

Illinois-American Water Company
Statement of Operating Income with Adjustments
For the Test Year Ended December 31, 2001
Pontiac District

Line No	Description (A)	Company Pro Forma Present (C-2) (B)	Staff Adjustments (St. Ex. 1.0 Sch 1.2-PT) (C)	Staff Pro Forma Present (Cols. B+C) (D)	Company Proposed Increase (C-1) (E)	Staff Gross Revenue Conversion Factor (F)	Proposed Rates with Staff Adjustments (Cols. D+E+F) (G)	Adjustment To Proposed Increase (H)	Staff Pro Forma Proposed (Cols. G+H) (I)	Revenue Change (Col I-D) (J)	% Revenue Change (3) (K)
1	Water Sales	\$ 2,441,802	\$ -	\$ 2,441,802	\$ 131,414	\$ (642)	\$ 2,572,574	\$ (67,558)	\$ 2,505,016		
2	Other Operating Revenue	5,800	-	5,800	-	-	5,800	-	5,800		
3	Total Operating Revenue	2,447,602	-	2,447,602	131,414	(642)	2,578,374	(67,558)	2,510,816	\$ 63,214	2.58%
4											
5	Uncollectible Accounts	7,757	-	7,757	863	(4)	8,616	(444)	8,172		
6	Salaries & Wages	542,210	-	542,210	-	-	542,210	-	542,210		
7	Employee Benefits	89,001	-	89,001	-	-	89,001	-	89,001		
8	Operating Expenses	110,706	-	110,706	-	-	110,706	-	110,706		
9	Maintenance - Other	107,270	-	107,270	-	-	107,270	-	107,270		
10	Administrative & General Expenses	162,327	(1,682)	160,645	-	-	160,645	-	160,645		
11	Regulatory Expense	2,101	(161)	1,940	-	-	1,940	-	1,940		
12	Miscellaneous	125,704	(393)	125,311	-	-	125,311	-	125,311		
13	Depreciation & Amortization Expense	343,310	-	343,310	-	-	343,310	-	343,310		
14	Taxes Other Than Income Tax	131,753	-	131,753	142	(142)	131,753	-	131,753		
15		-	-	-	-	-	-	-	-		
16	Total Operating Expense										
17	Before Income Taxes	1,622,139	(2,236)	1,619,903	1,005	(146)	1,620,762	(444)	1,620,318		
18											
19	State Income Tax	18,523	78	18,601	5,247	(53)	23,795	(2,683)	21,112		
20	Federal Income Tax	168,070	655	168,725	44,095	(443)	212,377	(22,551)	189,826		
21	Deferred Taxes and ITCs Net	(15,936)	-	(15,936)	-	-	(15,936)	-	(15,936)		
22	Total Operating Expenses	1,792,796	(1,503)	1,791,293	50,347	(642)	1,840,998	(25,678)	1,815,320		
23											
24	NET OPERATING INCOME	\$ 654,806	\$ 1,503	\$ 656,309	\$ 81,067	\$ -	\$ 737,376	\$ (41,880)	\$ 695,496		
25	Staff Rate Base								\$ 8,283,265	(1)	
26	Staff Overall Rate of Return								8.40%	(2)	

(1) Source: ICC Staff Ex. 1.0, Schedule 1.3-PT, Column (D).

(2) Source: ICC Staff Ex. 3.0, Schedule 3.1.

(3) Source: Column (J), Line 3, divided by Column (D), Line 3.

Illinois-American Water Company
 Rate Base
 For the Test Year Ended December 31, 2001
 Pontiac District

Line No	Description (A)	Company	Staff	Staff
		Pro Forma (B-1a) (B)	Adjustments (St. Ex. 1.0 Sch 1.4-PT) (C)	Pro Forma (Col B+C) (D)
1	Gross Utility Plant at Original Cost	\$ 11,765,638	\$ -	\$ 11,765,638
2	FAS 109 Regulatory Asset (Net)	(157,594)	-	(157,594)
3	Reserve for Accum. Depr. and Amort.	<u>(3,137,206)</u>	<u>-</u>	<u>(3,137,206)</u>
4	Net Plant	8,470,838	-	8,470,838
5				
6	Additions to Rate Base:			
7	Cash Working Capital	142,152	(259)	141,893
8	Materials and Supplies	60,524	(6,997)	53,527
9	Deferred Maintenance	424,445	-	424,445
10	Reengineering Costs	-	-	-
11		-	-	-
12		-	-	-
13		-	-	-
14		-	-	-
15		-	-	-
16				
17	Deductions from Rate Base:			
18	Contributions in Aid of Construction	(780,366)	-	(780,366)
19	Accumulated Depr. on Cont. Property	248,619	-	248,619
20	Customer Advances for Construction	(205,265)	-	(205,265)
21	Deferred Federal Income Tax	(51,208)	2,913	(48,295)
22	Deferred State Income Tax	(20,640)	751	(19,889)
23	Investment Tax Credit - Pre-1971	(2,242)	-	(2,242)
24		-	-	-
25		<u>-</u>	<u>-</u>	<u>-</u>
26				
27	Rate Base	<u>\$ 8,286,857</u>	<u>\$ (3,592)</u>	<u>\$ 8,283,265</u>

Illinois-American Water Company
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
Pontiac District

Docket No. 00-0340
Staff Ex. 1.0
Schedule 1.5 - PT
Page 1 of 3

Line No	<u>Description</u> (A)	Effect at Company <u>ROR</u> (B)	Effect Of Staff <u>ROR</u> (C)	Effect of Interest <u>Synch.</u> (D)	<u>Rounding</u> (E)	TOTAL REVENUE <u>EFFECT</u> (F)
1	Company Proposed Increase					\$ 131,414 (1)
2	Staff Rate of Return applied to COMPANY RATE BASE	8.40% (2)				(64,647)
3	Return on Equity	10.20% (2)				(64,647)
4	Staff Adjustments - Total RATE BASE (from Page 2 of 3)		(515)	28	84	-
5						(403)
6	Staff Adjustments - Total INCOME STATEMENT (from page 3 of 3)					(2,509)
7						
8	Revenue Conversion Factor Adjustment					(642)
9						
10	Rounding					<u>1</u>
11						
12	Total Effect of Staff Proposals					<u>(68,200)</u>
13						
14						
15	Staff Proposed Change to Revenues					<u>\$ 63,214 (3)</u>
16						
17						
18	Rounding (Memo Only)			<u>-</u>		(Memo Only)
19						
20	Staff Rate of Return applied to STAFF RATE BASE (Memo Only)			<u>\$ (64,619)</u>		(Memo Only)

(1) Source: Company Exhibit 12.0, Schedule C-1, Page 9, Line 1.

(2) Source: ICC Staff Ex. 3.0, Schedule 3.1.

(3) Source: ICC Staff Ex. 1.0, Schedule 1.1-PT, Column (J).

Illinois-American Water Company
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
Pontiac District

Line No	Description (A)	Exhibit (B)	Effect at Company ROR (1) (C)	Effect Of Staff ROR (2) (D)	Effect of Interest Synch. (3) (E)	Rounding (F)	TOTAL REVENUE EFFECT (4) (G)	Line No
1	Staff Adjustments - RATE BASE							1
2	Cash Working Capital	ICC Staff Ex. 1.0, Sch 1.8-PT	\$ (37)	\$ 2	\$ 6	\$ -	\$ (29)	2
3	Accumulated Deferred Income Taxes	ICC Staff Ex. 1.0, Sch 1.11-PT	525	(29)	(86)	1	411	3
4	Materials & Supplies	ICC Staff Ex. 2.0, Sch 2.1-PT	(1,002)	55	164	(1)	(784)	4
5			-	-	-	-	-	5
6			-	-	-	-	-	6
7			-	-	-	-	-	7
8			-	-	-	-	-	8
9			-	-	-	-	-	9
10			-	-	-	-	-	10
11			-	-	-	-	-	11
12			-	-	-	-	-	12
13			-	-	-	-	-	13
14			-	-	-	-	-	14
15			-	-	-	-	-	15
16			-	-	-	-	-	16
17			-	-	-	-	-	17
18			-	-	-	-	-	18
19			-	-	-	-	-	19
20			-	-	-	-	-	20
21			-	-	-	-	-	21
22			-	-	-	-	-	22
23			-	-	-	-	-	23
24			-	-	-	-	-	24
25			-	-	-	-	-	25
26			-	-	-	-	-	26
27			-----	-----	-----	-----	-----	27
28	Subtotal		(514)	28	84	-	(402)	28
29	Rounding		(1)	-	-	-	(1)	29
30	Total Revenue Effect of Rate Base Adjustments		<u>\$ (515)</u>	<u>\$ 28</u>	<u>\$ 84</u>	<u>\$ -</u>	<u>\$ (403)</u>	30

(1) Source: Adjustment x Co. ROR x Staff GRCF.
(2) Source: Adjustment x (Staff ROR - Co. ROR) x Staff GRCF.
(3) Source: Adjustment x (Staff Before Tax ROR - Staff After Tax ROR) x Staff GRCF.
(4) Source: Adjustment x Staff After Tax ROR x Staff GRCF.

Illinois-American Water Company
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
Pontiac District

Docket No. 00-0340
Staff Ex. 1.0
Schedule 1.5 - PT
Page 3 of 3

Line No	Description (A)	Exhibit (B)	TOTAL REVENUE EFFECT (1) (C)	Remove Rate Base Portion (2) (D)	Operating Statement Portion (C+D) (E)	Line No
1	Staff Adjustments - Operating Statement					1
2	Interest Synchronization	ICC Staff Ex. 1.0, Sch 1.6-PT	\$ (173)	\$ (84)	\$ (257)	2
3	Rate Case Expense	ICC Staff Ex. 1.0, Sch 1.9-PT	(163)	-	(163)	3
4	Charitable Contributions Expense	ICC Staff Ex. 1.0, Sch 1.10-PT	(395)	-	(395)	4
5	Champaign Office Building Lease Expense	ICC Staff Ex. 1.0, Sch 1.12-PT	(1,694)	-	(1,694)	5
6			-	-	-	6
7			-	-	-	7
8			-	-	-	8
9			-	-	-	9
10			-	-	-	10
11			-	-	-	11
12			-	-	-	12
13			-	-	-	13
14			-	-	-	14
15			-	-	-	15
16			-	-	-	16
17			-	-	-	17
18			-	-	-	18
19			-	-	-	19
20			-	-	-	20
21			-	-	-	21
22			-	-	-	22
23			-	-	-	23
24			-	-	-	24
25			-	-	-	25
26			-	-	-	26
27			-	-	-	27
28	Column Subtotal		<u>\$ (2,425)</u>	<u>\$ (84)</u>	(2,509)	28
29						29
30	Rounding				-	30
31						31
32	Total Revenue Effect of Operating Statement Adjustments				<u>\$ (2,509)</u>	32

(1) Source: Adjustment x Staff GRCF.

(2) Source: ICC Staff Ex. 1.0, Schedule 1.5-PT , Page 2 of 3, Column (E), Line 30.

Illinois-American Water Company
 Interest Synchronization Adjustment
 For the Test Year Ended December 31, 2001
 Pontiac District

<u>Line No</u>	<u>Description</u>	<u>Amount</u>
1	Staff Rate Base	\$ 8,283,265 (1)
2	Weighted Cost of Debt	<u>3.8551%</u> (2)
3	Synchronized Interest per Staff	319,328
4	Company Interest Expense	<u>319,044</u> (3)
5	Increase (Decrease) in Interest Expense (Line 3 - Line 4)	<u>\$ 284</u>
6	Increase (Decrease) in State Income Tax Expense (Line 5 * 7.18%)	<u>\$ (11)</u>
7	Increase (Decrease) in Federal Income Tax Expense ((Line 5 - Line 6) * 34%)	<u>\$ (96)</u>

(1) Source: ICC Staff Ex. 1.0, Schedule 1.3-PT, Column (D).

(2) Source: ICC Staff Ex. 3.0, Schedule 3.1.

(3) Source: Company Exhibit 12.0, Schedule C-3.11, Page 9, Line 9.