

REBUTTAL TESTIMONY

OF

MARY H. EVERSON

Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Aqua Illinois, Inc.

Docket No. 04-0442

October 27, 2004

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1 Witness Identification

2 Q. Please state your name and business address.

3 A. My name is Mary H. Everson. My business address is 527 East Capitol Avenue,
4 Springfield, Illinois 62701.

5 Q. Are you the same Mary H. Everson who previously provided direct testimony in
6 this docket?

7 A. Yes, I am.

8 Purpose of Testimony

9 Q. What is the purpose of your rebuttal testimony in this proceeding?

10 A. The purpose of this testimony is to respond to Aqua Illinois, Inc. (“Aqua” or
11 “Company”) witness Jack Schreyer’s rebuttal testimony regarding my operating
12 statement adjustments for Qualified Infrastructure Plant Surcharge (“QIPS”)
13 revenues, wastewater billing revenues, lab testing revenues, customer data
14 revenues, collection revenues, and amortization expense. I will also address my
15 rate base adjustments to cash working capital, deferred tank painting, and
16 accumulated depreciation related to the Company’s acquisition of the Indianola
17 water system. Mr. Schreyer has indicated in rebuttal testimony that the Company
18 has agreed to or will not contest the adjustments to cash working capital,
19 deferred tank painting, and accumulated depreciation (Aqua Ex. R-2.0, page 4,
20 lines 65-77).

21 I will also comment on the Company's new adjustment for increased Lime
22 Expense and its comment on increased rate case expense.

23 Attachment

24 Q. Are you sponsoring any attachments as part of ICC Staff Exhibit 5.0?

25 A. Yes. Attachment 1 is the Company's response to Staff data request MHE 6.03.

26 Schedules

27 Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 5.0?

28 A. Yes. I am sponsoring the following schedules, which show data as of, or for the
29 test year ending December 31, 2005:

30 Revenue Requirement Schedules

31	Schedule 5.1	Statement of Operating Income with Adjustments
32	Schedule 5.2	Adjustments to Operating Income
33	Schedule 5.3	Rate Base
34	Schedule 5.4	Adjustments to Rate Base
35	Schedule 5.5	Interest Synchronization Adjustment
36	Schedule 5.6	Gross Revenue Conversion Factor

37 Adjustment Schedule

38 Schedule 5.7 - Adjustment to Cash Working Capital

39 Revenue Requirement Schedules

40 Q. Please describe Schedule 5.1, Statement of Operating Income with Adjustments.

41 A. Schedule 5.1 is the same as ICC Staff Exhibit 1.0, Schedule 1.1, described on
42 pages 3 and 4 of ICC Staff Exhibit 1.0, except that it incorporates Company and
43 Staff rebuttal testimony positions. Page 2 compares the Company's direct
44 testimony position, set forth on Aqua's Schedule C-1, with its rebuttal testimony
45 position, as set forth on Aqua Ex. R-2.1.

46 Q. Please describe Schedule 5.2, Adjustments to Operating Income.

47 A. Schedule 5.2 identifies Staff's rebuttal testimony adjustments to the Company's
48 rebuttal testimony Operating Income position. The source of each adjustment is
49 shown in the heading of each column. Column (q) from page 2 is carried forward
50 to Schedule 5.1, column (c).

51 Q. Please describe Schedule 5.3, Rate Base.

52 A. Page 1 of Schedule 5.3 is the same as ICC Staff Exhibit 1.0, Schedule 1.3,
53 described on page 4 of ICC Staff Exhibit 1.0, except that it incorporates current
54 Company and Staff positions. Page 2 compares the Company's direct testimony
55 position with its rebuttal testimony position.

56 Q. Please describe Schedule 5.4, Adjustments to Rate Base.

57 A. Schedule 5.4 identifies Staff's adjustments to Rate Base. The source of each
58 adjustment is shown in the heading of each column. Column (i) is carried forward
59 to Schedule 5.3, column (c).

60 Q. Please describe Schedule 5.5, Interest Synchronization Adjustment.

61 A. Schedule 5.5 uses the same concept as does ICC Staff Exhibit 1.0, Schedule
62 1.5. As discussed in ICC Staff Exhibit 1.0, pages 4 and 5, this adjustment
63 ensures that the Revenue Requirement reflects the tax savings generated by the
64 interest component of the Revenue Requirement.

65 Q. Please describe Schedule 5.6, Gross Revenue Conversion Factor.

66 A. Schedule 5.6 presents Staff's proposed Gross Revenue Conversion Factor
67 ("GRCF"). The GRCF is applied to the operating income deficiency to derive the
68 change in Revenue Requirement. It is based upon the applicable federal tax rate,
69 state income tax rate, and uncollectible rate. The GRCF is used in the calculation
70 of the Revenue Requirement in columns (g) and (h) of Schedule 5.1.

71 UNCONTESTED ADJUSTMENTS

72 Q. Are there any adjustments that you proposed in direct testimony on which you
73 and the Company are now in agreement?

74 A. Yes. Aqua witness Jack Schreyer stated in rebuttal testimony that the Company
75 is in agreement with the method of calculating cash working capital, the method
76 of calculating interest synchronization, and the adjustment to remove QIPS
77 revenues. (Aqua Ex. R-2.0, page 4, lines 73-77)

78 In addition, Mr. Schreyer has stated that the Company is not contesting my
79 adjustments for tank painting amortization, deferred tank painting or the
80 accumulated depreciation related to the Indianola water system acquisition.
81 (Aqua Ex. R-2.1, page 4, lines 65-68)

82 Cash Working Capital

83 Q. Please describe Schedule 5.7, Adjustment to Cash Working Capital.

84 A. Schedule 5.7 reflects my adjustment to Cash Working Capital resulting from Staff
85 rebuttal testimony adjustments to operating expense. Aqua witness Jack
86 Schreyer indicated that the Company and Staff are in agreement with the method
87 by which cash working capital is calculated in this proceeding. Furthermore, both
88 Mr. Schreyer and I agree that since cash working capital is dependent upon
89 operating expenses that are in the final revenue requirement for Aqua in this
90 proceeding, the adjustment to cash working capital will need to be recalculated
91 for any changes in operating expenses.

92 CONTESTED ADJUSTMENTS

93 Q. Is the Company contesting your adjustments to wastewater billing revenues, lab
94 testing revenues, customer data revenues, and collection revenues?

95 A. Yes. Aqua witness Jack Schreyer contends in rebuttal testimony that my
96 adjustments are improper since they relate to the provision of non-utility services.
97 (Aqua Ex. R-2.1, page 8, line 149-151) I agree with Mr. Schreyer's statement that
98 it would be improper to recognize any expense, property, or revenue associated
99 with non-utility services. However, while the Company's revenue requirement
100 Schedule C-1 included the expenses related to those revenues, it did not include
101 the associated revenues. At the time my direct testimony was prepared I used
102 the best information I had available at the time, which did not include the exact

103 amounts of expense related to the Remittance Center. My direct testimony also
104 used the amounts of non-utility revenue for 2003 provided to me in response to
105 Staff data request MHE 2.15. On a theoretical ratemaking basis, I agree that
106 revenues derived from non-utility services should not be included in the
107 Company's revenue requirement. However, because unidentified amounts of
108 expense related to the provision of non-utility services were included the revenue
109 requirement, my only alternative was to match the related revenues and
110 expenses. This is the matching of revenues and expenses that my adjustment in
111 my direct testimony produced.

112 Q. Did the Company provide additional information regarding these expenses
113 subsequent to its rebuttal testimony?

114 A. Yes. In response to my data requests, the Company provided the expense
115 amounts related to the Remittance Center revenues that I did not have when I
116 made my direct testimony revenue adjustment. The Company recognized that it
117 had failed to remove all of its Remittance Center expenses when it made its
118 rebuttal testimony adjustment of \$13,407. (Aqua Ex. R-2.1, page 8, lines 160-
119 163) However, the Company has not provided me with supporting documentation
120 to demonstrate that all of the related revenues it identified in response to Staff
121 data request MHE 6.03 (Attachment 1) have actually been removed from the
122 revenue requirement. Therefore, an adjustment still must be made. The related
123 adjustment is described in the rebuttal testimony of Staff witness Theresa Ebrey,
124 ICC Staff Exhibit 6.0.

125 Q. Are you withdrawing your adjustment to wastewater billing, lab testing, collection
126 and customer data revenues?

127 A. I am willing to withdraw my adjustments to these revenues conditioned upon the
128 Commission's acceptance of Ms. Ebrey's adjustment to remove the Remittance
129 Center and Management Fees expenses. I do not believe the Company and I
130 disagree about whether the Remittance Center expenses and revenues should
131 be included in the Company's revenue requirement. The dispute is whether the
132 expense amounts have been removed. The amount that is in dispute at this time
133 is primarily comprised of payroll expense and that issue is addressed by Ms.
134 Ebrey in ICC Staff Exhibit 6.0.

135 Q. Why do you believe it is appropriate to adjust the expenses rather than the
136 revenues at this time?

137 A. The expenses and revenues are related to the provision of non-utility services
138 and, therefore, should not be included in the Company's revenue requirement
139 from a theoretical standpoint. However, with the asymmetrical presentation that
140 the Company provided in its direct testimony case and the lack of exact expense
141 amounts available, a revenue adjustment was necessary to balance expenses
142 with the related revenues. Similarly, if the Commission were to decide that the
143 related expense adjustments are not appropriate, then the revenue adjustments
144 from my direct testimony, ICC Staff Exhibit 1.0, Schedules 1.11, 1.12, 1.13, and

145 1.14 should be reinstated to present a proper matching of revenues and
146 expense.

147 Adjusting the expense amounts is a theoretically preferable adjustment and now
148 that the amounts are available, the most theoretically correct adjustment can be
149 proposed. Since the expense amounts related to the Remittance Center have
150 been identified, Ms. Ebrey is proposing the appropriate expense adjustments for
151 Payroll expense, Miscellaneous expense, and Management Fees in ICC Staff
152 Exhibit 6.0, Schedules 6.8 and 6.9, respectively.

153 NEW ISSUE-LIME EXPENSE

154 Q. Do you have a comment on the Company's new adjustment to increase
155 Chemical Expense?

156 A. Yes. The Company claimed in rebuttal testimony, Aqua Ex. R-2.0, page 39, lines
157 915-922, to have increased costs related to its purchase of lime. I issued a data
158 request to verify the Company's claim that it has an increased cost for chemicals
159 due to an increase in the purchase price of lime. In response to Staff data
160 request MHE 7.02, the Company provided me with a letter confirming the
161 agreement with Mississippi Lime to provide granulated lime to Aqua's Vermilion
162 Division. This adjustment is included in the Company's rebuttal testimony
163 revenue requirement, Aqua Ex. R-2.1.

164 NEW ISSUE-RATE CASE EXPENSE

165 Q. Did the Company discuss its rate case expense in rebuttal testimony?

166 A. Yes. The Company indicates that it “underestimated the cost of legal counsel”
167 and proposes: “to present these additional costs for the purpose of recovery
168 during hearings.” (Aqua Ex. R-2.0, pages 39-40, lines 923-937) The Company
169 did not, however, provide the new amount it is seeking or any documents to
170 substantiate the new cost, apparently wanting to present this new information on
171 the witness stand. The Company has not offered any reason indicating why it did
172 not present support for the alleged additional cost with its rebuttal testimony, and
173 I believe it is inappropriate to submit a revision to the Company’s expense at the
174 evidentiary hearing held for the purpose of introducing pre-filed testimony and
175 conducting cross examination. It precludes the Staff from having any review of
176 the expenses and eliminates any opportunity for discovery related to the
177 additional costs.

178 Q. Do you believe that the Company’s direct testimony estimate of rate case
179 expense has been supported?

180 A. Yes. The Company requested engagement letters/bids from two consultants, the
181 independent audit firm, and the law firm. Furthermore, the Company estimated
182 in-house labor and miscellaneous expenses to arrive at the estimate for
183 processing rate cases for three divisions of Aqua America. This documentation
184 supports the Company’s direct testimony rate case expense amount.

185 Q. Do you believe that the Company has had adequate opportunity to provide Staff
186 with updated estimates for rate case expense?

187 A. Yes. However, the Company has not taken advantage of the opportunity to do
188 so. No support for the increased rate case expense has been submitted to Staff
189 even though the Company could have updated the response to Staff data
190 request MHE-1.10. This data request response included documentation such as
191 engagement letters that supports the Company's original estimate. No supporting
192 documentation was included that indicated that the Company's original estimate
193 was insufficient. If the Company had updated the response to MHE-1.10, Staff
194 would have had time to review the additional supporting documentation. The
195 Company has supported the projected rate case expense included in its direct
196 testimony case and therefore, I believe that the amount of rate case expense
197 included in the Company's direct testimony case is approved by the Commission.

198 Conclusion

199 Q. Does this conclude your rebuttal testimony?

200 A. Yes.

STAFF DATA REQUEST
DOCKET NO. 04-0442

Utility Company: AQUA ILLINOIS, INC.

Date Submitted: October 13, 2004

Submitted By: Jack Schreyer
Manager of Rates
(610) 645-4237

MHE 6.03 If any of the referenced expenses were recorded in above-the-line accounts and thus would have been included in the projected 2005 test year revenue requirement, provide any calculations that were necessary to remove these expenses from the projected 2005 test year revenue requirement.

Answer

As noted in response to MHE 6.02, only the labor components of the referenced expenses reflected on ML-8 response attachment VER 024264 were inadvertently not charged to account 675 and subsequently removed from the Company's 2005 operating expenses. Calculations to remove the referenced expenses on VER 024264 are as follows:

Non-Labor Expenses charged to 675	\$14,253
Labor Expenses Inadvertently Not Removed from Payroll Expense	<u>26,907</u>
Non-Regulated Expenses per M-8 Response	\$41,160
Amount of Account 675 Removed from Budget	<u>(27,753)</u>
Net Amount Inadvertently not Removed from Aqua Exhibit 5	\$13,407
Amount Removed via Aqua Illinois Rebuttal Schedule R-2.1, page 1	<u>(13,407)</u>
Amount Remaining in 2005 Test Year Revenue Req.	<u>\$ 0</u>

Aqua Illinois Water Company
 Statement of Operating Income with Adjustments
 For the Test Year Ending December 31, 2005

Line No.	Description	Company Direct Pro Forma Present (Co. Sch. C-1)	Difference	Company Rebuttal Pro Forma Proposed (Co. Sch. R-2.1)	Remove Company Proposed Increase (Co. Sch. C-1)	Company Rebuttal Pro Forma Present (d-e)
	(a)	(b)	(c)	(d)	(e)	(f)
1	Operating Revenue	\$ 10,776,442	\$ 1,563,831	\$ 12,340,273	\$ (1,538,903)	\$ 10,801,370
2	Other Revenues	-	-	-	-	-
3	Total Operating Revenue	10,776,442	1,563,831	12,340,273	(1,538,903)	10,801,370
4	Uncollectible Expense	36,432	5,287	41,719	(5,203)	36,516
5	Wages & Salaries	1,114,294	-	1,114,294		1,114,294
6	Employee Benefits	434,748	17,307	452,055		452,055
7	Contractual Services	1,224,274	-	1,224,274		1,224,274
8	Operation and Maintenance Expense	1,261,509	59,583	1,321,092		1,321,092
9	Depreciation Expense	1,973,685	-	1,973,685		1,973,685
10	Regulatory Expense Amortization	73,580	-	73,580		73,580
11	Taxes Other Than Income	771,571	(1,216)	770,355		770,355
12	Miscellaneous Expense	62,038	(43,336)	18,702		18,702
13		-	-	-		-
14		-	-	-		-
15	Total Operating Expense					
16	Before Income Taxes	6,952,131	37,625	6,989,756	(5,203)	6,984,553
17	State Income Tax	164,944	109,734	274,678	(110,120)	164,558
18	Federal Income Tax	746,312	496,510	1,242,822	(498,253)	744,569
19	Deferred Taxes and ITCs Net	(24,044)	-	(24,044)	-	(24,044)
20	Total Operating Expenses	7,839,343	643,869	8,483,212	(613,576)	7,869,636
21	NET OPERATING INCOME	\$ 2,937,099	\$ 919,962	\$ 3,857,061	\$ (925,327)	\$ 2,931,734

Aqua Illinois Water Company
Adjustments to Operating Income
 For the Test Year Ending December 31, 2005

Line No.	Description	Interest Synchronization (ICC Staff Ex. 5.0, Sch. 5.5)	(Source)	Payroll Expense (ICC Staff Ex. 6.0, Sch. 6.1)	Payroll Tax Expense-FICA (ICC Staff Ex. 6.0, Sch. 6.2)	Payroll Tax Expense SUTA (ICC Staff Ex. 6.0, Sch. 6.3)	Payroll Tax Expense FUTA (ICC Staff Ex. 6.0, Sch. 6.4)	Incentive Compensation (ICC Staff Ex. 6.0, Sch. 6.5)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Other Revenues	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Expense	-	-	-	-	-	-	-	-
5	Wages & Salaries	-	-	(90,129)	-	-	-	(33,790)	(123,919)
6	Employee Benefits	-	-	-	2,521	1,260	25	-	3,806
7	Contractual Services	-	-	-	-	-	-	-	-
8	Operation and Maintenance Expense	-	-	-	-	-	-	-	-
9	Depreciation Expense	-	-	-	-	-	-	-	-
10	Regulatory Expense Amortization	-	-	-	-	-	-	-	-
11	Taxes Other Than Income	-	-	-	(10,595)	(5,294)	(103)	-	(15,992)
12	Miscellaneous Expense	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Total Operating Expense	-	-	(90,129)	(8,074)	(4,034)	(78)	(33,790)	(136,105)
16	Before Income Taxes	-	-	(90,129)	(8,074)	(4,034)	(78)	(33,790)	(136,105)
17	State Income Tax	6,432	-	6,471	580	290	6	2,426	16,205
18	Federal Income Tax	29,104	-	29,280	2,623	1,311	25	10,977	73,320
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	35,536	-	(54,378)	(4,871)	(2,433)	(47)	(20,387)	(46,580)
21	NET OPERATING INCOME	\$ (35,536)	\$ -	\$ 54,378	\$ 4,871	\$ 2,433	\$ 47	\$ 20,387	\$ 46,580

Aqua Illinois Water Company
Adjustments to Operating Income
 For the Test Year Ending December 31, 2005

Line No.	Description	Subtotal Operating Statement Adjustments	Advertising Expense (ICC Staff Ex. 6.0, Sch. 6.6)	Charitable Contributions (ICC Staff Ex. 6.0, Sch. 6.7)	Collections Expense (ICC Staff Ex. 6.0, Sch. 6.8)	Management Fees (ICC Staff Ex. 6.0, Sch. 6.9)	(Source)	(Source)	Subtotal Operating Statement Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Operating Revenue	\$ -	\$ -	\$ -				\$ -	\$ -
2	Other Revenues	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Expense	-	-	-	-	-	-	-	-
5	Wages & Salaries	(123,919)	-	-	(26,907)	-	-	-	(150,826)
6	Employee Benefits	3,806	-	-	-	-	-	-	3,806
7	Contractual Services	-	-	-	-	-	-	-	-
8	Operation and Maintenance Expense	-	-	-	-	(19,246)	-	-	(19,246)
9	Depreciation Expense	-	-	-	-	-	-	-	-
10	Regulatory Expense Amortization	-	-	-	-	-	-	-	-
11	Taxes Other Than Income	(15,992)	-	-	-	-	-	-	(15,992)
12	Miscellaneous Expense	-	(9,540)	(27,675)	13,407	-	-	-	(23,808)
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	(136,105)	(9,540)	(27,675)	(13,500)	(19,246)	-	-	(206,066)
17	State Income Tax	16,205	685	1,987	969	1,382	-	-	21,228
18	Federal Income Tax	73,320	3,099	8,991	4,386	6,252	-	-	96,048
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	(46,580)	(5,756)	(16,697)	(8,145)	(11,612)	-	-	(88,790)
21	NET OPERATING INCOME	\$ 46,580	\$ 5,756	\$ 16,697	\$ 8,145	\$ 11,612	\$ -	\$ -	\$ 88,790

Aqua Illinois Water Company
Rate Base
 For the Test Year Ending December 31, 2005

Line No.	Description	Company Pro Forma Rate Base (St. Ex. 1.0 Sch 5.3, p. 2)	Staff Adjustments (St. Ex. 5.0 Sch 5.4)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Utility Plant in Service	\$ 67,453,190	\$ (3,806)	\$ 67,449,384
2	Accumulated Depreciation	(18,369,743)	-	(18,369,743)
3		-	-	-
4	Net Plant	49,083,447	(3,806)	49,079,641
5	Additions to Rate Base			
6	Property Held for Future Use	-	-	-
7	Deferred Charges	671,058	-	671,058
8	Materials and Supplies	318,515	-	318,515
9	Cash Working Capital	563,255	(21,716)	541,539
10	Amort. Of Contributions in Aid of Construction	1,468,030	-	1,468,030
11		-	-	-
12		-	-	-
13		-	-	-
14		-	-	-
15		-	-	-
16	Deductions From Rate Base			
17	FAS 87 Pension	(286,654)	12,366	(274,288)
18	Customer Advances	(1,009,261)	-	(1,009,261)
19	Contributions in Aid of Construction	(3,915,663)	-	(3,915,663)
20	Deferred Income Taxes	(4,872,290)	(4,095)	(4,876,385)
21	Rate Base	<u>\$ 42,020,437</u>	<u>\$ (17,251)</u>	<u>\$ 42,003,186</u>

Aqua Illinois Water Company
Rate Base
 For the Test Year Ending December 31, 2005

Line No.	Description	Company Pro Forma Rate Base (Co. Ex. 5 Sch. B-1)	Difference	Company Pro Forma Rebuttal Rate Base (Co. Ex. R-2.0 Sch. R-2.1)
	(a)	(b)	(c)	(d)
1	Gross Utility Plant in Service	67,453,190	-	\$ 67,453,190
2	Accumulated Depreciation	<u>(18,365,531)</u>	<u>(4,212)</u>	<u>(18,369,743)</u>
3	-			
4	Net Plant	49,087,659	(4,212)	49,083,447
5	Additions to Rate Base			
6	Property Held for Future Use	-	-	-
7	Deferred Charges	740,662	(69,604)	671,058
8	Materials and Supplies	347,471	(28,956)	318,515
9	Cash Working Capital	559,213	4,042	563,255
10	Amort. Of Contributions in Aid of Construction	1,468,030	-	1,468,030
11	-			
12	-			
13	-			
14	-			
15	-			
16	Deductions From Rate Base			
17	FAS 87 Pension	(299,378)	12,724	(286,654)
18	Customer Advances	(1,009,261)	-	(1,009,261)
19	Contributions in Aid of Construction	(3,915,663)	-	(3,915,663)
20	Deferred Income Taxes	(4,899,850)	27,560	(4,872,290)
22	Rate Base	<u>\$ 42,078,883</u>	<u>\$ (58,446)</u>	<u>\$ 42,020,437</u>

Aqua Illinois Water Company
Adjustments to Rate Base
 For the Test Year Ending December 31, 2005

Line No.	Description	Cash Working Capital (ICC Staff Ex. 5.0, Sch. 5.7)	Payroll Tax Expense-FICA (ICC Staff Ex. 6.0, Sch. 6.2)	Payroll Tax Expense-SUTA (ICC Staff Ex. 6.0, Sch. 6.3)	Payroll Tax Expense-FUTA (ICC Staff Ex. 6.0, Sch. 6.4)	Pension Reserve (ICC Staff Ex. 6.0, Sch. 6.5)	Deferred Taxes (ICC Staff Ex. 6.0, Sch. 6.6)	(Source)	Subtotal Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Gross Utility Plant in Service	\$ -	\$ (2,521)	\$ (1,260)	\$ (25)	\$ -	\$ -	\$ -	\$ (3,806)
2	Accumulated Depreciation	-	-	-	-	-	-	-	-
3		-	-	-	-	-	-	-	-
4	Net Plant	-	(2,521)	(1,260)	(25)	-	-	-	(3,806)
5	Additions to Rate Base								
6	Property Held for Future Use	-	-	-	-	-	-	-	-
7	Deferred Charges	-	-	-	-	-	-	-	-
8	Materials and Supplies	-	-	-	-	-	-	-	-
9	Cash Working Capital	(21,716)	-	-	-	-	-	-	(21,716)
10	Amort. Of Contributions in Aid of Constructio	-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base								
17	FAS 87 Pension	-	-	-	-	12,366	-	-	12,366
18	Customer Advances	-	-	-	-	-	-	-	-
19	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
20	Deferred Income Taxes	-	-	-	-	-	(4,095)	-	(4,095)
21		-	-	-	-	-	-	-	-
22		-	-	-	-	-	-	-	-
23	Rate Base	<u>\$ (21,716)</u>	<u>\$ (2,521)</u>	<u>\$ (1,260)</u>	<u>\$ (25)</u>	<u>\$ 12,366</u>	<u>\$ (4,095)</u>	<u>\$ -</u>	<u>\$ (17,251)</u>

Aqua Illinois Water Company
Interest Synchronization Adjustment
 For the Test Year Ending December 31, 2005

Line No.	Description (a)	Amount (b)
1	Gross Utility Plant in Service	\$ 42,003,186 (1)
2	Weighted Cost of Debt	3.43% (2)
3	Synchronized Interest Per Staff	1,440,709
4	Company Interest Expense	<u>1,530,295</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(89,586)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 7.180%	<u>\$ 6,432</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ 29,104</u>

(1) Source: ICC Staff Ex.5.0, Schedule 5.3, Column (d).

(2) Source: ICC Staff Exhibit 7.0, Schedule 7.1.

(3) Source: Aqua Ex. 5.0, Sch. C-5.4, line 17.

Aqua Illinois Water Company
Gross Revenue Conversion Factor
 For the Test Year Ending December 31, 2005

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.3381%	<u>0.003381</u>	
3	State Taxable Income		0.996619	1.000000
4	State Income Tax	7.1800%	<u>0.071557</u>	<u>0.071800</u>
5	Federal Taxable Income		0.925062	0.928200
6	Federal Income Tax	35.0000%	<u>0.323772</u>	<u>0.324870</u>
7	Operating Income		<u>0.601290</u>	<u>0.603330</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.663091</u>	<u>1.657468</u>

Aqua Illinois Water Company
Adjustment to Cash Working Capital
For the Test Year Ended December 31, 2005

<u>Line No</u>	<u>Description</u>	<u>Amount</u>	<u>Source</u>
	(a)	(b)	(c)
1	Cash Working Capital per Staff	\$ 537,497	ICC Staff Ex. 5.0, Sch. 5.7, p. 2
2	Cash Working Capital per Company	<u>559,213</u>	Aqua WP B-8
3	Difference-Staff Adjustment	<u>\$ (21,716)</u>	

Aqua Illinois Water Company
 Adjustment to Cash Working Capital
 For the Test Year Ended December 31, 2005

Line No	Description (A)	Amount (B)	Source
1	Total Operating Expenses (Pre Income Tax)	\$ 6,781,956	ICC Staff Ex. 5.0, Sch. 5.1
2	Less:		
3	Uncollectible Accounts Expense	39,985	ICC Staff Ex. 5.0, Sch. 5.1
4	Annual Amortization of Rate Case Expense	73,580	ICC Staff Ex. 5.0, Sch. 5.1
5	Depreciation Expense	1,973,685	ICC Staff Ex. 5.0, Sch. 5.1
6	Real Estate Tax Expense	<u>394,728</u>	Aqua Sch. C-18
7	Operating Expenses Requiring Working Capital	\$ 4,299,978	Line 1 minus the sum of Lines 3 through 6
8	45 (lag days)/360 (30 day/month/year)	<u>12.50%</u>	
9	Total Cash Working Capital Per Staff	\$ 537,497	Line 7 multiplied by Line 8
10	Total Cash Working Capital Per Company	<u>559,213</u>	
11	Adjustment to Cash Working Capital	<u><u>(21,716)</u></u>	Line 9 minus Line 10