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February 8, 2011

VIA HAND DELIVERY

filed electronically in docket office on 02/08/11

Chairman Mary W. Freeman
c/o Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

Re: Docket No. 10-00189: *Petition Of Tennessee American Water Company To Change And Increase Certain Rates And Charges So As To Permit It To Earn A Fair And Adequate Rate Of Return On Its Property Used And Useful In Furnishing Water Service To Its Customers*

Dear Chairman Freeman:

Enclosed please find an original and five (5) sets of copies of Tennessee American Water Company's Rebuttal Testimony filed on behalf of the following witnesses: Bernard L. Uffelman, James H. Vander Weide, James I. Warren, Sheila A. Miller, Patrick L. Baryenbruch, Paul R. Herbert, Dr. Edward L. Spitznagel, John S. Watson and Michael A. Miller.

Two disks are included with this submission. The first disk, labeled "Docket Manager Disk" contains PDF images of the testimony of each witness. The second disk contains all of the documents submitted in their native formats.

Please file the original and four copies of this Rebuttal Testimony and stamp the additional copy as "filed." Then please return the stamped copy to me by way of our courier.

Should you have any questions concerning this matter, please do not hesitate to contact me at the email address or telephone number listed above.

Sincerely,



David Killion

Enclosures

**Tennessee Regulatory Authority
Nashville, Tennessee
Docket No. 10-00189**

**REBUTTAL TESTIMONY OF
BERNARD L. UFFELMAN**

TENNESSEE-AMERICAN WATER COMPANY

February 8, 2011

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EXHIBITS

REBUTTAL EXHIBIT BLU-1 CUSTOMER BASED COST ALLOCATION
ANALYSIS

**REBUTTAL TESTIMONY OF
BERNARD L. UFFELMAN**

I. WITNESS INTRODUCTION

Q1. Please state your name and business address.

A. My name is Bernard L. Uffelman. My business address is 32 Autumn Oaks Drive, Austin, Texas 78738.

Q2. By whom and in what capacity are you employed?

A. I am President of Uffelman Advisory Services, LLC, a firm that specializes in energy and utility regulatory and litigation support services.

Q3. Please summarize your educational background and professional affiliations.

A. I received a Bachelor of Science degree in accounting from Southern Illinois University and a Master of Business Administration degree in finance from Illinois State University. I am a certified public accountant ("CPA") and a member of the American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants. I am a licensed CPA in Illinois and Texas.

Q4. Please summarize your professional work experience.

A. I have been associated with the regulated utilities industry for over 38 years. My experience includes that as an employee of major investor-owned electric and gas utilities, Chief Accountant of the Illinois Commerce Commission, Director of Accounting for the Public Utility Commission of Texas, and consultant to public utility commissions, interveners and utilities. As a staff member of the Illinois and Texas Commissions, I have advised commissioners on accounting, financial and tax policy and have recommended ratemaking treatment for complex regulatory issues. Prior to my retirement from Deloitte & Touche LLP ("Deloitte & Touche")

in August 2008, I was a Partner at the firm and the U.S. Regulatory Services Leader for Deloitte & Touche's Energy & Resources Practice, where my primary responsibilities included regulatory accounting, revenue requirement development, regulatory and litigation support, cost allocation, affiliate transactions and codes of conduct, financial and business planning, and strategic services.

Q5. Please describe publications you have authored related to cost allocation and affiliate transaction issues and your involvement in utility industry organizations.

I served as a contributing author to Accounting for Public Utilities, co-authored by Robert L. Hahne and Gregory Aliff, including responsibility for Chapter 19 – Cost Allocations for a Diversified Utility (LexisNexis), and have co-authored other industry publications including Cost Allocation and Affiliate Transactions, A Survey and Analysis of State Cost Allocation Issues and Transfer Pricing Policies, June 1999.

I have moderated and participated in panel discussions on various industry topics, and have presented papers on various utility issues in numerous forums. I am a past member of the National Association of Regulatory Utility Commissioners' ("NARUC") Staff Subcommittee on Accounts. I served as Chairman of the Natural Gas, Telecommunications and Electric Industries Committee of the Texas Society of Certified Public Accountants. I served on the Public Utilities Advisory Committee for the University of Texas Regulatory Institute, Graduate School of Business and as an instructor for the Institute. I

47 also served on the Advisory Council for the Center for Public Utilities at New
48 Mexico State University. I have conducted utility regulatory and ratemaking
49 training sessions for the staffs of several state public utility commissions, and
50 presented white papers on utility issues before several regulatory bodies
51 including the NARUC.

52 **Q6. Have you previously testified as an expert witness before regulatory**
53 **bodies?**

54 **A.** Yes. I have presented testimony regarding utility matters before the Alaska,
55 Arizona, California, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana,
56 Nevada, New Jersey, New Mexico, New York, Oklahoma, Oregon and Texas
57 public utility commissions. I have testified before the Illinois Legislature; the
58 Texas Railroad Commission; the Supreme Court of the State of New York; the
59 Superior Court of the State of California; the Circuit Courts for Baltimore,
60 Maryland and Cook County, Illinois; the US District Court for Colorado; the King
61 County, Seattle, Washington franchise authority; the City Council of Garland,
62 Texas; and the Board of Water and Power Commissioners, the Commerce,
63 Energy and Natural Resources Committee, and the City Council of the City of
64 Los Angeles, California. A listing of the regulatory jurisdictions and proceedings
65 in which I have testified and the issues addressed are shown in attached
66 Appendix 1 of Rebuttal Exhibit BLU-1, which includes a complete copy of my
67 resume.

II. PURPOSE OF TESTIMONY

Q7. What is the purpose of your testimony?

Q8. The Service Company provides services to its affiliates including TAWC on an at-cost basis. Are you familiar with the methods used by the Service Company for allocating costs to its affiliates including TAWC?

¹ See Rebuttal Exhibit BLU-1, Appendix 2, page 2.

III. DISMUKES TESTIMONY CONCERNING COST ALLOCATION METHODOLOGIES

Q9. What are Ms. Dismukes' concerns related to the allocation methodologies used to allocate Service Company costs to TAWC and its affiliates?

A. Ms. Dismukes addresses both the Tier One and Tier Two allocation methodologies used for allocating costs to the Company and its affiliates. On page 56 of her testimony, Ms. Dismukes states that although the use of customers to allocate costs between regulated companies (i.e., the Tier Two allocation methodology using the customer factor), while not perfect, is acceptable, there may be approaches that are superior. Also on page 56, Ms. Dismukes states that the use of largely sized-based allocation factors to distribute costs between regulated and non-regulated companies (i.e., the Tier One allocation methodology using the Tier One allocation factors) is problematic because it does not adequately consider the benefits received by the non-regulated companies.

Q10. Please comment on Ms. Dismukes' statement concerning the Tier Two allocation methodology and use of the customer factor for allocating Service Company costs to the regulated operating companies.

A. I agree with Ms. Dismukes that use of the customer allocator is acceptable for allocating costs to the regulated companies including TAWC. As stated in the Schumaker Affiliate Audit Report, the services provided to the regulated companies by the Service Company are essentially the same services.³ While

³ Schumaker Affiliate Audit Report page 34.

Ms. Dismukes states that the customer allocator is not perfect, I do not know of a single allocation method that would meet her standard of perfection since allocations of indirect costs are by nature somewhat subjective. Many different cost allocation methodologies could be developed for allocating such costs, each with potentially different impacts on allocated costs in multiple regulatory jurisdictions.⁴ Ms. Dismukes, however, did not propose any approach for use by AWWSC in allocating indirect costs to its regulated affiliates including TAWC, let alone any approach that she believed was "superior". Ms. Dismukes, on page 18 of her testimony, also states that "A customer-based allocation method is typically not ideal. Yet, when allocating costs between water and wastewater systems, where there are no non-regulated businesses, the use of customers for simplicity purposes is generally acceptable." I agree with Ms. Dismukes' statement, especially since the services provided to the regulated companies by the Service Company are essentially the same services.

Q11. Ms. Dismukes, on page 19 of her testimony, states that "The audit conducted by Schumaker & Company also recognized the shortcoming of a customer allocation factor. Specifically, it stated: "The cost-allocation methodologies impacting TAWC are generally reasonable, although the use of number of customers for allocating AWWSC costs among regulated utilities is essentially a simplification mechanism that is not necessarily based on cost-causative factors". Please discuss.

⁴ Rebuttal Exhibit BLU-1, Appendix 2, page 3.

135 **A.** The audit that Ms. Dismukes refers to is the affiliate audit of TAWC that
136 Schumaker & Company completed in 2010, which the Company filed on
137 September 10, 2010 in Docket No. 09-00086. Ms. Dismukes is referring to
138 Finding II-2 found on page 40 of the Schumaker Affiliate Audit Report and related
139 Recommendation II-2, which recommended that TAWC "Perform a detailed
140 analysis to verify that the use of the number of customers for allocating AWWSC
141 costs among regulated utilities reasonably approximates the use of cost-
142 causative factors; subsequently make modifications, as appropriate."⁵

143 **Q12. Did the Company perform the detailed analysis recommended by**
144 **Schumaker & Company on behalf of the TRA?**

145 **A.** Yes. The results of the Customer Based Cost Allocation Analysis are contained
146 in Rebuttal Exhibit BLU-1. The Analysis provides the detailed cost analysis by
147 AWWSC Business Unit and function for comparing the use of number of
148 customers for allocating Service Company costs among the regulated utilities
149 (i.e., the Tier 2 allocations) to the use of alternative cost-causative factors for
150 allocating such costs to the regulated utilities.

151 **Q13. What does the Analysis show?**

152 **A.** Appendix 5 of the Analysis shows that reallocation of TAWC's common costs
153 based on the alternative cost-causative factors used in the comparative analysis
154 results in a decrease of \$120,501 in TAWC's original allocated charges of
155 \$5,067,078 based on the customer allocator, resulting in total TAWC costs of
156 \$4,946,578, a decrease in TAWC's total cost of 2.38%. Based on the small

⁵ Schumaker Affiliate Audit Report page 51.

157 decrease in TAWC total Service Company costs resulting from application of the
158 alternative cost-causative factors when compared to the customer allocator, the
159 Analysis verifies that the use of the number of customers for allocating AWWSC
160 costs among the regulated utilities is reasonable and closely approximates the
161 use of cost-causative factors and modifications to the customer methodology are
162 not warranted.

163 **Q14. Please turn now to the concerns raised by Ms. Dismukes on pages 20**
164 **through 24 of her testimony regarding the Tier One allocation methodology**
165 **and the Tier One allocation factors used for allocating AWWSC costs**
166 **between the regulated and non-regulated companies. Do you agree with**
167 **her conclusion?**

168 **A.** Ms. Dismukes states that AWWSC allocates costs between the regulated and
169 non-regulated companies using Tier One factors which are based upon various
170 measures of relative size, including revenues, expenses and employees. Ms.
171 Dismukes concludes that the use of largely size-based allocation factors to
172 distribute costs between regulated and non-regulated companies is problematic
173 since this methodology does not adequately consider the benefits received by
174 the non-regulated companies. I do not agree with this conclusion. Several
175 standard-setting bodies, including the Securities and Exchange Commission
176 ("SEC"), the Cost Accounting Standards Board ("CASB"), the Federal
177 Communications Commission ("FCC"), and the Federal Energy Regulatory
178 Commission ("FERC") have established guidelines regarding the assignment and
179 allocation of general and administrative, parent company, or in-direct costs. In

180 addition, the NARUC has promulgated Guidelines for Cost Allocations and
181 Affiliate Transactions ("Guidelines").⁶

182 These standard setting bodies have adopted cost-causation principles
183 including the recognition and use of "cost-drivers" as the basis for allocating
184 costs between affiliates. For example, Paragraph A.6 of the NARUC Guidelines
185 defines Cost Driver as "a measurable event or quantity which influences the level
186 of costs incurred and which can be directly traced to the origin of the costs
187 themselves". While services provided to the regulated companies should benefit
188 the companies and their customers, cost allocation methodologies for allocating
189 costs between regulated and non-regulated companies should be based
190 on quantifiable measures (e.g., activities, transactions, resources and
191 investments) that drive or cause the costs to be incurred, rather than on benefits
192 received as concluded by Ms. Dismukes.

193 Another reason that cost accumulation and allocation are based on
194 measurable events and quantities, and not on benefits received as proposed by
195 Ms. Dismukes, is the need to accumulate and allocate costs in accounting and
196 financial reporting systems for both financial and regulatory reporting purposes.
197 Such systems, and the resulting cost accumulations and allocations, must be
198 auditable and therefore need to be based on quantifiable measures and not on
199 qualitative measures as proposed by Ms. Dismukes.

200 **Q15. Has the SEC addressed the use of sized-based allocation factors for**
201 **allocating costs to subsidiaries for financial reporting purposes?**

⁶ Accounting for Public Utilities, Chapter 19.

202 **A.** Yes. In 1983, the SEC issued Staff Accounting Bulletin No. 55 ("SAB 55")
203 entitled Allocation of Expenses and Related Disclosure in Financial Statements
204 of Subsidiaries, Divisions or Lesser Business Components of Another
205 Entity. SAB 55 notes that, in some instances, a reasonable method such as
206 incremental or proportional cost allocations for allocating common expenses to a
207 subsidiary must be chosen, because specific identification of expenses to a
208 subsidiary is not practicable. The bulletin clearly recognizes that when allocating
209 common expenses, the use of an allocator which is based on a proportional
210 relationship (i.e., size-based) is reasonable and acceptable.⁷

211 **Q16. Has the use of sized-based allocation factors been accepted by regulatory**
212 **bodies such as the SEC, the FCC, the FERC and state public utility**
213 **commissions for both financial and regulatory reporting purposes?**

214 **A.** Yes.

215 **Q17. Do you have any other comments regarding Ms. Dismukes' testimony**
216 **related to the use of the Tier One allocation factors and the Tier Two**
217 **customer allocator?**

218 **A.** Yes. It appears that Ms. Dismukes' concerns are somewhat contradictory. She
219 finds fault with the Tier Two customer allocation methodology because it "does
220 not consider usage and/or volume in the allocation formula", but she also
221 criticizes the Tier One factors "which are based upon various measures of
222 relative size".

223

⁷ Accounting for Public Utilities, Chapter 19.

224 **IV. BUCKNER TESTIMONY CONCERNING COST ALLOCATION**
225 **METHODOLOGIES**
226

227 **Q18. What are Mr. Buckner's concerns related to the allocation methodologies**
228 **used to allocate Service Company costs to TAWC and its affiliates?**

229 **A.** Mr. Buckner's concerns are related to the use of the Tier Two allocation
230 methodology which uses the customer allocator for allocating indirect costs from
231 AWWSC to TAWC and the other regulated companies. Beginning on Page 24 of
232 his testimony, Mr. Buckner states that while the Schumaker & Company Report
233 notes that the cost allocation methodologies impacting TAWC are generally
234 reasonable, the Report points out the method used is a simplification mechanism
235 that is not necessarily based on cost-causative factors. Mr. Buckner proposes
236 that the TRA should adopt an approach used in other recent dockets involving
237 Tennessee utilities and require AWWSC to allocate costs to TAWC on that
238 approach which Mr. Buckner believes is a more cost-causative approach.

239 **Q19. Do you agree with Mr. Buckner's proposal that the TRA should adopt a**
240 **different approach for allocating indirect costs among the regulated**
241 **companies including TAWC?**

242 **A.** No. As previously stated in my testimony, as a result of Finding II-2 and related
243 Recommendation II-2 contained in the Schumaker & Company Report, the
244 Company completed and filed with the TRA the Customer Based Cost Allocation
245 Analysis in response to the recommendation by Schumaker & Company, that the
246 Company "Perform a detailed analysis to verify that the use of the number of
247 customers for allocating AWWSC costs among regulated utilities reasonably
248 approximates the use of cost-causative factors; subsequently make

modifications, as appropriate". Based on the small decrease in TAWC total Service Company costs of \$120,501 or 2.38% as previously discussed in my testimony, the detailed Analysis verifies that the use of the number of customers for allocating AWWSC costs among the regulated utilities is reasonable and closely approximates the use of cost-causative factors and modifications to the customer methodology are not warranted.

Q20. Regarding the Customer Based Cost Allocation Analysis what are the Consumer Advocate's conclusions?

A. The Consumer Advocate's conclusions are set forth on page 26 of Mr. Buckner's testimony which states "The Schumaker & Company Report of TAWC dated August 2010 has a finding that the cost allocation methodologies of AWWSC are not necessarily based on cost causative factors. The Analysis, however, does not support the finding, instead it supports the concept of cost allocation based on the number of customers as 'a rational and reasonable way to allocate'".

Q21. Please comment on Mr. Buckner's testimony related to the findings of the Analysis.

A. It appears from Mr. Buckner's testimony that somehow the Consumer Advocate believes the Analysis was supposed to find that the use of the number of customers for allocating AWWSC costs among the regulated utilities does not approximate the use of cost-causative factors. However, the Analysis clearly shows that use of the number of customers for allocating AWWSC costs among the regulated utilities reasonably approximates the use of cost-causative factors.

271 **Q22. Does Mr. Buckner make specific reference or take specific issue with the**
272 **approach or methodology used in the Analysis for verifying that the use of**
273 **the number of customers for allocating AWWSC costs among regulated**
274 **utilities reasonably approximates the use of cost-causative factors?**

275 **A.** No. Mr. Buckner does not address the Study Methodology or the cost-causative
276 factor selection as described in the Analysis.⁸

277 **Q23. On page 27 of his testimony, Mr. Buckner refers to the need to allocate**
278 **residual costs using a general allocator and references Cost Allocations**
279 **And Affiliate Transactions. Has TAWC considered the use of a residual or**
280 **general allocator for allocating “costs which cannot be specifically**
281 **attributed to a product, service or affiliate and for which there are no cost**
282 **causative relationships, are typically accumulated or “pooled” and then**
283 **allocated in the same ratio as all other costs are assigned or allocated”?**

284 **A.** Yes. In fact, page 11 of the Study Methodology contains the same language and
285 reference to Cost Allocations And Affiliate Transactions as contained in Mr.
286 Buckner’s testimony. TAWC used a general allocator (i.e., the residual allocation
287 method) as described by Mr. Buckner in developing the cost comparisons used
288 in the Analysis.

289 **Q24. Why then does Mr. Buckner not accept the findings contained in the**
290 **Analysis?**

⁸ Rebuttal Exhibit BLU-1, page 14, Study Methodology.

291 **A.** Because, as stated on page 30 of his testimony, the Consumer Advocate
292 believes that the cost allocation methodologies of AWWSC are not necessarily
293 based on cost causative factors.

294 **Q25. Does Mr. Buckner propose use of a different allocation methodology for**
295 **allocating indirect costs to TAWC?**

296 **A.** Yes, as previously stated in my testimony. On page 30 of his testimony, Mr.
297 Buckner states that an allocation factor should be applied to indirect costs based
298 on an equally weighted percentage of Plant in Service, Direct Operations and
299 Maintenance Expense, and Number of Customers.

300 **Q26. Does Mr. Buckner explain why this method should be adopted for**
301 **allocating AWWSC indirect costs to TAWC?**

302 **A.** Yes. Mr. Buckner states he believes that this allocation factor is based on direct
303 cost-causative factors and is the method used by Atmos Energy Corporation and
304 Tennessee Wastewater Systems in recent proceedings before the TRA.

305 **Q27. What is the result of applying Mr. Buckner's proposed three-factor formula**
306 **to TAWC?**

307 **A.** According to Mr. Buckner, using the Consumer Advocate's allocation factor
308 reduces TAWC's forecasted Management Fees by \$1,060,971.⁹

309 **Q28. Do you agree with Mr. Buckner's recommendation that the TRA should**
310 **adopt the methodology he proposes?**

311 **A.** No. First, the Company completed and filed the Analysis that provides the
312 detailed cost analysis by AWWSC Business Unit and function for comparing the

⁹ Buckner Direct, page 31.

use of the number of customers for allocating Service Company costs among the regulated utilities to the use of alternative cost-causative factors for allocating such costs to the regulated utilities. Second, the Study Methodology and approach used for the comparison is appropriate and reasonable. Third, the cost-causative factors used in the Analysis were selected from the Tier One allocation factors used in allocating shared service costs from AWWSC to the regulated and non-regulated affiliates which have been in use since 2006 based on a study to determine the appropriate cost causative factors for the various functions of AWWSC. In addition, a customer allocator was used as either a single allocator or as part of a multi-factor formula. This was necessary because the costs of several functions are partially or fully driven by number of customers. Fourth, for some Business Units where more than one causative factor was identified, a weighted-average of factors was utilized based upon an evaluation of the Business Unit's activities. Fifth, for Business Units where there was no clear assignable causative factor or combination of factors, a "residual" allocation factor was assigned to the AWWSC Business Unit.

Q29. Are there other reasons why the TRA should not adopt the methodology proposed by Mr. Buckner?

A. Yes. Mr. Buckner provided no comparison of Atmos Energy Corporation and Tennessee Wastewater Systems to TAWC such as organization and structure; operations; number of customers served; level of shared services provided and how provided (e.g., through a shared service organization); number of regulated affiliates and related number of regulatory jurisdictions having authority over the

336 utilities; and whether costs are allocated among both regulated and non-
337 regulated affiliates, or just among the regulated companies as is the case with
338 TAWC Tier Two indirect costs.

339 **V. SUMMARY OF REBUTTAL TESTIMONY**

340 **Q30. Mr. Uffelman, please summarize your testimony.**

341 **A.** The Customer Based Cost Allocation Analysis contained in Rebuttal Exhibit BLU-
342 1 attached to my Rebuttal Testimony verifies that the use of the number of
343 customers for allocating AWWSC costs among the regulated utilities is
344 reasonable and closely approximates the use of cost-causative factors and that
345 modifications to the Tier Two customer allocation methodology are not
346 warranted. Many different cost allocation methodologies could be developed for
347 allocating indirect Service Company costs to TAWC and the regulated
348 companies, each with potentially different impacts on allocated costs in multiple
349 regulatory jurisdictions.

350 Ms. Dismukes states that when allocating costs between water and
351 wastewater systems, where there are no non-regulated businesses, the use of
352 customers for simplicity purposes is generally acceptable, but that there may be
353 approaches that are "superior". Ms. Dismukes, however, does not propose a
354 single alternative approach for use by AWWSC for allocating indirect costs to its
355 regulated affiliates including TAWC, let alone any approaches that she believes
356 are superior. Ms. Dismukes also takes exception to the Tier One allocation
357 factors used for allocating AWWSC costs between the regulated and non-
358 regulated companies because the Tier One factors are based on various

359 measures of relative size. Ms. Dismukes believes that allocations of such costs
360 should be allocated on benefits received. As discussed in my testimony, while
361 services provided to the regulated companies should benefit the companies and
362 their customers, cost allocation methodologies should be based on quantifiable
363 measures that drive or cause the costs to be incurred and which are auditable,
364 and not on qualitative measures such as benefits received as proposed by Ms.
365 Dismukes.

366 Mr. Buckner proposes that the TRA should adopt an allocation approach
367 used in two recent dockets involving Atmos Energy Corporation and Tennessee
368 Wastewater Systems for use by AWWSC for allocating indirect costs among its
369 regulated affiliates. Mr. Buckner apparently believes that the Analysis should
370 have supported a finding that the use of the customer allocator does not
371 approximate the use of cost-causative factors, even though Mr. Buckner does not
372 address or take issue with the Study Methodology or the selection of the cost-
373 causative factors used in the Analysis. Even though the Analysis clearly shows
374 that use of the number of customers for allocating AWWSC costs among the
375 regulated utilities reasonably approximates the use of cost-causative factors, Mr.
376 Buckner proposes use of an allocation method used for the other two Tennessee
377 utilities although no comparisons between TAWC and the other utilities were
378 provided by the Consumer Advocate, other than the fact that all three provide
379 service in Tennessee. Mr. Buckner's proposed approach reduces the costs
380 allocated to TAWC by over \$1M annually and should be rejected for the reasons
381 stated in my testimony.

382 **Q31. Does this conclude your rebuttal testimony?**

383 **A.** Yes, it does.

TENNESSEE REGULATORY AUTHORITY

STATE OF TEXAS

COUNTY OF TRAVIS

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Bernard L. Uffelman, being by me first duly sworn deposed and said that:

He is appearing as a witness on behalf of Tennessee-American Water Company before the Tennessee Regulatory Authority, and if present before the Authority and duly sworn, his rebuttal testimony would set forth in the annexed transcript consisting of 18 pages.

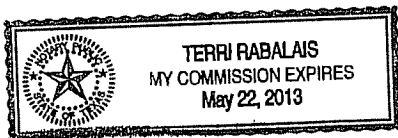
B L Uffelman

Bernard L. Uffelman

Sworn to and subscribed before me
this 1st day of February 2011.

Terri Rabalais
Notary Public

My commission expires May 22, 2013.



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December 28, 2010

Via Hand Delivery

Chairman Mary W. Freeman
c/o Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

Re: *Tennessee American Water Company's Management Audit*
Docket No. 09-00086

Dear Chairman Freeman:

Attached you will find an original and five (5) copies of Tennessee American Water Company's Customer Based Cost Allocation Analysis with appendices. This document is also being filed today by way of email with the Tennessee Regulatory Authority Docket Manager, Ms. Sharla Dillon.

Please file the original and four copies of this material and stamp the additional copy as "filed," and return the file-stamped copies to me by way of our courier.

Should you have any questions concerning this matter, please do not hesitate to contact me at the email address or telephone number listed above.

With kindest regards, I remain

Very truly yours,



R. Dale Grimes

RDG/smb
Enclosures

cc: Hon. Eddie Roberson (*w/o enclosures*)
Hon. Sara Kyle (*w/o enclosures*)
Mr. David Foster (*w/o enclosures*)

Chairman Mary W. Freeman
December 28, 2010
Page 2

Ryan McGehee, Esq. (*w/o enclosures*)
J. Richard Collier, Esq. (*w/o enclosures*)
Kelly Cashman-Grams, Esq. (*w/o enclosures*)
Rebecca Montgomery, Esq. (*w/o enclosures*)
Mr. John S. Watson (*w/o enclosures*)
Mr. Michael A. Miller (*w/o enclosures*)

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:

TENNESSEE AMERICAN WATER
COMPANY'S REQUEST FOR
PROPOSAL FOR A MANAGEMENT
AUDIT

Docket No. 09-00086

AFFIDAVIT

STATE OF TEXAS

COUNTY OF TRAVIS

I, BERNARD L. UFFELMAN, President of Uffelman Advisory Services, LLC, do hereby swear and affirm that the attached Customer Based Cost Allocation Analysis, Tennessee-American Water Company, and appendices thereto are true and complete copies of same and contain my opinions and conclusions with respect thereto.

DATED this 28th day of December, 2010.

B L Uffelman

(signature)

Bernard L. Uffelman

(printed name)

Sworn to and subscribed before me this 28th day of December, 2010.

NOTARY PUBLIC

My Commission Expires:

May 22, 2013



Customer Based Cost Allocation Analysis

Tennessee-American Water Company

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Customer Based Cost Allocation Study

Introduction and Scope:

In the rate order in proceeding No 08-00039, the Tennessee Regulatory Authority ("TRA") ordered Tennessee American Water Company ("TAWC", or "the Company") to have a management audit performed of the affiliate relationship between TAWC and American Water Works Service Company, Inc. ("AWWSC"). The Authority said, "The panel ordered the Company to develop a Request For Proposal ("RFP") for a comprehensive management audit by an independent certified public accountant. The RFP for the audit shall include, but not be limited to, an investigation of AWWSC's management performance and decisions relating to internal processes and internal controls with and attestation and recommendation of any needed management changes and implementation thereof. Further, the audit shall evaluate and attest to the charges allocated to TAWC, including the efficiency of processes and /or functions performed on behalf of TAWC, as well as the accuracy and reasonableness of the allocation factors utilized (68). This RFP should be filed in this docket no later than six months from September 22, 2008, for approval by the Authority. The issuance of the RFP shall occur subsequent to an approval of the RFP by the Authority." ¹

In response to this requirement, on March 23, 2009 the Company filed the proposed RFP with the TRA. This filing started a chain of events that led to a motion by Director Roberson issued on June 11, 2009. The TRA panel acted on this motion in their regularly scheduled meeting on June 15, 2009, issuing an Order on the matter on July 16, 2009. At the Director's conference on August 14, no party to the 08-00039 docket made comment and the TRA approved the RFP submitted on June 11, 2009 with minor changes that included adding the language "TAWC may

¹ TRA Order in Docket No. 08-00039, at page 21-22.

enter directly into a contract with said firms subsequent to TRA approval." The Company was directed to issue the RFP as soon as possible and to file the RFP with the list of recipients in this docket file (new docket number 09-00086). On September 8, 2009 the TRA issued its written Order approving the RFP. The Company issued the RFP to 14 firms considered to be qualified to perform the management audit. On September 8, 2009 the Company filed a letter of clarification concerning the RFP based upon several inquiries about the RFP from the vendors who were invited to bid. On September 11, 2009 the TRA issued an Order approving the Clarification Letter to be provided to the potential bidders. On October 27, 2009 the Company filed the three responses to the RFP received by the Company from (1) Northstar-TCBA-MFSG, (ii) WHN-Liberty, and (iii) Schumaker-Work & Greer. On October 28, 2009 the Company provided a filing to the TRA recommending that Schumaker-Work & Greer be selected as the firm to perform the Management Audit. This was followed by a number of discovery requests regarding the selection of the management auditor issued by the TRA Staff. On January 4, 2010 the Company filed a copy of the executed contract with the TRA. The TRA at its conference on January 25, 2010 authorized the Company to move forward with the management audit and the contract with Schumaker-Work & Greer.

The Company filed the completed Management Audit with the TRA on September 10, 2010 in Docket No. 09-00086. One of the key findings set forth in the audit report suggested further analysis on the use of relative number of customers as a basis for allocation of "common costs" as defined in the agreement between TAWC and AWWSC. Finding II-2 said "The cost-allocation methodologies impacting TAWC are generally reasonable, although the use of number of customers for allocating AWWSC costs among regulated utilities is essentially a simplification mechanism that is not necessarily based on cost-causative factors."

The related recommendation (Recommendation II-2) in the audit report was for TAWC to “perform a detailed analysis to verify that the use of the number of customers for allocating AWWSC costs among regulated utilities reasonably approximates the use of cost-causative factors; subsequently make modifications, as appropriate.” TAWC has accepted this recommendation and has performed the requested analysis. This Study reflects the results of the detailed analysis performed. The Company conducted the analysis in conjunction with American Water Works Service Company personnel and Mr. Bernard L. Uffelman, of Uffelman Advisory Services LLC, a recognized expert in the field of public utility cost allocation issues, who provided guidance and support with regard to appropriate cost causative allocation methodologies and the analysis utilized in this Study. Mr. Uffelman’s credentials are attached to the Study as Appendix 1. A letter from Mr. Uffelman describing his involvement in the Study and his conclusions is attached hereto as Appendix 2.

Background:

In providing public utility water and wastewater services to its customers, the Company utilizes the AWWSC, which provides centralized services to the Company and its affiliates in numerous areas that are essential to the provision of high quality, reliable service to customers. The Company receives services from the AWWSC in the following functional areas:

1. Internal Audit
2. Business Development
3. Business Transformation Project
4. External Affairs (Communications)
5. Finance
6. Human Resources (including Benefits Service Center)

7. Information Technology Services
8. Investor Relations
9. Legal
10. Regulatory Services
11. Regulated Operations Management
12. Shared Services Center
13. Operation Services (including Lab, Supply Chain, Property)

The AWWSC provides these services to the Company pursuant to a contract between the Company and the Service Company (the "Service Company Contract") *which was effective January 1, 1989*. The Service Company Agreement is attached hereto as Appendix 3. This contract is substantially the same as the contract the Service Company utilizes to provide similar services to all of American Water's regulated subsidiaries.

The AWWSC also provides certain limited services to American Water's non-regulated subsidiaries. The non-regulated entities do not take the same level of services as the regulated utilities for a number of reasons. For example, because the AWWSC primarily provides services to utilities regulated by state public utility commissions, it is structured to provide services that are commonly required by these commissions, such as accounting records and procedures maintained pursuant to versions of the Uniform System of Accounts as adopted by the National Association of Regulatory Utility Commissioners ("NARUC") as well as state requirements pertaining to customer service, the filing of annual reports, etc. The non-regulated entities, therefore, will often have their own departments to provide services designed to meet their own business needs.

Billing and Cost Allocation:

Billing and allocation of costs among the regulated subsidiaries is done pursuant to the approved Service Company Agreement. Under this agreement, a direct charge to the utility receiving the service is the preferred method of billing. That is, where possible, a regulated subsidiary is directly charged based on the time spent to provide the services directly to that regulated subsidiary. Where services are provided in common to more than one regulated subsidiary, costs are apportioned among the regulated subsidiaries on the basis of the number of customers. Common overheads then follow the primary allocations.

Allocations of common costs based on the number of customers served by a utility represent a rational and reasonable way to allocate these costs for a number of reasons. For example, the types of services required by the regulated utilities are in large part driven by regulatory requirements, which, while not necessarily uniform, are often very similar. For example, all the regulated utilities need to perform regular laboratory testing of water quality as a requirement of state and federal law, as noted below. These requirements may vary slightly from state to state but are very similar in nature, varying most significantly in the number of tests required. The result of the laboratory testing services provided by the Belleville Laboratory is that each customer has the same assurance that his water service has met federal and state water quality requirements whether he is served by a small, medium or large water system.

The water and wastewater services that the regulated utilities provide to their customers are also substantially similar and encompass a full range of activities and responsibilities necessary to provide reliable, high quality end use service to customers, including securing reliable supplies and providing all necessary treatment, distribution, and other operating requirements

necessary to comply with water quality and other regulatory standards and mandates. These include, among others, requirements established by the United States Environmental Protection Agency ("USEPA") and local state environmental agencies pursuant to the Safe Drinking Water and Clean Water Acts.

Allocations to the regulated utilities based on customer counts are also highly transparent and administratively efficient. Utilities routinely keep track of their customer counts, and allocations can readily be modified in response to changes in these counts, either on an annual basis or in response to a particular event, such as a significant acquisition or divestiture.

In comparing the merits of a customer versus more cost-causative based method of allocating common costs, it is also relevant to consider the potential for introducing greater volatility into the process of allocating common costs, which could result from factors that may bear little or no relationship to underlying cost causation, thereby causing unwarranted year-to-year differences in state utility cost responsibility. For example, cost responsibility based on revenues may be appropriate for some purposes but could be significantly impacted year-to-year by fluctuating weather conditions in the various states or the timing of rate case orders, neither of which bears any clear relationship to underlying cost responsibility. Such volatility could also significantly impede planning and budgeting processes.

It is also relevant to consider the potential for the use of numerous factors that may arguably be more "cost causative" to induce parties in regulatory proceedings in the various states to propose the use of different factors which advantage their state in a particular year, to the disadvantage of other states. This would jeopardize the full recovery of all appropriate AWWSC

costs and therefore the continued existence of the AWWSC structure with potentially very negative impacts on total costs and customer service.

As with the regulated entities, the preferred method of charging the non regulated companies is through direct charging for the services, where the services can be specifically associated with a particular company. Where services are provided in common with regulated companies, however, allocation of AWWSC costs on a customer basis to the non regulated entities would not make sense and would not allocate to them a fair share of the costs for the services they receive. This is primarily because, in many instances, such as with operation and maintenance contracts an unregulated entity may have with a government entity, there is only one customer, the contracting municipality.

For these reasons, approximately five years ago, the AWWSC developed a set of cost causative metrics designed to insure that a fair share of the costs of providing services to the non regulated entities was charged to those entities. These metrics were developed with the guidance and assistance of Mr. Bernie Uffelman, then a partner with Deloitte & Touche LLP and the U.S. Regulatory Services Leader for Deloitte's Energy & Resources Practice, recognized experts in the field of utility cost allocations, and were designed to be based on cost causative factors relevant to the nature of the services being provided. For example, the Human Resources Benefits Call Center allocation factor includes the number of employees as the primary cost driver for services associated with employee benefit plans that are dedicated to regulated business units versus non-regulated business units. This is referred to as the "Tier 1" allocation of AWWSC costs to the non regulated entities that receive services. These costs are removed from the pool of AWWSC costs that are allocated to the regulated utilities on the basis

of customer counts, as are the direct charges to both the regulated and non regulated companies.

In summary, the process for allocating AWWSC costs is as follows:

1. Where services are amenable to direct billing, it is applicable to both regulated and non regulated entities.
2. Services provided to the non regulated entities that are not direct billed are allocated to those entities based on the Tier 1 metrics.
3. The AWWSC charges that remain after direct billing and Tier 1 allocations are allocated to the regulated utilities on the basis of customer counts.
4. Overheads follow the direct bills and allocations described above.

The process of billing and cost allocation is more fully described in the Cost Allocation Manual attached hereto as Appendix 4. Compiled in 2009 and approved by the Service Company Board of Directors in February 2010, this Manual consolidated a number of sources in the AWWSC to reflect in one place the billing and allocation process being followed in the AWWSC, pursuant to another recommendation contained in the Pennsylvania-American Management Audit.²

² Recommendation VIII-1 recommended that the Company develop formal, comprehensive documentation for affiliate relationships and cost allocations, and assign the responsibility for affiliate transactions to the appropriate manager.

Study Methodology:

Examined Costs

This study examined 2009 total actual AWWSC billed charges of \$248,211,987. Business Transformation project charges of \$5,689,095 were excluded from the Study. These charges represented one-time capitalized charges for a comprehensive planning study and were not part of normal operating expenses. Non-regulated direct and allocated charges of \$20,111,078 were also excluded, since AWWSC is currently utilizing cost-causative factors to allocate common costs to the non-regulated business. The remaining \$222,411,814 of charges billed to TAWC and the other regulated companies were then used to compare total actual AWWSC billed charges to the total produced using a cost-causative factor approach. AWWSC direct costs of \$34,819,151 billed to the regulated companies were kept constant. Only the regulated company common costs billed in the amount of \$187,592,663 were reallocated using cost-causative factors. The total bill to Tennessee American, including both direct costs and reallocated costs, was then compared to the 2009 actual charges in order to determine if there was a significant difference in the resultant bill for TAWC.

Cost-Causative Factor Selection

Cost-causative factors used in the Study were selected from the factors used in AWWSC Tier 1 allocations and are noted below. The one additional cost causative factor selected for this Study beyond those already used for Tier 1 allocations is "customers", given that costs of several functions are partially or fully driven by numbers of customers. Generally, there are many possible factors which could be related in some way to various business unit functions, but in determining the factors to be utilized in this Study, several evaluation criteria were considered. These are listed below:

1. To be considered cost-causative, a relationship must exist between the selected factor and the cost structure of the Service Co. business unit.
2. Factor metric must be measurable, repeatable and readily available from Company records or reports.
3. Factor utilization must create a relatively non-volatile cost allocation to affiliates from year to year.
4. Factor must be understandable to AWWSC management, affiliate management, and other stakeholders.
5. Affiliates must be able to exercise a reasonable degree of control over the factor metric to utilize AWWSC services/costs most efficiently.
6. Factor should minimize potential for manipulation which could improperly distort cost relationships

The selected factors were applied at the AWWSC business unit level. A cost-causative factor was assigned to each business unit if a direct relationship between the business unit and a causative factor could clearly be established. The causative factors used in the Study are listed below. Please see **Appendix 7** for a list of the AWWSC business units, causative factor assigned and reason for the factor assignment.

Causative Factors:

Customers

Employees

Invoices

Net Plant

Premises

Revenues

50% Customers 50% Revenue

50% Employees & 50% Customers

33% Customers 33% Employees 33% Residual

For some business units more than one causative factor was identified. Therefore, a weighted-average of factors was utilized based upon an evaluation of the business unit's activities. For business units where there was no clear assignable causative factor or combination of factors, a "residual" allocation factor was assigned to the AWWSC business unit. As noted in "Cost Allocation and Affiliate Transactions", residual costs are "...costs which cannot be specifically attributed to a product, service or affiliate for which there are no cost causative relationships, (and) are typically accumulated or "pooled" and then allocated in the same ratio as all other costs are assigned or allocated."³ The residual factor was calculated by totaling the AWWSC charges for each regulated company after all other causative factors had been applied to the common charges. Cost-causative factors were identified for 77 of the 153 (50%) AWWSC business units that were examined in the study. The common costs of these 77 business units accounted for \$114,021,979 or 61% of the \$187,592,663 of total common costs charged to the regulated companies. The remaining \$73,570,684 or 39% of the common costs allocated to regulated companies was classified as residual.

Cost-Causative Reallocation Method

The following further describes the method used to reallocate AWWSC costs that were examined in the study:

³ COST ALLOCATION AND AFFILIATE TRANSACTIONS, Edison Electric Institute, Washington, D.C., (1999), page 9.

- The formulas charged by business units were not changed in reallocation. Only the allocation basis was changed from a customer-based allocation factor to a cost-causative based factor. Please note that "customers" was determined to be the cost-causative factor for certain business units as mentioned above.
- All charges from business unit 032580 SSC-AWE and 032089 CORP-AWE Pass-Through were allocated to the non-regulated business (AWE), since these groups provide service only to the non-regulated business.
- Overheads were distributed by overhead location based on the redistribution of allocated charges using the new cost-causative factors.
- Residual allocation was computed by summing for each regulated subsidiary all costs which could be allocated using the selected cost causative factors, and dividing by the total of all costs allocated to all the regulated subsidiaries by these factors. This created a residual percentage for each subsidiary, which was then utilized to distribute the remaining residual costs not previously allocated.
- Each company received a percentage of the residual costs based on the overall regulated company allocated amounts after allocated charges and allocated overheads (excluding residual factors). In other words, each regulated utility received the same pro-rata amount of residual costs as it received of allocated common costs.

RESULTS:

Appendix 5 shows a summary of the actual and reallocated 2009 charges for TAWC and all other regulated and non-regulated companies. Column A shows the actual AWWSC charges for 2009. Column B shows the removal of Business Transformation charges. Column C shows a minor adjustment made to the non-regulated charges. Column D shows the resultant total of

charges to the regulated business that was examined in the study. Columns E through G show the segregation of the actual 2009 charges into direct and allocated. Columns H through J show the direct, allocated and total charges after applying the cost-causative factors. Columns K and L show the amount and percentage difference between the actual amounts billed (Col. G) and the re-allocated amounts based upon causative (Col. J).

Appendix 6 is a detailed view of all the 2009 AWWSC charges for TAWC by functional location and business unit. Columns A, B and C show the original breakdown of the charges as billed to TAWC during 2009. Column A shows the direct charges, column B shows the original allocated charges and column C contains the total charges for the business unit. Columns D, E and F represent the charges after reallocation using the causative factors and assumptions mentioned above. Column D shows the direct charges and equals column A. Column E represents the reallocated causative charges, and column F is the adjusted total for the business unit. Columns, G and H represent the difference between the original and causative allocations.

Conclusion:

After reallocation using the cost-causative factors mentioned above, the net difference to TAWC was a decrease of \$120,501 out of a total charge of \$5,067,078, or (2.38%) compared to the original customer-based allocation methodology. This relatively small overall difference verifies that the use of the number of customers for allocating AWWSC costs reasonably approximates the use of cost causative factors and does not justify changes in the current customer-based allocation methodology for allocating common costs. The customer-based method reflects the fact that the types of services the AWWSC provides to all the regulated utilities are largely driven by similar regulatory and operational requirements. This method is

also highly transparent, administratively efficient, and less susceptible to timing and volatility issues which may be unrelated to underlying cost causation, but which may unduly complicate planning and budgeting process and increase overall costs. It also reduces the potential that a variety of allegedly more "cost causative" factors used in various states could result in failure to achieve full recovery of legitimate AWWSC costs.

Appendices:

- Appendix 1 Credentials of Bernard L. Uffelman
- Appendix 2 Letter from Bernard L. Uffelman dated December 17, 2010
- Appendix 3 Agreement dated January 1, 1989 between American Water Works Service Company, Inc. and Tennessee-American Water Company
- Appendix 4 Cost Allocation Manual
- Appendix 5 Tennessee-American Cost-Causative Billing Summary
- Appendix 6 Tennessee -American Cost-Causative Business Unit Detail
- Appendix 7 Service Company Business Unit Cost-Causative Factor Allocation Schedule
- Appendix 8 Total Service Company Cost-Causative Business Unit Detail

Uffelman Advisory Services, LLC

Bernard L. Uffelman

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Professional Experience

Mr. Uffelman is President of Uffelman Advisory Services, LLC, a firm that specializes in energy and utility regulatory and litigation support services. Prior to his retirement from Deloitte & Touche LLP, Mr. Uffelman was a Partner and the U.S. Regulatory Services Leader for Deloitte & Touche's Energy & Resources Practice. Mr. Uffelman has been associated with the regulated utilities industry for over 38 years, including experience as an employee of major investor-owned utilities. Mr. Uffelman also served as Chief Accountant of the Illinois Commerce Commission and Director of Accounting for the Public Utility Commission of Texas. His primary responsibilities have included regulatory accounting, revenue requirements development, regulatory and litigation support, financial and business planning, and strategic services. Mr. Uffelman has testified on utility industry issues before public utility commissions and courts in 20 states and in over 60 different proceedings.

Major Projects

- Managed the accounting divisions of two state public utility regulatory commissions. Directed the staff's review of rate filing packages of electric, gas, telephone, and water utilities. Managed the preparation of staff's case in such areas as accounting, tax, rate of return, depreciation, fuel, cost allocation, rate design, forecasted test periods, and financial integrity. Presented testimony as a commission witness in rate cases and other dockets. Recommended accounting, financial and tax policy to commissioners and prescribed ratemaking treatment for complex regulatory issues.
- Participated as a member of a multi-disciplinary team of consultants and attorneys in developing the regulatory strategy and approach for the combination of two large multi-state electric utilities. Addressed the affiliate transaction and cost allocation issues associated with the merger of two electric registered public utility holding companies. Testified to the regulatory treatment for the gain resulting from the sale of a utility's jurisdictional operations. Testified to the proper accounting and ratemaking treatment for production maintenance costs of a large public power association. Developed the price-cap ratemaking methodology for privatization of a government owned island electric utility. Reviewed internal controls related to an electric utility's fuel procurement, trading operations and fuel adjustment clause filings.

- Testified to a gas company's rate case revenue requirement levels and proposed ratemaking for adoption of Statement of Financial Accounting Standards No. 106 - "Employers' Accounting for Postretirement Benefits Other Than Pensions." Testified to the reasonableness of a gas company's and a water utility's postretirement benefits. Presented a seminar on SFAS 106 to the parties to Hawaii Public Utilities Commission Docket No. 7243.
- Managed the review of a State Uniform System of Accounts (USOA) and recommended changes to comply with the FERC USOA. Worked with utilities to modify their accounting systems to track specific costs as required by public utility commissions. Represented the NARUC accounting committee in developing a USOA for the cellular telecommunications industry. Assisted utilities with regulatory filings with the FERC.
- Testified to deferred accounting treatment (DAT) for plant costs until such time as the generating unit was recognized as plant in service for cost of service and ratemaking purposes. Reviewed the DAT used by a large municipal power agency and the effects of the accounting deferrals on the agency's future rates. Participated in the analysis and implementation of a phase-in plan to rate base a major electric generating station. Chaired the revenue requirements committee of a major electric utility's rate moderation task force responsible for moderating the rate effect of rate basing the utility's three nuclear generating units. Participated as a commission staff member in the prudence reviews of nuclear generating stations. Analyzed and testified to the financial impact on shareholders and rate payers of deregulating a utility's nuclear generating facilities. Researched and reported on the costs associated with nuclear decommissioning for a foreign government.
- Assisted Cable TV operators to respond with reply comments to the FCC's Notice of Proposed Rule making regarding re-regulation of cable service and cost-of-service standards resulting from the Cable Television Act of 1992. Assisted operators with calculating permitted rates for regulated cable programming services and equipment charges. Testified in Cable TV franchise renewal and late fee proceedings.
- Conducted a national survey and analysis of state commission cost allocation issues and transfer pricing policies. Analyzed the appropriate capital structure to support the utility related operations of a major electric utility's fuel subsidiary. Analyzed and testified to an electric utility's financial reorganization plan and the prudence of its coal contracts. Performed affiliate transaction and cost allocation reviews for major electric, gas, and water utilities. Testified to affiliate transactions, cost allocations, transfer pricing, and accounting control systems for several major electric and gas utilities. Testified to the reasonable and prudently incurred costs of a major gas distribution company's customer information system. Performed a service company cost study for a major investor-owned water utility comparing the cost of each service obtained from the service company to the costs of such services had they been obtained through competitive bidding on the open market. Provided testimony related to the cost study findings and conclusions. Analyzed and reported on the appropriate cost allocation methodology for allocating shared services, corporate overheads, and administrative and general costs to the business units of a multinational power marketer.

- Responded to a public utility commission's request for information regarding the effects of the Tax Reform Act of 1986 on a major electric utility. Conducted a nationwide survey of U.S. public utility regulators to determine the predominant practice of each of the nation's public utility regulatory commissions regarding the use of certain non-traditional approaches to the calculation of federal income taxes for ratemaking purposes. Testified to the continued use and application of the traditional "stand-alone" method (as opposed to a consolidated effective tax rate method) for computing the income tax component of cost of service. Responded to a public utility commission's request for comments regarding the commission's rules on depreciation methods. Developed a white paper related to capital recovery issues for an independent systems operator.
- Directed the review of the outside customer accounts collection function for a large multi-state gas distribution company including the review of the use of third party collection agencies. Directed the regulatory and ratemaking assessment related to the acquisition of electric, gas, telecommunications, and water and wastewater properties by potential acquirers. Testified on behalf of a major real estate developer in support of the developer's request to finance water and wastewater utility plant additions. Reviewed a major gas and electric utility's legal services function and made recommendations as to the appropriate use of in-house and outside counsel to achieve cost reductions. Analyzed the financial and regulatory effects of an innovative marketing/financing arrangement for a major electric utility. Performed an analysis and comparison of a major utility's present and projected electric rates to those of other utilities. Testified to a comparison of the rates charged by an investor-owned water utility to the rates charged by surrounding municipal-owned utilities.
- Provided litigation support in electric, gas, and water contract rate disputes. Provided litigation support in an electric utility property tax dispute and a mining company lignite contract dispute. Prepared rate filing packages for major electric and gas distribution companies. These filings included revenue requirements, cost of service studies, testimony, exhibits and financial statements. Conducted a management audit of a large southwestern electric utility. Testified to the reliability of a company's GRC filings for ratemaking purposes. Prepared and testified to lead-lag studies for major electric and gas utilities.
- Assisted a Regional Bell Operating Company (RBOC) in responding to a state commission mandated regulatory audit. Regulatory assistance included direct and reply testimony responding to various issues raised by the audit. Managed the review of internal controls to prevent customer "slamming" for a large long-distance reseller and assisted the Company in obtaining an operating license to provide local service.
- Directed the accounting, budgeting, and financial functions associated with project accounting as a member of the project construction team of a major electric utility. Directed the cash accounting and cash management functions of a major utility, including investments, borrowings, and commercial bank relations. Supervised internal audits of a major electric and gas utility, prepared audit reports and conducted management audit conferences.

Mr. Uffelman has provided client services to a number of regulated and non-regulated entities including:

AGL Resources	Japanese Ministry of Economics
American Electric Power Co., Inc.	KKR Group
American Water	Los Angeles DWP
AT&T Broadband/Tele-Communications, Inc.	Lower Colorado River Authority
Atmos Energy	MidAmerican Energy Company
Austin Energy	Mirant
Brazos River Authority	National Cable Television Association
Cablevision Systems Corporation	New York Power Authority
Cayman Island Government	OGE Energy Corp.
Centel (Electric Utility Business)	ONEOK Inc. (KGS and ONG)
Chugach Electric Association, Inc.	Pacific Gas and Electric Company
Citizens Utilities Company	PacifiCorp
City of Garland, Texas	PJM
City Utilities, Springfield, Missouri	Progress Energy Florida
CLECO Corporation	Public Service Electric and Gas
Commonwealth Edison	Reliant Energy
Coming Natural Gas Corporation	Robson Communities Utilities
Duquesne Light Company	SBC
Edison Electric Institute	Sempra Energy
Elizabethtown Gas Company	Sierra Pacific Resources
El Paso Electric Company	Southern Company
ENSERCH (Lone Star Gas)	Southwest Gas Corporation
Energy East	Tennessee Valley Authority
Entergy	Texas-New Mexico Power Company
ERCOT	The Carlyle Group
EXCEL Communications, Inc.	Texas Utilities Company
FPL Group Inc.	United Water Resources
Great Plains Energy	Waste Management, Inc.
Hawaiian Electric Company	Xcel Energy
Indianapolis Water Company	

Testimony

- Testified before the Alaska, Arizona, California, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Nevada, New Jersey, New Mexico, New York, Oklahoma, Oregon and Texas public utility commissions. Testified before the Illinois Legislature; the Texas Railroad Commission; the Supreme Court of the State of New York; the Superior Court of the State of California; the Circuit Courts for Baltimore, Maryland and Cook County, Illinois; the US District Court for Colorado; the King County, Seattle, Washington franchise authority; the City Council of Garland, Texas; and the Board of Water and Power Commissioners, the Commerce, Energy and Natural Resources Committee, and the City Council of the City of Los Angeles, California.

Certifications and Memberships

- Certified Public Accountant and member of the American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants
- Licensed Certified Public Accountant in Illinois and Texas
- Completed the National Association of Regulatory Utility Commissioners (NARUC) Annual Regulatory Studies Program
- Served as a member of the NARUC Staff Subcommittee on Accounts
- Served as Chairman of the Texas Society of Certified Public Accountants Natural Gas, Telecommunications, and Electric Industries Committee
- Served on the University of Texas Regulatory Institute Advisory Committee and as an instructor for the University of Texas Regulatory Institute
- Served on the Advisory Council for the Center for Public Utilities at New Mexico State University
- Moderated and participated in panel discussions on numerous industry topics

Education

- Illinois State University (MBA - Finance)
- Southern Illinois University (BS - Accounting)

Presentations

- *Regulated Utility Training*, Vectren Corporation, Evansville, Indiana, November 29, 2007
- *Ratemaking and Rate Proceeding Seminar*, WBI Holdings, Inc./MDU Resources Group, Inc., Bismarck, North Dakota, November 13-14, 2007
- *Ratemaking and Rate Proceeding Training*, Deloitte Training Seminar, Dallas, Texas, March 27-29, 2007
- *Rate Case Training*, Public Utility Commission of Texas, Austin, Texas, February 14, 2006
- *Rate Case Training*, Kansas City Power & Light, Kansas City, Missouri, August 29-31, 2005
- *Rate Case Challenges*, Southeastern Electric Exchange, Baltimore, Maryland, June 30, 2005
- *FERC Update*, Southeast Public Utility Accounting Workshop, Tampa, Florida, March 29-30, 2004

- *Regulatory Compliance Infrastructure Assessment for the Energy Industry*, Deloitte & Touche Energy Conference, Washington, D.C., June 18-20, 2003
- *Ratemaking Overview*, Sierra Pacific Power Company and Nevada Power Company, Las Vegas and Reno, Nevada, June 26-27, 2001
- *Public Utility Training*, California Public Utilities Commission, San Francisco, California, November 9, 2000
- *Shared Service Organizations*, EEI/AGA Accounting Committees, Savannah, Georgia, May 23, 2000
- *Utility Regulatory and Litigation Services Practice*, Deloitte & Touche LLP Strategic Planning Group Meeting, Atlanta, Georgia, June 2-3, 1999
- *Energy Without Boundaries – But Not Without Rules*, Deloitte & Touche LLP Utilities/Energy Conference, Toronto, Ontario, July 13-15, 1998
- *Affiliate Transactions - Recent Developments*, Southeast Public Utility Accounting Workshop, Pinehurst, North Carolina, April 27-29, 1998
- *Stranded Cost Identification and Measurement*, EEI/AGA Accounting Committees, Albuquerque, New Mexico, December 9, 1997
- *Tax Implications of Electric Utility Industry Restructuring*, The Council of State Governments – West, San Francisco, California, August 21, 1997
- *Regulatory and Litigation Services*, Deloitte & Touche LLP National Energy/Utilities Conference, Los Angeles, California, July 28, 1997
- *Tax Implications of U.S. Electric Utility Industry Restructuring*, German Delegation on Energy Restructuring, Sponsored by the United States Department of Energy and the State Department, Houston, Texas, March 3, 1997
- *Tax Implications of Electric Utility Industry Restructuring*, National Association of Regulatory Utility Commissioners, Winter Committee Meetings, Washington, DC, February 26, 1997
- *Electric Utility Industry Restructuring*, NJUA Accounting and Tax Committee, Jamesburg, New Jersey, September 27, 1996
- *Managing Potentially Stranded Costs (PSC) in the Electric Utility Industry*, EXNET Utility & Telecommunications Accounting and Tax Conference, Washington, DC, May 7, 1996
- *Electric Utility Stranded Costs*, EXNET Utility & Telecommunications Accounting and Tax Conference, Washington, DC, May 4, 1995

- *Overview of the Utility Ratemaking Process in Texas*, Deloitte & Touche LLP Utility Training Seminar, Dallas, Texas, October 3, 1994
- *FERC Accounting Training Seminar*, ONEOK Inc., Tulsa, Oklahoma, May 24, 1994
- *President Clinton's Energy Tax*, Midwest Gas Association, Inc. Accounting and Finance Conference, Minneapolis, Minnesota, April 15-16, 1993
- *SFAS No. 106 - Employers' Accounting for Postretirement Benefits, Other Than Pensions*, Public Utilities Roundtable, Dallas, Texas, November 30, 1992
- *SFAS No. 106 - Employers' Accounting for Postretirement Benefits Other Than Pensions*, American Gas Association Rate Committee Meeting, Houston, Texas, September 20, 1992
- *FERC Accounting Training Seminar*, City of College Station, Texas, June 9, 1992
- *Seminar on SFAS No. 106 - Employers' Accounting for Postretirement Benefits Other Than Pensions*, Parties to Hawaii Public Utilities Commission Docket No. 7243, May 7, 1992
- *Affiliate Transactions and Cross Subsidy Issues*, Public Utilities Reports, Inc. and The Management Exchange, 10th Annual Utility and Telecommunications Accounting and Tax Conference, Washington, DC, May 2, 1991
- *Regulatory Accounting and The Ratemaking Process*, National Cable TV Association (NCTA) Annual Convention, New Orleans Convention Center, New Orleans, Louisiana, March 26, 1991
- *Fundamental Issues in Utility Ratemaking*, University of Texas Regulatory Institute, Management Development Program, Austin, Texas, June 12-14, 1990
- *Fundamentals of Utility Regulation*, University of Texas Regulatory Institute, Management Development Program, Austin, Texas, June 13-15, 1989
- *Phase-Ins: Bridging the Gap Between Traditional Ratemaking and Market Forces*, TSCPA Public Utilities Accounting and Ratemaking Conference, Dallas, Texas, April 17, 1986
- *Rate Moderation Plans and Regulatory Responsibility*, 10th Annual Public Utilities Conference, University of Texas at Dallas, Dallas, Texas, July 18, 1985
- *Promoting Stable and Efficient Utility Operations - Management Audits of Public Utilities*, Joint Committee on Public Utility Regulation of the Illinois Legislature, Chicago, Illinois, February 14, 1985

Publications

- *Cost Allocation and Affiliate Transactions: A Survey and Analysis of State Cost Allocation Issues and Transfer Pricing Policies*, June 1999. Mr. Uffelman co-authored this Deloitte & Touche report on behalf of the Edison Electric Institute.
- *Federal, State and Local Tax Implications of Electric Utility Industry Restructuring*, October 1996. Mr. Uffelman co-authored Deloitte & Touche's analysis for The National Council on Competition and the Electric Industry.
- *Survey of Federal Income Taxes in Regulation*, March 1994. Mr. Uffelman co-authored this report on how public utility regulatory commissions determine federal income tax expense for ratemaking purposes.
- *Accounting for Public Utilities* published by Matthew Bender and updated annually. Mr. Uffelman served as a contributing author on this work which provides a basic, but comprehensive, analysis of accounting for public utilities.

Testimony

Alaska

Alaska Public Utilities Commission

- APUC Docket No. U-93-1, Rate Case; direct testimony on behalf of Chugach Electric Association, Inc., January 1993; Rebuttal testimony on behalf of Chugach Electric Association, Inc., February 1993; testified to the proper accounting and ratemaking treatment for production maintenance costs.

Regulatory Commission of Alaska

- RCA Docket No. U-02-47, Revenue Requirements Study; prefiled testimony on behalf of Waste Management of Alaska, Inc., March 2003; testified to the functioning of WMA's revenue requirements models and the input of test year data, both financial and statistical, into the models for each of WMA's regulated service areas; prefiled reply testimony on behalf of Waste Management of Alaska, Inc., May 2004.

Arizona - Arizona Corporation Commission

- ACC Docket No. E-1032-93-111, Rate Case; rebuttal testimony on behalf of Citizens Utilities Company's Arizona Gas Division, January 1994, regarding the effects of adoption of SFAS No. 106 - "Employers' Accounting for Postretirement Benefits Other Than Pensions".
- ACC Docket No. E-1032-92-073, Application for approval of the accounting method used to record AFUDC. Direct testimony on behalf of Citizens Utilities Company, May 1994.
- ACC Docket No. U-1551-93-272, Rate Case; rebuttal testimony, May 1994 on behalf of Southwest Gas Corporation regarding the prudence of costs associated with the development of the Company's customer information system.

- ACC Docket No. U-2199-94-439, Application for approval of financing and accounting orders. Direct testimony on behalf of Pima Utility Company (Robson Communities), December 1994; rebuttal testimony on behalf of Pima Utility Company (Robson Communities), May 1995.
- ACC Docket No. U-2492-94-448, Application for approval of financing and accounting orders. Direct testimony on behalf of SaddleBrooke Development Company (Robson Communities), December 1994. Rebuttal testimony on behalf of SaddleBrooke Development Company (Robson Communities), May 1995.
- ACC Docket No. U-2849, Application of SaddleBrooke Utility Company for a rate increase. Direct testimony (cost of capital) on behalf of SaddleBrooke Utility Company, (Robson Communities), November 1995.
- ACC Docket No. E-1032-95-433, Application of Citizens Utilities Company, Arizona Electric Division, for a hearing to determine the fair value of its properties for ratemaking purposes. Rebuttal testimony on behalf of Citizens Utilities Company, July 1996. Rejoinder testimony on behalf of Citizens Utilities Company, August 1996. (Accounting method used to record AFUDC)
- ACC Docket No. E-1032-95-473, Application of Citizens Utilities Company, Northern Arizona Gas Division, for a hearing to determine the fair value of its properties for ratemaking purposes. Rebuttal testimony on behalf of Citizens Utilities Company, August 1996. Rejoinder testimony on behalf of Citizens Utilities Company, September 1996. (Accounting method used to record AFUDC)
- ACC Docket No. E-1032-95-417, Application of Citizens Utilities Company, Maricopa Water/Wastewater Division, for a hearing to determine the fair value of its properties for ratemaking purposes. Rebuttal testimony on behalf of Citizens Utilities Company, September 1996. Rejoinder testimony on behalf of Citizens Utilities Company, October 1996. (Accounting method used to record AFUDC)
- ACC Docket No. U-1944-92-261, Application of Lago Del Oro Water Company (Robson Communities) for financing authorization. Rebuttal testimony on behalf of Robson Communities, December 1996. (Capital structure and use of Advances and Contributions in Aid of Construction)
- ACC Docket No. U-2849-97-383, Application of SaddleBrooke Utility Company (Robson Communities) for a rate increase; direct testimony (cost of capital) on behalf of SaddleBrooke Utility Company, June 1997.
- ACC Docket No. G-01551A-00-0309, Earnings Determination; supplemental testimony, May 2001, on behalf of Southwest Gas Corporation regarding the appropriateness of the inclusion of certain items in the rate case test year.

California

California Public Utilities Commission

- Order Instituting Rulemaking/Investigation on the Commission's Own Motion to Assess and Revise the New Regulatory Framework for Pacific Bell and Verizon California Inc. (R. 01-09-001/I. 01-09-002)
- Direct testimony on behalf of SBC Pacific Bell in Phase 2A, May 2002, in response to Overland Consulting's regulatory audit of Pacific Bell relating to various issues including depreciation reserve deficiency amortization and postretirement benefits other than pensions; reply testimony on behalf of SBC Pacific Bell in Phase 2A, May 2002.
- Direct testimony on behalf of SBC Pacific Bell in Phase 2B, June 2002, relating to local competition costs, software buy-out agreement, local number portability costs, and contingent liabilities; reply testimony on behalf of SBC Pacific Bell in Phase 2B, July 2002.
- California-American Water Company Compliance Filing Regarding Review By Deloitte & Touche LLP In CPUC Case Nos. A.05-02-012 And A.05-02-013; direct testimony on behalf of California-American Water Company regarding the reliability of the Company's General Rate Case filings for ratemaking purposes, April 2005; rebuttal testimony on behalf of California-American Water Company, July 2005.

City of Los Angeles

- Direct testimony on behalf of the Los Angeles Department of Water and Power regarding Water System Rate Proposal (Proposed Amendments to Water Rates Ordinance No. 170435) to the Board of Water and Power Commissioners; the Commerce, Energy and Natural Resources Committee of the City Council; and the City Council, April 2004.

Superior Court of the State of California

- Testimony on behalf of the Los Angeles Department of Water and Power in the Superior Court of the State of California in and for the County of San Bernardino. Civil Action No. SCVSS 100293, State of California, ex rel. Barakat Consulting Incorporated, et al., Plaintiffs, vs. Los Angeles Department of Water and Power, et al., Defendants, December 2006.

Colorado - US District Court for Colorado

- Civil Action No. 01-BB-1546(PAC) Western Retail Energy Company, Plaintiff, v. TXU Energy Services Company, Defendant; expert report and testimony on behalf of TXU Energy Services regarding natural gas pricing, June 2002.

Georgia - Georgia Public Service Commission

- Docket No. 14311-U, Atlanta Gas Light Company, Rate Case; direct testimony on behalf of AGL regarding AGL's cash working capital requirement and lead-lag study, January 2002.

Hawaii - Hawaii Public Utilities Commission

- Parties to HPUC Docket No. 7243; seminar on SFAS No. 106 - "Employers' Accounting for Postretirement Benefits Other Than Pensions," May 1992.

Illinois

Illinois Commerce Commission

- Docket Nos. 87-0043, 87-0044, 87-0057, 87-0096, consolidated; Commonwealth Edison Company, Rate Case; direct testimony regarding spin-off of nuclear generation assets, April 1987, on behalf of:
 - The People of the State of Illinois, by Neil F. Hartigan, Attorney General
 - The Governor of the State of Illinois, James R. Thompson, by the Governor's Office of Consumer Services
 - The People of Cook County, by Richard M. Daley, Cook County State's Attorney
 - William G. Shephard, Small Business Utility Advocate
- Approximately twelve cases as ICC Staff witness. (Mr. Uffelman testified in approximately twelve cases as a Staff witness of the Illinois Commerce Commission. Mr. Uffelman does not have copies of his testimony which he filed on behalf of the ICC Staff, but copies can be obtained from the ICC.)
- Docket No. 07-0507, Illinois-American Water Company ("IAWC") Rate Case. Direct testimony regarding *Analysis of Water Rates, Fees and Charges For Selected Cities In The Vicinity Of The Chicago Metro District Of Illinois-American Water Company* on behalf of IAWC, August, 2007. Rebuttal testimony on behalf of IAWC, February, 2008. Surrebuttal testimony on behalf of IAWC, March, 2008.
- Docket No. 09-0319, Illinois-American Water Company ("IAWC") Rate Case. Direct testimony regarding the *Service Company Cost Study* ("Study") performed by Deloitte & Touche on behalf of IAWC, May 2009. The Study was prepared in response to Illinois Commerce Commission Order in Docket 07-0507 that IAWC conduct a study comparing the cost of each service obtained from the Service Company to the costs of such services had they been obtained through competitive bidding on the open market. Supplemental direct testimony on behalf of IAWC, August 2009. Rebuttal testimony on behalf of IAWC, October 2009.

Joint Committee on Public Utility Regulation of the Illinois Legislature

- Direct testimony regarding "Management Audits of Public Utilities" on behalf of the Illinois Commerce Commission, February 1985.

Circuit Court of Cook County, Illinois

- Case No. 95CH11993; BOE AND DEBRA CHMIL, Plaintiff, v. TELE-COMMUNICATIONS, INC., ET AL., Defendant; direct testimony on behalf of Defendant, August 1998.

Indiana - Indiana Utility Regulatory Commission

- IURC Cause No. 39713, Rate Case; direct testimony on behalf of Indianapolis Water Company, June 1993, regarding the effects of adoption of SFAS No. 106 - "Employers' Accounting for Postretirement Benefits Other Than Pensions".

Iowa - Iowa Utilities Board

- IUB Docket Nos. RPU-01-3 and RPU-01-___ ; direct testimony on behalf of MidAmerican Energy Company, June 2001; issues related to the prior flow-through of Iowa state income taxes.

Kansas - Kansas State Corporation Commission

- KSCC Docket No. 175,456-U; rebuttal testimony on behalf of Centel Corporation (CENTEL), August 1991; sale and transfer of the Electrical Utility Operations and Business of CENTEL to UtiliCorp United, Inc. (UTILICORP).
- KSCC Docket No. 03-KGSG-602-RTS; rebuttal testimony on behalf of Kansas Gas Service, a Division of ONEOK, Inc. August 2003, regarding the allocation of ONEOK's A&G and corporate overhead costs to KGS.
- KSCC Docket No. 06-KGSG-1209-RTS; rebuttal testimony on behalf of Kansas Gas Service, a Division of ONEOK, Inc. October 2006, regarding the allocation of ONEOK's A&G and corporate overhead costs to KGS.

Kentucky - Kentucky Public Service Commission

- KPSC Case 9613 Rebuttal, November 1986; rebuttal testimony on behalf of Big Rivers Electric Corporation regarding financial reorganization plan and prudence of coal contracts.
- KPSC Case No. 2006-00464, In The Matter Of Atmos Energy Corporation For An Adjustment Of Gas Rates; direct testimony regarding Gas Cost of Service Study prepared on behalf of Atmos Energy Corporation Kentucky Division, December 2006.

Louisiana - Louisiana Public Service Commission

- LPSC Docket No. U-24064; Red Simpson, Inc. et al. v. Cleco Corporation; in re: Alleged acts of prohibited subsidization of non-regulated affiliates, violation of General Orders and unfair competition through predatory pricing; direct testimony on behalf of Cleco Corporation, June 2000; rebuttal testimony on behalf of Cleco Corporation, September 2000.

Maryland - Circuit Court For Baltimore, Maryland

- Case No. 95311038/CL204287; LOUIS BURCH, ET AL., Plaintiff, v. UNITED CABLE TELEVISION OF BALTIMORE LIMITED PARTNERSHIP, Defendant; direct testimony on behalf of Defendant, June 1997.

Nevada

Public Service Commission of Nevada

- PSCN Docket Nos. 93-3003, et al. Rate Case Rehearing Issues; Direct testimony, April 1994 on behalf of Southwest Gas Corporation and rebuttal testimony, July 1994 on behalf of Southwest Gas Corporation relating to the prudence of costs associated with the development of the Company's customer information system.

Nevada Public Utilities Commission

- NPUC Docket No. 04-3011, Rate Case; direct testimony, March 2004 on behalf of Southwest Gas Corporation relating to cash working capital; rebuttal testimony, June 2004 on behalf of Southwest Gas Corporation relating to cash working capital.

New Jersey - New Jersey Board of Public Utilities

- NJBPU Docket No. GR 02040245, Rate Case; direct testimony, April 2002 on behalf of NUI Utilities Inc. d/b/a Elizabethtown Gas Company, regarding cash working capital requirement and lead-lag study; supplemental testimony, July 2002 on behalf of NUI Utilities Inc. d/b/a Elizabethtown Gas Company, regarding cash working capital requirement and lead-lag study; rebuttal testimony, September 2002 on behalf of NUI Utilities Inc. d/b/a Elizabethtown Gas Company, regarding cash working capital requirement and lead-lag study.

New Mexico - New Mexico Public Service Commission

- Docket No. 2162, Rate Case, El Paso Electric Company; direct testimony, November 1987 on behalf of EPE; testified to EPE's cost allocation study as to compliance with the NMPSC's Order of January 16, 1987, approving the stipulation in Case No. 2074 relating to the Company's general diversification plan.

New York

New York Public Service Commission

- NYPSC Case No. 91-G-1199 Rate Case; on behalf of Corning Natural Gas Corporation, November 1991; direct testimony regarding the effects of adoption of SFAS No. 106 - "Employers' Accounting for Postretirement Benefits Other Than Pensions".

Supreme Court of The State of New York

- Village of Bergen et al, Petitioners, v. Power Authority of the State of New York, Respondent Index No. 081556; testimony on behalf of the New York Power Authority (NYPA) January 1999, regarding the allocation of overhead costs as one of the components of the rate charged by NYPA.

Oklahoma - Oklahoma Corporation Commission

- Cause No. PUD 200400610, Application of Oklahoma Natural Gas Company, a Division of ONEOK, Inc., for a Review and Change or Modification in its Rates, Charges, Tariffs, and Terms and Conditions of Service. Rebuttal testimony, June 2005, on behalf of Oklahoma Natural Gas related to the continued use of the Distrigas Method by ONEOK for allocating corporate administrative and general expenses to the various ONEOK business units.

- Cause No. PUD 200500151, application of Oklahoma Gas and Electric Company ("OG&E") for an Order of the Commission authorizing Applicant to Modify its Rates, Charges, and Tariffs for retail Electric Service in Oklahoma. Rebuttal testimony, September 2005, on behalf of OG&E related to the continued use of the Distrigas Method by OGE Energy Corp. ("OGE") for allocating corporate administrative and general expenses to the various OGE business units.

Oregon - Public Utility Commission of Oregon

- PUCO Case UE 170, Pacific Power & Light, Request for a General Rate Increase. Rebuttal testimony, June 2005, on behalf of PacifiCorp related to the continued use and application of the traditional "stand-alone" method (as opposed to a consolidated effective tax rate method) for computing the income tax expense component of cost of service.

Texas

Texas Public Utility Commission

- PUCT Docket No. 6350, El Paso Electric Company Rate Case. Direct testimony on behalf of the PUCT Staff, October 1985 on various issues including deferred accounting treatment, nuclear plant phase-in plan, nuclear decommissioning costs and cash working capital.
- PUCT Docket No. 7460, El Paso Electric Company Rate Case. Rebuttal testimony on behalf of EPE, August 1987 supporting the Company's deferred tax study and position.
- PUCT Docket No. 9165, El Paso Electric Company Rate Case. Direct testimony on behalf of EPE, November 1989 regarding the accuracy and reliability of the Company's rate case data and information.
- PUCT Docket No. 9945, El Paso Electric Company Rate Case. Direct testimony on behalf of EPE, July 1991 regarding reasonableness and necessity of rate case fees and expenses.
- PUCT Docket No. 10060, Brazos River Authority Rate Case. Direct testimony on behalf of BRA, February 1991 relating to BRA's accounting and indirect cost allocation system, and revenue requirement determination.
- PUCT Docket No. 10200, Texas-New Mexico Power Company Rate Case. Prudence rebuttal testimony on behalf of TNP, December 1991 relating to plant in service balance for ratemaking purposes. Revenue requirements rebuttal testimony on behalf of TNP, January 1992 regarding plant in service balance, capital structure and deferred accounting treatment.
- PUCT Docket No. 16705, Entergy Gulf States, Inc.'s Transition to Competition Plan. Direct testimony on behalf of EGSI, November 1996 regarding affiliate transactions and depreciation expense accounting. Supplemental direct testimony on behalf of EGSI, April 1997, regarding affiliate transactions and regulatory accounting issues associated with EGSI's transition to competition plan. Rebuttal testimony on behalf of EGSI, October 1997, associated with EGSI's transition to competition plan.

Railroad Commission of Texas

- RCT Docket No. GUD8664, Lone Star Pipeline Company and Lone Star Gas Company - Transmission Rate Case. Rebuttal testimony on behalf of Lone Star Gas Company on the issues of cash working capital and postretirement benefits other than pensions, January 1997.

City of Garland, Texas

- Testimony before the Garland City Council, April 1995, regarding the review of selected financial and rate-making practices of the Texas Municipal Power Agency (TMPA).

Washington - King County, Seattle, Washington

- Renewal of King County Cable Television Franchises of TCI Cablevision of Washington, Inc. Rebuttal testimony on behalf of TCI Cablevision of Washington, Inc., October 1995 regarding reasonableness of TCI's compensation for franchise.

Employment History of Bernard L. Uffelman

Uffelman Advisory Services, LLC – Austin, Texas

- President October 2008 to present

Deloitte & Touche LLP – Austin, Texas

- U.S. Regulatory Services Leader, Energy & Resources June 1997 to September 2008
- Partner, Public Utility Services July 1994 to June 1997

KPMG Peat Marwick – Austin, Texas

- Partner in Charge – National Utility Consulting October 1993 to July 1994
- Partner, National Utility Consulting July 1993 to October 1993
- Director, National Utility Consulting October 1990 to July 1993

FINANCO, Inc. – Austin, Texas

- Principal and Shareholder November 1988 to October 1990

Peat Marwick Main & Co. – Austin, Texas

- Senior Manager – National Utilities Industry Practice May 1986 to November 1988

Texas Public Utility Commission – Austin, Texas

- Director of Accounting April 1985 to May 1986

Illinois Commerce Commission – Springfield, Illinois

- Chief Accountant September 1982 to April 1985

Houston Lighting and Power Company

- Project Controller 1982

Illinois Commerce Commission – Springfield, Illinois

- Accountant 1980 to 1982

Central Louisiana Electric Company – Lafayette, Louisiana

- Manager of Regulatory Accounting 1979 to 1980

Illinois Power Company – Decatur, Illinois

- Rate Administrator 1977 to 1979
- Cash Accountant 1972 to 1977
- Internal Auditor 1969 to 1972

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www.uffelmanadvisoryservices.com

December 17, 2010

Tennessee-American Water Company
Attn: Michael A. Miller, Director of Rates
1600 Pennsylvania Avenue
Charleston, WV 25302

Dear Mr. Miller:

Subject: AWWSC Cost-Causative Factor Analysis Study

Introduction and Background

This letter provides information regarding the services, findings and conclusions provided by Uffelman Advisory Services, LLC ("UAS") to Tennessee-American Water Company ("TAWC") related to the AWWSC Cost-Causative Factor Analysis Study ("Study") and should be read in conjunction with the attached Study. The services provided by UAS were performed in accordance with the Statement on Standards for Consulting Services issued by the American Institute of Certified Public Accountants. The Study was performed in response to the August 31, 2010 Affiliate Audit Report Of Tennessee-American Water Company For The Tennessee Regulatory Authority issued by Schumaker & Company, Inc. (the "Auditor").

Among the findings and recommendations of the Auditor's Affiliate Audit Report are the following:
"Finding II-2: The cost-allocation methodologies impacting TAWC are generally reasonable, although the use of number of customers for allocating AWWSC costs among regulated utilities is essentially a simplification mechanism that is not necessarily based on cost-causative factors."
"Recommendation II-2: Perform a detailed analysis to verify that the use of the number of customers for allocating AWWSC costs among regulated utilities reasonably approximates the use of cost-causative factors; subsequently make modifications, as appropriate."

Services Provided by UAS to TAWC

UAS assisted TAWC with the Study design and detailed analysis to comply with the Auditor's recommendation to verify that the customer based allocation methodology used to allocate common costs among the regulated affiliated utilities for the services provided by American Water Works Service Company, Inc. ("AWWSC" or the "Service Company") reasonably approximates the use of cost-causative factors, and to determine if modifications are appropriate. AWWSC provides services to the regulated utilities pursuant to a contract between AWWSC and the regulated utilities (the "Service Company Contract"). Billing and allocation of costs among the regulated subsidiaries is performed pursuant to the approved Service Company Contract. Each regulated operating company pays its proportional share of

all common costs that remain after all direct charges and Tier 1 assignments to non regulated companies have been made. In accordance with this contract, a direct charge to the utility receiving the service is the preferred method of billing. Where practicable, a regulated utility is therefore directly charged on the basis of the time spent to provide the services directly to the regulated subsidiary. The Service Company Contract provides that where services are provided in common to more than one regulated subsidiary, and the costs for such services are not directly charged, costs are apportioned among the regulated utilities on the basis of the number of customers served by the regulated operating company relative to the total number of customers served by all of the regulated operating companies (i.e., Tier 2 allocation). In addition to the Service Company Contract, the American Water Works Service Company, Inc. Accounting and Service Fee Billing Manual (the "Cost Allocation Manual") documents the methods by which AWWSC costs are accounted for and billed to affiliates. Assistance provided by UAS to representatives of TAWC and AWWSC related to the Study included, but was not limited to: providing advice, assistance and guidance to TAWC and AWWSC representatives that performed the Study; consulting with TAWC and AWWSC representatives as to the identification and use of alternative allocation methodologies for allocating AWWSC common costs (i.e., Tier 2 charges) among the regulated utilities; and reviewing the Study results including the appropriateness of the alternative allocation methodologies used to determine if the use of the customer allocator reasonably approximates the use of cost-causative factors.

Study Methodology and Analysis

As shown on Appendix 5 of the Study, the total actual 2009 Service Company charges examined for the Study were \$222,411,814, including total direct charges of \$34,819,151 and total allocated costs of \$187,592,663, based on the Original Allocation Factor (i.e., allocation of Service Company common costs to the regulated utilities based on number of customers). TAWC's direct and allocated costs billed by the Service Company for the period were \$820,284 and \$4,246,794 respectively which total \$5,067,078. As shown on Appendix 5, reallocation of TAWC's common costs based on the Cost-Causative Allocations used in the Study results in a decrease of \$120,501 in TAWC's allocated costs resulting in total TAWC costs of \$4,946,578 (\$820,284 of direct costs and \$4,126,294 of allocated costs), a decrease in TAWC's total costs of 2.38%.

Appendix 6 of the Study provides the detailed cost analysis by AWWSC Business Unit and the resulting cost allocations to TAWC using the Original Allocation methodology based on number of customers and the allocations based on the Cost-Causative Allocations methodology. Appendix 6 shows the Cost-Causative Allocation factors used to allocate the common costs to TAWC and provides a comparison by Business Unit and in total of the costs allocated to TAWC using the Cost-Causative Allocation methodology to the costs allocated to TAWC using the customer allocation methodology. As shown on Appendix 6, use of the Cost-Causative Allocations methodology results in a reduction of \$120,501 of Service Company costs allocated to TAWC.

Appendix 7 of the Study shows the cost-causative allocation factors used, and the reason for such assignments, for allocating Service Company common costs by Business Unit and function to the regulated utilities. The cost-causative allocation factors used in the analysis for comparing the allocation of Service Company common costs based on the alternative cost-causative allocation methodology to the customer allocation methodology (i.e., Tier 2 methodology) are listed in the Study along with the criteria used to determine the selection of the cost-causative factors and the metrics (i.e., values) used to develop the alternative cost-causative allocators. As noted in the Study, a customer allocator was identified and is used as the allocation factor for allocating Service Company common costs to the

regulated utilities where the Business Units provide services and incur costs on behalf of the regulated utility customers. For some Business Units and functional activities more than one cost-causative factor was identified for cost allocation purposes. In such cases, the analysis utilized a multifactor allocation formula for allocating common costs based on the weighted-average of a combination of two or three cost-causative factors as described in the Study. For Business Units and functional activities where no clear cost causative factor, or a combination of factors, could be identified for allocating Service Company common costs to the regulated subsidiaries, the residual common costs were allocated based on the residual allocation factor as discussed in the Study. Residual costs were allocated on the basis of how all of the other common costs were allocated using identified cost-causative allocation factors. As a result, the residual common costs follow the allocation of the other common costs allocated to the regulated subsidiaries which is an acceptable method (i.e., "Residual Factor") for allocating residual costs.

Appendix 8 of the Study shows for each Business Unit the Service Company common costs allocated to the regulated subsidiaries using either an assigned cost-causative allocator or the Residual Factor. For 77 of the 153 Business Units a cost-causative factor was identified and used. For the other 76 Business Units the common costs were allocated on the basis of the Residual Factor. As shown on Appendix 8, \$114,021,979 or 61% of the total Service Company common costs of \$187,592,663 were allocated to the regulated utilities using cost-causative factors, and \$73,570,684 or 39% of the common costs were identified as residual costs and allocated on the basis of the Residual Factor.

Cost Accounting and Allocation Methodologies

Many different cost allocation methodologies exist, each with potentially different impacts on allocated costs in multiple regulatory jurisdictions. For purposes of the Study, certain cost accounting principles and regulatory guidelines for allocating shared common costs were considered for selecting appropriate alternative cost allocation factors for comparing to the customer allocation factor used in the Tier 2 allocation process for allocating Service Company common costs to the regulated utilities. The services provided by the Service Company to the regulated operating companies, for which the associated costs are currently allocated using the Tier 2 customer allocation factor, are essentially the same for each service recipient. Cost accounting principles dictate that cost allocation factors should be based on "cost drivers" or "cost-causation", which means that they should reflect the underlying costs associated with the activities, resources and investment devoted to managing the business. Another goal of cost accounting and the selection of cost allocation factors is to achieve increased uniformity and consistency in cost accounting practices.¹ This is important in the regulated utility industry to insure the appropriate allocation of service company support services rather than the selective use of allocation factors that are simply intended to reduce the recovery of appropriate shared service costs.

Other goals that were considered for selecting appropriate cost allocation factors for comparing to the customer allocation factor included the cost-benefit associated with application of the allocation methodology selected. For example, paragraph B of the National Association of Regulatory Utility Commissioners ("NARUC") Guidelines for Cost Allocations provides that to the maximum extent practicable, in consideration of administrative costs, cost should be collected and classified on a direct basis for each asset, service or product provided. The primary cost driver of common costs, or a relevant proxy in the absence of a primary cost driver, should be identified and used to allocate the cost

¹ See Accounting For Public Utilities, LexisNexis, Cost Allocations, page 19-8 and 48 CFR Chapter 99

between regulated and non-regulated services and products.² Cost allocation factors should result in administratively efficient application based on readily available data or metrics. Overly detailed or complex systems can increase the cost of providing services and diminish cost benefits obtained through operations of shared service providers. Time and expense necessary to audit transactions is also an important criterion for selecting common cost allocation factors. Similar to accounting and reporting for shared service transactions, routine auditing of intercompany transactions in conjunction with regulatory proceedings should not impose an extreme cost burden or be so time consuming as to prevent effective system testing.

Overly detailed and complex systems and allocation methods may also result in resistance from regulators or the temptation for constructive confiscation through "cherry picking" cost allocation factors and metrics which produce the lowest regulatory cost of service through the elimination of reasonable and necessary operation and maintenance expense and capital expenditures. This is especially true for service companies that provide services to many regulated utilities in multiple regulatory jurisdictions. Such practices could prevent total cost recovery and subvert the shared services concept, which is designed to prevent duplication of services necessary to provide high quality, reliable service and achieve economies of scope and scale.

Findings and Conclusions

The Study provides the detailed cost analysis by AWWSC Business Unit and function for comparing the use of the number of customers for allocating Service Company costs among the regulated utilities (i.e., the Tier 2 allocations) to the use of alternative cost-causative factors for allocating such costs to the regulated utilities. The selection and use of alternative cost-causative allocation factors, including the use of single and multi-factor allocation factors for allocating common costs when cost-causative relationships were identified during the analysis, and the use of the residual allocation factor as a relevant proxy when a cost-causative relationship or primary cost driver could not be identified for residual costs, are reasonable. As noted in the Study, number of customers was used as a metric for developing alternative allocation factors, both single and multi-factor allocation formulas, for allocating Service Company common costs when the costs to be allocated were incurred primarily due to the number of customers served by the regulated utilities. The services provided by the Service Company to the regulated utilities are essentially the same for each regulated operating company; therefore the application of the alternative allocation factors used in the Study can be applied for allocating Service Company costs to the regulated utilities for comparing to the original cost allocations resulting from application of the customer allocator.

As shown in the Study, reallocation of TAWC's common costs based on the alternative cost-causative factors used in the comparative analysis results in a decrease of \$120,501 in TAWC's allocated costs resulting in total TAWC costs of \$4,946,578, a decrease in TAWC's total cost of 2.38%. Based on the small decrease in TAWC total Service Company costs resulting from application of the alternative cost-causative factors when compared to the customer allocator, the Study verifies that the use of the number of customers for allocating AWWSC costs among regulated utilities closely approximates the use of cost-causative factors and modifications to the customer allocation methodology are not warranted. Cost allocations to the regulated subsidiaries resulting from the use of the alternative cost allocation factors as described in the Study that result in differences in the amount of allocated common costs of 10% or less when compared to the allocation of such costs based on the number of customers,

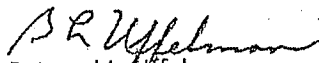
² See Accounting For Public Utilities, pages 19-7 and 19-8

would be in a "range of reasonableness" and would not warrant changing the existing methodology for allocating Service Company common costs.

Continued use of the customer allocator meets the goal of cost accounting and the selection of cost allocation factors to achieve increased uniformity and consistency in cost accounting practices and should result in lower administrative costs when compared to the more complex and administratively costly application of the alternative cost-causative allocation factors. Continued use of the customer allocator provides not only greater transparency and ease of application but it may result in reducing the time and expense necessary to audit transactions in conjunction with regulatory proceedings and to test the accounting and reporting for shared service transactions resulting from the use of more complex cost allocations.

Continued use of the customer allocator should also result in less volatility in the level of Service Company common costs allocated and charged to the regulated subsidiaries for rate making purposes as compared to other alternative cost allocation factors. This is because the number of customers served by each of the regulated utilities typically varies less on a relative basis from period to period than other more volatile metrics (e.g., number of employees, investment in net plant, revenues) which may fluctuate more due to changes in organizational structure, system operations and maintenance, use of outside services and contractors, capital expenditures, rate structures and sales volumes. In addition, continued use of the customer allocator which reasonably approximates the use of cost-causative factors may lessen the resistance from regulators associated with more complex allocation factors or the temptation for constructive confiscation through "cherry picking" cost allocation factors and metrics which produce the lowest regulatory cost of service through the elimination of reasonable and necessary shared service costs.

Very truly yours,



Bernard L. Uffelman

President

Uffelman Advisory Services, LLC

AGREEMENT

Agreement dated January 1, 1989, between AMERICAN WATER WORKS SERVICE COMPANY, INC., a Delaware corporation (hereinafter "Service Company"), and TENNESSEE-AMERICAN WATER COMPANY, a Tennessee corporation (hereinafter "Water Company").

The background of this Agreement is that:

1. Both Service Company and Water Company are subsidiaries of American Water Works Company, Inc., a Delaware corporation (hereinafter "American").
2. Water Company has been organized for and is presently engaged in the business of providing potable water as a public utility in the State of Tennessee.
3. Service Company maintains an organization whose officers and employees are familiar with all facets of the water utility business, including the development, business and property of Water Company, and are experienced in the efficient management, financing, accounting and operation of water utility properties and the extension and improvement thereof. The officers and employees of Service Company are qualified to aid, assist and advise Water Company in its business operations through the services to be performed under this Agreement.
4. Service Company has provided administrative and operating services to Water Company for many years, the past 17 years pursuant to an agreement dated January 1,

1971. Because Water Company is of the opinion that it cannot obtain the same quality and diversification of services on a comparable economic basis elsewhere, it proposes to enter into a new agreement with Service Company more specifically defining the types of services available to it.

5. Service Company has entered or proposes to enter into agreements similar to this agreement with other affiliated water companies (hereinafter collectively "Water Companies").

6. The services to be rendered under this agreement are to be rendered by Service Company to Water Companies at their cost to Service Company, as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, the Water Company and Service Company agree that:

ARTICLE 1. PERSONNEL AND SERVICES TO BE PROVIDED

1.1 During the term of this agreement and upon the terms and conditions hereinafter set forth, Service Company shall provide corporate guidance for Water Company. In addition to the guidance provided by the officers and employees of Service Company through the coordination of functional activities for all subsidiaries of American, the officers and employees of Service Company shall furnish and Water Company shall purchase from Service Company, the following services: Accounting, Administration, Communication, Corporate Secretarial, Engineering, Financial, Human Resources,

Information Systems, Operation, Rates and Revenue, Risk Management and Water Quality, together with such other services as Water Company and Service Company may agree; provided, however, that Water Company may perform the service with its own personnel or engage another company or person to provide those services on its behalf. Service Company by mutual consent may engage another Company or person to provide such services on its behalf.

1.2 Service Company shall employ qualified officers and employees and those persons shall be available for election by Water Company to serve as officers of Water Company.

1.3 Without limitation, services to be provided by the Service Company shall be rendered as follows:

A. Accounting: Service Company shall assist in the preparation and implementation of accounting methods and procedures to determine that they conform fully to the requirements, rules and regulations of governmental authorities having jurisdiction and review Water Company's monthly financial reports, annual reports and other reports to stockholders and to any governmental authorities. It shall advise and assist in the establishment and maintenance of current record keeping techniques; review accounting procedures, methods and forms; and evaluate systems of internal control for receipt and disbursement of funds, materials and supplies, and other assets. Service Company shall maintain accounting records as required by Water Company. When appropriate, Service Company shall cooperate and consult with Water Company's independent certified public accountants.

Service Company shall assist in the preparation of operating and construction budgets and monitor the control over such budgets by comparing experienced costs to the projections.

Service Company shall prepare or assist in the preparation of federal, state and local tax returns for and to the extent required by Water Company.

B. Administration: Service Company shall make qualified employees available to perform or assist in the performance of Water Company's corporate activities. Those employees shall keep themselves informed on all aspects of Water Company's operations and shall regularly visit Water Company's facilities. They shall make recommendations to Water Company for operating expenditures and for additions to and improvements of property, plant and equipment. They shall keep abreast of economic, regulatory, governmental and operational developments and conditions that may affect Water Company; and advise Water Company of any such developments and conditions to the extent that they may be important to Water Company. Service Company shall provide an internal audit staff for periodic audits of accounts, records, policies and procedures of Water Company and submit reports thereon.

C. Communications: Service Company shall recommend procedures to promote satisfactory relations with employees, customers, communities and the general public and assist in the preparation of communication materials, (including press releases, brochures, audio visual presentations and speeches) plant tours, public exhibits and displays and other related services to inform the public.

D. Corporate Secretarial: Service Company shall maintain, in such places and manner as may be required by applicable law, documents of Water Company, such as minute books, charters, by-laws, contracts, deeds and other corporate records, and shall administer an orderly program of records retention. It shall maintain, or arrange for the maintenance of, records of stockholders of Water Company, prepare or arrange for the preparation of stock certificates, perform duties relating to the transfer of stock and perform other corporate secretarial functions as required including preparation of notices of stockholder and director meetings and the minutes thereof.

Service Company shall review and may assist in the preparation of documents and reports required by Water Company such as deeds, easements, contracts, charters, franchises, trust indentures and regulatory reports and filings.

E. Engineering: Service Company shall advise, and provide engineering services to assist Water Company in planning for, operating, maintaining and constructing its facilities.

It shall conduct distribution system surveys and hydraulic analyses and prepare or review maps, charts, operating statistics, reports and other pertinent data.

It shall assist Water Company in the proper maintenance and protection of Water Company properties by periodic inspection of its structures, tanks, reservoirs, dams, wells and electrical and mechanical equipment.

The engineering services provided by Service Company shall also include the conduct of field investigations as necessary to

obtain engineering information and, when required, the preparation of studies, reports, designs, drawings, cost estimates, specifications, and contracts for the construction of additions to or improvements of Water Company's source of supply, treatment plant, pumping stations, distribution system, and such other facilities as Water Company may request. Service Company shall provide a Materials Management Program to arrange for the purchase of equipment, materials, and supplies in volume on a basis advantageous to Water Company and assist in the evaluation of new and existing products and application procedures.

F. Financial: Service Company shall assist in the development and implementation of financing programs for Water Company, including the furnishing of advice from time to time on securities market conditions and the form and timing of financing; advise concerning arrangements for the sale of its securities; and assist in the preparation of necessary papers, documents, registration statements, prospectuses, petitions, applications and declarations. It shall prepare reports to be filed with, and reply to inquiries made by, security holders and bond and mortgage trustees.

Service Company shall assist Water Company in cash management including arrangements for bank credit lines, establishment of collection policies, and development of temporary investment programs.

Service Company shall provide assistance to Water Company in the preparation of all financial reports.

G. Human Resources: Service Company shall assist in obtaining qualified personnel for Water Company; in establishing appropriate rates of pay for those employees; and in negotiating with bargaining units representing Water Company employees. It shall carry out training programs for the development of personnel and advise and assist Water Company regarding personnel. It shall also advise and assist Water Company in regard to group employee insurance, pension and benefit plans and in the drafting or revising of those plans when required. It will keep Water Company apprised of all employment laws and develop procedures and controls to assure compliance.

H. Information Systems: Service Company shall make available to Water Company electronic data processing services. Those services shall include customer billing and accounting, preparation of financial statements and other reports including those required by Federal and State agencies.

I. Operation: Service Company shall develop and assist in the implementation of operating procedures to promote the efficient and economic operation of Water Company. Periodic operational reviews will be performed by Service Company personnel and any deviations from adopted procedures will be reported to Water Company.

J. Rates and Revenue: Service Company personnel shall make recommendations for changes in rates, rules and regulations and shall assist Water Company in the conduct of proceedings before, and in its compliance with the rulings of, regulatory bodies having jurisdiction over its operation. These personnel

shall keep abreast of economic and regulatory developments and conditions that may affect Water Company; and advise Water Company of any such developments and conditions to the extent that they may be important to Water Company. Rates and Revenue personnel shall assist in the preparation of rate filings or applications and the supporting documents and exhibits requested or required by the Water Company and their respective regulatory commissions. Service Company shall also provide qualified personnel to testify on Water Company's behalf as required during any regulatory proceedings.

K. Risk Management: Service Company shall provide a Risk Management Program to review the exposures to accidental loss of the Water Company, recommend efficient methods of protection either through the purchase of insurance, self-insurance or other risk management techniques and arrange for the purchase of insurance coverage. It shall also supervise investigation procedures; review claims; and negotiate and assist in, and evaluate proposals for, settlement at the request of Water Company. It shall assist in the establishment of safety and security programs to avoid or minimize risk and loss.

L. Water Quality: Service Company shall assist Water Company to comply with standards of governmental agencies and establish and attain water quality objectives of the Water Company. It shall assist in providing design criteria for processes, coordinating with public agencies, developing approaches and solutions to water quality problems, and providing

technical assistance and general direction for Water Company personnel.

It shall also provide laboratory services for programmed analyses as required by drinking water regulations, and special analyses as required by Water Company.

ARTICLE II. PAYMENT FOR SERVICES

2.1 In consideration for the services to be rendered by Service Company as hereinabove provided, Water Company agrees to pay to Service Company the cost thereof determined as provided in this Article II and in Article III.

2.2 All costs of service rendered by Service Company personnel for Water Company or in common with other Water Companies shall be charged to Water Company based on actual time spent by those personnel as reflected in their daily time sheets or other mutually acceptable means of determination.

2.3 All costs of Service Company incurred in connection with services rendered by Service Company which can be identified and related exclusively to Water Company, shall be charged directly to Water Company.

2.4 All costs incurred in rendering services to Water Company in common with similar services to other Water Companies which cannot be identified and related exclusively to services rendered to a particular Water Company, shall be allocated among all Water Companies so served, or, in the case of costs incurred with respect to services rendered to a particular group of Water

Companies, among the members of such group, based on the number of customers served at the immediately preceding calendar year end.

2.5 Cost for support personnel (secretaries, clerical personnel, clerks, messengers, telephone operators, mail clerks, and other incidental support personnel of the Service Company) as well as the cost of lease payments, depreciation, utilities and other costs associated with leasing office space and equipment by Service Company shall be allocated among the Water Companies on the basis of the proportion of the aggregate cost allocated under Sections 2.3 and 2.4.

ARTICLE III. ALLOWANCE FOR OVERHEAD

3.1 In determining the cost to be assessed by Service Company for the rendering of services to Water Company as herein provided, there shall be added to the salaries of all officers and employees for whose services charges are to be made, a percentage sufficient to cover the general overhead of Service Company, as defined below, properly allocable thereto. Such percentage shall be calculated each month and shall be the ratio of the total general overhead of the Service Company for the month to the total salaries of the employees for whose service charges are to be made to the Water Companies. No general overhead of Service Company shall be added to costs incurred for services of non-affiliated consultants employed by Service Company.

3.2 —The term "general overhead" shall include:

- (a) pension and insurance premiums paid for the benefit of Service Company employees,

- (b) legal and other fees for services rendered to the Service Company,
- (c) taxes,
- (d) other general office supplies and other similar expenses, and
- (e) interest on working capital.

ARTICLE IV. BILLING PROCEDURES AND BOOKS AND RECORDS

4.1 As soon as practicable after the last day of each month, Service Company shall render a bill to Water Company for all amounts due from Water Company for services and expenses for such month plus an amount equal to the estimated cost of such services and expenses for the current month, all computed pursuant to Articles II and III. Such bill shall be in sufficient detail to show separately the charge for each class of service rendered. All amounts so billed shall reflect the credit for payments made on the estimated portion of the prior bill and shall be paid by Water Company within a reasonable time after receipt of the bill therefore.

4.2 Service Company agrees to keep its books and records available at all times for inspection by representatives of Water Company or by regulatory bodies having jurisdiction over Water Company.

4.3 Service Company shall at any time, upon request of Water Company, furnish any and all information required by Water Company with respect to the services rendered by Service Company

hereunder, the costs thereof, and the allocation of such costs among Water Companies.

ARTICLE V. OTHER AGREEMENTS

5.1 It is understood by Water Company that Service Company has entered or may enter into similar agreements with other Water Companies that are affiliated with American to which similar services are to be furnished. Service Company will not enter into agreements to perform similar services for other companies on terms more favorable than those provided herein.

5.2 It is understood by Water Company that Service Company has entered or may enter into an agreement or agreements with American and certain other companies not engaged in the water or sewer service business to which limited services are to be furnished; Water Company consents to such additional agreements, provided, however, that no part of the cost of furnishing such services will be charged to Water Company.

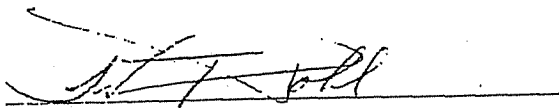
ARTICLE VI. TERM OF AGREEMENT

This agreement shall become effective as of the later of (a) the date first mentioned above or (b) the date the parties receive the last of any necessary approvals of governmental regulatory agencies having jurisdiction in the premises. Upon becoming effective, this agreement shall be the sole agreement between the parties concerning the subject-matter hereof and shall supersede all prior agreements, written or oral, including the agreement dated January 1, 1971, which shall terminate on the date this

agreement becomes effective. This agreement shall continue in full force and effect until terminated by either of the parties hereto giving the other party hereto ninety day's notice in writing; provided, however, that this agreement shall terminate as of the date Water Company or Service Company ceases to be an affiliate of American.

IN WITNESS WHEREOF, Service Company and Water Company have caused this agreement to be signed in their respective corporate names by their respective Presidents or Vice Presidents, and impressed with their respective corporate seals attested by their respective Secretaries or Assistant Secretaries, all as of the day and year first above written.

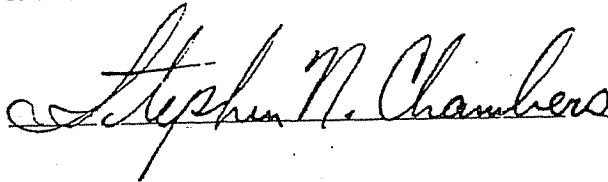
ATTEST:



AMERICAN WATER WORKS SERVICE
COMPANY, INC.

By 
President

ATTEST:



TENNESSEE-AMERICAN WATER COMPANY

By 
President

American Water Works Service Company, Inc.
Accounting and Service Fee Billing Manual

For questions/comments please contact:

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Manual approved by SVC board of directors on 2/19/2010

American Water Works Service Company, Inc.
Accounting and Service Fee Billing Manual

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- American Water Capital Corporation, Inc.

Service Company Locations

Affiliate Listing

Business Units and Hierarchy

Business Units by Location (Overhead cost pools)

Category Listing

Accounting and Service Fee Billing Manual

I-Introduction

Purpose of Accounting and Service Fee Billing Manual

This manual documents the methods by which American Water Works Service Company, Inc. ("Service Company") expenses are accounted for and billed to American Water (AW) subsidiary companies ("Affiliates").

Cost Assignment Principles

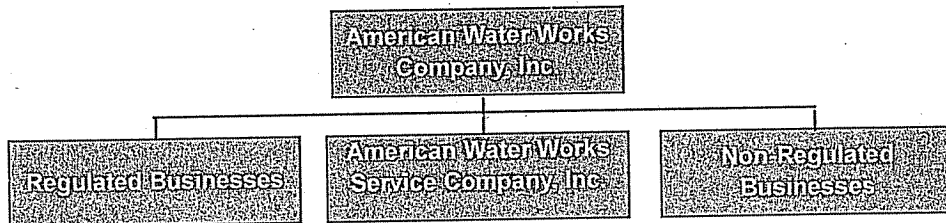
Service Company follows certain cost assignment principles, including:

- **Services at Cost** – The Service Company provides its services at cost. There is no profit included in the charges billed to affiliates.
- **Direct Charging of Expenses** – Whenever possible, Service Company expenses are charged directly to the specific affiliate (regulated or non-regulated) that benefits from the underlying work.
- **Charging common costs** – Service Company expenses that cannot be direct charged to a specific affiliate are allocated via formulas used by Service Company employees for coding all time and expenses.
- **Billing Accuracy** – All efforts are made to ensure that billings are correct. The Service Company performs monthly reviews of costs and allocations for accuracy. Affiliates have the opportunity to review Service Company billings and, where necessary, request adjustment for inaccurate charges.

Accounting and Service Fee Billing Manual **II – Overview of American Water Works Company, Inc.**

Organizational Structure

American Water Works Company, Inc. is a publicly traded company listed on the NYSE as "AWK." The following chart sets forth the company's organizational structure:



Regulated Businesses

AW provides water and wastewater services to more than 3.3 million customers (regulated), or connections to our water and wastewater networks in 19 states (as of 12/31/09) through the following operating companies:

Arizona-American Water Company	Missouri-American Water Company
California-American Water Company	New Jersey-American Water Company
Hawaii-American Water Company	New Mexico-American Water Company
Illinois-American Water Company	Ohio-American Water Company
Indiana-American Water Company	Pennsylvania-American Water Company
Iowa-American Water Company	Tennessee-American Water Company
Kentucky-American Water Company	Texas-American Water Company
Long Island Water Corporation	United Water Virginia, Inc.
Maryland-American Water Company	Virginia-American Water Company
Michigan-American Water Company	West Virginia-American Water Company

Non-Regulated Businesses

American Water also provides services that are not subject to economic regulation by state PUCs through Non-Regulated Businesses. Non-Regulated Businesses include:

- o Contract Operations Group which enters into public/private partnerships, including O&M, and DBO contracts for the provision of services to water and wastewater facilities for municipalities, the United States military and other customers;

- o Applied Water Management Group which works with customers to design, build and operate small water and wastewater treatment plants;
- o Homeowner Services Group which provides services to domestic homeowners to protect against the cost of repairing broken or leaking pipes inside and outside their homes; and
- o Terratec Environmental Services Inc., which primarily provides wastewater, residuals, transport, disposal and management services to municipal and industrial customers in Ontario, Canada.

Accounting and Service Fee Billing Manual
III – Overview of American Water Works Service Company, Inc.

The Service Company provides the following services to AW affiliates: Internal Audit, Business Development, Business Transformation, Customer Service Center, Communications, Finance, Human Resources, Information Technology, Investor Relations, Legal, Operation Services, Property, Regulatory Services, and Regulated Operations Management. A description of each function is listed below:

Internal Audit – Responsible for performing a broad, comprehensive program of internal auditing within American Water its subsidiaries and affiliates. Internal audit examines and evaluates the adequacy and effectiveness of the system of management controls implemented by American Water management, performs reviews of operational efficiencies and financial accounting to assist the Company in achieving its objectives in accordance with approved policies and organizational goals.

Business Development - Provides coordination, tools, training, and support to American Water subsidiaries by assisting in identifying acquisition opportunities that facilitate the orderly and continued growth of the Company in addition to seeking opportunities that create synergies that benefit customers.

Business Transformation Project – Optimizes and enhance process design and development of new technologies to include training and implementation. After process assessment and re-engineering is complete, the Business Transformation Program will ultimately focus on three areas:

- Business Applications – the software used to manage data (hire/retire, procure to pay, records/reports, asset management, etc.);
- Infrastructure – the foundation of information technology such as servers, storage, security, and disaster recovery;
- Customer Service – projects that enhance customer satisfaction.

External Affairs (Communications) - Produce written and electronic information about American Water and affiliates to include press releases, internal announcements, company advertisements, etc. to customers, employees, communities, investors, and the media.

Finance - Include accounting, treasury, financial planning and reporting, compliance (Sarbanes-Oxley), risk management, income tax department, and Shared Services Center. These groups provide support, guidance and coordination in the preparation of financial statements, tax filings, etc.

Human Resources - Responsible for governance of recruiting, hiring, labor and employee relations, managing compensation and benefits, training, organizational development including involvement in negotiations for new contracts with bargaining units, consistent application of employee discipline, preparation of required reports

to governmental agencies at the state and federal level regarding employees, and development and promulgation of policies and practices affecting employees of American Water.

Benefits Service Center - Provides administrative and operating support for medical, dental, life, flexible spending, COBRA, and pension plans.

Information Technology Services – Responsible for all corporate and regulated subsidiaries technology systems. These hardware and software systems support numerous business processes such as meter reading, customer billing, bill payment management, bill collection, and customer information systems (customer service systems), Enterprise Reporting and Planning systems (back office operation, planning and reporting), communication systems (telephone, cell phones and Blackberrys), field workforce management systems (Service First) and personal computer (PC) networks as well as connectivity systems for all employees using personal computers in the performance of their day-to-day activities.

Investor Relations – Responsible for preparation and distribution of financial information that is periodically released to current or potential holders of financial securities of American Water and/or its subsidiaries.

Legal - Provides legal guidance and support for Corporate and all subsidiaries of American Water. When specialized legal advice or counsel is required, members of the Legal function arrange for and retain qualified legal experts to participate in legal matters.

Regulatory Services – Provides strategic oversight in the preparation of rate applications to ensure adequate revenues, on a timely basis, to recover operating costs, taxes, and financing on capital invested in facilities used by regulated affiliates.

Regulated Operations Management

Provides corporate governance for the Company's regulated affiliates, and the Customer Service Center, organized as follows:

Eastern Division: Provides governance of the following affiliates: Long Island, Edison, Liberty, ETown Services, ETown Properties, Kentucky, Maryland, Tennessee, Virginia, West Virginia, and United Water Virginia. Managed by an Executive VP with direct reporting to the president of Regulated Operations.

Western Division: Provides governance of the following affiliates: California, New Mexico, Arizona, Hawaii, Texas, Illinois, Indiana, Iowa Michigan, Missouri, Ohio, and Texas. Managed by an Executive VP with direct reporting to the president of Regulated Operations.

Stand alone (not in division): New Jersey American Water and Pennsylvania American Water, which combined account for approximately 50% of all regulated revenue, have a direct reporting relationship to the president of Regulated Operations.

Customer Service Center (CSC): Two centers located in Alton, Illinois and Pensacola, FL performs customer service functions for all regulated customers except Michigan. Services include: customer call processing, service order processing, correspondence processing, credit and collections. The CSC also supports billing, collection, and call handling support for a number of O&M contracts.

Shared Services Center - Supports American Water affiliates by performing essential back office services such as accounting, financial reporting, payroll processing and reporting, accounts payable and purchase card services, invoice payments, fixed asset processing, cash management, tax related services including, but not limited to, income and property taxes and additional rates and regulation support in rate cases.

Operation Services – Responsible for developing and implementing a cost-effective capital improvement program, procurement, best operating practices, environmental management and compliance, maintenance services, network (pipe network operation and maintenance), production and water quality support for all subsidiaries. The Office of Risk Management provides physical security, employee health and safety, business continuity, event management and claims management support.

Lab: Employs chemists, lab technicians, analysts, and support employees to perform water quality testing and research. The lab, which is EPA and state certified, uses state of the art water testing equipment to test water, source water, and finished waters from all subsidiaries and is located in Belleville, Illinois.

Supply Chain - Provides purchasing support using strategic sourcing methods to procure products and services for American Water subsidiaries. The function consists of a national team with team members located in various portions of the United States.

Property – Provides facility management services for owned and leased buildings in the Voorhees Corporate Campus. This includes directing and administering facility and space planning and utilization, developing and administering capital and expense budgets for facilities, negotiating leases, completing large scale fit-outs of office space, housekeeping, utilities, mail distribution, reprographics and related functions in addition to providing direction and capital program management to other Service Company locations.

Accounting and Service Fee Billing Manual

IV – Service Company Accounting

The Service Company maintains an accounting ledger in JDEdwards ("JDE") for recording all transactions (labor, expenses, capital assets, and overhead) in a company ledger separate from all other AW affiliates. Monthly financials statements are prepared that summarize MTD and YTD costs, budgets, and reforecasts, with variances and explanations, by category and function – a function will have one or more business units (See Appendix for listings). Accounting details by transaction type are listed below:

Labor: Service Company uses a JDE payroll application "JDE Time and Approval" to track time and attendance by week. Employee's electronically enter hours worked (including vacation, sick, FMLA, etc) and accounting information (i.e. business unit; formula; pay type) and electronically submit the timesheet for approval. Submitted timesheets are electronically routed to authorized approvers via JDE. All time sheets require approval (hours and coding) from an authorized timesheet approver in the employee's home business unit. JDE posts all labor and labor related expenses, in aggregate, in selected business unit's bi-weekly.

Expenses: All expenditures (i.e. standard invoices, purchase orders, electronic disbursements, and p-cards) and journal entries require a preparer to enter coding details (i.e. business unit, object account, and formula) and a reviewer to approve such in accordance with the Company's Delegation of Authority Policy. All expenditures are processed electronically and are automatically routed to the employee's supervisor for approval. All expenses are posted many times daily, in detail, in the business unit selected.

Capital assets: Service Company capitalizes labor and expenses as Non-Utility Plant in accordance with GAAP. The Company requires that all capital projects receive advance approval from a capital committee which requires submission of a business case. For approved capital projects, a "Funding Project" is authorized in PowerPlant (Application used as subsidiary ledger for utility and non-utility plant) by the Capital Management department. The designated project manager can create work orders against the funding project that can be used by Service Company employees to charge time and expenses. Project Manager's also record monthly accruals in PowerPlant for work incurred but not billed or processed. These accruals are posted in the Service Company balance sheet monthly. All expenditures for capital assets (see labor and expense sections above) are posted, in detail, in the ledger of the business unit selected.

Overhead: Expenses for support personnel (administrative assistants, mailroom clerks, etc), pension, medical insurance, taxes, general office supplies, and other similar expenses are recorded in the ledger of the business unit responsible for incurring the charge. All overhead expenditures are posted using the labor and expense processes noted above, and are recorded, in detail, in the ledger of the business unit responsible for the charge using an overhead formula.

Accounting and Service Fee Billing Manual **V – Service Company Planning and Budgeting**

Long-Term Plans:

Service Company financial analysts prepare a long-term plan annually. The plans are reviewed by functional leads and the board of directors.

The long-term plans are loaded into Hyperion System 9 and are distributed to affiliates using the same process described in "Annual Budgets" above for use in their long-term plan preparation.

Annual Budgets:

Service Company financial analysts prepare, functional leads review, and the board approves the company's annual budget. Once the budget is approved, it is loaded into JDE and Hyperion System 9 by month in detail (by business unit and object account). Each business unit's total budgeted charges are separated into two types of fees: Capital Fees (each business unit's estimate of expenses that will be billed as capital fees based on historical results and future projections) and Management/Service Fees (difference between total budgeted costs and Capital Fees).

The Service Company finance group prepares and distributes the annual budgeted fees to each affiliate, by function by month, for their use in preparing their annual budgets. The budgeted fees for each affiliate are calculated by business unit using historical results (i.e. percent of business unit charges to each affiliate over prior 12 months) updated for future projections, as necessary. Monthly and YTD reporting (See Section VI for details) provide for comparisons to budget, variances, and material variance explanations.

Quarterly Reforecasts:

Three quarterly reforecasts are prepared every year by Service Company financial analysts and functional leads. The reforecasts are prepared during the last month of each quarter (December excluded) and includes a mix of actual results for previous months and reforecasts for future months – see below for details.

Quarter	Month Prepared	Actual Months	Forecast Months
Q1	Mar	Jan-Feb	Mar-Dec
Q2	Jun	Jan-May	Jun-Dec
Q3	Sep	Jan-Aug	Sep-Dec

Service Company quarterly reforecasts are loaded into JDE and Hyperion System 9 by month and are distributed to affiliates using the same process described in "Annual Budgets" above. Monthly and YTD reporting (See Section VI for details) provide for comparisons to reforecasts, variances, and material variance explanations.

Accounting and Service Fee Billing Manual
VI – Service Company Reporting

On a monthly basis, all functional analysts / leads are provided with reporting of actual expenses (MTD and YTD) compared against plan (original budget) and the most recent reforecast (original budget adjusted quarterly with more current estimates) by function and business unit. All expenditures whether billed as Opex or Capex are included in the report with exception of capital expenditures for Service Company which are charged to a capital work order and charged to CWIP. All functional variances in excess of predefined materiality amounts (determined by the Controller's office annually) must be explained by the functional analyst (coordinated with functional lead when necessary) in the monthly Financial Reporting Package (FRP) and Business Performance Package (BPR). The FRP's require monthly sign-off from the VP of Finance and the BPR's require quarterly sign-off from the president.

After Service Company closes its books each month, all Service Company analysts (along with representation from affiliates) attend a debrief call to review and comment on material variance explanations.

After the monthly debrief call Service Company management presents the FRP to the corporate management team. Financial results, material variances, and other issues are discussed in detail.

Service Company management presents the BPR to the senior management team and board of directors (comprised of Affiliate presidents) quarterly where financial results, KPI's, material variances, and other issues are discussed in detail.

Accounting and Service Fee Billing Manual **VII – Service Company Billing and Clearing**

Overview:

Service Company has developed a billing system which direct charges or allocates costs for services provided to both regulated and non-regulated affiliates. The Service Company billing is processed monthly by the general accounting department in the Shared Services Center. This billing includes all Service Company expenses (Opex and Capex), at cost, to affiliates using the "formula" selected for each transaction – See Section IV "Service Company Accounting."

Formulas:

All Service Company transactions (vouchers, journal entries, etc) require a "formula" (also known as "subledger" code) in the account coding. Each "formula" is configured in JDE with the following: affiliate(s) to be charged, percent of charge to be billed to each affiliate (total must equal 100%), and affiliate's account code block.

"Formulas" are also entered in JDE with an end date (month/year). JDE is configured to prevent transactions from using an expired formula during data input.

Three different types of "formulas" exist:

Formulas – Used to bill labor, expenses, and/or overhead* to one or more affiliates with an estimated end date of greater than one year. Formulas can be configured to allocate costs to work order(s) and/or affiliated company GL accounts.

* Formulas can be set to not bill overheads. This would apply to time entry only.

Authorizations – Used to bill and track costs for specific tasks or projects that benefit one or more affiliates (e.g. water quality research for surface water treatment plants, specific rate case, etc) with an estimated end date of approximately one year or less. Authorizations can be configured to allocate costs to work order(s) and/or affiliated company GL accounts.

Work Orders – Used for recording expenditures for approved capital projects that allocate charges to only one affiliate. Work Order numbers are auto-generated by PowerPlant and are created only by a project manager, with supervisor approval, against authorized funding projects. Service Company can only use work orders that the project manager denotes "eligible" for Service Company.

A Formula or Authorization can be configured to allocate costs across regulated and/or unregulated affiliates [See Appendix for listing] (Tier One factor) and/or to one or more regulated affiliates [See Appendix for listing] (Tier Two factor).

Tier One factors represent the split of costs to be allocated to regulated and non-regulated affiliates. These factors (available factors listed below) are based on a review of primary cost drivers for a particular service.

3-Factor Formula (#1) – Includes the primary cost drivers of operating revenues, net property, plant and equipment and employees which are common to the operation of regulated and non-regulated affiliates. The metrics are equally weighted within the formula. Also, these metrics will only include affiliates that are receiving service.

2-Factor Financial Services Formula (#2) – Includes the primary cost drivers of operating revenues and employees. The metrics are equally weighted within the formula. Also, these metrics will only include affiliates that are receiving service.

Revenue Factor (#3) – Use operating revenues as a surrogate for customers counts due to the relative size differences of customers (e.g. two O&M contracts may support significantly different sized customer bases). Factor includes only affiliates that are receiving service.

Personal Computer Factor (#4) – Includes the primary cost driver for ITS services associated with acquiring and supporting PC's. Metric: number of personal computers.

Total Premises Factor (#5) – Includes the primary cost driver for ITS services associated with the operation of AS 400 computers. Metric: number of premises maintained on the AS 400 database.

Employee Factor (#6) – Uses count of active employees for all affiliates receiving services.

Budgeted Capital Projects and Engineering Project Management Factor (#7) - Includes the primary cost driver for services associated with capital projects and costs not directly assignable to task orders. Metric: dollar value of budgeted capital expenditures for the year.

Research Authorization Project Factor (#8) – Includes the primary cost driver for services associated with water quality research projects. Metric: dollar value of budgeted research projects for the year. This metric will only include affiliates that are receiving service.

Purchase Orders and Purchasing Card (P-Card) Factor (#9) – Includes the primary cost driver for transactional services associated with purchasing and

paying invoices for goods and services. Metric: number of purchase orders and P-Card transactions on an annual basis.

Employee and Retiree Factor (#10) – Uses count of active employees and retiree's by affiliate as an allocation basis.

100% Non-regulated Company (#11) – Factor allocates expenses to non-regulated affiliate(s). Specific non-regulated affiliate(s) charged are per request from formula requester.

100% Regulated Company (#12) – Factor allocates all expenses to regulated affiliate(s). Specific regulated affiliate(s) charged are dependent on Tier Two factors (see below).

Tier Two factors are used to allocate regulated company costs (via Tier One factors above) to the regulated affiliates that benefit from the expense. Tier two factors are primarily based on the number of customers served (water and wastewater) at the immediately preceding calendar year end. However, Tier Two allocation factors can be based on other more direct factors such as time worked for an affiliate (e.g. an employee may support two affiliates equally -- 50% for New Jersey American and 50% for Pennsylvania American).

Formula Types:

Direct charge: "Formulas" that charge 100% of all time and expenses to a single affiliate exist for all affiliates. These formulas are used for time/expenses which can be identified and related exclusively to a single company or affiliate -- examples include work in support of an operating company's rate case, engineering design work on an operating company's project and/or the preparation of an operating company's financial statements.

Indirect charge: "Formulas" that allocate costs to more than one affiliate (i.e. costs which cannot be identified and related exclusively to a single affiliate). Examples include employee labor for work supporting multiple affiliates, assessments of new Federal water quality regulations, development of the company-wide materials procurement contracts, creation of company-wide engineering design standards, etc.

Capital of Affiliates: "Formulas" (either direct or indirect) that allocate costs to capital projects. Indirect allocations (i.e. not to a specific workorder) are billed to the "Engineering Dist Clearing O/H" account 18410X on the affiliate's ledger(s) charged (including Service Company). The balance in the Clearing O/H account is allocated to all work orders that received charges for the month using an allocation rate that is revised quarterly. Any balance remaining in the Clearing O/H account at year end (12/31), if any, is fully allocated in December.

Overhead: Include employee benefits (Formula 888888) such as group insurance, pension/PBOP, payroll taxes and general overhead (Formula 999999) such as depreciation, rents, capital lease interest, etc. The benefit and general overheads are tracked separately; however, both types are combined for allocation.

Overhead expenses are "pooled" by physical location (See Appendix for a list of all business units grouped by physical location) for billing. All overhead expenses in each "pool" are separately allocated to affiliates as fees and capital (including Service Company for capital) based on the proportion of direct labor charges (GL account 501200) billed by each "cost pool" (i.e. physical location) monthly.

Billing Process:

Service Company billing is a two-step process that first calculates allocations for all "non-overhead formulas" (all formulas other than 888888 "benefits overhead" and 999999 "general overhead"). The second process calculates overhead allocations using the ratio of direct labor (Object account 501200) allocations (obtained via the first step above) to affiliates multiplied by the pool of overhead expenses by physical location.

The sum of all allocations (via steps one and two above) are system posted directly in affiliate ledgers, detail suppressed, with the exception of AWE which must be manually entered via journal entry because they use a different accounting system. Service fees are posted in JDE by object account that denotes the source of the charge as follows:

Shared Business Service Fees:	Object Acct:
Shared Services Center	534615.16
Customer Services Center	534625.16
Information Technology Services	534635.16
Procurement / Supply Chain	534645.16
Laboratory	534655.16
Benefits Service Center	534665.16

Management Fees:	Object Acct:
Corporate	534600.16
External Affairs / Communications	534601.16
Finance	534602.16
Human Resources	534603.16
Legal	534604.16
Operation Services	534605.16
Property	534606.16
Business Development	534607.16
Business Transformation	534608.16
Audit	534609.16
Regulatory Services	534610.16
Investor Relations	534611.16
Regulated Operations Management	534701.16

Bill Clearing Process:

Service Company billings are cleared through American Water Capital Corporation, Inc. (an affiliate) monthly via an intercompany journal entry to GL Account 231200 (Notes Payable – Cap Corp) posted on the last day of the month. Payments are estimated, for each affiliate, using the prior month actual billing (current month estimate) with adjustment for prior month actual to estimate (previous month funding) true up. For example, on 11/30/08 Service Company received funding from Arizona American of \$924k calculated as follows:

Oct08 billing	\$973,488
Less: Oct08 estimate (funded on 10/31/08)	<u>(1,022,694)</u>
Net adjustment	(49,206)
Nov08 estimated billings (equal to Oct08 billing)	<u>973,488</u>
Funding on 11/30/08	<u><u>\$924,282</u></u>

Accounting and Service Fee Billing Manual
VIII - Accounting/Billing for select Service Company expense categories

• **Pension**

The Company maintains noncontributory defined benefit pension plans covering eligible non-union employees. Benefits under the plans are based on the employee's years of service and compensation. The pension plans have been closed for any employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001 had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees (CSC only for Service Company) hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006 are provided with a 5.25% of base pay defined contribution plan.

The Company's funding policy is to contribute at least the minimum amount required by the Employee Retirement Income Security Act of 1974. Pension plan assets are invested in a number of investments including equity and bond mutual funds, fixed income securities and guaranteed interest contracts with insurance companies.

How budgeted: The actuary prepares projection of annual plan costs using FAS87. The sum of all Service Company pension costs are aggregated in a single cost pool and allocated to the "administrative" business unit for each location in the actuarial report (2008 and prior) changed to function (effective 2009) using the proportion of direct labor dollars budgeted for all employees by function.

How actuals recorded: The annual projected Pension expenses for Service Company (via actuarial report) is allocated to each business unit using the proportion of budgeted direct labor dollars for each business unit for all employees with hire date prior to 1/1/06. The annualized expense is divided by 12 and recorded monthly in GL account 505100.16 "PBOP Operating AG." All PBOP expenses are charged to overhead formula 888888.

- **PBOP (Postretirement benefits other than pensions)**

Service Company maintains postretirement benefit plans providing varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002.

The Company's policy is to fund postretirement benefit costs accrued.

How budgeted: The actuary prepares projection of annual plan costs using FAS106. The sum of all Service Company PBOP costs are aggregated in a single cost pool and allocated to the "administrative" business unit for each physical location in the actuarial report (2008 and prior) changed to function (effective 2009) using the proportion of direct labor dollars for all employees by function.

How actuals recorded: The annual projected PBOP expenses for Service Company (via actuarial report) is allocated to each business unit using the proportion of budgeted direct labor dollars for each business unit for all employees with hire date prior to 1/1/06. The annualized expense is divided by 12 and recorded monthly in GL account 505100.16 "PBOP Operating AG." All PBOP expenses are charged to overhead formula 888888.

- **LTIP “Long-term Incentive Program”**

Service Company participates in a long-term incentive plan for designated employees (currently defined as employees in the salary band L05 and higher) to receive grants (stock options, stock units, stock awards, stock appreciation rights “SARs,” or other awards) of equity-based awards. The Compensation Committee of American Water Works Company, Inc. selects the participants to receive grants and determines the number of shares subject to each grant.

How budgeted: Effective in 2009 LTIP costs were budgeted by Service Company – previous to 2009 these costs were budgeted by American Water Works Company, Inc. The sum of all Service Company LTIP costs are aggregated in a single cost pool and allocated to the “administrative” business unit for each function using the proportion of direct labor dollars for employees in the L5 salary band and above by function. Two active cycles are included: 2007-2009 and 2008-2010 (referred to as First and Second grant respectively).

How actuals recorded: Effective in Jun08, LTIP expenses are recorded in two GL accounts: 501716.16 “Comp Exp – Options” and 501718.16 “Comp Exp – RSU’s.” These expenses are posted to an employee’s home business unit (effective Jan09) based on analysis prepared by corporate accounting.

LTIP expenses are charged to formulas allocating time to regulated affiliates (primarily) in the states supported by region/division or all states for corporate.

- **AIP "Annual Incentive Program"**

Annual incentive compensation is made available to all managerial, professional and supervisory employees (including executives but excluding CSC union employees). It is designed to provide incentives for achieving short-term financial and operational goals of the Company.

The target payout (bonus amounts that would be paid assuming 100% achievement of company performance measures) is calculated as a percentage of an employee's annual base salary depending on his/her salary band.

How budgeted: AIP is budgeted for each eligible employee using the rate assigned for their salary level assuming 100% achievement of company performance measures. AIP is budgeted in the employee's assigned business unit. Effective with 2009 budget, FICA tax estimates have also been budgeted for AIP at rate of 6.2% (actual rate Employee Services used on FICA accrual for AIP which started in 2008) to Business Unit 032098 -- CORP-Non-Dept Costs.

How actuals recorded: AIP is posted to the employee's home business unit after each payroll batch is processed in GL account 501711 "IP-Off-Annual-P/R JE." AIP expenses are charged to the formula(s) that the employee charged which can include general overhead (i.e. 999999), non-overhead formulas, and/or work orders.

Quarterly, the SSC Employee Services department reconciles AIP accruals for each employee against an active employee listing calculating AIP earned (employee's salary multiplied by the AIP rate for salary level). A journal entry for any severed/transferred employees and other corrections/adjustments are posted to Business Unit 032098 "Corporate Non-Dept Costs" in GL account 501711 "IP-Off-Annual-P/R JE." FICA tax is also accrued quarterly via manual JE to Business Unit 039998 "Benefits O/H Clearing" in GL account 685325 "FICA."

- **Group Insurance**

Service Company participates in the American Water Voluntary Employee Benefit Association Trust (VEBA) that was established to provide health and welfare benefits to its employees.

Wachovia bank is the recordkeeper for the Group Insurance VEBA trust account.

How budgeted: A global blended group insurance rate is calculated and budgeted monthly in the home business unit for each full-time employee in GL account 504100 "Group Insurance." Budget dollars begin in the hiring month for non-union employees; however, union employees (CSC only) have a three-month budgetary lag from the employee's hire date due to a three-month wait for group insurance benefits to begin.

How actuals recorded: Actual Group Insurance costs by employee are charged to the employee's home business unit (Object 504100 "Group Insurance") each payroll cycle. All Group Insurance expenses are charged to overhead formula 888888.

- **Bypass expenses:**

Select Service Company vendor payments are charged directly to affiliates and are excluded from Service Company cost accounting and billing. These payments are typically for large dollar expenditures such as liability insurance premiums, external financial audit fees, service quality and strategic surveys, ECIS/JDE support and licensing, etc.

Bypass expenses are processed via a single check funded by Service Company that is settled via inter-company clearing monthly.

Appendices

American Water Works Service Company, Inc.
Affiliated Agreements



New Jersey
American Agreement

Agreement between Service Company and Operating Companies

Note: Attached agreement is between Service Company and New Jersey American Water.
All agreements with regulated affiliates are similar.



Capital Corp support
agreement.pdf

Agreement between American Water Works Company, Inc. and American Water Capital
Corporation, Inc ("AWCC").

American Water Works Service Company, Inc.
Service Company Locations

Office	Location	Services Provided
Belleville Lab	1115 S. Illinois Street Belleville, IL 62220	National trace substance laboratory
Benefits Service Center	131 Woodcrest Road Cherry Hill, NJ 08003	Provides administrative and operating support for medical, dental, life, flexible spending, COBRA, and pension plans.
CITE Building – Information Technology	1000 Voorhees Drive Voorhees, NJ 08043	Information technology support for affiliates
Corporate Headquarters	1025 Laurel Oak Road Voorhees, NJ 08043	Corporate governance functions including executive management, audit, finance, external affairs, human resources,
Customer Service Center	1410 Discovery Parkway Alton, IL 62002 7303 Plantation Road Pensacola, FL 32504	National customer call center and customer billing for affiliates
Haddon Heights Information Technology Services Center	500 Grove Street Haddon Heights, NJ 08035	Information technology support for affiliates
Hershey Information Technology Services Center	800 West Hersheypark Drive Hershey, PA 17033	Information technology support for affiliates
Operations Technical Center	3906 Church Road Mt. Laurel, NJ 08054	Provides purchasing, capital, engineering, operations, and water quality support
Shared Services Center	131 Woodcrest Road Cherry Hill, NJ 08003	Financial, accounting, procurement, cash management and human resource benefits coordination

American Water Works Service Company, Inc.
Affiliate listing

Company Number	Company Name	Division	Initial
2	American Water Works	Non-Reg	AWK
3	AW Service Company	Non-Reg	SC
4	Bluefield Valley (WV)	East	BV
5	California	West	CA
9	Illinois	West	IL
10	Indiana	East	IN
11	Iowa	West	IA
12	Kentucky	East	KY
13	Maryland	East	MD
16	Michigan	East	MI
17	Missouri	West	MO
18	New Jersey	New Jersey	NJ
19	New Mexico	West	NM
21	AW Resources	Non-Reg	AWR
22	Ohio	East	OH
23	Arizona	West	AZ
24	Pennsylvania	Pennsylvania	PA
26	Tennessee	East	TN
27	Virginia	East	VA
28	West Virginia	East	WVA
30	Hawaii	West	HI
31	AWE	Non-Reg	AWE
38	Long Island	East	LI
42	Virginia East (VA)	East	VAE
44	Lake Water (IL)	West	LW
45	AmericanAnglian Canada Corp	Non-Reg	AACC
46	AW Capital Corp	Non-Reg	AWCC
47	American Water Services, LLC	Non-Reg	AWS
50	Texas	West	TX
51	Etown Corp	Non-Reg	
52	Elizabeth Water Company	Reg	
53	Mt. Holly	Reg	
54	Edison	Non-Reg	
55	Liberty	Non-Reg	
56	Etown Services	Non-Reg	
57	Etown Properties	Non-Reg	
75	Am Water Finance LLC	Non-Reg	AWFLLC
80	Laurel Oaks Properties	Non-Reg	LOP
85	Ashbrook Corporation	Non-Reg	ASH
87	Hydro Aerobics, Inc	Non-Reg	HYDRO
90	Thames Water Holdings, Inc	Non-Reg	TWHINC
91	Thames Water North America	Non-Reg	TWNA
92	Thames Water Aqua US	Non-Reg	TWAUS

American Water Works Service Company, Inc.
Business Units and Hierarchy
Effective 1/1/09

Business Unit/ Function	Description
032084	SSC-Accounts Payable
032505	SSC-Administration
032560	SSC-Financial Reporting
032570	SSC-General Accounting
032571	SSC-Tax
032572	SSC-Business Support Services
032573	SSC-Planning & Reporting
032574	SSC-Rates & Regulation
032575	SSC-Cash Management
032576	SSC-Facility Services
032577	SSC-Fixed Assets/Job Cost
032578	SSC-Project Management
032579	SSC-Employee Services
032580	SSC-AWE
	Shared Services Center
032007	CORP-Finance
032017	CORP-Planning & Reporting
032027	CORP-Reporting & Compliance
032047	CORP-Income Tax
032057	CORP-Treasury
033007	WE-Finance
033507	CE-Finance
035007	SE-Finance
036507	NE-Finance
	Financial Services
030497	CORP-Admin
034500	SC-Belleville Lab
034517	BVLAB-Water Quality Belleville Labs
032009	CORP-Supply Chain-Pass Thru
032010	CORP-Supply Chain-Sourcing
033010	WE-Supply Chain
033510	CE-Supply Chain
035010	SE-Supply Chain
036510	NE-Supply Chain
	Supply Chain
032042	CORP-1000 Voorhees Building

032046	CORP-3906 Church Road
032062	CORP-Building Services
032063	CORP-Building Services Woodcrest
036576	NE-Building Services Woodcrest Property

032011	CORP-Chief Operating Officer
032064	CORP-Operational Performance
032066	CORP-Research & Env Excellence
032065	CORP-Asset Management
036550	CORP-COE-Engineering
036551	CORP-COE-Technical Services
032019	CORP-Operational Risk
033019	WE-Operational Risk
033519	CE-Operational Risk
035019	SE-Operational Risk
036519	NE-Operational Risk
032016	CORP-Maintenance Svcs
033016	WE-Maintenance
033516	CE-Maintenance
035016	SE-Maintenance
036516	NE-Maintenance Operation Services

032040	Business Transformation -- Admin
032051	CORP-Bsns Trans-Procure To Pay
032052	CORP-Bsns Trans-Recruit To Ret
032053	CORP-Bsns Trans-Record To Rpt
032054	CORP-Bsns Trans-Order To Cash
032055	CORP-Bsns Trans-Plan, Bld, Ret
032056	CORP-Bsns Trans-Ord To Compl Business Transformation

032030	CORP-ITS Client Rel Admin
032031	CORP-ITS Client Rel/Helpdesk
032032	CORP-ITS Bus Development
032033	CORP-ITS Desktop Admin
032034	CORP-ITS Appl Adm & Security
032071	CORP-ITS Admin
032072	CORP-ITS PMO
032073	CORP-ITS Infra/Oper Admin
032074	CORP-ITS Production
032075	CORP-ITS Enterprise Servers
032076	CORP-ITS Network Comm
032077	CORP-ITS Telecom
032078	CORP-ITS Core Bus Sys Admin
032079	CORP-ITS Application Developm

032080	CORP-ITS Application Architec
032081	CORP-ITS Quality Assurance
032082	CORP-ITS Tech Architecture
032083	CORP-ITS Strategy/Governance
032093	CORP-ITS Design Authority
033031	WE-ITS Client Relations
033531	CE-ITS Client Relations
035031	SE-ITS Client Relations
036531	NE-ITS Client Relations
	Information Technology Services

032022	CORP-Government Affairs
032025	CORP-External Affairs
032068	CORP-Marketing & Sales
032085	CORP-External Communications
032086	CORP-Internal Communications
032087	CORP-Corp Social Resp
033025	WE-External Affairs
033525	CE-External Affairs
035025	SE-External Affairs
036525	NE-External Affairs
	External Affairs Communication

032002	CORP-HR Comp/Benefits
032003	CORP-HR Talent Development
032004	CORP-HR Labor Relations
032006	CORP-Business Center HR
032013	CORP-HR Systems & Processes
032018	CORP-Human Resources
032028	CORP-ED Human Resources
032038	CORP-WD Human Resources
033018	WE-Human Resources
033518	CE-Human Resources
034018	CCA-Human Resources
035018	SE-Human Resources
036518	NE-Human Resources
037018	CCP-Human Resources ODI
032012	CORP-HR Strategic Staffing
	Human Resources

032014	CORP-Benefits Service Center
	Benefits Service Center

032015	CORP-Legal
033015	WE-Legal
033515	CE-Legal
035015	SE-Legal

036515	NE-Legal Legal
032020	CORP-Corporate Bus Development
033020	WE-Business Development
033520	CE-Business Development
035020	SE-Business Development Business Development
032069	CORP-Regulatory Regulatory
032060	CORP-Audit Audit
032037	CORP-Investor Relations Investor Relations
032000	CORP-Balance Sheet
032088	CORP-Business Change
032098	CORP-Non-Departmental Costs
039998	Benefits OH Clearing Corp Admin
034000	SC-CSC Alton OH Location
034005	CCA-Administration
034070	CCA-Call Handling
034071	CCA-Billing
034072	CCA-Collections
034073	CCA-Operations & Performance
034074	CCA-Business Services
034075	CCA-Education & Development Alton
037000	SC-CSC Pensacola OH Location
037005	CCP-Administration
037070	CCP-Call Handling
037071	CCP-Billing
037072	CCP-Collections
037073	CCP-Operations and Support
037074	CCP-Business Services
037075	CCP-Education & Development Pensacola Customer Services Center
032023	CORP-Eastern Division
035000	SC-Southeast-PA Location
035001	SE-Production

035002	SE-Network
035003	SE-Customer Relations
035005	SE-Administration
035011	SE-Environmental Mgmt
035014	SE-Engineering
036500	SC-Northeastern Reg Location
036501	NE-Production
036502	NE-Network
036503	NE-Customer Field Services
036505	NE-Administration
036511	NE-Environmental Mgmt
036514	NE-Engineering
036520	NE-Business Development
036591	NE-SAP Conversion Eastern Operations
032024	CORP - Western Division
033000	SC-Western Region Location
033001	WE-Production
033002	WE-Network
033003	WE-Customer Relations
033004	WE-Technical Services
033005	WE-Administration
033006	WE-Service Delivery
033011	WE-Environmental Mgmt
033014	WE-Engineering
033028	WE-Asset Planning
033105	Western Division Ops
033500	SC-Central Region Location
033501	CE-Production
033502	CE-Network
033503	CE-Customer Relations
033505	CE-Administration
033511	CE-Environmental Mgmt
033514	CE-Engineering Western Operations
032026	Reg Ops Admin
	Regulated Operations Admin
	Regulated Operations Management
	American Water Works Service Company, Inc.

American Water Works Service Company, Inc.
Business Units by Location (Overhead cost pools)
Effective 1/1/09

Busn Unit	BU Description	Division	Div Desc
032002	CORP-HR Comp/Benefits	0320	SC-Corporate OH Location
032003	CORP-HR Talent Development	0320	SC-Corporate OH Location
032004	CORP-HR Labor Relations	0320	SC-Corporate OH Location
032006	CORP-Business Center HR	0320	SC-Corporate OH Location
032007	CORP-Finance	0320	SC-Corporate OH Location
032011	CORP-Chief Operating Officer	0320	SC-Corporate OH Location
032012	CORP-HR Strategic Staffing	0320	SC-Corporate OH Location
032013	CORP-HR Systems & Processes	0320	SC-Corporate OH Location
032015	CORP-Legal	0320	SC-Corporate OH Location
032017	CORP-Planning & Reporting	0320	SC-Corporate OH Location
032018	CORP-Human Resources	0320	SC-Corporate OH Location
032019	CORP-Operational Risk	0320	SC-Corporate OH Location
032020	CORP-Corporate Bus Development	0320	SC-Corporate OH Location
032022	CORP-Government Affairs	0320	SC-Corporate OH Location
032023	CORP-Eastern Division Ops	0320	SC-Corporate OH Location
032024	Corp-Western Division Ops	0320	SC-Corporate OH Location
032025	CORP-External Affairs	0320	SC-Corporate OH Location
032026	CORP-Regulated Ops	0320	SC-Corporate OH Location
032027	CORP-Reporting & Compliance	0320	SC-Corporate OH Location
032028	CORP-ED Human Resources	0320	SC-Corporate OH Location
032037	CORP-Investor Relations	0320	SC-Corporate OH Location
032038	CORP-WD Human Resources	0320	SC-Corporate OH Location
032040	CORP-Business Transformation	0320	SC-Corporate OH Location
032050	CORP-Backfill Reg App	0320	SC-Corporate OH Location
032051	CORP-Bsns Trans-Procure To Pay	0320	SC-Corporate OH Location
032052	CORP-Bsns Trans-Recruit To Ret	0320	SC-Corporate OH Location
032053	CORP-Bsns Trans-Record To Rpt	0320	SC-Corporate OH Location
032054	CORP-Bsns Trans-Order To Cash	0320	SC-Corporate OH Location
032055	CORP-Bsns Trans-Plan, Bld, Ret	0320	SC-Corporate OH Location
032056	CORP-Bsns Trans-Ord To Compl	0320	SC-Corporate OH Location
032057	CORP-Treasury	0320	SC-Corporate OH Location
032060	CORP-Audit	0320	SC-Corporate OH Location
032062	CORP-Building Services	0320	SC-Corporate OH Location
032064	CORP-Operational Performance	0320	SC-Corporate OH Location
032065	CORP-Asset Management	0320	SC-Corporate OH Location
032066	CORP-Research & Env Excellence	0320	SC-Corporate OH Location
032068	CORP-Marketing	0320	SC-Corporate OH Location
032069	CORP-Regulatory UFS	0320	SC-Corporate OH Location
032085	CORP-External Communications	0320	SC-Corporate OH Location
032086	CORP-Internal Communications	0320	SC-Corporate OH Location
032087	CORP-Corp Social Resp	0320	SC-Corporate OH Location
032088	CORP-Business Change	0320	SC-Corporate OH Location
032089	CORP-AWE Pass-Thru	0320	SC-Corporate OH Location
032090	CORP-Prop Mgmt Development	0320	SC-Corporate OH Location
032098	CORP-Non-Departmental Costs	0320	SC-Corporate OH Location

032099	CORP-Unallocated Adjustments	0320	SC-Corporate OH Location
036531	NE-Eastern CS & S	0320	SC-Corporate OH Location
039998	Benefits OH Clearing	0320	SC-Corporate OH Location
032009	CORP-Supply Chain-Pass Thru	0325	SC-SSC OH Location
032014	CORP-Benefits Service Center	0325	SC-SSC OH Location
032047	CORP-Income Tax	0325	SC-SSC OH Location
032063	CORP-Building Services Woodcre	0325	SC-SSC OH Location
032084	SSC-Accounts Payable	0325	SC-SSC OH Location
032505	SSC-Administration	0325	SC-SSC OH Location
032570	SSC-General Accounting	0325	SC-SSC OH Location
032571	SSC-Tax	0325	SC-SSC OH Location
032572	SSC-Business Support Services	0325	SC-SSC OH Location
032574	SSC-Rates & Regulation	0325	SC-SSC OH Location
032575	SSC-Cash Management	0325	SC-SSC OH Location
032577	SSC-Utility Plant Accounting	0325	SC-SSC OH Location
032578	SSC-Project Management	0325	SC-SSC OH Location
032579	SSC-Employee Services	0325	SC-SSC OH Location
032580	SSC-AWE	0325	SC-SSC OH Location
032010	CORP-Supply Chain-Sourcing	0326	SC-Oper Srv Center OH Location
032046	CORP-3906 Church Road	0326	SC-Oper Srv Center OH Location
036550	CORP-COE-Engineering	0326	SC-Oper Srv Center OH Location
036551	CORP-COE-Technical Services	0326	SC-Oper Srv Center OH Location
033001	WE-Production	0330	SC-Western Region OH Location
033002	WE-Network	0330	SC-Western Region OH Location
033003	WE-Customer Relations	0330	SC-Western Region OH Location
033004	WE-Technical Services	0330	SC-Western Region OH Location
033005	WE-Administration	0330	SC-Western Region OH Location
033006	WE-Service Delivery	0330	SC-Western Region OH Location
033007	WE-Finance	0330	SC-Western Region OH Location
033010	WE-Supply Chain	0330	SC-Western Region OH Location
033011	WE-Environmental Mgmt	0330	SC-Western Region OH Location
033014	WE-Engineering	0330	SC-Western Region OH Location
033015	WE-Legal	0330	SC-Western Region OH Location
033016	WE-Maintenance	0330	SC-Western Region OH Location
033018	WE-Human Resources	0330	SC-Western Region OH Location
033019	WE-Operational Risk	0330	SC-Western Region OH Location
033020	WE-Business Development	0330	SC-Western Region OH Location
033025	WE-External Affairs	0330	SC-Western Region OH Location
033028	WE-Asset Planning	0330	SC-Western Region OH Location
033501	CE-Production	0335	SC-Central Region OH Location
033502	CE-Network	0335	SC-Central Region OH Location
033503	CE-Customer Relations	0335	SC-Central Region OH Location
033505	CE-Administration	0335	SC-Central Region OH Location
033507	CE-Finance	0335	SC-Central Region OH Location
033510	CE-Supply Chain	0335	SC-Central Region OH Location
033511	CE-Environmental Mgmt	0335	SC-Central Region OH Location
033514	CE-Engineering	0335	SC-Central Region OH Location

033515	CE-Legal	0335	SC-Central Region OH Location
033516	CE-Maintenance	0335	SC-Central Region OH Location
033518	CE-Human Resources	0335	SC-Central Region OH Location
033519	CE-Operational Risk	0335	SC-Central Region OH Location
033520	CE-Business Development	0335	SC-Central Region OH Location
033525	CE-External Affairs	0335	SC-Central Region OH Location
033531	CE-Western CS & S	0335	SC-Central Region OH Location
034005	CCA-Administration	0340	SC-CSC Alton OH Location
034018	CCA-Human Resources	0340	SC-CSC Alton OH Location
034070	CCA-Call Handling	0340	SC-CSC Alton OH Location
034071	CCA-Billing	0340	SC-CSC Alton OH Location
034072	CCA-Collections	0340	SC-CSC Alton OH Location
034073	CCA-Operations & Performance	0340	SC-CSC Alton OH Location
034074	CCA-Business Services	0340	SC-CSC Alton OH Location
034075	CCA-Education & Development	0340	SC-CSC Alton OH Location
034517	BVLAB-Water Quality	0345	SC-Belleville Lab OH Location
032016	CORP-Maintenance Services	0350	SC-Southeast Reg OH Location
035001	SE-Production	0350	SC-Southeast Reg OH Location
035002	SE-Network	0350	SC-Southeast Reg OH Location
035003	SE-Customer Relations	0350	SC-Southeast Reg OH Location
035005	SE-Administration	0350	SC-Southeast Reg OH Location
035007	SE-Finance	0350	SC-Southeast Reg OH Location
035010	SE-Supply Chain	0350	SC-Southeast Reg OH Location
035011	SE-Environmental Mgmt	0350	SC-Southeast Reg OH Location
035014	SE-Engineering	0350	SC-Southeast Reg OH Location
035015	SE-Legal	0350	SC-Southeast Reg OH Location
035016	SE-Maintenance	0350	SC-Southeast Reg OH Location
035018	SE-Human Resources	0350	SC-Southeast Reg OH Location
035019	SE-Operational Risk	0350	SC-Southeast Reg OH Location
035020	SE-Business Development	0350	SC-Southeast Reg OH Location
035025	SE-External Affairs	0350	SC-Southeast Reg OH Location
035031	SE-ITS Client Relations	0350	SC-Southeast Reg OH Location
036501	NE-Production	0365	SC-Northeast Reg OH Location
036505	NE-Administration	0365	SC-Northeast Reg OH Location
036507	NE-Finance	0365	SC-Northeast Reg OH Location
036510	NE-Supply Chain	0365	SC-Northeast Reg OH Location
036515	NE-Legal	0365	SC-Northeast Reg OH Location
036516	NE-Maintenance	0365	SC-Northeast Reg OH Location
036518	NE-Human Resources	0365	SC-Northeast Reg OH Location
036519	NE-Operational Risk	0365	SC-Northeast Reg OH Location
036520	NE-Business Development	0365	SC-Northeast Reg OH Location
036525	NE-External Affairs	0365	SC-Northeast Reg OH Location
036576	NE-Building Services Woodcrest	0365	SC-Northeast Reg OH Location
037005	CCP-Administration	0370	SC-CSC Pensacola OH Location
037070	CCP-Call Handling	0370	SC-CSC Pensacola OH Location
037073	CCP-Operations and Support	0370	SC-CSC Pensacola OH Location

037075	CCP-Education & Development	0370	SC-CSC Pensacola OH Location
032030	CORP-ITS Client Rel Admin	0375	SC-ITS O/H Location
032031	CORP-Service Desk	0375	SC-ITS O/H Location
032032	CORP-ITS-BAD-Core Shared	0375	SC-ITS O/H Location
032033	Chg Ctrl & Desktop Automation	0375	SC-ITS O/H Location
032034	CORP-ITS Appl Adm & Security	0375	SC-ITS O/H Location
032035	CORP-ITS Sec Arch & Strategy	0375	SC-ITS O/H Location
032042	CORP-1000 Voorhees Building	0375	SC-ITS O/H Location
032071	CORP-ITS Admin	0375	SC-ITS O/H Location
032072	CORP-ITS PMO	0375	SC-ITS O/H Location
032073	CORP-ITS Infra/Oper Admin	0375	SC-ITS O/H Location
032074	CORP-ITS Production	0375	SC-ITS O/H Location
032075	CORP-Enterprise Server	0375	SC-ITS O/H Location
032076	CORP-Communications	0375	SC-ITS O/H Location
032077	CORP-ITS Security Operations	0375	SC-ITS O/H Location
032078	CORP-ITS Adm Business Appl Dev	0375	SC-ITS O/H Location
032079	CORP-ITS-BAD-Middle Office App	0375	SC-ITS O/H Location
032080	CORP-ITS-BAD-Back Office Apps	0375	SC-ITS O/H Location
032081	CORP-ITS-BAD-Quality&Methodlgy	0375	SC-ITS O/H Location
032082	Client Relationship Management	0375	SC-ITS O/H Location
032083	CORP-ITS-BAD-Field Svc Apps	0375	SC-ITS O/H Location
032093	CORP-ITS-Architecture	0375	SC-ITS O/H Location

American Water Works Service Company, Inc.

Category Listing
Effective 1/1/09

Labor
Pension
Group Insurance
Insurance
Rent
General Office Expense
Maintenance Expense
Depreciation
Taxes Other Than Income
Interest Expense, net
Other

Service Company Cost Causative Factor Analysis Study
Appendix #5 - Tennessee American Cost Causative Summary
Adjusted 2009 Actual Service Company Charges (Original and Cost Causative Allocation Methods,

	A Actual 2009	B Business Trans Charges *	C Non-Reg Charges **	D(A+B+C) Total Charges Examined	Original Allocation Factors			Cost Causative Allocation			Difference	
					E	F	G (E+F)	H	I	J(H+I)	K (J-G)	L (K/G)
					Total Direct	Total Allocated	Total	Total Direct	Total Allocated	Total	Causative - Original Difference	%age Total
Regulated Companies												
Tennessee American	5,201,095	(128,003)	(6,014)	5,067,078	820,284	4,246,794	5,067,078	820,284	4,126,294	4,946,578	(120,501)	-2.38%
Other Regulated Companies	223,153,979	(5,561,091)	(248,151)	217,344,736	33,998,867	183,345,869	217,344,736	33,998,867	183,466,369	217,465,236	120,501	0.06%
Total Regulated	228,355,073	(5,689,095)	(254,165)	222,411,814	34,819,151	187,592,663	222,411,814	34,819,151	187,592,663	222,411,814	0	0.00%
Total Non-Regulated	19,856,914	(1,742)	254,165	20,109,336	15,187,344	4,921,993	20,109,337	15,187,344	4,921,993	20,109,337	-	0.00%
Grand Total	248,211,987	(5,690,837)	-	242,521,151	50,006,494	192,514,656	242,521,151	50,006,494	192,514,656	242,521,151	0	0.00%

* Business Transformation charges were excluded from the study because they represent a large non-recurring cost not assignable to causative factor allocation

** Non-Reg Charges represent overheads from two AWE business units that were distributed to regulated companies. We re-allocated them directly to the non-regulated business (AWE)

Service Company Cost Causative Factor Analysis Study
Appendix #6 - Tennessee American Cost Causative Business Unit Detail
Adjusted 2009 Actual Service Company Charges (Original and Cost Causative Allocation Methods)

BU#	Business Unit Description	Causative Designation	Original Allocation			Cost Causative Allocation			Difference	
			A	B	C (A+B)	D	E	F (D+E)	G (F-C)	H (G/C)
			Direct	Original Allocated	Original Total	Direct	Causative Allocated	Causative Total	Caus - Orig Difference	%age
032000	CORP-Balance Sheet	Residual	-	-	-	-	-	-	-	-
032088	CORP-Business Change	Residual	-	2,933	2,933	-	2,893	2,893	(40)	-1.36%
032089	CORP-AWE Pass-Thru	Residual	-	-	-	-	-	-	-	-
032098	CORP-Non-Departmental Costs	Residual	(241)	28,503	28,262	(241)	29,728	29,486	1,224	4.33%
Total Admin			(241)	31,436	31,195	(241)	32,621	32,379	1,185	3.80%
032060	CORP-Audit	Residual	113	38,051	38,164	113	37,334	37,447	(717)	-1.88%
Total Audit			113	38,051	38,164	113	37,334	37,447	(717)	-1.88%
032014	CORP-Benefits Service Center	Employees	1,337	28,932	30,269	1,337	25,593	26,930	(3,339)	-11.03%
Total Benefit Svc Ctr			1,337	28,932	30,269	1,337	25,593	26,930	(3,339)	-11.03%
032020	CORP-Corporate Bus Development	50% Customers 50% Revenue	231	27,875	28,106	231	23,335	23,566	(4,540)	-16.15%
033020	WE-Business Development	50% Customers 50% Revenue	-	125	125	-	39	39	(86)	-68.97%
033520	CE-Business Development	50% Customers 50% Revenue	147	342	490	147	419	566	76	15.55%
035020	SE-Business Development	50% Customers 50% Revenue	37,754	5,913	43,666	37,754	5,447	43,200	(466)	-1.07%
036520	NE-Business Development	50% Customers 50% Revenue	-	6	6	-	5	5	(2)	-24.54%
Total Business Development			38,132	34,261	72,394	38,132	29,244	67,376	(5,018)	-6.93%
034005	CCA-Administration	Customers	1,607	65,009	66,617	1,607	64,695	66,302	(314)	-0.47%
034070	CCA-Call Handling	Customers	11,497	235,662	247,159	11,497	235,366	246,863	(296)	-0.12%
034071	CCA-Billing	Customers	1,841	158,913	160,753	1,841	158,591	160,432	(322)	-0.20%
034072	CCA-Collections	Customers	24,566	42,167	66,732	24,566	42,066	66,631	(101)	-0.15%
034073	CCA-Operations & Performance	Customers	5,155	121,596	126,751	5,155	121,244	126,399	(352)	-0.28%
034074	CCA-Business Services	Customers	286	29,618	29,904	286	29,573	29,859	(45)	-0.15%
034075	CCA-Education & Development	Customers	156	27,785	27,941	156	27,762	27,918	(23)	-0.08%
037005	CCP-Administration	Customers	-	24,276	24,276	-	24,221	24,221	(55)	-0.23%
037070	CCP-Call Handling	Customers	-	270,189	270,189	-	270,068	270,068	(121)	-0.04%
037073	CCP-Operations and Support	Customers	-	71,835	71,835	-	71,711	71,711	(125)	-0.17%
037075	CCP-Education & Development	Customers	-	16,080	16,080	-	16,060	16,060	(20)	-0.13%
Total Call Center			45,108	1,063,130	1,108,238	45,108	1,061,355	1,106,463	(1,774)	-0.16%
032022	CORP-Government Affairs	Customers	52	11,314	11,365	52	11,289	11,341	(24)	-0.21%
032025	CORP-External Affairs	Customers	179	20,265	20,445	179	20,055	20,234	(211)	-1.03%
032068	CORP-Marketing	Customers	90	30,545	30,635	90	30,438	30,527	(107)	-0.35%
032085	CORP-External Communications	Customers	63	21,439	21,502	63	21,373	21,436	(66)	-0.31%
032086	CORP-Internal Communications	Employees	26	8,338	8,364	26	7,753	7,779	(585)	-7.00%
032087	CORP-Corp Social Resp	Customers	24	10,584	10,608	24	10,542	10,567	(42)	-0.40%
033025	WE-External Affairs	Customers	-	167	167	-	66	66	(101)	-60.56%
033525	CE-External Affairs	Customers	434	949	1,383	434	1,034	1,468	85	6.16%
035025	SE-External Affairs	Customers	10,189	80,259	90,448	10,189	80,074	90,263	(186)	-0.21%
036525	NE-External Affairs	Customers	12	40	52	12	54	66	14	28.09%
Total External Affairs/Communication			11,069	183,900	194,969	11,069	182,678	193,747	(1,223)	-0.63%
032007	CORP-Finance	Residual	319	50,418	50,737	319	49,608	49,927	(810)	-1.60%
032017	CORP-Planning & Reporting	Residual	483	60,700	61,183	483	59,773	60,255	(927)	-1.52%
032027	CORP-Reporting & Compliance	Residual	100	63,379	63,479	100	62,310	62,410	(1,069)	-1.68%
032047	CORP-Income Tax	Residual	1,053	49,664	50,717	1,053	47,729	48,782	(1,935)	-3.82%
032057	CORP-Treasury	Residual	750	42,221	42,971	750	41,454	42,204	(767)	-1.79%
033007	WE-Finance	Residual	-	3,673	3,673	-	3,180	3,180	(493)	-13.43%
033507	CE-Finance	Residual	1,709	3,938	5,646	1,709	4,315	6,023	377	6.68%
035007	SE-Finance	Residual	259,892	114,649	374,541	259,892	112,497	372,389	(2,153)	-0.57%
036507	NE-Finance	Residual	422	122	544	422	224	646	102	18.84%
037777	CORP-IFRS-Finance	Residual	-	2,298	2,298	-	2,260	2,260	(38)	-1.63%
Total Finance			264,727	391,061	655,788	264,727	383,349	648,076	(7,712)	-1.18%
032002	CORP-HR Comp/Benefits	Employees	160	32,088	32,249	160	29,964	30,125	(2,124)	-6.59%
032003	CORP-HR Talent Development	Employees	113	20,724	20,837	113	19,369	19,482	(1,355)	-6.50%
032004	CORP-HR Labor Relations	Employees	59	8,994	9,053	59	8,445	8,505	(548)	-6.06%
032006	CORP-Business Center HR	Employees	107	19,147	19,254	107	17,894	18,000	(1,253)	-6.51%
032013	CORP-HR Systems & Processes	Employees	88	15,969	16,057	88	14,951	15,039	(1,018)	-6.34%
032018	CORP-Human Resources	Employees	61	29,370	29,431	61	27,143	27,204	(2,227)	-7.57%
032028	CORP-ED Human Resources	Employees	2	29,546	29,547	2	28,433	28,435	(1,113)	-3.77%
032038	CORP-WD Human Resources	Employees	189	11,873	12,062	189	11,348	11,537	(525)	-4.35%
033018	WE-Human Resources	Employees	-	6	6	-	4	4	(1)	-22.06%
033518	CE-Human Resources	Employees	91	745	835	91	995	1,085	250	29.95%
034018	CCA-Human Resources	Employees	150	23,923	24,073	150	22,452	22,602	(1,471)	-6.11%
035018	SE-Human Resources	Employees	1,069	4,374	5,443	1,069	3,810	4,880	(564)	-10.36%
036518	NE-Human Resources	Employees	(1)	15	14	(1)	7	5	(9)	-62.06%
Total Human Resources			2,087	196,773	198,860	2,087	184,815	186,902	(11,958)	-6.01%
032037	CORP-Investor Relations	Residual	85	12,264	12,348	85	12,062	12,146	(202)	-1.64%
Total Investor Relations			85	12,264	12,348	85	12,062	12,146	(202)	-1.64%

Service Company Cost Causative Factor Analysis Study
Appendix #6 - Tennessee American Cost Causative Business Unit Detail
Adjusted 2009 Actual Service Company Charges (Original and Cost Causative Allocation Methods)

BU#	Business Unit Description	Causative Designation	Original Allocation			Cost Causative Allocation			Difference	
			A	B	C (A+B)	D	E	F (D+E)	G (F-C)	H (G/C)
			Direct	Original Allocated	Original Total	Direct	Causative Allocated	Causative Total	Caus - Orig Difference	%age
032030	CORP-ITS Client Rel Admin	Employees	23	5,244	5,268	23	5,053	5,077	(191)	-3.62%
032031	CORP-Service Desk	Employees	128	28,566	28,693	128	27,713	27,840	(853)	-2.97%
032032	CORP-ITS-BAD-Core Shared	Residual	414	28,469	28,883	414	29,077	29,491	608	2.11%
032033	Chg Ctrl & Desktop Automation	Employees	34	6,356	6,390	34	6,141	6,175	(215)	-3.36%
032034	CORP-ITS Appl Adm & Security	Residual	28	5,267	5,294	28	5,256	5,284	(11)	-0.20%
032035	CORP-ITS Sec Arch & Strategy	Residual	22	4,416	4,438	22	4,483	4,505	67	1.52%
032071	CORP-ITS Admin	Residual	196	34,173	34,369	196	34,258	34,454	85	0.25%
032072	CORP-ITS PMO	Residual	148	52,265	52,413	148	52,430	52,578	165	0.31%
032073	CORP-ITS Infra/Oper Admin	Residual	36	8,962	8,997	36	9,038	9,073	76	0.84%
032074	CORP-ITS Production	Premises	3,115	227,970	231,085	3,115	254,809	257,924	26,839	11.61%
032075	CORP-Enterprise Server	Residual	1,073	108,798	109,871	1,073	112,900	113,973	4,102	3.73%
032076	CORP-Communications	50% Employees & 50% Customers	415	90,536	90,951	415	92,681	93,096	2,145	2.36%
032077	CORP-ITS Security Operations	Residual	81	28,476	28,557	81	28,558	28,639	82	0.29%
032078	CORP-ITS Adm Business Appl Dev	Residual	66	13,393	13,459	66	13,498	13,563	105	0.78%
032079	CORP-ITS-BAD-Middle Office App	Residual	2,266	30,439	32,704	2,266	30,931	33,196	492	1.50%
032080	CORP-ITS-BAD-Back Office Apps	Residual	1,825	43,781	45,606	1,825	45,057	46,882	1,276	2.80%
032081	CORP-ITS-BAD-Quality&Methodlgy	Residual	64	17,241	17,305	64	17,360	17,424	118	0.68%
032082	CORP-ITS-BAD-Customer Facing	Residual	266	30,326	30,592	266	30,341	30,607	14	0.05%
032083	CORP-ITS-BAD-Field Svc Apps	Residual	289	36,468	36,756	289	37,934	38,223	1,467	3.99%
032093	CORP-ITS-Architecture	Residual	94	41,216	41,310	94	41,246	41,340	30	0.07%
033531	CE-Western CS & S	Employees	13,855	34,071	47,926	13,855	31,692	45,548	(2,379)	-4.96%
035031	SE-ITS Client Relations	Employees	4,845	2,320	7,165	4,845	2,008	6,853	(312)	-4.36%
036531	NE-Eastern CS & S	Employees	6,985	10,146	17,131	6,985	9,910	16,895	(236)	-1.38%
Total ITS			36,266	888,899	925,165	36,266	922,374	958,640	33,475	3.62%
034517	BVLAB-Water Quality	Customers	-	122,234	122,234	-	120,504	120,504	(1,730)	-1.42%
Total Laboratory			-	122,234	122,234	-	120,504	120,504	(1,730)	-1.42%
032015	CORP-Legal	33% Cust 33% Empl 33% Residual	709	63,818	64,527	709	62,726	63,434	(1,093)	-1.69%
033015	WE-Legal	33% Cust 33% Empl 33% Residual	-	131	131	-	62	62	(69)	-52.55%
033515	CE-Legal	33% Cust 33% Empl 33% Residual	1,005	2,235	3,239	1,005	2,401	3,406	166	5.14%
035015	SE-Legal	33% Cust 33% Empl 33% Residual	47,123	16,541	63,665	47,123	16,086	63,209	(456)	-0.72%
036515	NE-Legal	33% Cust 33% Empl 33% Residual	19	32	51	19	49	68	17	33.15%
Total Legal			48,855	82,758	131,613	48,855	81,324	130,179	(1,434)	-1.09%
032011	CORP-Chief Operating Officer	Residual	466	39,873	40,339	466	39,310	39,776	(563)	-1.40%
032016	CORP-Maintenance Services	Net Plant	3,123	2,284	5,407	3,123	1,998	5,121	(286)	-5.29%
032019	CORP-Operational Risk	50% Employees & 50% Net Plant	2,064	23,135	25,198	2,064	17,297	19,361	(5,838)	-23.17%
032064	CORP-Operational Performance	Residual	934	18,966	19,901	934	17,222	18,156	(1,745)	-8.77%
032065	CORP-Asset Management	Net Plant	1,619	30,825	32,444	1,619	19,892	21,511	(10,932)	-33.70%
033016	WE-Maintenance	Net Plant	-	1,701	1,701	-	969	969	(732)	-43.05%
033019	WE-Operational Risk	50% Employees & 50% Net Plant	-	69	69	-	27	27	(43)	-61.41%
033516	CE-Maintenance	Net Plant	2,034	7,604	9,637	2,034	5,851	7,884	(1,753)	-18.19%
033519	CE-Operational Risk	50% Employees & 50% Net Plant	6,027	8,705	14,732	6,027	6,509	12,535	(2,197)	-14.91%
035016	SE-Maintenance	Net Plant	76,084	13,953	90,037	76,084	9,919	86,003	(4,034)	-4.48%
035019	SE-Operational Risk	50% Employees & 50% Net Plant	1,096	160	1,256	1,096	163	1,259	3	0.26%
036516	NE-Maintenance	Net Plant	4	394	398	4	251	255	(144)	-36.07%
036519	NE-Operational Risk	50% Employees & 50% Net Plant	21	96	117	21	91	112	(5)	-4.36%
036550	CORP-COE-Engineering	Net Plant	17,175	16,050	33,226	17,175	10,665	27,840	(5,386)	-16.21%
036551	CORP-COE-Technical Services	Net Plant	6,968	18,652	25,620	6,968	12,435	19,403	(6,217)	-24.26%
Total Operations Services			117,616	182,467	300,083	117,616	142,598	260,214	(39,870)	-13.29%
032009	CORP-Supply Chain-Pass Thru	Residual	3	10	13	3	6	9	(3)	-27.61%
032010	CORP-Supply Chain-Sourcing	Residual	3,148	79,465	82,613	3,148	73,198	76,346	(6,266)	-7.58%
033010	WE-Supply Chain	Residual	-	24	24	-	7	7	(17)	-72.24%
033510	CE-Supply Chain	Residual	112	1,058	1,170	112	1,056	1,168	(2)	-0.19%
035010	SE-Supply Chain	Residual	3,538	12,881	16,418	3,538	12,242	15,779	(639)	-3.89%
036510	NE-Supply Chain	Residual	0	40	41	0	35	35	(6)	-13.95%
Total Procurement			6,800	93,478	100,278	6,800	86,544	93,344	(6,934)	-6.91%
032042	CORP-1000 Voorhees Building	Residual	241	13,884	14,125	241	14,922	15,163	1,038	7.35%
032046	CORP-3906 Church Road	Residual	3,415	21,312	24,727	3,415	15,312	18,727	(6,000)	-24.27%
032062	CORP-Building Services	Residual	3,597	179,061	182,658	3,597	175,969	179,566	(3,092)	-1.69%
032063	CORP-Building Services Woodcre	Residual	9,490	57,052	66,542	9,490	45,248	54,738	(11,805)	-17.74%
036576	NE-Building Services Woodcrest	Residual	1	2	3	1	4	5	2	86.68%
Total Property			16,745	271,311	288,055	16,745	251,454	268,199	(19,857)	-6.89%
032023	CORP-Eastern Division Ops	Residual	592	19,835	20,427	592	18,989	19,581	(846)	-4.14%
032024	Corp-Western Division Ops	Residual	(8)	203	195	(8)	204	196	1	0.45%
032026	CORP-Regulated Ops	Residual	351	33,424	33,775	351	32,879	33,230	(544)	-1.61%
032066	CORP-Innov & Env Stewardship	Customers	3,679	45,391	49,070	3,679	39,027	42,706	(6,365)	-12.97%
033001	WE-Production	Residual	-	-	-	-	0	0	0	0
033002	WE-Network	Residual	-	0	0	-	1	1	0	600.61%
033003	WE-Customer Relations	Customers	-	111	111	-	37	37	(74)	-66.74%

Service Company Cost Causative Factor Analysis Study
Appendix #6 - Tennessee American Cost Causative Business Unit Detail
Adjusted 2009 Actual Service Company Charges (Original and Cost Causative Allocation Methods)

BU#	Business Unit Description	Causative Designation	Original Allocation			Cost Causative Allocation			Difference	
			A	B	C (A+B)	D	E	F (D+E)	G (F-C)	H (G/C)
			Direct	Original Allocated	Original Total	Direct	Causative Allocated	Causative Total	Caus - Orig Difference	%age
				(0)	(0)		(0)	(0)	0	-84.37%
033004	WE-Technical Services	Residual	-	764	764	-	305	305	(458)	-60.02%
033005	WE-Administration	Residual	-	112	112	-	27	27	(85)	-75.79%
033006	WE-Service Delivery	Residual	-	1	1	-	1	1	(0)	-24.00%
033011	WE-Environmental Mgmt	Residual	-	459	459	-	342	342	(117)	-25.51%
033014	WE-Engineering	Residual	-	0	0	-	0	0	0	709.57%
033028	WE-Asset Planning	Residual	-	(2)	(4)	(2)	2	(1)	4	-81.80%
033501	CE-Production	Residual	382	837	1,219	382	915	1,297	78	6.37%
033502	CE-Network	Residual	1,555	3,510	5,065	1,555	3,668	5,222	158	3.11%
033503	CE-Customer Relations	Customers	2,798	6,015	8,813	2,798	6,921	9,719	906	10.28%
033505	CE-Administration	Residual	191	412	603	191	480	670	68	11.22%
033511	CE-Environmental Mgmt	Residual	743	1,602	2,344	743	1,866	2,609	265	11.30%
033514	CE-Engineering	Residual	(5)	5	(0)	(5)	7	3	3	-2209.45%
035001	SE-Production	Residual	7,642	3,955	11,598	7,642	3,724	11,366	(232)	-2.00%
035002	SE-Network	Residual	91,289	42,077	133,367	91,289	41,037	132,326	(1,040)	-0.78%
035003	SE-Customer Relations	Customers	60,161	35,038	95,200	60,161	33,074	93,235	(1,964)	-2.06%
035005	SE-Administration	Residual	(3)	3	(0)	(3)	4	1	2	-1916.96%
035011	SE-Environmental Mgmt	Residual	3,721	2,174	5,895	3,721	2,071	5,793	(102)	-1.74%
035014	SE-Engineering	Residual	16	78,569	78,585	16	78,177	78,194	(392)	-0.50%
035503	ED-Customer Relations	Customers	30	52	82	30	107	136	55	67.23%
036501	NE-Production	Residual	-	-	-	-	-	-	-	-
036502	NE-Network	Residual	-	14	14	-	1	1	(13)	-93.37%
036505	NE-Administration	Residual	-	-	-	-	-	-	-	-
Total Regulated Operations			173,133	274,561	447,694	173,133	263,865	436,998	(10,696)	-2.39%
032050	CORP-Backfill Reg App	Residual	0	0	0	0	(0)	0	(0)	-46.88%
032069	CORP-Regulatory UFS	Residual	94	14,990	15,084	94	14,791	14,885	(199)	-1.32%
Total Regulatory Services			94	14,990	15,084	94	14,791	14,885	(199)	-1.32%
032084	SSC-Accounts Payable	# Invoices/Trans	(76)	36,660	36,584	(76)	25,582	25,506	(11,078)	-30.28%
032505	SSC-Administration	Residual	2,360	51,156	53,516	2,360	47,494	49,854	(3,662)	-6.84%
032570	SSC-General Accounting	Residual	34,506	47,533	82,040	34,506	45,363	79,869	(2,170)	-2.65%
032571	SSC-Tax	Residual	762	25,922	26,684	762	24,689	25,451	(1,233)	-4.62%
032572	SSC-Business Support Services	Residual	1,150	26,567	27,717	1,150	24,931	26,082	(1,635)	-5.90%
032574	SSC-Rates & Regulation	Residual	7,011	23,561	30,573	7,011	21,262	28,274	(2,299)	-7.52%
032575	SSC-Cash Operations	Customers	5,916	34,562	40,479	5,916	32,304	38,220	(2,258)	-5.58%
032577	SSC-Utility Plant Accounting	Net Plant	4,335	34,787	39,122	4,335	22,605	26,940	(12,182)	-31.14%
032578	SSC-Project Management	Residual	327	6,422	6,749	327	5,954	6,281	(467)	-6.93%
032579	SSC-Employee Services	Employees	2,067	49,118	51,185	2,067	43,604	45,672	(5,514)	-10.77%
032580	SSC-AWE	Charged 100% to Non Reg	-	-	-	-	-	-	-	-
Total Shared Services			58,359	336,288	394,647	58,359	293,789	352,148	(42,499)	-10.77%
Grand Total			820,284	4,246,794	5,067,078	820,284	4,126,294	4,946,578	(120,501)	-2.38%

Service Company Cost Causative Factor Analysis Study
Appendix #7 - Service Company Business Unit Cost Causative Factor Allocation Schedule

Function	BU#	Business Unit Description	Allocation Factor	Allocation Reason
Admin	032000	CORP-Balance Sheet	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Admin	032088	CORP-Bus Change	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Admin	032089	CORP-AWE Pass-Thru	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Admin	032098	CORP-Non-Departmental Costs	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Audit	032060	CORP-Audit	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Benefit Svc Ctr	032014	CORP-Benefits Service Center	Employees	HR performs services for employees, therefore the "employee" factor was used.
Business Development	032020	CORP-Corporate Bus Development	50% Customers 50% Revenue	Business Development activity is intended to create economies of scale and growth in the number of customers serviced and by increasing the amount of revenue received, therefore a factor was used that combined equally the "customer" and "revenue" factors.
Business Development	033020	WE-Business Development	50% Customers 50% Revenue	Business Development activity is intended to create economies of scale and growth in the number of customers serviced and by increasing the amount of revenue received, therefore a factor was used that combined equally the "customer" and "revenue" factors.
Business Development	033520	CE-Business Development	50% Customers 50% Revenue	Business Development activity is intended to create economies of scale and growth in the number of customers serviced and by increasing the amount of revenue received, therefore a factor was used that combined equally the "customer" and "revenue" factors.
Business Development	035020	SE-Business Development	50% Customers 50% Revenue	Business Development activity is intended to create economies of scale and growth in the number of customers serviced and by increasing the amount of revenue received, therefore a factor was used that combined equally the "customer" and "revenue" factors.
Business Development	036520	NE-Business Development	50% Customers 50% Revenue	Business Development activity is intended to create economies of scale and growth in the number of customers serviced and by increasing the amount of revenue received, therefore a factor was used that combined equally the "customer" and "revenue" factors.

Service Company Cost Causative Factor Analysis Study
Appendix #7 - Service Company Business Unit Cost Causative Factor Allocation Schedule

Function	BU#	Business Unit Description	Allocation Factor	Allocation Reason
Business Transformation	032040	CORP-Business Transformation	Remove	Business Transformation project charges were excluded from the study. These charges represented one-time capitalized charges for a comprehensive planning study and were not part of normal operating expenses
Business Transformation	032051	CORP-Procure to Pay	Remove	Business Transformation project charges were excluded from the study. These charges represented one-time capitalized charges for a comprehensive planning study and were not part of normal operating expenses
Business Transformation	032052	CORP-Recruit to Retire	Remove	Business Transformation project charges were excluded from the study. These charges represented one-time capitalized charges for a comprehensive planning study and were not part of normal operating expenses
Business Transformation	032053	CORP - Record to Report	Remove	Business Transformation project charges were excluded from the study. These charges represented one-time capitalized charges for a comprehensive planning study and were not part of normal operating expenses
Business Transformation	032054	CORP - Order to Cash	Remove	Business Transformation project charges were excluded from the study. These charges represented one-time capitalized charges for a comprehensive planning study and were not part of normal operating expenses
Business Transformation	032055	CORP - Plan to Build & Maintain	Remove	Business Transformation project charges were excluded from the study. These charges represented one-time capitalized charges for a comprehensive planning study and were not part of normal operating expenses
Business Transformation	032056	CORP - Service Order to Complete	Remove	Business Transformation project charges were excluded from the study. These charges represented one-time capitalized charges for a comprehensive planning study and were not part of normal operating expenses
Call Center	034005	CCA-Administration	Customers	The Customer Service Center exists to provide service to customers, therefore the "customer" factor was used.
Call Center	034070	CCA-Call Handling	Customers	The Customer Service Center exists to provide service to customers, therefore the "customer" factor was used.
Call Center	034071	CCA-Billing	Customers	The Customer Service Center exists to provide service to customers, therefore the "customer" factor was used.
Call Center	034072	CCA-Collections	Customers	The Customer Service Center exists to provide service to customers, therefore the "customer" factor was used.
Call Center	034073	CCA-Operations & Performance	Customers	The Customer Service Center exists to provide service to customers, therefore the "customer" factor was used.
Call Center	034074	CCA-Business Services	Customers	The Customer Service Center exists to provide service to customers, therefore the "customer" factor was used.

Service Company Cost Causative Factor Analysis Study
Appendix #7 - Service Company Business Unit Cost Causative Factor Allocation Schedule

Function	BU#	Business Unit Description	Allocation Factor	Allocation Reason
Call Center	034075	CCA-Education & Development	Customers	The Customer Service Center exists to provide service to customers, therefore the "customer" factor was used.
Call Center	037005	CCP-Administration	Customers	The Customer Service Center exists to provide service to customers, therefore the "customer" factor was used.
Call Center	037070	CCP-Call Handling	Customers	The Customer Service Center exists to provide service to customers, therefore the "customer" factor was used.
Call Center	037073	CCP-Operations and Support	Customers	The Customer Service Center exists to provide service to customers, therefore the "customer" factor was used.
Call Center	037075	CCP-Education & Development	Customers	The External Affairs and External Communications business units provide services that are primarily directed toward the education and advisement of customers, therefore the "customer" factor was used.
External Affairs/Communication	032022	CORP-Government Affairs	Customers	The External Affairs and External Communications business units provide services that are primarily directed toward the education and advisement of customers, therefore the "customer" factor was used.
External Affairs/Communication	032025	CORP-External Affairs	Customers	The External Affairs and External Communications business units provide services that are primarily directed toward the education and advisement of customers, therefore the "customer" factor was used.
External Affairs/Communication	032068	CORP-Marketing	Customers	The External Affairs and External Communications business units provide services that are primarily directed toward the education and advisement of customers, therefore the "customer" factor was used.
External Affairs/Communication	032085	CORP-External Communications	Customers	The Internal Communications business unit provides services to employees, therefore the "employee" factor was used.
External Affairs/Communication	032086	CORP-Internal Communications	Employees	The External Affairs and External Communications business units provide services that are primarily directed toward the education and advisement of customers, therefore the "customer" factor was used.
External Affairs/Communication	032087	CORP-Corp Social Responsibility	Customers	The External Affairs and External Communications business units provide services that are primarily directed toward the education and advisement of customers, therefore the "customer" factor was used.
External Affairs/Communication	033025	WE-External Affairs	Customers	The External Affairs and External Communications business units provide services that are primarily directed toward the education and advisement of customers, therefore the "customer" factor was used.
External Affairs/Communication	033525	CE-External Affairs	Customers	The External Affairs and External Communications business units provide services that are primarily directed toward the education and advisement of customers, therefore the "customer" factor was used.
External Affairs/Communication	035025	SE-External Affairs	Customers	The External Affairs and External Communications business units provide services that are primarily directed toward the education and advisement of customers, therefore the "customer" factor was used.
External Affairs/Communication	036525	NE-External Affairs	Customers	The External Affairs and External Communications business units provide services that are primarily directed toward the education and advisement of customers, therefore the "customer" factor was used.

Service Company Cost Causative Factor Analysis Study
Appendix #7 - Service Company Business Unit Cost Causative Factor Allocation Schedule

Function	BU#	Business Unit Description	Allocation Factor	Allocation Reason
Finance	032007	CORP-Accounting	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Finance	032017	CORP-Planning & Reporting	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Finance	032027	CORP-Reporting & Compliance	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Finance	032047	CORP-Income Tax	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Finance	032057	CORP-Treasury	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Finance	033007	WE-Finance	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Finance	033507	CE-Finance	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Finance	035007	SE-Finance	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Finance	036507	NE-Finance	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Finance	037777	CORP-IFRS-Finance	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Human Resources	032002	CORP-HR Comp/Benefits	Employees	HR performs services for employees, therefore the "employee" factor was used.
Human Resources	032003	CORP-HR Talent Development	Employees	HR performs services for employees, therefore the "employee" factor was used.
Human Resources	032004	CORP-HR Labor Relations	Employees	HR performs services for employees, therefore the "employee" factor was used.
Human Resources	032006	CORP-HR Org Development	Employees	HR performs services for employees, therefore the "employee" factor was used.
Human Resources	032013	CORP-HR Systems & Processes	Employees	HR performs services for employees, therefore the "employee" factor was used.

Service Company Cost Causative Factor Analysis Study
Appendix #7 - Service Company Business Unit Cost Causative Factor Allocation Schedule

Function	BU#	Business Unit Description	Allocation Factor	Allocation Reason
Human Resources	032018	CORP-Human Resources	Employees	HR performs services for employees, therefore the "employee" factor was used.
Human Resources	032028	CORP-ED Human Resources	Employees	HR performs services for employees, therefore the "employee" factor was used.
Human Resources	032038	CORP-WD Human Resources	Employees	HR performs services for employees, therefore the "employee" factor was used.
Human Resources	033018	WE-Human Resources	Employees	HR performs services for employees, therefore the "employee" factor was used.
Human Resources	033518	CE-Human Resources	Employees	HR performs services for employees, therefore the "employee" factor was used.
Human Resources	034018	CCA-Human Resources	Employees	HR performs services for employees, therefore the "employee" factor was used.
Human Resources	035018	SE-Human Resources	Employees	HR performs services for employees, therefore the "employee" factor was used.
Human Resources	036518	NE-Human Resources	Employees	HR performs services for employees, therefore the "employee" factor was used.
Investor Relations	032037	CORP-Investor Relations	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
ITS	032030	CORP-ITS Client Relations Admin	Employees	The ITS Client Relations and Desktop Application business units provide support to employees related to desktop computer applications, telephone, and other employee software or hardware related issues, therefore the "employee" factor was used.
ITS	032031	CORP-ITS Client Relations/Helpdesk	Employees	The ITS Client Relations and Desktop Application business units provide support to employees related to desktop computer applications, telephone, and other employee software or hardware related issues, therefore the "employee" factor was used.
ITS	032032	CORP-ITS Business Development	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
ITS	032033	CORP-ITS Desktop Administration	Employees	The ITS Client Relations and Desktop Application business units provide support to employees related to desktop computer applications, telephone, and other employee software or hardware related issues, therefore the "employee" factor was used.
ITS	032034	CORP-ITS Appl Adm & Security	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
ITS	032035	CORP-ITS Sec Arch & Strategy	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.

Service Company Cost Causative Factor Analysis Study
Appendix #7 - Service Company Business Unit Cost Causative Factor Allocation Schedule

Function	BU#	Business Unit Description	Allocation Factor	Allocation Reason
ITS	032071	CORP-ITS Admin	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
ITS	032072	CORP-ITS PMO	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
ITS	032073	CORP-ITS Infra/Oper Admin	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
ITS	032074	CORP-ITS Production	Premises	CORP-ITS Production manages the billing software application. The number of bills produced is primarily driven by the number of customer premises, therefore the "premises" factor was used.
ITS	032075	CORP-ITS Enterprise Servers	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
ITS	032076	CORP-ITS Network Communications	50% Employees & 50% Customers	This business unit manages and maintains the network capabilities to provide mass communications to both employees and customers, therefore a factor was used that combined equally the "employee" and "customer" factors.
ITS	032077	CORP-ITS Telecom	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
ITS	032078	CORP-ITS Core Bus Systems Admin	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
ITS	032079	CORP-ITS Application Development	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
ITS	032080	CORP-ITS Application Architecture	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
ITS	032081	CORP-ITS Quality Assurance	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
ITS	032082	CORP-ITS Tech Architecture	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
ITS	032083	CORP-ITS Strategy/Governance	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.

Service Company Cost Causative Factor Analysis Study
Appendix #7 - Service Company Business Unit Cost Causative Factor Allocation Schedule

Function	BU#	Business Unit Description	Allocation Factor	Allocation Reason
ITS	032093	CORP-ITS-Architecture	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
ITS	033531	CE-Western CS & S	Employees	The ITS Client Relations and Desktop Application business units provide support to employees related to desktop computer applications, telephone, and other employee software or hardware related issues, therefore the "employee" factor was used.
ITS	035031	SE-ITS Client Relations	Employees	The ITS Client Relations and Desktop Application business units provide support to employees related to desktop computer applications, telephone, and other employee software or hardware related issues, therefore the "employee" factor was used.
ITS	036531	NE-Eastern CS & S	Employees	The ITS Client Relations and Desktop Application business units provide support to employees related to desktop computer applications, telephone, and other employee software or hardware related issues, therefore the "employee" factor was used.
Laboratory	034517	BVLAB-Water Quality	Customers	The Belleville Lab performs water quality testing, much of which is determined by the number of customers that are served, therefore the "customer" factor was used.
Legal	032015	CORP-Legal	33% Cust 33% Empl 33% Residual	The Legal business units handle employee-related matters, customer-related matters, and other corporate matters; therefore a factor was used that combined equally the "employee" factor, "customer" factor, and the "residual" factor to allocate the activity costs respectively.
Legal	033015	WE-Legal	33% Cust 33% Empl 33% Residual	The Legal business units handle employee-related matters, customer-related matters, and other corporate matters; therefore a factor was used that combined equally the "employee" factor, "customer" factor, and the "residual" factor to allocate the activity costs respectively.
Legal	033515	CE-Legal	33% Cust 33% Empl 33% Residual	The Legal business units handle employee-related matters, customer-related matters, and other corporate matters; therefore a factor was used that combined equally the "employee" factor, "customer" factor, and the "residual" factor to allocate the activity costs respectively.
Legal	035015	SE-Legal	33% Cust 33% Empl 33% Residual	The Legal business units handle employee-related matters, customer-related matters, and other corporate matters; therefore a factor was used that combined equally the "employee" factor, "customer" factor, and the "residual" factor to allocate the activity costs respectively.
Legal	036515	NE-Legal	33% Cust 33% Empl 33% Residual	The Legal business units handle employee-related matters, customer-related matters, and other corporate matters; therefore a factor was used that combined equally the "employee" factor, "customer" factor, and the "residual" factor to allocate the activity costs respectively.

Service Company Cost Causative Factor Analysis Study
Appendix #7 - Service Company Business Unit Cost Causative Factor Allocation Schedule

Function	BU#	Business Unit Description	Allocation Factor	Allocation Reason
Operation Services	032011	CORP-Chief Operating Officer	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Operation Services	032016	CORP-Maintenance Services	Net Plant	This business unit manages the maintenance of plant assets, therefore the "net plant" factor was used.
Operation Services	032019	CORP-Operational Risk	50% Employees & 50% Net Plant	This business unit focuses on safeguarding employees and physical facilities, therefore a factor was used that combined equally the "employee" and "net plant" factors.
Operation Services	032064	CORP-Operational Performance	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Operation Services	032065	CORP-Asset Management	Net Plant	This business unit provides planning, strategy, and operational support for maintaining the reliability of plant assets, therefore the "net plant" factor was used.
Operation Services	033016	WE-Maintenance	Net Plant	This business unit manages the maintenance of plant assets, therefore the "net plant" factor was used.
Operation Services	033019	WE-Operational Risk	50% Employees & 50% Net Plant	This business unit focuses on safeguarding employees and physical facilities, therefore a factor was used that combined equally the "employee" and "net plant" factors.
Operation Services	033516	CE-Maintenance	Net Plant	This business unit manages the maintenance of plant assets, therefore the "net plant" factor was used.
Operation Services	033519	CE-Operational Risk	50% Employees & 50% Net Plant	This business unit focuses on safeguarding employees and physical facilities, therefore a factor was used that combined equally the "employee" and "net plant" factors.
Operation Services	035016	SE-Maintenance	Net Plant	This business unit manages the maintenance of plant assets, therefore the "net plant" factor was used.
Operation Services	035019	SE-Operational Risk	50% Employees & 50% Net Plant	This business unit focuses on safeguarding employees and physical facilities, therefore a factor was used that combined equally the "employee" and "net plant" factors.
Operation Services	036516	NE-Maintenance	Net Plant	This business unit manages the maintenance of plant assets, therefore the "net plant" factor was used.
Operation Services	036519	NE-Operational Risk	50% Employees & 50% Net Plant	This business unit focuses on safeguarding employees and physical facilities, therefore a factor was used that combined equally the "employee" and "net plant" factors.
Operation Services	036550	CORP-COE-Engineering	Net Plant	The Corp Center of Engineering Excellence and Engineering Technical Services provide engineering asset design and construction management services, therefore the "net plant" factor was used.
Operation Services	036551	CORP-COE-Technical Services	Net Plant	The Corp Center of Engineering Excellence and Engineering Technical Services provide engineering asset design and construction management services, therefore the "net plant" factor was used.

Service Company Cost Causative Factor Analysis Study
Appendix #7 - Service Company Business Unit Cost Causative Factor Allocation Schedule

Function	BU#	Business Unit Description	Allocation Factor	Allocation Reason
Procurement	032009	CORP-Supply Chain-Pass Thru	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Procurement	032010	CORP-Supply Chain-Sourcing	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Procurement	033010	WE-Supply Chain	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Procurement	033510	CE-Supply Chain	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Procurement	035010	SE-Supply Chain	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Procurement	036510	NE-Supply Chain	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Property	032042	CORP-1000 Voorhees Building	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Property	032046	CORP-3906 Church Road	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Property	032062	CORP-Building Services	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Property	032063	CORP-Building Services Woodcrest	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Property	036576	NE-Building Services Woodcrest	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulated Operations	032023	CORP-Eastern Division Ops	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulated Operations	032024	CORP-Western Division Ops	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.

Service Company Cost Causative Factor Analysis Study
Appendix #7 - Service Company Business Unit Cost Causative Factor Allocation Schedule

Function	BU#	Business Unit Description	Allocation Factor	Allocation Reason
Regulated Operations	032026	CORP-Regulated Ops	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used. This business unit performs water quality research, working in coordination with the Belleville Lab which performs water quality testing, much of which is determined by the number of customers that are served, therefore the "customer" factor was used.
Regulated Operations	032066	CORP-Innovation & Technology	Customers	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulated Operations	033001	WE-Production	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulated Operations	033002	WE-Network	Residual	This business unit works in coordination with the national Customer Service Center to provide service to customers, therefore the "customer" factor was used.
Regulated Operations	033003	WE-Customer Relations	Customers	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulated Operations	033004	WE-Technical Services	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulated Operations	033005	WE-Administration	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulated Operations	033006	WE-Service Delivery	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulated Operations	033011	WE-Environmental Mgmt	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulated Operations	033014	WE-Engineering	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulated Operations	033028	WE-Asset Planning	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulated Operations	033501	CE-Production	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulated Operations	033502	CE-Network	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.

Service Company Cost Causative Factor Analysis Study
Appendix #7 - Service Company Business Unit Cost Causative Factor Allocation Schedule

Function	BU#	Business Unit Description	Allocation Factor	Allocation Reason
Regulated Operations	033503	CE-Customer Relations	Customers	This business unit works in coordination with the national Customer Service Center to provide service to customers, therefore the "customer" factor was used.
Regulated Operations	033505	CE-Administration	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulated Operations	033511	CE-Environmental Mgmt	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulated Operations	033514	CE-Engineering	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulated Operations	035001	SE-Production	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulated Operations	035002	SE-Network	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulated Operations	035003	SE-Customer Relations	Customers	This business unit works in coordination with the national Customer Service Center to provide service to customers, therefore the "customer" factor was used.
Regulated Operations	035005	SE-Administration	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulated Operations	035011	SE-Environmental Mgmt	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulated Operations	035014	SE-Engineering	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulated Operations	035503	ED-Customer Relations	Customers	This business unit works in coordination with the national Customer Service Center to provide service to customers, therefore the "customer" factor was used.
Regulated Operations	036501	NE-Production	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulated Operations	036502	NE-Network	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.

Service Company Cost Causative Factor Analysis Study
Appendix #7 - Service Company Business Unit Cost Causative Factor Allocation Schedule

Function	BU#	Business Unit Description	Allocation Factor	Allocation Reason
Regulated Operations	036505	NE-Administration	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulatory Services	032050	CORP-Backfill Reg App	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Regulatory Services	032069	CORP-Regulatory	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Shared Services	032084	SSC-Accounts Payable	# Invoices/Trans	SSC-P2P is responsible for paying vendor invoices, therefore the "invoice" factor was used.
Shared Services	032505	SSC-Administration	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Shared Services	032570	SSC-General Accounting	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Shared Services	032571	SSC-Tax	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Shared Services	032572	SSC-Business Support Services	Residual	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Shared Services	032574	SSC-Rates & Regulation	Residual	Cash Management is responsible for resolving customer payment matters, therefore the "customer" factor was used.
Shared Services	032575	SSC-Cash Operations	Customers	SSC-Fixed Assets is responsible for accounting for the plant assets, therefore the "net plant" factor was used.
Shared Services	032577	SSC-Utility Plant Accounting	Net Plant	A factor meeting the study criteria and having a clear relationship between this business unit and a causative factor could not be determined, therefore a "residual" factor was used.
Shared Services	032578	SSC-Project Management	Residual	SSC Employee Services is responsible for payments to employees for labor and benefits, therefore the "employee" factor was used.
Shared Services	032579	SSC-Employee Services	Employees	SSC-AWE is responsible for the general accounting matters for the non-regulated business. All of its costs were allocated to the non-regulated business (AWE) in the study.
Shared Services	032580	SSC-AWE	Charged 100% to Non Reg	

Service Company Cost Causative Factor Analysis Study

Appendix #8 - Total Service Company Cost Causative Business Unit Detail

Adjusted 2009 Actual Service Company Charges (Original and Cost Causative Allocation Methods,

BU#	Business Unit Description	Causative Designation	Original Allocation		
			A Direct	B Original Allocated	C (A+B) Original Total
032000	CORP-Balance Sheet	Residual	-	-	-
032088	CORP-Business Change	Residual	-	130,270	130,270
032089	CORP-AWE Pass-Thru	Residual	-	-	-
032098	CORP-Non-Departmental Costs	Residual	(5,943)	1,321,296	1,315,353
Total Admin			(5,943)	1,451,566	1,445,623
032060	CORP-Audit	Residual	10,193	1,647,307	1,657,500
Total Audit			10,193	1,647,307	1,657,500
032014	CORP-Benefits Service Center	Employees	43,755	1,286,557	1,330,312
Total Benefit Svc Ctr			43,755	1,286,557	1,330,312
032020	CORP-Corporate Bus Development	50% Customers 50% Revenue	20,381	1,172,811	1,193,193
033020	WE-Business Development	50% Customers 50% Revenue	152,986	67,405	220,391
033520	CE-Business Development	50% Customers 50% Revenue	645,748	83,655	729,403
035020	SE-Business Development	50% Customers 50% Revenue	483,468	65,622	549,090
036520	NE-Business Development	50% Customers 50% Revenue	2	283	284
Total Business Development			1,302,585	1,389,775	2,692,361
034005	CCA-Administration	Customers	4,320	2,862,381	2,866,701
034070	CCA-Call Handling	Customers	8,315	10,280,383	10,288,698
034071	CCA-Billing	Customers	5,820	7,026,876	7,032,696
034072	CCA-Collections	Customers	948,022	1,863,162	2,811,184
034073	CCA-Operations & Performance	Customers	54,559	5,369,145	5,423,703
034074	CCA-Business Services	Customers	917	1,310,626	1,311,543
034075	CCA-Education & Development	Customers	10,593	1,230,970	1,241,564
037005	CCP-Administration	Customers	-	1,074,665	1,074,665
037070	CCP-Call Handling	Customers	-	11,938,074	11,938,074
037073	CCP-Operations and Support	Customers	-	3,173,850	3,173,850
037075	CCP-Education & Development	Customers	-	711,952	711,952
Total Call Center			1,032,546	46,842,083	47,874,629
032022	CORP-Government Affairs	Customers	3,815	489,756	493,571
032025	CORP-External Affairs	Customers	15,083	841,977	857,060
032068	CORP-Marketing	Customers	7,439	1,329,117	1,336,555
032085	CORP-External Communications	Customers	4,607	935,436	940,042
032086	CORP-Internal Communications	Employees	1,973	363,315	365,287
032087	CORP-Corp Social Resp	Customers	2,209	470,677	472,886
033025	WE-External Affairs	Customers	240,383	596,128	836,511
033525	CE-External Affairs	Customers	514,192	830,421	1,344,613
035025	SE-External Affairs	Customers	105,413	491,154	596,567
036525	NE-External Affairs	Customers	36,698	285,190	321,888
Total External Affairs/Communication			931,811	6,633,170	7,564,980
032007	CORP-Finance	Residual	25,518	2,144,268	2,169,786
032017	CORP-Planning & Reporting	Residual	40,333	2,575,615	2,615,948
032027	CORP-Reporting & Compliance	Residual	7,622	2,777,612	2,785,234
032047	CORP-Income Tax	Residual	55,108	2,209,332	2,264,440
032057	CORP-Treasury	Residual	100,951	1,780,731	1,881,682

Service Company Cost Causative Factor Analysis Study

Appendix #8 - Total Service Company Cost Causative Business Unit Detail

Adjusted 2009 Actual Service Company Charges (Original and Cost Causative Allocation Methods)

BU#	Business Unit Description	Causative Designation	Original Allocation		
			A Direct	B Original Allocated	C (A+B) Original Total
033007	WE-Finance	Residual	1,488,943	795,328	2,284,271
033507	CE-Finance	Residual	2,341,260	2,069,651	4,410,910
035007	SE-Finance	Residual	2,618,260	1,487,894	4,106,154
036507	NE-Finance	Residual	1,053,459	1,162,273	2,215,732
037777	CORP-IFRS-Finance	Residual	-	101,776	101,776
Total Finance			7,731,453	17,104,480	24,835,933
032002	CORP-HR Comp/Benefits	Employees	17,250	1,378,133	1,395,382
032003	CORP-HR Talent Development	Employees	10,024	889,103	899,127
032004	CORP-HR Labor Relations	Employees	3,940	385,687	389,627
032006	CORP-Business Center HR	Employees	9,375	816,296	825,671
032013	CORP-HR Systems & Processes	Employees	5,772	682,724	689,496
032018	CORP-Human Resources	Employees	4,768	1,247,693	1,252,461
032028	CORP-ED Human Resources	Employees	93,079	405,141	498,219
032038	CORP-WD Human Resources	Employees	609,426	1,157,954	1,767,380
033018	WE-Human Resources	Employees	102,088	125,589	227,677
033518	CE-Human Resources	Employees	181,914	570,371	752,285
034018	CCA-Human Resources	Employees	465	1,062,479	1,062,944
035018	SE-Human Resources	Employees	8,932	69,277	78,209
036518	NE-Human Resources	Employees	839	15,536	16,374
Total Human Resources			1,048,871	8,805,981	9,854,853
032037	CORP-Investor Relations	Residual	7,000	518,485	525,486
Total Investor Relations			7,000	518,485	525,486
032030	CORP-ITS Client Rel Admin	Employees	1,484	233,613	235,097
032031	CORP-Service Desk	Employees	9,108	1,271,642	1,280,750
032032	CORP-ITS-BAD-Core Shared	Residual	41,351	1,265,150	1,306,501
032033	Chg Ctrl & Desktop Automation	Employees	1,945	282,475	284,420
032034	CORP-ITS Appl Adm & Security	Residual	753	234,071	234,824
032035	CORP-ITS Sec Arch & Strategy	Residual	1,452	196,234	197,687
032071	CORP-ITS Admin	Residual	7,862	1,519,883	1,527,745
032072	CORP-ITS PMO	Residual	14,352	2,322,767	2,337,119
032073	CORP-ITS Infra/Oper Admin	Residual	2,300	397,772	400,072
032074	CORP-ITS Production	Premises	234,888	10,128,259	10,363,147
032075	CORP-Enterprise Server	Residual	66,968	4,834,613	4,901,580
032076	CORP-Communications	50% Employees & 50% Customers	39,637	4,055,851	4,095,489
032077	CORP-ITS Security Operations	Residual	5,407	1,266,171	1,271,578
032078	CORP-ITS Adm Business Appl Dev	Residual	5,625	595,205	600,829
032079	CORP-ITS-BAD-Middle Office App	Residual	162,358	1,349,976	1,512,334
032080	CORP-ITS-BAD-Back Office Apps	Residual	44,890	1,945,751	1,990,641
032081	CORP-ITS-BAD-Quality&Methodlgy	Residual	8,085	766,218	774,303
032082	CORP-ITS-BAD-Customer Facing	Residual	32,804	1,347,825	1,380,629
032083	CORP-ITS-BAD-Field Svc Apps	Residual	34,264	1,620,404	1,654,668
032093	CORP-ITS-Architecture	Residual	9,483	1,831,736	1,841,220
033531	CE-Western CS & S	Employees	1,216,040	2,219,841	3,435,880
035031	SE-ITS Client Relations	Employees	61,741	22,644	84,386
036531	NE-Eastern CS & S	Employees	110,520	386,328	496,848
Total ITS			2,113,318	40,094,429	42,207,747

Service Company Cost Causative Factor Analysis Study

Appendix #8 - Total Service Company Cost Causative Business Unit Detail

Adjusted 2009 Actual Service Company Charges (Original and Cost Causative Allocation Methods,

BU#	Business Unit Description	Causative Designation	Original Allocation		
			A Direct	B Original Allocated	C (A+B) Original Total
034517	BVLAB-Water Quality	Customers	-	5,294,252	5,294,252
Total Laboratory			-	5,294,252	5,294,252
032015	CORP-Legal	33% Cust 33% Empl 33% Residual	66,542	2,687,056	2,753,599
033015	WE-Legal	33% Cust 33% Empl 33% Residual	687,289	350,739	1,038,028
033515	CE-Legal	33% Cust 33% Empl 33% Residual	613,141	1,540,670	2,153,811
035015	SE-Legal	33% Cust 33% Empl 33% Residual	855,440	201,764	1,057,205
036515	NE-Legal	33% Cust 33% Empl 33% Residual	397,271	169,975	567,246
Total Legal			2,619,683	4,950,205	7,569,888
032011	CORP-Chief Operating Officer	Residual	35,703	1,642,804	1,678,507
032016	CORP-Maintenance Services	Net Plant	39,067	40,488	79,555
032019	CORP-Operational Risk	50% Employees & 50% Net Plant	197,811	1,005,193	1,203,004
032064	CORP-Operational Performance	Residual	131,425	832,444	963,869
032065	CORP-Asset Management	Net Plant	423,379	1,363,316	1,786,694
033016	WE-Maintenance	Net Plant	222,726	328,292	551,018
033019	WE-Operational Risk	50% Employees & 50% Net Plant	74,881	270,108	344,989
033516	CE-Maintenance	Net Plant	683,325	588,020	1,271,346
033519	CE-Operational Risk	50% Employees & 50% Net Plant	532,565	596,277	1,128,842
035016	SE-Maintenance	Net Plant	290,513	431,897	722,410
035019	SE-Operational Risk	50% Employees & 50% Net Plant	23,868	1,696	25,564
036516	NE-Maintenance	Net Plant	50,418	71,476	121,894
036519	NE-Operational Risk	50% Employees & 50% Net Plant	126,157	279,079	405,237
036550	CORP-COE-Engineering	Net Plant	731,916	715,817	1,447,732
036551	CORP-COE-Technical Services	Net Plant	1,018,585	828,864	1,847,449
Total Operations Services			4,582,339	8,995,772	13,578,110
032009	CORP-Supply Chain-Pass Thru	Residual	285	385	669
032010	CORP-Supply Chain-Sourcing	Residual	253,399	3,380,352	3,633,751
033010	WE-Supply Chain	Residual	22,384	195,865	218,249
033510	CE-Supply Chain	Residual	88,732	195,210	283,942
035010	SE-Supply Chain	Residual	60,839	143,858	204,697
036510	NE-Supply Chain	Residual	195	2,208	2,403
Total Procurement			425,834	3,917,877	4,343,711
032042	CORP-1000 Voorhees Building	Residual	15,340	616,788	632,127
032046	CORP-3906 Church Road	Residual	267,553	929,376	1,196,929
032062	CORP-Building Services	Residual	322,623	6,776,069	7,098,692
032063	CORP-Building Services Woodcre	Residual	301,707	2,551,301	2,853,008
036576	NE-Building Services Woodcrest	Residual	12,738	32,250	44,988
Total Property			919,961	10,905,784	11,825,745
032023	CORP-Eastern Division Ops	Residual	283,560	374,552	658,113
032024	Corp-Western Division Ops	Residual	561	7,864	8,425
032026	CORP-Regulated Ops	Residual	27,339	1,382,402	1,409,741
032066	CORP-Innov & Env Stewardship	Customers	410,802	2,051,135	2,461,937
033001	WE-Production	Residual	(25)	26	1
033002	WE-Network	Residual	(698)	735	37

Service Company Cost Causative Factor Analysis Study

Appendix #8 - Total Service Company Cost Causative Business Unit Detail

Adjusted 2009 Actual Service Company Charges (Original and Cost Causative Allocation Methods,

BU#	Business Unit Description	Causative Designation	Original Allocation		
			A Direct	B Original Allocated	C (A+B) Original Total
033003	WE-Customer Relations	Customers	284,930	110,164	395,094
033004	WE-Technical Services	Residual	2	(2)	(0)
033005	WE-Administration	Residual	819,365	442,260	1,261,625
033006	WE-Service Delivery	Residual	79,206	328,931	408,136
033011	WE-Environmental Mgmt	Residual	24,226	3,869	28,095
033014	WE-Engineering	Residual	423,600	104,167	527,767
033028	WE-Asset Planning	Residual	(403)	425	21
033501	CE-Production	Residual	444	1,243	1,687
033502	CE-Network	Residual	682,110	276,035	958,145
033503	CE-Customer Relations	Customers	520,378	2,902,514	3,422,893
033505	CE-Administration	Residual	1,708,364	1,431,366	3,139,730
033511	CE-Environmental Mgmt	Residual	375,355	95,083	470,437
033514	CE-Engineering	Residual	1,452,798	312,034	1,764,832
035001	SE-Production	Residual	(78)	82	4
035002	SE-Network	Residual	494,873	40,982	535,855
035003	SE-Customer Relations	Customers	1,416,760	508,542	1,925,302
035005	SE-Administration	Residual	872,337	373,451	1,245,788
035011	SE-Environmental Mgmt	Residual	(45)	47	2
035014	SE-Engineering	Residual	162,126	24,569	186,695
035503	ED-Customer Relations	Customers	7,206	972,726	979,932
036501	NE-Production	Residual	84,387	173,324	257,710
036502	NE-Network	Residual	-	(0)	(0)
036505	NE-Administration	Residual	(494)	1,528	1,034
Total Regulated Operations			10,128,985	11,920,052	22,049,037
032050	CORP-Backfill-Reg App	Residual	(1)	(1)	(2)
032069	CORP-Regulatory UFS	Residual	6,502	642,911	649,414
Total Regulatory Services			6,502	642,910	649,412
032084	SSC-Accounts Payable	# Invoices/Trans	(76,953)	1,632,196	1,555,244
032505	SSC-Administration	Residual	93,250	2,278,290	2,371,541
032570	SSC-General Accounting	Residual	762,727	2,132,245	2,894,972
032571	SSC-Tax	Residual	27,828	1,153,442	1,181,270
032572	SSC-Business Support Services	Residual	107,252	1,138,273	1,245,525
032574	SSC-Rates & Regulation	Residual	724,169	1,050,093	1,774,261
032575	SSC-Cash Operations	Customers	117,397	1,538,854	1,656,252
032577	SSC-Utility Plant Accounting	Net Plant	69,588	1,718,741	1,788,329
032578	SSC-Project Management	Residual	10,642	285,938	296,580
032579	SSC-Employee Services	Employees	84,357	2,263,906	2,348,263
032580	SSC-AWE	Charged 100% to Non Reg	-	-	-
Total Shared Services			1,920,258	15,191,979	17,112,236
Grand Total			34,819,151	187,592,663	222,411,814

Factor Breakdown	Business Units	Dollars
Causative Allocated	77 50%	\$ 114,021,979 61%
Residual	76 50%	\$ 73,570,684 39%
Total	153 100%	\$ 187,592,663 100%

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served via U.S. Mail, overnight delivery and/or electronic mail, on this the 28th day of December, 2010, upon the following:

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