

IOWA AMERICAN WATER COMPANY

**COMPARISON OF PROFORMA COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012 - PER ORDER REVISED**

Customer Classification (1)	Proforma Cost of Service, as of 12/31/2012		Proforma Revenues, Under Present Rates		Proforma Revenues, Under Proposed Rates		Proposed Increase	
	Amount (Schedule B) (2)	Percent of Total (3)	Amount (4)	Percent of Total (5)	Amount (6)	Percent of Total (7)	Amount (8)	Percent Increase (9)
Residential	\$ 25,942,388	64.9%	\$22,953,128	63.6%	\$25,425,030	63.6%	\$ 2,471,902	10.8%
Commercial (a)	9,417,485	23.6%	8,510,381	23.5%	9,739,469	24.4%	1,229,088	14.4%
Industrial	2,730,035	6.8%	2,657,706	7.3%	2,837,207	7.1%	179,501	6.8%
Public Authority	990,579	2.5%	949,498	2.6%	1,078,541	2.7%	129,043	13.6%
Private Fire Service	882,512	2.2%	1,100,040	3.0%	882,636	2.2%	(217,404)	-19.8%
Total Sales	39,962,999	<u>100.0%</u>	36,170,753	<u>100.0%</u>	39,962,883	<u>100.0%</u>	3,792,130	10.5%
Other Revenues	\$610,127		\$610,127		\$610,127		-	0.0%
Total	<u>\$ 40,573,126</u>		<u>\$36,780,880</u>		<u>\$40,573,010</u>		<u>\$ 3,792,130</u>	10.3%

(a) Includes Miscellaneous billed revenue.

IOWA AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Industrial (6)	Public Authorities (7)	Fire Protection	
							Private (8)	Public (9)
OPERATION AND MAINTENANCE EXPENSES								
SOURCE OF SUPPLY EXPENSES								
Salaries and Wages	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Labor & Exp Oper SS - Labor	2	0	0	0	0	0	0	0
Contract Services SS	2	1,511	857	433	169	47	2	4
Purchased Power	1	15,506	8,130	4,501	2,296	485	26	67
M & S Oper and Misc Exp SS	2	15,059	8,538	4,319	1,682	465	15	39
TOTAL SS EXPENSE - OPERATION		32,076	17,525	9,254	4,147	997	43	110
Rents Oper SS	2	24	13	7	3	1	0	0
Struct & Improve Maint SS - Labor	2	1,662	942	477	186	51	2	4
Misc Plant Maint SS	2	43,363	24,587	12,436	4,844	1,340	43	113
Grounds Keeping	2	22,316	12,653	6,400	2,493	690	22	58
Heating Oil/Gas	2	10,321	5,852	2,960	1,153	319	10	27
Trash Removal	2	8,094	4,589	2,321	904	250	8	21
Security	2	61,147	34,671	17,537	6,830	1,889	61	159
M&S Maint SS	2	18,590	10,541	5,332	2,077	574	19	48
TOTAL SS EXPENSE - MAINTENANCE		165,517	93,848	47,470	18,488	5,114	166	430
TOTAL SS EXPENSE		197,592	111,373	56,724	22,635	6,112	208	540
POWER AND PUMPING EXPENSES								
Super & Eng Oper P	6	47,504	24,332	11,962	4,290	1,292	1,587	4,043
Fuel for Power Prod	1	0	0	0	0	0	0	0

IOWA AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Industrial (6)	Public Authorities (7)	Fire Protection	
							Private (8)	Public (9)
Labor Operating	6	657,147	336,591	165,470	59,340	17,874	21,949	55,923
Labor Oper Pwr Prod	6	250	128	63	23	7	8	21
Purch Fuel/Power for Pump	1	1,011,258	530,202	293,568	149,767	31,652	1,719	4,348
Misc Oper Pumping	6	417	214	105	38	11	14	36
M&S Oper Pumping	6	7,321	3,750	1,843	661	199	245	623
Rents Oper P	6	1,719	881	433	155	47	57	146
TOTAL PUMPING EXPENSE - OPERATION		1,725,616	896,097	473,444	214,274	51,083	25,579	65,140
Super & Eng Maint P	6	76,345	39,104	19,224	6,894	2,077	2,550	6,497
Struct & Improve Maint P - Labor	6	30,442	15,592	7,665	2,749	828	1,017	2,591
M&S Maint - Puming	6	267	137	67	24	7	9	23
Power Prod Equip Maint P - Labor	6	23,682	12,130	5,963	2,138	644	791	2,015
Misc. Maint - Pumping	6	7,318	3,748	1,843	661	199	244	623
TOTAL PUMPING EXPENSES - MAINTENANCE		138,053	70,711	34,762	12,466	3,755	4,611	11,748
TOTAL PUMPING EXPENSES		1,863,670	966,808	508,205	226,740	54,838	30,190	76,889
WATER TREATMENT								
Super & Eng Oper WT	2	15,462	8,767	4,435	1,727	478	15	40
Chemicals	1	1,298,866	680,995	377,061	192,362	40,655	2,208	5,585
Labor Oper WT	2	273,092	154,843	78,323	30,504	8,439	273	710
M&S Oper WT	2	1,760	998	505	197	54	2	5
Misc Exp Oper WT	2	7,409	4,201	2,125	828	229	7	19
Waste Disposal	1	62,075	32,546	18,020	9,193	1,943	106	267
Contract Services WT	2	2,542	1,441	729	284	79	3	7
Lab Supplies	2	31,291	17,742	8,974	3,495	967	31	81
TOTAL WT EXPENSE - OPERATION		1,692,497	901,534	490,171	238,590	52,843	2,645	6,714
Struct & Improve Maint WT - Labor	2	108,545	61,545	31,131	12,124	3,354	109	282
Misc. Maint - WT	2	72,040	40,847	20,661	8,047	2,226	72	187
WT Equip Maint WT - Labor	2	88,533	50,198	25,391	9,889	2,736	89	230

IOWA AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Industrial (6)	Public Authorities (7)	Fire Protection	
							Private (8)	Public (9)
M&S Maint. WT	2	2,931	1,662	840	327	91	3	8
Postage, printing	2	993	563	285	111	31	1	3
Telephone WT	2	13,063	7,407	3,746	1,459	404	13	34
TOTAL WT EXPENSE - MAINTENANCE		286,105	162,222	82,055	31,958	8,841	286	744
TOTAL WT EXPENSE		1,978,602	1,063,755	572,226	270,548	61,683	2,931	7,458
TRANSMISSION AND DISTRIBUTION EXPENSES								
Super & Eng Oper TD	11	123	69	26	6	3	6	13
Labor - Oper TD	11	187,067	105,955	39,471	8,474	4,415	8,474	20,278
Storage Facility Exp - Labor	5	(18,503)	(7,921)	(3,419)	(1,055)	(370)	(1,623)	(4,115)
TD Lines Exp - Labor	7	167,843	81,421	36,724	9,517	3,944	10,238	25,999
Meter Expense - Labor	9	45,307	35,000	8,540	652	1,115	0	0
Customer Install Exp - Labor	10	7,151	5,781	741	30	69	530	0
M&S and Misc Oper TD	11	4,486	2,541	947	203	106	203	486
Purchased Power - TD	11	5,210	2,951	1,099	236	123	236	565
Fuel for Power Production	11	14,460	8,190	3,051	655	341	655	1,567
Contract Services - TD	11	43,383	24,572	9,154	1,965	1,024	1,965	4,703
TOTAL T & D EXPENSE OPERATION		456,527	258,558	96,334	20,684	10,770	20,685	49,496
Struct & Improve Maint TD - Labor	12	123	48	21	6	2	7	40
TD Main Maint TD - Labor	7	342,870	166,326	75,020	19,441	8,057	20,915	53,111
Misc Maint TD - Pvg/Backfill	7	415,417	201,519	90,893	23,554	9,762	25,340	64,348
Services Maint TD - Labor	10	26,617	21,518	2,758	112	258	1,972	0
Services Maint TD	10	6,389	5,165	662	27	62	473	0
Meters Maint TD - Labor	9	2,669	2,062	503	38	66	0	0
Hydrants Maint TD - Labor	8	224,382	0	0	0	0	0	224,382
Hydrants Maint TD	8	27,287	0	0	0	0	0	27,287
Misc Maint TD	12	252,500	98,652	42,344	11,362	4,545	14,190	81,406
Mat and Sup Maint TD	12	74,799	29,224	12,544	3,366	1,346	4,204	24,115
Misc Maint TD	12	65,094	25,432	10,916	2,929	1,172	3,658	20,986
Misc Maint TD - Permits	12	55,255	21,588	9,266	2,486	995	3,105	17,814
Telephone TD	12	2,898	1,132	486	130	52	163	934
Rents TD	12	64	25	11	3	1	4	21
Amort Def Maint TD	5	319,483	136,771	59,040	18,211	6,390	28,019	71,053
TOTAL T & D EXPENSE - MAINTENANCE		1,815,846	709,461	304,464	81,665	32,708	102,051	585,497
TOTAL T & D EXPENSE		2,272,373	968,019	400,798	102,349	43,478	122,736	634,993

IOWA AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Industrial (6)	Public Authorities (7)	Fire Protection	
							Private (8)	Public (9)
CUSTOMER ACCOUNTS								
Supervision CA	13	10,728	9,089	1,374	57	57	151	0
Labor - Customer Accounting	13	84,913	71,938	10,877	450	450	1,197	0
Meter Reading Exp CA - Labor	14	260,500	223,848	33,839	1,407	1,407	0	0
Cust Rec & Collection CA - Labor	13	379,537	321,543	48,619	2,012	2,012	5,351	0
Uncollectible Accts	13	333,075	282,181	42,667	1,765	1,765	4,696	0
M&S Oper CA	13	21,204	17,964	2,716	112	112	299	0
Contract Services - Other CA	13	927	785	119	5	5	13	0
Misc Cust Accts Exp CA	13	938	794	120	5	5	13	0
Bank Svc Charges	13	41,837	35,445	5,359	222	222	590	0
Customer Edu Bill Insert	13	3,880	3,287	497	21	21	55	0
Collectoin Agencies	13	105,814	89,645	13,555	561	561	1,492	0
Forms	13	47,780	40,479	6,121	253	253	674	0
Postage	13	125,580	106,391	16,087	666	666	1,771	0
Telephone CA	13	369	313	47	2	2	5	0
TOTAL CUSTOMER ACCOUNTING EXPENSE		1,417,082	1,203,704	181,997	7,537	7,537	16,308	0

IOWA AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Industrial (6)	Public Authorities (7)	Fire Protection	
							Private (8)	Public (9)
ADMINISTRATIVE AND GENERAL EXPENSES								
Salaries AG	15	885,247	507,512	170,144	45,767	16,377	27,885	117,561
Other Supplies & Exp AG	15	147,491	84,556	28,348	7,625	2,729	4,646	19,587
Mgmt Fees-Admin	15	3,493,373	2,002,751	671,426	180,607	64,627	110,041	463,920
Mgmt Fees-Customer Service	13	965,878	818,292	123,729	5,119	5,119	13,619	0
Mgmt Fees-Belleville Lab	2	62,206	35,271	17,841	6,948	1,922	62	162
Mgmt Fees- Employee	16	169,552	97,018	33,453	9,359	3,272	4,459	21,991
Outside Services AG	15	171,155	98,123	32,896	8,849	3,166	5,391	22,729
Property Insurance	15	0	0	0	0	0	0	0
Ins Gen Liab Oper AG	15	193,902	111,164	37,268	10,025	3,587	6,108	25,750
Ins Work Comp AG	16	90,197	51,611	17,796	4,979	1,741	2,372	11,699
Ins Other Oper AG	15	206,861	118,593	39,759	10,695	3,827	6,516	27,471
Community Relations/Business Development	15	218,405	125,212	41,977	11,292	4,040	6,880	29,004
Injuries & Damages	16	0	0	0	0	0	0	0
Pension Expense	16	655,862	375,284	129,402	36,204	12,658	17,249	85,065
Group Insurance	16	1,078,518	617,128	212,792	59,534	20,815	28,365	139,884
Other Benefits	16	351,348	201,041	69,321	19,394	6,781	9,240	45,570
Reg Commision Exp	19	401,923	222,223	85,047	26,567	8,722	11,736	47,628
Rents AG	15	310,685	178,116	59,714	16,062	5,748	9,787	41,259
Goodwill Advertising Exp	15	1,407	807	270	73	26	44	187
Misc Exp AG	15	24,817	14,227	4,770	1,283	459	782	3,296
Telephone AG	15	109,698	62,890	21,084	5,671	2,029	3,455	14,568
Postage	15	7,805	4,475	1,500	404	144	246	1,037
Transportation	15	244,081	139,932	46,912	12,619	4,515	7,689	32,414
Co Dues/Membership	15	58,129	33,326	11,172	3,005	1,075	1,831	7,720
Misc. Maint. AG	15	69,157	39,648	13,292	3,575	1,279	2,178	9,184
Misc. Oper. AG	15	131,391	75,326	25,253	6,793	2,431	4,139	17,449
M&S Maint - AG	15	6,736	3,862	1,295	348	125	212	895
M&S Oper- AG	15	1,259	722	242	65	23	40	167
Security AG	15	34,264	19,643	6,586	1,771	634	1,079	4,550
TOTAL A & G OPERATIONS		10,091,347	6,038,752	1,903,288	494,635	177,874	286,053	1,190,745
TOTAL A & G EXPENSE		10,091,347	6,038,752	1,903,288	494,635	177,874	286,053	1,190,745
Total Operation & Maintenance Expenses		17,820,666	10,352,411	3,623,238	1,124,444	351,522	458,426	1,910,625

IOWA AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Industrial (6)	Public Authorities (7)	Fire Protection	
							Private (8)	Public (9)
DEPRECIATION EXPENSE AND COST OF REMOVAL								
Struct & Imp SS	2	10,498	5,952	3,011	1,173	324	10	27
Struct & Imp P	6	267,289	136,905	67,303	24,136	7,270	8,927	22,746
Struct & Imp WT	2	420,667	238,518	120,647	46,989	12,999	421	1,094
Struct & Imp TD	7	2,874	1,394	629	163	68	175	445
Struct & Imp AG	15	46,704	26,775	8,977	2,415	864	1,471	6,202
Struct & Imp Offices	15	10	6	2	1	0	0	1
Struct & Imp Store,Shop,Gar	15	1,833	1,051	352	95	34	58	243
Struct & Imp Misc	15	40,369	23,144	7,759	2,087	747	1,272	5,361
Lake, River & Other Intakes	2	6,344	3,597	1,819	709	196	6	16
Wells & Springs	2	48,144	27,298	13,808	5,378	1,488	48	125
Supply Mains	2	2,519	1,428	722	281	78	3	7
Power Generation Equip Othe	6	57,847	29,629	14,566	5,224	1,573	1,932	4,923
Pump Equip Electric	6	192,887	98,797	48,569	17,418	5,247	6,442	16,415
Pump Equip Other	6	28,234	14,461	7,109	2,550	768	943	2,403
WT Equip Filter Media	2	886,013	502,369	254,109	98,968	27,378	886	2,304
WT Equip Non-Media	2	339,287	192,376	97,308	37,898	10,484	339	882
Dist Reservoirs & Standpipe	5	212,713	91,062	39,309	12,125	4,254	18,655	47,307
Elevated Tanks & Standpipes	5	58,554	25,067	10,821	3,338	1,171	5,135	13,022
Ground Level Facilities	5	13,817	5,915	2,553	788	276	1,212	3,073
TD Mains 4" & Less	4	32,123	15,397	6,666	1,394	716	2,245	5,705
TD Mains 6" to 8"	4	744,174	356,683	154,416	32,297	16,595	52,018	132,165
TD Mains 10" to 16"	3	581,041	292,903	148,107	57,697	15,979	18,768	47,587
TD Mains 18" & Grtr	3	11,195	5,643	2,854	1,112	308	362	917
Services	10	271,669	219,617	28,145	1,141	2,635	20,131	0
Meters Bronze Case	9	567,337	438,268	106,943	8,170	13,956	0	0
Meters Plastic Case	9	8,927	6,896	1,683	129	220	0	0
Meters Other	9	440	340	83	6	11	0	0
Meters Other-Rem Rdr Unts	9	12,805	9,892	2,414	184	315	0	0
Meter Installations	9	43,554	33,645	8,210	627	1,071	0	0
Hydrants	8	289,485	0	0	0	0	0	289,485
Other P/E WT Res Hand Equip	2	3,951	2,240	1,133	441	122	4	10
Other P/E TD	7	21	10	5	1	0	1	3
Other P/E CPS	17	128,534	66,182	28,033	8,882	3,008	4,550	17,879

IOWA AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Industrial (6)	Public Authorities (7)	Fire Protection	
							Private (8)	Public (9)
Office Furniture & Equip	15	26,931	15,440	5,176	1,392	498	848	3,576
Comp & Periph Equip	15	129,246	74,097	24,841	6,682	2,391	4,071	17,164
Computer Software	15	296,871	170,196	57,059	15,348	5,492	9,351	39,424
Computer Software - CIS	13	164,938	139,735	21,129	874	874	2,326	0
Computer Software-Spec Depr Rate	13	217,163	183,980	27,819	1,151	1,151	3,062	0
Comp Software Personal	15	10,244	5,873	1,969	530	190	323	1,360
Data Handling Equipment	15	11,553	6,623	2,220	597	214	364	1,534
Other Office Equipment	15	37,763	21,650	7,258	1,952	699	1,190	5,015
Trans Equip	15	248,200	142,293	47,704	12,832	4,592	7,818	32,961
Stores Equipment	15	1,634	937	314	84	30	51	217
Tools,Shop,Garage Equip	15	28,321	16,236	5,443	1,464	524	892	3,761
Laboratory Equipment	2	4,466	2,532	1,281	499	138	4	12
Power Operated Equipment	15	9,443	5,414	1,815	488	175	297	1,254
Comm Equip Non-Telephone	15	78,007	44,721	14,993	4,033	1,443	2,457	10,359
Remote Control & Instr	15	40,020	22,943	7,692	2,069	740	1,261	5,315
Comm Equip Telephone	15	2,852	1,635	548	147	53	90	379
Misc Equipment	15	25,193	14,443	4,842	1,302	466	794	3,346
Other Tangible Property	15	740	424	142	38	14	23	98
Total Depreciation Expense		6,665,444	3,742,636	1,420,309	425,298	149,838	181,238	746,125
Amort-Reg Asset	2	81,344	46,122	23,329	9,086	2,514	81	211
Amort AFUDC	18	85,657	44,259	18,870	6,039	2,021	2,938	11,529
Taxes Other Than Income								
Utility Reg Assessment Fee	19	99,548	55,040	21,064	6,580	2,160	2,907	11,796
Property Taxes	18	3,310,323	1,710,444	729,264	233,378	78,124	113,544	445,570
FUTA	16	2,504	1,433	494	138	48	66	325
FICA	16	293,846	168,139	57,976	16,220	5,671	7,728	38,112
SUTA	16	6,202	3,549	1,224	342	120	163	804
Other Taxes & Licenses	15	8,561	4,908	1,645	443	158	270	1,137
Capital Stock Tax	19	0	0	0	0	0	0	0
Total Taxes, Other Than Income		3,720,985	1,943,513	811,668	257,101	86,281	124,678	497,744
Income Taxes	18	3,662,265	1,892,292	806,797	258,190	86,429	125,616	492,941
Utility Income Available for Return	18	8,536,766	4,410,947	1,880,649	601,842	201,468	292,811	1,149,049
Total Cost of Service		40,573,126	22,432,179	8,584,861	2,682,001	880,074	1,185,788	4,808,224

IOWA AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Industrial (6)	Public Authorities (7)	Fire Protection	
							Private (8)	Public (9)
Less: Other Water Revenues								
Miscellaneous	19	311,833	172,412	65,984	20,612	6,767	9,106	36,952
Customer Activation Charge	9	211,593	163,455	39,885	3,047	5,205	0	0
Reconnection Charges	9	86,702	66,977	16,343	1,249	2,133	0	0
Total Other Water Revenues		<u>610,127</u>	<u>402,845</u>	<u>122,212</u>	<u>24,908</u>	<u>14,105</u>	<u>9,106</u>	<u>36,952</u>
Total Cost of Service Related to Sales of Water		<u>\$ 39,962,999</u>	<u>\$ 22,029,334</u>	<u>\$ 8,462,649</u>	<u>\$ 2,657,093</u>	<u>\$ 865,969</u>	<u>\$ 1,176,682</u>	<u>\$ 4,771,272</u>
Reallocation of Private Fire	9	0	227,247	55,451	4,236	7,237	(294,171)	
Reallocation of Public Fire	9	0	3,685,807	899,385	68,706	117,373	0	(4,771,272)
Total		<u>\$ 39,962,999</u>	<u>\$ 25,942,388</u>	<u>\$ 9,417,485</u>	<u>\$ 2,730,035</u>	<u>\$ 990,579</u>	<u>\$ 882,512</u>	<u>\$ -</u>

IOWA AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 1. ALLOCATION OF COSTS WHICH VARY WITH THE AMOUNT OF WATER CONSUMED.

Factors are based on the pro forma test year average daily consumption for each customer classification.

Customer Classification	Average Daily Consumption, CCF	Allocation Factor
(1)	(2)	(3)
Residential	11,262	0.5243
Commercial	6,237	0.2903
Industrial	3,182	0.1481
Other Public Authority	673	0.0313
Private Fire Protection	37	0.0017
Public Fire Protection	93	0.0043
Total	<u>21,484</u>	<u>1.0000</u>

FACTOR 2. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM DAY EXTRA CAPACITY FUNCTIONS.

Factors are based on the weighting of the factors for average daily consumption (Factor 1) and the factors derived from maximum day extra capacity demand for each customer classification, as follows:

Customer Classification	Average Daily Consumption		Maximum Day Extra Capacity		Allocation Factor (6)=(3)+(5)
	Allocation Factor 1 (2)	Weighted Factor (3)=(2)x 0.6135	Allocation Factor (4)	Weighted Factor (5)=(4)x 0.3865	
Residential	0.5243	0.3217	0.6347	0.2453	0.5670
Commercial	0.2903	0.1781	0.2812	0.1087	0.2868
Industrial	0.1481	0.0909	0.0538	0.0208	0.1117
Other Public Authority	0.0313	0.0192	0.0303	0.0117	0.0309
Private Fire Protection	0.0017	0.0010			0.0010
Public Fire Protection	0.0043	0.0026			0.0026
Total	<u>1.0000</u>	<u>0.6135</u>	<u>1.0000</u>	<u>0.3865</u>	<u>1.0000</u>

The derivation of the maximum day extra capacity factors in column 4 and the basis for the column 3 and 5 weightings are presented on the following page.

IOWA AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 2. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND
MAXIMUM DAY EXTRA CAPACITY FUNCTIONS, cont.

Customer Classification	Average Daily Consumption, CCF	Factor*	Maximum Day Extra Capacity		Allocation Factor
			Rate of Flow, Thousand Gal. Per Day	(4)=(2)x(3)	
(1)	(2)	(3)	(4)=(2)x(3)	(5)	
Residential	11,262	1.00	11,262	0.6347	
Commercial	6,237	0.80	4,990	0.2812	
Industrial	3,182	0.30	955	0.0538	
Other Public Authority	673	0.80	538	0.0303	
Total	21,354		17,745	1.0000	

The weighting of the factors is based on the maximum day ratio of 1.63, based on Schedule D.

	Maximum Day Ratio	Weight
Average Day Maximum Day	1.00	0.6135
Extra Capacity	0.63	0.3865
Total	1.63	1.0000

* Ratio of maximum day to average day minus 1.0.

IOWA AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 3. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE, MAXIMUM DAY EXTRA CAPACITY AND FIRE PROTECTION FUNCTIONS.

Factors are based on the weighting of the average daily consumption, the maximum day extra capacity demand, and the fire protection demand for each customer classification.

Customer Classification	Average Daily Consumption		Maximum Day Extra Capacity		Fire Protection		Allocation Factor
	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	
(1)	(2)	(3)=(2) X 0.5454	(4)	(5)=(4) X 0.3436	(6)	(7)=(6) X 0.1110	(8)=(3)+(5)+(7)
Residential	0.5243	0.2860	0.6347	0.2181			0.5041
Commercial	0.2903	0.1583	0.2812	0.0966			0.2549
Industrial	0.1481	0.0808	0.0538	0.0185			0.0993
Other Public Authority	0.0313	0.0171	0.0303	0.0104			0.0275
Private Fire Protection	0.0017	0.0009			0.2826	0.0314	0.0323
Public Fire Protection	0.0043	0.0023			0.7174	0.0796	0.0819
Total	1.0000	0.5454	1.0000	0.3436	1.0000	0.1110	1.0000

IOWA AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 3. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE, MAXIMUM DAY EXTRA CAPACITY AND FIRE PROTECTION FUNCTIONS, cont.

The weighting of the factors is based on the potential demand of general and fire protection service. The bases for the potential demand of general service are the maximum day ratio of 1.63 and the average daily system sendout for 2012 of 19.5 MGD. The system demand for fire protection is 11,000 Gallons per minute for 6 hours.

	Ratio	Rate of Flow, (GPD)	Weight
Average Day	1.00	19,459,038	0.5454
Maximum Day			
Extra Capacity	0.63	12,259,194	0.3436
Subtotal	<u>1.63</u>	31,718,232	0.8890
Fire Protection		3,960,000	0.1110
Total		<u>35,678,232</u>	<u>1.0000</u>

IOWA AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 4. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM HOUR EXTRA CAPACITY FUNCTIONS.

Factors are based on the weighting of the average daily consumption, the maximum day extra capacity demand, and the fire protection demand for each customer classification.

Customer Classification	Average Hourly Consumption			Maximum Hour Extra Capacity		Fire Protection		Allocation Factor
	CCF	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	
(1)	(2)	(3)	(4)=(3) X 0.3018	(5)	(6)=(5) X 0.4526	(7)	(8)=(7) X 0.2456	(9)=(4)+(6)+(8)
Residential	469.3	0.5513	0.1665	0.6912	0.3128			0.4793
Commercial	259.9	0.3053	0.0921	0.2552	0.1154			0.2075
Industrial	88.6	0.1041	0.0314	0.0261	0.0120			0.0434
Other Public Authority	28.0	0.0329	0.0099	0.0275	0.0124			0.0223
Private Fire Protection	1.5	0.0018	0.0005			0.2826	0.0694	0.0699
Public Fire Protection	3.9	0.0046	0.0014			0.7174	0.1762	0.1776
Total	851.2	1.0000	0.3018	1.0000	0.4526	1.0000	0.2456	1.0000

The maximum hour extra capacity factors in column 5 are determined on the following page.

IOWA AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 4. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND
MAXIMUM HOUR EXTRA CAPACITY FUNCTIONS, cont.

The weighting of the factors is based on the potential demand of general and fire protection service. The bases for the potential demand of general service are the maximum hour ratio of 2.5 and the average daily system sendout for 2012 of 19.5 MGD. The system demand for fire protection is 11,000 gallons per minute.

	Ratio	Rate of Flow, (GPM)	Weight
Average Hour	1.00	13,513	0.3018
Maximum Hour			
Extra Capacity	1.50	20,270	0.4526
Subtotal	<u>2.50</u>	33,783	0.7544
Fire Protection		11,000	0.2456
Total		<u>44,783</u>	<u>1.0000</u>

The maximum hour extra capacity factors in column 5 of the previous page are determined as follows:

Customer Classification	Average Hourly Consumption CCF	Maximum Hour Extra Capacity		
		Factor*	CCF Per Hour (4)=(2)x(3)	Allocation Factor (5)
(1)	(2)	(3)	(4)=(2)x(3)	(5)
Residential	469.3	3.00	1,407.9	0.6912
Commercial	259.9	2.00	519.8	0.2552
Industrial	88.6	0.60	53.2	0.0261
Other Public Authority	28.0	2.00	56.0	0.0275
Total	<u>845.8</u>		<u>2,036.9</u>	<u>1.0000</u>

* Ratio of Maximum Hour To Average Hour Minus 1.0.

IOWA AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 5. ALLOCATION OF COSTS ASSOCIATED WITH STORAGE FACILITIES.

Factors are based on the weighting of the average hourly consumption, the maximum hour extra capacity demand, and the fire protection demand for each customer classification.

Customer Classification	Average Hourly Consumption			Maximum Hour Extra Capacity		Fire Protection		Allocation Factor
	CCF	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	
(1)	(2)	(3)	(4)=(3) X	(5)	(6)=(5) X	(7)	(8)=(7) X	(9)=(4)+(6)+(8)
			0.2766		0.4150		0.3084	
Residential	469.3	0.5242	0.1449	0.6823	0.2832			0.4281
Commercial	259.9	0.2903	0.0803	0.2519	0.1045			0.1848
Industrial	132.6	0.1481	0.0410	0.0386	0.0160			0.0570
Other Public Authority	28.0	0.0313	0.0087	0.0272	0.0113			0.0200
Private Fire Protection	1.5	0.0017	0.0005			0.2826	0.0872	0.0877
Public Fire Protection	3.9	0.0044	0.0012			0.7174	0.2212	0.2224
Total	895.2	1.0000	0.2766	1.0000	0.4150	1.0000	0.3084	1.0000

The weighting of the factors is based on the ratio of the capacity required for a 4 hour demand of fire flow, as related to total storage capacity. The calculation is shown on the following page.

IOWA AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 5. ALLOCATION OF COSTS ASSOCIATED WITH STORAGE FACILITIES, cont.

The weighting of the factors is based on the ratio of the capacity required for a 4 hour demand of fire flow, as related to total storage capacity.

$$\begin{aligned} \text{Fire Protection Weight} &= \frac{11,000 \text{ GPM} \times 60 \text{ Min.} \times 6 \text{ Hrs.}}{12,842,300 \text{ Gallons}} = 0.3084 \\ \text{General Service Weight} &= 1.0000 - 0.3084 = 0.6916 \end{aligned}$$

The weighting of the average hourly consumption and maximum hour extra demand for general service is based on the maximum hour ratio, as follows:

	Maximum Hour Ratio	Percent	Weight
Average Hour	1.00	40.00	0.2766
Extra Capacity Maximum Hour	1.50	60.00	0.4150
Total	2.50	100.00	0.6916

The maximum hour extra capacity factors in column 5 of the previous page are determined as follows:

Customer Classification	Average Hourly Consumption CCF (2)	Maximum Hour Extra Capacity		
		Factor* (3)	CCF Per Hour (4)=(2)x(3)	Allocation Factor (5)
Residential	469.3	3.00	1,407.8	0.6823
Commercial	259.9	2.00	519.8	0.2519
Industrial	132.6	0.60	79.6	0.0386
Other Public Authority	28.0	2.00	56.1	0.0272
Total	889.8		2,063.3	1.0000

* Ratio of Maximum Hour To Average Hour Minus 1.0.

IOWA AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 6. ALLOCATION OF COSTS ASSOCIATED WITH POWER AND PUMPING FACILITIES.

Factors are based on the weighting of the maximum daily consumption, Factor 2, the maximum daily consumption with fire, Factor 3, and the maximum hour consumption, Factor 4, for each customer classification, as follows:

Customer Classification	Maximum Daily Consumption		Maximum Daily Consumption w/ Fire		Maximum Hourly Consumption		
	Factor 2	Weighted Factor (3)=(2)X	Factor	Weighted Factor (5)=(4)X	Factor 4	Weighted Factor (7)=(6)X	Allocation Factor (8)=(3)+(5)+(7)
Residential	0.5670	0.1210	0.5041	0.2910	0.4793	0.1002	0.5122
Commercial	0.2868	0.0613	0.2549	0.1471	0.2075	0.0434	0.2518
Industrial	0.1117	0.0239	0.0993	0.0573	0.0434	0.0091	0.0903
Other Public Authority	0.0309	0.0066	0.0275	0.0159	0.0223	0.0047	0.0272
Private Fire Protection	0.0010	0.0002	0.0323	0.0186	0.0699	0.0146	0.0334
Public Fire Protection	0.0026	0.0006	0.0819	0.0473	0.1776	0.0372	0.0851
Total	1.0000	0.2136	1.0000	0.5772	1.0000	0.2092	1.0000

The weighting of the factors is based on the horsepower of pumps associated with maximum day facilities, maximum day and fire facilities, and maximum hour facilities, as follows:

	Horsepower of Pumps	Weight
Associated with Maximum Day	1,675	0.2136
Associated with Maximum Day and Fire	4,525	0.5772
Associated with Maximum Hour	1,640	0.2092
Total	7,840	1.0000

IOWA AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS. cont.

FACTOR 7. ALLOCATION OF COSTS ASSOCIATED WITH TRANSMISSION AND DISTRIBUTION MAINS.

Factors are based on the weighting of the maximum daily consumption with fire, Factor 3, and the maximum hour consumption, Factor 4, for each customer classification, as follows:

Customer Classification	Maximum Daily Consumption w/ Fire		Maximum Hourly Consumption		Allocation Factor
	Allocation Factor 3	Weighted Factor (3)=(2)X	Allocation Factor 4	Weighted Factor (5)=(4)X	
(1)	(2)	(3)=(2)X	(4)	(5)=(4)X	(6)=(3)+(5)
Residential	0.5041	0.1195	0.4793	0.3656	0.4851
Commercial	0.2549	0.0605	0.2075	0.1583	0.2188
Industrial	0.0993	0.0236	0.0434	0.0331	0.0567
Other Public Authority	0.0275	0.0065	0.0223	0.0170	0.0235
Private Fire Protection	0.0323	0.0077	0.0699	0.0533	0.0610
Public Fire Protection	0.0819	0.0194	0.1776	0.1355	0.1549
Total	<u>1.0000</u>	<u>0.2372</u>	<u>1.0000</u>	<u>0.7628</u>	<u>1.0000</u>

The weighting of the factors is based on the footage of mains, designated as either transmission mains or distribution mains, as follows:

	Footage of Mains	Weight
Transmission Mains (10 inch and larger)	1,043,652	0.2372
Distribution Mains (under 10 inch)	3,356,759	0.7628
Total	<u>4,400,411</u>	<u>1.0000</u>

IOWA AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 8. ALLOCATION OF COSTS ASSOCIATED WITH FIRE HYDRANTS.

Costs are assigned directly to Public Fire Protection.

Customer Classification	(1)	Allocation Factor	(3)
Public Fire Protection		1.0000	1.0000
Total			<u>1.0000</u>

FACTOR 9. ALLOCATION OF COSTS ASSOCIATED WITH METERS.

Factors are based on the relative cost of meters by size and customer classification, as developed on the following page and summarized below.

Customer Classification	(1)	5/8" Equivalents	(2)	Allocation Factor	(3)
Residential		60,682		0.7725	
Commercial		14,802		0.1885	
Industrial		1,129		0.0144	
Other Public Authority		1,933		0.0246	
Private Fire		0		0.0000	
Total		<u>78,546</u>			<u>1.0000</u>

IOWA AMERICAN WATER COMPANY

BASIS FOR ALLOCATING METER COSTS TO CUSTOMER CLASSIFICATIONS

Meter Size	5/8" Equivalent	Residential		Commercial		Industrial		Other Public Authority		Total	
		Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting
(1)	(2)	(3)	(4)=(2)X(3)	(5)	(6)=(2)X(5)	(7)	(8)=(2)X(7)	(9)	(10)=(2)X(9)	(11)	(12)
5/8	1.0	53,010	53,010	2,738	2,738	8	8	78	78	55,834	55,834
3/4	1.5	223	335	225	338	3	5	6	9	457	687
1	2.5	2,890	7,225	1,141	2,853	11	28	48	120	4,090	10,226
1-1/2	5.0	16	80	340	1,700	3	15	27	135	386	1,930
2	8.0	4	32	851	6,808	81	648	187	1,496	1,123	8,984
3	15.0	0	0	1	15	5	75	3	45	9	135
4	25.0	0	0	4	100	8	200	2	50	14	350
6	50.0	0	0	5	250	3	150	0	0	8	400
8	80.0	0	0	0	0	0	0	0	0	0	0
Total		<u>56,143</u>	<u>60,682</u>	<u>5,305</u>	<u>14,802</u>	<u>122</u>	<u>1,129</u>	<u>351</u>	<u>1,933</u>	<u>61,921</u>	<u>78,546</u>

IOWA AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 10. ALLOCATION OF COSTS ASSOCIATED WITH SERVICES.

Factors are based on the relative cost of services by size and customer classification, as developed on the following page and summarized below.

Customer Classification	3/4" Equivalents	Allocation Factor
(1)	(2)	(3)
Residential	57,318	0.8084
Commercial	7,344	0.1036
Industrial	296	0.0042
Other Public Authority	685	0.0097
Private Fire Protection	5,254	0.0741
Total	70,897	1.0000

IOWA AMERICAN WATER COMPANY

BASIS FOR ALLOCATING SERVICE COSTS TO CUSTOMER CLASSIFICATIONS

Service Size	3/4" Equivalent	Residential		Commercial		Industrial		Other Public Authority		Private Fire Protection		Total	
		Number of Services	Weighting (4)=(2)X(3)	Number of Services	Weighting (6)=(2)X(5)	Number of Services	Weighting (8)=(2)X(7)	Number of Services	Weighting (10)=(2)X(9)	Number of Services	Weighting (12)=(2)X(11)	Number of Services	Weighting (14)
(1)	(2)	(3)	(4)=(2)X(3)	(5)	(6)=(2)X(5)	(7)	(8)=(2)X(7)	(9)	(10)=(2)X(9)	(11)	(12)=(2)X(11)	(13)	(14)
3/4	1.00	53,233	53,233	2,963	2,963	11	11	84	84	0	0	56,291	56,291
1	1.40	2,890	4,046	1,141	1,597	11	15	48	67	0	0	4,090	5,725
1-1/2	1.80	16	29	340	612	3	5	27	49	0	0	386	695
2	2.50	4	10	851	2,128	81	203	187	468	3	6	1,126	2,815
3	3.00	0	0	1	3	5	15	3	9	1	3	10	30
4	4.00	0	0	4	16	8	32	2	8	125	500	139	556
6	5.00	0	0	5	25	3	15	0	0	477	2,385	485	2,425
8	6.00	0	0	0	0	0	0	0	0	369	2,214	369	2,214
10	6.50	0	0	0	0	0	0	0	0	17	111	17	111
12	7.00	0	0	0	0	0	0	0	0	5	35	5	35
Total		<u>56,143</u>	<u>57,318</u>	<u>5,305</u>	<u>7,344</u>	<u>122</u>	<u>296</u>	<u>351</u>	<u>685</u>	<u>996</u>	<u>5,254</u>	<u>62,917</u>	<u>70,897</u>

IOWA AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 11. ALLOCATION OF TRANSMISSION AND DISTRIBUTION OPERATION SUPERVISION AND ENGINEERING, STRUCTURES AND IMPROVEMENTS, AND OTHER EXPENSES.

Factors are based on transmission and distribution operation expenses other than those being allocated, as follows:

Customer Classification	Transmission & Distribution Operating Expenses	Allocation Factor
(1)	(2)	(3)
Residential	\$ 114,280	0.5664
Commercial	42,586	0.2110
Industrial	9,144	0.0453
Other Public Authority	4,758	0.0236
Private Fire Protection	9,146	0.0453
Public Fire Protection	21,884	0.1084
Total	201,799	1.0000

FACTOR 12. ALLOCATION OF TRANSMISSION AND DISTRIBUTION MAINTENANCE SUPERVISION AND ENGINEERING, STRUCTURES AND IMPROVEMENTS, AND OTHER EXPENSES.

Factors are based on transmission and distribution maintenance expenses other than those being allocated, as follows:

Customer Classification	Transmission & Distribution Maintenance Expenses	Allocation Factor
(1)	(2)	(3)
Residential	\$ 533,360	0.3907
Commercial	228,876	0.1677
Industrial	61,382	0.0450
Other Public Authority	24,595	0.0180
Private Fire Protection	76,720	0.0562
Public Fire Protection	440,181	0.3224
Total	\$1,365,114	1.0000

IOWA AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 13. ALLOCATION OF BILLING AND COLLECTING COSTS.

Factors are based on the total number of bills.

Customer Classification	Total Number of Bills	Allocation Factor
(1)	(2)	(3)
Residential	238,710	0.8472
Commercial	36,092	0.1281
Industrial	1,486	0.0053
Other Public Authority	1,486	0.0053
Private Fire Protection	3,986	0.0141
Public Fire Protection	0	0.0000
Total	281,761	1.0000

FACTOR 14. ALLOCATION OF METER READING COSTS.

Factors are based on the number of metered customer bills.

Customer Classification	Total Metered Customer Bills	Allocation Factor
(1)	(2)	(3)
Residential	238,710	0.8593
Commercial	36,092	0.1299
Industrial	1,486	0.0054
Other Public Authority	1,486	0.0054
Sales for Resale	0	0.0000
Total	277,775	1.0000

IOWA AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 15. ALLOCATION OF ADMINISTRATIVE AND GENERAL EXPENSES

Factors are based on the allocation of all other operation and maintenance expenses excluding purchased water, power, chemicals and waste disposal.

Customer Classification	Operation & Maintenance Expenses	Allocation Factor
(1)	(2)	(3)
Residential	\$3,061,785	0.5733
Commercial	1,026,800	0.1922
Industrial	276,190	0.0517
Other Public Authority	98,913	0.0185
Private Fire Protection	168,314	0.0315
Public Fire Protection	709,613	0.1328
Total	<u>\$5,341,615</u>	<u>1.0000</u>

FACTOR 15A. ALLOCATION OF CASH WORKING CAPITAL

Factors are based on the allocation of all other operation and maintenance expenses excluding regulatory expense.

Customer Classification	Operation & Maintenance Expenses	Allocation Factor
(1)	(2)	(3)
Residential	\$10,130,187	0.5816
Commercial	3,538,191	0.2031
Industrial	1,097,877	0.0630
Other Public Authority	342,800	0.0197
Private Fire Protection	446,690	0.0256
Public Fire Protection	1,862,997	0.1070
Total	<u>\$17,418,743</u>	<u>1.0000</u>

IOWA AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 16. ALLOCATION OF LABOR RELATED TAXES AND BENEFITS.

Factors are based on the allocation of direct labor expense.

Customer Classification	Direct Labor Expense	Allocation Factor
(1)	(2)	(3)
Residential	\$2,248,361	0.5722
Commercial	775,340	0.1973
Industrial	216,778	0.0552
Other Public Authority	75,641	0.0193
Sales for Resale	0	0.0000
Private Fire Protection	103,494	0.0263
Public Fire Protection	509,625	0.1297
Total	<u>\$3,929,239</u>	<u>1.0000</u>

FACTOR 17. ALLOCATION OF ORGANIZATION, FRANCHISES AND CONSENTS,
MISCELLANEOUS INTANGIBLE PLANT AND OTHER RATE BASE ELEMENTS.

Factors are based on the allocation of the original cost less depreciation other than those items being allocated, as follows:

Customer Classification	Original Cost Less Depreciation	Allocation Factor
(1)	(2)	(3)
Residential	\$58,377,509	0.5149
Commercial	24,725,653	0.2181
Industrial	7,839,425	0.0691
Other Public Authority	2,654,071	0.0234
Sales for Resale	0	0.0000
Private Fire Protection	4,014,795	0.0354
Public Fire Protection	15,767,996	0.1391
Total	<u>\$113,379,448</u>	<u>1.0000</u>

IOWA AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 18. ALLOCATION OF INCOME TAXES AND INCOME AVAILABLE FOR RETURN.

Factors are based on the allocation of the original cost measure of value rate base as shown on the following pages and summarized below:

Customer Classification	Original Cost Measure of Value	Allocation Factor
(1)	(2)	(3)
Residential	\$52,087,303	0.5167
Commercial	22,211,885	0.2203
Industrial	7,113,104	0.0705
Other Public Authority	2,384,271	0.0236
Sales for Resale	0	0.0000
Private Fire Protection	3,453,278	0.0343
Public Fire Protection	13,574,130	0.1346
Total	\$100,823,970	1.0000

FACTOR 19. ALLOCATION OF REGULATORY COMMISSION EXPENSES, ASSESSMENTS AND OTHER WATER REVENUES.

The factors are based on the allocation of the total cost of service, excluding those items being allocated:

Customer Classification	Total Cost of Service	Allocation Factor
(1)	(2)	(3)
Residential	\$22,110,657	0.5529
Commercial	8,459,880	0.2116
Industrial	2,642,814	0.0661
Other Public Authority	867,170	0.0217
Sales for Resale	0	0.0000
Private Fire Protection	1,168,207	0.0292
Public Fire Protection	4,737,270	0.1185
Total	\$39,985,998	1.0000

IOWA AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Industrial (6)	Public Authorities (7)	Fire Protection	
							Private (8)	Public (9)
RATE BASE								
Organization	17	\$ 37,131	\$ 19,119	\$ 8,098	\$ 2,566	\$ 869	\$ 1,314	\$ 5,165
Franchises	17	22,804	\$ 11,742	\$ 4,974	\$ 1,576	\$ 534	\$ 807	\$ 3,172
Land & Ld Rights SS	2	23,472	\$ 13,309	\$ 6,732	\$ 2,622	\$ 725	\$ 23	\$ 61
Land & Ld Rights P	6	261,818	134,103	65,926	23,642	7,121	8,745	22,281
Land & Ld Rights WT	2	2,874	1,630	824	321	89	3	7
Land & Ld Rights TD	7	549,289	266,460	120,184	31,145	12,908	33,507	85,085
Land & Ld Rights AG	15	15,000	8,600	2,883	776	278	473	1,992
Struct & Imp SS	2	238,086	134,995	68,283	26,594	7,357	238	619
Struct & Imp P	6	3,937,747	2,016,914	991,525	355,579	107,107	131,521	335,102
Struct & Imp WT	2	8,762,347	4,968,251	2,513,041	978,754	270,757	8,762	22,782
Struct & Imp TD	7	103,539	50,227	22,654	5,871	2,433	6,316	16,038
Struct & Imp AG	15	316,609	181,512	60,852	16,369	5,857	9,973	42,046
Struct & Imp Offices	15	(662)	(380)	(127)	(34)	(12)	(21)	(88)
Struct & Imp Store,Shop,Gar	15	22,141	12,694	4,256	1,145	410	697	2,940
Struct & Imp Misc	15	513,985	294,668	98,788	26,573	9,509	16,191	68,257
Lake, River & Other Intakes	2	92,762	52,596	26,604	10,362	2,866	93	241
Wells and Springs	2	738,916	418,965	211,921	82,537	22,833	739	1,921
Supply Mains	2	84,357	47,830	24,193	9,423	2,607	84	219
Power Generation Equip Othe	6	724,485	371,081	182,425	65,421	19,706	24,198	61,654
Pump Equip Electric	6	3,450,597	1,767,396	868,860	311,589	93,856	115,250	293,646
Pump Equip Other	6	680,000	348,296	171,224	61,404	18,496	22,712	57,868
WT Equip Filter Media	2	8,263,969	4,685,671	2,370,106	923,085	255,357	8,264	21,486
WT Equip Non-Media	2	579,049	328,321	166,071	64,680	17,893	579	1,506
Dist Reservoirs & Standpipe	5	5,687,313	2,434,739	1,051,015	324,177	113,746	498,777	1,264,858
Elevated Tanks & Standpipes	5	2,294,233	982,161	423,974	130,771	45,885	201,204	510,237
Clearwell	5	539,343	230,893	99,671	30,743	10,787	47,300	119,950
TD Mains 4" & Less	4	969,500	464,681	201,171	42,076	21,620	67,768	172,183
TD Mains 6" to 8"	4	19,687,881	9,436,401	4,085,235	854,454	439,040	1,376,183	3,496,568
TD Mains 10" to 16"	3	28,895,848	14,566,397	7,365,552	2,869,358	794,636	933,336	2,366,570
TD Mains 18" & Grtr	3	558,674	281,628	142,406	55,476	15,364	18,045	45,755

IOWA AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)					Fire Protection	
			Residential (4)	Commercial (5)	Industrial (6)	Public Authorities (7)	Private (8)	Public (9)
Services	10	2,828,587	2,286,630	293,042	11,880	27,437	209,598	0
Meters Bronze Case	9	4,698,618	3,629,682	885,689	67,660	115,586	0	0
Meters Plastic Case	9	(159,104)	(122,908)	(29,991)	(2,291)	(3,914)	0	0
Meters Other	9	4,842	3,740	913	70	119	0	0
Meters Other Remote Readers	9	67,075	51,815	12,644	966	1,650	0	0
Meter Installations	9	2,288,668	1,767,996	431,414	32,957	56,301	0	0
Hydrants	8	5,722,955	0	0	0	0	0	5,722,955
Other P/E WT Res Hand Equip	2	51,988	29,477	14,910	5,807	1,606	52	135
Other P/E TD	7	721	350	158	41	17	44	112
Other P/E CPS	17	428,235	220,498	93,398	29,591	10,021	15,160	59,567
Office Furniture & Equip	15	328,012	188,049	63,044	16,958	6,068	10,332	43,560
Comp & Periph Equip	15	531,138	304,501	102,085	27,460	9,826	16,731	70,535
Computer Software	15	3,155,314	1,808,941	606,451	163,130	58,373	99,392	419,026
Computer Software - CIS	13	1,753,054	1,485,188	224,566	9,291	9,291	24,718	0
Computer Software-Spec Depr Rate	13	311,798	264,156	39,941	1,653	1,653	4,396	0
Comp Software Personal	15	(22,514)	(12,907)	(4,327)	(1,164)	(417)	(709)	(2,990)
Data Handling Equipment	15	157,578	90,340	30,287	8,147	2,915	4,964	20,926
Other Office Equipment	15	346,452	198,621	66,588	17,912	6,409	10,913	46,009
Transportation	15	1,298,509	744,435	249,573	67,133	24,022	40,903	172,442
Stores Equipment	15	24,300	13,931	4,670	1,256	450	765	3,227
Tools, Shop, Garage Equip	15	787,736	451,609	151,403	40,726	14,573	24,814	104,611
Laboratory Equipment	2	39,039	22,135	11,196	4,361	1,206	39	102
Power Operated Equipment	15	160,686	92,121	30,884	8,307	2,973	5,062	21,339
Comm Equip Non-Telephone	15	(44,558)	(25,545)	(8,564)	(2,304)	(824)	(1,404)	(5,917)
Remote Control & Instr	15	447,250	256,408	85,961	23,123	8,274	14,088	59,395
Comm Equip Telephone	15	14,821	8,497	2,849	766	274	467	1,968
Misc Equipment	15	594,032	340,559	114,173	30,711	10,990	18,712	78,887
Other Tangible Property	17	14,959	7,702	3,262	1,034	350	530	2,081
Reg Asset AFUDC Debt	17	293,568	151,158	64,027	20,286	6,869	10,392	40,835
Total Utility Plant in Service		114,176,865	58,788,078	24,899,570	7,894,517	2,672,730	4,043,042	15,878,928

IOWA AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Industrial (6)	Public Authorities (7)	Fire Protection	
							Private (8)	Public (9)
Other Rate Base Items								
Plant Held for Future Use	17		0	0	0	0	0	0
Cash Working Capital	15A	416,636	242,315	84,619	26,248	8,208	10,666	44,580
Materials and Supplies	15	528,016	302,712	101,485	27,298	9,768	16,633	70,121
Prepayments	17	94,175	48,491	20,540	6,508	2,204	3,334	13,100
Accumulated Deferred ITC (3%)	17	(34,472)	(17,750)	(7,518)	(2,382)	(807)	(1,220)	(4,795)
Deferred Income Taxes	17	(17,688,172)	(9,107,640)	(3,857,790)	(1,222,253)	(413,903)	(626,161)	(2,460,425)
Allowance for Doubtful Accounts	13	(173,315)	(146,832)	(22,202)	(919)	(919)	(2,444)	0
Post in Service AFUDC	17	172,236	88,684	37,565	11,902	4,030	6,097	23,958
Floodwall	2	3,332,000	1,889,244	955,618	372,184	102,959	3,332	8,663
Total Other Rate Base Elements		<u>(13,352,895)</u>	<u>(6,700,775)</u>	<u>(2,687,685)</u>	<u>(781,413)</u>	<u>(288,460)</u>	<u>(589,764)</u>	<u>(2,304,798)</u>
Total Original Cost Measure of Value		<u>\$100,823,970</u>	<u>\$ 52,087,303</u>	<u>\$ 22,211,885</u>	<u>\$ 7,113,104</u>	<u>\$ 2,384,271</u>	<u>\$ 3,453,278</u>	<u>\$ 13,574,130</u>

IOWA AMERICAN WATER COMPANY

BASIS FOR ALLOCATING DEMAND RELATED COSTS OF FIRE SERVICE
TO PRIVATE AND PUBLIC FIRE PROTECTION CUSTOMER CLASSIFICATIONS

Description (1)	Restrictive Diameters Squared (2)	Quantity (3)	Relative Demand (4)=(2)x(3)	Allocation Factor (5)
<u>PRIVATE FIRE PROTECTION</u>				
Fire Lines				
2 -inch	4.00	3	10	
3 -inch	9.00	1	9	
4 -inch	16.00	125	2,000	
6 -inch	36.00	477	17,168	
8 -inch	64.00	369	23,616	
10 -inch	100.00	17	1,700	
12 -inch	144.00	5	720	
Private Hydrants			0	
Total Private Fire Protection		<u>996</u>	<u>45,223</u>	0.2826
<u>PUBLIC FIRE PROTECTION</u>				
Hydrant	<u>Nozzle Sizes</u>			
6" Standard	4 1/2" & 2-2 1/2"		32.75	1,085
6" Standard	2-2 1/2"		12.50	6,341
Total Public Fire Protection		<u>7,426</u>	<u>114,797</u>	<u>0.7174</u>
Total Fire Protection		<u><u>8,422</u></u>	<u><u>160,020</u></u>	<u><u>1.0000</u></u>