

Direct Testimony

Of

MIKE OSTRANDER

Accounting Department

Financial Analysis Division

Illinois Commerce Commission

Apple Canyon Utility Company

And

Lake Wildwood Utilities Corporation

Proposed General Increase in Water Rates

Docket Nos. 09-0548 and 09-0549
Consolidated

March 3, 2010

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1 **WITNESS IDENTIFICATION**

2 **Q. Please state your name and business address.**

3 A. My name is Mike Ostrander. My business address is 527 East Capitol
4 Avenue, Springfield, Illinois 62701.

5

6 **Q. By whom are you employed and in what capacity?**

7 A. I am currently employed as an Accountant in the Accounting Department
8 of the Financial Analysis Division of the Illinois Commerce Commission
9 ("ICC" or "Commission").

10

11 **Q. Please describe your background and professional affiliations.**

12 A. I received a Bachelor of Business Administration in Accounting from the
13 University of Notre Dame. I am a Certified Public Accountant and a
14 Certified Internal Auditor. I joined the Commission staff ("Staff") in March
15 2006. Prior to joining the Commission, I was employed for three years as
16 a staff accountant in public accounting, seventeen years in private industry
17 with positions ranging from accounting manager to corporate officer
18 encompassing all areas of accounting and internal auditing, and three
19 years as controller of a law firm and software company.

20

21 **Q. Have you previously testified before a regulatory body?**

22 A. Yes, I have testified on several occasions before the Commission.

23

24 **Q. What are your responsibilities in this case?**

25 A. I have been assigned to this case by the Manager of the Accounting
26 Department of the Commission. I am to review the filings of Apple
27 Canyon Utility (“Apple Canyon”) and Lake Wildwood Utilities Corporation
28 (“Lake Wildwood”) (individually, the “Company” and collectively, the
29 “Companies”), analyze the underlying data, and propose adjustments
30 when appropriate.

31

32 **Purpose of Testimony**

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

34 A. The purpose of my testimony is to:

35 1) present Staff’s adjusted operating statements and rate bases of
36 the Companies;

37 2) propose adjustments to the Companies’ operating statements
38 and rate bases concerning utility plant, accumulated depreciation,
39 deferred charges, maintenance expenses (unaccounted-for water)
40 and working capital; and

41 3) propose an Original Cost Determination for the Companies.

42

43 **Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 1.0?**

44 A. Yes. I prepared the following schedules that reflect data as of, or for the
45 test year ending, December 31, 2008:

46

47 Revenue Requirement Schedules

48	Schedule 1.1 AC and LW	Statement of Operating Income with
49		Adjustments
50	Schedule 1.2 AC and LW	Adjustments to Operating Income
51	Schedule 1.3 AC and LW	Rate Base
52	Schedule 1.4 AC and LW	Adjustments to Rate Base
53	Schedule 1.5 AC and LW	Interest Synchronization Adjustment
54	Schedule 1.6 AC and LW	Gross Revenue Conversion Factor

55

56 Adjustment Schedules

57	Schedule 1.7 AC and LW	Utility Plant – Abandoned Well
58	Schedule 1.8 AC and LW	Utility Plant – Disallowed Pro Forma
59		Additions
60	Schedule 1.9 AC and LW	Accumulated Depreciation
61	Schedule 1.10 AC and LW	Deferred Charges
62	Schedule 1.11 AC and LW	Unaccounted-for Water
63	Schedule 1.12 AC and LW	Working Capital

64

65 **Q. Please explain the AC and LW suffixes that appear with your**
66 **schedule numbers.**

67 A. These suffixes indicate the Company to which a particular schedule
68 applies. The AC suffix identifies a schedule that applies to Apple Canyon,
69 and the LW suffix identifies a schedule that applies to Lake Wildwood.

70

71 **Revenue Requirement Schedules**

72 **Q. Please describe ICC Staff Exhibit 1.0, Schedule 1.1 AC and LW,**
73 **Statement of Operating Income with Adjustments.**

74 A. These schedules derive the required revenue for each Company with
75 Staff's proposed rate of return. Column (b) presents each Company's pro
76 forma operating statement at present rates for the test year as reflected
77 on each Company's Schedule B. Column (c) reflects the total of all Staff
78 Adjustments shown on ICC Staff exhibit 1.0, Schedules 1.2 AC and LW.
79 Column (d) reflects the pro forma operating statement at present rates
80 per Staff. Column (e) presents the applicable Company's proposed
81 increase to revenue. Column (f) adjusts revenue to reflect Staff's gross
82 revenue conversion factor. Column (g) is Staff's pro forma operating
83 statement inclusive of the Company's proposed revenue increase.
84 Column (h) presents the necessary change to the applicable Company's
85 proposed revenues to arrive at Staff's proposed revenue requirement
86 reflected in column (i). Line 24 is the difference between current
87 revenues and required revenues as determined by Staff. Line 25 is Staff's
88 calculated percentage change in revenues. Net Operating Income in
89 column (i), line 21, is the product of rate base, line 22, and rate of return,
90 line 23.

91

92 **Q. Please describe Schedule 1.2 AC and LW, Adjustments to Operating**
93 **Income.**

94 A. These schedules identify Staff's adjustment to Operating Income. The
95 source of each adjustment is shown in the heading of each column.

96 Column (k) from page 2 is carried forward to ICC Staff Exhibit 1.0,
97 Schedules 1.1 AC and LW, column (c).

98

99 **Q. Please describe Schedule 1.3 AC and LW, Rate Base.**

100 A. These schedules compile Staff's rate base. Column (b) reflects the
101 applicable Company's proposed rate base. Column (c) summarizes
102 Staff's adjustments to rate base. Column (d) is the net of columns (b) and
103 (c) and reflects Staff's computed rate base.

104

105 **Q. Please describe Schedule 1.4 AC and LW, Adjustments to Rate Base.**

106 A. These schedules identify Staff's adjustments to rate base. The source of
107 each adjustment is shown in the heading of each column. Column (k) is
108 carried forward to ICC Staff Exhibit 1.0, Schedules 1.3 AC and LW,
109 column (c).

110

111 **Interest Synchronization**

112 **Q. Please describe Schedule 1.5 AC and LW, Interest Synchronization**
113 **Adjustment.**

114 A. Schedules 1.5 AC and LW compute the interest component of revenue
115 requirement. The interest expense (component) is computed by
116 multiplying the rate base by weighted cost of debt. The calculated interest
117 expense is then compared to the interest expense used by each of the
118 Companies in their computation of test year income tax expense. The tax
119 effect of the difference in interest expense is the adjustment for interest
120 synchronization. The effect of this adjustment is to ensure that the
121 revenue requirement reflects the tax savings generated by the interest
122 component of the revenue requirement.

123

124 **Gross Revenue Conversion Factor**

125 **Q. Please describe Schedule 1.6 AC and LW, Gross Revenue**
126 **Conversion Factor.**

127 A. Schedules 1.6 AC and LW present Staff's proposed gross revenue
128 conversion factor ("GRCF"). The GRCF is multiplied by the income
129 deficiency to determine the total amount of revenue required for the
130 income deficiency and the associated increase in income tax expense and
131 uncollectible expense.

132

133 **Adjustment to Utility Plant – Abandoned Well**

134 **Q. Please describe ICC Staff Exhibit 1.0, Schedule 1.7 AC and LW,**
135 **Adjustment for Utility Plant – Abandoned Well.**

136 A. Schedules 1.7 AC and LW present my proposed adjustments to utility
137 plant and related accumulated depreciation and depreciation expense for
138 utility plant that has been retired, and is no longer used and useful, but is
139 included in gross utility plant in the Companies' filings.

140 **Q. What is the basis for your utility plant adjustments?**

141 A. My utility plant adjustments are based on the testimony of Staff witness
142 Thomas Q. Smith in ICC Staff Exhibit 6.0.

143

144 **Adjustment to Utility Plant – Pro Forma Plant Additions**

145 **Q. Please describe ICC Staff Exhibit 1.0, Schedule 1.8 AC and LW,**
146 **Adjustment to Utility Plant – Pro Forma Plant Additions.**

147 A. Schedules 1.8 AC and LW present my proposed adjustments to utility
148 plant and related accumulated depreciation, accumulated deferred income
149 taxes and depreciation expense for disallowed pro forma plant additions.

150

151 **Q. Please explain your rationale for disallowing certain pro forma plant**
152 **additions.**

153 A. My adjustments to utility plant is to disallow those 2009 pro forma plant
154 additions that are not known and measurable in accordance with 83 Ill.
155 Adm. Code 287.40. The Companies have not properly applied the known
156 and measurable standard since pro forma plant additions need to be
157 reasonably certain to occur subsequent to the 2008 historical test year

158 and within 12 months after the filing date of the tariffs and where the
159 amounts of the additions are determinable. The Companies included in
160 the pro forma plant additions the actual costs of plant additions through
161 June 30, 2009 plus an estimate of costs through December 31, 2009
162 which represents double the amount of actual costs through the first half
163 of 2009. Since the estimated costs for the July – December 2009 period
164 are merely a repetition of the additions for the prior six months, they are
165 not known and measurable and are therefore being disallowed via
166 Schedules 1.8 AC and LW.

167

168 **Adjustment to Accumulated Depreciation**

169 **Q. Please describe ICC Staff Exhibit 1.0, Schedule 1.9 AC and LW,**
170 **Adjustment to Accumulated Depreciation.**

171 A. Schedules 1.9 AC and LW present my proposed adjustments to properly
172 reflect the increase of accumulated depreciation during the post-test year
173 time period.

174

175 **Q. Please explain your rationale for increasing accumulated**
176 **depreciation during the post-test year time period.**

177 A. The Companies have not properly reflected both known and measurable
178 increases and decreases that impact “net” utility plant investment from
179 known and measurable changes that occurred from January 2009 through

180 June 2009. Net utility plant investment represents the difference between
181 gross plant additions less the total change to accumulated depreciation.
182 The Companies, through their pro forma plant additions adjustments, have
183 reflected increases to gross utility plant during the post-test year period
184 through June 30, 2009. However, plant should also be offset by the
185 known changes to accumulated depreciation through June 30, 2009.

186

187 **Adjustment to Deferred Charges**

188 **Q. Please describe ICC Staff Exhibit 1.0, Schedule 1.10 AC and LW,**
189 **Adjustment to Deferred Charges.**

190 A. Schedules 1.10 AC and LW present my proposed adjustments to 1)
191 remove deferred charges from rate base and 2) to correct the erroneous
192 inclusion in Apple Canyon's rate base of over-amortized prior rate case
193 expenses.

194

195 **Q. Please explain why you are removing deferred charges from rate**
196 **base.**

197 A. I am removing deferred charges from rate base because the Commission
198 has not authorized the deferral. The instructions to Account 186,
199 Miscellaneous Deferred Debits, require the Commission's authority for the
200 deferral of costs. The Companies have included these deferred costs in
201 rate base because these costs do not recur regularly in one year or recur

202 every several years and it is important to match the costs incurred in the
203 same period as the revenues are realized. (Companies' response to Staff
204 data request JMO 3.02.)

205

206 Court opinions from *BPII*¹ and Appellate Court – Third District, 3-04-0092,
207 *IAWC v. ICC*, Slip Op. (July 13, 2005), pp. 17-18 have established and
208 affirmed the Commission's test year rule (only expenses incurred during
209 the test year can be used to offset revenue accrued during that year) and
210 by which, the Commission has not allowed the deferral and amortization of
211 operating expenses. Commission practice established in Dockets Nos.
212 98-0895 and 02-0690 have followed the court opinions and have not
213 allowed the deferral and amortization of costs other than tank painting.

214

215 **Q. Please explain your correction to Apple Canyon's rate base for the**
216 **erroneous inclusion of over-amortized prior rate case expenses.**

217 A. In response to Staff data request JMO 3.02, Apple Canyon acknowledged
218 that an amount for the over-amortization of prior rate case expenses was
219 incorrectly included in rate base as a deferred charge. My proposed
220 adjustment removes this balance from rate base.

221

¹. Business and Professional People for the Public Interest v. Illinois Commerce Commission, 146 Ill. 2d 175, 237-247 (1991) ("BPI II").

222 **Adjustment for Unaccounted-for Water**

223 **Q. Please describe ICC Staff Exhibit 1.0, Schedule 1.11 AC and LW,**
224 **Adjustment for Unaccounted-for Water.**

225 A. Schedules 1.11 AC and LW present my proposed adjustments to
226 decrease maintenance expenses because the unaccounted-for water
227 percentage exceeded the maximum as defined by the Companies' tariffs.

228

229 **Q. Please explain your rationale for decreasing maintenance expenses**
230 **due to the Companies' excess unaccounted-for water percentages.**

231 A. Unaccounted-for water is the difference between the amount of water
232 pumped and sold by the Companies. The maximum percentage
233 unaccounted-for water sets a limit on the amount of unaccounted-for water
234 costs that may be recovered by the Companies.² When the actual
235 unaccounted-for water percentage exceeds the maximum unaccounted-
236 for water percentage, the production or maintenance costs (purchased
237 power and chemicals) is reduced by the excess unaccounted-for water
238 percentage. My adjustments limit the costs ratepayers bear for
239 unaccounted-for water to what the Commission has set forth as
240 reasonable in each Company's tariffs.

241

242 **Adjustment to Working Capital**

243 **Q. Please describe ICC Staff Exhibit 1.0, Schedule 1.12 AC and LW,**
244 **Adjustment to Working Capital.**

245 A. Schedules 1.12 AC and LW present my proposed adjustments to working
246 capital for the removal of real estate taxes and to incorporate the effects of
247 other Staff-proposed adjustments. The Companies calculated its working
248 capital requirements using the 1/8th method based on the operating
249 expenses presented in their filings. Staff has no objection to the use of
250 this method. However, Staff has removed real estate taxes where
251 payment is deferred for more than a year resulting in an extended
252 payment lag. In addition, Staff has proposed adjustments to operating
253 expense components of the working capital proposed by the Companies.
254 Therefore, working capital has changed accordingly as shown on
255 Schedules 1.12 AC and LW to reflect Staff's proposed adjustments to the
256 applicable Company's expenses. These adjustments should be updated
257 to reflect the operating expenses approved by the Commission.

258

259 **Original Cost Determination**

260 **Q. Why is an Original Cost Determination finding necessary?**

² Apple Canyon Utility Company, ILL. C.C. No. 1, First Revised Sheet No. 38, effective March 19, 2007. Lake Wildwood Utilities Corporation, ILL. C.C. No. 3, Original Sheet No. 33, effective February 12, 2007.

261 A. Requirements for preservation of records are associated with an original
262 cost determination. 83 Ill. Adm. Code 615, The Preservation of Records
263 of Water Utilities, Appendix A, contains requirements for the preservation
264 of specific records. For example, journal vouchers and journal entries
265 which support plant accounts are to be maintained "7 years prior to date
266 as of which original cost of plant has been unconditionally determined or
267 approved by this Commission in" an original cost determination
268 proceeding or a rate case.

269

270 **Q. What is your recommendation regarding an Original Cost**
271 **Determination in this proceeding?**

272 A. Having reviewed plant additions since the last rate case and having found
273 no material errors, I recommend the Commission order state:

274 **It is further ordered that the \$2,847,331 original cost of plant for**
275 **Apple Canyon at December 31, 2008, as reflected on the Company's**
276 **Schedule C, column Per Books, is unconditionally approved as the**
277 **original costs of plant.**

278 **It is further ordered that the \$1,335,847 original cost of plant for Lake**
279 **Wildwood at December 31, 2008, as reflected on the Company's**
280 **Schedule C, column Per Books, is unconditionally approved as the**
281 **original costs of plant.**

282

283 **Conclusion**

284 **Q. Does this conclude your prepared direct testimony?**

285 A. Yes, it does.

Apple Canyon Utility Company
Adjustments to Operating Income
For the Test Year Ending December 31, 2008

Line No.	Description	Interest Synchronization (Sch. 1.5 AC)	Retire Abandoned Well (Sch. 1.7 AC)	Pro Forma Plant (Sch. 1.8 AC)	Unaccounted-for Water (Sch. 1.11 AC)	Maintenance & General Expenses (Sch. 2.1 AC)	Add-On Tax (Sch. 2.2 AC)	Rate Case Expense (Sch. 2.2 AC)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(j)	(k)
1	Water Service Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenues	-	-	-	-	-	-	-	-
3	Total Operating Revenues	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Maintenance Expenses	-	-	-	(7,359)	(2,818)	-	-	(10,177)
6	General Expenses	-	-	-	-	(2,695)	-	(27,199)	(29,894)
7	Depreciation	-	(427)	(208)	-	-	-	-	(635)
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	-	-	-	-	-	(1,089)	-	(1,089)
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	-	(427)	(208)	(7,359)	(5,513)	(1,089)	(27,199)	(41,794)
17	State Income Tax	293	31	15	537	402	79	1,986	3,343
18	Federal Income Tax	1,266	135	65	2,319	1,738	343	8,573	14,439
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	1,559	(261)	(128)	(4,503)	(3,373)	(667)	(16,640)	(24,012)
21	NET OPERATING INCOME	\$ (1,559)	\$ 261	\$ 128	\$ 4,503	\$ 3,373	\$ 667	\$ 16,640	\$ 24,012

Apple Canyon Utility Company
Adjustments to Operating Income
 For the Test Year Ending December 31, 2008

Line No.	Description	Subtotal (page 1)	Test Year Expenses (Sch. 2.4 AC)	Employee Allocation Factor (Sch. 2.5 AC)	(Source)	(Source)	(Source)	(Source)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(j)	(k)
1	Water Service Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenues	-	-	-	-	-	-	-	-
3	Total Operating Revenues	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Maintenance Expenses	(10,177)	(56,710)	(14,939)	-	-	-	-	(81,826)
6	General Expenses	(29,894)	(59,024)	-	-	-	-	-	(88,918)
7	Depreciation	(635)	-	-	-	-	-	-	(635)
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	(1,089)	-	-	-	-	-	-	(1,089)
10	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	(41,794)	(115,734)	(14,939)	-	-	-	-	(172,467)
17	State Income Tax	3,343	8,449	1,091	-	-	-	-	12,883
18	Federal Income Tax	14,439	36,477	4,708	-	-	-	-	55,624
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	(24,012)	(70,808)	(9,140)	-	-	-	-	(103,960)
21	NET OPERATING INCOME	\$ 24,012	\$ 70,808	\$ 9,140	\$ -	\$ -	\$ -	\$ -	\$ 103,960

Apple Canyon Utility Company
Rate Base
For the Test Year Ending December 31, 2008

Line No.	Description	Company Pro Forma Rate Base (Co. Sch. C)	Staff Adjustments (Sch 1.4 AC)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 2,864,617	\$ (31,203)	\$ 2,833,414
2	Less: Accumulated Depreciation	(943,150)	(43,317)	(986,467)
3		-	-	-
4	Net Plant	1,921,467	(74,520)	1,846,947
5	Additions to Rate Base			
6	Cash Working Capital	49,771	(21,809)	27,962
7	Adjustment to Rate Base Allocations	(228)	-	(228)
8	Deferred Charges	13,709	(13,709)	0
9	Net Pro Forma Plant	50,504	-	50,504
10	Adjustments from Prior Rate Cases	-	-	-
11		-	-	-
12		-	-	-
13		-	-	-
14		-	-	-
15		-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(965,357)	-	(965,357)
18	Accumulated Deferred Income Taxes	(124,076)	(526)	(124,602)
19	Customer Deposits	-	-	-
20	Adjustments from Prior Rate Cases	(54,191)	-	(54,191)
21		-	-	-
22		-	-	-
23	Rate Base	<u>\$ 891,599</u>	<u>\$ (110,565)</u>	<u>\$ 781,034</u>

Apple Canyon Utility Company
Adjustments to Rate Base
For the Test Year Ending December 31, 2008

Line No.	Description	Working Capital (Sch. 1.12 AC)	Retire Abandoned Well (Sch. 1.7 AC)	Pro Forma Plant (Sch. 1.8 AC)	Accumulated Depreciation (Sch. 1.9 AC)	Deferred Charges (Sch. 1.10 AC)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(k)
1	Gross Plant in Service	\$ -	\$ (19,680)	\$ (11,523)	\$ -	\$ -	\$ -	\$ -	\$ (31,203)
2	Less: Accumulated Depreciation	-	19,680	250	(63,248)	-	-	-	(43,317)
3		-	-	-	-	-	-	-	-
4	Net Plant	-	-	(11,273)	(63,248)	-	-	-	(74,520)
5	Additions to Rate Base								-
6	Cash Working Capital	(21,809)	-	-	-	-	-	-	(21,809)
7	Adjustment to Rate Base Allocations	-	-	-	-	-	-	-	-
8	Deferred Charges	-	-	-	-	(13,709)	-	-	(13,709)
9	Net Pro Forma Plant	-	-	-	-	-	-	-	-
10	Adjustments from Prior Rate Cases	-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accumulated Deferred Income Taxes	-	-	(526)	-	-	-	-	(526)
19	Customer Deposits	-	-	-	-	-	-	-	-
20	Deferred Federal Income Taxes	-	-	-	-	-	-	-	-
21	Deferred State Income Taxes	-	-	-	-	-	-	-	-
22		-	-	-	-	-	-	-	-
23	Rate Base	\$ (21,809)	\$ -	\$ (11,799)	\$ (63,248)	\$ (13,709)	\$ -	\$ -	\$ (110,565)

Apple Canyon Utility Company
Interest Synchronization Adjustment
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Amount (b)
1	Gross Plant in Service	\$ 781,034 (1)
2	Weighted Cost of Debt	3.47% (2)
3	Synchronized Interest Per Staff	27,102
4	Company Interest Expense	<u>31,119 (3)</u>
5	Increase (Decrease) in Interest Expense	<u>(4,017)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 7.300%	<u>\$ 293</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ 1,266</u>

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

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

(3) Source: Company Schedule B, page 1, column "Pro Forma Proposed"

Apple Canyon Utility Company
Gross Revenue Conversion Factor
 For the Test Year Ending December 31, 2008

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	4.0377%	<u>0.040377</u>	
3	State Taxable Income		0.959623	1.000000
4	State Income Tax	7.3000%	<u>0.070052</u>	<u>0.073000</u>
5	Federal Taxable Income		0.889571	0.927000
6	Federal Income Tax	34.0000%	<u>0.302454</u>	<u>0.315180</u>
7	Operating Income		<u>0.587117</u>	<u>0.611820</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.703238</u>	<u>1.634468</u>

Apple Canyon Utility Company
Adjustment to Utility Plant - Abandoned Well
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Gross Utility Plant (b)	Accumulated Depreciation (c)	Depreciation Expense (d)
1	Amount per Staff	\$ -	\$ -	\$ -
2	Amount per Company	<u>19,680</u>	<u>(19,680)</u>	<u>427</u>
3	Staff Proposed Adjustment (Line 1 - Line 2)	<u>\$ (19,680)</u>	<u>\$ 19,680</u>	<u>\$ (427)</u>

Sources:

Columns (b), (c), and (d): Staff Ex. 1.0, Schedule 1.7 AC, page 2

Apple Canyon Utility Company
Adjustment to Utility Plant - Abandoned Well
For the Test Year Ending December 31, 2008

<u>Line No.</u>	<u>Description</u> (a)	<u>Depreciation Expense</u> (b)
1	Retire Abandoned Well	\$ 19,680 (1)
2	Test Year Depreciation Rate	<u>2.17%</u> (2)
3	Depreciation Expense Adjustment (Line 2 x Line 3)	<u>\$ 427</u>
4	Accumulated Depreciation per Staff (Line 1 + Line 4)	

Sources:

- (1) Response to Staff data request JMO 3.04
- (2) Response to Staff data request JMO 1.01, tab "wp - r7 - 2008"

Apple Canyon Utility Company
Adjustment to Utility Plant - Pro Forma Plant Additions
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Gross Utility Plant (b)	Accumulated Depreciation (c)	Accumulated Deferred Taxes (d)	Depreciation Expense (e)
1	Amount per Staff	\$ 56,266	\$ (472)	\$ (526)	\$ 1,548
2	Amount per Company	<u>67,789</u>	<u>(722)</u>	<u>-</u>	<u>1,756</u>
3	Staff Proposed Adjustment (Line 1 - Line 2)	<u>\$ (11,523)</u>	<u>\$ 250</u>	<u>\$ (526)</u>	<u>\$ (208)</u>

Sources:

Column (b): Staff Ex. 1.0, Schedule 1.8 AC, page 2

Column (c): Staff Ex. 1.0, Schedule 1.8 AC, page 3

Column (d): Staff Ex. 1.0, Schedule 1.8 AC, page 4

Column (e): Staff Ex. 1.0, Schedule 1.8 AC, page 5

Apple Canyon Utility Company
Adjustment to Utility Plant - Pro Forma Plant Additions
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	2009 Invoices (b)	2009 Capitalized Labor (c)	2009 Other Additions (d)	Other Pro Forma Additions (e)	Total Pro Forma Additions (f)
1	Structures & Improvements	\$ 2,050	\$ -	\$ -	\$ -	\$ 2,050
2	Transmission & Distribution Mains	-	621	-	-	621
3	Service Lnes	1,579	-	-	-	1,579
4	Meter Installations	-	687	-	-	687
5	Tool Shop & Misc. Equipment	-	-	825	-	825
6	Mapping & Hydraulic Study	-	-	-	50,504	50,504
7	Total Pro Forma Plant Additions per Staff (Sum of Lines 1 through 6)	<u>\$ 3,629</u>	<u>\$ 1,308</u>	<u>\$ 825</u>	<u>\$ 50,504</u>	56,266
8	Total Pro Forma Plant Additions per Company				(1) <u>67,789</u>	
9	Disallowed Pro Forma Plant Additions (Line 8 - Line 9)					<u>\$ (11,523)</u>

Sources:

Column (b): Response to Staff data request JMO 1.01, tab "wp - l - GL Additions App Can", column M

Column (c): Response to Staff data request JMO 1.01, tab "wp - l - GL Additions App Can", column N

Column (d): Response to Staff data request JMO 1.01, tab "wp - l - GL Additions App Can", column O

Column (e): Response to Staff data request JMO 1.01, tab "wp - j - pf plant"

Column (f): Sum of columns (b) through (e)

(1) Response to Staff data request JMO 1.01, tab "wp - f - depr"

Apple Canyon Utility Company
Adjustment to Utility Plant - Pro Forma Plant Additions
 For the Test Year Ending December 31, 2008

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Line No.	Description (a)	Accumulated Depreciation Adjustment (b)	Accumulated Depreciation per Staff (c)
1	Pro Forma Accumulated Depreciation Adjustment per Company		(1) \$ (722)
2	Disallowed Pro Forma Plant Additions	\$ 11,523	(2)
3	Test Year Depreciation Rate	<u>2.17%</u>	(3)
4	Accumulated Depreciation Adjustment (Line 2 x Line 3)	<u>\$ 250</u>	<u>250</u>
5	Accumulated Depreciation per Staff (Line 1 + Line 4)		<u>\$ (472)</u>

Sources:

- (1) Response to Staff data request JMO 1.01, tab "wp - l - GL Additions App Can", column Y
- (2) Staff Ex. 1.0, Schedule 1.8 AC, page 2, column (f), line 9
- (3) Response to Staff data request JMO 1.01, tab "wp - r7 - 2008"

Apple Canyon Utility Company
Adjustment to Utility Plant - Pro Forma Plant Additions
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Accumulated Def. Taxes Adjustment (b)	Accumulated Deferred Taxes (c)
1	Pro Forma Accumulated Deferred Taxes Adjustment per Company		(1) \$ -
2	Pro Forma Plant Depreciation Expense per Staff	\$ 1,548	(2)
3	Federal Income Tax Rate	<u>-34%</u>	
4	Estimated Accumulated Deferred Tax Adjustment (Line 2 x Line 3)	<u>\$ (526)</u>	<u>(526)</u>
5	Estimated Accumulated Deferred Taxes per Staff (Line 1 - Line 4)		<u>\$ (526)</u>

Sources:

- (1) Company Schedule C, page 1, column "Pro Forma Adjustments", line 7
- (2) Staff Ex. 1.0, Schedule 1.8 AC, page 5, column (d), line 7

Apple Canyon Utility Company
Adjustment to Utility Plant - Pro Forma Plant Additions
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Total Allowed Pro Forma Additions (b)	Test Year Depreciation Rate (c)	Depreciation Expense (d)
1	Structures & Improvements	\$ 2,050	4.17%	\$ 85
2	Transmission & Distribution Mains	621	1.89%	12
3	Service Lnes	1,579	3.30%	52
4	Meter Installations	687	4.44%	31
5	Tool Shop & Misc. Equipment	825	7.31%	60
6	Mapping & Hydraulic Study	50,504	2.59%	<u>1,308</u>
7	Pro Forma Plant Depreciation Expense per Staff (Sum of Lines 1 through 6)			1,548
8	Pro Forma Plant Depreciation Expense per Company		(1)	<u>1,756</u>
9	Staff Adjustment (Line 8 - Line 9)			<u><u>\$ (208)</u></u>

Sources:

Column (b): Staff Ex. 1.0, Schedule 1.8 AC, page 2, column (f)

Column (c): Response to Staff data request JMO 1.01, tab "wp - 1 - GL Additions App Can", column X

Column (d): Column (b) x (c)

(1) Staff Ex. 1.0, Schedule 1.8 AC, page 2, column (f), line 8 x 2.59% (composite depreciation rate)

Apple Canyon Utility Company
Adjustment to Accumulated Depreciation
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	2008 Depreciation Expense (b)
1	Gross Utility Plant	(1) \$ 64,733
2	Vehicles	(2) 27,285
3	Computers	(2) <u>34,477</u>
4	Sum of Lines 1 through 3	126,495
5	Number of Years	<u>0.5</u>
6	Accumulated Depreciation Adjustment (Line 4 x Line 5)	<u><u>\$ (63,248)</u></u>

Sources:

- (1) Response to Staff data request JMO 1.01, tab "wp - r7 - 2008"
- (2) Response to Staff data request JMO 1.01, tab "wp - f - depr"

Apple Canyon Utility Company
 Adjustment to Deferred Charges
 For the Test Year Ending December 31, 2008

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Line No.	Description (a)	Amount (b)	Sources (c)
1	Amount per Staff	\$ 0	Staff Ex. 1.0, Sch. 1.10 AC, page 2 of 2, column (c), line 6
2	Amount per Company	<u>13,709</u>	Staff Ex. 1.0, Sch. 1.10 AC, page 2 of 2, column (c), line 1
3	Staff Proposed Adjustment	<u>\$ (13,709)</u>	Line 1 less Line 2

Apple Canyon Utility Company
Adjustment to Deferred Charges
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Deferred Charges Adjustment (b)	Deferred Charges (c)
1	Deferred Charges per Company	(1)	\$ 13,709
2	Relocation Expenses	\$ (91)	(2)
3	Employee Fees	(229)	(2)
4	Tank Maintenance - Leak Detection	(27,983)	(2)
5	Volatile Organic Compound Testing	(243)	(2)
6	Rate Case Expense	14,836	(2)
7	Deferred Charges Adjustment (Sum of Lines 2 through 6)	<u>\$ (13,709)</u>	<u>(13,709)</u>
8	Deferred Charges per Staff (Line 1 + Line 7)		<u>\$ 0</u>

Sources:

(1) Company Schedule C, page 1, column "Per Books", line 10

Apple Canyon Utility Company
Adjustment for Unaccounted-for Water
 For the Test Year Ending December 31, 2008

Line No.	Description	Unaccounted-for Water Percentage	Unaccounted-for Water Adjustment
1	Total Water Pumped (gallons)	49,292,700 (1)	
2	Total Water Sold (gallons)	<u>19,644,464 (1)</u>	
3	Line 1 - Line 2	29,648,236	
4	Estimate of usage to flush system (gallons)	<u>1,100,000 (1)</u>	
5	Unaccounted-for Water (gallons) (Line 3 - Line 4)	28,548,236	
6	Unaccounted-for Water Percentage (Line 5 divided by Line 1)	57.92%	
7	Maximum Percentage per Tariff	<u>25.00% (2)</u>	
8	Excess Unaccounted-for Water Percentage (Line 7 - Line 6)	<u><u>-32.92%</u></u>	-32.92%
9	Maintenance Expenses		(3) <u>\$ 22,356</u>
10	Staff Adjustment - Disallowed Maintenance Expenses (Line 8 x Line 9)		<u><u>\$ (7,359)</u></u>

Sources:

- (1) 2008 Form 22 ILCC, page 20W
- (2) ILL. C.C. No. 1, First Revised Sheet No. 38, effective March 19, 2007
- (3) Company Schedule B, page 1, column "Per Books", Purchased Power (\$15,007) plus Chemicals (\$7,349)

Apple Canyon Utility Company
 Adjustment to Working Capital
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Amount (b)	Source (c)
1	Maintenance Expenses	\$ 102,062	Schedule 1.1 AC, column (d), line 5
2	General Expense	102,017	Schedule 1.1 AC, column (d), line 6
3	Taxes Other Than Income	22,254	Schedule 1.1 AC, column (d), line 9
4	Less Real Estate Taxes	<u>(2,641)</u>	Response to Staff data request JMO 1.01, tab "Linked TB"
5	Operating Expenses Subject to Working Capital Allowance	223,692	Sum of lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Staff	27,962	Line 5 times line 6
8	Working Capital Allowance Per Company	<u>49,771</u>	Company Schedule C, column "As Adjusted"
9	Staff Adjustment	<u>\$ (21,809)</u>	Line 7 less line 8

Lake Wildwood Utilities Corporation
Statement of Operating Income with Adjustments
For the Test Year Ending December 31, 2008

Line No.	Description	Company Pro Forma Present (Co. Sch. B)	Staff Adjustments (Sch 1.2 LW)	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Co. Sch. B)	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	Water Service Revenues	193,051	\$ -	\$ 193,051	\$ 273,589	\$ (424)	\$ 466,216	\$ (200,354)	\$ 265,862
2	Miscellaneous Revenues	5,616	-	5,616	-	-	5,616	-	5,616
3	Total Operating Revenues	198,667	-	198,667	273,589	(424)	471,832	(200,354)	271,478
4	Uncollectible Accounts	6,014	-	6,014	8,523	(13)	14,524	(6,242)	8,282
5	Maintenance Expenses	129,591	(67,066)	62,525	-	-	62,525	-	62,525
6	General Expenses	137,221	(96,540)	40,681	-	-	40,681	-	40,681
7	Depreciation	70,421	(3,162)	67,259	-	-	67,259	-	67,259
8	Amortization of CIAC	(4,313)	-	(4,313)	-	-	(4,313)	-	(4,313)
9	Taxes Other Than Income	16,293	(732)	15,561	274	(274)	15,561	-	15,561
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	355,227	(167,500)	187,727	8,797	(287)	196,237	(6,242)	189,995
17	State Income Tax	(13,656)	12,474	(1,182)	19,346	(26)	18,138	(14,170)	3,968
18	Federal Income Tax	(58,960)	53,864	(5,096)	83,525	(111)	78,318	(61,180)	17,138
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	282,611	(101,162)	181,449	111,668	(424)	292,693	(81,592)	211,101
21	NET OPERATING INCOME	\$ (83,944)	\$ 101,162	\$ 17,218	\$ 161,921	\$ -	\$ 179,139	\$ (118,762)	\$ 60,377
22	Staff Rate Base (ICC Staff Exhibit 1.0, Schedule 1.3 LW, Column (d))							\$	775,061
23	Staff Overall Rate of Return (ICC Staff Exhibit 3.0, Schedule 3.1)								7.79%
24	Revenue Change (Col. (i) Line 3 minus Col. (d), Line 3)								\$ 72,811
25	Percentage Revenue Change (Col. (i), Line 24 divided by Col. (d), Line 3)								36.65%

Lake Wildwood Utilities Corporation
Adjustments to Operating Income
For the Test Year Ending December 31, 2008

Line No.	Description	Interest Synchronization (Sch. 1.5 LW)	Retire Abandoned Well (Sch. 1.7 LW)	Pro Forma Plant (Sch. 1.8 LW)	Unaccounted-for Water (Sch. 1.11 LW)	Maintenance & General Expenses (Sch. 2.1 LW)	Add-On Tax (Sch. 2.2 LW)	Rate Case Expense (Sch. 2.3 LW)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(j)	(k)
1	Water Service Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenues	-	-	-	-	-	-	-	-
3	Total Operating Revenues	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Maintenance Expenses	-	-	-	(1,344)	(1,672)	-	-	(3,016)
6	General Expenses	-	-	-	-	(1,667)	-	(28,209)	(29,876)
7	Depreciation	-	(1,952)	(1,211)	-	-	-	-	(3,162)
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	-	-	-	-	-	(732)	-	(732)
10	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Total Operating Expense	-	(1,952)	(1,211)	(1,344)	(3,339)	(732)	(28,209)	(36,786)
16	Before Income Taxes	-	(1,952)	(1,211)	(1,344)	(3,339)	(732)	(28,209)	(36,786)
17	State Income Tax	248	142	88	98	244	53	2,059	2,932
18	Federal Income Tax	1,071	615	382	424	1,052	231	8,891	12,666
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	1,319	(1,195)	(741)	(822)	(2,043)	(448)	(17,259)	(21,188)
21	NET OPERATING INCOME	\$ (1,319)	\$ 1,195	\$ 741	\$ 822	\$ 2,043	\$ 448	\$ 17,259	\$ 21,188

Lake Wildwood Utilities Corporation
Rate Base
For the Test Year Ending December 31, 2008

Line No.	Description	Company Pro Forma Rate Base (Co. Sch. C)	Staff Adjustments (Sch 1.4 LW)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 1,393,680	\$ (128,492)	\$ 1,265,188
2	Less: Accumulated Depreciation	(464,334)	57,005	(407,329)
3		-	-	-
4	Net Plant	929,346	(71,487)	857,859
5	Additions to Rate Base			
6	Cash Working Capital	35,388	(20,632)	14,756
7	Adjustment to Rate Base Allocations	59	-	59
8	Deferred Charges	285	(285)	(0)
9	Net Pro Forma Plant	39,069	-	39,069
10		-	-	-
11		-	-	-
12		-	-	-
13		-	-	-
14		-	-	-
15		-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(107,181)	-	(107,181)
18	Accumulated Deferred Income Taxes	(29,057)	(442)	(29,499)
19	Customer Deposits	(2)	-	(2)
20		-	-	-
21		-	-	-
22		-	-	-
23	Rate Base	<u>\$ 867,907</u>	<u>\$ (92,846)</u>	<u>\$ 775,061</u>

Lake Wildwood Utilities Corporation
Adjustments to Rate Base
 For the Test Year Ending December 31, 2008

Line No.	Description	Working Capital (Sch. 1.12 LW)	Retire Abandoned Well (Sch. 1.7 LW)	Pro Forma Plant (Sch. 1.8 LW)	Accumulated Depreciation (Sch. 1.9 LW)	Deferred Charges (Sch. 1.10 LW)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(k)
1	Gross Plant in Service	\$ -	\$ (89,935)	\$ (38,557)	\$ -	\$ -	\$ -	\$ -	\$ (128,492)
2	Less: Accumulated Depreciation	-	89,935	837	(33,767)	-	-	-	57,005
3		-	-	-	-	-	-	-	-
4	Net Plant	-	-	(37,720)	(33,767)	-	-	-	(71,487)
5	Additions to Rate Base								-
6	Cash Working Capital	(20,632)	-	-	-	-	-	-	(20,632)
7	Adjustment to Rate Base Allocations	-	-	-	-	-	-	-	-
8	Deferred Charges	-	-	-	-	(285)	-	-	(285)
9	Net Pro Forma Plant	-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accumulated Deferred Income Taxes	-	-	(442)	-	-	-	-	(442)
19	Customer Deposits	-	-	-	-	-	-	-	-
20	Deferred Federal Income Taxes	-	-	-	-	-	-	-	-
21	Deferred State Income Taxes	-	-	-	-	-	-	-	-
22		-	-	-	-	-	-	-	-
23	Rate Base	\$ (20,632)	\$ -	\$ (38,162)	\$ (33,767)	\$ (285)	\$ -	\$ -	\$ (92,846)

Lake Wildwood Utilities Corporation
 Interest Synchronization Adjustment
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Amount (b)
1	Gross Plant in Service	\$ 775,061 (1)
2	Weighted Cost of Debt	3.47% (2)
3	Synchronized Interest Per Staff	26,895
4	Company Interest Expense	<u>30,292</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(3,397)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 7.300%	<u>\$ 248</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ 1,071</u>

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

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

(3) Source: Company Schedule B, page 1, column "Pro Forma Proposed"

Lake Wildwood Utilities Corporation
 Gross Revenue Conversion Factor
 For the Test Year Ending December 31, 2008

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	3.1153%	<u>0.031153</u>	
3	State Taxable Income		0.968847	1.000000
4	State Income Tax	7.3000%	<u>0.070726</u>	<u>0.073000</u>
5	Federal Taxable Income		0.898121	0.927000
6	Federal Income Tax	34.0000%	<u>0.305361</u>	<u>0.315180</u>
7	Operating Income		<u>0.592760</u>	<u>0.611820</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.687023</u>	<u>1.634468</u>

Lake Wildwood Utilities Corporation
 Adjustment to Utility Plant - Abandoned Well
 For the Test Year Ending December 31, 2008

Line No.	Description	Gross Utility Plant	Accumulated Depreciation	Depreciation Expense
	(a)	(b)	(c)	(e)
1	Amount per Staff	\$ -	\$ -	\$ -
2	Amount per Company	<u>89,935</u>	<u>(89,935)</u>	<u>1,952</u>
3	Staff Proposed Adjustment (Line 1 - Line 2)	<u>\$ (89,935)</u>	<u>\$ 89,935</u>	<u>\$ (1,952)</u>

Sources:

Columns (b), (c), and (d): Staff Ex. 1.0, Schedule 1.7 LW, page 2

Lake Wildwood Utilities Corporation
Adjustment to Utility Plant - Abandoned Well
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Accumulated Depreciation Adjustment (b)	Accumulated Depreciation per Staff (c)
1	Accumulated Depreciation per Company		(1) \$ (463,472)
2	Retire Abandoned Well	89,935	(2)
3	Test Year Depreciation Rate	<u>2.17%</u>	(3)
4	Accumulated Depreciation Adjustment (Line 2 x Line 3)	<u>\$ 1,952</u>	<u>1,952</u>
5	Accumulated Depreciation per Staff (Line 1 + Line 4)		<u>\$ (461,520)</u>

Sources:

- (1) Company Schedule C, page 1, column "Per Books", line 3
- (2) Response to Staff data request TQS 1.21
- (3) Response to Staff data request JMO 1.01, tab "wp - r7 - 2008"

Lake Wildwood Utilities Corporation
Adjustment to Utility Plant - Pro Forma Plant Additions
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Gross Utility Plant (b)	Accumulated Depreciation (c)	Accumulated Deferred Taxes (d)	Depreciation Expense (e)
1	Amount per Staff	\$ 58,345	\$ (25)	\$ (442)	\$ 1,299
2	Amount per Company	<u>96,902</u>	<u>(862)</u>	<u>-</u>	<u>2,510</u>
3	Staff Proposed Adjustment (Line 1 - Line 2)	<u>\$ (38,557)</u>	<u>\$ 837</u>	<u>\$ (442)</u>	<u>\$ (1,211)</u>

Sources:

Column (b): Staff Ex. 1.0, Schedule 1.8 LW, page 2

Column (c): Staff Ex. 1.0, Schedule 1.8 LW, page 3

Column (d): Staff Ex. 1.0, Schedule 1.8 LW, page 4

Column (e): Staff Ex. 1.0, Schedule 1.8 LW, page 5

Lake Wildwood Utilities Corporation
Adjustment to Utility Plant - Pro Forma Plant Additions
For the Test Year Ending December 31, 2008

Line No.	Description (a)	2009 Invoices (b)	2009 Capitalized Labor (c)	2009 Other Additions (d)	Other Pro Forma Additions (e)	Total Pro Forma Additions (f)
1	Structures & Improvements - Source of Supply	\$ 2,095	\$ -	\$ -	\$ -	\$ 2,095
2	Structures & Improvements - T&D Plant	-	2,480	-	-	2,480
3	Wells & Springs	-	10,161	-	-	10,161
4	Power Generation Equipment	-	187	-	-	187
5	Distribution Reservoirs & Standpipes	-	47	-	-	47
6	Transmission & Distribution Mains	-	-	43	-	43
7	Service Lnes	1,518	-	-	-	1,518
8	Meters	2,968	-	-	-	2,968
9	Meter Installations	-	698	-	-	698
10	Office Structures & Improvements	-	-	(12)	-	(12)
11	Office Furniture & Equipment	-	-	18	-	18
12	Tool Shop & Misc. Equipment	-	-	3	-	3
13	Communication Equipment	-	-	5	-	5
14	Miscellaneous Equipment	402	-	-	-	402
15	Trasnportation Equipment	-	-	(2,450)	-	(2,450)
16	Mainframe Computer	-	-	(3)	-	(3)
17	Mini Computers	-	-	72	-	72
18	Computer Systems	-	-	1,088	-	1,088
19	Other Plant	(44)	-	-	-	(44)
20	Mapping & Hydraulic Study	-	-	-	39,069	39,069
21	Total Pro Forma Plant Additions per Staff (Sum of Lines 1 through 20)	<u>\$ 6,939</u>	<u>\$ 13,573</u>	<u>\$ (1,236)</u>	<u>\$ 39,069</u>	58,345
22	Total Pro Forma Plant Additions per Company				(1)	<u>96,902</u>
23	Disallowed Pro Forma Plant Additions (Line 21 - Line 22)					<u>\$ (38,557)</u>

Sources:

Column (b): Response to Staff data request JMO 1.01, tab "wp - l - GL Additions LWW", column M

Column (c): Response to Staff data request JMO 1.01, tab "wp - l - GL Additions LWW", column N

Column (d): Response to Staff data request JMO 1.01, tab "wp - l - GL Additions LWW", column O

Column (e): Response to Staff data request JMO 1.01, tab "wp - j - pf plant"

Column (f): Sum of columns (b) through (e)

(1) Response to Staff data request JMO 1.01, tab "wp - f - depr"

Lake Wildwood Utilities Corporation
Adjustment to Utility Plant - Pro Forma Plant Additions
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Accumulated Depreciation Adjustment (b)	Accumulated Depreciation per Staff (c)
1	Pro Forma Accumulated Depreciation Adjustment per Company		(1) \$ (862)
2	Disallowed Pro Forma Plant Additions	38,557	(2)
3	Test Year Depreciation Rate	<u>2.17%</u>	(3)
4	Accumulated Depreciation Adjustment (Line 2 x Line 3)	<u>\$ 837</u>	<u>837</u>
5	Accumulated Depreciation per Staff (Line 1 + Line 4)		<u>\$ (25)</u>

Sources:

- (1) Response to Staff data request JMO 1.01, tab "wp - I - GL Additions LWW", column Y
- (2) Staff Ex. 1.0, Schedule 1.8 LW, page 2, column (f), line 23
- (3) Response to Staff data request JMO 1.01, tab "wp - r7 - 2008"

Lake Wildwood Utilities Corporation
Adjustment to Utility Plant - Pro Forma Plant Additions
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Accumulated Def. Taxes Adjustment (b)	Accumulated Deferred Taxes (c)
1	Pro Forma Accumulated Deferred Taxes Adjustment per Company		(1) \$ -
2	Pro Forma Plant Depreciation Expense per Staff	\$ 1,299	(2)
3	Federal Income Tax Rate	<u>-34%</u>	
4	Estimated Accumulated Deferred Tax Adjustment (Line 2 x Line 3)	<u>\$ (442)</u>	<u>(442)</u>
5	Estimated Accumulated Deferred Taxes per Staff (Line 1 - Line 4)		<u>\$ (442)</u>

Sources:

- (1) Company Schedule C, page 1, column "Pro Forma Adjustments", line 7
- (2) Staff Ex. 1.0, Schedule 1.8 LW, page 5, column (d), line 21

Lake Wildwood Utilities Corporation
Adjustment to Utility Plant - Pro Forma Plant Additions
For the Test Year Ending December 31, 2008

Line No.	Description (a)	Total Allowed Pro Forma Additions (b)	Test Year Depreciation Rate (c)	Depreciation Expense (d)
1	Structures & Improvements - Source of Supply	\$ 2,095	4.17%	\$ 87
2	Structures & Improvements - T&D Plant	2,480	4.17%	103
3	Wells & Springs	10,161	2.17%	220
4	Power Generation Equipment	187	10.00%	19
5	Distribution Reservoirs & Standpipes	47	1.92%	1
6	Transmission & Distribution Mains	43	1.89%	1
7	Service Lnes	1,518	3.33%	51
8	Meters	2,968	6.21%	184
9	Meter Installations	698	4.44%	31
10	Office Structures & Improvements	(12)	3.33%	(0)
11	Office Furniture & Equipment	18	5.26%	1
12	Tool Shop & Misc. Equipment	3	7.31%	0
13	Communication Equipment	5	7.69%	0
14	Miscellaneous Equipment	402	10.00%	40
15	Trasnportation Equipment	(2,450)	25.00%	(613)
16	Mainframe Computer	(3)	14.29%	(0)
17	Mini Computers	72	14.29%	10
18	Computer Systems	1,088	14.29%	155
19	Other Plant	(44)	10.00%	(4)
20	Mapping & Hydraulic Study	39,069	2.59%	<u>1,012</u>
21	Pro Forma Plant Depreciation Expense per Staff (Sum of Lines 1 through 20)			\$ 1,299
22	Pro Forma Plant Depreciation Expense per Company		(1)	<u>2,510</u>
23	Staff Adjustment (Line 21 - Line 22)			<u>\$ (1,211)</u>

Sources:

Column (b): Staff Ex. 1.0, Schedule 1.8 LW, page 2, column (f)

Column (c): Response to Staff data request JMO 1.01, tab "wp - I - GL Additions LWW", column Y

Column (d): Column (b) x (c)

(1) Staff Ex. 1.0, Schedule 1.8 LW, page 2, column (f), line 22 x 2.59% (composite depreciation rate)

Lake Wildwood Utilities Corporation
 Adjustment to Accumulated Depreciation
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	2008 Depreciation Expense (b)
1	Gross Utility Plant	(1) \$ 34,755
2	Vehicles	(2) 14,478
3	Computers	(2) <u>18,301</u>
4	Sum of Lines 1 through 3	67,534
5	Number of Years	<u>0.5</u>
6	Accumulated Depreciation Adjustment (Line 4 x Line 5)	<u><u>\$ (33,767)</u></u>

Sources:

- (1) Response to Staff data request JMO 1.01, tab "wp - r7 - 2008"
- (2) Response to Staff data request JMO 1.01, tab "wp - f - depr"

Lake Wildwood Utilities Corporation
 Adjustment to Deferred Charges
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Amount (b)	Sources (c)
1	Amount per Staff	\$ (0)	Staff Ex. 1.0, Sch. 1.10 LW, page 2 of 2, column (c), line 5
2	Amount per Company	<u>285</u>	Staff Ex. 1.0, Sch. 1.10 LW, page 2 of 2, column (c), line 1
3	Staff Proposed Adjustment	<u><u>\$ (285)</u></u>	Line 1 less Line 2

Lake Wildwood Utilities Corporation
Adjustment to Deferred Charges
For the Test Year Ending December 31, 2008

Line No.	Description (a)	Deferred Charges Adjustment (b)	Deferred Charges (c)
1	Deferred Charges per Company	(1)	\$ 285
2	Relocation Expenses	\$ (48)	(2)
3	Employee Fees	(122)	(2)
4	Volatile Organic Compound Testing	<u>(116)</u>	(2)
5	Deferred Charges Adjustment (Sum of Lines Line 2 through 4)	<u>\$ (285)</u>	<u>(285)</u>
6	Deferred Charges per Staff (Line 1 + Line 5)		<u>\$ (0)</u>

Sources:

- (1) Company Schedule C, page 1, column "Per Books", line 10
- (2) Response to Staff data request JMO 2.04

Lake Wildwood Utilities Corporation
 Adjustment for Unaccounted-for Water
 For the Test Year Ending December 31, 2008

Line No.	Description	Unaccounted-for Water Percentage		Unaccounted-for Water Adjustment
1	Total Water Pumped (gallons)	18,272,000	(1)	
2	Total Water Sold (gallons)	<u>13,454,500</u>	(1)	
3	Line 1 - Line 2	4,817,500		
4	Estimate of usage to flush system (gallons)	<u>500,000</u>	(1)	
5	Unaccounted-for Water (gallons) (Line 3 - Line 4)	4,317,500		
6	Unaccounted-for Water Percentage (Line 5 divided by Line 1)	23.63%		
7	Maximum Percentage per Tariff	<u>15.00%</u>	(2)	
8	Excess Unaccounted-for Water Percentage (Line 7 - Line 6)	<u><u>-8.63%</u></u>		-8.63%
9	Maintenance Expenses		(3)	<u>\$ 15,576</u>
10	Staff Adjustment - Disallowed Maintenance Expenses (Line 8 x Line 9)			<u><u>\$ (1,344)</u></u>

Sources:

- (1) 2008 Form 22 ILCC, page 20W
- (2) ILL. C.C. No. 3, Original Sheet No. 33, effective February 12, 2007
- (3) Company Schedule B, page 1, column "Per Books", Purchased Power (\$14,783) plus Chemicals (\$793)

Lake Wildwood Utilities Corporation
Adjustment to Working Capital
For the Test Year Ending December 31, 2008

Line No.	Description <small>(a)</small>	Amount <small>(b)</small>	Source <small>(c)</small>
1	Maintenance Expenses	\$ 62,525	Schedule 1.1 LW, column (d), line 5
2	General Expense	40,681	Schedule 1.1 LW, column (d), line 6
3	Taxes Other Than Income	15,561	Schedule 1.1 LW, column (d), line 9
4	Less Real Estate Taxes	<u>(718)</u>	Response to Staff data request JMO 1.01, tab "Linked TB"
5	Operating Expenses Subject to Working Capital Allowance	118,049	Sum of lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Staff	14,756	Line 5 times line 6
8	Working Capital Allowance Per Company	<u>35,388</u>	Company Schedule C, column "As Adjusted"
9	Staff Adjustment	<u><u>\$ (20,632)</u></u>	Line 7 less line 8