc. All of these items are subject to ongoing upgrades and replacements.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 7-R3

Net Salvage: 0%

Proposed Depreciation Parameters

ASL/Curve: 12-L3

Future Net Salvage: 0%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	6.08%	10.31%
Av. Remaining Life	6.3 years	N/A

ACCOUNT – 347.00 (398.00) Miscellaneous Equipment

Historical Experience

Plant Statistics Plant Balance = \$804,743
 Average Age of Survivors = 6.9 years
 Original Gross Additions = \$559,509
 Oldest Surviving Vintage = 1958
 Retirements = \$42,244, or 7.6% of historical additions.
 Average Age of Retirements = 17.8 years

Experience Band 1957 – 2007 (Full Depth) 30-L1.5

Historical Net Salvage: (1983-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1983-07</u>
0%	0%	0%	3%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: 0%

Plant Considerations/Future Expectations

This account contains a miscellaneous group of assets used in the utilities operations. These properties are replaced as required.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: 25-R2

Net Salvage: 0%

Proposed Depreciation Parameters

ASL/Curve: 30-L1.5

Future Net Salvage: 0%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	2.88%	3.88%
Av. Remaining Life	24.0 years	N/A

ACCOUNT – 399.00 Other Tangible Plant

Historical Experience

Plant Statistics Plant Balance = \$30,635
 Average Age of Survivors = 1 year
 Original Gross Additions = \$320,446
 Oldest Surviving Vintage = 2006
 Retirements = \$2,333, or 0.7% of historical additions.
 Average Age of Retirements=.5 years

Experience Band 1993 – 2007 (Full Depth) N/A

Historical Net Salvage: (1980-2007)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2003-05</u>	<u>2004-06</u>	<u>2005-07</u>	<u>1980-07</u>
N/A	N/A	N/A	N/A

Net Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
N/A	N/A	N/A	N/A

Forecasted Net Salvage: N/A

Plant Considerations/Future Expectations

This account contains a miscellaneous group of assets used in the utilities operations. These properties are replaced as required.

Life Analysis Method: Retirement Rate Method (Actuarial)

Average Remaining Life Development: Full Mortality

Current Depreciation Parameters

ASL/Curve: N/A

Net Salvage: 0%

Proposed Depreciation Parameters

ASL/Curve: 30-R3

Future Net Salvage: 0%

Total Company (All Water Service Area) Parameters

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	1.81%	0%
Av. Remaining Life	29.0 years	N/A