

Apple Canyon Utility Company
Utility Exhibit One
Financial Statements

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ILLINOIS COMMERCE COMMISSION
CHIEF CLERK'S OFFICE

**Apple Canyon
Balance Sheet
December 31, 2008**

<u>ASSETS</u>		<u>LIABILITIES AND OTHER CREDITS</u>	
Plant In Service		Capital Stock and Retained Earnings	
Water	\$ 2,847,331	Common Stock and Paid In Capital	\$ 727,170
Sewer	<u>0</u>	Retained Earnings	120,123
Total	\$ 2,847,331	Total	\$ <u>847,294</u>
Accumulated Depreciation-Water	(805,474)	Current and Accrued Liabilities	
Accumulated Depreciation-Sewer	<u>0</u>	Accounts Payable-Trade	2,105
Total	\$ (805,474)	Taxes Accrued	1,874
Net Utility Plant	\$ <u>2,041,858</u>	Customer Deposits	0
		Customer Deposits - Interest	(0)
		A/P - Assoc. Companies	(327,852)
		Deferred Revenue	29,005
		Total	\$ <u>(294,869)</u>
Plant Acquisition Adjustment-Water	0	Advances In Aid of Construction	
Plant Acquisition Adjustment-Sewer	<u>0</u>	Water	0
Total	\$ 0	Sewer	0
		Total	\$ <u>0</u>
Construction Work In Process-Water	45,346	Contributions In Aid of Construction	
Construction Work In Process-Sewer	<u>0</u>	Water	1,015,517
Total	\$ 45,346	Sewer	0
		Total	\$ <u>1,015,517</u>
Current Assets		Accumulated Deferred Income Tax	
Cash	(1)	Unamortized ITC	0
Accounts Receivable - Net	(408,895)	Deferred Tax - Federal	121,563
Other Current Assets	<u>0</u>	Deferred Tax - State	2,513
Total	\$ (408,895)	Total	\$ <u>124,076</u>
Deferred Charges	<u>13,709</u>	TOTAL LIABILITIES AND OTHER CREDITS	\$ <u>1,692,018</u>
TOTAL ASSETS	<u>\$ 1,692,018</u>		

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	Per Books	Pro Forma Adjustments	Pro Forma Present	Proposed Increase	Pro Forma Proposed
Operating Revenues					
Service Revenues - Water	180,009	85,139 [a]	265,148	367,663 [n]	632,811
Service Revenues - Sewer	-	-	-	-	-
Miscellaneous Revenues	10,718	-	10,718	440	11,158
Uncollectible Accounts	(10,708)	-	(10,708)	(14,845) [b]	(25,550)
Total Operating Revenues	180,022	85,139	265,160	353,268	618,419
Maintenance Expenses					
Salaries and Wages	161,401	(13,373) [c]	148,028	-	148,028
Purchased Power	15,007	-	15,007	-	15,007
Purchased Water	-	-	-	-	-
Maintenance and Repair	18,061	760 [j]	18,821	-	18,821
Maintenance Testing	3,071	129 [j]	3,200	-	3,200
Meter Reading	3,533	149 [j]	3,681	-	3,681
Chemicals	7,348	309 [j]	7,658	-	7,658
Transportation	24,507	1,031 [j]	25,538	-	25,538
Operating Exp. Charged to Plant	(54,504)	5,525 [c]	(48,979)	-	(48,979)
Outside Services - Other	10,493	441 [j]	10,934	-	10,934
Total	188,917	(5,029)	183,888	-	183,888
General Expenses					
Salaries and Wages	64,361	(40,082) [c]	24,280	-	24,280
Office Supplies & Other Office Exp.	33,364	1,403 [j]	34,767	-	34,767
Regulatory Commission Exp.	1,438	37,069 [d]	38,507	-	38,507
Pension & Other Benefits	49,395	(7,634) [c]	41,761	-	41,761
Rent	2,913	123 [j]	3,036	-	3,036
Insurance	21,580	-	21,580	-	21,580
Office Utilities	11,136	488 [j]	11,605	-	11,605
Miscellaneous	16,653	700 [j]	17,353	-	17,353
Expense Allocation ad	-	(1,953) [c]	(1,953)	-	(1,953)
Total	200,841	(9,906)	190,935	-	190,935
Depreciation	82,187	45,913 [e]	128,101	-	128,101
Amortization of PAA	-	- [e]	-	-	-
Taxes Other Than Income	31,279	(7,937) [f]	23,343	368 [f]	23,710
Income Taxes - Federal	(132,627)	46,630 [g]	(85,997)	111,224 [g]	25,228
Income Taxes - State	(30,718)	10,800 [g]	(19,918)	25,761 [g]	5,843
Amortization of ITC	-	- [e]	-	-	-
Amortization of CIAC	(11,203)	(8,172) [e]	(19,375)	-	(19,375)
Total	(61,082)	87,235	26,154	137,353	163,506
Total Operating Expenses	328,676	72,300	400,976	137,353	538,329
Net Operating Income	(148,654)	12,838	(135,816)	215,906	80,090
Other Income	(5)	-	(5)	-	(5)
Interest During Construction	(2,025)	2,025 [h]	-	-	-
Interest on Debt	113,393	(82,274) [i]	31,119	-	31,119
Net Income	(260,017)	93,087	(166,930)	215,906	48,976

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- [a] Removal of additional accrual (\$59k) and annualized revenue using test year rates and consumption (\$25k)
- [b] w/p [a] - Uncollectible Accounts are adjusted based on the percentage of uncollectible accounts to revenues in the test year applied to pro forma proposed revenues.
- [c] w/p [b] - Salaries, Wages and Benefits are adjusted to annualize as of the end of the year.
- [d] w/p [d] - Regulatory Commission Expense has been adjusted to reflect the cost of the current rate case over 3 years.
- [e] w/p [f] - Depreciation and Amortization Expense are annualized. Depreciation expense represents gross depreciable plant at the end of the year plus pro forma projects multiplied by the respective depreciation rates.
- [f] w/p [e] - Taxes Other than Income is adjusted for annualized payroll taxes, Utility Commission Taxes, and Gross Receipts Taxes.
- [g] w/p [g] - Income Taxes are computed on taxable income at following rates (34% federal and 7.3% state)
- [h] AFUDC is eliminated for rate making purposes.
- [i] w/p [h] - Interest on Debt has been computed using a 63.04% / 46.96% debt-to-equity ratio and a 6.58% cost of debt.
- [j] w/p [n] - A consumer price index increase of 4.21% has been included in this filing.
- [k] Sch.D&E-REV - Proposed increase to NSF charge & New Customer Charge
- [l] w/p [k] - Intentionally left blank
- [m] w/p [o] - Intentionally left blank
- [n] Proposed revenue increase derived from Sch.D&E.
- [o] w/p [p] - adjust allocations 12/31/08 allocation factors.

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Apple Canyon
 Water Operations
 Rate Base and Rate of Return
 Test Year Ended December 31, 2008

	Per Books	Pro Forma Adjustments	As Adjusted	Proposed Increase	Effect of Proposed Increase
Net Operating Income	(148,654)	12,838	(135,816)	215,906	80,090
Gross Plant In Service	2,847,331	17,285 [d]	2,864,617	-	2,864,617
Accumulated Depreciation	(805,474)	(137,676) [c] & [g]	(943,150)	-	(943,150)
Net Plant In Service	2,041,858	(120,390)	1,921,467	-	1,921,467
Cash Working Capital	52,630	(2,859) [a]	49,771	-	49,771
Contributions In Aid of Construction	(1,015,517)	50,159 [g]	(965,357)	-	(965,357)
Advances in Aid of Construction	-	-	-	-	-
Accumulated Deferred Income Taxes	(124,076)	-	(124,076)	-	(124,076)
Customer Deposits	(0)	-	(0)	-	(0)
Adjustment to Rate Base Allocations	-	(228) [h]	(228)	-	(228)
Adjustments from prior rate cases	(54,191)	0 [e]	(54,191)	-	(54,191)
Deferred charges	13,709	0 [f]	13,709	-	13,709
Net Pro Forma Plant	-	50,504 [b]	50,504	-	50,504
Total Rate Base	914,412	(22,814)	891,599	-	891,599
Return on Rate Base	-16.26%		-15.23%		8.98%

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Apple Canyon
Explanations of Adjustments to Rate Base
Test Year Ended December 31, 2008

Schedule C
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- [a] w/p [i] - Working Capital is calculated based on pro forma expenses.
- [b] w/p [ii] - Pro Forma Plant is adjusted for planned additional capital investments and retirements.
- [c] w/p [appendix] - Accumulated depreciation is adjusted for planned additional capital investments, retirements, and plant held for future use.
- [d] w/p [i] - Plant additions for first quarter 2009 estimated through December 2009.
- [e] Adjustments from Docket No. 03-0399
- [f] w/p [c] - Intentionally left blank
- [g] w/p [r] - Depreciation Roll Forward
- [h] w/p [p] - adjust allocations 12/31/08 allocation factors.

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Apple Canyon
 Consumption Analysis 01/01/08 - 12/31/08
 Test Year / Present Revenues

Schedule D

WATER

Bill code		Gallorage	Usage Charge	Units	BFC (Stated Quarterly)	Revenues
<u>All Subs:</u>						
1101	5/8" Res.	18,454,114	\$ 4.66	3,480	\$ 16.53	\$ 143,527
	3/4" Res.	82,900	\$ 4.66	3	\$ 18.18	\$ 441
	1" Res.	72,600	\$ 4.66	3	\$ 19.83	\$ 398
1104	Availability (Stated semiannual)		\$ -	3,471	\$ 33.06	\$ 114,735
1102	5/8" Commercial	103,800	\$ 4.66	15	\$ 16.53	\$ 733
1110	1" Commercial	286,100	\$ 4.66	9	\$ 19.83	\$ 1,512
1112	1.5" Commercial	626,700	\$ 4.66	16	\$ 21.48	\$ 3,265
1114	3" Commercial	104,800	\$ 4.66	2	\$ 24.81	\$ 538
		<u>19,731,014</u>		<u>6,999</u>		<u>\$ 265,148</u>

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Apple Canyon
Proposed Revenues

Schedule E

WATER

Bill code		Gallage	Usage Charge	Units	BFC (Stated Monthly)	Revenues
<u>All Subs:</u>						
1101	5/8" Res.	18,454,114	\$ 9.09	10,441	\$ 29.86	\$ 479,596
	3/4" Res.	82,900	\$ 9.09	9	\$ 32.85	\$ 1,049
	1" Res.	72,600	\$ 9.09	9	\$ 35.83	\$ 982
1104	Availability		\$ -	20,823	\$ 6.56	\$ 136,534
1102	5/8" Commercial	103,800	\$ 9.09	45	\$ 29.86	\$ 2,294
1110	1" Commercial	286,100	\$ 9.09	27	\$ 35.83	\$ 3,568
1112	1.5" Commercial	626,700	\$ 9.09	48	\$ 38.81	\$ 7,565
1114	3" Commercial	104,800	\$ 9.09	6	\$ 44.82	\$ 1,222
		<u>19,731,014</u>		<u>31,409</u>		<u>\$ 632,811</u>
	<u>Miscellaneous Charges</u>		<u>Current Charge</u>	<u>Units</u>	<u>Proposed Charge</u>	<u>Additional Revenues</u>
	NSF Charge		\$ 15.00	5	\$ 25.00	\$ 50
	New Customer Charge		\$ 15.00	39	\$ 25.00	\$ 390
						<u>\$ 440</u>

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