

CORRECTED  
DIRECT TESTIMONY

of

MARY H. EVERSON

Accountant  
Accounting Department  
Financial Analysis Division  
Illinois Commerce Commission

Aqua Illinois, Inc.

Docket No. 04-0442

November 15, 2004

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. Please describe your professional background and affiliations.

6 A. I have a Bachelor of Science in Accounting from the University of Central Florida.  
7 I am a Certified Public Accountant licensed to practice in the State of Illinois. I  
8 joined the staff of the Illinois Commerce Commission (“Staff”) in February 1999.  
9 Prior to joining Staff, I was employed in industry as a financial analyst and in  
10 government as an internal auditor.

11 Q. Have you previously testified before any regulatory bodies?

12 A. Yes. I have testified on several occasions before the Illinois Commerce  
13 Commission (“Commission”).

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

15 A. The purpose of my testimony is to:

- 16 1) Present Staff’s adjusted operating statements and Rate Base for Aqua  
17 Illinois, Inc (“Aqua” or “Company”), and  
18 2) Propose adjustments to the Company’s Rate Base and Operating  
19 Statement concerning Cash Working Capital, Accumulated Depreciation  
20 related to the Indianola Water System, Deferred Tank Painting, Qualified  
21 Infrastructure Plant Surcharge (“QIPS”) Revenues, Wastewater Billing

22 Revenues, Lab Testing Revenues, Collection Revenues, and Customer  
23 Data Revenues.

24 Schedule Identification

25 Q. Are you sponsoring any schedules with your testimony?

26 A. Yes. I prepared the following schedules that show data as of, or for the test year  
27 ending, December 31, 2005:

28 Revenue Requirement Schedules

29 Schedule 1.1 C - Statement of Operating Income with Adjustments

30 Schedule 1.2 C - Adjustments to Operating Income

31 Schedule 1.3 C - Rate Base

32 Schedule 1.4 C - Adjustments to Rate Base

33 Schedule 1.5 C - Interest Synchronization Adjustment

34 Schedule 1.6 C - Gross Revenue Conversion Factor

35 Adjustment Schedules

36 Schedule 1.7 C - Adjustment to Cash Working Capital

37 Schedule 1.8 C - Adjustment to Accumulated Depreciation

38 Schedule 1.9 C - Adjustment to Tank Painting

39 Schedule 1.10 C - Adjustment to QIPS Revenues

40 Schedule 1.11 C - Adjustment to Wastewater Billing Revenues

41 Schedule 1.12 C - Adjustment to Lab Testing Revenues

42 Schedule 1.13 C - Adjustment to Collection Revenues

43 Schedule 1.14 C - Adjustment to Customer Data Revenues

44 Schedule 1.15 C - Adjustment to Amortization Expense

45 Attachments

46 Q. Have you included any attachments to your testimony?

47 A. Yes. I have included the following attachments, which present information  
48 prepared by the Company:

49 Attachment 1 - Copy of the final journal entries submitted by Aqua for the  
50 Indianola water system acquisition

51 Revenue Requirement Schedules

52 Q. Please describe Schedule 1.1 C, Statement of Operating Income with  
53 Adjustments.

54 A. Schedule 1.1 C derives the required revenue at the Staff proposed Rate of  
55 Return. Column (b) presents the Company's pro forma operating statement at  
56 present rates for the test year as reflected on its Schedule C-1. Column (c)  
57 reflects the total of all Staff Adjustments shown on Schedule 1.2 C. Column (d)  
58 reflects the pro forma operating statement at present rates per Staff. Column (e)  
59 presents the Company's Proposed Increase to Revenue. Column (f) adjusts  
60 revenue to reflect Staff's Gross Revenue Conversion Factor. Column (g) is  
61 Staff's pro forma operating statement inclusive of the Company's proposed  
62 revenue increase. Column (h) is the necessary reduction from the Company's  
63 proposed revenues, adjusted for Staff's Gross Revenue Conversion Factor, to

64 arrive at Staff's computed Revenue Requirement reflected in column (i). Line 24  
65 is the difference between current revenues and required revenues as determined  
66 by Staff. Line 25 is Staff's calculated percentage change in revenues. Net  
67 Operating Income in column (i), line 21, is the product of Rate Base, line 22, and  
68 Rate of Return, line 21.

69 Q. Please describe Schedule 1.2 C, Adjustments to Operating Income.

70 A. Schedule 1.2 C identifies Staff's adjustment to Operating Income. The source of  
71 each adjustment is shown in the heading of each column. Column (y) from page  
72 3 is carried forward to Schedule 1.1 C, column (c).

73 Q. Please describe Schedule 1.3 C, Rate Base.

74 A. Schedule 1.3 C compiles Staff's Rate Base. Column (b) reflects the Company's  
75 proposed Rate Base. Column (c) summarizes Staff's adjustment to Rate Base.  
76 Column (d) is the net of columns (b) and (c), and reflects Staff's computed Rate  
77 Base.

78 Q. Please describe Schedule 1.4 C, Adjustments to Rate Base.

79 A. Schedule 1.4 C identifies Staff's adjustments to Rate Base. The source of each  
80 adjustment is shown in the heading of each column. Column (q) is carried  
81 forward to Schedule 1.3 C, column (c).

82 Interest Synchronization

83 Q. Please describe Schedule 1.5 C, Interest Synchronization Adjustment.

84 A. Schedule 1.5 C computes the interest component of Revenue Requirement. The  
85 Interest Expense (component) is computed by multiplying the Rate Base by  
86 Weighted Cost of Debt. The calculated Interest Expense is then compared to the  
87 Interest Expense used by the Company in its computation of test year Income  
88 Tax Expense. The tax effect of the difference in Interest Expense is the  
89 adjustment for Interest Synchronization. The effect of this adjustment is to ensure  
90 that the Revenue Requirement reflects the tax savings generated by the interest  
91 component of Revenue Requirement.

92 Gross Revenue Conversion Factor

93 Q. Please describe Schedule 1.6 C, Gross Revenue Conversion Factor.

94 A. Schedule 1.6 C presents Staff's proposed Gross Revenue Conversion Factor  
95 ("GRCF"). The GRCF is applied to the operating income deficiency to derive the  
96 change in Revenue Requirement. It is based upon the applicable federal tax rate,  
97 state income tax rate, and uncollectible rate. The GRCF is used in the calculation  
98 of the Revenue Requirement in columns (f) through (h) of Schedule 1.1 C.

99 Adjustment to Cash Working Capital

100 Q. Please describe Schedule 1.7 C, Adjustment to Cash Working Capital.

101 A. Schedule 1.7 C reflects my adjustment to Cash Working Capital resulting from  
102 Staff adjustments to operating expense. Staff is not taking issue with the  
103 Company's method of calculating cash working capital; rather, the amounts used  
104 in the formula have changed as a result of Staff adjustments.

105 Adjustment to Accumulated Depreciation

106 Q. Please describe Schedule 1.8 C, Adjustment to Accumulated Depreciation.

107 A. Schedule 1.8 C reflects my adjustment to increase the amount of accumulated  
108 depreciation related to the Indianola water system acquisition. The Commission  
109 order, dated October 22 2003, granted approval in Docket No. 03-0069 of the  
110 acquisition of the Indianola water system and the original cost of that system.  
111 The Company was required by the Order in Docket No. 03-0069 to file its final  
112 journal entries within six months of the closing of the transaction. The original  
113 cost study for the Indianola water system was dated October 1, 2002. Aqua filed  
114 its final journal entries with the Commission on April 2, 2004. These entries are  
115 presented on Attachment 1 to my testimony. As shown on Attachment 1, the final  
116 journal entries were posted on December 31 2003. The journal entries filed by  
117 Aqua were not updated for Accumulated Depreciation and that has caused the  
118 Company's amount for Accumulated Depreciation in this proceeding to be  
119 understated.

120 Q. Please explain.

121 A. The Company recorded the final journal entries for the Indianola acquisition in  
122 December of 2003. This is 15 months after the date of the original cost study.  
123 The original cost study states: "A summary of our findings is set forth on the next  
124 page, which shows the total estimated original cost less depreciation in the  
125 amount of \$218,000 *as of October 1, 2002.*" (Emphasis added) In the Direct  
126 Testimony of John Gustella in Docket No. 03-0069, he states: "I estimated that

127 the depreciated original cost *as of October 1, 2002* is \$218,000.” (Emphasis  
128 added) The Company’s journal entries posted on December 31, 2003 reflect the  
129 same amount of accumulated depreciation for the Indianola water system assets  
130 as the original cost study, which estimated the original cost as of October 1,  
131 2002. This caused an understatement of accumulated depreciation. The  
132 Company should have updated accumulated depreciation to reflect the fact that  
133 the assets continued to depreciate between October 1, 2002 and December 31,  
134 2003. The assets continued to depreciate because of the passage of time  
135 regardless of whether they were recorded on Aqua’s books. In its final journal  
136 entries to record the acquisition of the Indianola system, the Company failed to  
137 update the accumulated depreciation amounts for the time period between the  
138 original cost study of October 1, 2002 and the actual date the acquisition was  
139 recorded on the books, December 31, 2003.

140 Q. Does this error carry through to the amounts for the December 31, 2005 future  
141 test year?

142 A. Yes. The Company’s starting point for the amounts in this filing was the actual  
143 amounts on the books at December 31, 2003. The amount of Accumulated  
144 Depreciation at December 31, 2003 was understated due to the failure to  
145 properly update for the intervening time period between the original cost study  
146 and the recording of the final journal entries. My adjustment recognizes the fact  
147 that for 15 months the water system was serving the community; therefore, it is  
148 appropriate to continue to accumulate depreciation on the plant assets.

149 Accordingly, I am adjusting the Accumulated Depreciation related to the  
150 acquisition of the Indianola water system.

151 Q. Has the Commission accepted a similar adjustment in a prior proceeding?

152 A. Yes. In Aqua Docket No. 03-0403 the Commission accepted a similar adjustment  
153 related to Aqua's acquisition of the Grant Park water system. In that Order the  
154 Commission stated:

155 The Commission concludes that, until the transaction actually closed, the  
156 acquired system was operated by its former owner, and it continued to  
157 depreciate due to its operation. (Docket No. 03-0403, dated April 13,  
158 2004 at 6)

159 Q. Do you have a related recommendation?

160 A. Yes. Proper journal entries related to the acquisition of the Indianola water  
161 system were to have been recorded after the Order in Docket No. 03-0069 and  
162 reported to the Commission within six months of the date of acquisition or  
163 transfer. The journal entries that were filed were incorrect and should be  
164 corrected.

165 Therefore, I am recommending that the Commission order Aqua to update its  
166 accounting records to reflect the additional Accumulated Depreciation related to  
167 the 15 months for which Aqua failed to recognize the accumulating depreciation  
168 on the Indianola assets and submit a report with journal entries showing the  
169 update to the accounting records. This report should be filed with the Chief Clerk  
170 of the Commission with a copy provided to the Manager of the Accounting  
171 Department within a month of the Order in this proceeding.

172 Adjustment to Deferred Tank Painting

173 Q. Please describe Schedule 1.9 C, Adjustment to Deferred Tank Painting.

174 A. Schedule 1.9 C presents my adjustment to reduce the amount of deferred tank  
175 painting for two reasons. First, the Company had overestimated the cost of the  
176 Indianola 96,000 gallon standpipe painting before bids were solicited. The bids  
177 for this project were considerably lower than the projected amount in the  
178 Company's filing. The Company received four bids for painting the Indianola  
179 96,000 gallon standpipe. I have averaged the bids received for painting the  
180 Indianola standpipe to produce a better estimate of the actual cost to paint the  
181 Indianola standpipe and allow for possible overruns over the lowest bid.  
182 Therefore, I am proposing an adjustment to the projected amount for painting the  
183 Indianola standpipe to an average of the four bids received for the project. With  
184 this estimate, the Company will not be disadvantaged if the actual cost exceeds  
185 the lowest bid and, in addition the ratepayers will not be disadvantaged by paying  
186 rates based upon an estimate that is more than double the lowest bid price.

187 Q. Did your review disclose additional items for which you are making an adjustment  
188 to deferred tank painting?

189 A. Yes. The first related adjustment is the amortization expense related to deferred  
190 tank painting. I noted that the amounts for tank painting in Aqua Schedule B-10  
191 for each year, when combined with the related amortization amounts presented  
192 on Aqua Schedule C-26, are not mathematically correct. The balance at  
193 December 31, 2003 minus the amortization expense for 2004 plus any additional

194           deferrals in 2004 should equal the December 31, 2004 balance of deferred tank  
195           painting. Using that formula with Aqua's Schedules B-10 and C-26 for the 2003-  
196           2004 period, the total is not the same as that presented on Aqua Schedule B-10  
197           for December 31, 2004. The balance shown in the deferred charges related to  
198           tank painting on Schedule B-10 include an additional amount that is not  
199           addressed in Aqua's testimony. I requested additional information from the  
200           Company in Staff data requests MHE 5.02 and MHE 5.03. In response to those  
201           data requests the Company provided information that helped me isolate the  
202           problem. The Company has included incorrect amounts of amortization expense  
203           related to the North Vermilion Spheroid painting in 2004 and 2005. In addition,  
204           the amortization calculated for the Indianola Hydropillar tank painting apparently  
205           was calculated using a twelve-year amortization. This is inconsistent with the  
206           Company's position stated in response to Staff data request MHE 3.06 that it is  
207           using a ten-year amortization period. These errors caused the unamortized  
208           balance of deferred tank painting to be higher than it should be in the test year.  
209           Therefore, I have included an adjustment in the revenue requirement to reduce  
210           deferred tank painting to correct for those amounts.

211           Second, an adjustment to Accumulated Deferred Income Taxes is necessary due  
212           to the adjustment I am proposing for deferred tank painting. That adjustment is  
213           shown on ICC Staff Exhibit 1.0 C, Schedule 1.9 C with the Adjustment to  
214           Deferred Tank Painting.

215           Adjustment to QIPS Revenues

216 Q. Please describe Schedule 1.10 C, Adjustment to QIPS Revenues.

217 A. Schedule 1.10 C presents my adjustment to remove Aqua's QIPS revenue from  
218 the test year revenue requirement. The Company collects QIPS revenue under  
219 the terms of a surcharge rider. The terms of this rider dictate that the Qualified  
220 Infrastructure Plant Surcharge is to be recovered from customers prior to the  
221 inclusion of those plant additions in rate base. Once the plant additions are  
222 included in rate base, the Company is to cease charging the surcharge and  
223 recovering the related revenues. Otherwise, the Company would recover the cost  
224 of its investment twice, once through base rates and then a second time through  
225 the QIPS rider.

226 Adjustment to Wastewater Billing Revenues

227 Q. Please describe Schedule 1.11 C, Adjustment to Wastewater Billing Revenues.

228 A. Schedule 1.11 C presents my adjustment to include Aqua's Wastewater Billing  
229 Revenues in the test year revenue requirement. The Company provides billing  
230 services to the City of Danville. Because the Company's utility resources are  
231 used to support this service, it is proper to treat these revenues as utility  
232 revenues. Otherwise, the Company's shareholders benefit from these revenues  
233 to the detriment of the customers who have to bear the costs incurred to  
234 generate these revenues. According to the response to Staff data request MHE  
235 2.06, the Company has not included these revenues in test year operating  
236 income. Thus, it is necessary to make an adjustment to increase test year  
237 revenues to include wastewater billing revenues.

238 The Company provided the amount of 2003 revenues in response to Staff data  
239 request MHE 2.15. I have projected those amounts to 2005 levels to match the  
240 other operating revenues in the Company's revenue requirement. This  
241 calculation is shown on page 2 of Schedule 1.11 C.

242 Adjustment to Lab Testing Revenues

243 Q. Please describe Schedule 1.12 C, Adjustment to Lab Testing Revenues.

244 A. Schedule 1.12 C presents my adjustment to include Aqua's Lab Testing  
245 Revenues in the test year revenue requirement. Because the Company's utility  
246 resources are used to support this service, it is proper to treat these revenues as  
247 utility revenues. Otherwise, the Company's shareholders benefit from these  
248 revenues to the detriment of the customers who have to bear the costs incurred  
249 to generate these revenues. According to the response to Staff data request  
250 MHE 2.06, the Company has not included these revenues in test year operating  
251 income. Thus, it is necessary to make an adjustment to increase test year  
252 revenues to include lab testing revenues.

253 The Company provided the amount of 2003 revenues in response to Staff data  
254 request MHE 2.15. I have projected those amounts to 2005 levels to match the  
255 other operating revenues in the Company's revenue requirement. This  
256 calculation is shown on page 2 of Schedule 1.12 C.

257 Adjustment to Collection Revenues

258 Q. Please describe Schedule 1.13 C, Adjustment to Collection Revenues.

259 A. Schedule 1.13 C presents my adjustment to include Collection Revenues in the  
260 test year revenue requirement. Because the Company's utility resources are  
261 used to support the collection of payments service for Illinois Power Company, it  
262 is proper to treat these revenues as utility revenues. Otherwise, the Company's  
263 shareholders benefit from these revenues to the detriment of the customers who  
264 have to bear the costs incurred to generate these revenues. According to the  
265 response to Staff data request MHE 2.06, the Company has not included these  
266 revenues in test year operating income. Thus, it is necessary to make an  
267 adjustment to increase test year revenues to include collection revenues.

268 The Company provided the amount of 2003 revenues in response to Staff data  
269 request MHE 2.15. I have projected those amounts to 2005 levels to match the  
270 other operating revenues in the Company's revenue requirement. This  
271 calculation is shown on page 2 of Schedule 1.13 C.

272 Adjustment to Customer Data Revenues

273 Q. Please describe Schedule 1.14 C, Adjustment to Customer Data Revenues.

274 A. Schedule 1.14 C presents my adjustment to include Customer Data Revenues in  
275 the test year revenue requirement. Because the Company's utility resources are  
276 used to support this service, it is proper to treat these revenues as utility  
277 revenues. Otherwise, the Company's shareholders benefit from these revenues  
278 to the detriment of the customers who have to bear the costs incurred to  
279 generate these revenues. According to the response to Staff data request MHE  
280 2.06, the Company has not included these revenues in test year operating

281 income. Thus, it is necessary to make an adjustment to increase test year  
282 revenues to include customer data revenues.

283 The Company provided the amount of 2003 revenues in response to Staff data  
284 request MHE 2.15. I have projected those amounts to 2005 levels to match the  
285 other operating revenues in the Company's revenue requirement. This  
286 calculation is shown on page 2 of Schedule 1.14 C.

287 Amortization Expense

288 Q. Please describe Schedule 1.15 C, Adjustment to Amortization Expense.

289 A. Schedule 1.15 C presents my adjustment to reduce amortization expense due to  
290 the errors described in an earlier section of this testimony concerning deferred  
291 tank painting. The Company had included incorrect amounts of amortization  
292 expense in the test year. According to the Company's response to Staff data  
293 request MHE 5.02, the amount of amortization related to the North Vermilion  
294 Spheroid painting for 2002 and 2003 was at the same level. This is consistent  
295 with the Company's position that it is using a ten-year amortization for the  
296 deferred tank painting. However, the amount of amortization related to the North  
297 Vermilion Spheroid painting increased between 2003 and 2004. This should not  
298 happen unless a new project is added to the deferred balance. The Company  
299 has not indicated that this is the situation. Therefore, I am proposing an  
300 adjustment to correct the test year amortization expense for this error.

301 Conclusion

302 Q. Does this question end your corrected direct testimony?

303 A. Yes.

**OFFICIAL FILE**  
**ILLINOIS COMMERCE COMMISSION**  
Aqua  
Illinois.

Date: March 30, 2004

Aqua Illinois, Inc.  
P.O. Box 152  
1000 South Schuyler Avenue  
Kankakee, IL 60901

~~815.935.8535~~  
F: 815.935.8809  
www.aquaillinois.com

Elizabeth A. Rolando, Chief Clerk  
Illinois Commerce Commission  
527 East Capitol Avenue  
Springfield, Illinois 62701

Re: Order 03-0069

Dear Ms. Rolando:

Please find the attached actual journal entries for the Village of Indianola Acquisition per Order 03-0069. The order requires that one copy of the actual journal entries recording the acquisition be filed with the Chief Clerk's office and a second copy with the Manager of the Commission's Accounting Department. If you have any further questions, I can be reached at (815) 935-6535 extension #521.

Sincerely,



Michael Bratetic  
Vice President - Finance  
Aqua Illinois, Inc. (formerly Consumers Illinois Water Company)

CC: Mary Selvaggio, Manager of Accounting

Enclosures:

240 Date 12/29/03  
Time 16:47

Company 400 - Illinois  
Journal Edit Listing  
For Fiscal Year 2003 - Periods 12 - 12

USD

Docket No. 04-0442  
ICC Staff Exhibit 1.0 C  
Attachment 1  
Page 2 of 3

Journal GL N 9-00 Record Indianola Acq Per 21A Fiscal Year 2003 Period 12  
Status Released Hold Code Operator bmbaker  
Posting Date 12/31/03 Transaction Date 12/29/03 Reverse No  
Reference Document Journal Book

Line	Account	Activity	Reference	SC Rvs	Debit	Credit
1	409 3040-0200	POWER & PUMPING STRUCTURES	Desc Record Indianola Acq Per 21A	JE 1.000000	2,054.00 2,054.00 USD	
2	409 3070-0000	WELLS & SPRINGS	Desc Record Indianola Acq Per 21A	JE 1.000000	7,172.00 7,172.00 USD	
3	409 3110-0000	SOS-PUMPING EQUIPMENT	Desc Record Indianola Acq Per 21A	JE 1.000000	3,036.00 3,036.00 USD	
4	409 3200-0000	WATER TREATMENT EQUIP	Desc Record Indianola Acq Per 21A	JE 1.000000	2,187.00 2,187.00 USD	
5	409 3300-0000	DISTRIBUTION RESRVS & STANDPP	Desc Record Indianola Acq Per 21A	JE 1.000000	69,298.00 69,298.00 USD	
6	409 3310-0000	TRANSMISSION & DISTR	Desc Record Indianola Acq Per 21A	JE 1.000000	224,733.00 224,733.00 USD	
7	409 3330-0000	SERVICES	Desc Record Indianola Acq Per 21A	JE 1.000000	22,958.00 22,958.00 USD	
8	409 3400-0000	OFFICE FURN & EQUIP	Desc Record Indianola Acq Per 21A	JE 1.000000	4,792.00 4,792.00 USD	
9	409 1081-0000	ACCUM DEPR-UPIS	Desc Record Indianola Acq Per 21A	JE 1.000000		980.00 980.00 USD
10	409 1081-0000	ACCUM DEPR-UPIS	Desc Record Indianola Acq Per 21A	JE 1.000000		3,138.00 3,138.00 USD
11	409 1081-0000	ACCUM DEPR-UPIS	Desc Record Indianola Acq Per 21A	JE 1.000000		645.00 645.00 USD
12	409 1081-0000	ACCUM DEPR-UPIS	Desc Record Indianola Acq Per 21A	JE 1.000000		1,640.00 1,640.00 USD
13	409 1081-0000	ACCUM DEPR-UPIS	Desc Record Indianola Acq Per 21A	JE 1.000000		24,254.00 24,254.00 USD
14	409 1081-0000	ACCUM DEPR-UPIS	Desc Record Indianola Acq Per 21A	JE 1.000000		72,476.00 72,476.00 USD

1240 Date 12/29/03  
Time 16:47

Company 400 - Illinois  
Journal Edit Listing  
For Fiscal Year 2003 - Periods 12 - 12

USD

Docket No. 04-0442  
ICC Staff Exhibit 1.0  
Attachment 1  
Page 3 of 3

Journal	GL N	9-00 Record Indianola Acq Per 21A	Fiscal Year	2003	Period	12	(Continued)
Line	Account	Activity	Reference	SC Rvs	Debit	Credit	
15	409	1081-0000		JE		12,340.00	
	ACCUM DEPR-UPIS	Desc Record Indianola Acq Per 21A		1.000000		12,340.00 USD	
16	409	1081-0000		JE		2,335.00	
	ACCUM DEPR-UPIS	Desc Record Indianola Acq Per 21A		1.000000		2,335.00 USD	
17	409	1040-0000		JE		210,422.00	
	UTIL PLANT PURCHASED/SOLD	Desc Record Indianola Acq Per 21A		1.000000		210,422.00 USD	
18	409	1040-0000		JE	79,390.11		
	UTIL PLANT PURCHASED/SOLD	Desc Record Incidental cost to 1040		1.000000	79,390.11 USD		
19	409	1059-0000 400401600002001 900		JE		79,390.11	
	CMIP-CLOSING	Desc Record Incidental cost to 1040		1.000000		79,390.11 USD	
20	409	1040-0000		JE	139,031.89		
	UTIL PLANT PURCHASED/SOLD	Desc Rec Indianola Acq Adj per 21B		1.000000	139,031.89 USD		
21	409	1140-0000		JE		139,031.89	
	U PLANT ACQ ADJ	Desc Rec Indianola Acq Adj per 21B		1.000000		139,031.89 USD	

** Totals For Journal entry N-	9-00 , Source Code JE	Debits	Credits	Difference
	Base . . . . .	554,652.00	554,652.00	0.00
	Reverse . . . . .	0.00	0.00	0.00
	Entered . . . . .	554,652.00	554,652.00	0.00
	Unit . . . . .	0.00	0.00	0.00
** Totals For Journal entry N-	9-00	Debits	Credits	Difference
	Base . . . . .	554,652.00	554,652.00	0.00
	Reverse . . . . .	0.00	0.00	0.00
	Entered . . . . .	554,652.00	554,652.00	0.00
	Unit . . . . .	0.00	0.00	0.00

**Aqua Illinois Water Company**  
**Statement of Operating Income with Adjustments**  
 For the Test Year Ending December 31, 2005  
 (In Thousands)

Line No.	Description	Company Pro Forma Present (Co. Sch. C-1)	Staff Adjustments (ICC Staff Ex. 1.0 C, Sch. 1.2 C)	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Co. Sch. C-1)	Staff Gross Revenue Conversion Factor	Proposed Rates With Staff Adjustments (Cols. d+e+f)	Adjustment To Proposed Increase	Staff Pro Forma Proposed (Cols. g+h)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Operating Revenue	\$ 10,776,442	\$ -	\$ 10,776,442	\$ 1,538,903	\$ -	\$ 12,315,345	\$ (248,897)	\$ 12,066,448
2	Other Revenues	-	(379,373)	(379,373)	-	-	(379,373)	-	(379,373)
3	Total Operating Revenue	10,776,442	(379,373)	10,397,069	1,538,903	-	11,935,972	(248,897)	11,687,075
4	Uncollectible Expense	36,432	(1,282)	35,150	5,203	\$ -	40,353	(842)	39,511
5	Wages & Salaries	1,114,294	(151,268)	963,026	-	-	963,026	-	963,026
6	Employee Benefits	434,748	-	434,748	-	-	434,748	-	434,748
7	Contractual Services	1,224,274	(50,758)	1,173,516	-	-	1,173,516	-	1,173,516
8	Operation and Maintenance Expense	1,261,509	(21,118)	1,240,391	-	-	1,240,391	-	1,240,391
9	Depreciation Expense	1,973,685	-	1,973,685	-	-	1,973,685	-	1,973,685
10	Regulatory Expense Amortization	73,580	-	73,580	-	-	73,580	-	73,580
11	Taxes Other than Income	771,571	(18,940)	752,631	-	-	752,631	-	752,631
12	Miscellaneous Expense	62,038	(62,114)	(76)	-	-	(76)	-	(76)
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	6,952,131	(305,480)	6,646,651	5,203	-	6,651,854	(842)	6,651,012
17	State Income Tax	164,944	(8,047)	156,897	110,120	(1)	267,016	(17,810)	249,206
18	Federal Income Tax	746,312	(36,411)	709,901	498,253	1	1,208,155	(80,586)	1,127,569
19	Deferred Taxes and ITCs Ne	(24,044)	-	(24,044)	-	-	(24,044)	-	(24,044)
20	Total Operating Expense:	7,839,343	(349,938)	7,489,405	613,576	-	8,102,981	(99,238)	8,003,743
21	NET OPERATING INCOME	\$ 2,937,099	\$ (29,435)	\$ 2,907,664	\$ 925,327	\$ -	\$ 3,832,991	\$ (149,659)	\$ 3,683,332
22	Staff Rate Base (ICC Staff Exhibit 1.0 C, Schedule 1.3 C, Column (d))								\$ 41,999,220
23	Staff Overall Rate of Return (ICC Staff Exhibit 3.0, Schedule 3.1)								8.77%
24	Revenue Change (Col. (i) Line 3 minus Col. (d), Line 3)								\$ 1,290,006
25	Percentage Revenue Change (Col. (i), Line 3 divided by Col. (d), Line 3)								12.41%

**Aqua Illinois Water Company**  
**Adjustments to Operating Income**  
 For the Test Year Ending December 31, 2005  
 (In Thousands)

Line No.	Description	Interest Synchronization	QIP Revenues	Wastewater Billing Revenues	Lab Testing Revenues	Customer Data Revenues	Collection Revenues	Deferred Tank Painting Amortization Expense	Subtotal Operating Statement Adjustments
		(ICC Staff Ex. 1.0 C, Sch. 1.5 C)	(ICC Staff Ex. 1.0 C, Sch. 1.10 C)	(ICC Staff Ex. 1.0 C, Sch. 1.11 C)	(ICC Staff Ex. 1.0 C, Sch. 1.12 C)	(ICC Staff Ex. 1.0 C, Sch. 1.14 C)	(ICC Staff Ex. 1.0 C, Sch. 1.13 C)	(ICC Staff Ex. 1.0 C, Sch. 1.15 C)	(i)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Other Revenues	-	(517,063)	116,483	9,282	8,517	3,408	-	(379,373)
3	Total Operating Revenue	-	(517,063)	116,483	9,282	8,517	3,408	-	(379,373)
4	Uncollectible Expense	-	(1,748)	394	31	29	12	-	(1,282)
5	Wages & Salaries	-	-	-	-	-	-	-	-
6	Employee Benefits	-	-	-	-	-	-	-	-
7	Contractual Services	-	-	-	-	-	-	-	-
8	Operation and Maintenance Expense	-	-	-	-	-	-	-	-
9	Depreciation Expense	-	-	-	-	-	-	-	-
10	Regulatory Expense Amortization	-	-	-	-	-	-	-	-
11	Taxes Other than Income	-	-	-	-	-	-	-	-
12	Miscellaneous Expense	-	-	-	-	-	-	(9,064)	(9,064)
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Total Operating Expense	-	(1,748)	394	31	29	12	(9,064)	(10,346)
16	Before Income Taxes	-	(1,748)	394	31	29	12	(9,064)	(10,346)
17	State Income Tax	(2,741)	(37,000)	8,335	664	609	244	651	(29,238)
18	Federal Income Tax	(12,404)	(167,410)	37,714	3,005	2,757	1,103	2,945	(132,290)
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	(15,145)	(206,158)	46,443	3,700	3,395	1,359	(5,468)	(171,874)
21	NET OPERATING INCOME	\$ 15,145	\$ (310,905)	\$ 70,040	\$ 5,582	\$ 5,122	\$ 2,049	\$ 5,468	\$ (207,499)

**Aqua Illinois Water Company**  
**Adjustments to Operating Income**  
 For the Test Year Ending December 31, 2005  
 (In Thousands)

Line No.	Description	Subtotal Operating Statement Adjustments	Wages and Salary Expense (ICC Staff Ex. 2.0, Sch. 2.1)	Payroll Tax Expense-FICA (ICC Staff Ex. 2.0, Sch. 2.2)	Payroll Tax Expense SUTA (ICC Staff Ex. 2.0, Sch. 2.3)	Payroll Tax Expense FUTA (ICC Staff Ex. 2.0, Sch. 2.4)	Incentive Compensation (ICC Staff Ex. 2.0, Sch. 2.5)	Workers Compensation Insurance (ICC Staff Ex. 2.0, Sch. 2.6)	Subtotal Operating Statement Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Operating Revenue	\$ -	\$ -	\$ -				\$ -	\$ -
2	Other Revenues	(379,373)	-	-	-	-	-	-	(379,373)
3	Total Operating Revenue	(379,373)	-	-	-	-	-	-	(379,373)
4	Uncollectible Expense	(1,282)	-	-	-	-	-	-	(1,282)
5	Wages & Salaries	-	(129,800)	-	-	-	(21,468)	-	(151,268)
6	Employee Benefits	-	-	-	-	-	-	-	-
7	Contractual Services	-	-	-	-	-	(12,322)	-	(12,322)
8	Operation and Maintenance Expense	-	-	-	-	-	-	(21,118)	(21,118)
9	Depreciation Expense	-	-	-	-	-	-	-	-
10	Regulatory Expense Amortization	-	-	-	-	-	-	-	-
11	Taxes Other than Income	-	-	(13,464)	(5,345)	(131)	-	-	(18,940)
12	Miscellaneous Expense	(9,064)	-	3,576	1,419	35	-	-	(4,034)
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	(10,346)	(129,800)	(9,888)	(3,926)	(96)	(33,790)	(21,118)	(208,964)
17	State Income Tax	(29,238)	9,320	710	282	7	2,426	1,516	(14,977)
18	Federal Income Tax	(132,290)	42,168	3,212	1,275	31	10,977	6,861	(67,766)
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	(171,874)	(78,312)	(5,966)	(2,369)	(58)	(20,387)	(12,741)	(291,707)
21	NET OPERATING INCOME	\$ (207,499)	\$ 78,312	\$ 5,966	\$ 2,369	\$ 58	\$ 20,387	\$ 12,741	\$ (87,666)

**Aqua Illinois Water Company**  
**Adjustments to Operating Income**  
 For the Test Year Ending December 31, 2005  
 (In Thousands)

Line No.	Description	Subtotal Operating Statement Adjustments	Advertising Expense (ICC Staff Ex. 2.0, Sch. 2.7)	Charitable Contributions (ICC Staff Ex. 2.0, Sch. 2.8)	Other Expense Membership Dues (ICC Staff Ex. 2.0, Sch. 2.10)	Other Expense Lobbying Fees (ICC Staff Ex. 2.0, Sch. 2.11)	Collection Expense (ICC Staff Ex. 2.0, Sch. 2.12)	(source)	Total Operating Statement Adjustments
	(a)	(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Other Revenues	(379,373)	-	-	-	-	-	-	(379,373)
3	Total Operating Revenue	(379,373)	-	-	-	-	-	-	(379,373)
4	Uncollectible Expense	(1,282)	-	-	-	-	-	-	(1,282)
5	Wages & Salaries	(151,268)	-	-	-	-	-	-	(151,268)
6	Employee Benefits	-	-	-	-	-	-	-	-
7	Contractual Services	(12,322)	-	-	-	-	(38,436)	-	(50,758)
8	Operation and Maintenance Expense	(21,118)	-	-	-	-	-	-	(21,118)
9	Depreciation Expense	-	-	-	-	-	-	-	-
10	Regulatory Expense Amortization	-	-	-	-	-	-	-	-
11	Taxes Other than Income	(18,940)	-	-	-	-	-	-	(18,940)
12	Miscellaneous Expense	(4,034)	(9,540)	(27,675)	(744)	(875)	(19,246)	-	(62,114)
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	(208,964)	(9,540)	(27,675)	(744)	(875)	(57,682)	-	(305,480)
17	State Income Tax	(14,977)	685	1,987	53	63	4,142	-	(8,047)
18	Federal Income Tax	(67,766)	3,099	8,991	242	284	18,739	-	(36,411)
19	Deferred Taxes and ITCs Ne	-	-	-	-	-	-	-	-
20	Total Operating Expense:	(291,707)	(5,756)	(16,697)	(449)	(528)	(34,801)	-	(349,938)
21	NET OPERATING INCOME	\$ (87,666)	\$ 5,756	\$ 16,697	\$ 449	\$ 528	\$ 34,801	\$ -	\$ (29,435)

**Aqua Illinois Water Company**  
**Rate Base**  
 For the Test Year Ending December 31, 2005  
 (In Thousands)

Line No.	Description	Company Pro Forma Rate Base (Aqua Sch B-2)	Staff Adjustments (St. Ex. 1.0 C Sch 1.4 C)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Utility Plant in Service	\$ 67,453,190	\$ 24,560	\$ 67,477,750
2	Accumulated Depreciation	(18,365,531)	(4,211)	(18,369,742)
3		-	-	-
4	Net Plant	49,087,659	20,349	49,108,008
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	(34,061)	525,152
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)	-	(299,378)
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-Federal	(4,214,226)	27,610	(4,186,616)
21	Deferred Income Taxes-State	(685,623)	4,998	(680,625)
22		-	-	-
23	Rate Base	<u>\$ 42,078,884</u>	<u>\$ (79,664)</u>	<u>\$ 41,999,220</u>

**Aqua Illinois Water Company**  
**Adjustments to Rate Base**  
 For the Test Year Ending December 31, 2005  
 (In Thousands)

Line No.	Description	Cash Working Capital (ICC St. Ex. 1.0 C, Sch. 1.7 C)	Indianola Accumulated Depreciation (ICC St. Ex. 1.0 C, Sch.1.8 C)	Deferred Tank Painting (ICC St. Ex. 1.0 C, Sch.1.9 C)	Payroll (ICC St. Ex. 2.0, Sch. 2.1)	Payroll Tax Expense-FICA (ICC St. Ex. 2.0, Sch. 2.2)	Payroll Tax Expense-SUTA (ICC St. Ex. 2.0, Sch. 2.3)	Payroll Tax Expense-FICA (ICC St. Ex. 2.0, Sch. 2.4)	Subtotal Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Gross Utility Plant in Service	\$ -	\$ -	\$ -	\$ 29,590	\$ (3,576)	\$ (1,419)	\$ (35)	\$ 24,560
2	Accumulated Depreciation	-	(4,211)	-	-	-	-	-	(4,211)
3		-	-	-	-	-	-	-	-
4	Net Plant	-	(4,211)	-	29,590	(3,576)	(1,419)	(35)	20,349
5	Additions to Rate Base								
6	Property Held for future use	-	-	-	-	-	-	-	-
7	Deferred Charges	-	-	(69,604)	-	-	-	-	(69,604)
8	Materials and Supplies	-	-	-	-	-	-	-	-
9	Cash Working Capital	(34,061)	-	-	-	-	-	-	(34,061)
10	Amort. Of Contributions in Aid of Constructio	-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base								
17	FAS 87 Pension	-	-	-	-	-	-	-	-
18	Customer Advances	-	-	-	-	-	-	-	-
19	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
20	Deferred Income Taxes-Federal	-	-	27,610	-	-	-	-	27,610
21	Deferred Income Taxes-State	-	-	4,998	-	-	-	-	4,998
22		-	-	-	-	-	-	-	-
23	Rate Base	\$ (34,061)	\$ (4,211)	\$ (36,996)	\$ 29,590	\$ (3,576)	\$ (1,419)	\$ (35)	\$ (50,708)



**Aqua Illinois Water Company**  
**Interest Synchronization Adjustment**  
 For the Test Year Ending December 31, 2005  
 (In Thousands)

Line No.	Description (a)	Amount (b)
1	Gross Utility Plant in Service	\$ 41,999,220 (1)
2	Weighted Cost of Debt	3.60% (2)
3	Synchronized Interest Per Staff	1,511,972
4	Company Interest Expense	<u>1,473,790</u> (3)
5	Increase (Decrease) in Interest Expense	<u>38,182</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 7.180%	<u>\$ (2,741)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ (12,404)</u>

(1) Source: ICC Staff Ex. 1.0 C, Schedule 1.3 C, Column d .

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

(3) Source: Company Schedule C-4 page 3 of 4.

**Aqua Illinois Water Company**  
**Gross Revenue Conversion Factor**  
 For the Test Year Ending December 31, 2005  
 (In Thousands)

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		<u>0.925062</u>	<u>0.928200</u>
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 Staf		<u>1.663091</u>	<u>1.657468</u>

Aqua Illinois Water Company  
Adjustment to Cash Working Capital  
For the Test Year Ending December 31, 2005  
(In Thousands)

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Cash Working Capital Per Staff	521,189	ICC Staff Ex. 1.0 C, Schedule 1.7 C, p. 2
2	Cash Working Capital Per Company	<u>559,213</u>	Aqua Illinois WP B8
3	Difference-Staff Adjustment	<u><u>(38,025)</u></u>	

**Aqua Illinois Water Company**  
**Adjustment to Cash Working Capital**  
For the Test Year Ending December 31, 2005  
(In Thousands)

Line No.	Description (a)	Amount (b)
1	Operating Expense Per Staff	6,651,012 ICC Staff Ex. 1.0 C, Sch. 1.1 C
2	Less Non-Cash Items:	
3	Uncollectible Accounts Expense	39,511 ICC Staff Ex. 1.0 C, Sch. 1.1 C
4	Amortization of Rate Case Expense	73,580 ICC Staff Ex. 1.0 C, Sch. 1.1 C
5	Depreciation Expense	1,973,685 ICC Staff Ex. 1.0 C, Sch. 1.1 C
6	Real Estate Tax Expense	<u>394,728</u> from Aqua Illinois Sch. C-18
7	Operating Expense Requiring Cash Working Capital	4,169,508
8	45 (lag days)/ 360 (30 day month year)	12.5%
9	Cash Working Capital Per Staff	<u><u>521,189</u></u>

**Aqua Illinois Water Company-Vermilion Division  
Adjustment to Indianola Accumulated Depreciation  
For the test year ended December 31, 2005**

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Accumulated Depreciation-Indianola Acquisition Per Company	\$ 124,545	ICC Staff Ex. 1.0 C, Schedule 1.8 C, page 2 of 2, line 13
2	Accumulated Depreciation-Indianola Acquisition Per Staff	<u>128,756</u>	ICC Staff Ex. 1.0 C, Schedule 1.8 C, page 2 of 2, line 26
3	Difference-Staff Adjustment-Increase to Accumulated Depreciation	<u>\$ (4,211)</u>	

Aqua Illinois Water Company-Vermilion Division  
 Adjustment to Indianola Accumulated Depreciation  
 For the test year ended December 31, 2005

Amounts Per Staff

Line No.	Acct No.*	Acct. Description*	General Description*	Year*	Original Cost per Original Cost Study*	Accumulated Depreciation as of date of Original Cost Study 10/1/2002*	Annual Depreciation Expense (1)	Accumulated Depreciation as of 12/31/2002 [(f)+(g) x .25]	Annual Depreciation Expense (1)	Accumulated Depreciation as of 12/31/2003 (h)+(i)	Annual Depreciation Expense (1)	Accumulated Depreciation as of 12/31/2004 (j)+(k)	Annual Depreciation Expense (1)	Accumulated Depreciation as of 12/31/2005 (l)+(m)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	
1	331	Transmission & Distribution Mains	Cl Pipe	1970	\$ 45,285	\$ 14,604	\$ 856	\$ 14,818	\$ 856	\$ 15,674	\$ 856	\$ 16,530	\$ 856	\$ 17,386
2	331	Transmission & Distribution Mains	Cl Pipe	1970	179,448	57,872	3,392	58,720	3,392	62,111	3,392	65,503	3,392	68,895
3	333	Services	Galvanized Lines	1970	22,958	12,340	765	12,531	765	13,296	765	14,060	765	14,825
4	335	Hydrants	Mueller Improved Fire Hydrants	1970	3,280	2,116	130	2,148	130	2,278	130	2,408	130	2,537
5	335	Hydrants	Mueller Improved Fire Hydrants	1995	1,512	219	60	234	60	294	60	353	60	413
6	307	Wells & Springs	Well #3	1976	7,172	3,138	120	3,168	120	3,288	120	3,407	120	3,527
7	311	Electric Pumping Equipment	Red Jacket Submersible Pump	1998	3,036	645	95	669	95	764	95	859	95	954
8	320	Water Treatment Equipment	Chlorine Feed	1976	1,743	1,307	62	1,323	62	1,385	62	1,447	62	1,509
9	320	Water Treatment Equipment	Flouride Feed	1976	444	333	16	337	16	353	16	369	16	385
10	330	Distribution Reservoirs & Standpipes	Elevated Water Tank	1976	69,298	24,254	1,157	24,543	1,157	25,701	1,157	26,858	1,157	28,015
11	304	Structures & Improvements	Cement Block Well House	1976	\$ 2,054	\$ 980	\$ 86	\$ 1,001	\$ 86	\$ 1,087	\$ 86	\$ 1,173	\$ 86	\$ 1,258
12		Total			336,230	117,808		119,492		126,229		132,966		139,703
13		Accumulated Depreciation per Staff related to Indianola [avg. of col (f) and (n)]								Average per Staff				\$ 128,756

Amounts Per Company

Line No.	Acct No.	Acct. Description	General Description	Year	Original Cost per Original Cost Study	Recorded at 12/31/2003 Accumulated Depreciation as of date of Original Cost Study 10/1/2002	Annual Depreciation Expense (1)	12/31/2002	Annual Depreciation Expense (1)	12/31/2003	Annual Depreciation Expense (1)	12/31/2004	Annual Depreciation Expense (1)	12/31/2005
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
1	331	Transmission & Distribution Mains	Cl Pipe	1970	\$ 45,285	\$ 14,604	\$ 856			\$ 14,604	856	15,460	856	16,316
2	331	Transmission & Distribution Mains	Cl Pipe	1970	179,448	57,872	3,392			57,872	3,392	61,264	3,392	64,655
3	333	Services	Galvanized Lines	1970	22,958	12,340	765			12,340	765	13,105	765	13,869
4	335	Hydrants	Mueller Improved Fire Hydrants	1970	3,280	2,116	130			2,116	130	2,246	130	2,375
5	335	Hydrants	Mueller Improved Fire Hydrants	1995	1,512	219	60			219	60	279	60	338
6	307	Wells & Springs	Well #3	1976	7,172	3,138	120			3,138	120	3,258	120	3,378
7	311	Electric Pumping Equipment	Red Jacket Submersible Pump	1998	3,036	645	95			645	95	740	95	835
8	320	Water Treatment Equipment	Chlorine Feed	1976	1,743	1,307	62			1,307	62	1,369	62	1,431
9	320	Water Treatment Equipment	Flouride Feed	1976	444	333	16			333	16	349	16	365
10	330	Distribution Reservoirs & Standpipes	Elevated Water Tank	1976	69,298	24,254	1,157			24,254	1,157	25,411	1,157	26,568
11	304	Structures & Improvements	Cement Block Well House	1976	\$ 2,054	\$ 980	\$ 86			980	86	1,066	86	1,151
12		Total			336,230	117,808				117,808		124,545		131,282
13		Accumulated Depreciation in filing related to Indianola [avg. of col (f) and (n)]								Average per Company				\$ 124,545

Source:  
 (1) ICC Staff Ex. 1.0 C, Sch. 1.8 C, page 3 of 3

**Aqua Illinois Water Company-Vermilion Division  
 Adjustment to Indianola Accumulated Depreciation  
 For the test year ended December 31, 2005**

Line No.	Acct No.	Acct. Description	General Description	Original Cost per Original Cost Study	Depreciation Rates (3)	Annual Depreciation Expense (d) x (f)
	(a)	(b)	(c)	(d)	(e)	(f)
1	331	Transmission & Distribution Mains	CI Pipe	\$ 45,285	1.89%	\$ 856
2	331	Transmission & Distribution Mains	CI Pipe	179,448	1.89%	3,392
3	333	Services	Galvanized Lines	22,958	3.33%	765
4	335	Hydrants	Mueller Improved Fire Hydrants	3,280	3.95%	130
5	335	Hydrants	Mueller Improved Fire Hydrants	1,512	3.95%	60
6	307	Wells & Springs	Well #3	7,172	1.67%	120
7	311	Electric Pumping Equipment	Red Jacket Submersible Pump	3,036	3.13%	95
8	320	Water Treatment Equipment	Chlorine Feed	1,743	3.57%	62
9	320	Water Treatment Equipment	Flouride Feed	444	3.57%	16
10	330	Distribution Reservoirs & Standpipes	Elevated Water Tank	69,298	1.67%	1,157
11	304	Structures & Improvements	Cement Block Well House	2,054	4.17%	86
				<u>\$ 336,230</u>		<u>\$ 6,737</u>

Source:

Col. (a) through (d): Appendix A to Attachment E of Aqua Petition to acquire Indianola's Water System labeled Indianola Valuation Study  
 Col (e): Depreciation Rates per Aqua Schedule C-12

**Aqua Illinois Water Company-Vermilion Division  
 Adjustment to Deferred Tank Painting  
 For the test year ended December 31, 2005**

Line No.	Description (a)	Amount (b)	Source (c)
	<u>Correction for Incorrect Amortization</u>		
1	Deferred Tank Painting per Staff	\$ 717,996	ICC Staff Ex. 1.0 C, Schedule 1.9 C, page 2 of 5, col. (k), line 9
2	Deferred Tank Painting per Company	<u>740,662</u>	Aqua Sch. B-10, col. (J), line 17
3	Difference-Staff Adjustment to correct amortization error	<u>\$ (22,667)</u>	ICC Staff Ex. 1.0 C, Schedule 1.9 C, page 2 of 5, col. (k), line 11
	<u>Adjustment for projection in excess of average bid price</u>		
4	Deferred Tank Painting per Staff	\$ 671,059	ICC Staff Ex. 1.0 C, Schedule 1.9 C, page 3 of 5, col. (k), line 20
5	Corrected Deferred Tank Painting per Company	<u>717,996</u>	line 1
6	Difference-Staff Adjustment to correct for excess bid	<u>\$ (46,936)</u>	ICC Staff Ex. 1.0 C, Schedule 1.9 C, page 2 of 5, col. (k), line 22

**Aqua Illinois Water Company-Vermilion Division  
 Adjustment to Deferred Tank Painting  
 For the test year ended December 31, 2005**

Line No.	Description	<u>Amortization Correction</u>										2005 Average Balance [(h)+(j)/2]
		Balance at 12/31/2001	Amortization	Balance at 12/31/2002	Amortization	Balance at 12/31/2003	Amortization	Balance at 12/31/2004	Amortization	Balance at 12/31/2005		
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(l)	(j)	(k)	
1	Fowler Tank Painting	-	-	-	-	-	17,500	232,500	24,690	207,810	220,155	
2	Vermilion Tank Painting	-	-	-	-	-	-	-	-	-	-	
3	Eastgate Tank Painting	4,277	4,277	-	-	-	-	-	-	-	-	
4	Ross Lane Tank Painting	94,721	14,762	79,959	14,761	65,198	14,761	50,437	14,762	35,675	43,056	
5	North Vermilion 3.0 MG Standpipe Painting	229,333	25,248	204,085	25,248	178,837	25,248	153,589	25,248	128,341	140,965	
6	North Vermilion Spheroid Painting	248,414	27,348	221,066	27,349	193,717	27,348	166,369	27,349	139,020	152,695	
7	Dam Gates and Plant Piping Painting	-	-	-	-	-	3,125	71,875	7,500	64,375	68,125	
8	Indianola Hydropillar 100,000 gal. Tank Painting	-	-	-	-	-	2,000	98,000	10,000	88,000	93,000	
9	Balance at end of year after amortization per Company	576,745	71,635	505,110	67,358	437,752	89,982	772,770	109,549	663,221	717,996	
10	Deferred Charges-Tank Painting per Aqua Sch B-10										740,662	
11	Difference-Correction for amortization error										(22,667)	

Column (g) and (l), line 6 adjusted to be consistent with previous year's amortization of same deferred amount.

Column (g) line 8 adjusted to a ten-year amortization of \$100,000.

Column (h) line 6 adjusted to correct balance with corrected amortization

**Aqua Illinois Water Company-Vermilion Division  
 Adjustment to Deferred Tank Painting  
 For the test year ended December 31, 2005**

<u>Adjust for over-bid projection</u>											
Line No.	Description	Balance at 12/31/2001	Amortization	Balance at 12/31/2002	Amortization	Balance at 12/31/2003	Amortization	Balance at 12/31/2004	Amortization	Balance at 12/31/2005	Average Balance [(h)+(j)/2]
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	Fowler Tank Painting	-	-	-	-	-	17,500	232,500	24,690	207,810	220,155
2	Vermilion Tank Painting	-	-	-	-	-	-	-	-	-	-
3	Eastgate Tank Painting	4,277	4,277	-	-	-	-	-	-	-	-
4	Ross Lane Tank Painting	94,721	14,762	79,959	14,761	65,198	14,761	50,437	14,762	35,675	43,056
5	North Vermilion 3.0 MG Standpipe Painting	229,333	25,248	204,085	25,248	178,837	25,248	153,589	25,248	128,341	140,965
6	North Vermilion Spheroid Painting	248,414	27,348	221,066	27,349	193,717	27,348	166,369	27,349	139,020	152,695
7	Dam Gates and Plant Piping Painting	-	-	-	-	-	3,125	71,875	7,500	64,375	68,125
8	Indianola Hydropillar 100,000 gal. Tank Painting	-	-	-	-	-	823	48,531	4,935	43,596	46,064
9	Balance at end of year after amortization per Company	576,745	71,635	505,110	67,358	437,752	88,805	723,301	104,484	618,817	671,059
10	Corrected Deferred Tank Painting Balance										717,996
11	Difference due to overestimated amount and related amortization expense										(46,936)

Indianola Hydropillar 100,000 gal. Tank Painting in column (g), line 8 from Company response to MHE 5.02 and 5.03  
 Indianola Hydropillar 100,000 gal. Tank Painting in column (g), line 17 as calculated on ICC Staff Ex. 1.0 C, Schedule 1.9 C, page 4 of 5

**Aqua Illinois Water Company-Vermilion Division  
 Adjustment to Deferred Tank Painting  
 For the test year ended December 31, 2005**

Line No.	Description (a)	Amount (b)	Source (c)
1	Bids received:		
2		\$ 53,476	Aqua response to MHE 3.04
3		49,940	Aqua response to MHE 3.04
4		35,000	Aqua response to MHE 3.04
5		<u>59,000</u>	Aqua response to MHE 3.04
6		197,416	
7	Average bid price (line 7/number of bids)	<u>\$ 49,354</u>	
8	Average of bids received-Staff Amount before amort.	49,354	(line 7)
9	Amortization period per Company	<u>10</u>	Aqua response to MHE 3.06
10	Annual amortization expense	4,935	
11	Amortization on Indianola Tank Painting for 2 months	<u>823</u>	[(4935/12*2)]
12	Indianola Tank Painting Deferred Charge at 12/31/05 per Staff	48,531	

**Aqua Illinois Water Company-Vermilion Division**  
**Adjustment to Deferred Tank Painting-Accumulated Deferred Income Taxes**  
**For the test year ended December 31, 2005**

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Total Adjustment to Deferred Tank Painting	69,604	ICC Staff Ex. 1.0 C, Sch. 1.9 C, page 1 of 5
2	State Income Tax Rate	7.18%	Aqua Sch. B-2.4
3	State Deferred Income Tax	<u>4,998</u>	
4	Total Adjustment to Deferred Tank Painting less deferred state income tax	64,606	
5	Federal Income Tax Rate	35.00%	Aqua Sch. B-2.4
6	Federal Deferred Income Tax	<u>22,612</u>	
7	Total Adjustment to Deferred Income Tax	27,610	

**Aqua Illinois Water Company-Vermilion Division  
Adjustment to QIPS Revenues  
For the test year ended December 31, 2005**

Line No.	Description (a)	Amount (b)	Source (c)
1	QIPS Revenues per Staff	\$ -	
2	QIPS Revenues per Company	<u>517,063</u>	Co. Response to MHE-2.02
3	Difference-Staff Adjustment	<u><u>\$ (517,063)</u></u>	

**Aqua Illinois Water Company-Vermilion Division  
Adjustment to Wastewater Billing Revenues  
For the test year ended December 31, 2005**

Line No.	Description	Per Staff	Source
	(a)	(b)	(c)
1	Wastewater Billing Revenues per Staff	\$ 116,483	ICC Staff Ex. 1.0 C, Schedule 1.11 C, p. 2 of 2
2	Wastewater Billing Revenues per Company	<u>-</u>	Co. Response to MHE-2.06
3	Difference-Staff Adjustment	<u>\$ 116,483</u>	

**Aqua Illinois Water Company-Vermilion Division  
Adjustment to Wastewater Billing Revenues  
For the test year ended December 31, 2005**

Line No.	Description (a)	Amount (b)	Source (c)
1	Wastewater Billing Revenues 2003	\$ 109,796	Response to MHE 2.15
2	Increase by 3% for 2004 projected amount	\$ 113,090	(\$109,796 x 1.03)
3	Increase by 3% for 2005 projected amount	\$ 116,483	(\$113,090 x 1.03)

**Aqua Illinois Water Company-Vermilion Division  
Adjustment to Lab Testing Revenues  
For the test year ended December 31, 2005**

Line No.	Description (a)	Amount (b)	Source (c)
1	Lab Testing Revenues per Staff	\$ 9,282	ICC Staff Ex. 1.0 C, Schedule 1.12 C, p. 2 of 2
2	Lab Testing Revenues per Company	<u>-</u>	Co. Response to MHE-2.06
3	Difference-Staff Adjustment	<u>\$ 9,282</u>	

**Aqua Illinois Water Company-Vermilion Division**  
**Adjustment to Lab Testing Revenues**  
**For the test year ended December 31, 2005**

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Lab Testing Revenues 2003	\$ 8,749	Response to MHE 2.15
2	Increase by 3% for 2004 projected amount	\$ 9,011	(\$8,749 x 1.03)
3	Increase by 3% for 2005 projected amount	\$ 9,282	(\$9,011 x 1.03)

**Aqua Illinois Water Company-Vermilion Division  
Adjustment to Collection Revenues  
For the test year ended December 31, 2005**

Line No.	Description (a)	Amount (b)	Source (c)
1	Collection of Payments for Illinois Power per Staff	\$ 3,408	ICC Staff Ex. 1.0 C, Schedule 1.13 C, p. 2 of 2
2	Collection of Payments for Illinois Power per Company	<u>-</u>	Co. Response to MHE-2.06
3	Difference-Staff Adjustment	<u>\$ 3,408</u>	

**Aqua Illinois Water Company-Vermilion Division  
Adjustment to Collection Revenues  
For the test year ended December 31, 2005**

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Revenues 2003	\$ 3,212	Response to MHE 2.15
2	Increase by 3% for 2004 projected amount	\$ 3,308	(\$3,212 x 1.03)
3	Increase by 3% for 2005 projected amount	\$ 3,408	(3,308 x 1.03)

**Aqua Illinois Water Company-Vermilion Division  
Adjustment to Customer Data Revenues  
For the test year ended December 31, 2005**

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Collection of Payments for Illinois Power per Staff	\$ 8,517	ICC Staff Ex. 1.0 C, Schedule 1.14 C, p. 2 of 2
2	Collection of Payments for Illinois Power per Company	<u>-</u>	Co. Response to MHE-2.06
3	Difference-Staff Adjustment	<u>\$ 8,517</u>	

**Aqua Illinois Water Company-Vermilion Division  
Adjustment to Customer Data Revenues  
For the test year ended December 31, 2005**

Line No.	Description (a)	Amount (b)	Source (c)
1	Revenues 2003	\$ 8,028	Response to MHE 2.15
2	Increase by 3% for 2004 projected amount	\$ 8,269	(\$8,028 x 1.03)
3	Increase by 3% for 2005 projected amount	\$ 8,517	(\$8,269 x 1.03)

**Aqua Illinois Water Company-Vermilion Division**  
**Adjustment to Amortization Expense**  
**For the test year ended December 31, 2005**

Line No.	Description (a)	Amount (b)	Source (c)
1	Amortization Expense per Staff	\$ 104,484	ICC Staff Ex. 1.0 C, Schedule 1.9 C, page 3 of 4, column (I), line 20
2	Amortization Expense per Company	<u>113,548</u>	Aqua Sch. C-26, page 2 of 2, line22
3	Difference-Staff Adjustment	<u>\$ (9,064)</u>	ICC St. Ex. 1.0 C, Schedule 1.15 C, page 2 of 3, lines 3 and 6 combined.

**Aqua Illinois Water Company-Vermilion Division  
 Adjustment to Amortization Expense  
 For the test year ended December 31, 2005**

Line No.	Description (a)	Amount (b)	Source (c)
1	2005 Amortization Expense per Staff	\$ 109,549	ICC St. Ex. 1.0 C, Schedule 1.9 C, page 2 of 4, column (I), line 9
2	2005 Amortization Expense per Company	<u>113,548</u>	Co. Response to MHE 5.02
3	Difference-Staff Adjustment for cumulative effect of amort expense correction	<u>\$ (3,999)</u>	
4	2005 Indianola Tank Painting Amortization Expense per Staff	\$ 4,935	ICC Staff Ex. 1.0 C, Schedule 1.9 C, page 4 of 4, line 10
5	2005 Indianola Tank Painting Amortization Expense per Company	<u>10,000</u>	Co. Response to MHE 5.02
6	Difference-Staff Adjustment for excess projection of tank painting bid	<u>\$ (5,065)</u>	