

### EVERY PENNY COUNTS

Since Indiana American Water's last general rate request in January 2014, which resulted in an increase in annual revenues of 2.55%, the company has continued to implement efficiencies and best practices throughout the business to hold the line on its operating and maintenance (O&M) expenses. Employees are doing more with less through productivity gains like process improvements and using and leveraging new technology. If our O&M expenses since 2008 had increased at the rate of inflation, they would be more than \$10 million higher than is being requested.

We work hard to find the right balance between the need to invest in infrastructure and the impact on customer bills. We strive to prevent the average water bill from going up faster than the average bill for other common goods and services. We also work hard to control expenses. For every \$1 we save in expenses, we can invest \$8 in infrastructure with virtually no bill impact to our customers.

These savings are particularly important as the company faces a growing need to replace infrastructure that is nearing the end of its useful life.

We have also been able to maintain top-quartile customer satisfaction and efficiency levels,

enhance our water quality and environmental compliance record, reduce water loss in our distribution system, and improve safety for our employees by improving our OSHA recordable incident rate, a measure of workplace health and safety, by 77% since our last rate filing.

Many communities across the country are facing a challenge of deteriorating water infrastructure and associated rate increases. The American Water Works Association has estimated the price tag for critical upkeep and replacement of the nation's outdated water systems is at least \$1 trillion over the next 25 years. Here in the Hoosier state, a study completed by the Indiana Finance Authority in 2016 estimated more than \$2.3 billion in drinking water infrastructure needs across the state. The study also found that an additional \$815 million is needed annually to maintain the systems into the future.

Despite the need for regular infrastructure investments, water service is still a good utility value. According to 2016 data from the U.S. Bureau of Labor Statistics, about 7% of consumer expenditures in the U.S. relate to utility service, and water/wastewater utility expenditures are just a fraction of that at 1% of total consumer spend. With both energy and telephone costs at triple this value, or 3% of spend each, water is one of the least expensive utility services.

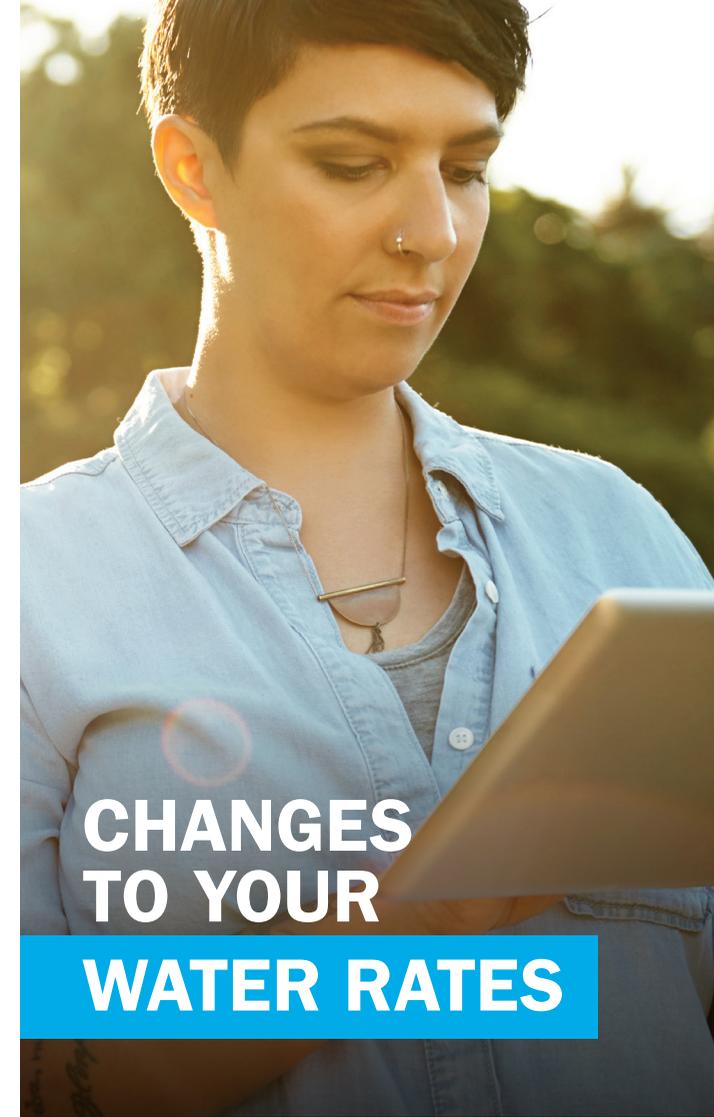
### TAX CUTS & JOBS ACT OF 2017

Indiana American Water recently enacted a reduction in customer bills that became effective on August 1, 2018, thanks to tax savings from the federal Tax Cuts and Jobs Act (TCJA) of 2017. The impact of the TCJA on a typical residential customer was a 4.4% reduction in their monthly bill, or approximately \$1.83 per month passed on to our customers.



153 N. Emerson Avenue  
Greenwood, IN 46143

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## CHANGES TO YOUR WATER RATES



WE KEEP LIFE FLOWING™

## NEW PROPOSED RATE DESIGN FOR AREA TWO CUSTOMERS

On September 14, 2018, Indiana American Water filed a request with the Indiana Utility Regulatory Commission (IURC) that, if approved, would change rates for water service in all of the company's operating districts.

If approved as filed, the typical bill for a residential water customer in the Area Two rate group using 4,000 gallons per month would increase by approximately 16% when fully implemented in mid 2020. The monthly impact on rates for the typical residential customer would be approximately \$7.83 per month or \$0.26 per day.

Indiana American Water is proposing a stepped approach to implementing the new rates that includes an increase in total revenues of 8.22% in mid 2019 and a second increase of 8.57% in mid 2020.

The Area Two rate group includes customers in Winchester and Mooresville.

Non-residential customers can learn more about the proposed impact to their bills by calling Indiana American Water's customer service center at **1-800-492-8373** or visiting us online at **indianaamwater.com** and clicking on "Your Water Rates" under the Customer Service & Billing tab located on the top left portion of our home page.



### FIRE PROTECTION CAPABILITIES

Also included in the company's request is a proposed increase of the Public Fire Protection Surcharge paid by all customers located within municipal boundaries where authorized by ordinance or within 1,000 feet of a public fire hydrant. The proposed change would increase the charge for most residential customers with a 5/8" meter from \$4.54 to \$5.20 per month when fully implemented in mid 2020. During the first step of the increase effective in mid 2019, the Public Fire Protection Surcharge would increase to \$4.85 per month for most customers. Additional information is available online at **indianaamwater.com**.

Fees collected through the Public Fire Protection Surcharge cover the costs for construction, maintenance, operation, administration and financing of fire protection water infrastructure in your community. To ensure we can provide adequate fire service capability, we regularly invest in our distribution system through capital investments and continued maintenance activities.

### RATEMAKING PROCESS

As a regulated utility, it is the obligation of Indiana American Water to provide quality service at a reasonable cost to our customers. Rate requests are thoroughly reviewed by the state's consumer advocate, the Indiana Office of the Utility Consumer Counselor (OUCC), and the IURC, which will ultimately determine if the proposed rates are just and reasonable and the amount of any rate adjustment. Copies of the data used to support our rate request (cause number 45142) are available on the IURC's website at <https://iurc.portal.in.gov>.

### INVESTING IN INDIANA

The rates we have requested are based on the actual cost of providing water service. We do not make a profit on our expenses, whether it's the chemicals we buy to treat your water, the water quality tests we run, or the staffing of our maintenance crews, we only charge you what it costs us to provide the service. Likewise, local, state and federal taxes, plus the interest on debt-funded infrastructure, are all recovered only at cost.

Our rates include an allowance for providing a return to our shareholders for the infrastructure they fund. Just as you would expect a return for an investment you made in a business, providing a return to our shareholders when they fund the construction of pipes, plants, pumps and other infrastructure, is critical to our ability to continue to attract capital and make the investments necessary to keep your water safe, clean and reliable.

In the company's filing, most of the revenue requested is related to \$542 million of capital expenditures made or projected throughout the state since our last rate case.

Water projects include upgrading or building new water treatment facilities, replacing or rehabilitating nearly 36 miles of aging water mains, replacing or retiring nearly 6,700 lead service lines, as well as improvements to pumping, storage and operations facilities. Prudent investments in the system help to ensure quality water service by improving water quality and system reliability, reducing the frequency of service interruptions, preventing property damage from water main breaks and enhancing fire protection capabilities.

