



Distribution System Improvement Charge (DSIC) effective 10/20/2010

What is DSIC?

The Indiana Legislature, recognizing the critical need for water and wastewater infrastructure replacement, enacted legislation several years ago allowing water utilities to recoup part of their capital expenditures on infrastructure investment through a Distribution System Improvement Charge (DSIC). The DSIC is a mechanism by which water utilities can make adjustments to their rates and charges to recover investments made on eligible improvements and to recover depreciation expense on those improvements. Other states have similar statutes.

What is the benefit of the DSIC?

Indiana American Water is dedicated to maintaining and improving the quality and reliability of the local water system. Part of that responsibility is making ongoing investments to our water distribution system. The DSIC helps accelerate the replacement of certain types of aging water infrastructure, which need to be upgraded to meet water service requirements and/or service standards.

The costs to make these necessary improvements will continue to increase over time. By investing today, we will save money in the long-term and ensure the reliability of the water infrastructure now and for future generations.



How does the new DSIC order affect customer rates in Indiana?

The new rates, which were approved in an order from the IURC on October 20, 2010, include eligible costs for certain types of system improvements across the state. The new order will implement a DSIC charge of 3.16 percent on a statewide basis. The monthly impact on a typical bill varies as indicated below:

Indiana American Water impact of new DSIC surcharge at 2009 average residential usage of 4,800 gallons/month

Tariff Group	Increase Per Day	Increase per Month (30 day period)	Percent of Increase
Area One Tariff Group (Includes Crawfordsville, Johnson County, Kokomo, Muncie, Newburgh, Noblesville, Northwest, Richmond, Seymour, Shelbyville, Somerset, Southern Indiana, Sullivan, Summitville, Terre Haute, and Waveland)	\$ 0.04	\$ 1.12	3.16%
Area Two Tariff Group (Includes Mooresville, Wabash, Warsaw, West Lafayette, and Winchester)	\$ 0.03	\$ 0.82	3.16%
Northwest Indiana - Bi-Monthly Billing	\$ 0.03	\$ 1.01	3.16%

Note: Northwest Indiana Bi-Monthly data reflects 30-day month in numbers.

What types of improvements are typically covered by DSIC?

The projects typically covered by DSIC are replacements and reinforcement of existing water mains, valves, hydrants, customer service lines and meters. Reinforcement infrastructure consists of new mains required to increase flow capacity to improve service where existing mains could not meet demands.

When did the new DSIC charge take effect?

Customers will see the change on their next bill received following the October 20, 2010, order from the IURC.