

AMERICAN WATER RESOURCES, INC.
Staff's Gain on Sale Accounting of View Royal Water System
January 16, 2002

RATE BASE

	View Royal Water
Utility Plant in Service	621,737
Accumulated Depreciation	(174,230)
Net Plant	<u>447,506</u>
Less Net CIAC	<u>(283,056)</u>
Rate Base	164,450
Sale Price	500,000
Rate Base	(164,450)
Gain on Sale	<u>\$335,550</u>

CAPITAL STRUCTURE

NET PLANT financed by:

4 Year Averaging

Debt	1,093,690	61%		
CIAC	663,699	37%		98% Customers
Equity	37,850	2%		2% Shareholders
	<u>1,795,238</u>	100%		100%

	View Royal Water	
Sale Price	500,000	12,300
Rate Base	(164,450)	
Gain on Sale	<u>335,550</u>	
Expenses of Sale	(1,374)	
Acquisition Adjustment	(66,256)	
Tax / Escrow Cost	(37,364)	12%
Net Sale Proceeds / Gain	<u>230,555</u>	

ALLOCATION

		Customers	Shareholders	
		98%	2%	
Allocation of Gain	230,555	225,694	4,861	
	Rate Base		164,450	
Total		<u>225,694</u>	<u>169,311</u>	<u>395,006</u>

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CAPITAL STRUCTURE

NET PLANT financed by:

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>Total</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>Average</u>	
Debt	864,526	1,283,310	1,013,326	1,213,596	4,374,758	55.1%	61.0%	58.9%	67.9%	60.7%	
CIAC	561,199	660,619	783,935	649,043	2,654,796	35.8%	31.4%	45.6%	36.3%	37.3%	98%
Equity	143,334	160,481	(76,252)	(76,164)	151,399	9.1%	7.6%	-4.4%	-4.3%	2.0%	2%
	<u>1,569,059</u>	<u>2,104,410</u>	<u>1,721,009</u>	<u>1,786,476</u>	<u>7,180,954</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

4 Year Averaging

Debt	1,093,690	61%			
CIAC	663,699	37%	98%	Customer	
Equity	37,850	2%	2%	Shareholder	
	<u>1,795,238</u>	<u>100%</u>	<u>100%</u>		