STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

JOINT PETITION OF INDIANA-AMERICAN WATER COMPANY, INC. ("INDIANA AMERICAN") AND THE CITY OF CHARLESTOWN, INDIANA ("CHARLESTOWN") FOR APPROVAL AND AUTHORIZATION OF: (A) THE ACQUISITION BY INDIANA-AMERICAN OF CHARLESTOWN'S WATER UTILITY PROPERTIES (THE "CHARLESTOWN WATER SYSTEM") IN CLARK COUNTY, INDIANA IN ACCORDANCE WITH A PURCHASE AGREEMENT THEREFOR; (B) APPROVAL OF ACCOUNTING AND RATE BASE TREATMENT; (C) APPLICATION OF INDIANA AMERICAN'S AREA ONE RATES AND CHARGES TO WATER SERVICE RENDERED BY INDIANA AMERICAN IN THE AREA SERVED BY THE CHARLESTOWN WATER SYSTEM ("THE CHARLESTOWN AREA"); (D) APPLICATION OF INDIANA AMERICAN'S DEPRECIATION ACCRUAL RATES TO SUCH ACQUIRED PROPERTIES; (E) THE SUBJECTION OF THE ACQUIRED PROPERTIES TO THE LIEN OF INDIANA AMERICAN'S MORTGAGE INDENTURE AND THE POTENTIAL ENCUMBRANCE FROM RIGHT OF FIRST REFUSAL; AND (F) THE PLAN FOR REASONABLE AND PRUDENT IMPROVEMENTS TO PROVIDE ADEQUATE, EFFICIENT, SAFE AND REASONABLE SERVICE TO CUSTOMERS OF THE CHARLESTOWN WATER SYSTEM.	FILED November 2, 2017 INDIANA UTILITY REGULATORY COMMISSION **CAUSE NO. 44976**
VERIFIED COMPLAINT AND REQUEST FOR COMMISSION INVESTIGATION BY NOW! INC. AND CUSTOMERS OF THE CITY OF CHARLESTOWN AGAINST INDIANA AMERICAN WATER COMPANY REGARDING ITS PROPOSED ACQUISITION OF THE CITY OF CHARLESTOWN'S WATER UTILITY	**CAUSE NO. 44964**

TESTIMONY OF

EDWARD R. KAUFMAN – PUBLIC'S EXHIBIT NO. 1

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

NOVEMBER 2, 2017

Respectfully submitted,

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TESTIMONY OF OUCC WITNESS EDWARD R. KAUFMAN, CRRA
CAUSE NO. 44976
INDIANA AMERICAN WATER COMPANY, INC. AND
THE CITY OF CHARLESTOWN, INDIANA

Q: Please state your name and business address.

A: My name is Edward R. Kaufman, and my business address is 115 W. Washington St., Suite 1500 South, Indianapolis, IN 46204

Q: By whom are you employed and in what capacity?

A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as the Assistant Director with the Water-Wastewater Division. My Qualifications and experience are set forth in Appendix A.

I. INTRODUCTION

Q: What relief do Joint Petitioners seek?

A: Indiana-American Water Company, Inc.'s ("Indiana-American") witness Mathew Prine lists the approvals Joint Petitioners Indiana-American and the City of Charlestown ("City" or "Charlestown") have requested in this cause. (Prine Testimony, Joint Petitioners' Exhibit No. 4, pages 6-7.) Joint Petitioners seek the Commission authorize Indiana-American to "record for ratemaking purposes as the net original cost rate base of the assets being acquired an amount equal to the full purchase price, incidental expenses, and other costs of acquisition, allocated among utility plant in service accounts as proposed in Petitioners' evidence." (Joint Petition, page 7). Joint Petitioners also seek authority for Indiana American to apply, in the area currently served by Charlestown, the rules and regulations and rates and charges generally applicable to Indiana-American's Area One rate group.

Joint Petitioners seek authority for Indiana-American to apply its existing depreciation accrual rates to the Charlestown Water System. Joint Petitioners also seek authority for Indiana-American to encumber the properties comprising the Charlestown Water System by subjecting such assets to the lien of Indiana-American's Mortgage Indenture.

Q: Does your testimony include schedules and attachments.

A: Yes. Appendix B lists my schedules and attachments.

Q: What is the purpose of your testimony?

A: I discuss the proposed acquisition, and explain the OUCC's recommendations in this Cause. My testimony explains how Joint Petitioners' proposal fails to comply with IC 8-1-30.3-5(d), subdivisions (2) & (4). My testimony also explains concerns with Joint Petitioners' Valuation Report prepared for the City of Charlestown (Valuation Report). The Valuation Report is included with Mayor Hall's testimony and designated as Attachment GRH-1 to Joint Petitioner's Exhibit No. 1. The Valuation Report was presented as the appraisal required by IC 8-1.5-2-6.1.

II. BACKGROUND INFORMATION

Q: What sections of Indiana Code Chapter 8-1-30.3 are most pertinent to this case?

A: Most of the OUCC's testimony focuses on Indiana Code subsections 8-1-30.3-5(c), (d) and (e). Indiana Code 8-1-30.3-5(c) sets forth eight facts the Commission must find in order for a utility to include a cost differential in its rate base. Indiana Code 8-1-30.3-5(d) establishes four things a utility must do if the utility company wishes to petition for approval of the authority granted under subsection 5(c) before the utility company acquires the utility property. Indiana Code 8-1-30.3-5(e) is

pertinent to the accounting entry that may be approved under subsection 5(d). I have set forth below the text from those subsections.

Indiana Code 8-1-30.3-5(c)

(c) The utility company that acquires the utility property may petition the commission to include the cost differentials as part of its rate base. The commission shall approve the petition if the commission finds the following:

(1) The utility property is used and useful in providing water service, wastewater service, or both water and wastewater service.

(2) The distressed utility failed to furnish or maintain adequate, efficient, safe, and reasonable service and facilities.

(3) The utility company will make reasonable and prudent improvements to ensure that customers of the distressed utility will receive adequate, efficient, safe, and reasonable service.

(4) The acquisition of the utility property is the result of a mutual agreement made at arms-length.

(5) The actual purchase price of the utility property is reasonable.

(6) The utility company and the distressed utility are not affiliated and share no ownership interests.

(7) The rates charged by the utility company before acquiring the utility property of the distressed utility will not increase unreasonably as a result of acquiring the utility property.

(8) The cost differential will be added to the utility company's rate base to be amortized as an addition to expense over a reasonable time with corresponding reductions in the rate base.

Indiana Code 8-1-30.3-5(d)

(d) A utility company may petition the commission in an independent proceeding to approve a petition under subsection (c) before the utility company acquires the utility property if the company provides:

(1) notice of the proposed acquisition and any changes in rates or charges to customers of the distressed utility;

(2) notice to customers of the utility company if the proposed acquisition will increase the utility company's rates by an amount that

is greater than one percent (1%) of the utility company's base annual revenue;

(3) notice to the office of the utility consumer counselor; and

(4) a plan for reasonable and prudent improvements to provide adequate, efficient safe, and reasonable service to customers of the distressed utility.

Indiana Code 8-1-30.3-5(e)

(e) In a proceeding under subsection (d), the commission shall issue its final order not later than two hundred ten (210) days after the filing of petitioner's case in chief. If the commission grants the petition, the commission's order shall authorize the acquiring utility company to make accounting entries recording the acquisition and that reflect:

(1) the full purchase price;

(2) incidental expenses; and

(3) other costs of acquisition;

as the original cost of the utility plant in service asset being acquired, allocated in a reasonable manner among appropriate utility plant in service accounts.

III. OUCC TESTIMONY OVERVIEW

Q: Are there any areas where the OUCC believes Joint Petitioners' proposal fails to satisfy the requirements listed in Indiana Code 8-1-30.3-5(d) and Indiana Code 8-1-30.3-5(e)?

A: Yes. Joint Petitioners have not satisfied subdivisions 30.3-5(d)(2) and (4). Accordingly, their request for pre-approval of the authorization to have the cost differential included in rate base under subsection 5(c) should be denied. Next, Indiana-American's proposal to record the acquisition as listed on Attachment GMV-1, does not comply with subsections 30.3-5(e), and should be denied.

Q: Please provide an overview of the OUCC's position.

A: First, Joint Petitioners have not satisfied the necessary conditions to receive relief authorized by IC 8-1-30.3-5(d) – authority to petition for relief under subsection 5(c) before acquisition of the assets. More specifically, Indiana-American did not provide the notice required to be provided to Indiana-American's current customers pursuant to IC 8-1-30.3-5(d)(2) or the plan required to be provided pursuant to IC 8-1-30.3-5(d)(4). OUCC witness Carl Seals explains that Indiana-American has not complied with the pre-approval requirement set forth in 8-1-30.3-5(d)(4) because it has not provided a plan for reasonable and prudent improvements that will provide adequate, safe and reasonable service to customers of the Charlestown water system.

Second, even if Indiana American had met the conditions required under subsection 5(d), Indiana-American should not be permitted to make the journal entries described in the direct testimony of Gary M. VerDouw and set forth in Joint Petitioners' Attachment GMV-1. Indiana-American's proposed journal entries would be used to reflect Indiana-American's acquisition of Charlestown's water system. The proposed journal entries are inconsistent with the directions provided in subsection 5(e), which require the journal entry to be based on the purchase price not "total replacement cost." Indiana-American's proposed journal entry would establish a value that is nearly twice the purchase price as their basis to record and earn depreciation expense on the acquired assets. Furthermore, the journal entry Joint Petitioners propose will be used for purposes of establishing depreciation expense on the acquired assets is based on a valuation study that is flawed. OUCC

witness James Parks also discusses these flaws in his testimony. Again, Indiana-American has not met the conditions needed to secure authority for any accounting entry in advance of any acquisition. But even if it had, in its current form, the proposed accounting entry should be rejected.

Third, Indiana-American also seeks approval of its plan for reasonable and prudent improvements to provide adequate, safe and reasonable service to customers of the Charlestown water system. While Petitioner is required to provide a plan under 8-1-30.3-5(d)(4), the Commission does not approve the plan for future ratemaking purposes. Such preapproval is not relief authorized in a case filed under IC 8-1-30.3-5. Nor should such a request be included in this case, which is required to be an independent proceeding pursuant to subsection 5(d). Moreover, even if such pre-approval were contemplated by the statute, there is not truly evidence of a plan that could be approved.

Q: Mr. VerDouw argues that the Commission lacks any authority to review appraisals prepared under this statute no matter how they are prepared or conducted. Do you agree with Mr. VerDouw's position?

A: No. Importantly, the Valuation Report is being used by Indiana-American as the basis for the accounting entry Indiana-American proposes, which is inconsistent with IC 8-1-30.3-5(e). More specifically, Indiana-American proposes to use the "Total Replacement Cost" of $25.75 million from the Valuation Report as the basis on which it would earn depreciation expense. (OUCC witness Ms. Stull explains why this proposal is inconsistent with IC 8-1-30.3-5(d).) If the Valuation Report establishes that a purchase price is reasonable, as Mr. VerDouw states, it does not mean that the specific accounting entry is reasonable. Because defects in the

appraisal process affect the accounting entry, as proposed, these defects should not be considered irrelevant.

Q: Has the Commission issued language that indicates the OUCC may challenge the adequacy of an appraisal?

A: Yes. On page 15 of its Final Order in Cause 44915, the Commission found the purchase price was reasonable after noting that "no evidence was offered to dispute that the purchase price is equal to the value set forth in the appraisal or that the appraisal was not conducted appropriately..." Implicit in that finding is that the OUCC may review an appraisal to determine if it was conducted appropriately. In this case, the OUCC has identified flaws in Joint Petitioners' appraisal that affects both the purchase price as well as the "total replacement cost," both of which are reflected in Indiana-American's proposed accounting entry.

IV. INDIANA CODE 8-1-30.3-5(d)(2)

Q: Has Indiana-American complied with Indiana Code 8-1-30.3-5(d)(2)?

A: No. As mentioned, Indiana Code 8-1-30.3-5(d)(2) establishes that a utility company "may petition the commission in an independent proceeding to approve a petition under subsection (c) before the utility company acquires the utility property if the company provides: . . . (2) notice to customers of the utility company if the proposed acquisition will increase the utility company's rates by an amount that is greater than one percent (1%) of the utility company's base annual revenue."

After correcting calculations made by Mr. VerDouw, my analysis shows the impact of Indiana-American's proposed acquisition of the Charlestown Water System will cause Indiana-American's current rates to increase by more than 1%

(Schedule ERK-1). Indiana-American's notice of the acquisition to its current customers is required under Indiana Code 8-1-30.3-5(d)(2).

Q: Are your concerns mitigated by Indiana-American's plan to provide notice to its customers in the November 2017 billing cycle, as stated in its October 24, 2017 Submission of Corrected Testimony?

A: No. First Indiana-American should have provided this notice to its current customers before petitioning the Commission for approval of the acquisition. Timely notice would permit Indiana-American's existing customers to express their concerns about the pending transaction and its effect on their rates. Next, while the notice included in Attachment GMV-3 mentions three pending acquisitions by Indiana-American, the notice does not explain that the proposed Charlestown acquisition will cause rates to increase or the anticipated scope of the increase. Both the existence and scope of an impact to current customer rates is a necessary element of the notice to existing customers.

Q: Do you agree with Indiana-American's assertion that the 1% or more rate increase only applies if the rate increase takes place concurrently with the acquisition?

A: No. In the Final Order in Cause No. 44915, Indiana-American's proposed acquisition of Georgetown, faced with similar arguments to those made in this case, the Commission determined the notice requirements applied in any case where a reasonable analysis indicates an effect on the utility's rates will be greater than 1%:

> For the foregoing reasons, we reject the argument that the notice required by Section 30.3-5(d)(2) only applies where the utility company has combined its request for approval of a proposed acquisition with a rate case. We find that the notice requirements of Section 30.3-5(d)(2) should be implemented in any case where a reasonable analysis indicates an effect on the utility's rates will be greater than 1% of the utility's current base annual revenues. In establishing the inputs for any such analysis, we would expect the utility company to rely on reasonable projections and assumptions. The analysis should also be included in its case-in-chief.

My calculation shows Indiana-American's proposed acquisition of Charlestown's municipal water system exceeds the 1% threshold and notice to Indiana-American's existing customers is required in this cause.

Q: Please provide an overview of how you determined Indiana-American's proposed acquisition will cause its revenue requirements to increase by more than 1%.

A: Based on Cause No. 42351 DSIC-10, Indiana-American's authorized revenue requirement is $207,529,092. This means 1% of Indiana-American's authorized revenues is $2,075,291. If the additional revenue generated by the proposed acquisition is anticipated to increase Indiana-American's revenue requirements by more than $2,075,291, then Indiana Code 8-1-30.3-5(d)(2) requires Indiana-American to notify its existing customers that its proposed acquisition will cause their rates to increase. There are typically three components from an acquisition that will increase the revenue requirement for the acquiring utility (additional return, depreciation, and property taxes). These three components, when added together, create the "Total Additional Revenue Requirement for Charlestown Investment." This figure appears on line 42 of Indiana-American's calculation to determine if it exceeds the 1% threshold. If Indiana-American's incremental revenue requirement exceed $2,075,291, then notice is required to Indiana-American's other customers.

Q: Please explain your review of Indiana-American's original and revised calculation regarding whether the proposed acquisition will increase its rates by more than one-percent.

A: In its September 1, 2017, response to OUCC Data Request Set No. 1, Question 1.6, Indiana-American provided an Excel spreadsheet that calculated an estimated

effect of the acquisition on Indiana-American's overall revenue requirement. That calculation showed an impact of 0.61%. On October 24, 2017, Indiana-American provided a supplemental response to OUCC Data Request Set No. 1, Question 1.6, revising the calculation regarding the effect of the proposed acquisition on Indiana-American's overall revenue requirement. This revision shows a 0.962% effect on Indiana-American's overall revenue requirement. Although Indiana-American's revised analysis includes property taxes and additional depreciation expense, as explained below, its calculation understates both. When these expenses are not understated in Indiana-American's calculation, the impact of the Charlestown acquisition is greater than one-percent. (Schedule ERK-1, as attached, shows my revised calculation exceeds the one-percent threshold.)

Q: Please explain how your calculation differs from the one sponsored by Mr. VerDouw.

A: My calculation differs in three ways. First, I use a different rate base figure. Second, I use a different method to calculate net depreciation. Third, I use total property taxes, while Indiana-American estimates a net change in property taxes.

Q: Why do you use a rate base amount that differs from the one reflected in Indiana-American's methodology?

A: Indiana-American's calculation uses a net original rate base figure of $973,543,661. This figure appears to be taken from page 215[1] of Indiana-American's 2016 IURC annual report. Indiana-American uses this number to calculate $3,256 of rate base per customer. However, Schedule F-4 from the same

[1] The page I am referring to is page 215 of the portable document format (.pdf) file. The actual page appears to be a summary page, and is untitled with no actual page number.

IURC annual report shows a rate base figure of $906,290,465 (*see* Attachment ERK-11). When the rate base figure from Schedule F-4 is used, Indiana-American has a rate base per customer of $3,031. The $906,290,465 figure for rate base is more appropriate because the Commission uses the rate base figure from Schedule F-4 to calculate a utility's earned return.

The rate base figure Indiana-American uses in its calculations (original and revised) includes items such as advances for construction. Utilities are not entitled to earn a return on advances for construction, so it should not be included in the rate base calculation to determine if the 1% threshold is met. Using the higher rate base figure from page 215 leads to two results: (1) a higher rate base per customer for Indiana-American, and (2) a smaller difference between Indiana-American's rate base per customer and Charlestown Water's rate base per customer. Using the higher rate base figure understates the impact of the acquisition on Indiana-American's existing customers. When the correct rate base figure is used in Indiana-American's revised calculation, the effect of the acquisition (rounded) equals the 1% threshold. Schedule ERK-1 shows the rate impact using the rate base figure from Schedule F-4 of Indiana-American's 2016 IURC Annual Report.

Q: Are you able to explain key differences between the rate base figure on schedule F-4 and on page 215 of Indiana-American's 2016 IURC Annual Report?

A: Yes. Indiana-American's $973,543,661 figure for rate base includes the remaining balance of Indiana-American's acquisition adjustments ($24,569,888), and fails to remove Advances for Construction ($41,782,158). Indiana-American is not entitled to earn a return on these balances. When rates are determined these figures

are excluded in rate base and should not be included in rate base to determine if the acquisition meets the one-percent threshold. These two accounts explain most of the differences between the rate base figure used in my analysis and the one used in the calculation sponsored by Mr. VerDouw.

Q: Does your calculation of depreciation expense differ from Indiana-American's?

A: Yes. According to its supplemental response to OUCC Data Request Set No. 1, Question 1.6, Indiana-American calculates "Total Proposed Charlestown Depreciation Expense per Cause No. 44992" of $935,235 (.0286% * $32,700,535).[2] But Indiana American's calculation does not include depreciation expense of $935,235. Indiana-American calculates a net depreciation per customer and subsequently only includes $532,073 of depreciation expense to determine if Indiana American exceeds the 1.0% threshold. Mr. VerDouw understates depreciation expense in his calculation.

Q: How is Indiana-American's depreciation expense understated?

A: First, while Indiana-American used net depreciation expense in *its* calculation, the Commission's Order in Cause 44915 does not direct the use of net depreciation expense:

> Depreciation expense and an estimated property tax expense are then added to determine the additional revenue that is required for Indiana-American to reach its acquisition-related revenue requirement.
>
> (Final Order, Cause No. 44915, p. 16)

[2] At line 28.

Next, if it is correct to use net depreciation expense then the calculation should subtract Charlestown's actual depreciation expense (from its 2016 IURC annual report), not Indiana-American's average depreciation per customer. In that case it would be reasonable to subtract Charlestown's current depreciation expense $53,494 (Charlestown's 2016 IURC annual report page F3 – Attachment-ERK 3). Thus $881,741 ($935,235 - $53,494 = $881,741) should be included in the calculation to determine if the acquisition meets the 1.0% threshold.

Q: What figure did you use for property taxes?

A: I use the total estimated Property Tax Expense for Charlestown Acquisition and Improvements of $300,000 (*see* Attachment ERK-4).

Q: How does your property tax figure differ from the one sponsored by Mr. VerDouw?

A: My calculation and the one sponsored by Mr. VerDouw start with the total estimated Property Tax Expense for Charlestown Acquisition and Improvements of $300,000. However, Indiana-American calculates a *net* property tax expense. Indiana-American calculates property taxes per customer for both Charlestown ($300,000 / 2,898 = $103.52) and Indiana-American ($9,526,308 / $299,038 = $31.86). The methodology sponsored by Mr. VerDouw then calculates a net tax per customer of $71.66 ($103.52 – $31.86 = $71.66). The methodology then calculates total additional property taxes of $207,671 ($71.66 * 2,898 customers).

The Final Order in the Georgetown case states that estimated property taxes are added to determine additional revenues. It does not use net property taxes. If a net calculation is used, it should be based on the actual property taxes that Charlestown paid in 2016 for its water system. But, the Charlestown municipal

water system did not pay property taxes or PILT in 2016. Even if an offset were required, in this case there is no offset or reduction to determine net property taxes. Thus, Indiana-American understates property taxes in its calculation.

Q: With these additional expenses, excluded by Indiana-American, does the proposed acquisition exceed the one-percent threshold?

A: Yes. When depreciation and property tax are included, the effective change on Indiana American's overall rates is approximately 1.175%. When the correct rate base figure is used along with the correct figures for depreciation and property taxes the effective change on Indiana-American's overall rates is approximately 1.21%

V. INDIANA CODE 8-1-30.3-5(d)(4)

Q: Has Indiana American complied with Indiana Code 8-1-30.3-5(d)?

A: No. This subsection requires Indiana-American to "have a plan for reasonable and prudent improvements to provide adequate, efficient safe, and reasonable service to customers of the distressed utility."[3] As explained by OUCC witness Carl Seals, Indiana-American does not have a plan that can be reasonably reviewed or that meets the standard set forth by IC 8-1-30.3-5(d)(4).

VI. JOINT PETITIONERS' VALUATION REPORT

A. Overview

Q: What deficiencies did the OUCC find in the Valuation Report in this Cause?

A: The Valuation Report includes mathematical, mechanical, and theoretical flaws.[4] Moreover, the appraisal lacks support in many key areas, making it difficult to

[3] IC 8-1-30.3-5(d)(4).

[4] My critique of the Joint Petitioners' Appraisal is limited to the Valuation Report conducted by Clark-Dietz and Banning Engineering. My analysis does not discuss the land appraisal.

evaluate its accuracy and appropriateness. These difficulties are compounded by the fact the Valuation Report and the City's verified IURC Annual Report provide asset balances that conflict. The many flaws in the Valuation Report raise questions regarding the "Total Replacement Cost", and "Present Value" of the Charlestown Municipal Water System. I discuss my concerns below. OUCC witnesses James Parks, P.E., and Carl Seals also discuss other concerns in more detail in their testimonies.

B. <u>Use of Decades Instead of Actual In Service Dates</u>

Q: The Valuation Report calculates remaining asset life based on the decade installed. Is using "decade installed" typical?

A: No. It appears that the Valuation Report made a simplifying assumption by using decade constructed instead of the year constructed to estimate "Percent Depreciated" and the subsequent "Present Value." However, previous appraisals I reviewed based value on the specific year installed, not the general decade installed. The Valuation Report does not explain this simplifying assumption, and nothing included in my review convinced me this is a reasonable assumption. Similarly, the Valuation Report makes another simplifying calculation by assuming that "Water Services" have a 50% remaining life. OUCC Witness James Parks explains how this assumption overstates the value of Charlestown's water system.

Q: Did you find anything unusual in your review of the Excel file that supported Table 1 in the Valuation Report?

A: Yes. To calculate the "Percent Depreciated" the formulas the Excel file start with the first year of the "Decade Constructed" and calculates depreciation through 2010. For example, to calculate the "Percent Depreciated" on the first line of the

section titled "Distribution Mains" Table 1 uses a decade constructed of 1980 and calculates a 40% depreciated. The Valuation Report derives the 40% "Percent Depreciated" as follows: (2010 – 1980) / 75 = 40%. This methodology oversimplifies the percent depreciated of Charlestown's plant. For illustrative purposes I have included Attachment ERK-5. This attachment provides a copy of the Excel spreadsheet, showing formulas, instead of the result. The formulas show how the Valuation Report derived the figures in its analysis.

Q: If the Valuation Report used the midpoint of the decade, say 1985 for the example you gave, and calculated the "Percent Depreciated" through 2015, would that produce the identical result?

A: Yes, and that would have made sense because both time frames would calculate 30 years of depreciation. As presented, the Valuation Report does not present date ranges that provide a common point to review the in-service date and percent depreciated. However, that is not the point I am trying to make here. The Valuation Report provides outdated, stale calculations for Charlestown's distribution system. To explain how the Valuation Report is outdated in a simple and clear manner, I needed to establish the effective start- and end-dates for the Valuation Report's calculations. It would be inappropriate to argue that the 2010 year used in the Valuation Report's calculation is the appropriate end-date and that the Valuation Report is seven (7) years stale. But it is reasonable to use 2015 as the effective end-date when calculating the "Percent Depreciated" in Table 1 of Joint Petitioners' Valuation Report. Having established that 2015 is the effective year-end date for the Valuation Report, I can explain how the Valuation Report is two years stale.

C. Stale Appraisal

Q: Why was it important to establish 2015 as the effective end date to calculate "Percent Depreciated" in the Valuation Report?

A: The Charlestown Water System acquisition will unlikely be completed by the end of 2017. This will make all of the calculations in Table 1, at least two years stale by the time the property is sold. While the Valuation Report's calculations use a 2010 year-end date for the distribution system, it would be inappropriate to use 2010 to update "Percent Depreciated" on the Valuation Report. But, if 2015 is established as the effective end date, and Table 1 from the Valuation Report is revised to recognize an additional two years of depreciation, then that would reduce the estimated "Present Value" of Charlestown's distribution system by approximately $620,000 (*see* Schedule ERK 2).

Q: Is it also important to establish appropriate beginning years for the Valuation Report?

A: Yes. The Valuation Report (Table 1) shows some mains were constructed in the 1940s. These are likely the mains constructed in the late 1930s. If these mains built in the 1930s were rounded up two years to the 1940s, then that would only have a relatively small impact on the estimated "Present Value" of those mains. But that assumption also uses a 2010 year-end date. Thus, if the start-date and end-date are rolled forward to 1945 and 2015, respectively, that move would understate the age of service mains installed in the 1930s by approximately seven (7) years. Accordingly, a material error exists in the estimated "Percent Depreciated" and subsequent "Present Value" for mains that are listed as being built in the 1940s, if

those mains were in fact built in the 1930s. This margin highlights the problem of ascribing asset installation dates by decade instead of by specific year.

D. Hard Coded Data

Q: Are there other concerns with Table 1 of the Valuation Report?

A: Yes. Figures for "Percent Depreciated" for Fire Hydrants, Service Meters and Water Services are not based on calculations, but rather hard-coded numbers (*See* Attachment ERK-5). The use of hard-coded figures distorts the estimated "Present Value." For example, the Valuation Report assumes Water Services are 50% depreciated. Although the Valuation Report uses the 1970s as the "Decade Constructed" the Valuation Report effectively assumes the "Water Services" were, on average, constructed in mid-year 1977 (assuming a 2015 year-end date for the Valuation Report). OUCC witness James Parks explains the average age of Charlestown's "Water Services" is closer to 1965.

The hard-coded data also overstates the condition and value of Charlestown's service meters. Even if the concerns expressed by OUCC Witness Carl Seals are disregarded, to derive the 33% for "Percent Depreciated" would assume the meters were installed in the year 2010 (2015 – 2010 / 15 = 33%). Joint Petitioners' response to OUCC Data Request Set No. 2, Question 2.1, shows that Charlestown's meter installations in 2007 (*See* Attachment ERK 6). If correct, Charlestown's meters should be 46.67% depreciated as of 2015. OUCC witness Carl Seals provides a similar example of this depreciation distortion. As Mr. Seals explains the meter bodies were installed in 2001, not 2007 as represented in the Valuation Report.

E. Internal Inconsistencies

Q: Why else does the Valuation Report concern you?

A: The Valuation Report is also internally inconsistent. Again, OUCC Witness Parks discusses concerns about plant timing in greater detail, but I do have at least two examples of this. First, the Valuation Report assumes 100% of Charlestown's "Water Services" were installed in the 1970s. Yet, the Valuation Report shows distribution mains were installed in the 40s, 60s, 70s, 80s and the 00s. It is not logical that mains were installed over multiple decades, while water service lines were installed in one decade. Secondly, the Valuation Report shows the oldest fire hydrants were installed in the 1960s. As the Valuation Report explains it: "[w]hen possible dates on the hydrants were used to establish the date of the water mains installed in nearby areas, using the oldest hydrant date in a given area when no other information was readily available." The Valuation Report does not list any hydrant installations from the 40s but still shows mains from the 1940s.

F. External Inconsistencies

Q: What concerns do you have with regard to the Valuation Report and other related documents?

A: The Valuation report is inconsistent with other documents produced by the City of Charlestown. I have a few examples. First, the Capital Asset Ledger included in Clerk-Treasurer Coomer's testimony (Joint Petitioner's Exhibit No. 2, Attachment DSC-5), shows significant plant for the Charlestown system was constructed in the 1930s (Attachment ERK-10). The Valuation Report does not list any assets from the 1930s. Joint Petitioner's response to OUCC data request 2.1 similarly shows that mains were constructed in the 1930s, while the Valuation Report does not

reflect this. This discrepancy causes concern when reviewing the inputs and data represented in the Valuation Report.

Similarly, a loan application filed with the Drinking Water State Revolving Fund (DWSRF), dated May 4, 2016 (*See* Attachment ERK-7) describes the Charlestown Municipal Water system:

> The City of Charlestown's distribution system consists of approximately 57 miles of water mains, the majority of which were installed approximately 75-years ago. Line replacement and system improvements have been limited over the life of the system; accommodation for growth has lacked proper planning leaving many areas with undersized and numerous dead-end mains. Undersized mains may lead to reduced pressure during peak or high demands situations. Dead-ends in the system are a source of reduced water quality due to increased water age. High water age reduces the effects of the chemicals used to treat the finished water and may cause unpleasant taste and odor nuisances. Dead-ends also compound pressure fluctuations by disjoining the system and effectively restricting access to supply volume needed to serve high demands. Through studies, hydraulic modeling and field data review, it is apparent that the elevated storage tank at Gospel Road is a source of dead-storage. Dead-storage also decreases water quality by increasing water age. The accumulation of the system's inadequacies manifests into numerous complaints each year from residents. These complaints are primarily linked to discolored water associated with high concentrations of manganese. In the past twenty-years, two (2) rehabilitation/replacement projects have taken place. These include the rehabilitation/replacement of distribution piping in the Pleasant Ridge subdivision and the construction of a 500,000 gallon elevated storage tank. These projects were undertaken around 2002 and 2006, respectively. The scope of these projects were not sufficient in size to address system wide needs.

The description provided to the DWSRF describes Charlestown's municipal water system as being older and in inferior condition to that described in the Valuation Report.

G. No Consideration of the Condition of Charlestown Water System

Q: Does the Valuation Report properly recognize the condition of the Charlestown Water System?

A: No. As explained by the City of Charlestown in its response to OUCC Data Request Set No. 2, Questions 2.9 & 2.10, only the age of the plant was considered, not its condition (Attachment ERK-8). Joint Petitioner's Response indicates it believes: "The facilities toured such as the water plant, water towers, ground storage tanks, and wells gave no indication that the assets had any other value other than what would be typical based upon the age of the asset." As explained by OUCC witness Carl Seals, Charlestown's plant has been poorly maintained and has made virtually no additions to utility-plant-in-service (UPIS) during the last 7 years (Attachment CNS-2). OUCC Witness Parks explains several components of the Charlestown Water system are in poor condition and are not expected to last their full useful life. The purchase agreement stipulates that Indiana American will invest no less than $7,200,000 "to replace aging water utility infrastructure, improve and ensure water quality, utility operations and fire protection capabilities of the Assets."[5] But the Valuation Report does not recognize the cost of plant needed to bring the system back to a reasonable standard of service. A system that needs significant investment should sell at a lower price. The poor condition of the Charlestown water system should directly affect the valuation of the system.

[5] . Section 6.4 (page 11)

H. Replacement versus Reproduction Cost

Q: In what other ways does the Valuation Report overstate the value of the assets to be acquired by Indiana-American?

A: Simply defined, a Reproduction Cost Study is the cost of duplicating the existing plant and equipment at current prices, while a Replacement Cost Study is the cost of duplicating the old plant with the modern technology version. While Joint Petitioners' describe the Valuation Report as a "Replacement Cost" analysis, the Valuation Report combines elements of both a reproduction cost study and a replacement cost study. This combination overstates the initial "Total Replacement Cost," the condition of the plant, and the subsequent valuation.

There are several complexities here. The Valuation Report assumes the old plant is replaced with current costs for the same plant. Here are some of the errors in this hybrid approach:

a. In a Replacement Cost Study, obsolete or duplicative plant has no value because it would not be replaced. As discussed by OUCC Witness Parks, Joint Petitioners' Valuation Report includes significant plant that is either obsolete or duplicative. Thus, the analysis is not genuinely a Replacement Cost Study, and if obsolete and duplicative plant was removed from the Valuation Report, Joint Petitioners' "Total Replacement Cost" and subsequent "Present Value" would be reduced.

b. In a Reproduction Cost Study, the actual plant in the ground is valued and is trended forward to recognize inflation. Joint Petitioners' Valuation Report starts with the actual plant, but instead of trending specific plant forward to today's cost, it assumes plant will be replaced with modern technological versions of the assets. This methodology overstates the condition of the asset being valued. For example, Petitioner assumes a life of all mains at 75 years. Pipe installed in 1965 would have a remaining life of 25 years. But different types of pipe would have different estimated lives. Moreover, in its depreciation analysis, Charlestown assumed a life of its mains of 50 years. Logically, plant installed in the 1960s with a 50-year useful life should be fully depreciated by now. (*See* Attachment ERK-6)

I. Single appraisal and methodology

Q: The purchase price for the Charlestown municipal water system is based on two appraisers using a single methodology, and numerous simplifying assumptions. Is this combination a critical flaw in the Appraisal?

A: The flaws described in the question above are not by themselves fatal. However, if the purchase price had been based on multiple (separate) appraisals and those appraisals were based on multiple methods, such a process may have avoided some or most of the problems described above and in the testimonies of Jim Parks and Carl Seals.

J. Level of Detail

Q: Is the Appraisal in this cause similar to other recent appraisals that you have reviewed?

A: No. The Appraisal in this cause is much shorter and less detailed than other appraisals I have reviewed. The Valuation Report, prepared by Clark Dietz and Banning Engineering is only 23 pages long including the appendices. The narrative is only 15 pages and seven of those pages are title pages or the table of contents. This is a comparatively short appraisal. For example, in Cause No. 43883, Indiana American's proposed acquisition of the New Whiteland system, the appraisal is more than 70 pages long, relies on multiple methods of valuation, and provides a more thorough description of the system (Attachment-ERK 1).[6] Despite Joint Petitioners' statement in response to OUCC Data Request Set No. 2, Question 2-12, based on my experience, the appraisal provided in this cause is not typical (*See* Attachment ERK-12).

[6] At the time of acquisition the New Whiteland System had just over 2,000 customers (Schedule ERK 1, page 13).

VII. SUMMARY AND CONCLUSION

Q: Please summarize the OUCC's case.

A: While the OUCC does not oppose the transfer of Charlestown's assets to Indiana-American, the OUCC opposes several of Joint Petitioners' proposed requests for approval. First, the transaction Indiana American proposes to record is inconsistent with the language in IC 8-1-30.3-5(e) and significantly overstates its investment in UPIS. This overstatement is separate and apart from any overstatement of "Total Replacement Cost" associated with identified issues in the appraisal. The proposed accounting entry should be rejected in favor of one consistent with the language of subsection 5(e). Second, Indiana-American has not satisfied the conditions precedent to its filing an acquisition for ratemaking treatment approval authorized by IC 8-1-30.3-5(d) in advance of the acquisition. More specifically, Indiana-American has not provided a plan for reasonable and prudent improvements to provide adequate, safe, and reasonable service to Charlestown Water System customers in accordance with IC 8-1-30.3-5(d)(4). Similarly, Indiana-American has not satisfied IC 8-1-30.3-5(d)(2) by providing notice to its existing customers that the proposed acquisition will cause its rates to increase by at least one-percent. Because the requirements of IC 8-1-30.3-5(d)(2) and IC 8-1-30.3-5(d)(4) have not been met, pre-approval of the proposed ratemaking authority should be denied. Finally, Joint Petitioners seek pre-approval of Indiana-American's plan for improvements to the Charlestown water system. Such pre-approval is not contemplated by the authorizing statute. Moreover, even if such approval were contemplated, Indiana-American has not submitted a plan that could be approved.

Q: Please state the OUCC's recommendations.

A: Joint Petitioners' proposal for pre-approval of the requested ratemaking authority under IC 8-1-30.3-5(d) should be denied because Joint Petitioners have not satisfied IC 8-1-30.3-5(d)(2) by providing the notice required.

Joint Petitioners' proposal for pre-approval of the requested ratemaking authority under IC 8-1-30.3-5(d) should be denied because Joint Petitioners have not satisfied IC 8-1-30.3-5(d)(4) by providing a plan for reasonable and prudent improvements to provide adequate, safe, and reasonable service to customers of the Charlestown Water System.

Joint Petitioner's request to authorize Indiana-American's proposed accounting entry, as described in the testimony of Gary M. VerDouw, should be denied. Any journal entry resulting from authority received in this proceeding should conform to the journal entry described in the testimony of OUCC Witness Margaret Stull, and otherwise record the purchase price, and other authorized amounts, as the original cost of the utility plant in service assets being acquired.

Q: Does this conclude your direct testimony?

A: Yes.

APPENDIX A

Q: Please describe your educational background and experience.

A: I graduated from Bentley College in Waltham, Massachusetts, with a Bachelor's degree in Economics & Finance and an Associate's degree in Accounting. Before attending graduate school, I worked as an escheatable property accountant at State Street Bank and Trust Company in Boston, Massachusetts. I was awarded a graduate fellowship to attend Purdue University where I earned a Master's of Science degree in Management with a concentration in finance.

I was hired as Utility Analyst in the Economics and Finance Division of the OUCC in October 1990. Since then, my primary areas of responsibility have been in utility finance, utility cost of capital, and regulatory policy. I was promoted to Principal Utility Analyst in August 1993 and to Assistant Chief of Economics and Finance in July 1994. As part of an agency-wide reorganization in July 1999, my position was reclassified as Lead Financial Analyst within the Rates/Water/Sewer Division. In October 2005, I was promoted to Assistant Director of the Water/Wastewater Division. In October 2012, I was promoted to Chief Technical Advisor. I have participated in numerous conferences and seminars regarding utility regulation and financial issues. I was awarded the professional designation of Certified Rate of Return Analyst (CRRA) by the Society of Utility and Regulatory Financial Analysts (SURFA). This designation is awarded based upon experience and the successful completion of a written examination. In April 2012, I was elected to SURFA's Board of Directors and continue to serve on SURFA's Board.

Q: Have you previously testified before the Indiana Utility Regulatory Commission?

A: Yes. I have testified before the Indiana Utility Regulatory Commission ("IURC" or "Commission") in a number of different cases and issues. I have testified in water, wastewater, natural gas, telecommunication and electric utility cases. While my primary areas of responsibility have been in cost of equity, utility financing, fair value, utility valuation and regulatory policy, I have provided testimony on trackers, guaranteed performance contracts, declining consumption adjustments, and other issues.

Q: Please describe the review and analysis you conducted to prepare your testimony.

A: I reviewed the Joint Petition initiating this Cause, the testimony, and the exhibits filed by Joint Petitioners. I participated in conducting discovery and reviewed Joint Petitioners' responses. My preparations included a review of Charlestown's IURC annual reports and Indiana American's 2016 IURC annual report. I reviewed appraisals from other recent Indiana-American acquisition cases, such as the City of New Whiteland and Georgetown. I also reviewed Citizens' acquisition of the water/wastewater system from the City of Westfield. On Tuesday, October 3, 2017, I attended a meeting at Banning Engineering to discuss the Valuation Report and how it was created. On Thursday, October 12, 2017, I toured the Charlestown Municipal Water System and met with representatives from the City of Charlestown and Indiana-American Water.

APPENDIX B – LIST OF ATTACHMENTS

Q: Please list the schedules and attachments included with your testimony:

A: My testimony includes the following schedules and attachments:

Schedule ERK-1 Calculates the increase to Indiana-American's other ratepayers that would occur as a result of this proposed acquisition.

Schedule ERK-2 Calculates the annual decline in value of the Charlestown Water Distribution System.

Attachment ERK-1 is a copy of the appraisal provided in the Indiana-American – New Whiteland acquisition (Cause No. 43883)

Attachment ERK-2 is a copy of Joint Petitioners' response to OUCC data request 1.06.

Attachment ERK-3 is a copy of page F(3) from Charlestown Water Utility 2016 IURC Annual Report.

Attachment ERK-4 is Joint Petitioners' Attachment MP-7, page 1 of 7, a letter from Indiana American Water President Deborah Dewey, regarding the proposed acquisition of Charlestown Water by Indiana-American.

Attachment ERK-5 is the Excel Spreadsheets of Table 1 and Table 2, from the Appraisal prepared by ClarkDietz and Banning Engineering. The attachment shows cell formulas instead of the results.

Attachment ERK-6 is Joint Petitioners' response to OUCC data request 2.1.

Attachment ERK-7 is Charlestown's loan application filed with DWSRF, dated May 4, 2016.

Attachment ERK-8 is Joint Petitioners' response to OUCC data requests 2.9 and 2.10.

Attachment ERK-9 is Joint Petitioners' response to OUCC data requests 10.8 and 10.9.

Attachment ERK-10 is the Capital Asset Ledger included in Donna Coomer's testimony as Attachment DSC-5, Joint Petitioner's Attachment DSC-5.

Attachment ERK-11 is page F-4 and page 215 from Indiana-American's 2016 IURC annual report.

Attachment ERK-12 is Joint Petitioners' response to OUCC data request 2-12.

OUCC
Adjust Rate Base Only
Calculation that shows that City of Charlestown, IN Water Utility Acquisition will cause a 1% overall rate increase to Indiana American Customer Base Now or During the Next Rate Case Filing

Line Number	Description	Amount	Source of Information
1.	**Indiana American Rate Base/Customer:**		
2.	Net Original Cost Rate Base as of December 31, 2016:	$ 906,290,465	Indiana American 2016 Annual Report to the IURC - F-4
3.	Indiana American Customer Count as of December 31, 2016:	299,038	Indiana American 2016 Annual Report to the IURC
4.	Rate Base/Customer (Line 2 / Line 3):	$ 3,031	
5.	**Authorized Rate Information:**		
6.	Authorized Revenue Requirement:	$ 207,529,092	Cause No. 42351 DSIC-10, Attachment GMV-2R, Schedule 1, Line 26
7.	Authorized Weighted Average Cost of Capital:	6.60%	Cause No. 42351 DSIC-10, Attachment GMV-2R, Schedule 4, Line 21
8.	Authorized Gross Revenue Conversion Factor:	167.7489%	Cause No. 42351 DSIC-10, Attachment GMV-2R, Schedule 4, Line 39 (adjusted for Final Order)
9.	**City of Charlestown, IN Water Utility Information:**		
10.	Total Purchase Price with Transaction Costs:	$ 13,583,711	Cause No. 44976, VerDouw Testimony, Page 6, Line 14
11.	Indiana American Committed Investment:	7,200,000	Cause No. 44976, Prine Testimony, Attachment MP-3, Page 11 of 55
12.	Total Purchase Price and Additional Investment:	$ 20,783,711	
13.	Number of Customers to be Acquired:	2,898	Cause No. 44976, Prine Testimony, Page 4, Line 7
14.	Total Rate Base/Customer (Line 12 / Line 13):	$ 7,172	
15.	**Calculation of Additional Return for Acquisition**		
16.	Difference in Charlestown and Indiana American Average Rate Base/Customer (Line 14 - Line 4):	$ 4,141	
17.	Gross Difference - Average Difference Times Total Charlestown Customers (Line 16 X Line 13):	$ 12,000,781	
18.	Additional Return Required for Difference in Average Rate Base (Line 17 X Line 7):	$ 792,052	
19.	Additional Revenue Requirement for Difference in Average Rate Base (Line 18 X Line 8):	$ 1,328,658	
20.	**Calculation of Additional Depreciation Expense for Acquisition:**		
21.	Total proposed Indiana American Depreciation Expense per Cause No. 44992:	$ 41,603,398	Cause No. 44992, Attachment GMV-1, Page 3, Line 145
22.	Indiana American Customer Count as of December 31, 2016 (Line 3 Above):	299,038	Indiana American 2016 Annual Report to the IURC
23.	Proposed Depreciation Expense per customer, Per Cause No. 44992 (Line 21 / Line 22):	$ 139.12	
24.	Proposed Composite Depreciation Rates from Cause No. 44992:	2.86%	Cause No. 44992, Spanos Testimony, Page 3, Line 56
25.	Gross Gross Utility Plant in Service from Charlestown Acquisition	$ 25,500,535	Cause No. 44976, Attachment GMV-1, Gross Plant in Service
26.	Indiana American Committed Investment (Line 11 Above):	7,200,000	Cause No. 44976, Prine Testimony, Attachment MP-3, Page 11 of 55
27.	Total Gross Utility Plant in Service and Additional Investment (Line 25 + Line 26):	$ 32,700,535	
28.	Total proposed Charlestown Depreciation Expense per Cause No. 44992 (Line 27 X Line 24):	$ 935,235	
29.	Number of Charlestown Customers to be Acquired (Line 13 Above):	2,898	Cause No. 44976, Prine Testimony, Page 4, Line 7
30.	Total Charlestown Depreciation Expense/Customer (Line 12 / Line 13):	$ 322.72	
31.	Difference in Depreciation Expense per customer (Line 30 - Line 23):	$ 183.60	
32.	Total additional Depreciation Expense causing increase in rates (Line 31 X Line 29):	$ 532,073	
33.	**Calculation of Additional Property Tax Expense for Acquisition:**		
34.	Total Indiana American Property Tax Expense for the 12 Months Ending December 31, 2016:	$ 9,526,308	Indiana American Income Statement for YE 2016
35.	Indiana American Customer Count as of December 31, 2016 (Line 3 Above):	299,038	Indiana American 2016 Annual Report to the IURC
36.	Property Tax Expense per Indiana American customer (Line 35 / Line 34):	$ 31.86	
37.	Total estimated Property Tax Expense for Charlestown Acquisition and Improvements:	$ 300,000	Initial Estimate of Property Tax Expense
38.	Number of Charlestown Customers to be Acquired (Line 13 Above):	2,898	Cause No. 44976, Prine Testimony, Page 4, Line 7
39.	Total Charlestown Property Tax Expense/Customer (Line 12 / Line 13):	$ 103.52	
40.	Difference in Property Tax Expense per customer (Line 39 - Line 36):	$ 71.66	
41.	Total additional Property Tax Expense causing increase in rates (Line 40 X Line 38):	$ 207,671	
42.	Total Additional Revenue Requirement Required for Charlestown Investment (Line 19 + Line 32 + Line 41):	$ 2,068,402	
43.	One Percent (1%) of Current Authorized Base Revenues (Line 6 X .01):	$ 2,075,291	
44.	Difference in Total Additional Revenue Requirement and 1% of Authorized Rates (Line 42 - Line 43):	$ (6,889)	
45.	Effect of Charlestown Additional Revenue Requirement on Overall Revenue Requirement (Line 42 / Line 6):	0.997%	Equal to 1% effect on current authorized revenue requirement

Note: All assumptions used are based on current authorized revenue requirement, weighted average cost of capital, and gross revenue conversion factor. Revenue requirements, weighted average cost of capital, and gross revenue conversion factor will all change with the next rate case filing.

OUCC
Add Depreciation and Property Tax Expenses
Calculation that shows that City of Charlestown, IN Water Utility Acquisition will cause more than a 1% overall rate increase to Indiana American Customer Base Now or During the Next Rate Case Filing

Line Number	Description	Amount	Source of Information
1.	**Indiana American Rate Base/Customer:**		
2.	Net Original Cost Rate Base as of December 31, 2016:	$ 973,543,661	Indiana American 2016 Annual Report to the IURC
3.	Indiana American Customer Count as of December 31, 2016:	299,038	Indiana American 2016 Annual Report to the IURC
4.	Rate Base/Customer (Line 2 / Line 3):	$ 3,256	
5.	**Authorized Rate Information:**		
6.	Authorized Revenue Requirement:	$ 207,529,092	Cause No. 42351 DSIC-10, Attachment GMV-2R, Schedule 1, Line 26
7.	Authorized Weighted Average Cost of Capital:	6.60%	Cause No. 42351 DSIC-10, Attachment GMV-2R, Schedule 4, Line 21
8.	Authorized Gross Revenue Conversion Factor:	167.7489%	Cause No. 42351 DSIC-10, Attachment GMV-2R, Schedule 4, Line 39 (adjusted for Final Order)
9.	**City of Charlestown, IN Water Utility Information:**		
10.	Total Purchase Price with Transaction Costs:	$ 13,583,711	Cause No. 44976, VerDouw Testimony, Page 6, Line 14
11.	Indiana American Committed Investment:	7,200,000	Cause No. 44976, Prine Testimony, Attachment MP-3, Page 11 of 55
12.	Total Purchase Price and Additional Investment:	$ 20,783,711	
13.	Number of Customers to be Acquired:	2,898	Cause No. 44976, Prine Testimony, Page 4, Line 7
14.	Total Rate Base/Customer (Line 12 / Line 13):	$ 7,172	
14 a	Charlestown Depreciation	$ 53,494	Charlestown 2016 Annual Report to the IURC F-3
14 b	Charlestown Property Taxes	$ -	Charlestown 2016 Annual Report to the IURC F-3
15.	**Calculation of Additional Return for Acquisition**		
16.	Difference in Charlestown and Indiana American Average Rate Base/Customer (Line 14 - Line 4):	$ 3,916	
17.	Gross Difference - Average Difference Times Total Charlestown Customers (Line 16 X Line 13):	$ 11,349,025	
18.	Additional Return Required for Difference in Average Rate Base (Line 17 X Line 7):	$ 749,036	
19.	Additional Revenue Requirement for Difference in Average Rate Base (Line 18 X Line 8):	$ 1,256,499	
20.	**Calculation of Additional Depreciation Expense for Acquisition:**		
21.	Total proposed Indiana American Depreciation Expense per Cause No. 44992:	$ 41,603,398	Cause No. 44992, Attachment GMV-1, Page 3, Line 145
22.	Indiana American Customer Count as of December 31, 2016 (Line 3 Above):	299,038	Indiana American 2016 Annual Report to the IURC
23.	Proposed Depreciation Expense per customer, Per Cause No. 44992 (Line 21 / Line 22):	$ 139.12	
24.	Proposed Composite Depreciation Rates from Cause No. 44992:	2.86%	Cause No. 44992, Spanos Testimony, Page 3, Line 56
25.	Gross Gross Utility Plant in Service from Charlestown Acquisition	$ 25,500,535	Cause No. 44976, Attachment GMV-1, Gross Plant in Service
26.	Indiana American Committed Investment (Line 11 Above):	7,200,000	Cause No. 44976, Prine Testimony, Attachment MP-3, Page 11 of 55
27.	Total Gross Utility Plant in Service and Additional Investment (Line 25 + Line 26):	$ 32,700,535	
28.	Total proposed Charlestown Depreciation Expense per Cause No. 44992 (Line 27 X Line 24):	$ 935,235	
29.	Number of Charlestown Customers to be Acquired (Line 13 Above):	2,898	Cause No. 44976, Prine Testimony, Page 4, Line 7
30.	Total Charlestown Depreciation Expense/Customer (Line 12 / Line 13):	$ 322.72	
31.	Difference in Depreciation Expense per customer (Line 30 - Line 23):	$ 183.60	
32.	Total additional Depreciation Expense causing increase in rates (Line 31 X Line 29):	$ 532,073	
33.	**Calculation of Additional Property Tax Expense for Acquisition:**		
34.	Total Indiana American Property Tax Expense for the 12 Months Ending December 31, 2016:	$ 9,526,308	Indiana American Income Statement for YE 2016
35.	Indiana American Customer Count as of December 31, 2016 (Line 3 Above):	299,038	Indiana American 2016 Annual Report to the IURC
36.	Property Tax Expense per Indiana American customer (Line 35 / Line 34):	$ 31.86	
37.	Total estimated Property Tax Expense for Charlestown Acquisition and Improvements:	$ 300,000	Initial Estimate of Property Tax Expense
38.	Number of Charlestown Customers to be Acquired (Line 13 Above):	2,898	Cause No. 44976, Prine Testimony, Page 4, Line 7
39.	Total Charlestown Property Tax Expense/Customer (Line 12 / Line 13):	$ 103.52	
40.	Difference in Property Tax Expense per customer (Line 39 - Line 36):	$ 71.66	
41.	Total additional Property Tax Expense causing increase in rates (Line 40 X Line 38):	$ 207,671	
42.	Total Additional Revenue Requirement Required for Charlestown Investment (Line 19 + Line 51 - Line 14a + Line 37 - Line 14b):	$ 2,438,240	
43.	One Percent (1%) of Current Authorized Base Revenues (Line 6 X .01):	$ 2,075,291	
44.	Difference in Total Additional Revenue Requirement and 1% of Authorized Rates (Line 42 - Line 43):	$ 362,949	
45.	Effect of Charlestown Additional Revenue Requirement on Overall Revenue Requirement (Line 42 / Line 6):	1.175%	Greater than 1% effect on current authorized revenue requirement

Note: All assumptions used are based on current authorized revenue requirement, weighted average cost of capital, and gross revenue conversion factor. Revenue requirements, weighted average cost of capital, and gross revenue conversion factor will all change with the next rate case filing.

OUCC
Adjust Rate Base and Add Depreciation and Property Tax Expenses
Calculation that shows that City of Charlestown, IN Water Utility Acquisition will cause more than a 1% overall rate increase to Indiana American Customer Base Now or During the Next Rate Case Filing

Line Number	Description	Amount	Source of Information
1.	**Indiana American Rate Base/Customer:**		
2.	Net Original Cost Rate Base as of December 31, 2016:	$ 906,290,465	Indiana American 2016 Annual Report to the IURC F-4
3.	Indiana American Customer Count as of December 31, 2016:	299,038	Indiana American 2016 Annual Report to the IURC
4.	Rate Base/Customer (Line 2 / Line 3):	$ 3,031	
5.	**Authorized Rate Information:**		
6.	Authorized Revenue Requirement:	$ 207,529,092	Cause No. 42351 DSIC-10, Attachment GMV-2R, Schedule 1, Line 26
7.	Authorized Weighted Average Cost of Capital:	6.60%	Cause No. 42351 DSIC-10, Attachment GMV-2R, Schedule 4, Line 21
8.	Authorized Gross Revenue Conversion Factor:	167.7489%	Cause No. 42351 DSIC-10, Attachment GMV-2R, Schedule 4, Line 39 (adjusted for Final Order)
9.	**City of Charlestown, IN Water Utility Information:**		
10.	Total Purchase Price with Transaction Costs:	$ 13,583,711	Cause No. 44976, VerDouw Testimony, Page 6, Line 14
11.	Indiana American Committed Investment:	7,200,000	Cause No. 44976, Prine Testimony, Attachment MP-3, Page 11 of 55
12.	Total Purchase Price and Additional Investment:	$ 20,783,711	
13.	Number of Customers to be Acquired:	2,898	Cause No. 44976, Prine Testimony, Page 4, Line 7
14.	Total Rate Base/Customer (Line 12 / Line 13):	$ 7,172	
14 a	Charlestown Depreciation	$ 53,494	Charlestown 2016 Annual Report to the IURC F-3
14 b	Charlestown Property Taxes	$ -	Charlestown 2016 Annual Report to the IURC F-3
15.	**Calculation of Additional Return for Acquisition**		
16.	Difference in Charlestown and Indiana American Average Rate Base/Customer (Line 14 - Line 4):	$ 4,141	
17.	Gross Difference - Average Difference Times Total Charlestown Customers (Line 16 X Line 13):	$ 12,000,781	
18.	Additional Return Required for Difference in Average Rate Base (Line 17 X Line 7):	$ 792,052	
19.	Additional Revenue Requirement for Difference in Average Rate Base (Line 18 X Line 8):	$ 1,328,658	
20.	**Calculation of Additional Depreciation Expense for Acquisition:**		
21.	Total proposed Indiana American Depreciation Expense per Cause No. 44992:	$ 41,603,398	Cause No. 44992, Attachment GMV-1, Page 3, Line 145
22.	Indiana American Customer Count as of December 31, 2016 (Line 3 Above):	299,038	Indiana American 2016 Annual Report to the IURC
23.	Proposed Depreciation Expense per customer, Per Cause No. 44992 (Line 21 / Line 22):	$ 139.12	
24.	Proposed Composite Depreciation Rates from Cause No. 44992:	2.86%	Cause No. 44992, Spanos Testimony, Page 3, Line 56
25.	Gross Gross Utility Plant in Service from Charlestown Acquisition	$ 25,500,535	Cause No. 44976, Attachment GMV-1, Gross Plant in Service
26.	Indiana American Committed Investment (Line 11 Above):	7,200,000	Cause No. 44976, Prine Testimony, Attachment MP-3, Page 11 of 55
27.	Total Gross Utility Plant in Service and Additional Investment (Line 25 + Line 26):	$ 32,700,535	
28.	Total proposed Charlestown Depreciation Expense per Cause No. 44992 (Line 27 X Line 24):	$ 935,235	
29.	Number of Charlestown Customers to be Acquired (Line 13 Above):	2,898	Cause No. 44976, Prine Testimony, Page 4, Line 7
30.	Total Charlestown Depreciation Expense/Customer (Line 12 / Line 13):	$ 322.72	
31.	Difference in Depreciation Expense per customer (Line 30 - Line 23):	$ 183.60	
32.	Total additional Depreciation Expense causing increase in rates (Line 31 X Line 29):	$ 532,073	
33.	**Calculation of Additional Property Tax Expense for Acquisition:**		
34.	Total Indiana American Property Tax Expense for the 12 Months Ending December 31, 2016:	$ 9,526,308	Indiana American Income Statement for YE 2016
35.	Indiana American Customer Count as of December 31, 2016 (Line 3 Above):	299,038	Indiana American 2016 Annual Report to the IURC
36.	Property Tax Expense per Indiana American customer (Line 35 / Line 34):	$ 31.86	
37.	Total estimated Property Tax Expense for Charlestown Acquisition and Improvements:	$ 300,000	Initial Estimate of Property Tax Expense
38.	Number of Charlestown Customers to be Acquired (Line 13 Above):	2,898	Cause No. 44976, Prine Testimony, Page 4, Line 7
39.	Total Charlestown Property Tax Expense/Customer (Line 12 / Line 13):	$ 103.52	
40.	Difference in Property Tax Expense per customer (Line 39 - Line 36):	$ 71.66	
41.	Total additional Property Tax Expense causing increase in rates (Line 40 X Line 38):	$ 207,671	
42.	Total Additional Revenue Requirement Required for Charlestown Investment (Line 19 + Line 51 - Line 14a + Line 37 - Line 14b):	$ 2,510,399	
43.	One Percent (1%) of Current Authorized Base Revenues (Line 6 X .01):	$ 2,075,291	
44.	Difference in Total Additional Revenue Requirement and 1% of Authorized Rates (Line 42 - Line 43):	$ 435,108	
45.	Effect of Charlestown Additional Revenue Requirement on Overall Revenue Requirement (Line 42 / Line 6):	1.210%	Greater than 1% effect on current authorized revenue requirement

Note: All assumptions used are based on current authorized revenue requirement, weighted average cost of capital, and gross revenue conversion factor. Revenue requirements, weighted average cost of capital, and gross revenue conversion factor will all change with the next rate case filing.

Comparison of additional revenue requirement that City of Charlestown IN Water Utility Acquisition causes to Indiana American Customer Base (Now or During the Next Rate Case Filing)

	OUCC	Ref	Indiana American	Ref
Additional Revenue Requirement for Difference in Average Rate Base (Line 18 X Line 8):	$ 1,328,658	My 19	$ 1,256,499	Pet Line 19
Additional Depreciation	$ 881,741	My 28 - 14a	$ 532,073	Pet line 32
Additional Property Taxes	$ 300,000	My 37 - 14b	$ 207,671	Pet Line 41
Total	$ 2,510,399		$ 1,996,243	
1% Threshold	$ 2,075,291		$ 2,075,291	

Annual Decline in Value of
Charlestown Municipal Water System

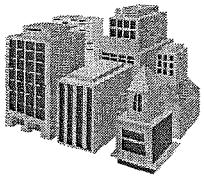
Distribution Mains Decade	Service Life	Percent Depreciated	Assumed Usage Years (rounded)	Effective Year In Service	Effective Year End Date
1940's	75	93.33%	70	1945	2015
1960's	75	66.67%	50	1965	2015
1970's	75	53.33%	40	1975	2015
1980's	75	40.00%	30	1985	2015
1990's	75	26.67%	20	1995	2015
2000's	75	13.33%	10	2005	2015
Fire Hydrants					
1960's	50	90.00%	45	1970	2015
1970's	50	80.00%	40	1975	2015
1980's	50	60.00%	30	1985	2015
1990's	50	40.00%	20	1995	2015
2000's	50	20.00%	10	2005	2015
Service Meters					
2000's	15	33.00%	5	2010	2015
Water Services	75	50.00%	38	1977	2015

Appraisal Hard coded entry is in highlight

Effect of one year of additional depreciation

	Annual Depreciation Rate	Total Cost to Replace	Annual Depreciation Dollars
Distribution Mains	1.33%	$ 15,971,440	$ 212,953
Fire Hydrants	2.00%	$ 1,479,500	$ 29,590
Service Meters	6.67%	$ 287,095	$ 19,140
Water Services	1.33%	$ 3,750,000	$ 50,000
Total		$ 21,488,035	$ 311,682

PETITIONERS' EXHIBIT SSL-2



RPE/Cobb & Associates

808 North Madison Avenue
Greenwood, Indiana 46142-4127
(317) 882-2626 Fax (317) 887-6148

June 25, 2009
File No. C09-4032

MR. JEFFERY W. BIRK, CPA
INDEPENDENT ACCOUNTANT
TOWN OF NEW WHITELAND
401 MOORELAND DRIVE
NEW WHITELAND, IN 46184

SUBJECT: TOWN OF NEW WHITELAND
MUNICIPAL WATER UTILITY UNIT
NEW WHITELAND, IN 46184

Reporting Option: Summary Appraisal Report

Dear Mr. Birk:

In accordance with the Town of New Whiteland and the undersigned; Stephen L. Cobb, MAI, Donald G. Corey, P.E., and Patrick W. Zaharako, P.E., we have inspected and appraised the New Whiteland Municipal Water Utility (A component Unit of the Town of New Whiteland) and its related unit components (two water tanks, lift-booster stations, piping, etc.) in the town and areas served outside the town limits.

We have prepared the accompanying Appraisal Report to identify the property being appraised and to present the analyses that directed our conclusion value. In developing the appraisal we have relied upon inventory information provided by the Town of New Whiteland. The Town of New Whiteland classifies the specific subject real estate allocated in the report as R-1, Low Density Residential.

The subject property is currently functioning as special use property supplying the community with potable water as of the date of this report, and the date of inspection. The effective date of valuation is March 12, 2009, for the "As Is" value. A physical inspection of the property was made March 12, 2009.

Based on a physical inspection of the site and review of all supplied documents, combined with the investigation and analyses undertaken, we have formed an opinion as of March 12, 2009 and subject to the assumptions and limiting conditions set forth in the latter pages of this report, the real estate has a market value of...

"AS IS" MARKET VALUE INDICATION

FOUR MILLION FIVE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS

($4,575,000)

The **COMPLETE SUMMARY APPRAISAL** report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it does not present discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated herein. The appraiser is not responsible for unauthorized use of this report. This appraisal is subject to the assumptions and limiting conditions, pertinent facts about the area and the subject property, comparable data, the results of the investigations and analyses, and the reasoning leading to the conclusions. The appraisers are in conformance with the Competency Provision of the Uniform Standards of Professional Appraisal Practice, as evidenced by the attached appraiser qualifications.

We hereby certify we have no present or future contemplated interest in the subject property and that the fee for this analysis is in no way connected with the valuation estimates reported herein. We further certify that this appraisal has been prepared in accordance with the "Uniform Standards of Professional Appraisal Practice."

Our appraisal of the property, including basic assumptions and limiting conditions, is detailed in the attached report.

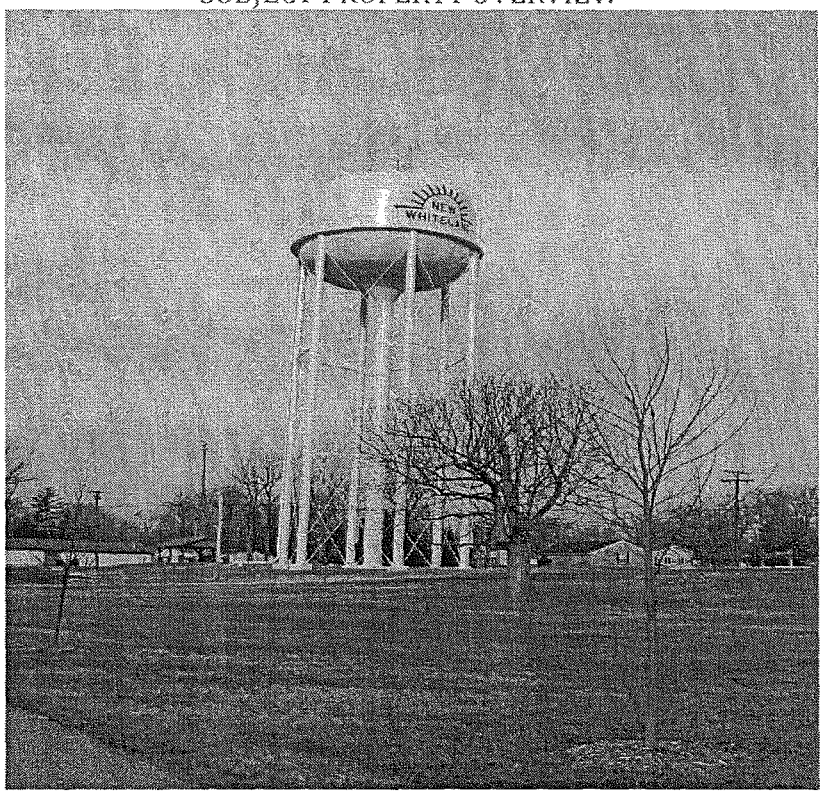
Respectfully submitted,
RPE/COBB & ASSOCIATES

Stephen L. Cobb, MAI
Indiana Certified General Appraiser
Certificate No. CG69100633

Donald G. Corey, P.E.
M.D. Wessler and Associates
Certificate No. PE 133334

Patrick W. Zaharako, P.E., BCEE
Commonwealth Engineers, Inc.
Certificate No. PE 19800132 ------

SUBJECT PROPERTY OVERVIEW

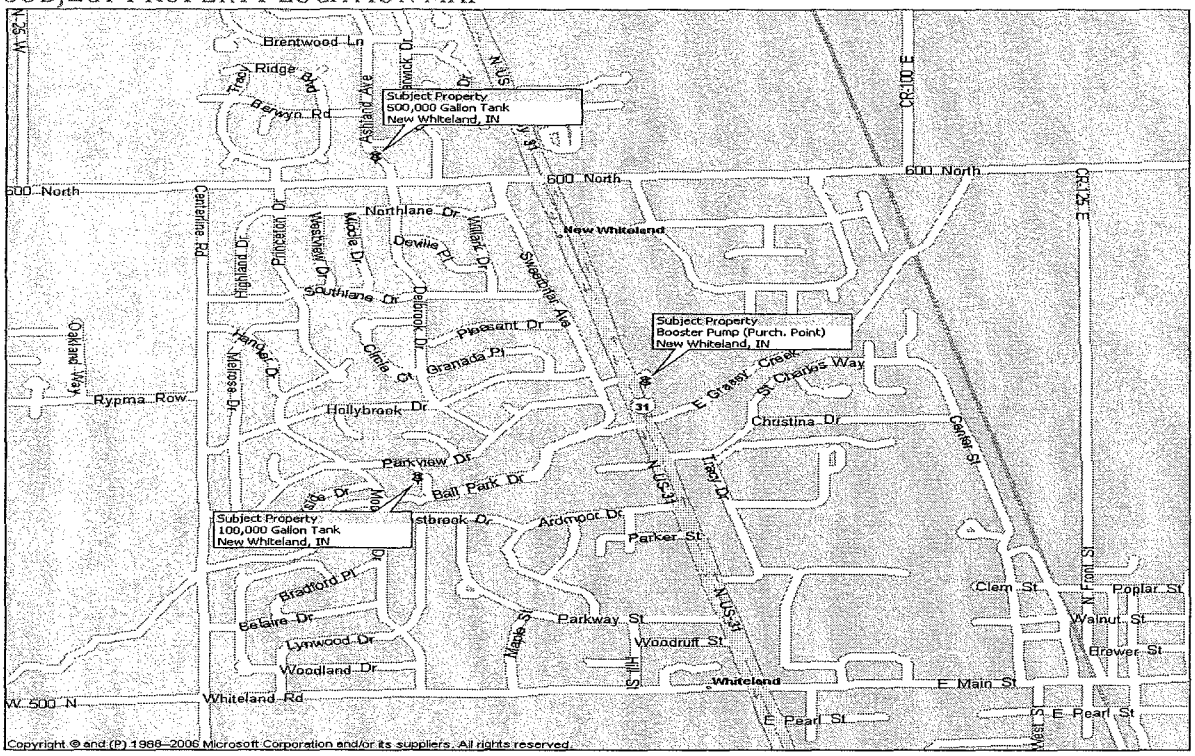


Effective Date of Value:	March 12, 2009
Property Rights Appraised:	Fee Simple Estate
Final Correlated Value:	$4,575,000

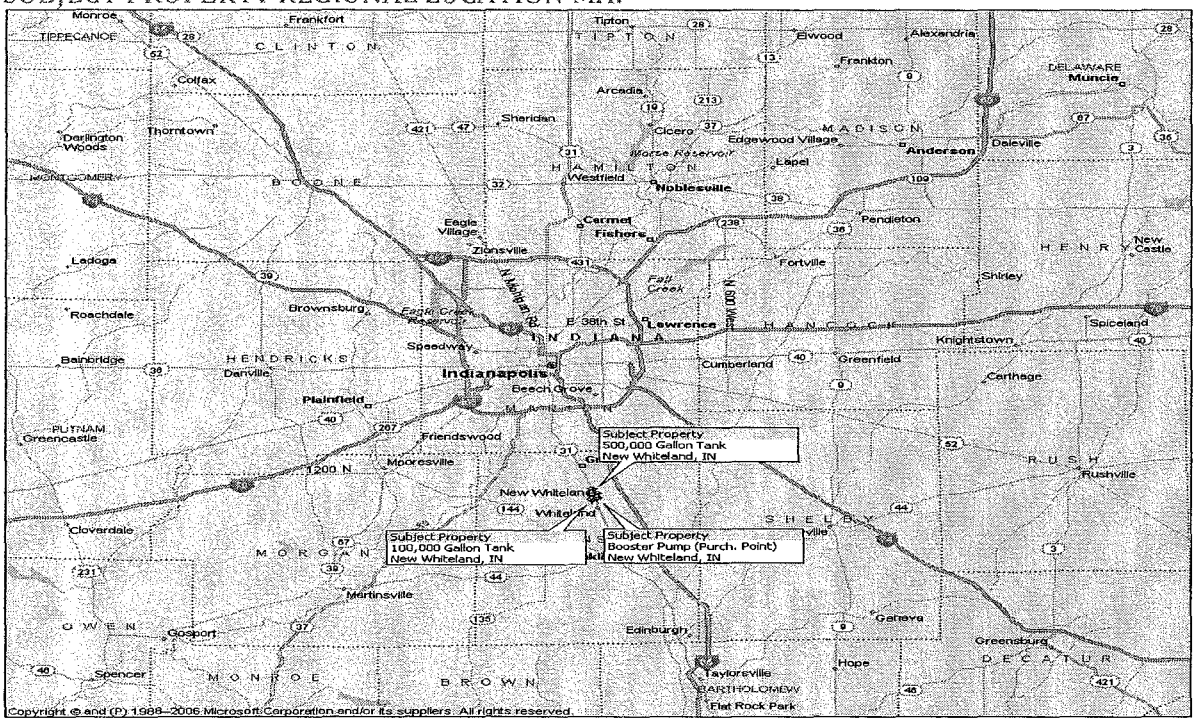
OVERVIEW: The appraised property is the water system in the Town of New Whiteland which provides the towns citizens with potable water. This system includes the water mains, gate valves, fire hydrants, elevated storage tanks, meters, booster station, backflow preventer station, pressure reducing station and master meter stations. Also included is the designated one acre site on which each of the elevated tanks sit. The photograph above is the 100,000 gallon water tank fronting on Ballpark Drive. All easements for the water system are included.

AS IS VALUE:	
Cost Approach Indication:	**$4,575,000**
Sales Comparison Approach Indication:	**N/A**
Income Capitalization Approach Indication:	**$2,600,000**

SUBJECT PROPERTY LOCATION MAP



SUBJECT PROPERTY REGIONAL LOCATION MAP



SUMMARY OF SALIENT FACTS

Owner's Name of Record:	Town of New Whiteland
Appraised Property:	Water system of the Town of New Whiteland, IN
Property Address:	389 Ballpark Dr. & Lot 24 Ashland Avenue
City, Township, County, State:	New Whiteland, Pleasant, Johnson, Indiana
Permanent Parcel Numbers:	41-05-21-031-144.000-027, 41-05-16-033-015.000-027
Flood Map Information:	Community-Panel Number 18081C0136D Effective Date: August 2, 2007, Zone X
Real Estate Appraisers:	Inspection Stephen L. Cobb, MAI — Yes Indiana Certified General Appraiser CG69100633 Donald G. Corey, P.E. — Yes Indiana Registered Engineer, PE Patrick W. Zaharako, P.E., BCEE, — Yes Indiana Registered Engineer, PE
Telephone Number:	(317) 882-2626, (317) 788-2443, (317) 888-1177
Improvements: Land Size:	Real estate improvements of water utility 0.75 ±-Acres allocated for water tank sites
Property Rights Appraised:	Fee Simple Interest
Date of Report: Effective Date of Appraisal: Date of Inspection	June 25, 2009 March 12, 2009 March 12, 2009
Purpose of Appraisal:	Estimate *Market Value* "As Is"
Reporting Option:	Complete Summary Report
Current Market Value Opinions:	$4,575,000"As Is" Value

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II PREMISE OF THE APPRAISAL

Reporting Option

The attached is a Complete Appraisal Summary Report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. *The departure provision was not invoked.* A summary report, as such, does present limited discussions of the data, reasoning, and analyses that were used in the appraisal process by the appraiser to develop the opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated herein. **The appraiser is not responsible for any unauthorized use of this report.**

Extraordinary Assumptions and Hypothetical conditions

ASSUMPTIONS AND LIMITING CONDITIONS

This report is necessarily subject to certain assumptions and limiting conditions. The valuation process is completed subject to the following set forth assumptions and limiting conditions.

CONTINGENT AND LIMITING CONDITIONS: The Certification of the Appraiser(s) appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as set forth by the Appraiser in the report.

1. This a Restricted Use Appraisal Report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(c) of the Uniform Standards of Professional Appraisal Practice for a Restricted Use Appraisal Report. As such, it does not present discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated in this report. **The appraiser is not responsible for unauthorized use of this report.**

2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.

3. The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.

4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

5. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.

6. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.

7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed

for such conditions or for arranging for engineering studies that may be required to discover them.

8. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.

9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined, and considered in this appraisal report.

10. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.

11. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

12. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.

13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.

14. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

15. Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.

16. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

17. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

18. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent

and approval of the appraiser.

19.ENVIRONMENTAL: The appraisers were not furnished with an Environmental Assessment, Phase I. Therefore, no environmental conditions were considered. The appraisers assume no liability if environmental conditions exist on the subject property. Your appraiser is not an expert in environmental conditions.

20. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. RPE/Cobb & Associates has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value the property. Since RPE/Cobb & Associates has no direct evidence relating to this issue, it did not consider the possible noncompliance with the requirements of ADA in estimating the value of the property.

21.ACCEPTANCE OF AND/OR USE OF THIS APPRAISAL REPORT CONSTITUTES ACCEPTANCE OF THE ABOVE CONDITIONS.

22. The appraiser(s) and/or offices of RPE/Cobb & Associates reserve the right to alter statements, analysis, conclusions or any value estimate in the appraisal if there becomes known to us facts pertinent to the appraisal process that were unknown to us when the report was completed.

23. REVIEW: Unless otherwise noted herein, the Review Appraiser has reviewed the report only as to general appropriateness of technique and format and has not necessarily inspected the subject or market comparable properties.

24. "The date of value in this assignment is subsequent to September 11, 2001, the date of the attack on the World Trade Center in New York City and on the Pentagon in Washington, D.C. The scope of this appraisal assignment does not include the measurement of any effect of these events on the real estate market or on the value of the subject property. Therefore, the value opinion and other conclusions expressed in this report are subject to the extraordinary assumption that these events have had no effect on the marketability or market value of the subject property. The client and intended users of this appraisal are cautioned that if this extraordinary assumption is incorrect, the value opinion and other conclusions expressed in this report could be significantly different."

LIMIT OF LIABILITY: The appraiser(s) is/are not an insurer of the value of the property. The fees collected by the appraiser(s) are based solely on the value of the service performed and are unrelated to the value of the property. The appraiser(s) make no guarantee or warranty that sale or exchange of the property will result in receipt of the value expressed in the appraisal. In the event the appraiser(s) is/are found liable for losses on account of any act or omission done in making the appraisal, the appraisers' liability shall be limited to the fee collected as liquidated damages and not as penalty and this liability shall be exclusive. If this report is places in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser(s) assume no responsibility for any costs incurred to discover or correct any deficiencies present in the property.

Purpose and Intended Use of Appraisal

The purpose of this Complete Appraisal Summary Report is to provide a market value of the *Fee Simple Interest* of the subject property on an "As Is" basis as of the date of inspection March 12, 2009. The result is presented in a summary format. The intended function of this report is to serve as an evaluation that will allow the Town of New Whiteland to establish the asset value of the property, for bargain and sale purposes.

Definitionof Value and Date of Opinion of Value

Market Value

Market Value as defined by Title XI of FIRREA as adopted by the OCC Regulation 12 CFR 34, is:

> "The most probable price in terms of money which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus."

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

(a) Buyer and seller are typically motivated;

(b) Both parties are well informed or well advised, and each acting in what they consider their own best interest;

(c) A reasonable time is allowed for exposure in the open market;

(d) Payment is made in terms of cash in U.S. dollars, or in terms of financial arrangements comparable thereto; and

(e) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale[1].

The market value estimate derived in this appraisal report is not influenced by (1) favorable financing, (2) going concern value, (3) investment value or (4) special value to a specific user.

[1] Office of the Controller of the Currency under 12CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions {f}.

Effective Dates of Value: March 12, 2009, "As Is" value. No other extraordinary assumptions or limiting conditions were made by this appraiser.

Date of Report: June 25, 2009

Property Rights Appraised

A *"FEE SIMPLE ESTATE"* allows the owner complete unencumbered property ownership, subject only to the four powers of the government. This ownership interest is regarded as the most complete.

Scope of Work

Stephen L. Cobb, MAI, Donald G. Corey, P.E. and Patrick W. Zaharako, P.E., BCEE were engaged by the Town of New Whiteland, Indiana as consultants to appraise the towns water utility facilities. In the preparation of this appraisal, the appraiser inspected the subject facilities reviewed available plans and specifications provided by the client; gathered information from the subject's neighborhood and appropriate competitive neighborhoods or similar utility facilities throughout the state of Indiana, and when necessary facilities within the Midwest region. Your appraiser considered and developed all three approaches to value.

The appraisers (consultants) met on March 12, 2009 in the New Whiteland town hall with Jeffrey W. Birk, CPA (independent accountant Town

This Complete Appraisal Summary Report sets forth only the appraiser's summary analysis, data and conclusions. Supporting documentation is retained in the appraiser's files.

III PRESENTATION OF DATA

Identification of the Property

The Town of New Whiteland has owned and operated a public water system since 1954 providing water for the community and surrounding areas in its limited sphere. The service area generally included those areas west of U.S. 31 and west along Whiteland Road and Tracy Road. The utility currently services 2,019 customers, average usage per customer is 7,000 gallons, average payment is $28.03 (water + tax only) and only very limited growth. In 2008 there were three (3) home permits issued.

Legal Description

The records of the Johnson county Assesor show that the two water tanks are located at Ballpark Drive and Ashland Avenue. The Ballpark Drive tank location is part of a lrger 14.44 acres tract (Paracel 41-05-21-031-044.000-027) of which 0.50 acre is to be allocated as a subject site, the Ashland Avenue tank location is situated on Lot 24 in 10th Subdivision Second Section (Paracel 41-05-16-033-015.000-027) and is approximately 0.27 acre in size.

The information obtained from the client and the Johnson County Offices is relied upon and assumed to be correct. Again, the Ballpark Drive subject site is a part of a larger tract of land containing 14.44 acres, more or less; this part of the subject site to be considered is to contain 0.50 ± acre. The Ballpark Drive site is described as:

The SE NW NE SW Section 21, Township 13 N, Range 4 W, containing 14.44 acres, more or less., one-half (0.50) acre to be allotted for the site.

The Ashland Avenue site is legally described as:

10th Subdivision, 2nd Section, Lot 24, containing approximately 0.27 acres, more or less.

The water main piping in the distribution system is assumed to be in public easements or rights-of-ways. No value is be assigned to the right for these water line to be located and maintained in their present location.

History of Subject Property

According to the Pleasant Township Assessor's Office the subject has been under the Town of New Whiteland's ownership since 1954. Currently the town purchases water from the Indiana-American Water Company.

Presently the Town of New Whiteland is in discussion with the American Water Company regarding the potential sale of the town's water utility unit to the American Water Company. The town has engaged Stephen L. Cobb, MAI, Donald G. Corey, P.E. and Patrick W. Zaharako, P.E., BCEE as consultants to appraise the towns' water utility facilities. The

consultants have relied upon the inventory provided in the development of a cost approach value.

In addition the audited schedule of receipts and disbursements for the Town of New Whiteland for the year ending December 31, 2008 showed gross revenue for operations of $548,282 and operating expenses of $518,958 for a net cash flow of $29,294.

Market Area, County

Johnson County IN Depth Profile

Johnson County, Indiana
Formed in 1822 and named for Indiana Supreme Court Judge John Johnson
County Seat: Franklin
Largest City: Greenwood (pop in 2007: 46,389
Population per Sq. Mile: 434.6 Sq. Miles: 320.2
Link to County's in.gov Site

Population Over Time	Number	Rank in State	Percent of State	Indiana
Yesterday(1990) 88,109		15	1.6%	5,544,156
Today(2008) 139,158		10	2.2%	6,376,792
Tomorrow(2025 proj.)	166,499	11	2.4%	6,887,793
Percent Change 1990 to 2000	30.8%	3		9.7%

Sources: US Census Bureau; Indiana Business Research Center

Components of Population Change in 2008	Number	Rank in State	Percent of State	Indiana
Net Domestic Migration 2007 to 2008	2,197	2		-1,979
Net International Migration 2007 to 2008	72	19		7,562
Natural Increase (births minus deaths)	858	9	2.5%	34,321

Source: US Census Bureau

Population Estimates by Age in 2007	Number	Rank in State	Pct Dist. in County	Pct Dist. in State
Preschool (0 to 4)	9,243	10	6.8%	6.9%
School Age (5 to 17)	25,903	10	19.1%	18.1%
College Age (18 to 24)	11,874	13	8.7%	9.5%
Young Adult (25 to 44)	39,854	11	29.3%	27.4%
Older Adult (45 to 64)	33,722	10	24.8%	25.6%
Older (65 plus)	15,355	11	11.3%	12.5%
Median Age	35.8			Median Age = 36.5

Sources: US Census Bureau; Indiana Business Research Center

Population Estimates by Race or Hispanic Origin in 2007	Number	Rank in State	Pct Dist. in County	Pct Dist. in State
American Indian or Alaska Native Alone	243	21	0.2%	0.3%
Asian Alone	2,049	11	1.5%	1.4%
Black Alone	2,173	21	1.6%	9.0%
Native Hawaiian and Other Pac. Isl. Alone	32	19	0.0%	0.0%

White Alone	130,527	10	96.0%	88.1%
Two or More Race Groups	927	21	0.7%	1.1%
Hispanic or Latino(can be of any race)				
Non-Hispanic or Latino	132,909	10	97.8%	95.0%
Hispanic or Latino	3,042	15	2.2%	5.0%

Source: US Census Bureau

Household Types	Number	Rank in State	Pct Dist. in County	Pct Dist. in State
Households in 2000 (Includes detail not shown below)	42,434	13	100.0%	100.0%
Married With Children	12,517	9	29.5%	23.8%
Married Without Children	13,792	12	32.5%	29.8%
Single Parents	3,353	15	7.9%	9.1%
Living Alone	9,000	17	21.2%	25.9%

Source: US Census Bureau

Housing	Number	Rank in State	Pct Dist. in County	Pct Dist. in State
Total Housing Units in 2007 (estimate)	55,465	12	100.0%	100.0%
Total Housing Units in 2000 (includes vacant units)	45,095	15	100.0%	100.0%
Owner Occupied (Pct. distribution based on all housing units)	32,463	10	72.0%	65.9%
Median Value (2000)	$122,500	6	--	--
Renter Occupied (Pct. distribution based on all housing units)	9,971	16	22.1%	26.3%
Median Rent (2000)	$599	4	--	--

Source: US Census Bureau

Education	Number	Rank in State	Percent of State	Indiana
School Enrollment (2006/2007 Total Reported)	24,457	11	2.1%	1,154,826
Public	24,048	9	2.3%	1,045,702
Private	409	93	0.4%	109,124
High School Graduates (2006/2007)	1,379	12	2.2%	63,339
Going on to Higher Education	1,089	13	2.1%	52,698
4-year	790	13	2.0%	38,566
2-year	227	8	2.3%	9,783
Voc/tech.	72	22	1.7%	4,349
Adults (25+ in 2000 Census)	73,966	11	1.9%	3,893,278
with High School diploma or higher	85.7%	12		82.1%
with B.A. or higher degree	23.1%	7		19.4%

Sources: Indiana Department of Education; US Census Bureau
Notes: 1) Private enrollment includes home schools. 2) County rankings for high-school graduates continuing to higher education are subject to revision.

Income and Poverty	Number	Rank in State	Percent of State	Indiana
Per Capita Personal Income (annual) in 2006	$33,329	14	103.2%	$32,288
Median Household Income in 2005	$56,854	5	129.1%	$44,051
Poverty Rate in 2005	7.1%	86	58.2%	12.2%
Poverty Rate among Children under 18	9.3%	85	56.0%	16.6%
Welfare (TANF) Monthly Average Families in 2006	383	18	0.9%	41,498
Food Stamp Recipients in 2006	7,437	17	1.3%	577,970
Free and Reduced Fee Lunch Recipients in 2009	7,204	13	1.6%	436,945

Sources: U.S. Bureau of Economic Analysis; US Census Bureau; Indiana Family Social Services Administration; Indiana Department of Education

Health and Vital Statistics in 2005	Number	Rank in State	Percent of State	Indiana

Births 1,676		10	1.9%	87,088
Births to Teens	134	17	1.4%	9,604
Deaths 1,084		11	1.9%	55,623

Source: Indiana State Department of Health

Labor Force in 2007	Number	Rank in State	Percent of State	Indiana
Total Resident Labor Force	73,090	10	2.3%	3,211,461
Employed 70,556		10	2.3%	3,065,590
Unemployed 2,534		14	1.7%	145,871
Unemployment Rate	3.5	86	77.8%	4.5
January 2009 Unemployment Rate	**7.6**	**85**	**76.8%**	**9.9**

Source: Bureau of Labor Statistics; Indiana Department of Workforce Development

Employment and Earnings by Industry in 2006 (NAICS)	Employment	Pct Dist. in County	Earnings ($000)	Pct Dist. In County	Avg. Earnings Per Job
Total by place of work 67,222		100.0%	$1,990,425	100.0%	$29,610
Wage and Salary 46,823		69.7%	$1,396,186	70.1%	$29,818
Farm Proprietors 551		0.8%	-$846	0.0%	-$1,535
Nonfarm Proprietors 19,848		29.5%	$267,871	13.5%	$13,496
Farm 661		1.0%	$3,285	0.2%	$4,970
Nonfarm 66,561		99.0%	$1,987,140	99.8%	$29,854
Private 59,686		88.8%	$1,679,251	84.4%	$28,135
Accommodation, Food Serv.	5,504	8.2%	$79,046	4.0%	$14,362
Arts, Ent., Recreation	1,268	1.9%	$10,032	0.5%	$7,912
Construction	5,815	8.7%	$189,755	9.5%	$32,632
Health Care, Social Serv.	5,507	8.2%	$199,914	10.0%	$36,302
Information	847	1.3%	$33,914	1.7%	$40,040
Manufacturing	6,106	9.1%	$315,448	15.8%	$51,662
Professional, Tech. Serv.	3,489	5.2%	$116,720	5.9%	$33,454
Retail Trade	10,811	16.1%	$213,401	10.7%	$19,739
Trans., Warehousing	2,844	4.2%	$95,474	4.8%	$33,570
Wholesale Trade	1,901	2.8%	$109,980	5.5%	$57,854
Other Private (not above)	15,393*	22.9%*	$312,053*	15.7%*	$20,272 *
Government 6,875		10.2%	$307,889	15.5%	$44,784

Source: US Bureau of Economic Analysis

* These totals do not include county data that are not available due to BEA non-disclosure requirements.

Residential Building Permits in 2007	Units	Pct Dist. in County	Pct Dist. in State	Cost ($000)	State Cost ($000)
Total Permits Filed	752	100.0%	100.0%	$135,010	$3,892,724
Single Family	727	96.7%	80.7%	$132,612	$3,507,796
Two Family	10	1.3%	3.5%	$948	$87,309
Three & Four Family	15	2.0%	1.8%	$1,450	$34,452
Five families and More	0	0.0%	14.0%	$0	$263,167

Source: US Census Bureau (Greene County totals are not included as it does not currently issue building permits.) Note: Detail cost may not sum to total due to rounding.

Commuting Patterns - Top 5 in 2006					
Into Johnson FROM	Number	Percent	Out of Johnson TO	Number	Percent
All Areas	11,669	18.7%	All Areas	36,082	41.5%
Marion County	5,460	8.7%	Marion County	29,902	34.4%
Morgan County	1,231	2.0%	Bartholomew County	2,008	2.3%
Bartholomew County	1,119	1.8%	Hamilton County	686	0.8%
Shelby County	956	1.5%	Morgan County	673	0.8%

Brown County	725	- 1.2%	Hendricks County	666	0.8%

Source: Indiana Department of Revenue

Cities and Towns in Johnson County

	Population in 2007	% of County
Bargersville	2,656	2.0%
Edinburgh	4,237	3.1%*
Franklin	22,672	16.7%
Greenwood	46,389	34.1%
New Whiteland	5,698	4.2%
Princes Lakes	1,587	1.2%
Trafalgar	1,074	0.8%
Whiteland	4,395	3.2%

* Population in this county is shown, this city or town crosses county lines.

Links to Maps:
Census Tract Boundary Map of Johnson county
Tiger Mapping Service Map of Area
Top of page

County Profiles is a component of **STATS Indiana**, a web-based information service of the State of Indiana and the Indiana Department of Workforce Development, developed and maintained by the Indiana Business Research Center at Indiana University's Kelley School of Business.
Updated: March 18, 2009 at 13:00

Neighborhood

Boundaries/General Discussion

The common definition of a "neighborhood is a grouping of complementary land uses within a unified area with somewhat definite boundaries and a fairly homogeneous population where the inhabitants have a more than community interest. The term "district" is often associated with those areas classified as commercial, residential or industrial in character. The neighborhood is an area of influence upon properties within defined boundaries. Generally, a neighborhood exhibits a greater degree of uniformity than a larger area. Some of the common characteristics for a neighborhood include similar building types and sizes, population characteristics, economic profiles of occupants and zoning regulations. The neighborhood is affected by the same or similar social, economic, governmental and environmental forces.

Proper analysis of the subject neighborhood is pertinent when attempting to estimate the fair market value of a particular piece of real estate. The reason for neighborhood analysis is to identify and forecast trends in the neighborhood that will influence the capacity of the property to be useful and absorbed.

The subject neighborhood is delineated as south of Tracy Road, east and west of the US 31 corridor, and generally north of Commerce Park Drive. The neighborhood includes a variety

of land uses, such as, residential, commercial, special use and industrial. All of these uses appear to be relatively strong.

The subject is located in Pleasant Township in the north-central part of Johnson County. The subject neighborhood is approximately 4.0 miles south of downtown Greenwood and 4.0 miles north of downtown Franklin. The local neighborhood is best described as growing, having multiple sites in all the land uses being developed within recent years.

Neighborhood Life Cycle

The neighborhood is generally identified as within the growth stage of the life cycle; however, stability predominates as concerns established properties. The life cycle stages do not have definite start and end points. Therefore, the subject neighborhood is considered overlapping between the growth and stability stages of the life cycle.

Neighborhood Access

The nearest interstate access is located approximately 2 ½ mile east of the subject at the intersection of Whiteland Road and I-65 (Exit 95). U.S. 31 is approximately ¼ mile east of the subject and travels in a north and south direction across the length of Johnson County. These thoroughfares link Indianapolis with Greenwood and southern Johnson County and are the primary thoroughfares for many commuters in and out of Johnson County. The presence of these roads and connection to the Indianapolis MSA region has resulted in strong residential and commercial development in the area. A neighborhood map is included in this section of the report to help the reader visualize the delineated neighborhood of the subject.

Surrounding Uses/Land Use Patterns

The area is characterized predominantly by agricultural and residential land uses on the east side of the neighborhood (west of US 31) with residential, special uses, commercial and industrial land uses intermixed on the east side of the neighborhood (east of US 31). The residential influence in the area is primarily single residential improvements within developed subdivisions along US 31 and in the communities of Whiteland and New Whiteland as well as Franklin to the south. Knollwood Farms, Oakville and Springfield South subdivisions are the most recent residential developments constructed in the Whiteland area. Brunnemer Ridge and Park Forest are other subdivisions brought on line or scheduled for development on the south side of New Whiteland along center Line Road and south of Whiteland Road. These are the most recent residential developments in the area and it appears as market demand increases the local land uses will change from agricultural to commercial, residential and industrial along either side of US 31.

The commercial presence in the local neighborhood has been growing at a rapid pace as identified by new developments along US 31 at its intersection with Whiteland Road and Tracy Road in the subjects' sphere of influence. Industrial land uses are found in the subject neighborhood along Graham Road to the east, also identified as CR 200 E.
In the subject's more immediate area there is commercial and industrial growth along Tracy

Road to the north, more concentrated industrial development all along Graham Road, Earlywood Drive and Commerce Park Drive east of US 31. The industrial area feeds off of the neighborhoods location near I-65 and proximity to a stable population base in both Indianapolis and Johnson County.

The primary growth thrust of the neighborhood has historically been near US 31 and I-65 for industrial uses. Most residential uses have occurred in close proximity to the US 31 roadway corridor. There are still large tracts of land available in this particular area of Pleasant Township, new growth has expanded to the eastern and southern parts of the neighborhood.

The neighborhood is defined to include the majority of the subject's anticipated competition. The primary competition for the subject is other residential, commercial, industrial or mixed use developments located proximate to US 31 and I-65 in Johnson County. The subject neighborhood, as delineated, is supportive of residential and commercial uses intermixed with special use, industrial and agricultural land. The subject neighborhood is in a strong period of growth, particularly in the commercial area, with future expansion anticipated due to the availability of vacant land and proximity to Indianapolis.

"A neighborhood is defined as a group of complementary land uses."2 A neighborhood typically goes through a life cycle that usually involves four stages, beginning with the development and growth stage, and then going through stability, transition and decline. The neighborhood is in the growth stage of the age life cycle. The stages of the age life cycle do not always follow a sequential pattern and a change is possible at any point in time.

Trend Analysis

Property Values: *Stable to Decreasing*
Vacancy Rates: *Stable*
Sales Prices: *Stable to Decreasing*
Land Use: *1-4 Family (35%); Apts. (0%); Condo (0%); Commercial (15%); Industrial (20%); Vacant/Agricultural (25%); Special Purpose (5%)*

NOTE: ALL INFORMATION USED IN THE TREND ANALYSIS IS BASED ON THE DEFINED SUBJECT NEIGHBORHOOD.

Additionally, the trend analysis shows some market confidence through part of 2007, after that residential growth stopped. Some sporadic commercial and industrial growth continued, but projects like The Village of Briar Hill and other potential competing projects in Pleasant Township and White River Township have stopped or been placed on hold. The thought is that there might be a declining market, but no historical proof has been documented to identify such a trend at this point. It is a very cautionary market and nationally the banking industry is pulling in its horns as regards commercial investments and small business backing.

2 The Appraisal of Real Estate, Twelfth Edition, 2002

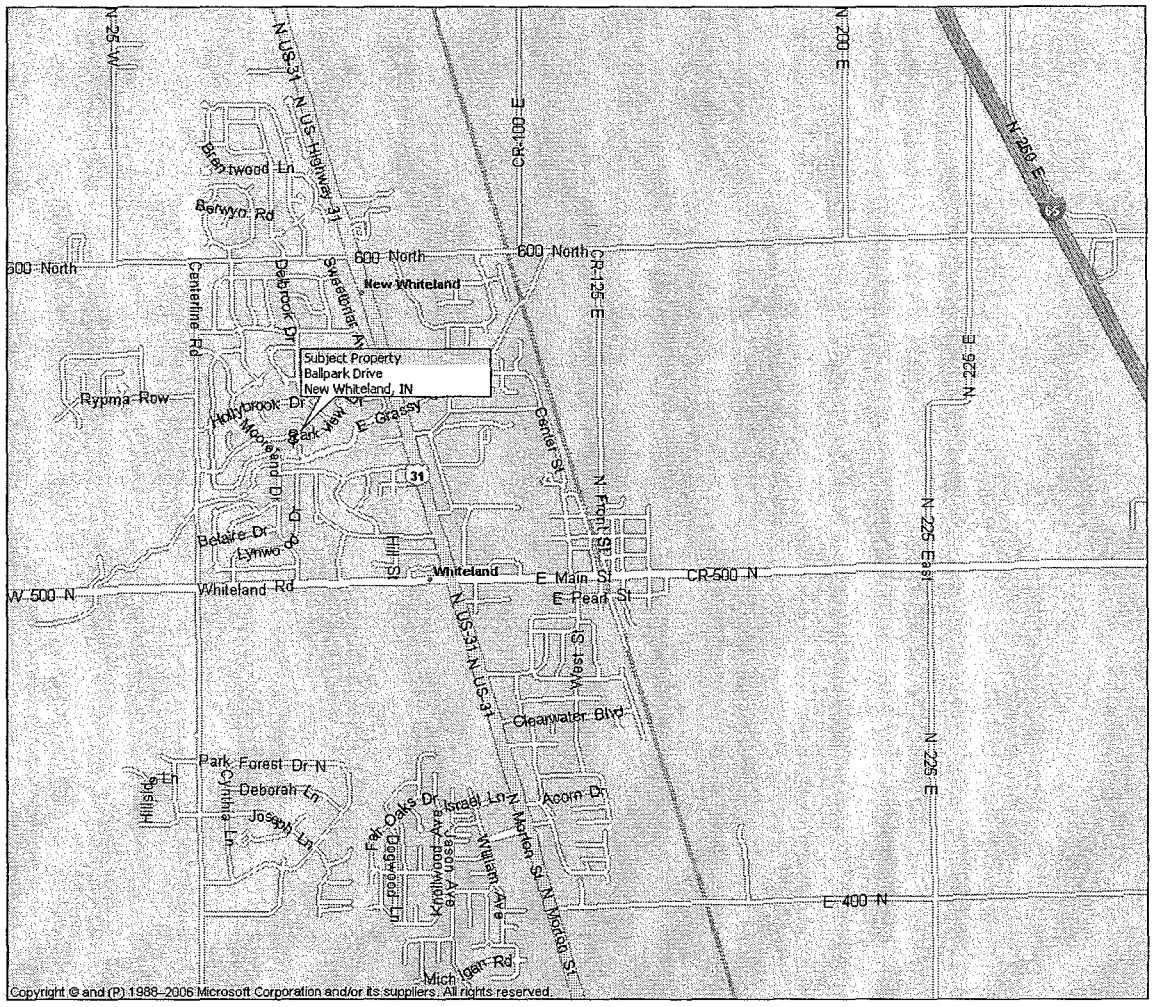
Neighborhood Summary

The subject neighborhood is delineated as south of Tracy Road, east and west of the US 31 corridor, north of Commerce Park Drive in Franklin, IN. The neighborhood includes a variety of land uses, such as residential, agricultural, commercial, special use and industrial.

Harmonious land uses characterize the subject neighborhood. The primary land use in the western part of the neighborhood is agricultural with a mix of land uses noted in the central part and eastern part of the neighborhood. The neighborhood as defined is within a period of growth with continued development anticipated; however, any additional growth is likely to be market dependent. The subject is well located within the neighborhood and situated in a reasonable realm of influence from Indianapolis MSA. The primary arteries in the area are US 31, Tracy Road, Whiteland Road, Graham Road and I-65. Positive market area influences include location, proximity to employment opportunities and retail and shopping amenities along with the availability of vacant land.

The reader's attention is directed to the following page for an overview of the subject area.

NEIGHBORHOOD MAP



Site Description

The Ballpark Drive site, allocated 0.50 acre, is expected to be a somewhat rectangular shaped tract fronting along the west right-of-way of the street. The site slopes toward the south and is located just outside a flood hazard area. The site is improved with a 100,000 gallons elevated water tank constructed in 1970. The site is adjacent to a municipal parking lot on the south and residential sites to the north.

The Ashland Avenue site is an irregular shaped (triangular) residential site generally level at street grade and the contiguous properties. The site is approximately 0.27 acre in size. The site is improved with a 500,000 gallons elevated water tank constructed in 1994.

Utilities

The subject site have all utilities available.

Flood Map

According to the United States Federal Emergency Management Agency, National Flood Insurance Program Flood Insurance Rate Map, Community Panel Number 18081C0136 D, effective August 2, 2007, the subject does not appear to lie within a federally designated flood hazard area. The subject, both designated site, appear to be located within Zone X. The following flood map appears to confirm the property's location outside a flood hazard area. A survey would have to made to determine the Ballpark Drive exact location.

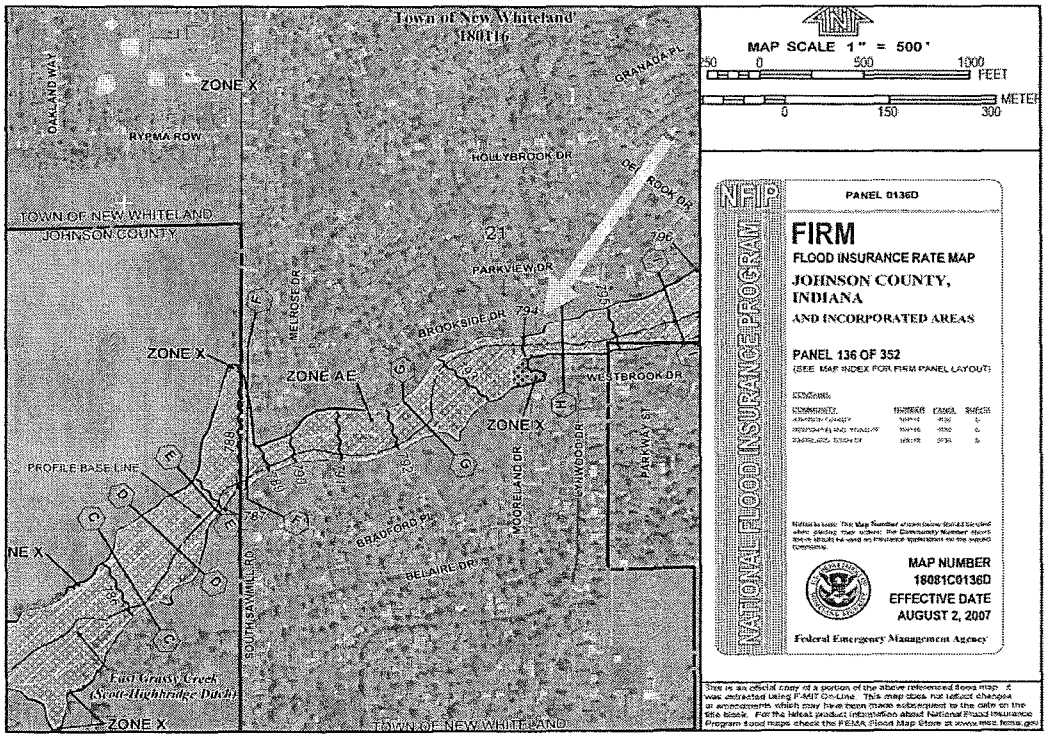
Zoning

The subject property(s) is currently zoned R-1, Low Density Residential according to the Town of New Whiteland Planning and Zoning Department. The current zoning of the subject is shown on the following pages. Effective April, 2005 as shown on the posted zoning map at the Town Hall Offices.

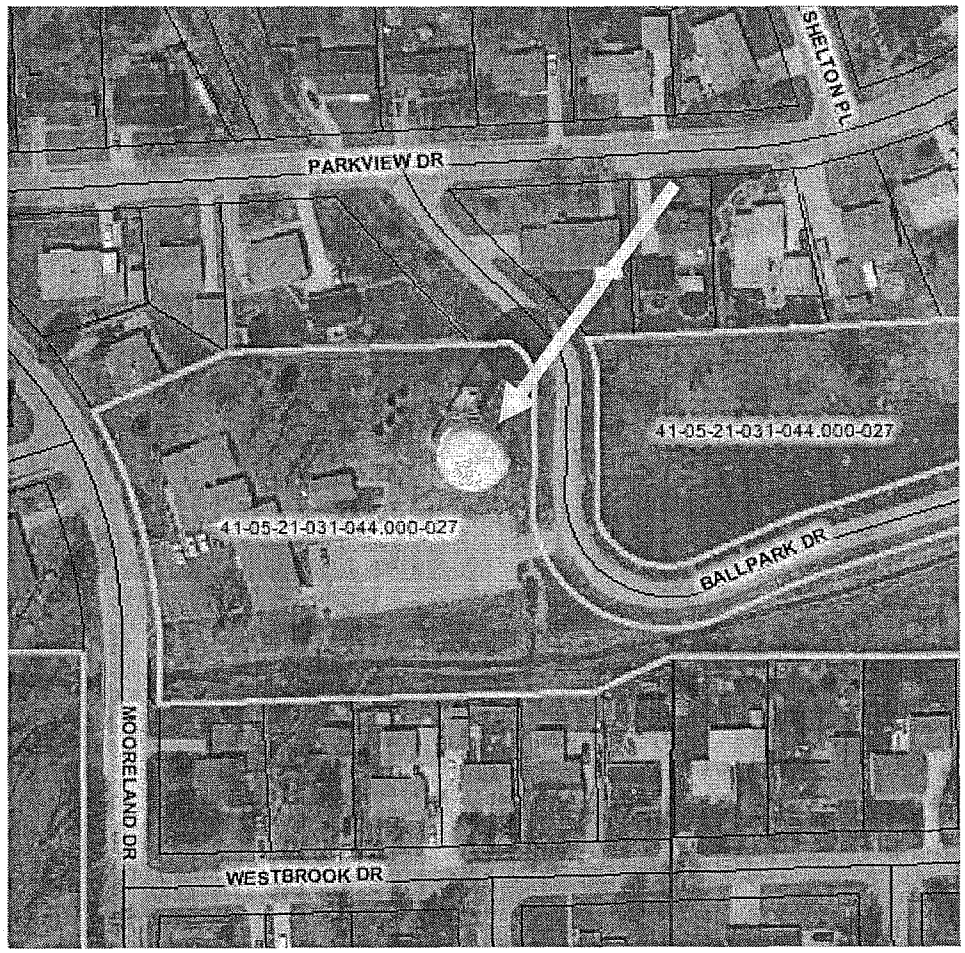
Environmental Disclaimer

Unless otherwise stated in this report; the existence of hazardous substances including - without limitation - asbestos, poly-chlorinated biphenylis (PCB's), petroleum leakage, or agricultural chemicals which may or may not be present on the property, or other environmental conditions were not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser; however, is not qualified to test such substances or conditions. The value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value.

FLOOD ZONE MAP

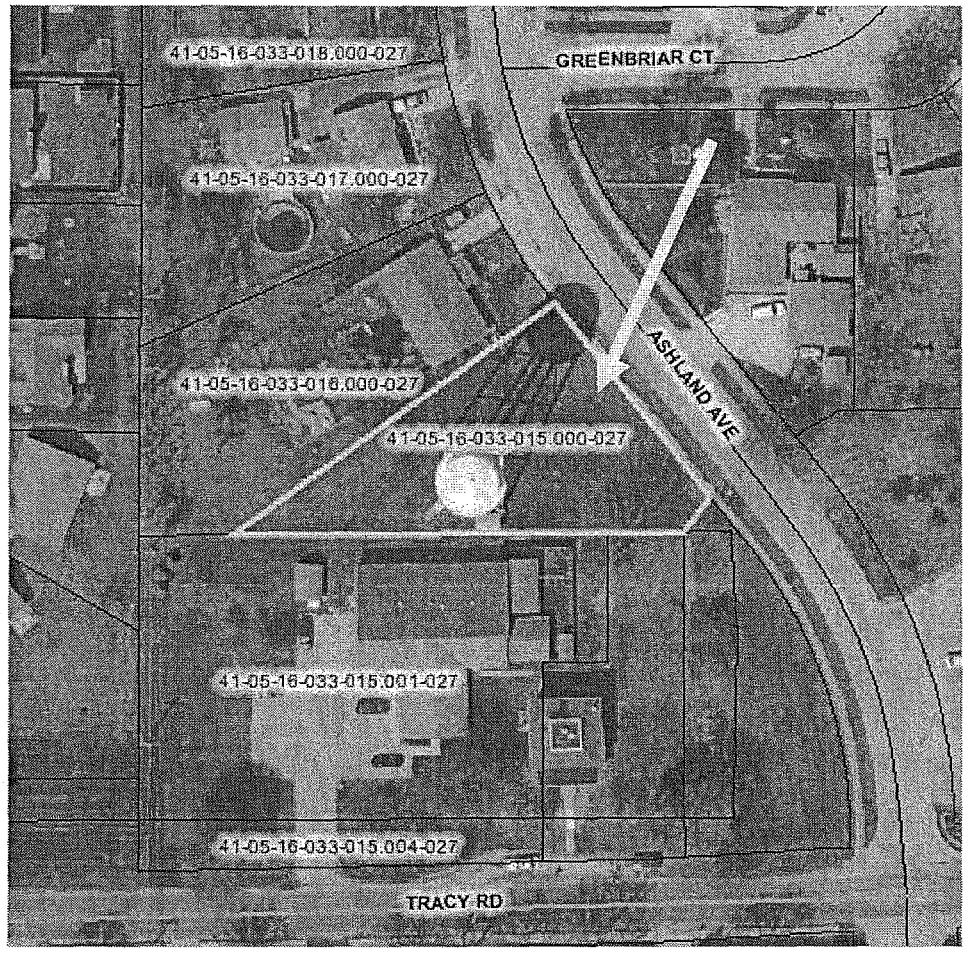


PLAT MAP



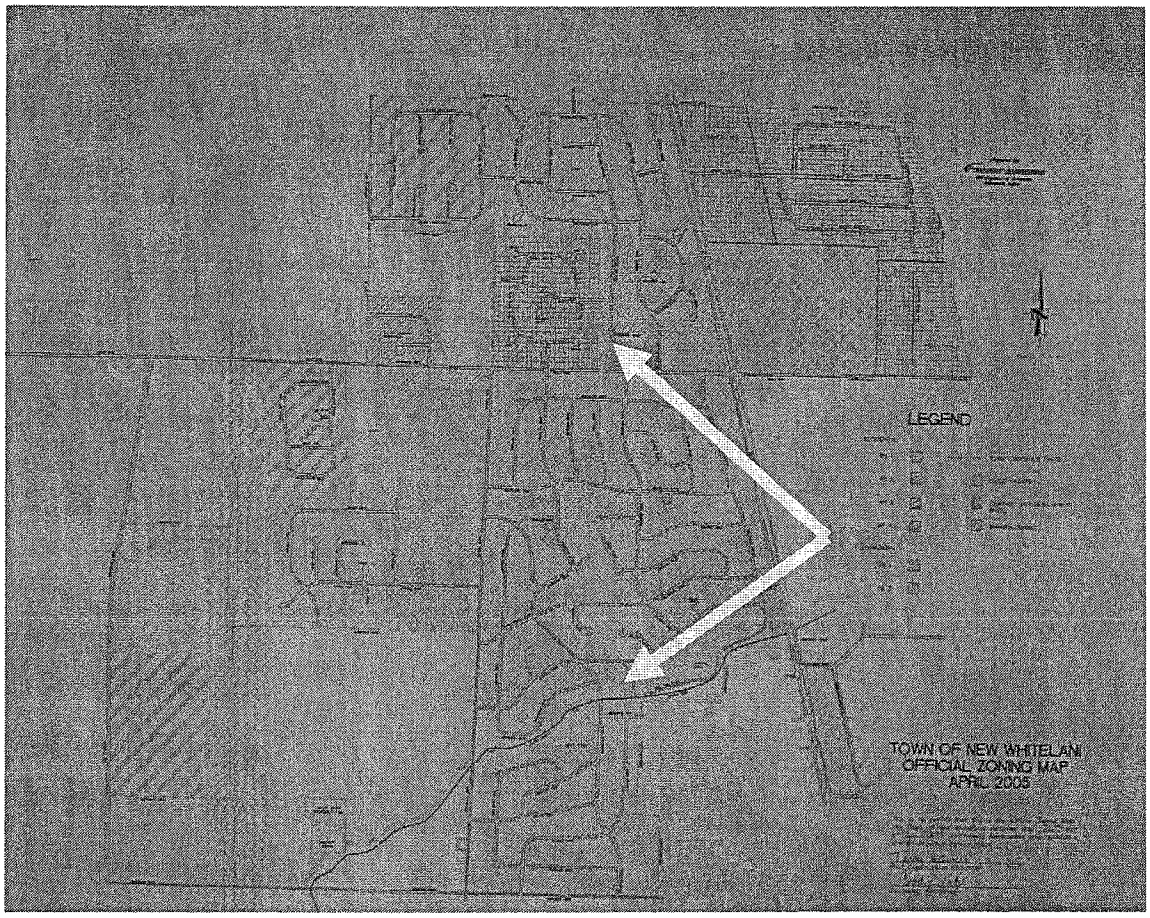
Subject tract identified as 339 Ballpark Drive, New Whiteland, IN. This site is part of a larger tract, 14.44 acres of which 1.0 acre is to be allotted as the site for the existing water tank. Estimate allotted site size to be 0.50 acre. Zoned R-1, Residential.

PLAT MAP



Subject tract identified as 10th Subdivision, 2nd Section, Lot 24, New Whiteland, IN. Estimated site size approximately 0.27 acre (measurements 36.68 x 196.62 x 194.17 x 119.05 to beginning, containing approximately 0.265 acre ± or 0.27 acre ±, rounded). Zoned R-1, Residential.

ZONING MAP



Ashland Avenue and Ballpark Drive sites are zoned R-1, Low Density Residential.

DESCRIPTION OF REALTY IMPROVEMENTS

Water Storage Tanks

This elevated water tank is on the site at 339 Ballpark Drive. It was constructed in 1970 and has a height of 118 feet. A brief description of construction details are presented below.

GENERAL CONSTRUCTION	
Design	100,000 gallons elevated water tank, ellipsoidal bottom tanks. Based on descriptions contained in Section 61 of *Marshall Valuation Service* the structure is best categorized as a elevated steel tank.
Age	The tanks effective age is estimated to be 34 years, or approximately half its estimated life expectancy. M.D Wessler Associate, Inc. indicates such items have economic lives of 75 years, indicating this item has a remaining economic life of 35 to 45 years.
Tank Size	The elevated tank has a 100,000 gallons storage capacity. It is approximately 118 feet in height. .
Footings, Foundations	Reinforced poured concrete footings.
Exterior Walls	Steel with urethane coating.
Interior Coating	Epoxy.
Conclusion	The tank is functional for continued water storage. The cost includes tank, tower, riser pipe, ladder and other equipment normally installed, completely erected as well as foundation and painting. Elevated tanks such as the subject in low-stress areas have an estimated cost new of $554,000 according to *Marshall Valuation Service*.

This elevated water tank is on the site at Ashland Avenue.

GENERAL CONSTRUCTION	
Design	500,000 gallons elevated water tank, ellipsoidal bottom tanks. Based on descriptions contained in Section 61 of *Marshall Valuation Service* the structure is best categorized as an elevated steel tank.
Age	The tanks effective age is estimated to be 15 years, or approximately 20% its estimated life expectancy. M.D Wessler Associate, Inc. indicates such items have economic lives of 75 years, indicating this item has a remaining economic life of 55 years.
Tank Size	The elevated tank has a 500,000 gallons storage capacity. It is approximately 109 feet in height. .
Footings, Foundations	Reinforced poured concrete footings.
Exterior Walls	Steel with urethane coating.
Interior Coating	Epoxy.
Conclusion	The tank is functional for continued water storage. Elevated tanks such as the subject in low-stress areas have an estimated cost new of $1,424,000 according to *Marshall Valuation Service*.

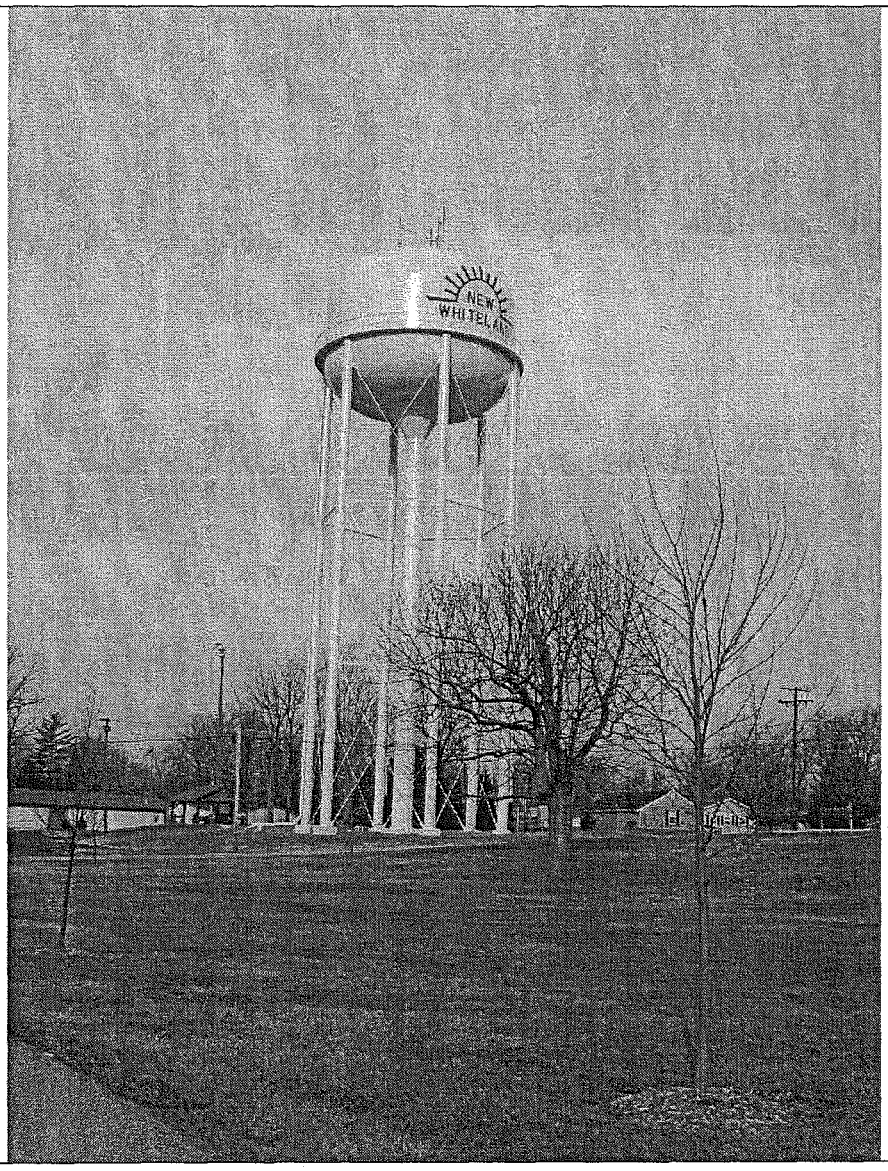
New Whiteland Water Utility System Elements

The water utility system consists of piping measured in lineal feet, gate valves & boxes individually accounted for, fire hydrants with valve & boxes, meter pits & service installations, valve vaults valve & backflow prevention assembly, booster stations, SCADA Equipment, meter reading equipment and the elevated water tanks referenced above.

The replacement costs assigned to the various items and facilities are estimated new construction costs. These costs are based on Bid Tabulations made by M.D. Wessler Associates, Inc. on similar projects, material costs provided by suppliers, and the R.S. Means-Building Construction Cost Data. The company also indicates that "replacement costs are difficult to establish due to the volatility of the prices of steel and petroleum derivative products.

See specifics of cost estimate and estimated depreciation value in attached cost approach.

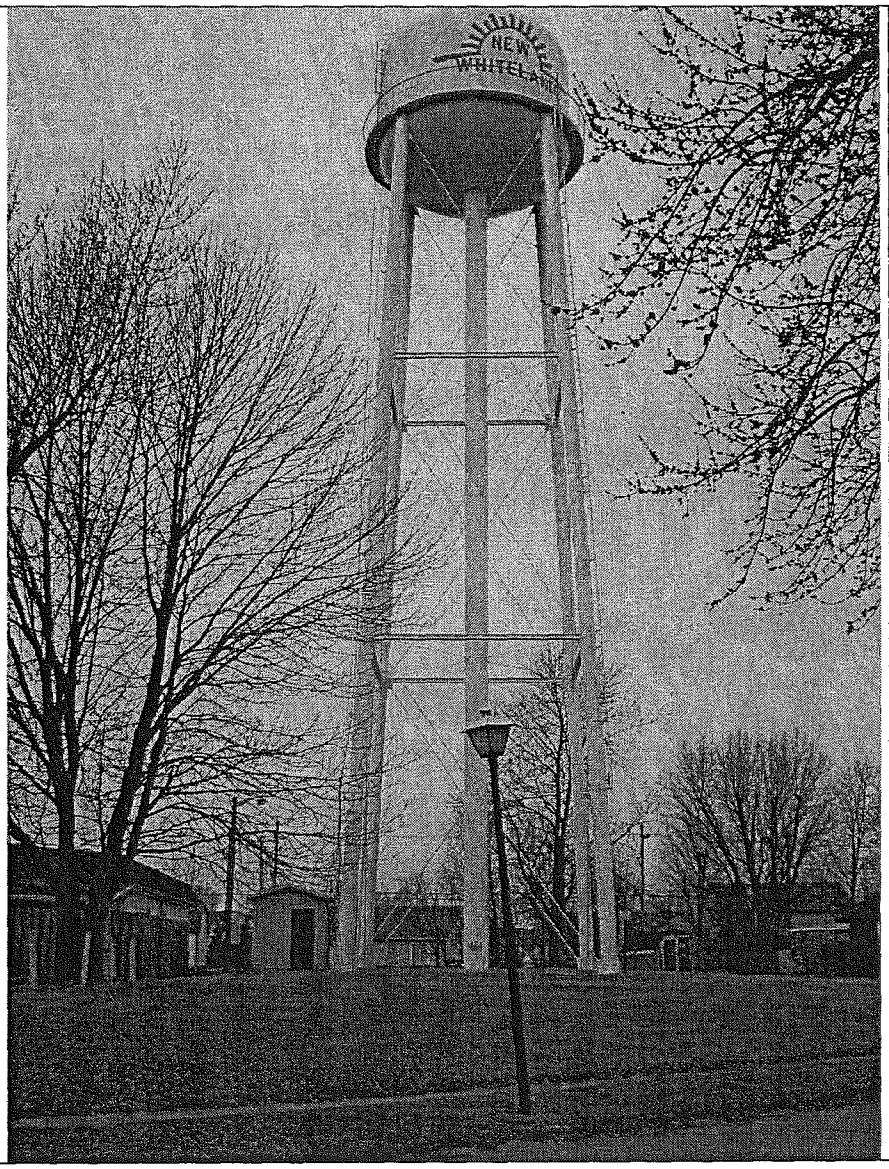
SUBJECT PHOTOGRAPHS



View:

Looking west at 100,000 gallon elevated water tank from Ballpark Drive.

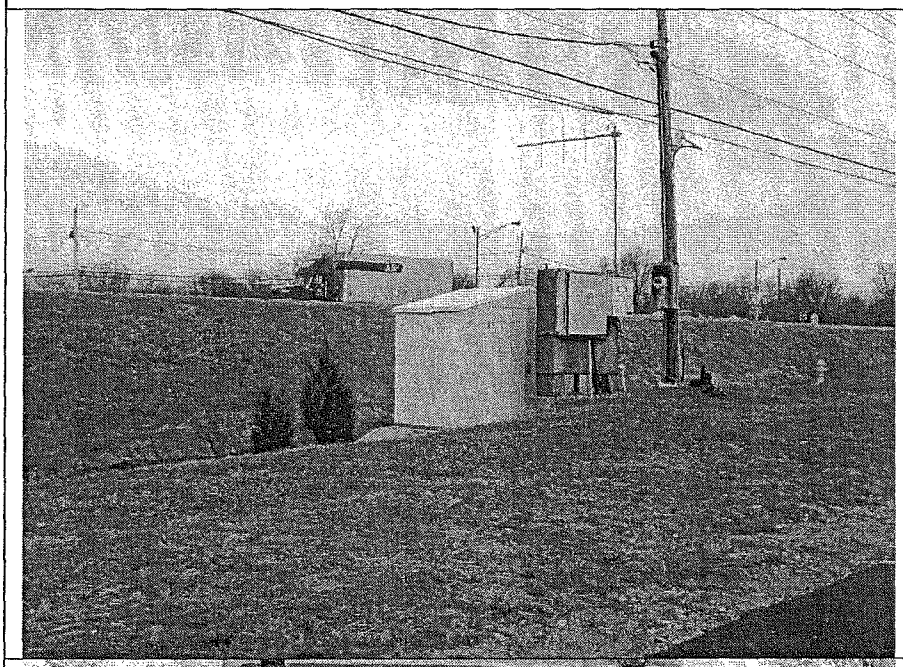
SUBJECT PHOTOGRAPHS



View:

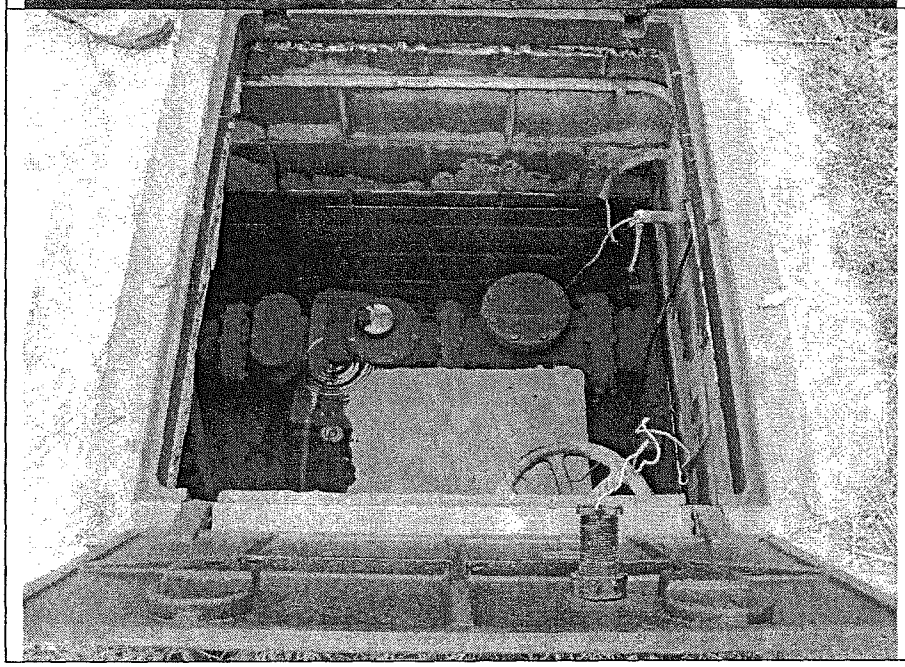
Looking west at 500,000 gallon elevated water tank from Ashland Avenue. Across street from New Whiteland police station..

SUBJECT PHOTOGRAPHS



View:

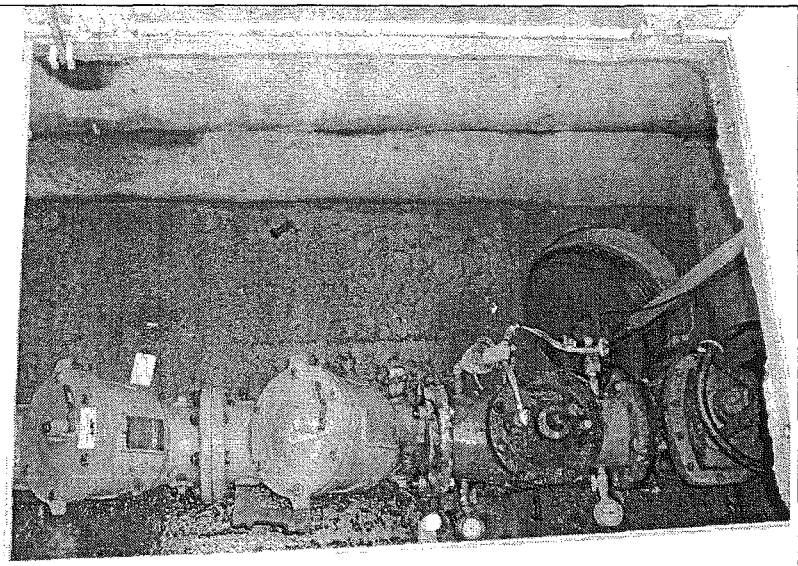
Looking west at booster station adjacent to U.S. 31.



View:

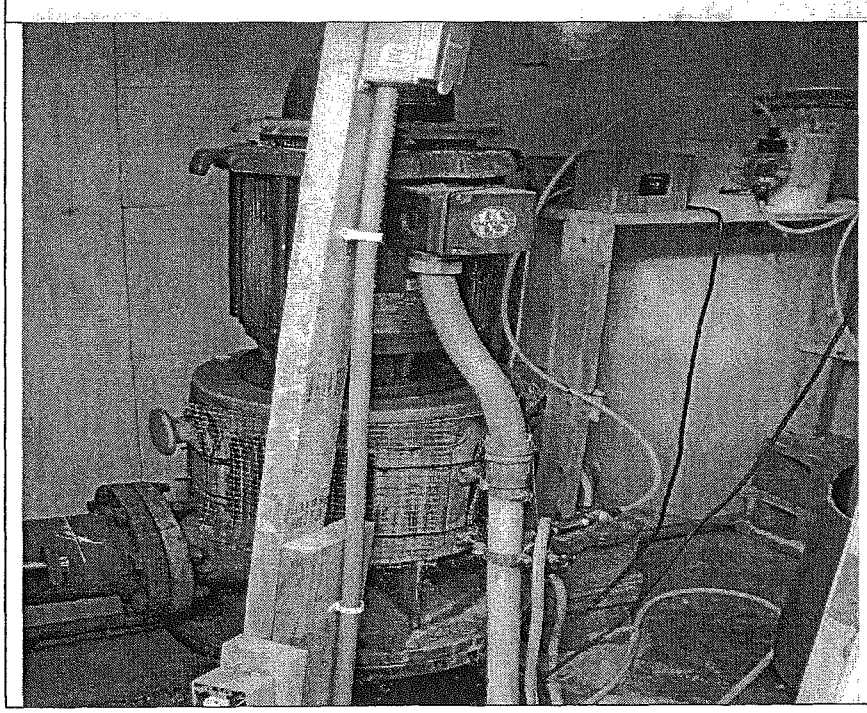
Pit & valve adjacent to booster pump location on U.S. 31.

SUBJECT PHOTOGRAPHS



View:

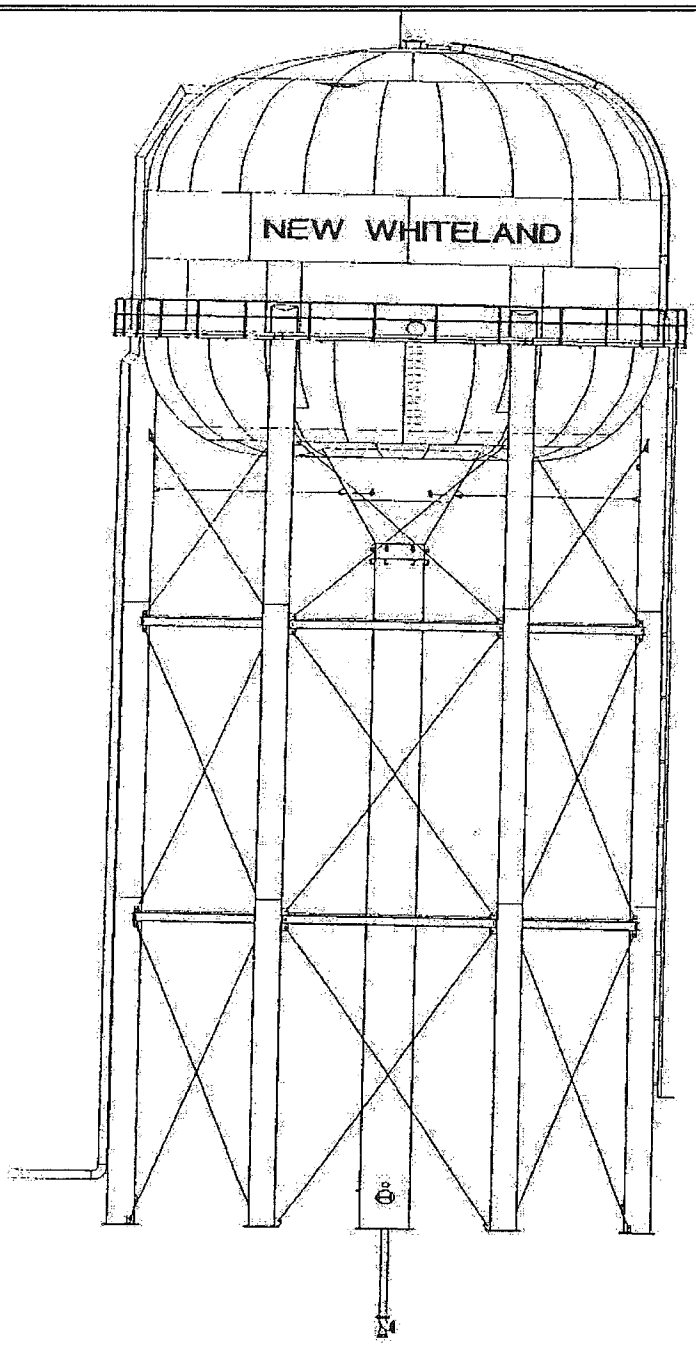
PRV & Backflow Prevention Assembly.



View:

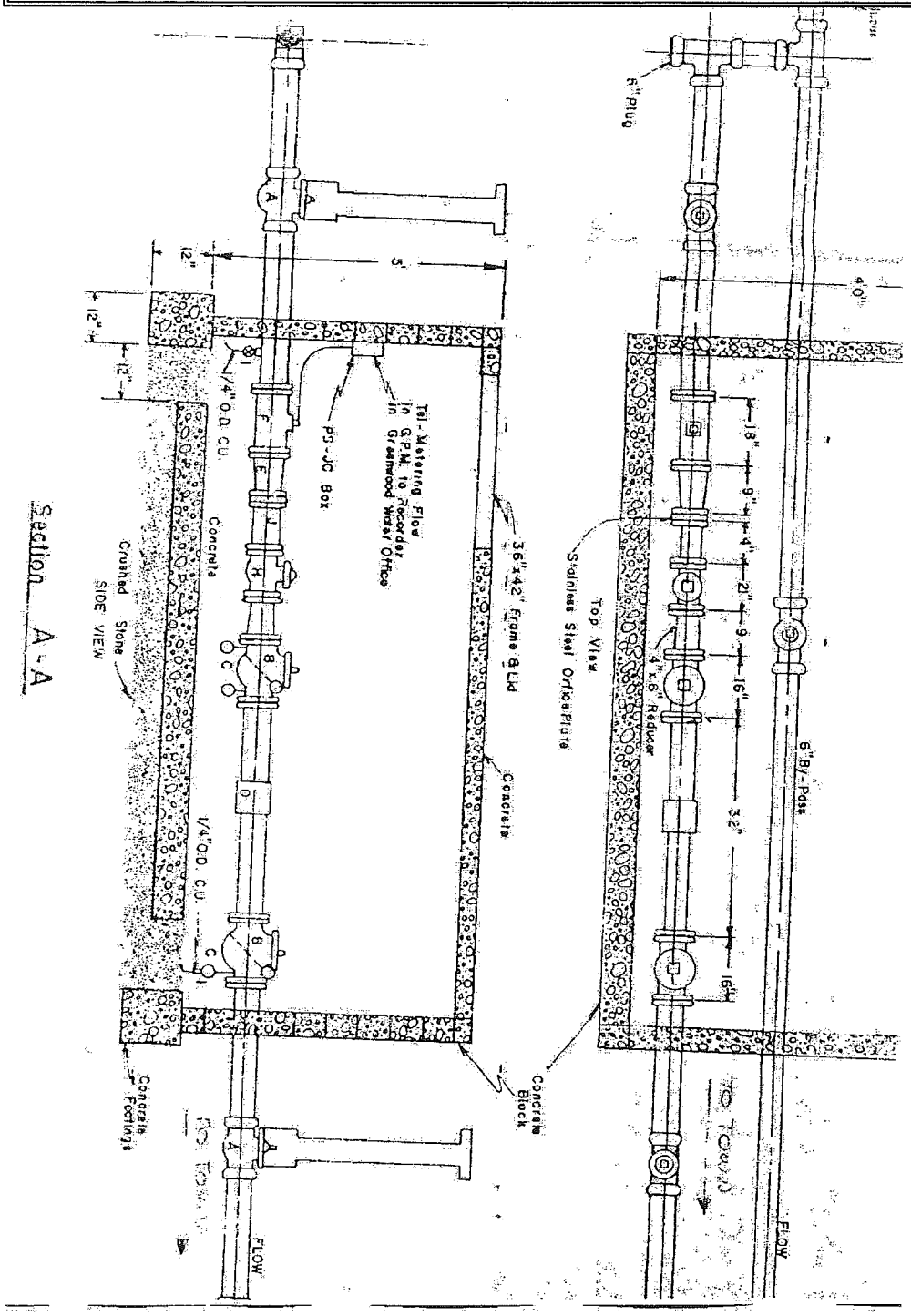
Booster Pump.

Sketch of Elevated 500,000 Gallons Water Tank



500,000 GALLON ELEVATED STORAGE TANK

Sketch & Cross Section of Booster Station



Real Estate Assessments and Taxes

The Indiana property tax is an ad valorem levy on all tangible property in Indiana at rates varying according to the needs of the local taxing units and their assessed valuation. According to the State of Indiana, department of Local Government Finance, real estate assessments are based on the fair market value of the real property as of January 1, 1999. Indiana changed its entire system of real estate assessment effective for the 2002 general reassessment. Market value is the standard for assessments within the United States with 48 states measuring property wealth by market value.

According to tax records examined in the Johnson County Assessor's Offices on March 26, 2009, the subject property('s) was exempt because they were owned by a municipality.

ASSESSED VALUES		
TAX ID	LAND ASSESSMENT	IMPROVEMENT ASSESSMENT
2300 21 13 001/00	$43,300	$0.00
2300 21 03 077/00	$0.00	$0.00
TOTALS	$43,300	$0.00
	TOTAL ASSESSMENT	$43,300

Tax Rates

The subject is located in the Pleasant Township taxing district. The current 2007 payable 2008 tax rates are as follows. The gross tax rate for the subject's taxing district is 2.9459 per $100 of assessed value. The replacement credit for this district is 15.1944%. The net rate results in a rate of $2.4983 per $100 of assessed value.

Tax Status

The Johnson County Treasurer's Office was contacted for the subject properties current tax status. The parcels are municipally owned and therefore tax exempt. The parent parcel for Parcel Tax ID 2300 21 13 001/00 contains 14.44 acres. For the purposes of this appraisal only one-half (½) acre is allotted to this site. The sites are currently municipally owned properties, therefore, tax exempt.

Marketability Study

Today, more than 50,000 water systems exist. Eighty-four percent of those systems serve less than 3,300 people each.34 In general, the water utility industry is too inefficient. For example, less than 1% of the water systems serve more than 100,000 people each.5 For this reason, most utilities have been unable to achieve economies of scale or scope necessary to actually maximize their individual performance. Throughout the U.S., the water utility industry is a patchwork of thousands of privately-owned and government-owned water systems. The majority of water systems are government owned.

For investor-owned water utilities, two very different categories exist. The first category consists of publicly-traded companies. The second category includes thousands of smaller non-publicly traded companies which in many cases are family-owned- and- operated businesses. Typically, these smaller water utilities evolved from land developers for whom the water business was not their primary interest. Furthermore, this group has little experience, if any, in the utility regulatory process.

For the past several years, the water utility industry has been experiencing a consolidation phase.6 In the pre-consolidation phase, 23 U.S. based investor-owned water utilities were publicly traded. Today, the number has declined to 11. The business plans of several large investor-owned water utilities are based upon growth through acquisition of smaller water systems (e.g., Aqua America, Inc.).

A clear consensus among experts in the water utility industry includes:

1. Water rates do not reflect the true costs of providing service, or the value of service. In addition, concerning household income, Americans pay 0.5% for water and wastewater services as compared to 2%-5% for other utility costs.7 Thus, on the basis of the "affordability" argument frequently used by regulators and other stakeholders, water rates could be increased substantially.
2. The capital requirements for rehabilitation, growth, and meeting environmental standards are enormous. According to Mr. Jeremy Pelczer, President and CEO of American Water, approximately $1 trillion of capital investment requirements is needed over the next 20 years.8 In some cases, water utilities face a 225 year replacement cycle.9 In addition, as of September 2003, one-third of U.S. surface waters do not meet water quality standards.10
3. Some utility regulators are overly cautious about authorizing full rate increases for water

3 Mr. Nicholas DeBenedictis, Chairman and CEO, Aqua America Inc., presentation, National Association of Water Companies 2004 Annual Conference, La Quinta, California, October 2004.
4 The EPA's definition of a small water utility is 3,300 customers or fewer.
5 Op. cit.
6 The consolidations include the takeover of government-owned water systems by investor-owned water utilities (IOU) referred to as privatizations; or the takeover of IOU water systems by a government entity referred to as municipalization.
7 Testimony of Mr. Donald L. Correll, President and CEO of Pennichuck Corporation, The Subcommittee on Environment and Hazardous Materials, and Committee on Energy and Commerce, United States House of Representatives, July 22, 2004.
8 2005 NAWC Water Policy Forum, "Summary Report," (Washington: National Association of Water Companies, April 2004), p. 10.
9 Janice A. Beecher, Ph.D. "Mandatory Takeover Policy," *Sourcebook of Regulatory Techniques for Water Utilities*, (Washington: National Association of Water Companies, 2003), Chapter 3.1.
10 Melissa J. Stanford, "Replacing and Securing Water Utility Infrastructure," (Columbus, OH: The National Regulatory Research Institute, February 2004), p. 6.

utilities even though the water utilities' proposed rates do not allow them to fully recover their costs.

4. The public believes that water is a "free good" and suppliers (i.e., water utilities) should provide service that is either free or very inexpensive.11

In the U.S., in terms of rates and service, the investor-owned water utility industry is regulated, for the most part, by individual state public service commissions (PSC) or public utility commissions (PUC). Usually, these commissions have been awarded power to regulate utilities by their state legislatures. Some states regulate hundreds of water utilities. For example, in Arizona, the Arizona Corporation Commission (ACC) regulates approximately 400 water utilities with 300 owners. Typically, the scope of a PSC's regulation encompasses:

1. Setting tariffs (i.e., establishing prices and terms of service);
2. Transferring ownership. (State PSCs have different tests used to evaluate utility mergers and acquisitions. In most cases, the PSCs must find that the merger is "in the public interest.")
3. Approving financing;
4. Establishing accounting policies;
5. Issuing Certificates of Public Convenience and Necessity (CCN);12
6. Ensuring safety;
7. Specifying reporting requirements; and
8. Authorizing diversification.

Many people believe that the utility business is nearly a "risk-free" business and that utilities are guaranteed a profit. This belief is simply wrong. Bankruptcies of huge utilities such as Pacific Gas and Electric Company, El Paso Electric Company, and Public Service Company of New Hampshire result in major news headline coverage and document that the utility business is not risk free. Unfortunately, many small water utilities around the U.S. have filed for bankruptcy. Hundreds of others are experiencing serious financial trouble.13 To further emphasize that water utilities are not necessarily money-making machines, a General Accounting Office (GAO) study reported:

> *"...more than half of the utilities whose revenues from user charges and local sources did not provide sufficient funds to cover their cost of providing service, raised their rates only two times or fewer between 1992-2001."14*

11 David L. Hayward, *Valuing A Water Utility*, (Leucadia, CA: Hayward Consulting Group, 2000), p. vi. This is a very common belief in developing countries where the public believes the government should provide all utility services at low cost if not free. In the United Kingdom, a country that is dominated by nine regional water systems, critics of Margaret Thatcher's privatization polices said: "Look she's even privatizing the rain which falls from the heavens." Thatcher's response was: "The rain may come from the Almighty, but He did not send the pipes, plumbing, and engineering to go with it."

12 State agencies must have U.S. EPA approved procedures in place that prevent certification of new, non-viable systems or a portion of their State Revolving Fund could be withheld.

13 The data regarding the financial condition of investor-owned water utilities is difficult to find. See, Janice A. Beecher, Ph.D., G. Richard Dreese, Ph.D., and James R. Landers, "Viability Policies and Assessment Methods For Small Water Utilities," (Columbus, OH: The National Regulatory Research Institute, 1992), pp. 42, 184.

14 "Replacing and Securing Water Utility Infrastructure," p. 5.

Finally, for the two smallest classes of water utilities (as defined by NAWC), the actual earned rate of return on equity (ROE) for the period 1975-1997 was 3.2% and 1.8%.15 One possible explanation for these low ROE numbers is that many small water utilities are created by land developers who are more concerned about selling land than earning a reasonable return for the water utility. We have experience with many small water utilities that have never paid a dividend and have plowed most, if not, all of their excess earnings back into the utility. In addition, small water utilities may be more interested in avoiding income taxes than showing a profit since they have few, if any, shareholders that are interested in the utility's quarterly earnings per share.

In conclusion to this overview, the water utility industry is the only major utility industry in which:

1. Partial deregulation has not occurred;
2. The product is ingested; and
3. The primary raw material (i.e., water) is "free."
4. Small water utilities: (a) are regarded as inefficient (i.e., little or no economies of scale); (b) have a disproportionate number of environmental violations; and (c) lack financial and operational expertise.16

Rate Increases. A proper utility valuation study should account for potential rate increases. In other industries, the owners or managers have significant control over the timing and amount of price increases. This is not true for regulated utilities. Because utilities operate in a political environment, the ultimate pricing test is frequently the willingness of regulators to authorize rate increases. As previously mentioned in this article, water utility owners/managers have been reluctant to file for rate increases even though the utility's rates are not covering costs. In many cases, the approval (by regulators) of utility mergers and acquisitions are conditioned upon the new utility avoiding a rate increase for a specified period, sharing future profits, or cost savings,17 or perhaps even lowering rates. Finally, regulators generally try to show ratepayers that they are deriving some benefit from the merger (e.g., lower or more stable rates, better service, etc.).

To recap, the water utility environment is very different from other non-regulated industries - particularly in the areas of regulation, accounting, legal issues, and economics.

In this business:

- Long-run planning is required;
- Rates to customers often do not reflect the costs of providing service to them;
- ROEs are historically low for small water utilities; and
- In some cases, the PSCs' authorized rates of return on capital do not fully reflect the utility's risk.

15 David L. Hayward, *Valuing A Water Utility*, Appendix D, p. 10.
16 Mr. DeBenedictis 2004 NAWC presentation.
17 1999 NAWC Water Policy Forum, "Regulatory Incentives for Consolidation: The Public Utility Commission Role in Restructuring the Water Industry, Summary Report and Discussion Paper," (Washington: National Association of Water Companies, April 2004), p. 2-21.

IV ANALYSIS OF DATA AND CONCLUSIONS

Market value is ultimately established by the actions of typical buyers and sellers in the market. These participants set value in accordance with what they perceive as the highest and best use of any specific property. The interaction of value and highest and best use is a fundamental concept from which an estimate of market value is derived.

> Highest and Best Use is defined as..."The reasonably probable and legal use of vacant land or an improved property which is physically possible, appropriately supported, financially feasible and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum profitability."[18]

Highest and Best Use of Land as Vacant

The first consideration of the property as if vacant is to determine what is physically possible. The proposed subject sites consist of two separate 1.0 ± acre tracts of land located in or adjacent to residential subdivisions. The 339 Ballpark Drive property is discussed first. The topography of the Ballpark Drive site is basically level with a slight slope toward the south. The physical characteristics of the site are to be determined following allocation procedure from the 14.44 acres parent tract. It is expected to be rectangular in shape. The proposed parcel abuts a residential subdivision to the north, municipal lands to the east, west and south. The site is close to a natural drainage area running to the southwest through the subject neighborhood. The raw land available is large enough to permit construction of a variety of uses, but its primary value is that of a residential homesite.

The site is situated in the center of the Town of New Whiteland and is accessed off Mooreland Drive via Parkview Drive and Ballpark Drive. All municipal utilities are available to the site.

The second property discussed is the Ashland Avenue (Lot 24 10th Subdivision Second Section). The topography of the Ashland Avenue site is basically level at street grade and with the contiguous properties. The site is triangular in shape with its east boundary fronting along Ashland Avenue. Its north boundary abuts a residential subdivision and its south boundary abuts a commercial property, Seal Point Management, Inc.

The site is situated on the north side of the Town of New Whiteland and is accessed off Tracy Road. Again, all municipal utilities are available to the site.

The next consideration pertains to legal permissibility. As discussed in the Zoning Section of this report, both the subject properties are currently zoned R-1, Low Density Residential. This zoning allows residential uses. The subject property is included in the Town of New Whiteland Zoning Map adopted April, 2005. The subject's current zoning does not influence its value respectively.

If the property were vacant it must also be determined whether construction is financially feasible and results in maximum profitability. Any use that results in a positive return on money invested is

18 The Dictionary of Real Estate Appraisal, Third Edition, Appraisal Institute, 1993.

considered to represent a financially feasible alternative. Potential uses as vacant would include residential linked development. The subject's location, zoning and the characteristics of land development within the subject area would indicate that the highest and best use of the subject parcels, as vacant, would be for single family residential purposes or possible assemblage to municipal owned property, therefore, a special use.

The highest and best use is considered to be residential or special use development.

Highest and Best Use of Land as Improved

The same criterion is utilized in the determination of highest and best use as improved; however, with reference to this analysis the improvements are considered in the final determination. That is, this analysis considers the property as improved and estimates a conclusion based on market information.

The highest and best use of the property, as improved, is along lines of a municipal owned property/entity providing utility service benefiting the Town of New Whiteland and rural properties served by this utility. Both 1.0 acre ± sites, Ballpark Drive and Ashland Avenue, are improved with elevated water tanks. Given the subjects' locations in residential zoned districts, plus the use of contiguous properties, the subject's highest and best use is along special use lines.

The subject's highest and best use is as a special use, municipal water utility. Special use is the subject's highest and best use.

Vacant Land Analysis

The purpose of this section is to estimate the value of the subject land as if unimproved and ready for development. There are six commonly used methods of valuing land in the appraisal practice. All of these are derived from the basic approaches to value. The procedures are (1) Sales Comparison, (2) Allocation, (3) Development, (4) Land Residual, (5) Extraction, and (6) Ground Rent Capitalization. These methods are briefly described below:

1. The *sales comparison method* calls for comparing, weighing and relating past sales of similar real estate to the land being appraised.

2. The *allocation method* calls for a distribution between land and total property value where the total property value is known, usually expressed as a ratio.

3. The *development method* is a process whereby an undeveloped parcel of land is subdivided and sold, subtracting the total development costs from the estimated gross sellout value.

4. The *residual method* is a technique in which the building net income is subtracted from the total property income leaving the lands net income as a residual. This residual is then capitalized at the appropriate capitalization

rate to indicate the land's value.

5. The *extraction method* is similar to the previous method but the improvement contribution is extracted from the sales price of a recent sale resulting in an indication of land value.

6. Straight *capitalization of the ground rent* is a technique that capitalizes a ground rent rate at the appropriate rate into a value that a prudent investor would pay to receive these future benefits.

The most preferred and commonly used method of land valuation is the sales comparison technique. The Sales Comparison Approach in valuing a site also follows the principle of substitution in which a value of a property is determined by the price that must be paid to purchase a property of similar functional utility and desirability. The reliability of this approach quickly loses validity if few comparable properties are found in the market.

Land value was determined by comparing it to similar sites that have recently sold or are currently offered for sale. Comparisons can be made based on a per unit measurement such as sales price per square foot or per acre. The comparable sales used in this report were selected based on their similar highest and best use and land use possibilities.

The elements of comparison considered in this analysis are illustrated on the attached vacant land sales analysis grid. The unit of comparison appropriate for the sites in this market is price per square feet. (Elements of comparison are characteristics of properties and transactions that cause prices to vary. A unit of comparison is simply a component into which a property may be divided for comparison purposes.)

The property rights conveyed in all sales were those equivalent to the fee simple estate. All transactions appear to have been at arm's length. No market conditions adjustment was made to the sales. The market produced evidence within the recent past of property depreciation within the market for vacant multi-family residential building sites in close proximity to the Town of New Whiteland. No appreciation adjustment was considered.

SUMMARY OF SITE SALE COMPARABLES

	Site Sale #1	Site Sale #2	Site Sale #3
Street Address City, State	1537 Thunderbird Ct. Franklin, IN	1390 Wright Ct. Franklin, IN	1817 Acorn Road Franklin, IN
Sale Date	06/27/2008	09/10/2008	05/22/2008
Sales Price	$11,000	$15,500	$13,750
Site Size:	0.20 Acres	0.23 Acres	0.28 Acres
Utilities	On Site	On Site	On Site
Use at Sale	Vacant land	Vacant Land	Vacant Land
Proposed Use	Residential	Residential	Residential
Zoning	R-4, Residential	R-4, Residential	R-4, Residential
Grantor (Seller)	HUD	Hitrin Development, LLC	Zaring Acquisition Company of Indiana, LLC
Grantee (Buyer)	Craig D. Debor	Cricket Ridge, LLC	Lux-Klinker Homes
$ / per Acre	$55,000	$67,391	$49,107
Adjusted $/AC	**$52,250**	**$57,282**	**$46,651**

Site Sale Discussions

The site sales in the preceding table reflect the subject property as vacant and available to be put to its highest and best use. These sales are all similar to the subject and either located in the immediate area or a proximate comparable alternative area. Each offers similar features in comparison to the subject, especially the Ashland Avenue property.

Reconciliation of *Site* Value via Sales Comparison

The selected comparable sites show ranges in value as identified below.

Raw Ranges in Prices	Adjusted Ranges in Prices
$55,000 to $67,391/ AC	$46,000 to $57,000/ AC

The primary unit of comparison identified appears to be sale price per square foot. The sale price per front foot is also investigated, yet the market shows that purchasers do not utilize this unit as frequently as the price per acre or square foot. Therefore, given the site size the sale price per square foot is utilized as the primary unit of comparison.

The above summary shows the subject's value should fall in a range from $50,000 to $55,000 per acre. Giving consideration to this range, the subject's value is concluded at $53,000 per acre.

The comparison of the sales with the subject is done on a useable area. Since all sales were reported on a useable acreage basis, the comparison with the subject is the same. The final conclusion for the improved site of the subject's land value is provided at follows.

Indicated Price / Square Foot	*x*	*Site Size*	=	*Indicated Site Value*
$53,000 / AC	*x*	*0.75/AC*	=	*$39,750*

Rounded $40,000

LAND COMPARABLE GRID

0.75 -Acre Residential Land

Land Sales Analysis Grid

Sale Number	Subject Property	Sale #1 $	%	Sale #2 $	%	Sale #3 $	%
Address	Ballpark & Ashland	1537 Thunderbird Ct.		1390 Wright Ct.		1817 Acorn Road	
City, State	New Whiteland, IN	Franklin, IN		Franklin, IN		Franklin, IN	
Reported Sale Price	n/a	$11,000		$15,500		$13,750	
Plus Buyer Expenditures*	n/a	$0.00		$0.00		$0.00	
Total Buyer Cost	n/a	$11,000	100%	$15,500	100%	$13,750	100%
Gross Site Size (Acres)	0.750	0.200		0.230		0.280	
Gross Site Size (Sq. Ft.)	32,670	8,712		10,019		12,197	
Sale Price / Gross Acre	n/a	$55,000		$67,391		$49,107	
Sale Price / Gross Sq. Ft.	n/a	$1.26		$1.55		$1.13	
Property Rights Conveyed	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Adjustment	$0.00	$0.00	0%	$0.00	0%	$0.00	0%
Financing Terms	Cash Equivalent	Cash Equivalent		Cash Equivalent		Cash Equivalent	
Adjustment	$0.00	$0.00	0%	$0.00	0%	$0.00	0%
Conditions of Sale	Arm's Length	Arm's Length		Arm's Length		Arm's Length	
Adjustment	$0.00	$0.00	0%	$0.00	0%	$0.00	0%
Date of Sale	As of March '09	27-Jun-08		10-Sep-08		22-May-08	
Market Conditions Adj.	$0.00	$0	0.0%	$0	0.0%	$0.00	0.0%
Total Adjusted Price	n/a	$11,000		$15,500		$13,750	
Adj. Price / Acre	n/a	$55,000.00		$67,391.30		$49,107.14	
Location	Average	Average		Superior		Superior	
Adjustment		$0.00	0%	-$6,739.13	-10%	-$4,910.71	-10%
Land Size (Acre)	0.750	0.200		0.230		0.280	
Adjustment		($2,750.00)	-5%	($3,369.57)	-5%	$2,455.36	5%
Zoning at Sale Date	R-4	R-4		R-4		R-4	
Adjustment		$0.00	0%	$0.00	0%	$0.00	0%
Utilities Available	All Available	All Available		All Available		All Available	
Adjustment		$0.00	0%	$0.00	0%	$0.00	0%
Access/Frontage	Average/Average	Average/Average		Average/Average		Average/Average	
Adjustment		$0.00	0%	$0.00	0%	$0.00	0%
Flood Zone	No	No		No		No	
Adjustment		$0.00	0%	$0.00	0%	$0.00	0%
Intended Use	Special Use	Residential		Residential		Residential	
Adjustment		$0.00	0%	$0.00	$0.00	$0.00	0%
Indicated Value / Acre		52,250.00		57,282.61		46,651.79	
Net Adjustments		($2,750.00)	-5%	($10,108.70)	-15%	($2,455.36)	-5%
Reconciled Value / Acre		$53,703.22 /Acre					
Indicated Value		$40,277					
Rounded to Nearest $5,000		**$40,000**					

Cost Approach

The first step in the cost approach is to estimate the reproduction or replacement cost of the improvements to the subject site. There are many accepted methods of estimating the replacement cost of the improvements. In this appraisal, the replacement cost new was estimated using the segregated method. This was accomplished by using the R.S. Means-Building Construction Cost Data.

Cost Estimate

Costs for Pipe and Gate Valves are based upon average prices for the various sizes installed in roadways and in grass or yard areas and include excavation, fittings, bedding, backfill and surface restoration, replacement prices are for PVC (C-900) Pipe.

Entrepreneurial Profit

Entrepreneurial profit is not included in the cost approach. It is believed that this consideration is best illustrated through the discounted cash flow analysis in another section of the report.

Depreciation Estimate

The difference between the improvement's replacement cost and its market value as of the date of the appraisal are known as accrued depreciation. This difference is generally an important consideration in the application of the cost approach. The estimation of accrued depreciation from all causes as of the date of appraisal is necessary.

Depreciation may emanate from three separate sources: (1) physical depreciation, (2) functional obsolescence and (3) external obsolescence. Physical depreciation is generally associated with the wearing or deterioration of an improvement over time and by the use to which the property has been devoted including its on-going maintenance or lack thereof. Functional obsolescence is caused by a market-based problem with the functionality of the floor plan. External obsolescence is generally the result of the location. That is, something outside the property causes a loss in value.

Depreciation Applicable

The existing improvements naturally illustrate physical deterioration because the property has aged. Depreciation rates applicable to these types of improvement generally fall in a broad range from 5% to 90% considering their age and condition. In considering annual depreciation the higher levels of depreciation are usually aligned with the early years of existence. As the system ages, typically the depreciation rate begins to lower somewhat. The primary assets considered are the water tanks, booster stations and piping.

These improvements were originally built in 1954 and continued through 2008. Again, the life expectancy for the primary assets ranges from 20 to 75 years according to R.S. Means

Construction Cost Data.

Cost Approach Summary

The R.S. Means Construction Cost Data was used to estimate the cost of the water utility system elements. The segregated cost estimate is presented on the following page. The addition of a site value, estimated by sales comparison, completes the cost approach to value. The cost approach to value was completed for the "as is" property. The cost approach indication is briefly summarized below with a complete breakdown in the following pages.

The Cost Approach to value was completed for the ***"As Is" property***. The land value is developed only for comparable purposes as regards the Sales Comparison Approach. The Cost Approach indication is briefly summarized below with a complete breakdown following.

Cost Breakdown –" As Is"

Water Utility System:	
Water Tanks:	$1,050,000
Piping:	$4,566,584
Valves & Gates, etc.	$ 195,800
Fire Hydrant	$ 637,000
Meter Pit & Service Installation	$1,498,650
Valve Vault & Booster Station	$ 68,500
Miscellaneous Equipment & Meter Equipment	$ 43,700
Inventory Replaced due to 2008 flood	$ 71,100
TOTAL Replacement Cost New:	$8,131,334
LESS Accrued Depreciation @ 44.22%	<$3,595,494>
Site Improvements:	$5,000
LESS Accrued Depreciation @ 40%:	<$2,000>
Total Cost minus Depreciation:	$4,538,840
PLUS Estimated Site Contribution (value):	$ 40,000
FINAL Cost Indication with Land:	$4,578,840
Total Cost Indication (Rounded):	**$4,575,000**

The cost guidelines were determined by the participating engineers considered to be experts in the realm of utility development costs.

Estimated Cost

The "As Is" value range indication, less land value, of $4,535,000 to $5,752,000 was provided by the participating engineering firm representatives. The land value estimate was provided by the real estate appraisers.

Reconciliation – Cost Approach" As Is"

The "As Is" value developed in the cost approach relied upon the cost figures provided by the engineers participating in the appraisal of the subject property identified as the Town of New Whiteland Water Utility System.

Indicated Value via the Cost Approach "As Is"

Four Million Five Hundred Seventy-Five Thousand Dollars
($4,575,000)

SALES COMPARISON APPROACH

Applicability of Approach to Appraisal Problem

The sales comparison approach is generally used to provide an indication of value in an appraisal problem and, more importantly, indicate that there is a market for this type of property. What we find with utility properties like the subject is that there is a very limited market. The following section is generally used to identify the range in value and a single point estimate for the subject "as is" value.

Most valuation analysts give significant weight to the market approach and, in particular, "comparable transactions." The problems with using this approach for water utilities generally involve some combination of the following factors: timeliness of the data;19 number of companies in the analysis; size of the utilities; and location of assets or utilities. (This last fact is particularly important from a regulatory perspective). To be comparable, the water utilities in the sample should:

1. Be in the same primary business;
2. Have a similar capital structure;
3. Have a similar history of profitability;
4. Be similar in size (e.g., revenues, assets); and
5. Have similar growth rates (sales, customers, assets).

Because of these problems the Market Approach is not considered in this report. The appraisers are relying on the Cost Approach and the Income Approach.

19 Mr. DeBenedictis, presentation, NAWC's 2004 Annual Conference. He stated that most premiums paid for water utilities have ended. (This remark was in the context of a wave of acquisitions of major investor-owned water utilities by European utilities in the late 1990s and the first part of the 21st century.)

INCOME CAPITALIZATION APPROACH

General Discussion

The Income Capitalization Approach is defined as an "Approach through which an appraiser derives a value indication for income producing property by converting anticipated benefits, i.e. cash flows and reversions, into property value. This conversion is accomplished either by 1) capitalizing a single year's income expectancy or an annual average of several years' income expectancies at a market derived capitalization rate or a capitalized rate that reflects a specified income pattern, return on investment and change in the value of the investment; or 2) discounting the annual cash flows for the holding period and the reversion at a specified yield rate."[20]

The appraisal principles that make up the Income Capitalization Approach consist of anticipation and change, supply/demand, substitution, balance and externalities.

This approach presumes that a prudent buyer will pay no more for the right to receive the future income stream of a property than an amount which the buyer may pay to obtain the rights to substitute a future income stream assuming similar quality, quantity and durability of the income streams.

The appraisers' considered two methods of capitalization in the completion of the Income Approach to value. Those were the Direct Capitalization (utilizing Gross Income and Net Income Multipliers) and Yield Capitalization method. The final reconciliation of the Income Approach to value discusses the strength of these approaches.

Information Available

A two-year income and expense history for the subject facility was made available. Your appraiser was also provided with the projected income for the subject property. Market rates for similar type facilities were investigated throughout the state to provide support for the proposed rates of the subject property presented in the both approaches considered.

20 The Dictionary of Real Estate Appraisal, Fourth Edition, Appraisal Institute, 2002.

Direct Capitalization Method – Gross & Net Multipliers

The difficulty in applying the Income Approach to the appraised property lies in the property's special-use nature as well as its organization as a not-for-profit corporation. Special-use properties have inherently small markets that tend to result in little consistency in rates and ratios as a basis for financial analysis. The fact that not-for-profits do not produce earnings somewhat confounds a market-based capitalization of net income. It is for these reasons that the Cost Approach as applied in this appraisal, while very time-consuming to develop, may deserve most emphasis in concluding the property's value. The Income Approach can nevertheless test for financial feasibility and perhaps provide support to the indication of value by the Cost Approach.

The year-end statement of revenues and expenses for the Town of New Whiteland Water Utility, reproduced in the addenda of this appraisal, indicates the utility had total 2008 revenues of $548,252.00. Assuming this is representative of a stabilized year, a market-derived multiple of gross revenue or "sales" could be applied to derive an indication of value. Likewise, the same statement indicates an excess of revenue over expenses of $78,805. This figure seems analogous to Earnings Before Income Taxes (EBIT), suggesting that a market-derived multiple could be applied to this figure to produce an alternate indication of value.

A proper utility valuation study should account for potential rate increases. This having been said, and recognizing the subject's sub-standard rate base when compared to other municipal owned water utility units; a projected revenue for 2009 is used. The new projected statement of revenue and expenses, also reproduced in the addenda of this appraisal, indicates the utility will have projected revenues of $636,858. The same statement also indicates excess revenue over expenses of $105,029. The market derived multiples are applied to this figure to produce an alternate indication of value.

The following transactions result in an array of financial multiples that helps to indicate market multiples for application to the subject's sales as well as its excess of revenues over expenses.

Comparable Transaction No. 1 involves the 1997 acquisition of Indianapolis Water Co. (IWC) by Northern Indiana Public Service Co. (NIPSCO). In a fairness opinion by Goldman Sachs, financial advisor to IWC, leveraged aggregate consideration to IWC was reportedly noted as 2.3x IWC's LTM (Last Twelve Months) sales. The opinion reportedly noted that the transaction produced a multiple of IWC's LTM EBIT (Earnings Before Income Taxes) of 13.4x.

Comparable Transaction No. 2 involved the consolidation of Midwest Energy (MWE) and Iowa Resources (IR) into a new company. The aggregated value of the consideration to the smaller company, Iowa Resources, was reportedly $506 million. The LTM operating revenues on which the property was valued were reported as $360 million. These amounts indicate a multiple of LTM operating revenues of approximately 1.41x. This transaction indicated a ratio of price to LTM earnings of 12.1x.

Comparable Transaction No. 3 involved the merger of Kansas Gas (KG) into Kansas Power (KP). The aggregated value of consideration to Kansas Gas, the smaller of the two companies, was $1 billion, consisting of a cash election with cash limit and a collar on common stock. The LTM operating revenues for Kansas Gas were $533 million, indicating a multiple of LTM operating revenues of 1.88x. The ratio of price to LTM earnings was 18.1x.

Comparable Transaction No. 4 involved the merger of Public Service Co. of New Hampshire (NH) with a subsidiary of Northeast Utilities (NU) pursuant to a plan of reorganization. Based only on an available form of merger agreement, the aggregated value of consideration to Northeast Utilities was reported as $2.3 billion. NH's LTM operating revenues were reportedly approximately $633 million, indicating a reported multiple of 3.63x. The Price/Earnings ratio was not reported.

Comparable Transaction No. 5 involved the merger of Iowa Southern (IS) into IE Industries (IE). Based only on a form of merger agreement, the aggregated value of consideration to Iowa Southern was $264.48 million. Iowa Southern's LTM operating revenues amounted to $138 million. A multiple of LTM operating revenues of 1.92x is indicated. The reported ratio of price to LTM earnings was 11.9x.

Comparable Transaction No. 6 involved the acquisition of Gulf States (GS) by a new holding company into which Entergy (E) was to be merged. The aggregated value of consideration to gulf States was $2.3 billion, consisting of common stock. The LTM operating revenues of Gulf States amounted to $1.702 billion. Thus, aggregate consideration as a multiple of LTM operating revenues was 1.35x. The ratio of price to LTM earnings was reported as 19.4x.

Comparable Transaction No. 7 was the acquisition of PSI Resources Inc. by a new holding company into which Cincinnati Gas & Electric Co. will be merged. The aggregated value of consideration to PSI Resources Inc. was $1.2 billion. Based on PSI's LTM operating revenues of $1.091 billion, a multiple of 1.10x is indicated. The ratio of price to LTM earnings for this transaction reportedly was not meaningful.

Comparable Transaction No. 8 involved the merger of Central and Southwest (CSW) into El Paso Electric (EPE). The aggregated value of consideration to El Paso Electric was $1.33 billion. Based on EPE's LTM operating revenues of $525 million, a multiple of 2.53x is indicated. The ratio of price to LTM earnings was reportedly not meaningful for this transaction.

Comparable Transaction No. 9 involved the consolidation of Washington Water Power (WWP) and Sierra Pacific Resources (SP) into a new company. The aggregated value of consideration to Sierra Pacific Resources was $562 million. SP's LTM operating revenues were $528 million. Thus, aggregate consideration as a multiple of LTM operating revenues was 1.06x. The ratio of price to LTM earnings was reported as 19.4x.

Comparable Tansaction	Utility Acquired/Merged	Multiple of LTM* Sales	Multiple of LTM* Earnings
1	Indianapolis Water Company	2.3x	13.4x
2	Iowa Resources	1.41x	12.1x
3	Kansas Gas	1.88x	18.1x
4	Public Service Company of New Hampshire	3.63x	
5	Iowa Southern	1.92x	11.9x
6	Gulf States	1.35x	19.4x
7	PSI Resources, Inc.	1.10x	
8	El Paso Electric	2.53x	
9	Sierra Pacific Resources	1.06x	19.4x
10	Iowa-Illinois/Midwest Resources	1.07x	11.8x

*LTM = Last Twelve Months

Comparable Transaction No. 10 involved the consolidation of Iowa-Illinois (I) and Midwest Resources (MR) into a new company. The aggregated value of consideration to the smaller company, Iowa-Illinois, was $641.96 million. Iowa-Illinois reportedly had LTM operating revenues of $600 million, indicating a multiple of 1.07x. The reported ratio of price to LTM earnings was 11.8x.

The majority of these data is from LeBoeuf, Lamb, Greene & MacRae LLP as reported in the July 15, 1995, issue of *Public Utilities Fortnightly*. The data are summarized in the following table.

The array of resulting multiples of LTM sales ranges between 1.06x and 3.63x, with most of the indications below 3.0x LTM sales. In selecting the appropriate multiplier for application to the projected sales of Town of New Whiteland Water Utility, it is believed that the area's growth, as discussed earlier in this appraisal, should be taken into consideration. Growth is expected to be minimal given the present local housing market which abruptly stopped in 2007 and has remained flat through 2008 to the present. A projected growth of 1% per year seems appropriate given the present economy and growth opportunity. In the opinion of these appraisers, a multiple of 3.0x to 3.5x would fairly represent this utility's potential for revenue growth. Most water utility base rates for utility units the size of the subject lag behind investor owned utilities and larger municipality utilities.

Particular care must be taken in concluding an appropriate ratio of price to LTM earnings for application to the subject's excess of projected revenues over expenses. The Town of New Whiteland Water Utility is small in comparison to the utilities making up the data in this

analysis. Thus, the appraised property, as a stand-alone utility, deserves a somewhat lower multiple from the perspective of the general market due to size limitations on its ability to achieve these efficiencies as well as the age and condition of its system in place, as alluded to earlier in this appraisal. In the opinion of these appraisers, a market multiple at the upper end of the range established by the comparables is believed justified.

Based on this analysis, these conclusions produce the following indications of the property's value by this method of the Income Approach.

New Whiteland Water Utility Projected Sales	Estimated Market Multiple	Indicated Value
$636,858 x	3.50	= $2,229,003
	Rounded to:	**$2,230,000**
New Whiteland Water Utility		
Projected Excess Revenue		
$105,029 x	18.0	$1,890,522
	Rounded to:	**$1,900,000**

Indication of Value Utilizing Market Multiples

Value from Projected Sales $2,230,000

Value from Projected Excess Revenues.....$1,900,000

Correlated Value

ROUNDED.....$2,200,000

Yield Capitalization Method

Again, the two most common methods of capitalization are Direct Capitalization and Yield Capitalization. Yield Capitalization is defined as a "Method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change, and yield rate.".[21] In this appraisal report the Yield Capitalization method will be used to estimate the value of the subject property as a result of operations, not its physical assets.

To perform yield capitalization, an appraiser

1. Selects an appropriate holding or study period

2. Forecasts all future cash flows or cash flow patterns (including the reversion)

3. Chooses an appropriate yield rate

4. Converts future benefits into present value by discounting each annual future benefit or by developing an overall rate that reflects the income pattern, value change, and yield rate using one of the various yield formulas22

The yield capitalization method (discounted cash flow analysis) is used to provide an indication of value for the market value of the subject property. The yield capitalization method converts all cash flows into a present value indication as of the date of value. The start date of the analysis is the effective date of the report, March 2009.

Utilization of a discounted cash flow is essential when appraising an income producing property such as the subject where future cash flows and expense projections can be forecasted with some level of accuracy. An advantage of the discounted cash flow (DCF) method is its ability to be sensitive to the time value of money. That is, it measures the present worth of variable income when it is received rather than on the less accurate average income basis. As with all capitalization techniques diligence is required in selecting the proper discount rate.

The yield capitalization method was completed with the aid of a proforma statement of operations after water rate increase analysis software. The software is Argus, Version 7.0.03. A detail of the input assumptions used to indicate the value is included in the addendum of this report.

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21 The Dictionary of Real Estate Appraisal, Fourth Edition, Appraisal Institute, 2002.

22 The Appraisal of Real Estate Twelfth Edition, page 549

Holding Period

The holding period for use in the discounted cash flow analysis is projected at 10 years, given the low risk considered. This is also reflected in the discount rate used – 6%. A Moody's Seasoned Corporate Bond was rated from 5.64% to 6.15% between August 2008 and November 2008.

Reversionary Value

A reversionary value capitalized at 8% rate appeared reasonable when viewing the security of the investment in a necessary utility such as the subject.

Discount Rate Selection

To estimate the discount rate used to process the subject's future income streams into a present value, the secure nature of a utility investment was considered and associated most closely to AAA Corporate Bonds or tax Exempt Bond investments. Basically, safe return rates from the market are reflected in the appraisers' choice.

The Income Capitalization Approach may be used to estimate investment value or market value. Investment value reflects a value to a specific investor based on their particular investment criterion. Investment value is subjective and personal. Market value is impersonal, objective and detached. This appraisal is seeking market value unaffected by any going concern value.

CASH FLOW STATEMENT

File C094032
Property Type General
Portfolio

Time 11:17 ar
Ref# AAV
Page 1

Town of New Whiteland
401 Mooreland Drive
New Whiteland, Indiana 46184
SCHEDULE OF PROSPECTIVE CASH FLOW
In Inflated Dollars for the Fiscal Year beginning 3/1/2009

For the Years Ending	Year 1 Feb-2010	Year 2 Feb-2011	Year 3 Feb-2012	Year 4 Feb-2013	Year 5 Feb-2014	Year 6 Feb-2015	Year 7 Feb-2016	Year 8 Feb-2017	Year 9 Feb-2018	Year 10 Feb-2019	Year 11 Feb-2020
GROSS REVENUE											
Metered sales	$636,858	$655,964	$675,643	$695,912	$716,789	$738,293	$760,442	$783,255	$806,753	$830,955	$855,884
Connect charges	13,270	13,668	14,078	14,500	14,936	15,384	15,845	16,320	16,810	17,314	17,834
TOTAL GROSS REVENUE	650,128	669,632	689,721	710,412	731,725	753,677	776,287	799,575	823,563	848,269	873,718
EFFECTIVE GROSS REVENUE	650,128	669,632	689,721	710,412	731,725	753,677	776,287	799,575	823,563	848,269	873,718
OPERATING EXPENSES											
Labor	97,388	99,336	101,322	103,349	105,416	107,524	109,675	111,868	114,106	116,388	118,715
Purchase water and power	217,945	222,304	226,750	231,285	235,911	240,629	245,441	250,350	255,357	260,464	265,674
Repairs and maintenance	36,220	36,944	37,683	38,437	39,206	39,990	40,790	41,605	42,438	43,286	44,152
Salaries	66,406	67,734	69,089	70,471	71,880	73,318	74,784	76,280	77,805	79,361	80,949
Employee pension and benefits	37,704	38,458	39,227	40,012	40,812	41,628	42,461	43,310	44,176	45,060	45,961
Utilities	28,611	29,183	29,767	30,362	30,969	31,589	32,221	32,865	33,522	34,193	34,877
Office supplies and expenses	8,537	8,708	8,882	9,060	9,241	9,426	9,614	9,806	10,002	10,203	10,407
Professional fees	14,893	15,191	15,495	15,805	16,121	16,443	16,772	17,107	17,450	17,799	18,154
Insurance	9,124	9,306	9,493	9,682	9,876	10,074	10,275	10,481	10,690	10,904	11,122
Utility receipts tax	7,876	8,034	8,194	8,358	8,525	8,696	8,870	9,047	9,228	9,413	9,601
Contractual services	9,705	9,899	10,097	10,299	10,505	10,715	10,929	11,148	11,371	11,598	11,830
Cleaning service supplies	1,039	1,060	1,081	1,103	1,125	1,147	1,170	1,193	1,217	1,242	1,267
Dues and subscriptions	4,712	4,806	4,902	5,000	5,100	5,202	5,306	5,413	5,521	5,631	5,744
Advertising	85	87	88	90	92	94	96	98	100	102	104
TOTAL OPERATING EXPENSES	540,245	551,050	562,070	573,313	584,779	596,475	608,404	620,571	632,983	645,644	658,557
NET OPERATING INCOME	109,883	118,582	127,651	137,099	146,946	157,202	167,883	179,004	190,580	202,625	215,161
CASH FLOW BEFORE DEBT SERVICE & INCOME TAX	$109,883	$118,582	$127,651	$137,099	$146,946	$157,202	$167,883	$179,004	$190,580	$202,625	$215,161

PRESENT VALUE SUMMARY

Software : ARGUS Ver. 7.0.03
File : C094032
Property Type : General
Portfolio :

Date : 4/2/09
Time : 11:17 am
Ref# : AAV
Page : 2

Town of New Whiteland
401 Mooreland Drive
New Whiteland, Indiana 46184
PROSPECTIVE PRESENT VALUE
Cash Flow Before Debt Service plus Property Resale
Discounted Annually (Endpoint on Cash Flow & Resale) over a 10-Year Period

Analysis Period	For the Year Ending	Annual Cash Flow	P.V. of Cash Flow @ 4.00%	P.V. of Cash Flow @ 4.50%	P.V. of Cash Flow @ 5.00%	P.V. of Cash Flow @ 5.50%	P.V. of Cash Flow @ 6.00%	P.V. of Cash Flow @ 6.50%	P.V. of Cash Flow @ 7.00%	P.V. of Cash Flow @ 7.50%	P.V. of Cash Flow @ 8.00%
Year 1	Feb-2010	$108,883	$105,657	$105,151	$104,650	$104,155	$103,663	$103,177	$102,694	$102,217	$101,744
Year 2	Feb-2011	118,562	109,635	108,589	107,558	106,540	105,538	104,548	103,575	102,613	101,664
Year 3	Feb-2012	127,651	113,482	111,860	110,270	108,709	107,178	105,676	104,201	102,754	101,334
Year 4	Feb-2013	137,099	117,193	114,966	112,791	110,669	108,595	106,570	104,592	102,659	100,772
Year 5	Feb-2014	146,946	120,778	117,917	115,136	112,433	109,807	107,253	104,770	102,357	100,009
Year 6	Feb-2015	157,202	124,239	120,715	117,307	114,010	110,821	107,736	104,751	101,861	99,064
Year 7	Feb-2016	167,883	127,578	123,365	119,311	115,409	111,652	108,034	104,549	101,192	97,958
Year 8	Feb-2017	179,004	130,796	125,873	121,157	116,639	112,309	108,160	104,182	100,368	96,710
Year 9	Feb-2018	190,580	133,899	128,242	122,850	117,708	112,804	108,126	103,663	99,403	95,338
Year 10	Feb-2019	202,625	136,886	130,476	124,394	118,623	113,145	107,944	103,004	98,313	93,854
Total Cash Flow		1,537,455	1,220,143	1,187,154	1,155,424	1,124,895	1,095,512	1,067,224	1,039,881	1,013,737	988,447
Property Resale @ 8% Cap Rate		2,662,818	1,798,769	1,714,533	1,634,616	1,558,778	1,486,792	1,418,446	1,353,540	1,291,886	1,233,307
Total Property Present Value			$3,018,912	$2,901,687	$2,790,040	$2,683,673	$2,582,304	$2,485,670	$2,393,521	$2,305,623	$2,221,754
Rounded to Thousands			$3,019,000	$2,902,000	$2,790,000	$2,684,000	$2,582,000	$2,486,000	$2,394,000	$2,306,000	$2,222,000
Per SqFt											
PERCENTAGE VALUE DISTRIBUTION											
Prospective Income			40.42%	40.91%	41.41%	41.92%	42.42%	42.94%	43.45%	43.97%	44.49%
Prospective Property Resale			59.58%	59.09%	58.59%	58.08%	57.58%	57.06%	56.55%	56.03%	55.51%
			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Yield Capitalization Conclusion

The prospective present value summary on the previous page illustrates various present value indications for a variety of discount rates. In the preceding analysis a discount rate of 6 percent was chosen as most appropriate. It is definitely reasonable to assume a discount rate between 4.0% and 8.0% given the nature of the existing assets.

At a 6.0% discount rate the final indication of value via the Income Capitalization Approach is $2,582,304. The final *rounded* value indication via the Income Capitalization Approach is $2,600,000.

Income Approach Final Comments

The subjects' assets are designed for a specific use, delivering water to users (clients), operating as a municipal owned water utility. As mentioned in the *market analysis* section of the report water rates "do not reflect the true cost of providing service". This by definition indicates that profit margins are small at best mimicking non-profit organizations in performance. The income approach simply illustrates the gap between the capital investment and the return on investment. As will be discussed in the final reconciliation, this approach is demonstrates the value of the Cost Approach in determining the value of the physical assets involved in delivering product. The following shows the final conclusions of the income approach.

	"As Is"
Income Method of Valuation	**Indication**
Yield Capitalization Indication, Rounded	**$2,600,000**
Final Value Conclusion, via Income Approach	**$2,600,000**

Correlation of Value

The two income methods developed appeared to be supportive of one another to a point; however, more confidence is placed in the yield capitalization method because of the recent income history and reasonable projection of anticipated revenue.

Final Correlated Value Conclusion via Income Approach

$2,600,000

FINAL RECONCILIATION

This appraisal report was completed giving full consideration to Standard One of the *Uniform Standards of Professional Appraisal Practice*. It is considered a complete appraisal, reported in a summary format.

Discussion of Reconciliation

Reconciliation is necessary any time multiple value indications are developed. This allows the rationale for a range in value or single point estimate to be presented. The reconciliation process is basically a discussion of the strengths and weaknesses of each indication of value with a final range in value or single estimate concluded. This section of the report gives the appraiser the latitude to review and evaluate the entire appraisal process. The following discussion is provided to allow the reader to better understand the rationale behind the final value estimate of the subject property "as complete".

Cost Approach

In the application of the cost approach, replacement cost new was estimated with reference to the R.S. Means-Building Construction Cost Data service and the local market. There was sufficient data available to develop a cost new estimate for the improvements.

Considering the market segment for this property to be somewhat cost driven, this approach is regarded as a reliable indication of value. This approach is developed and assigned some emphasis since it should reflect market realities for this type of asset. It is likely that the value indicated by the cost approach is more aligned with a user-purchase of the property.

Sales Comparison Approach

After an investigation of an extended market, and no success in finding comparable sales, this approach to value was regarded as inappropriate. While there appears to be a market for assets like the subject, given that the water utility industry is experiencing a consolidation phase, the sales information is not being made public. An attempt by the appraisers to approach Indiana-American Water Company for sales information was rebuffed. Because this approach could not be developed it was not considered in this report.

Income Approach

Two methods were considered in the income approach. The first method utilized older utility sales in order to develop multipliers (ratios) that could be applied to the income projected to the subject. The appraisers considered these ratios to be relatively constant and therefore applicable to the present revenue generated by customer sales as well as after expense income. This method tended to generally support the Yield Capitalization method.

The yield capitalization method of the income capitalization approach was emphasized over the Direct Approach. In the yield capitalization method, a 10-year projection was forecast with the value being represented by the present value of the future income streams. The

income capitalization merely points out the heavy capitalization required to develop a water utility system and the limited return on capital. This analysis of the income anticipated by the subject simply adds support for emphasizing the cost approach to value. Investors may well look to this income projection in considering their purchase making decisions.

Again, the method that best reflects investors in this market, given the subject's asset value is the cost approach method. With a well-supported cost estimates, having been completed by certified engineers, this method of developing value for properties like the subject, is assigned very heavy emphasis in the reconciliation value.

FINAL CONCLUSIONS

Expressed as a specific point estimate the following conclusion appears most fitting as of the effective date of this value opinion. The estimated market value of the subject property, as of the date of inspection, March 12, 2009, is as follows.

"AS IS"

Approach to Value	Conclusion
Cost approach:	$4,575,000
Sales comparison approach:	N/A
Income capitalization approach:	$2,600,000

Prospective Market Value Opinion

FOUR MILLION FIVE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS ($4,575,000)

*This value is contingent upon subject assets being in good operable condition. Moreover, the value is based on at least a stable market over the projected period. If any of the factors required are found to be false, the value could be significantly impacted.

Marketing Time

A marketing time linked to the final value estimate is considered between 12 and 18 months using an aggressive marketing plan implemented using local real estate agents and various publications listing the property for sale. This estimate is based on available market information, including listings of similar properties.

Exposure Time

The exposure time estimate for the subject is estimated at approximately 6 and 12 months. This estimate is based on typical days on the market of similar properties.

General Addendum

- Letter of Engagement
- Property Record Cards
- Cost Approaches
- 2007-2008 Revenues & Expenses
- Projected Revenues & Expenses
- Comparable Water Rates & Miscellaneous
- Appraiser's Qualifications

LETTER OF ENGAGEMENT

TOWN OF NEW WHITELAND
401 Mooreland Drive · New Whiteland, IN 46184
(317) 535-9487 · Fax (317) 535-7889
www.townofnewwhiteland.com

TOWN OF NEW WHITELAND

RESOLUTION 2009-02

RESOLUTION FOR THE APPRAISAL OF THE WATER UTILITY

Be It Resolved by the Town Council of the Town of New Whiteland, Indiana

WHEREAS, the New Whiteland Town Council desires to have an appraisal of the water utility performed for purposes of potential sale of the same.

BE IT RESOLVED the New Whiteland Town Council has authorized the appointment of three (3) appraisers who are residents of the State of Indiana in accordance with I.C. 8-1.5-2-4 to perform an appraisal of the water utility owned by the Town of New Whiteland. In accordance with I.C. 8-1.5-2-4, the group of appraisers includes one (1) disinterested engineer licensed under I.C. 25-34-1; one (1) disinterested appraiser who is licensed under I.C. 35-34.1 and one (1) disinterested licensed appraiser or engineer.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN OF NEW WHITELAND, INDIANA:

1. The following appraisers are hereby appointed to perform an appraisal of The Town of New Whiteland's water utility property:

Don Corey M D Wessler & Associates, Inc 6219 S. East Street Indianapolis, IN 46227 (317) 788-4551	Pat Zaharako Commonwealth Engineers, Inc 7526 Company Drive Indianapolis, IN 46237-9212 (317) 888-1177	Real Estate Appraiser: Stephen L. Cobb, MAI 808 N. Madison Avenue Greenwood, IN 46142 (317) 885-2534

2. The appraisal shall be submitted to this Council on or before March 31, 2009; and

3. This Resolution is effective immediately and shall continue to such time as required to complete the water utility appraisals.

ADOPTED AND APPROVED THIS 3rd DAY OF FEBRUARY, 2009.

John Perrin, Town Council President

ATTEST:

Maribeth Alspach, Clerk/Treasurer

PROPERTY RECORD CARDS

1-05-21-031-044.000-027 TOWN OF NEW WHITELAND (PARK) 339 BALLPARK DR 640

Tax ID 2300 21 13 001/00 Printed 04/02/2009 Card No. 1 of 1

ADMINISTRATIVE INFORMATION

PARCEL NUMBER
41 05-21-031-044.000-027

Parent Parcel Number

Property Address
339 BALLPARK DR

Neighborhood
60C 100% Exempt

Property Class
640 Exempt: Municipality

TAXING DISTRICT INFORMATION

Jurisdiction	41	Johnson
Area	002	Pleasant
District	027	

Site Description

Topography:
Level

Public Utilities:
All

Street or Road:
Paved

Neighborhood:
Static

Zoning:

Legal Acres:
14.4400

OWNERSHIP

TOWN OF NEW WHITELAND (PARK)
401 MOORELAND DR
NEW WHITELAND, IN 46184

SE NW NE SW S21 T13 R4

TRANSFER OF OWNERSHIP

Date

EXEMPT

VALUATION RECORD

Assessment Year		03/01/1995	03/01/2001	03/01/2002	03/01/2006	03/01/2007
Reason for Change		4Y Reval	100pct AV	4Y Reval	Annual	Annual
VALUATION	L	43300	43300	43300	43300	43300
Appraised Value	B	0	0	0	0	0
	T	43300	43300	43300	43300	43300
VALUATION	L	14430	43300	43300	43300	43300
True Tax Value	B	0	0	0	0	0
	T	14430	43300	43300	43300	43300

LAND DATA AND CALCULATIONS

	Land Type	Rating Soil ID -or- Actual Frontage	Measured Acreage -or- Effective Frontage	Table 120 Effective Depth	Prod. Factor or Depth Factor -or- Square Feet	Base Rate	Adjusted Rate	Extended Value	Influence Factor	Value
1	Homesite	AV	1.0000		1.00	35000.00	35000.00	35000		3500
2	Residential Excess Acreage		13.4400		1.00	15300.00	15300.00	205630		20563

1-05-16-033-015.000-027 TOWN OF NEW WHITELAND ASHLAND AVE 640

Tax ID 2300 21 03 077/00 Printed 03/26/2009 Card No. 1 of 1

ADMINISTRATIVE INFORMATION

PARCEL NUMBER
41-05-16-033.015.000-027

Parent Parcel Number

Property Address
ASHLAND AVE

Neighborhood
600 100% Exempt

Property Class
640 Exempt: Municipality

TAXING DISTRICT INFORMATION

Jurisdiction	41	Johnson
Area	002	Pleasant
District	027	

Site Description

Topography:

Public Utilities:

Street or Road:

Neighborhood:

Zoning:

Legal Acres:
0.0000

OWNERSHIP

TOWN OF NEW WHITELAND
401 MOORELAND DR
NEW WHITELAND, IN 46184

10TH SUB DIV 2ND SEC LOT 24

TRANSFER OF OWNERSHIP

Date

EXEMPT

VALUATION RECORD

Assessment Year		03/01/2002	03/01/2006	03/01/2007
Reason for Change		4Y Reval	Annual	Annual
VALUATION	L	0	0	0
Appraised Value	B	0	0	0
	T	0	0	0
VALUATION	L	0	0	0
True Tax Value	B	0	0	0
	T	0	0	0

LAND DATA AND CALCULATIONS

Land Type	Rating Soil ID -or- Actual Frontage	Measured Acreage -or- Effective Frontage	Table Effective Depth	Prod. Factor -or- Depth Factor -or- Square Feet	Base Rate	Adjusted Rate	Extended Value	Influence Factor	Value

COST APPROACHES

M D Wessler & Associates, Inc.
Cost Approach

1					WATER SYSTEM APPRAISAL							
2					NEW WHITELAND, INDIANA							
3									Useful			Total Cost
4					Unit Cost	Total Cost	Year	Approx.	Life	Percent	Total	Less Total
5	No	Item	Quantity	Unit	To Replace	To Replace	Installed	Age	Expectancy	Depreciated	Depreciated	Depreciation
6	1	4" AC Pipe	6,569	L.F.	30	257,070	1,954	55	75	73.3	188,518	68,552
7	2	6" AC Pipe	6,194	L.F.	32	198,208	1,954	55	75	73.3	145,353	52,855
8	3	2" AC Pipe	729	L.F.	25	18,225	1,960	49	75	65.3	11,907	6,318
9	4	4" AC Pipe	1,844	L.F.	30	55,320	1,960	49	75	65.3	36,142	19,178
10	5	6" AC Pipe	8,723	L.F.	32	279,136	1,960	49	75	65.3	182,369	96,767
11	6	8" AC Pipe	3,119	L.F.	36	112,284	1,960	49	75	65.3	73,359	38,925
12	7	10" AC Pipe	366	L.F.	38	13,908	1,960	49	75	65.3	9,087	4,821
13	8	12" AC Pipe	41	L.F.	45	1,845	1,960	49	75	65.3	1,205	640
14	9	4" AC Pipe	5,823	L.F.	30	174,840	1,965	44	75	58.7	102,573	72,267
15	10	6" AC Pipe	5,890	L.F.	32	188,480	1,965	44	75	58.7	110,575	77,905
16	11	8" AC Pipe	2,994	L.F.	36	107,784	1,965	44	75	58.7	63,233	44,551
17	12	2" AC Pipe	1,875	L.F.	25	46,750	1,970	39	75	52.0	24,310	22,440
18	13	4" AC Pipe	3,836	L.F.	30	115,140	1,970	39	75	52.0	59,873	55,267
19	14	6" AC Pipe	9,056	L.F.	32	289,792	1,970	39	75	52.0	150,692	139,100
20	15	8" AC Pipe	2,347	L.F.	36	84,492	1,970	39	75	52.0	43,936	40,556
21	16	4" DI Pipe	342	L.F.	32	10,944	1,970	39	75	52.0	5,691	5,253
22	17	6" DI Pipe	3,594	L.F.	35	125,790	1,970	39	75	52.0	65,411	60,379
23	18	8" DI Pipe	3,114	L.F.	40	124,560	1,970	39	75	52.0	64,771	59,789
24	19	12" DI Pipe	2,878	L.F.	48	138,144	1,970	39	75	52.0	71,835	66,309
25	20	6" DI Pipe	7,154	L.F.	35	250,390	1,975	34	75	45.3	113,510	136,880
26	21	8" DI Pipe	2,710	L.F.	40	108,400	1,975	34	75	45.3	49,141	59,259
27	22	12" DI Pipe	785	L.F.	48	37,680	1,975	34	75	45.3	17,082	20,598
28	23	8" PVC (C-900)	775	L.F.	36	27,900	1,975	34	75	45.3	12,648	15,252
29	24	6" PVC (C-900)	4,117	L.F.	32	131,744	1,978	31	75	41.3	54,454	77,290
30	25	6"PVC (C-900)	2,958	L.F.	32	94,656	1,990	19	75	25.3	23,980	70,676
31	26	6" PVC (C-900)	1,094	L.F.	32	35,008	1,991	18	75	24.0	8,402	26,606
32	27	8" PVC (C-900)	3,764	L.F.	36	135,504	1,991	18	75	24.0	32,521	102,983
33	28	4" PVC (C-900)	566	L.F.	30	16,980	1,994	15	75	20.0	3,396	13,584
34	29	6" PVC (C-900)	2,392	L.F.	32	76,544	1,994	15	75	20.0	15,309	61,235
35	30	10" PVC (C-900)	5,183	L.F.	38	196,954	1,994	15	75	20.0	39,391	157,563
36	31	4" PVC (C-900)	235	L.F.	30	7,050	2,001	8	75	10.7	752	6,298
37	32	6" PVC (C-900)	39	L.F.	32	1,248	2,001	8	75	10.7	133	1,115
38	33	8" PVC (C-900)	2,272	L.F.	36	81,792	2,001	8	75	10.7	8,724	73,068
39	34	10" PVC (C-900)	5,866	L.F.	38	222,908	2,001	8	75	10.7	23,777	199,131
40	35	8" PVC (C-900)	2,997	L.F.	36	107,892	2,002	7	75	9.3	10,070	97,822
41	36	10" PVC (C-900)	2,225	L.F.	38	84,550	2,002	7	75	9.3	7,891	76,659
42	37	8" PVC (C-900)	5,778	L.F.	36	208,008	2,003	6	75	8.0	16,641	191,367
43	38	8"PVC (C-900)	3,314	L.F.	36	119,304	2,004	5	75	6.7	7,954	111,350
44	39	8" PVC (C-900)	7,760	L.F.	36	279,360	2,005	4	75	5.3	14,899	264,461
45												
46												

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Cost Approach

					WATER SYSTEM APPRAISAL (CONT)							
									Useful			Total Cost
					Unit Cost	Total Cost	Year	Approx.	Life	Percent	Total	Less Total
No	No	Item	Quantity	Unit	To Replace	To Replace	Installed	Age	Expectancy	Depreciated	Depreciated	Depreciatio
54	40	6" & Smaller Gate Valve & Box	40	EA	700	28,000	1,954	55	50	90.0	25,200	2,800
55	41	6" & Smaller Gate Valve & Box	40	EA	700	28,000	1,960	49	50	90.0	25,200	2,800
56	42	6" & Smaller Gate Valve & Box	40	EA	700	28,000	1,970	39	50	78.0	21,840	6,160
57	43	6" & Smaller Gate Valve & Box	20	EA	700	14,000	1,990	19	50	38.0	5,320	8,680
58	44	6" & Smaller Gate Valve & Box	10	EA	700	7,000	2,000	9	50	18.0	1,260	5,740
59	45	8" Gate Valve & Box	10	EA	1,000	10,000	1,960	49	50	90.0	9,000	1,000
60	46	8" Gate Valve & Box	10	EA	1,000	10,000	1,970	39	50	78.0	7,800	2,200
61	47	8" Gate Valve & Box	25	EA	1,000	25,000	1,990	19	50	38.0	9,500	15,500
62	48	8" Gate Valve & Box	10	EA	1,000	10,000	2,000	9	50	18.0	1,800	8,200
63	49	8" Gate Valve & Box	5	EA	1,000	5,000	2,005	4	50	8.0	400	4,600
64	50	10" Gate Valve & Box	2	EA	1,600	3,200	1,960	49	50	90.0	2,880	320
65	51	10" Gate Valve & Box	4	EA	1,600	6,400	1,994	15	50	30.0	1,920	4,480
66	52	10" Gate Valve & Box	4	EA	1,600	6,400	2,001	8	50	16.0	1,024	5,376
67	53	10" Gate Valve & Box	3	EA	1,600	4,800	2,002	7	50	14.0	672	4,128
68	54	12" Gate Valve & Box	1	EA	2,000	2,000	1,960	49	50	90.0	1,800	200
69	55	12" Gate Valve & Box	2	EA	2,000	4,000	1,970	39	50	78.0	3,120	880
70	56	12" Gate Valve & Box	1	EA	2,000	2,000	1,980	29	50	58.0	1,160	840
71	57	12" Gate Valve & Box	1	EA	2,000	2,000	2,008	1	50	2.0	40	1,960
72	58	Fire Hydrant w/ Valve & Box	12	EA	3,500	42,000	1,970	39	50	78.0	32,760	9,240
73	59	Fire Hydrant w/ Valve & Box	85	EA	3,500	297,500	1,990	19	50	38.0	113,050	184,450
74	60	Fire Hydrant w/ Valve & Box	85	EA	3,500	297,500	2,000	9	50	18.0	53,550	243,950
75	61	Meter Pit & Service Installation	341	EA	600	204,600	1,950	59	40	90.0	184,140	20,460
76		5/8"x3/4" Meters	341	EA	125	42,625	1,950	59	15	90.0	38,363	4,263
77	62	Meter Pit & Service Installation	341	EA	600	204,600	1,960	49	40	90.0	184,140	20,460
78		5/8"x3/4" Meters	341	EA	125	42,625	1,960	49	15	90.0	38,363	4,263
79	63	Meter Pit & Service Installation	150	EA	600	90,000	1,970	39	40	90.0	81,000	9,000
80		5/8"x3/4" Meters	150	EA	125	18,750	1,970	39	15	90.0	16,875	1,875
81	64	Meter Pit & Service Installation	192	EA	600	115,200	1,970	39	40	90.0	103,680	11,520
82		5/8"x3/4" Meters	192	EA	125	24,000	1,970	39	15	90.0	21,600	2,400
83	65	Meter Pit & Service Installation	342	EA	600	205,200	1,980	29	40	72.5	148,770	56,430
84		5/8"x3/4" Meters	342	EA	125	42,750	1,980	29	15	90.0	38,475	4,275
85	66	Meter Pit & Service Installation	342	EA	600	205,200	1,990	19	40	47.5	97,470	107,730
86		5/8"x3/4" Meters	342	EA	125	42,750	1,990	19	15	90.0	38,475	4,275
87	67	Meter Pit & Service Installation	342	EA	600	205,200	2,000	9	40	22.5	46,170	159,030
88		5/8"x3/4" Meters	342	EA	125	42,750	2,000	9	15	60.0	25,650	17,100
89	68	Meter Pit & Service Installation	6	EA	700	4,200	2,000	9	40	22.5	945	3,255
90		1" Meter	6	EA	150	900	2,000	9	15	60.0	540	360
91	69	Meter Pit & Service Installation	2	EA	700	1,400	2,000	9	40	22.5	315	1,085
92		1 1/2" Meter	2	EA	200	400	2,000	9	15	60.0	240	160
93	70	Meter Pit & Service Installation	1	EA	1,000	1,000	2,000	9	40	22.5	225	775
94		2" Meter	1	EA	500	500	2,000	9	15	60.0	300	200
95	71	Meter Pit & Service Installation	1	EA	3,000	3,000	2,000	9	40	22.5	675	2,325
96		3" Meter	1	EA	1,000	1,000	2,000	9	15	60.0	600	400

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Cost Approach

WATER SYSTEM APPRAISAL (CONT)

No	Item	Quantity	Unit	Unit Cost To Replace	Total Cost To Replace	Year Installed	Approx. Age	Life Expectancy	Useful Percent Depreciated	Total Depreciated	Total Cost Less Total Depreciation
72	Valve Vault @ Booster Station	1	EA	3,000	3,000	1,996	13	40	32.5	975	2,025
	6" Press Red. Valve & Backflow										
	Prevention Assembly	1	EA	35,000	35,000	1,996	13	20	65.0	22,750	12,250
73	Valve Vault @ Hawthorn Bloom Dr.	1	EA	3,000	3,000	2,004	5	40	12.5	375	2,625
	8" Pressure Reducing Assembly	1	EA	8,000	8,000	2,004	5	20	25.0	2,000	6,000
74	Booster Sta.700 GPM Pump &										
	25 HP Motor	1	EA	18,000	18,000	1,998	11	20	55.0	9,900	8,100
75	Booster Sta. Enclosure	1	EA	1,000	1,000	1,994	15	15	90.0	900	100
76	Booster Sta. Phosphate Feed	1	EA	500	500	1,994	15	10	90.0	450	50
77	SCADA Equipment 1 Tank & B.S.	1	L.S.	20,000	20,000	1,998	11	20	55.0	11,000	9,000
78	SCADA Equip. Replaced 2008 Flood	1	L.S.	8,500	8,500	2,008	1	20	5.0	425	8,075
79	Meter Reading Equipment	2	EA	5,000	10,000	1,998	11	15	73.3	7,333	2,667
80	Meter Read. Equip.Replaced 2008	1	EA	5,200	5,200	2,008	1	15	6.7	347	4,853
81	100,000 Gal Elevated Water Tank	1	EA	225,000	225,000	1,975	34	75	45.3	102,000	123,000
82	500,000 Gal Elavated Water Tank	1	EA	825,000	825,000	1,994	15	75	20.0	165,000	660,000
83	Inventory Replaced Due to 2008 Floo	1	LS	71,100	71,100	2,008	1	5	20.0	14,220	56,880
					8,131,334					3,595,494	4,535,840

NOTES:

The Useful Life Expectancy has been assigned to the various elements using informatoin published by the Government Accounting Standards Board's (GASB) Statement 34 and Water Resources Engineering. The Useful Life Expectancy is a conservative life estimate of facilities and should be shorter than the full expected service life. Therefore a maximum depreciation of 90% has been used to provide value to items still in service or for salvage value. Published information does not include a useful life for each element listed. The assigned values aree based on similar elements of the system.

The Replacement Costs assigned to the various facilities are estimated new construction costs. These costs are based upon Bid Tabulations our company has received on similar projects, material costs provided by suppliers, and the R.S. Means-Building Construction Cost Data. Replacement costs are difficult to extablish due to the volatility of the prices of steel and petroleum derivative products.

Costs for Pipe and Gate Valves are based upon average prices for the various sizes installed in roadways and in grass or yard areas and include excavation, fittings, bedding, backfill and surface restiration. AC Pipe is no longer used in water works system. Therefore replacement prices are for PVC (C-900) Pipe.

Costs for Fire Hydrants are based upon the cost of the hydrant with two 2 1/2" nozzles and one 4 1/2" pumper nozzle and a 6" gate valve & box installed complete.

Costs for Meter pits and Meters are based upon the costs of service line, saddle and corp stop, meter yoke or setter, meter pit & lid and remote read meter installed complete.

The Booster Station was installed in the mid 1970's. The pump and motor were replaced in 1998.

SCADA Equipment for one elevated tank and one Meter Reading Hand Held Probe were replaced in the fall of 2008 because of the flood.

The depreciated cost estimated above is **$4,535,840**.

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Cost Approach

1					
2	**NEW WHITELAND WATER UTILITY**				
3	**PRESENT DAY COSTS USED TO ESTIMATE**				
4	**ORIGINAL CONSTRUCTION COST**				
5					
6	The following figures were used as the basis for the current estimated cost for some				
7	for the water facilities included in this appraisal.				
8					
9					
10	**2009 Water Main Cost**				
11					
12		2" Water Main - AC	$	29.00	per LF
13		4" Water Main - AC	$	30.00	per LF
14		4" Water Main - PVC - C900	$	32.00	per LF
15		4" Water Main - DI	$	50.00	per LF
16		6" Water Main - AC	$	34.00	per LF
17		6" Water Main - PVC - C900	$	38.00	per LF
18		6" Water Main - DI	$	46.00	per LF
19		8" Water Main - AC	$	37.00	per LF
20		8" Water Main - PVC - C900	$	43.00	per LF
21		8" Water Main - DI	$	53.00	per LF
22		10" Water Main - AC	$	40.00	per LF
23		10" Water Main - PVC - C900	$	50.00	per LF
24		10" Water Main - DI	$	62.00	per LF
25		12" Water Main - AC	$	44.00	per LF
26		12" Water Main - PVC - C900	$	57.00	per LF
27		12" Water Main - DI	$	70.00	per LF
28					
29	**2009 Gate Valve Cost**				
30					
31		6" Gate Valves & Smaller	$	750	Each
32		8" and 10" Gate Valves	$	1,200	Each
33		12" Gate Valve	$	2,000	Each
34					
35					
36	**2009 Fire Hydrant Assembly with Aux Valve**		$	3,000	Each
37	**2009 Fire Hydrant Assembly without Aux Valve**		$	2,000	Each
38					

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Cost Approach

38								
39	**2009 Elevated Storage Tank**							
40		100,000 gallons					$ 420,000	Each
41		500,000 gallons					$ 950,000	Each
42								
43	**2009 Service Lines(Tap to Pit)**							
44		3/4"					$ 450	Each
45		1"					$ 470	Each
46		1.5"					$ 500	Each
47		2"					$ 550	Each
48		3"					$ 650	Each
49								
50	**2009 Meters**							
51		3/4"					$ 56	Each
52		1"					$ 60	Each
53		1.5"					$ 133	Each
54		2"					$ 217	Each
55		3"					$ 591	Each
56								
57	**2009 Meter Installations (Meter Pit)**							
58		3/4"					$ 250	Each
59		1"					$ 300	Each
60		1.5"					$ 400	Each
61		2"					$ 750	Each
62		3"					$ 3,100	Each
63								
64	2009 Water Booster Station							
65		25 HP					$ 25,000	Each
66								
67	2009 Backflow Preventer Station							
68		6"					$ 12,000	Each
69								
70	2009 Pressure Reducing Station							
71		6"					$ 12,000	Each
72								
73	2009 Master Meter Stations							
74		4"					$ 9,500	Each
75		6" + 1.5"					$ 16,200	Each
76								

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Cost Approach

76	
77	Water Main, Valves and Hydrants cost based on means manuals material prices from HD supply.
78	and with input based upon local bidding costs.
79	AC pipe discounts materials for obsolescence
80	Tank prices based on current pricing information from Phoenix Tank
81	
82	
83	

The above spreadsheet contains the estimated value of the water facilities for the Town of New Whiteland, Indiana based on replacement cost depreciated. The estimate of value of the utility rounded to the nearest $10,000 to be $5,000,000 without any engineering and $5,750,000 with a 15% allowance for engineering.

ESTIMATED VALUE OF WATER FACILITIES - REPLACEMENT COST DEPRCIATED

TOWN OF NEW WHITELAND, INDIANA

Description	Quantity	Units	Current Unit Prices	Total Est. Repl. Cost	Balance of Useful Life	Total Est. Current Value
1954 - New Whiteland Mains						
4" Water Main, AC	8,569	LF	$ 30	$ 257,070	0.26666667	$ 68,552
6" Water Main, AC	6,194	LF	$ 34	$ 210,596	0.26666667	$ 56,159
1960 - New Whiteland Mains						
2" Water Main, AC	729	LF	$ 29	$ 21,141	0.34666667	$ 7,329
4" Water Main, AC	1,844	LF	$ 30	$ 55,320	0.34666667	$ 19,178
6" Water Main, AC	8,723	LF	$ 34	$ 296,582	0.34666667	$ 102,815
8" Water Main, AC	3,119	LF	$ 37	$ 115,403	0.34666667	$ 40,006
10" Water Main, AC	366	LF	$ 40	$ 14,640	0.34666667	$ 5,075
12" Water Main, AC	41	LF	$ 44	$ 1,804	0.34666667	$ 625
1965 - New Whiteland Mains						
4" Water Main, AC	5,828	LF	$ 30	$ 174,840	0.41333333	$ 72,267
6" Water Main, AC	5,890	LF	$ 34	$ 200,260	0.41333333	$ 82,774
8" Water Main, AC	2,994	LF	$ 37	$ 110,778	0.41333333	$ 45,788
1970 - New Whiteland Mains						
2" Water Main, AC	1,870	LF	$ 29	$ 54,230	0.48	$ 26,030
4" Water Main, AC	3838	LF	$ 30	$ 115,140	0.48	$ 55,267
6" Water Main, AC	9056	LF	$ 34	$ 307,904	0.48	$ 147,794
8" Water Main, AC	2347	LF	$ 37	$ 86,839	0.48	$ 41,683
4" Water Main, DI	342	LF	$ 50	$ 17,100	0.48	$ 8,208
6" Water Main, DI	3594	LF	$ 46	$ 165,324	0.48	$ 79,356
8" Water Main, DI	3114	LF	$ 53	$ 165,042	0.48	$ 79,220
12" Water Main, DI	2878	LF	$ 70	$ 201,460	0.48	$ 96,701
1975 - New Whiteland Mains						
6" Water Main, AC	7154	LF	$ 34	$ 243,236	0.54666667	$ 132,969
8" Water Main, AC	2710	LF	$ 37	$ 100,270	0.54666667	$ 54,814
12" Water Main, DI	785	LF	$ 70	$ 54,950	0.54666667	$ 30,039
8" Water Main, PVC	775	LF	$ 43	$ 33,325	0.54666667	$ 18,218
1978 - New Whiteland Mains						
6" Water Main, PVC	4117	LF	$ 38	$ 156,446	0.58666667	$ 91,782
1990 - New Whiteland Mains						
6" Water Main, PVC	2958	LF	$ 38	$ 112,404	0.74666667	$ 83,928
1991 - New Whiteland Mains						
6" Water Main, PVC	1,094	LF	$ 38	$ 41,572	0.76	$ 31,595
8" Water Main, PVC	3,764	LF	$ 43	$ 161,852	0.76	$ 123,008
1994 - New Whiteland Mains						
4" Water Main, PVC	566	LF	$ 32	$ 18,112	0.8	$ 14,490
6" Water Main, PVC	2,392	LF	$ 38	$ 90,896	0.8	$ 72,717

45	10" Water Main, PVC	5,183	LF	$ 50	$ 259,150	0.8	$ 207,320
46	**2001 - New Whiteland Mains**						
47	4" Water Main, PVC	235	LF	$ 32	$ 7,520	0.89333333	$ 6,718
48	6" Water Main, PVC	39	LF	$ 38	$ 1,482	0.89333333	$ 1,324
49	8" Water Main, PVC	2,272	LF	$ 43	$ 97,696	0.89333333	$ 87,275
50	10" Water Main, PVC	5,866	LF	$ 50	$ 293,300	0.89333333	$ 262,015
51	**2002 - New Whiteland Mains**						
52	8" Water Main, PVC	2,997	LF	$ 43	$ 128,871	0.90666667	$ 116,843
53	10" Water Main, PVC	2,225	LF	$ 50	$ 111,250	0.90666667	$ 100,867
54	**2003 - New Whiteland Mains**						
55	8" Water Main, PVC	5,778	LF	$ 43	$ 248,454	0.92	$ 228,578
56	**2004 - New Whiteland Mains**						
57	8" Water Main, PVC	3,314	LF	$ 43	$ 142,502	0.93333333	$ 133,002
58	**2005 - New Whiteland Mains**						
59	8" Water Main, PVC	7,760	LF	$ 43	$ 333,680	0.94666667	$ 315,884
60	**1975 - Elevated Storage Tank**						
61	0.10 MG Tank	1	EA	$ 420,000	$ 420,000	0.54666667	$ 229,600
62	**1994 - Elevated Storage Tank**						
63	0.50 MG Tank	1	EA	$ 950,000	$ 950,000	0.8	$ 760,000
64	**1970 - Fire Hydrants and Auxillary Boxes**						
65	Fire Hydrant	12	Ea	$ 3,000	$ 36,000	0.1	$ 3,600
66	**1990 - Fire Hydrants and Auxillary Boxes**						
67	Fire Hydrant	85	Ea	$ 3,000	$ 255,000	0.24	$ 61,200
68	**2000 - Fire Hydrants and Auxillary Boxes**						
69	Fire Hydrant	85	Ea	$ 3,000	$ 255,000	0.64	$ 163,200
70	**1950 - Water Services with 5/8" Meter Setting**						
71	Services	341	Ea	$ 450	$ 153,450	0.1	$ 15,345
72	Meters	341	Ea	$ 56	$ 19,096	0.1	$ 1,910
73	Meter Installations	341	Ea	$ 250	$ 85,250	0.1	$ 8,525
74	**1960 - Water Services with 5/8" Meter Setting**						
75	Services	341	Ea	$ 450	$ 153,450	0.1	$ 15,345
76	Meters	341	Ea	$ 56	$ 19,096	0.1	$ 1,910
77	Meter Installations	341	Ea	$ 250	$ 85,250	0.1	$ 8,525
78	**1970 - Water Services with 5/8" Meter Setting (Inside Settings)**						
79	Services	150	Ea	$ 450	$ 67,500	0.1	$ 6,750
80	Meters	150	Ea	$ 56	$ 8,400	0.1	$ 840
81	Meter Installations	150	Ea	$ 250	$ 37,500	0.1	$ 3,750
82	**1970 - Water Services with 5/8" Meter Setting (Outside Settings)**						
83	Services	192	Ea	$ 450	$ 86,400	0.1	$ 8,640
84	Meters	192	Ea	$ 56	$ 10,752	0.1	$ 1,075
85	Meter Installations	192	Ea	$ 250	$ 48,000	0.1	$ 4,800
86	**1980 - Water Services with 5/8" Meter Setting**						
87	Services	342	Ea	$ 450	$ 153,900	0.275	$ 42,323

88		Meters	342	Ea	$ 56	$ 19,152	0.1	$ 1,915
89		Meter Installations	342	Ea	$ 250	$ 85,500	0.275	$ 23,513
90	1990 - Water Services with 5/8" Meter Setting							
91		Services	342	Ea	$ 450	$ 153,900	0.525	$ 80,798
92		Meters	342	Ea	$ 56	$ 19,152	0.1	$ 1,915
93		Meter Installations	342	Ea	$ 250	$ 85,500	0.525	$ 44,888
94	2000 - Water Services with 5/8" Meter Setting							
95		Services	286	Ea	$ 450	$ 128,700	0.775	$ 99,743
96		Meters	286	Ea	$ 56	$ 16,016	0.4	$ 6,406
97		Meter Installations	286	Ea	$ 250	$ 71,500	0.775	$ 55,413
98	2000 - Water Servcies with 1" Meter Setting							
99		Services	6	Ea	$ 470	$ 2,820	0.775	$ 2,186
100		Meters	6	Ea	$ 60	$ 360	0.4	$ 144
101		Meter Installations	6	Ea	$ 300	$ 1,800	0.775	$ 1,395
102	2000 - Water Services with 1-1/2" Meter Setting							
103		Services	2	Ea	$ 500	$ 1,000	0.775	$ 775
104		Meters	2	Ea	$ 133	$ 266	0.4	$ 106
105		Meter Installations	2	Ea	$ 400	$ 800	0.775	$ 620
106	2000 - Water Services with 2" Meter Setting							
107		Services	1	Ea	$ 550	$ 550	0.775	$ 426
108		Meters	1	Ea	$ 217	$ 217	0.4	$ 87
109		Meter Installations	1	Ea	$ 750	$ 750	0.775	$ 581
110	2000 - Water Services with 3" Meter Setting							
111		Services	1	Ea	$ 650	$ 650	0.775	$ 504
112		Meters	1	Ea	$ 591	$ 591	0.4	$ 236
113		Meter Installations	1	Ea	$ 3,100	$ 3,100	0.775	$ 2,403
114	1975 - Water Booster Station							
115		25-Hp Booster Station	1	LS	$ 25,000	$ 25,000	0.32	$ 8,000
116	1996 - Backflow Preventer							
117		6-in BFV	1	LS	$ 12,000	$ 12,000	0.675	$ 8,100
118	2004 - PRV Station							
119		6-in PRV Station	1	LS	$ 12,000	$ 12,000	0.875	$ 10,500
120	1975 - Master Meters							
121		4-in MM	1	LS	$ 9,500	$ 9,500	0.15	$ 1,425
122	2004 - Master Meters							
123		6-in (high flow) + 1-1/2" (low flow	1	LS	$ 16,200	$ 16,200	0.875	$ 14,175
124	2009 - Inventory Items							
125		Inventory	1	LS	$ 87,835	$ 87,835	1	$ 87,835
126	Valves (assume 28 yrs average age)							
127		Valves (6-in & smaller)	150	Ea	$ 750	$ 112,500	0.3	$ 33,750
128		Valves (8-in & 10-in)	73	Ea	$ 1,200	$ 87,600	0.3	$ 26,280
129		Valves (12-in)	4	Ea	$ 2,000	$ 8,000	0.3	$ 2,400
130								
131		Engineering at 15 Percent				$ 1,352,317		$ 750,310
132		TOTAL				$ 10,367,761		$ 5,752,375

1		Utility Asset Depreciation Table	
2			
3			
4	Utility Component	Estimated Life Expectancy	Depreciation per Year
5		(Years)	
6	Water Supply Well	50	2.00%
7	Elevated Tank	75	1.33%
8	Water Treatment Plant	40	2.50%
9	Booster Pumps	20	5.00%
10	Water Mains	75	1.33%
11	Water Valves	40	2.50%
12	Fire Hydrants	25	4.00%
13	Water Meters	15	6.67%
14	Water Services	40	2.50%
15	Booster Stations	50	2.00%
16	Treatment Equipment	20	5.00%
17	Electrical Equipment	15	6.70%
18	Backflow Preventer Station	40	2.50%
19	Pressure Reducing Station	40	2.50%
20	Master Meter Station	40	2.50%
21			
22	Estimated average life expectancy for entire structure		
23	Depreciation based on upon straight line depreciation.		
24	Minimum asset depreciation of 10% based on either still in service or salvage value.		
25			

OUCC DR 1.6 (Supplemental)

DATA REQUEST
Indiana-American Water Company, Inc.
and
City of Charlestown, Indiana

Cause No. 44976

Information Requested:

Please provide any studies or analysis Indiana-American has performed to determine the effect on Indiana-American's base rates as a result of acquiring the Charlestown system.

Objection:

Indiana American objects to the Request on the grounds and to the extent the request seeks information which is trade secret or other proprietary, confidential and competitively sensitive business information of Indiana American. Indiana American has made reasonable efforts to maintain the confidentiality of this information. Such information has independent economic value and disclosure of the requested information would cause an identifiable harm to Indiana American. The attachments are "trade secret" under law (Ind. Code § 24-2-3-2) and entitled to protection against disclosure. All attachments containing designated confidential information are being provided pursuant to the Confidentiality Agreement between Indiana American and the OUCC in connection with the current proceeding.

Information Provided:

Subject to and without waiver of the foregoing objections, Indiana American responds as follows:

Please see the response to OUCC 1.5, which includes the 2018 Projected Income Statement for the Charlestown acquisition.

Additionally and as was noted in the pending Cause No. 44915 regarding the proposed acquisition of the Georgetown Water System by Indiana American, Indiana American disagrees with the OUCC's implication that Ind. Code §8-1-30.3-5(d)(2) requires an analysis of the possible effect of the acquisition in future hypothetical Indiana American rate cases as there are too many unknown variables to predict what effect the proposed acquisition "will" have on rates in those cases. Nevertheless, in light of the OUCC's

position in Cause No. 44915, Indiana American has conducted an analysis of the effect the acquisition "might" have in future rate cases, and this analysis is attached as OUCC DR 1.6-R1. It can generally be assumed with an acquisition of a utility that has its own source of supply that the operating costs per customer of an acquisition should be roughly equivalent to the current Indiana American operating costs per customer. This is the benefit of the economies of scale that are captured with regionalization as detailed in the Indiana Finance Authority report with is Joint Petitioners' Attachment MP-4, p. 10 & Figure 2. The rates that Charlestown customers will pay following the closing pursuant to Indiana American's Area One Rate Group Tariff should recover that average cost per customer plus average return per customer. The cost that may differ on a per customer basis is the cost of capital depending upon how the required investment per customer to acquire the system compares to Indiana American's existing investment per customer. If the required investment per customer of an acquisition is greater than the existing investment per customer then, all else being equal, the average return per customer will increase incrementally in future rate cases. Indiana American has compared the purchase price, incidental expenses and other costs of acquisition, and level of investment to which Indiana American has committed in the Asset Purchase Agreement on a per customer basis to Indiana American's existing net original cost rate base per customer. The amount proposed to be booked as net original cost rate base on a per customer basis exceeds Indiana American's average net original cost rate base per customer as of December 31, 2016. Indiana American has computed the additional return associated with the amount by which the average investment per customer exceeds the average investment per customer using the cost of equity from Indiana American's most recent general rate case and the capital structure and gross revenue conversion factor from Indiana American's most recent DSIC filing. This number was then compared to the base revenue level approved in Indiana American's last general rate case. The amount by which rates would need theoretically to be increased to produce the additional return on investment per customer from this acquisition is considerably below 1% of the base revenue level approved in Indiana American's last general rate case. As shown on Line 22 of this analysis, the current Charlestown acquisition cost and planned $7.2 million dollar additional investment into the Charlestown water utility would have an effect on the current Indiana American authorized revenue requirement of 0.61%. An additional $7,395,540 in investment (Line 23 of the analysis) could be made before a 1% effect on the current Indiana American authorized revenue requirement would be realized.

Furthermore, if the confidential 2018 Confidential Projected Income Statement produced in response to OUCC 1.5 is used instead of average operating costs per customer, it would not change the conclusion of this analysis that the effect this proposed acquisition might have in future rate cases would be less than 1% of Indiana American's base revenue level approved in its last rate case. The net original cost rate base for the Charlestown system that would be equivalent to Indiana American's rate base per customer is $9,435,888 ($3,256 (Line 4) * 2,898 (Line 13)). Using the current capital structure and return on equity would produce income of $622,769 ($9,435,888 * 6.60%). Even if the difference between that figure and the amount set forth in the 2018 Confidential Projected Income Statement after gross up is added to the amount set forth in the attached analysis, it will produce a figure several hundred thousand dollars less

than one percent (1%) of Indiana American's authorized base revenue level from its most recent rate case.

These analyses are conservative for the following reasons: (1) they do not include in the base revenues the $11,781,939 in annual DSIC revenues approved since the last general rate case, which will be rolled into base rates in the next general rate case, or additional DSIC revenues to be authorized in DSIC cases filed before Indiana American next files a general rate case; (2) the analyses use the Indiana American net original cost rate base and the net original cost rate base per customer as of December 31, 2016, when in fact that number is growing because of infrastructure needs; and (3) the analyses assume that the additional $7,200,000 to be invested per the Asset Purchase Agreement has been invested as of Day 1, when in fact that amount is required to be invested over a 5-year period of time.

Attachment:

OUCC DR 1.6-R1.pdf

Supplemental Response:

On October 11, 2017, the Commission issued its Order in Cause No. 44915 which rejected Indiana American's interpretation of Ind. Code §8-1-30.3-5(d)(2). The Commission also gave two possible methods for computing the effect on rates. One of the two methods is similar to the method that was set forth in OUCC DR 1.6-R1.pdf, with the addition of incremental depreciation expense and property taxes. Indiana American has modified the original attachment to reflect these additions. Indiana American has filed a pending depreciation case in Cause No. 44992, with those rates, when approved, to be put into place as part of the Company's next rate case Order. The proposed new depreciation accrual rates would produce annual depreciation expense of $41,603.398 and an overall rate on a composite basis of 2.86%. See Petitioner's Attachment GMV-1, p. 3 and Petitioner's Attachment JJS-1, p. 53 in that Cause. Using the remaining data from Attachment OUCC DR 1.6-R1.pdf would produce depreciation expense per customer on a total Company basis of $139.12, compared to depreciation expense per customer in Charlestown of $322.72. Given that Indiana American's existing rates would recover the average depreciation expense, the difference of $183.60 per customer would produce additional expense not included within Indiana American's existing rate structure of $532,073. This analysis is shown in Attachment OUCC DR 1.6-R1 Supplemental.pdf. A similar calculation of the incremental property tax expense derived from property tax expense per customer is also set forth in the supplemental attachment. The effect is still below 1%. There is no need to add these two additional expenses to the calculation set forth in the last paragraph of the original response to this discovery request, because the 2018 pro forma net income statement already includes property taxes and depreciation.

The Commission set forth a second, "more conservative" analysis that could be done in its Order in Cause No. 44915, which analysis would assume that the existing

Charlestown rates fully recover costs. Indiana American disagrees with the relevance or accuracy of this calculation for several reasons. First it assumes that a municipality's rates recover current costs. Second, current costs that would be recovered through existing rates would recover several costs that would be duplicative of the costs that this second analysis would add. For instance, municipal utilities recover debt service and may recover return on plant, which would be included in the addition of Indiana American's return. They will recover depreciation expense and may also recover additional extensions and replacements. They routinely recover payments in lieu of tax. As such, the second method set forth by the Commission will double count the effect, when Indiana American's return, depreciation expense, and property tax expense are added.

Supplemental Attachment:

OUCC DR 1.6-R1 Supplemental.pdf

Indiana American Water Company
Calculation that shows that City of Charlestown, IN Water Utility Acquisition will not cause more than a 1% overall rate increase to Indiana American Customer Base Now or During the Next Rate Case Filing

Line Number	Description	Amount	Source of Information
1.	**Indiana American Rate Base/Customer:**		
2.	Net Original Cost Rate Base as of December 31, 2016:	$ 973,543,661	Indiana American 2016 Annual Report to the IURC
3.	Indiana American Customer Count as of December 31, 2016:	299,038	Indiana American 2016 Annual Report to the IURC
4.	Rate Base/Customer (Line 2 / Line 3):	$ 3,256	
5.	**Authorized Rate Information:**		
6.	Authorized Revenue Requirement:	$ 207,529,092	Cause No. 42351 DSIC-10, Attachment GMV-2R, Schedule 1, Line 26
7.	Authorized Weighted Average Cost of Capital:	6.60%	Cause No. 42351 DSIC-10, Attachment GMV-2R, Schedule 4, Line 21
8.	Authorized Gross Revenue Conversion Factor:	167.7489%	Cause No. 42351 DSIC-10, Attachment GMV-2R, Schedule 4, Line 39 (adjusted for Final Order)
9.	**City of Charlestown, IN Water Utility Information:**		
10.	Total Purchase Price with Transaction Costs:	$ 13,583,711	Cause No. 44976, VerDouw Testimony, Page 6, Line 14
11.	Indiana American Committed Investment:	7,200,000	Cause No. 44976, Prine Testimony, Attachment MP-3, Page 11 of 55
12.	Total Purchase Price and Additional Investment:	$ 20,783,711	
13.	Number of Customers to be Acquired:	2,898	Cause No. 44976, Prine Testimony, Page 4, Line 7
14.	Total Rate Base/Customer (Line 12 / Line 13):	$ 7,172	
15.	**Calculation of Additional Return for Acquisition**		
16.	Difference in Charlestown and Indiana American Average Rate Base/Customer (Line 14 - Line 4):	$ 3,916	
17.	Gross Difference - Average Difference Times Total Charlestown Customers (Line 16 X Line 13):	$ 11,349,025	
18.	Additional Return Required for Difference in Average Rate Base (Line 17 X Line 7):	$ 749,036	
19.	Additional Revenue Requirement for Difference in Average Rate Base (Line 18 X Line 8):	$ 1,256,499	
20.	**Calculation of Additional Depreciation Expense for Acquisition:**		
21.	Total proposed Indiana American Depreciation Expense per Cause No. 44992:	$ 41,603,398	Cause No. 44992, Attachment GMV-1, Page 3, Line 145
22.	Indiana American Customer Count as of December 31, 2016 (Line 3 Above):	299,038	Indiana American 2016 Annual Report to the IURC
23.	Proposed Depreciation Expense per customer, Per Cause No. 44992 (Line 21 / Line 22):	$ 139.12	
24.	Proposed Composite Depreciation Rates from Cause No. 44992:	2.86%	Cause No. 44992, Spanos Testimony, Page 3, Line 56
25.	Gross Gross Utility Plant in Service from Charlestown Acquisition	$ 25,500,535	Cause No. 44976, Attachment GMV-1, Gross Plant in Service
26.	Indiana American Committed Investment (Line 11 Above):	7,200,000	Cause No. 44976, Prine Testimony, Attachment MP-3, Page 11 of 55
27.	Total Gross Utility Plant in Service and Additional Investment (Line 25 + Line 26):	$ 32,700,535	
28.	Total proposed Charlestown Depreciation Expense per Cause No. 44992 (Line 27 X Line 24):	$ 935,235	
29.	Number of Charelestown Customers to be Acquired (Line 13 Above):	2,898	Cause No. 44976, Prine Testimony, Page 4, Line 7
30.	Total Charlestown Depreciation Expense/Customer (Line 12 / Line 13):	$ 322.72	
31.	Difference in Depreciation Expense per customer (Line 30 - Line 23):	$ 183.60	
32.	Total additional Depreciation Expense causing increase in rates (Line 31 X Line 29):	$ 532,073	
33.	**Calculation of Additional Property Tax Expense for Acquisition:**		
34.	Total Indiana American Property Tax Expense for the 12 Months Ending December 31, 2016:	$ 9,526,308	Indiana American Income Statement for YE 2016
35.	Indiana American Customer Count as of December 31, 2016 (Line 3 Above):	299,038	Indiana American 2016 Annual Report to the IURC
36.	Property Tax Expense per Indiana American customer (Line 35 / Line 34):	$ 31.86	
37.	Total estimated Property Tax Expense for Charlestown Acquisition and Improvements:	$ 300,000	Initial Estimate of Property Tax Expense
38.	Number of Charelestown Customers to be Acquired (Line 13 Above):	2,898	Cause No. 44976, Prine Testimony, Page 4, Line 7
39.	Total Charlestown Property Tax Expense/Customer (Line 12 / Line 13):	$ 103.52	
40.	Difference in Property Tax Expense per customer (Line 39 - Line 36):	$ 71.66	
41.	Total additional Property Tax Expense causing increase in rates (Line 40 X Line 38):	$ 207,671	
42.	Total Additional Revenue Requirement Required for Charlestown Investment (Line 19 + Line 32 + Line 41):	$ 1,996,243	
43.	One Percent (1%) of Current Authorized Base Revenues (Line 6 X .01):	$ 2,075,291	
44.	Difference in Total Additional Revenue Requirement and 1% of Authorized Rates (Line 42 - Line 43):	$ (79,048)	
45.	Effect of Charlestown Additional Revenue Requirement on Overall Revenue Requirement (Line 42 / Line 6):	0.96%	Less than 1% effect on current authorized revenue requirement

Note: All assumptions used are based on current authorized revenue requirement, weighted average cost of capital, and gross revenue conversion factor. Revenue requirements, weighted average cost of capital, and gross revenue conversion factor will all change with the next rate case filing.

Charlestown Water Utility
NAME OF UTILITY

YEAR OF REPORT
December 31, 2016

INSTRUCTION: Do Not Enter data on this page until all reference pages are complete.

COMPARATIVE OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	CURRENT YEAR (d)	PREVIOUS YEAR (e)
	UTILITY OPERATING INCOME			
400	*Operating Revenues*	W-1	$750,137	$720,601
401	Operating Expenses	W-2	583,086	588,638
403	Depreciation Expense	F-6, F-20	53,494	53,494
406	Amortization of Utility Plant Acquisition Adjustment			
407	Amortization Expense	F-6		
408.11	Property Taxes or PILT			
408.12	Payroll Taxes		9,221	8,845
408.13	Other Taxes and Licenses		9,916	9,871
408.1-408.2	Taxes Other Than Income, unless specified above			
	Utility Operating Expenses		655,716	660,848
	Net Operating Income		94,420	59,753
413	Income From Utility Plant Leased to Others			
414	Gains (Losses) From Disposition of Utility Property			
	Total Utility Operating Income		94,420	59,753
	OTHER INCOME AND DEDUCTIONS			
415	Revenues From Merchandising, Jobbing and Contract Work			
416	Costs and Expenses of Merchandising, Jobbing and Contract Work			
419	Interest and Dividend Income			
421	Nonutility Income			
426	Miscellaneous Nonutility Expenses			
	Total Other Income and Deductions			
	TAXES APPLICABLE TO OTHER INCOME			
408.20	Taxes Other Than Income, Other Income & Ded	F-16		
	Total Taxes Applicable To Other Income			
	INTEREST EXPENSE			
427	Interest Expense	F-17	52,011	55,521
428	Amortization of Debt Discount & Expense	F-12	12,268	12,268
429	Amortization of Premium on Debt	F-12		
	Total Interest Expense		64,279	67,789
	EXTRAORDINARY ITEMS			
433	Extraordinary Income			
434	Extraordinary Deductions			
	Total Extraordinary Items			
	NET INCOME		$30,142	($8,036)

INDIANA AMERICAN WATER

2423 Middle Road
Jeffersonville, IN 47130
www.indianaamwater.com

June 28, 2017

Re: Proposed acquisition of Charlestown Water by Indiana American Water

Dear Charlestown Resident:

As you may be aware from local news reports, Indiana American Water is working with your local officials to explore a possible sale of the Charlestown water system to Indiana American Water. We are reaching out to you now to acquaint you with our company, clear up some misinformation that you may have heard, and to help you understand how a sale will benefit your community.

Indiana American Water has provided quality water service to its customers for more than 130 years and is a subsidiary of American Water, a recognized leader in the industry. Although we benefit from the expertise, buying power and access to capital for investment in our water systems as part of the American Water family, we are at our core a local water company. We employ residents, help local schools and charities, and pay taxes that benefit our communities. Our employees and families are residents and active participants in the communities we serve.

Our employees are committed every day to providing quality customer service and excellent water quality for our customers. Customers consistently tell us they are happy with our service, helping us to rank among the best performing utility companies in the country. We also consistently outperform the water industry in terms of compliance with water quality standards. Our compliance record here in Indiana is 21 times better than the industry average. We also regularly invest in our water infrastructure. In the last decade alone, we have invested more than $716 million in our infrastructure across the state to ensure our customers can count on us for reliable, quality water service around the clock.

If chosen to be your water provider, we are committed to providing this same level of service to your community. We have committed to investing approximately $7 million over the next five years to improve water quality and to replace aging infrastructure in Charlestown.

The sale of the Charlestown Water System would provide many benefits to Charlestown residents, including:

- Improved water quality and replacement of aging water pipes & infrastructure
- Annual property tax revenues of approximately $300,000 from Indiana American Water
- $13.4 million in net proceeds from the sale for the community's use for other needs

As for some of those rumors you may have heard about the sale, we are including a fact sheet with this mailing to help you separate fact from fiction.

Still have questions? Send us an e-mail at charlestown.questions@amwater.com or call 812-218-1515 and we will get back with you in short order. We look forward to serving you as part of our family of customers.

Sincerely,

Deborah Dewey, President

TABLE 1
DISTRIBUTION SYSTEM DEPRECIATED REPLACEMENT COST

Item	Unit	Qty	Unit Price to Replace	Total Cost to Replace	Service Life	Decade Constructed	Percent Depreciated	Depreciated Cost	Present Value
Distr									
16-inch D.I.	LF	14546	105	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1980's	=(2010-1980)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
16-inch PVC	LF	184	95	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1960's	=(2010-1960)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
16-inch PVC	LF	5669	95	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1970's	=(2010-1970)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
12-inch PVC	LF	6627	80	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1940's	=(2010-1940)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
12-inch PVC	LF	209	80	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1960's	=(2010-1960)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
12-inch PVC	LF	=462+6697	80	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1980's	=(2010-1980)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
8-inch PVC	LF	1343	60	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1940's	=(2010-1940)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
8-inch PVC	LF	=21473+3753+4085	60	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1960's	=(2010-1960)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
8-inch PVC	LF	5108	60	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1970's	=(2010-1970)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
8-inch PVC	LF	451	60	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1980's	=(2010-1980)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
8-inch PVC	LF	18737	60	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1990's	=(2010-1990)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
8-inch PVC	LF	6014	60	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	2000's	=(2010-2000)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
6-inch PVC	LF	19391	50	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1940's	=(2010-1940)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
6-inch PVC	LF	=8234+106+656+235	50	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1960's	=(2010-1960)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
6-inch PVC	LF	=4931+6036	50	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1970's	=(2010-1970)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
6-inch PVC	LF	3884	50	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1980's	=(2010-1980)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
6-inch PVC	LF	=7801+8916	50	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1990's	=(2010-1990)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
6-inch PVC	LF	5989	50	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	2000's	=(2010-2000)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
4-inch PVC	LF	=4537+717	45	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1940's	=(2010-1940)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
4-inch PVC	LF	489	45	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1960's	=(2010-1960)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
4-inch PVC	LF	=20239+825	45	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1970's	=(2010-1970)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
4-inch PVC	LF	1355	45	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1980's	=(2010-1980)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
4-inch PVC	LF	7449	45	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1990's	=(2010-1990)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
4-inch PVC	LF	38864	45	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	2000's	=(2010-2000)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
2-inch PVC	LF	=783+178+879+692	40	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1940's	=(2010-1940)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
2-inch PVC	LF	3061	40	='Attachment (OUCC) 4.7.xlsx'!Table3[	76	1960'S	=(2010-1960)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
2-inch PVC	LF	=1363+647+7078	40	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1970's	=(2010-1970)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
2-inch PVC	LF	=387+4410	40	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1980's	=(2010-1980)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
2-inch PVC	LF	2817	40	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1990's	=(2010-1990)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
2-inch PVC	LF	3533	40	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	2000's	=(2010-2000)/'Attachment (C	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
Fire I									
Fire Hydrant	EA	=16+38	5500	='Attachment (OUCC) 4.7.xlsx'!Table3[	50	1960's	0.9	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
Fire Hydrant	EA	45	5500	='Attachment (OUCC) 4.7.xlsx'!Table3[	50	1970's	0.8	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
Fire Hydrant	EA	17	5500	='Attachment (OUCC) 4.7.xlsx'!Table3[	50	1980's	0.6	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
Fire Hydrant	EA	=15+41	5500	='Attachment (OUCC) 4.7.xlsx'!Table3[	50	1990's	0.4	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
Fire Hydrant	EA	=45+41+3+8	5500	='Attachment (OUCC) 4.7.xlsx'!Table3[	50	2000's	0.2	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
Servi									
5/8 & 3/4-inch	EA	2831	90	='Attachment (OUCC) 4.7.xlsx'!Table3[	15	2000's	0.33	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
1-inch	EA	17	125	='Attachment (OUCC) 4.7.xlsx'!Table3[	15	2000's	0.33	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
1.5-inch	EA	6	255	='Attachment (OUCC) 4.7.xlsx'!Table3[	15	2000's	0.33	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
2-inch	EA	34	350	='Attachment (OUCC) 4.7.xlsx'!Table3[	15	2000's	0.33	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
3-inch	EA	5	1300	='Attachment (OUCC) 4.7.xlsx'!Table3[	15	2000's	0.33	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
4-inch	EA	4	1800	='Attachment (OUCC) 4.7.xlsx'!Table3[	15	2000's	0.33	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
6-inch	EA	1	3050	='Attachment (OUCC) 4.7.xlsx'!Table3[	15	2000's	0.33	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
Wate									
1-inch Copper	EA	2500	1500	='Attachment (OUCC) 4.7.xlsx'!Table3[	75	1970's	0.5	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Percent Depreciated]]*'Attachmer	='Attachment (OUCC) 4.7.xlsx'!Table3[@[Total Costto Replace]]-'Att
Total				=SUM(F6:F54)				=ROUND(SUM(J6:J54),-1)	=SUM(K6:K54)

TABLE 2
VALUATION SUMMARY

Item	Total Replacement Cost	Total Depreciated Cost	Present Value
Wells	300000	=B5-D5	21000
Well Pumps & Controls	100000	=B6-D6	25000
1.5MG Ground Storage Tank	1310000	=B7-D7	589500
Water Treatment Plant Main Building	400000	=B8-D8	116000
High Service Pumping Facility (Pumps/Motors)	90000	=B9-D9	9000
Chemical Feed Systems	60000	=B10-D10	45000
SCADA System	50000	=B11-D11	5000
System Storage (0.25MG Standpipe)	437500	=B12-D12	214375
System Storage (0.5MG Elevated Tank)	1485000	=B13-D13	1306800
Distribution System	21488035	=B14-D14	10913035.69
Total	**=SUM(B5:B14)**	**=SUM(C5:C14)**	**=SUM(D5:D14)**

OUCC DATA REQUEST #2

Indiana-American Water Company, Inc.
and
City of Charlestown

Cause No 44976

September 5, 2017

For Joint Petitioner City of Charlestown:

Q 2.1. The City of Charlestown's 2016 Water Utility Annual Report represents a current year depreciation expense of $53,494 (2016 Annual Report at F-3, column (d)).

Please provide the calculations the Charlestown Water Utility used to determine its 2016 depreciation expense as represented in the noted annual report. If Excel was used, please provide a copy of the Excel spread sheet with formulas intact.

Objection: The City objects to the Data Request on the basis of the foregoing general objections.

Response: Please see Attachment 2.1. The City utilizes a program called KeyAssets to maintain its capital assets ledger. KeyAssets calculates the amount of depreciation based upon the purchase date and type of asset.

Installed by the City of Charlestown, 0

Assets with Total Depreciation Report

Order by Location Name with no Salvage Date

Location WATER

Fund #	Dept #	Asset #	Location	Asset Name	Purchase Date	Check #	Serial #	Historical Cost	Salvage Value	% Depreciated	Prior Accum Depreciation	Depreciation This Year
601	601001	258	WATER	Scada System Antenna Hosp Tank	05/19/2002	0	INV# 240 RIVER CITY C	$8200.00	$0.00	10.0000	$8200.00	$0.00
	Subtotal							$8200.00	$0.00		$8200.00	$0.00
601	601001	21	WATER	1999 Case Backhoe 580L #5926	03/19/1999	0	JJG0245926	$60000.00	$0.00	10.0000	$60000.00	$0.00
601	601001	102	WATER	2006 Ford F250 5989	08/15/2005		1FTSX21P96EA15989	$29480.45	$0.00	10.0000	$29480.45	$0.00
601	601001	104	WATER	2005 Chev Dump Tr 3295	10/19/2005		1GBE4C1255F513295	$42790.00	$0.00	10.0000	$42790.00	$0.00
601	601001	105	WATER	2005 Trail King Trl 6908	09/22/2005		1TKC024264B046908	$9238.00	$0.00	10.0000	$9238.00	$0.00
601	601001	106	WATER	2005 Cat Backhoe 4536	05/18/2005		FDP24536	$66288.00	$0.00	10.0000	$66288.00	$0.00
	Subtotal	AUTOS						$207796.45	$0.00		$207796.45	$0.00
601	601001	137	WATER	Ins-building Water Company Chas. Landing	02/15/1938	0	EST COST	$8994.80	$0.00	2.0000	$8994.80	$0.00
601	601001	551	WATER	Pump Station & House	01/01/2008		Located at DA Inc.	$150000.00	$0.00	5.0000	$60000.00	$7500.00
	Subtotal	BUILDINGS						$158994.80	$0.00		$68994.80	$7500.00
601	601001	124	WATER	Rc-generator	10/15/2002	0	34698	$1500.00	$0.00	10.0000	$1500.00	$0.00
601	601001	131	WATER	Rc-wheeler Cast Iron Cutter 029828l	08/03/1997	0	029828L	$3000.00	$0.00	10.0000	$3000.00	$0.00
601	601001	132	WATER	Rc-hydro Stop	04/26/1993	0		$18000.00	$0.00	10.0000	$18000.00	$0.00
601	601001	134	WATER	Rc-briggs Straton Pump Model 553swt	09/17/1999	0	0980 91906	$1300.00	$0.00	10.0000	$1300.00	$0.00
601	601001	144	WATER	Rc-Water Tower Chas Land Road Rear Water	04/23/1938	0		$38000.00	$0.00	2.0000	$38000.00	$0.00
601	601001	145	WATER	Rc-Hospital Water Tower	11/24/1975	0		$51000.00	$0.00	2.0000	$41820.00	$1020.00
601	601001	241	WATER	Ac-water Meters	12/01/2001	0		$96754.85	$0.00	10.0000	$96754.85	$0.00
601	601001	450	WATER	Street Machine Kit w/software	06/08/2007		Meter Reader	$4100.00	$0.00	20.0000	$4100.00	$0.00
601	601001	451	WATER	Hershey Hot Rod EZ Reader	06/18/2007		Meter Reader	$4100.00	$0.00	20.0000	$4100.00	$0.00
601	601001	550	WATER	Radio Tansmitting Unit	01/01/2008		ELpro 905U1 RTU	$1641.00	$0.00	10.0000	$1312.80	$164.10
601	601001	554	WATER	Signal Loop Isolator	02/25/2008		Gospel Rd Water Tank	$1154.00	$0.00	10.0000	$923.20	$115.40
601	601001	688	WATER	1986 Fiat Allis Ditch Witch	10/13/2010		6B210B	$12500.00	$0.00	20.0000	$12500.00	$0.00

Assets with Total Depreciation Report

Order by Location Name with no Salvage Date

Location WATER

Fund #	Dept #	Asset #	Location	Asset Name	Purchase Date	Check #	Serial #	Historical Cost	Salvage Value	% Depreciated	Prior Accum Depreciation	Depreciation This Year
601	601001	704	WATER	Front End Loader	11/17/2010			$11000.00	$0.00	20.0000	$11000.00	$0.00
	Subtotal	EQUIPMENT						$244049.85	$0.00		$234310.85	$1299.50
601	601001	452	WATER	Charlestown Water Tank	10/21/2007		Gospel Road	$886191.00	$0.00	2.0000	$159514.38	$17723.82
	Subtotal	IMPROVEMENTS O/T BUILDINGS						$886191.00	$0.00		$159514.38	$17723.82
601	601001	79	WATER	Se-water Main 12 In 46,542 Ft. $38.68 Ft	06/01/1935	0		$1761561.00	$0.00	2.0000	$1761561.00	$0.00
601	601001	238	WATER	Se-water Pipes 60773 Ft 8in $34.54 Ft	06/01/1938	0		$2099099.42	$0.00	2.0000	$2099099.42	$0.00
601	601001	239	WATER	Se-water Pipes 6 In 18685 Ft 32.65 Ft	06/01/1938	0		$610065.25	$0.00	2.0000	$610065.25	$0.00
601	601001	240	WATER	Se- Water Pipes Pl/Ridge 24076.6ft $32.65ft	05/01/2002	0		$786101.00	$0.00	2.0000	$220108.20	$15722.02
601	601001	442	WATER	SLC Water Meters	05/01/2007			$96321.00	$0.00	20.0000	$96321.00	$0.00
601	601001	453	WATER	Water Tank Fence	10/21/2007		403 At Gospel Road	$11126.00	$0.00	5.0000	$5006.70	$556.30
601	601001	485	WATER	Water Lines (Park Street-Gospel	12/01/2007		2507- 003b	$234685.00	$0.00	2.0000	$42243.30	$4693.70
601	601001	493	WATER	Pitpads and Readers	07/06/2007		New Meters	$6089.00	$0.00	20.0000	$6089.00	$0.00
601	601001	496	WATER	SLC Water Meters	05/08/2007		131@ 136.34 plus parts	$18877.00	$0.00	20.0000	$18877.00	$0.00
601	601001	501	WATER	SLC Water Meters	05/25/2007		250@133.34	$33335.00	$0.00	20.0000	$33335.00	$0.00
601	601001	562	WATER	Danbury Oaks Water Meters	04/01/2008		Water Meters	$24358.00	$0.00	20.0000	$24358.00	$0.00
601	601001	564	WATER	Water Tank System	09/01/2008		Gospel Road	$299933.00	$0.00	2.0000	$47989.28	$5998.66
601	601001	748	WATER	Restoration of Water Tank Ctown Land	02/01/2011		Wells, Lines, & Tank	$233233.00	$0.00	0.0000	$0.00	$0.00
	Subtotal	INFRASTRUCTURE						$6214783.67	$0.00		$4965053.15	$26970.68
601	601001	60	WATER	Land Water Tower @ Water & Main In Alley	07/17/1937	0	18-8-0690	$1000.00	$0.00	0.0000	$0.00	$0.00
601	601001	138	WATER	Land 2.5 Acres Water Co. Chas Landing Rd	01/15/1938	0	EST COST	$1725.00	$0.00	0.0000	$0.00	$0.00
	Subtotal	LAND						$2725.00	$0.00		$0.00	$0.00
Subtotal	WATER							$7722740.77	$0.00		$5643869.63	$53494.00
TOTAL:								$7722740.77	$0.00		$5643869.63	$53494.00

APPLICATION FORM
Drinking Water State Revolving Fund Loan Program (DWSRF)

Return completed form to:
DWSRF Administrator
100 North Senate Avenue, Rm. 1275
Indianapolis, IN 46204

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ENVIRONMENTAL PROGRAMS

I. APPLICANT and SYSTEM INFORMATION:

1. Applicant Name (community or water system name): City of Charlestown (Charlestown Water Department)

2. Public Water Supply ID #: IN5210003

3. Type of Applicant (check one):
   - [X] Municipality (City, Town, County, Township)
   - [ ] Regional Water District
   - [ ] Non-profit Water Corporation
   - [ ] For-profit Utility
   - [ ] School
   - [ ] Other _____

4. Location of the Proposed Project: USGS Quadrangle Map Name(s), Township(s), Range(s), Section(s):
   Clark Military Grants 41, 54, 55, 56, 72, 73, 74, 75 94, 95, 96, 113, 114, 115, 116, 117, 118 135, 136, 137, 155

   City / Town: Charlestown County(ies): Clark Civil Township(s): Charlestown

5. State Representative District: 66 State Senate District: 45 Congressional District: 9

6. Population Served (available from the U.S. Census: http://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml) 7,585 (2010)

7. Population Trend (U.S. Census http://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml): 7,802 (2014 est.)

8. Unemployment Data(Bureau of Labor Statistics http://data.bls.gov/pdq/querytool.jsp?survey=la): Clark Co. 4.5% Jan. 2016

9. Median Household Income for Service Area (U.S. Census http://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml): $43,046

10. Number of Connections: (current) 2,800 (post project) 2,800

11. Current User Rate/4,000 gal.: $14.64 Estimated Post-Project Rate/4,000 gal.: $17.24

12. Is the utility regulated by the Indiana Utility Regulatory Commission (IURC)? (Yes/No) Yes

13. Applicant's Data Universal Numbering System (DUNS) number[1]: 961164506

II. CAPACITY DEVELOPMENT:

Pursuant to the Safe Drinking Water Act, a DWSRF Loan Program Participant must certify that the Participant possesses the technical, managerial, and financial capacity to operate the water system or that the DWSRF Loan Program assistance will ensure compliance with the Safe Drinking Water Act (40 CFR 35.3520(d)(2)).

1. Does your system currently possess technical, managerial and financial capacity? (Yes/No) Yes

2. If no, will technical, managerial and financial capacity be achieved after the implementation of the water system's DWSRF project? (Yes/No) N/A

To assess the technical, managerial, and financial capacity of the water system, the Participant is encouraged to complete the "Indiana Department of the Environmental Management (IDEM) Capacity Development Self-Assessment", available at www.srf.in.gov .

[1] *SRF Participants must register with the Central Contractor Registry (CCR) which requires the Participant to have a DUNS number. For more information about how to register with the CCR and obtain a DUNS number, see www.srf.in.gov .*

III. CONTACT INFORMATION:

Authorized Signatory (an official of the water system that is authorized to contractually obligate the applicant with respect to the proposed project):

Name: G. Robert Hall

Title: Mayor

Telephone # (include area code): (812) 256-3422

Address: 304 Main Cross Street

City, State, Zip Code Charlestown, Indiana 47111

E-mail: MayorBob@CityofCharlestown.com

Applicant Staff Contact (person to be contacted directly for information if different from authorized signatory):

Name: _____

Title: _____

Telephone # (include area code): _____

Address: _____

City, State, Zip Code _____

E-mail: _____

Certified Operator:

Name: Michael Perry

Telephone # (include area code): (812) 256-7131

E-mail: MPerry@CityofCharlestown.com

Grant Administrator (if applicable)

Contact: Jill Saegesser

Firm: River Hills EDD & RPC

Address: 300 Spring Street, Suite B

City, State, Zip Code Jeffersonville, IN 47130

Telephone # (include area code): (812) 288-4624

Fax: (812) 288-8105

E-mail Address: JSaegesser@RiverHills.cc

Consulting Engineer

Contact: J. Shane Spicer

Firm: Saegesser Engineering, Inc.

Address: 88 West McClain Avenue

City, State, Zip Code Scottsburg, IN 47170

Telephone # (include area code): (812) 752-8123

Fax: (812) 752-7271

E-mail Address: Shane@SaegesserEngineering.com

Bond Counsel

Contact: James Gutting

Firm: Barnes & Thornburg

Address: 11 South Meridian Street

City, State, Zip Code Indianapolis, IN 46204

Telephone # (include area code): (317) 236-1313

Fax: (317) 231-7433

E-mail: Jim.Gutting@btlaw.com

Financial Advisor

Contact: James Higgins

Firm: London Witte Group

Address: 111 Monument Circle, Suite 3880

City, State, Zip Code Indianapolis, IN 46204

Telephone # (include area code): (317) 634-4000

Fax: (317) 238-6588

E-mail Address: JimH@LondonWitte.com

Local Counsel

Contact: Michael Gillenwater

Firm: N/A

Address: 411 Watt Street

City, State, Zip Code Jeffersonville, IN 47131

Telephone # (include area code): (812) 288-4442

Fax: (812) 288-4451

E-mail: Michael@Gillenwater.us

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ENVIRONMENTAL PROGRAMS

IV. PROJECT INFORMATION:

1. **Project Name:** Charlestown Water System Improvements

2. **Project Need -** Describe the facility needs in terms of age, condition, date of most recent rehabilitation/replacement, and public health or Safe Drinking Water Act compliance issues or violations:

   The City of Charlestown's distribution system consists of approximately 57 miles of water mains, the majority of which were installed approximately 75-years ago. Line replacement and system improvements have been limited over the life of the system; accommodation for growth has lacked proper planning leaving many areas with undersized and numerous dead-end mains. Undersized mains may lead to reduced pressure during peak or high demands situations. Dead-ends in the system are a source of reduced water quality due to increased water age. High water age reduces the effects of the chemicals used to treat the finished water and may cause unpleasant taste and odor nuisances. Dead-ends also compound pressure fluctuations by disjoining the system and effectively restricting access to supply volume needed to serve high demands. Through studies, hydraulic modeling and field data review, it is apparent that the elevated storage tank at Gospel Road is a source of dead-storage. Dead-storage also decreases water quality by increasing water age. The accumulation of the system's inadequacies manifests into numerous complaints each year from residents. These complaints are primarily linked to discolored water associated with high concentrations of manganese. In the past twenty-years, two (2) rehabilitation/replacement projects have taken place. These include the rehabilitation/replacement of distribution piping in the Pleasant Ridge subdivision and the construction of a 500,000 gallon elevated storage tank. These projects were undertaken around 2002 and 2006, respectively. The scope of these projects were not sufficient in size to address system wide needs.

3. **Proposed Project -** Describe the scope of the proposed project and how it will address the applicant's needs as enumerated above. Please provide a map showing proposed work areas, if possible. Note: Projects that are solely for fire suppression or economic development are not eligible for funding under the Safe Drinking Water Act.

   The proposed projects focus on improving water qualify by reducing water-age through the elimination of dead-ends and dead-storage areas. Keeping water age low ensures that the chemicals used to treat water remain in effect until it reaches the end user. The elimination of dead-ends will provide two (2) benefits. First, looping the dead-ends improves the circulation of water through the distribution system thus reducing the amount of travel time to the user therefore decreasing water-age. Second, the improved circulation maximizes the available volume within the system thereby reducing the potential for pressure fluctuations that occur during high demand events. Dead-storage will be reduced by increasing the turn-over rate of the Gospel Road elevated storage tank. A new dedicated water main by-passing the distribution system will be constructed and connected to the tower, ensuring fresh water is entering the tank. The Gospel Road tank will also be converted to the lead tank. The lead tank controls the treatment process based on the elevation of water in the tank as the demand from the system utilizes the storage. By converting to the lead tower, this ensures that the Gospel Road tank is an active part of the system by delivering volume based on demand.

   Will any part of the proposed project be constructed on previously undisturbed land[2]? (Yes/No) No

   If no, would it be accurate to describe the entire project as rehabilitation of existing system components? (Yes/No) Yes
   If no, why not?

   Does the utility have a back-up power source? (Yes/No) No

   Will the proposed project incorporate Green Project Components? (Yes/No) No
   If yes, complete a SRF Green Project Reserve Checklist. Checklist and more information can be found at www.srf.in.gov.

[2] *The Division of Historic Preservation and Archaeology's definition of "undisturbed land" is "any land, including agricultural land (row-crop farmland, orchards, pasture, fallow farmland, or land that was previously farmland but is now grass or other vegetation), that has not been substantially disturbed by recent soil disturbing activities."*

4. **Project Cost Estimate:**

Source (intake or wells)	$0.00
Treatment	$0.00
Storage	$0.00
Distribution/Transmission	$2,160,000.00
Other: _____	$0.00
TOTAL CONSTRUCTION:	**$2,160,000.00**
Non-construction Costs	$840,000.00
TOTAL ESTIMATED PROJECT COST:	**$3,000,000.00**

5. **Other Funding Sources:**

	Application Round (date)	**Amount Requested** (dollars)	**Amount Awarded** (if applicable)
Office of Community and Rural Affairs Community Focus Fund	**N/A**	**N/A**	**N/A**
U.S. Dept. of Commerce Economic Development Administration	**N/A**	**N/A**	**N/A**
U.S. Dept. of Agriculture Rural Development	**N/A**	**N/A**	**N/A**
Local Funds	**N/A**	**N/A**	**N/A**
Other	**N/A**	**N/A**	**N/A**

6. **Will this project proceed if other funding sources are not in place?** (Yes/No) Yes

7. **Anticipated SRF Loan Amount (after other funding):** **$3,000,000.00**

8. **Anticipated Dates:**

   Preliminary Engineering Report (PER) submittal: May 2016

   Contract Award: January 2017

   Construction Start: January 2017

   Construction Complete: October 2017

V. SIGNATURE:

I certify that I am legally authorized by the legislative body to sign this application. To the best of my knowledge and belief, the foregoing information is true and correct.

Signature of Authorized Signatory (Community Official)

G. Robert Hall
Printed or Typed Name

Mayor
Title of Authorized Signatory

5-2-16
Date

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ENVIRONMENTAL PROGRAMS

OUCC DATA REQUEST #2

Indiana-American Water Company, Inc.
and
City of Charlestown

Cause No 44976

September 5, 2017

Q 2.9. Refer to Table 1 on page GRH2-014 of Attachment GRH-2, specifically the column titled "Percent Depreciated."

Are the percentages listed for each Item based solely on the age of the specific plant? If no, on what else are the percentages based?

Objection: The City objects to the Data Request on the basis of the foregoing general objections. The City objects to the Data Request on the basis that the Data Request seeks information not in the possession of the City and not within the personal knowledge of the City.

Response: While the City is not in possession of or have personal knowledge of information responsive to the second half of the Data Request, the City requested the appraisers to respond, and their response, for which the City makes no representations as to accuracy, is set forth below:

Percent depreciated was based solely on the age of the specific plant.

OUCC DATA REQUEST #2

Indiana-American Water Company, Inc.
and
City of Charlestown

Cause No 44976

September 5, 2017

Q 2.10. Refer to Table 1 on page GRH2-014 of Attachment GRH-2, specifically the column titled "Percent Depreciated."

Do the individual percentages consider the specific condition of the plant being valued? If yes, how is the condition of the plant recognized in the appraisers' calculation? If no, why not?

Objection: The City objects to the Data Request on the basis of the foregoing general objections. The City objects to the Data Request on the basis that the Data Request seeks information not in the possession of the City and not within the personal knowledge of the City.

Response: While the City is not in possession of or have personal knowledge of information responsive to the second half of the Data Request, the City requested the appraisers to respond, and their response, for which the City makes no representations as to accuracy, is set forth below:

> Individual percentages take into consideration the estimated useful life of the various types of assets plant being evaluated. Had there been a reason to use a different percentage based upon the condition of the facilities toured that could have been considered. The facilities toured such as the water plant, water towers, ground storage tanks, and wells gave no indication that the assets had any value other than what would be typical based upon the age of the asset. Additionally, since many of the assets were underground and the scope did not include excavation of underground facilities, no changes in percent were made for those assets.

Q 10.8. Please provide a copy of the independent valuation of the City of Charlestown's water utility assets developed by Banning Engineering, P.C. (Note: The Valuation Report refers to each firm having developed independent valuations of the assets (Valuation Report, p. 3). Also, there was discussion at the meeting of different unit costs being developed.)

Objection: The City objects to the Data Request on the basis of the foregoing general objections. The Data Request is not relevant and is not reasonably calculated to lead to the discovery of admissible evidence. Indiana Code 8-1.5-2-5(c) states that, "the appraisal, when signed by two (2) of the appraisers, constitutes a good and valid appraisal." Because the appraisal was signed by two appraisers, it statutorily qualifies as a "good and valid appraisal," and the independent valuations developed by each appraiser are irrelevant.

Response: See foregoing objection.

Q 10.9. Please provide a copy of the independent valuation of the City of Charlestown's water utility assets developed by Clark Dietz, Inc.

Objection: The City objects to the Data Request on the basis of the foregoing general objections. The Data Request is not relevant and is not reasonably calculated to lead to the discovery of admissible evidence. Indiana Code 8-1.5-2-5(c) states that, "the appraisal, when signed by two (2) of the appraisers, constitutes a good and valid appraisal." Because the appraisal was signed by two appraisers, it statutorily qualifies as a "good and valid appraisal," and the independent valuations developed by each appraiser are irrelevant.

Response: See foregoing objection.

Installed by the City of Charlestown, 0

CAPITAL ASSETS LEDGER

Order by Location Name, Asset Group, Subtotal by Asset Group with no Salvage Date

City and Town Form 211 (Revised 2003)

Date of Purchase	Description Include: Name of Department or Office if General Fund	Serial/ Identification Number	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on Disposal or Trade In	Types of Capital Assets						Total Capital Assets
								Land	Infrastructure	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Progress	
05/19/2002	Scada System Antenna Hosp Tank	INV# 240 RIVER CITY C	WATER	8200.00	10		0.00					8200.00		8200.00
	Subtotal			8200.00			0.00					8200.00		8200.00
03/19/1999	1999 Case Backhoe 580L #5926	JJG0245926	WATER	60000.00	10		0.00					60000.00		60000.00
08/15/2005	2006 Ford F250 5989	1FTSX21P96EA 15989	WATER	29480.45	10		0.00					29480.45		29480.45
10/19/2005	2005 Chev Dump Tr 3295	1GBE4C1255F5 13295	WATER	42790.00	10		0.00					42790.00		42790.00
09/22/2005	2005 Trail King Trl 6908	1TKC024264B0 46908	WATER	9238.00	10		0.00					9238.00		9238.00
05/18/2005	2005 Cat Backhoe 4536	FDP24536	WATER	66288.00	10		0.00					66288.00		66288.00
	Subtotal AUTOS			207796.45			0.00					207796.45		207796.45
02/15/1938	Ins-building Water Company Chas. Landing	EST COST	WATER	8994.80	50		0.00			8994.80				8994.80
01/01/2008	Pump Station & House	Located at DA Inc.	WATER	150000.00	20		0.00				150000.00			150000.00
	Subtotal BUILDINGS			158994.80			0.00			8994.80	150000.00			158994.80
10/15/2002	Rc-generator	34698	WATER	1500.00	10		0.00					1500.00		1500.00
08/03/1997	Rc-wheeler Cast Iron Cutter 029828l	029828L	WATER	3000.00	10		0.00					3000.00		3000.00
04/26/1993	Rc-hydro Stop		WATER	18000.00	10		0.00					18000.00		18000.00
09/17/1999	Rc-briggs Straton Pump Model 553swt	0980 91906	WATER	1300.00	10		0.00					1300.00		1300.00
04/23/1938	Rc-Water Tower Chas Land Road Rear Water		WATER	38000.00	50		0.00				38000.00			38000.00
11/24/1975	Rc-Hospital Water Tower		WATER	51000.00	50		0.00				51000.00			51000.00
12/01/2001	Ac-water Meters		WATER	96754.85	10		0.00					96754.85		96754.85
06/08/2007	Street Machine Kit w/software	Meter Reader	WATER	4100.00	5		0.00					4100.00		4100.00
06/18/2007	Hershey Hot Rod EZ Reader	Meter Reader	WATER	4100.00	5		0.00					4100.00		4100.00
01/01/2008	Radio Tansmitting Unit	ELpro 905U1 RTU	WATER	1641.00	10		0.00					1641.00		1641.00
02/25/2008	Signal Loop Isolator	Gospel Rd Water Tank	WATER	1154.00	10		0.00					1154.00		1154.00
10/13/2010	1986 Fiat Allis Ditch Witch	6B210B	WATER	12500.00	5		0.00					12500.00		12500.00

CAPITAL ASSETS LEDGER

Order by Location Name, Asset Group, Subtotal by Asset Group with no Salvage Date

City and Town Form 211 (Revised 2003)

Date of Purchase	Description Include: Name of Department or Office If General Fund	Serial/ Identification Number	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on Disposal or Trade In	Types of Capital Assets						Total Capital Assets
								Land	Infrastructure	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Progress	
11/17/2010	Front End Loader		WATER	11000.00	5		0.00					11000.00		11000.00
	Subtotal EQUIPMENT			244049.85			0.00				89000.00	155049.85		244049.85
10/21/2007	Charlestown Water Tank	Gospel Road	WATER	886191.00	50		0.00				886191.00			886191.00
	Subtotal IMPROVEMENTS OT BUILDINGS			886191.00			0.00				886191.00			886191.00
06/01/1935	Se-water Main 12 In 46,542 Ft. $38.68 Ft		WATER	1761561.00	50		0.00		1761561.00					1761561.00
06/01/1938	Se-water Pipes 60773 Ft 8in $34.54 Ft		WATER	2099099.42	50		0.00		2099099.42					2099099.42
06/01/1938	Se-water Pipes 6 In 18685 Ft 32.65 Ft		WATER	610065.25	50		0.00		610065.25					610065.25
05/01/2002	Se- Water Pipes Pl/Ridge 24076.6ft $32.65ft		WATER	786101.00	50		0.00		786101.00					786101.00
05/01/2007	SLC Water Meters		WATER	96321.00	5		0.00		96321.00					96321.00
10/21/2007	Water Tank Fence	403 At Gospel Road	WATER	11126.00	20		0.00		11126.00					11126.00
12/01/2007	Water Lines (Park Street-Gospel	2507- 003b	WATER	234685.00	50		0.00		234685.00					234685.00
07/06/2007	Pitpads and Readers	New Meters	WATER	6089.00	5		0.00		6089.00					6089.00
05/08/2007	SLC Water Meters	131@ 136.34 plus parts	WATER	18877.00	5		0.00		18877.00					18877.00
05/25/2007	SLC Water Meters	250@133.34	WATER	33335.00	5		0.00		33335.00					33335.00
04/01/2008	Danbury Oaks Water Meters	Water Meters	WATER	24358.00	5		0.00		24358.00					24358.00
09/01/2008	Water Tank System	Gospel Road	WATER	299933.00	50		0.00				299933.00			299933.00
02/01/2011	Restoration of Water Tank Ctown Land	Wells, Lines, & Tank	WATER	233233.00			0.00		233233.00					233233.00
	Subtotal INFRASTRUCTURE			6214783.67			0.00		5914850.67		299933.00			6214783.67
07/17/1937	Land Water Tower @ Water & Main In Alley	18-8-0690	WATER	1000.00			0.00	1000.00						1000.00
01/15/1938	Land 2.5 Acres Water Co. Chas Landing Rd	EST COST	WATER	1725.00			0.00	1725.00						1725.00
	Subtotal LAND			2725.00			0.00	2725.00						2725.00
	Subtotal WATER			7722740.77			0.00	2725.00	5914850.67	8994.80	1425124.00	371046.30		7722740.77

CAPITAL ASSETS LEDGER

Order by Location Name, Asset Group, Subtotal by Asset Group with no Salvage Date

City and Town Form 211 (Revised 2003)

Date of Purchase	Description Include: Name of Department or Office if General Fund	Serial/ Identification Number	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on Disposal or Trade In	Types of Capital Assets						Total Capital Assets
								Land	Infrastructure	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Progress	
	GRAND TOTAL:			7722740.77			0.00	2725.00	5914850.67	8994.80	1425124.00	371046.30	0.00	7722740.77
	Total Salvage Amounts:			0.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GRAND TOTAL Less Total Salvage Amounts:			7722740.77			0.00	2725.00	5914850.67	8994.80	1425124.00	371046.30	0.00	7722740.77

Indiana-American Water Company	YEAR OF REPORT
NAME OF UTILITY	December 31, 2016

RATE BASE SCHEDULE & ACHIEVED RETURN CALCULATION

Instructions: Pursuant to Indiana Code § 8-1-31.5-17, if utility serves 5,000 customers or more, actual revenues for the calendar year and revenues approved in the utility's most recent rate case must be provided.

	Water	Wastewater
Actual Revenues for Calendar Year:	$ 212,023,493	$ 451,870
Revenues Approved in Most Recent Rate Case:	$ 207,091,868	$ 437,224

Instructions: In addition, please complete the following information.

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	WATER UTILITY (d)	WASTEWATER UTILITY (e)
101	Utility Plant In Service	F-5	$1,543,989,509	$1,738,212
	Less:			
	Disallowed Plant (1)			
108.1	Accumulated Depreciation	F-6	454,935,483	160,927
110.1	Accumulated Amortization	F-6	228,496	
271	Contributions In Aid of Construction	F-20	152,174,667	138,160
252	Advances for Construction	F-19	41,782,158	
	Subtotal		894,868,705	1,439,125
	Plus or Minus:			
114	Acquisition Adjustments (2)	F-5	3,441,727	35,794
115	Accumulated Amortization of Acquisition Adjustments (2)	F-5	3,395,835	20,539
272	Accumulated Amortization of CIAC	F-21	175,064	
	Working Capital Allowance (3)			
	Other (Specify): materials and supplies		1,400,205	914
	Deferred depreication (net)		5,846,376	2,217
	Somerset capacity allowance		(100,559)	(98,210)
	Post in service AFUDC (net)		4,054,782	3,051
	RATE BASE		906,290,465	1,362,352
	NET OPERATING INCOME		$53,386,764	$75,664
	ACHIEVED RATE OF RETURN		5.89%	5.55%

Question: If achieved rate of return is negative, is the utility considering a rate adjustment? If yes, does the utility need information regarding the commission's procedural processes available for a proposed rate adjustment? Not Applicable

Question: Please provide the utility's last rate case Cause No. and the Date of the Order.
Cause No. 44450, January 28, 2015

NOTES:

(1) Please provide the Cause Number of the commission order that disallowed utility plant in rate base.

(2) Include only those Acquisition Adjustments that have been approved by the Commission. This cell does not automatically tie to page F-5 since some Acq. Adj. may not have been approved.

(3) WORKING CAPITAL

Current year O & M expenses, excl. taxes and depr.	$76,749,004
Less: Fuel or power purchased & purchased water, if applicable	
Total Working Capital Expenses	76,749,004
Divide by: 45 day factor	8
Total Working Capital (if positive)	$9,593,626

UTILITY Indiana-American Water Company **I. D. #** _____
REVIEWED BY _____ **YEAR** _____

DO NOT ENTER DATA ON THIS PAGE

BALANCE SHEET INFORMATION

	Water	Sewer
Utility Plant in Service	$ 1,543,989,509	$ 1,738,212
Plant Held for Future Use	-	-
Construction Work in Progress	10,922,705	(174,145)
Plant Acquisition Adjustment (Net)	24,569,888	15,255
Accumulated Depreciation/Amortization	455,163,979	160,927
Materials & Supplies	1,400,205	914
Contributions in Aid of Construction	152,174,667	138,160
Total Rate Base	$ 973,543,661	$ 1,281,149

INCOME STATEMENT INFORMATION

Operating Revenues		
Residential	$ 106,957,477	$ 425,407
Commercial	42,148,189	19,733
Industrial	14,748,528	-
Other Revenues	48,169,299	6,730
Total Operating Revenue	212,023,493	451,870
Operating Expenses		
Operating Expenses	76,421,278	327,726
Depreciation/Amortization Expense	46,022,978	47,250
Income Taxes	22,200,312	-
Taxes Other Than Income		
Property Tax	9,526,308	-
Utility Receipts Tax	2,788,700	-
Payroll Taxes (FICA etc.)	1,178,648	1,230
Other Taxes	498,505	-
Total Taxes Other Than Income	13,992,161	1,230
Total Operating Expenses	158,636,729	376,206
Net Operating Income	$ 53,386,764	$ 75,664

CUSTOMER COUNT

Residential-Unmetered	-	460
Commerical-Unmetered		9
Industrial-Unmetered		-
Public Authorities-Unmetered		-
Multiple Family Dwellings-Unmetered		
Total Unmetered Customers	-	469
Residential-Metered	264,451	-
Commercial-Metered	27,309	
Industrial-Metered	622	-
Public Authorities-Metered	1,588	-
Multiple Family Dwellings-Metered	-	
Total Metered Customers	293,970	-
Fire Protection	5,047	
Other Sales to Public Authorities	-	-
Sales for Resale/or From Other Systems	21	-
Interdepartmental	-	-
Other	-	
Total Other Customers	5,068	-
Total Customers	299,038	469
Unit of measurement is 1,000 gallons		33,037,351

OUCC DATA REQUEST #2

Indiana-American Water Company, Inc.
and
City of Charlestown

Cause No 44976

September 5, 2017

Q 2.12. On page 13 of his prefiled verified direct testimony, Mayor G. Robert Hall states the City of Charlestown procured a $7.2 million guaranteed investment by Indiana-American Water Company, Inc. (Hall at 13:19) In addition, in his prefiled verified direct testimony, William A. Saegesser discusses $7.2 million worth of improvements to the City of Charlestown's water utility. (Saegesser at page 5)

Did the need for improvements decrease the results of the joint appraisal (Attachment GRH-2)? If yes, explain how (including any calculations) the need for improvements decreased the appraised value of the Charlestown water system. If no, explain why the need for improvements does not influence the value of the Charlestown water system.

Objection: The City objects to the Data Request on the basis of the foregoing general objections. The City objects to the Data Request on the basis that the Data Request seeks information not in the possession of the City and not within the personal knowledge of the City.

Response: While the City is not in possession of or have personal knowledge of information responsive to the Data Request, the City requested the appraisers to respond, and their response, for which the City makes no representations as to accuracy, is set forth below:

> No. As stated in the appraisal, the valuation is based upon a typical RCNLD calculation such as has been done historically in water and wastewater utility appraisals. RCNLD calculates the replacement cost less depreciation and does not include any calculations for improvements. Again, the use of RCNLD is standard industry practice for utility valuations in Indiana.

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.

Edward R. Kaufman
Indiana Office of Utility Consumer Counselor

November 2, 2017
Date

Cause No. 44976
Indiana-American Water Co., Inc.
Charlestown Municipal Water

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing ***OUCC's Testimony of Edward R. Kaufman: Public's Exhibit No. 1*** has been served upon the following counsel of record in the captioned proceeding by electronic service on November 2, 2017.

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