

1 **Q. Please state your name, title and business address.**

2 A. My name is Steven M. Lubertozi. I am the Executive Director of Regulatory Accounting
3 and Affairs for Utilities, Inc. and its subsidiaries. My business address is 2335 Sanders
4 Road, Northbrook, Illinois 60062.

5 **Q. Mr. Lubertozi have you previously filed direct testimony in this proceeding?**

6 A. Yes, I have.

7 **Q. Mr. Lubertozi have you reviewed the Direct Testimony of Staff's witnesses and the
8 Direct Testimony of the Intervenors?**

9 A. Yes, I have.

10 **Q. Would you please explain each adjustment proposed by Staff and the Company's
11 response?**

12 A. Yes.

13 INTEREST SYNCHRONIZATION

14 **Q. Do you agree with Staff's proposed adjustment to interest and cost of debt?**

15 A. Yes, I do. Staff included both long and short term debt and the appropriate cost rates as
16 shown on Exhibit No. 1.0 Schedule 1.5 AC and LW and Exhibit 3.0 Schedule 1. My
17 calculation is contained in ACUC-LWUC Exhibit No. 4.0, Schedule F-ACUC, w/p[h] and
18 ACUC-LWUC Exhibit No. 4.0, Schedule F-LWUC, w/p[h].

19 GROSS REVENUE CONVERSION FACTOR

1 **Q. Do you agree with Staff's Gross Revenue Conversion Factor?**

2 A. Yes, I do. The Company's gross revenue conversion factor is embedded in my supporting
3 work papers and exhibits. In addition, the Apple Canyon and Lake Wildwood's Gross
4 Revenue Conversion Factor includes an uncollectible rate of 4.0377% and 3.1153%,
5 respectively as shown on ACUC-LWUC Exhibit No. 4.0, Schedule F-ACUC, w/p[a] and
6 ACUC-LWUC Exhibit No. 4.0, Schedule F-LWUC, w/p[a]

7 UTILITY PLANT – ABANDON WELL

8 **Q. Do you agree with Staff's adjustment to remove the abandon wells?**

9 A. Yes, I do, and my adjustments are contained in ACUC-LWUC Exhibit No. 4.0, Schedule
10 C-ACUC, and ACUC-LWUC Exhibit No. 4.0, Schedule C-LWUC. Staff has appropriately
11 removed the utility plant in service, accumulated depreciation and depreciation expense as
12 it pertains to the abandon wells.

13 UTILITY PLANT – PROFORMA PLANT

14 **Q. Do you agree with Staff's adjustment to remove the Company's Pro Forma Plant**
15 **adjustments for plant additions after June 30, 2009, which were estimated in the**
16 **original filing?**

17 A. Yes, I do. Staff has removed the utility plant in service and depreciation expense as it
18 pertains to the Company's proposed utility plant in service pro forma additions.

19 UTILITY PLANT – PROFORMA PLANT (ACCUMULATED DEPRECIATION)

1 **Q. Do you agree with Staff's adjustment to increase the associated Accumulated**
2 **Depreciation to the Company's Pro Forma Plant adjustments for plant additions after**
3 **June 30, 2009, which were estimated in the filing?**

4 A. Yes, I do.

5 DEFERRED CHARGES

6 **Q. Will the Company oppose Staff's adjustment to remove the Deferred Charges from**
7 **the Company's rate base?**

8 A. No, the Company will not oppose Staff's adjustment to remove deferred charges from rate
9 base, and as you can see there are no deferred charges on ACUC-LWUC Exhibit No. 4.0,
10 Schedule C-ACUC, and ACUC-LWUC Exhibit No. 4.0, Schedule C-LWUC.

11 UNACCOUNTED FOR WATER

12 **Q. Do you agree with Staff's adjustment to remove certain O&M expense items as it**
13 **pertains to the unaccounted for water above the threshold in the Company's tariffs?**

14 A. Yes, I do, and it has been reflected in ACUC-LWUC Exhibit No. 4.0, Schedule B-ACUC,
15 footnote [I] and ACUC-LWUC Exhibit No. 4.0, Schedule B-LWUC, footnote [I].

16 WORKING CAPITAL

17 **Q. Do you agree with Staff's adjustment to remove property taxes from the Company's**
18 **cash working capital calculation?**

19 A. Yes, I do, and it has been reflected in ACUC-LWUC Exhibit No. 4.0, Schedule F-ACUC,
20 w/p[i] and ACUC-LWUC Exhibit No. 4.0, Schedule F-LWUC, w/p[i].

21 PRO FORMA EXPENSE ADJUSTMENTS

1 **Q. Do you agree with Staff's adjustment to remove expense increases based on an**
2 **inflation factor from the Company's income statement?**

3 A. Yes, I do, and it has been reflected in my rebuttal exhibits.

4 ADD-ON TAXES

5 **Q. Do you agree with Staff's adjustment to remove Add-On Taxes from the Company's**
6 **income statement?**

7 A. I agree with one of Staff's adjustments to Add-On Taxes and disagree with the other two.
8 The adjustment shown in ICC Staff Exhibit 2.0, Schedule 2.2AC, Line No. 4 and ICC Staff
9 Exhibit 2.0, Schedule 2.2LW Line No. 4. \$368 for Apple Canyon and \$274 for Lake
10 Wildwood were included due to a formula error in the Company's original filing and
11 should be eliminated for ratemaking purposes.

12 **Q. Please explain the two adjustments that you disagree with.**

13 A. Staff removed test year expenses for both Apple Canyon and Lake Wildwood. Staff's
14 adjustments are contained in ICC Staff Exhibit 2.0, Schedule 2.2AC, Line No. 2 and ICC
15 Staff Exhibit 2.0, Schedule 2.2LW Line No. 2. \$353 for Apple Canyon and \$184 for Lake
16 Wildwood, these costs are support by actual invoices, were incurred in the test period. I
17 have attached the actual invoices and cancelled checks to my testimony as ACUC-LWUC
18 Exhibit No. 4.0, Schedule G-ACUC and ACUC-LWUC Exhibit No. 4.0, Schedule G-
19 LWUC. These test year costs represent the Gross Revenue Tax imposed by the Illinois
20 Commerce Commission at a rate of .1% for test year revenues, which is included in test

1 year expenses. The Company included, as a pro forma adjustment, in its filing the .1%
2 Gross Revenue Tax for requested additional revenues less uncollectibles.

3 **Q. What adjustment have you included for in your rebuttal testimony?**

4 A. For my rebuttal testimony I have include the actual test year expense plus the requested
5 additional revenues less the proposed uncollectible expense multiplied by the Public Utility
6 Gross Receipts Tax of .1%. Please see ACUC-LWUC Exhibit No. 4.0, Schedule F-ACUC,
7 w/p [e] and ACUC-LWUC Exhibit No. 4.0, Schedule F-LWUC, w/p [e].

8 **Q. If Staff is recommending that this appear as a separate line item on a customer's bill
9 would the Company's new billing system allow for that level of specificity?**

10 A. Yes, the new system would allow us to bill the customer separately for the .1%

11 RATE CASE EXPENSE

12 **Q. Do you agree with Staff's adjustment to remove certain rate case expense items?**

13 A. No, I do not. The Company is looking to include only actual rate case expense through
14 March 10, 2010 and estimated rate case expense to bring these cases to conclusion.

15 **Q. What was included in your initial request as it pertains to rate case expense?**

16 A. The Company estimated who was going to be working on the rate case and their hours.
17 This was only an estimate and the Company is not including any costs for those who did
18 not work on the filing, so the Company is only including actual cost and an estimate to
19 bring this proceeding to conclusion.

20 **Q. Would you please discuss your disagreement with Staff adjustment to rate case
21 expense?**

1 A. Yes. Staff's adjustment to Rate Case Expense excludes employee's capitalized time to
2 prepare this rate case, facilitate the audit conducted by Staff and respond to data requests
3 issued by the Staff and the Intervenors.

4 **Q. Did Utilities, Inc. employees spend time preparing the rate cases, working with Staff**
5 **on the audit and responding to data request?**

6 A. Yes, there is no question employees spent significant time and effort working on this rate
7 proceeding.

8 **Q. Can you please explain the "unresolved issue" referenced by Staff and the adjustment**
9 **you have made?**

10 A. The Company is still working to resolve this issue. However, as I previously stated the
11 Company is only looking to include actual rate case expense and an estimate to bring this
12 case to conclusion.

13 **Q. What term have you used to amortize rate case expense and why?**

14 A. I used a 3 year amortization period as this was the term used in the Company's last rate
15 case and this term is more representative of the Company's future expectations. In
16 addition, these costs are displayed on ACUC-LWUC Exhibit No. 4.0, Schedule F-ACUC,
17 w/p [d] and ACUC-LWUC Exhibit No. 4.0, Schedule F-LWUC, w/p [d].

18 **Q. What would be your recommendation be if the Commission adopts a term longer than**
19 **3 years?**

20 A. I would recommend that the unamortized balance of rate case expenses be included as a
21 component of rate base.

1 TEST YEAR EXPENSES

2 **Q. Do you agree with Staff's adjustment to certain test year expenses based on a**
3 **historical average?**

4 A. No, I do not.

5 **Q. Can you please explain?**

6 A. Yes. The Staff proposed that the Commission abandon its traditional test year
7 methodology in favor of a backward looking approach that would permit Staff to select
8 certain expense categories, examine them over an arbitrary historical period, and then
9 reduce the Company's test year expenses to reflect an average over that period, which is
10 inconsistent with the known and measurable standard for adjusting test year expenses. The
11 1993 edition of *The Regulation of Public Utilities* by Charles Phillips at page 196 recognize
12 that the test year is an aid to the Commission in forecasting a utility's future rate base,
13 reserves, and expenses. The observation by Phillips that only just and reasonable expenses
14 are allowed for rate-making purposes is likewise consistent with Commission's prior
15 practices. Rather than supporting a backward analysis of pre-test year expense levels, Dr.
16 Phillips' discussion of the test year concept makes abundantly clear that the test year
17 chosen by a utility and approved by a regulatory body (which he notes is "frequently the
18 latest twelve-month period for which complete data are available") is the "past experience.
19 . [the Commission is] to use as a guide." *The Regulation of Public Utilities* (1993 Ed.) at
20 196. On the same page, Dr. Phillips elaborates on this observation by noting:

1 ‘Philosophically, the strict test year assumes the past relationship
2 among revenues, costs and net investment **during the test year** will
3 continue into the future.’ To the extent that these relationships are
4 not constant, the actual rate of return earned by a utility may be
5 quite different from the rate allowed by the commission. For many
6 years, commissions have adjusted test-year data for “known
7 changes”; that is, a change that actually took place **during or after**
8 **the test period. . .”**
9

10 This discussion by Dr. Phillips makes clear that his reference to the “past experience”
11 regulatory bodies are to use as a guide in ratemaking where the test year concept is
12 employed is, in fact, the test year itself. This discussion also makes clear that the “known
13 changes” referenced by Dr. Phillips are only changes during and after the test year, and not
14 prior to the test year. Dr. Phillips’ analysis is consistent with the Commission’s prior
15 practice. Accordingly, all of the five year average adjustments should be rejected.
16 Furthermore, in order to give effect to Staff’s approach, the Commission would have to
17 turn the traditional test year concept on its head and, instead of considering a utility’s
18 expenses in a test year as a basis for its future forecast of utility expense, the Commission
19 would have to examine each claimed expense over some number of prior years to reach a
20 determination of allowable expenses. This Commission has been guided by these
21 principles, which are wholly consistent with Dr. Phillips’ observation that “the test year
22 assumes the past relationship among revenues, costs and net investment during the test year
23 will continue into the future.”

1 **Q. Have you reviewed 2009 expenses and compared them to test year figures to**
 2 **determine if the test year expenses are consistent with the Company’s most recent**
 3 **results?**

4 A. Yes, I did

5 **Q. Can you elaborate on those findings?**

6 A. Yes, I can. Let me start by saying that during my review of the Apple Canyon’s 2008
 7 Annual Reports I noted that the information contained in the Previous Years’ column had
 8 incorrect information. From my review the information displayed in Apple Canyon’s 2008
 9 Annual Report is factually correct; however, the prior year’s, 2007, is incorrect. Staff used
 10 the Apple Canyon’s 2008 Annual Report to populate both 2007 and 2008 assuming both
 11 columns were correct, which should have been a correct assumption by Staff. Using the
 12 correct information contained in the Apple Canyon’s 2007 Annual Report Staff’s table on
 13 Page 7 of ICC Staff Exhibit 2.0 would have been as follows:

2004	\$ 151,560
2005	\$ 166,281
2006	\$ 179,260
2007	\$ 246,216
2008	\$ 399,063

14

15 Using this correct figure the average displayed on ICC Staff Exhibit 2.0, Schedule 2.4AC,
 16 Page 2 of 2, Line 8 would have been \$228,476, not \$212,561.

17 The 2009 level of Operation and Maintenance Expenses incurred for Apple Canyon and
 18 Lake Wildwood are \$353,094 and \$212,174, respectively. These levels of expense actually

1 incurred in 2009 are consistent with the levels in the test year and more representative to
2 ongoing levels of expense. The majority of the increase is from salaries and related
3 benefits. For example in the years prior to 2007 the Company did not employ a Regional
4 Manager, Business Manager or Compliance Manager, which represents a large portion of
5 the year-over-year increase. Staff's historical averaging would be appropriate if costs were
6 declining. However, we know that certain costs are increasing.

7 **Q. Can you provide a specific example?**

8 A. Yes, I can. In 2007, 2008 and 2009 UI incurred \$2,615,118, \$3,055,388 and \$3,494,000 of
9 health insurance costs, respectively, which represents a 16.84% and 14.36% year-over-year
10 increase, and in 2010 the Company estimates claims will be approximately \$4,400,000.
11 Using Staff's averaging methodology would only guarantee that these Companies would
12 never fully recover these costs.

13 **Q. Assuming the Commission adopts this averaging methodology, what would be the**
14 **impact of these costs, prior to allocations from the Water Service Corporation?**

15 A. Staff is assuming that expenses will decrease for Apple Canyon and Lake Wildwood by
16 47% and 36% respectively.

17 **Q. Does 2009 data show a decrease consistent with the percentages that Staff is**
18 **proposing?**

19 A. No, 2009 costs are increasing, so Staff's reduction is not only below 2008 but also below
20 2009.

1 **Q. What are the 2009 comparable costs for Apple Canyon and Lake Wildwood, and**
2 **what would the 5 year averages be if you included 2009 and rolled off 2004?**

3 A. The actual incurred expense for Apple Canyon is \$353,094 and for Lake Wildwood it is
4 \$212,174. The five year average with the inclusion of 2009 and exclusion of 2004 would
5 be \$268,783 for Apple Canyon and \$163,656 for Lake Wildwood. Therefore, by changing
6 one year of actual incurred expense with more current and relevant information Staff's
7 adjustment for Apple Canyon and Lake Wildwood would increase by approximately
8 \$56,000 and \$24,000 respectively.

9 **Q. What would the averages be if you selected just the three most current years 2007,**
10 **2008 & 2009?**

11 A. The average for Apple Canyon would be \$332,791, which is \$120,000 greater than Staff's
12 five year average. The average for Lake Wildwood would be \$195,044, which is \$55,000
13 higher than Staff's five year average.

14 **Q. Are the last three year more representative of ongoing levels of expense?**

15 A. Certainly, 2009 costs are more representative then costs incurred more than 6 years ago.

16 EMPLOYEE ALLOCATION FACTOR – APPLE CANYON

17 **Q. Do you agree with Staff's adjustment as it pertains to Nathan Brant and his**
18 **allocation?**

19 A. Yes, I do. In my rebuttal exhibits I have include 46.87% of Nathan Brant's salary,
20 consistent with Staff's adjustment.

21 INCENTIVE COMPENSATION

1 **Q. Do you agree with Staff's recommendation as it pertains to incentive compensation?**

2 A. For the purposes of these cases the Company removed the test year allocated portions of
3 bonuses totaling \$2,974.05 for Apple Canyon and \$1,586.16 for Lake Wildwood. This
4 adjustment is contained in ACUC-LWUC Exhibit No. 4.0, Schedule B-ACUC, footnote [j]
5 and ACUC-LWUC Exhibit No. 4.0, Schedule B-LWUC, footnote [j]

6 RATE DESIGN

7 **Q. Do you agree with Staff's methodology to calculate proposed rates?**

8 A. Yes, I do, but I do not agree with the rates proposed by Staff witnesses Rukosuev or Boggs.
9 Customers' current rates are shown on ACUC-LWUC Exhibit No. 4.0, Schedule D-ACUC
10 and ACUC-LWUC Exhibit No. 4.0, Schedule D-LWUC, and the proposed rates are shown
11 on ACUC-LWUC Exhibit No. 4.0, Schedule E-ACUC and ACUC-LWUC Exhibit No. 4.0,
12 Schedule E-LWUC,

13 ABANDON WELLS

14 **Q. Do you agree with Staff's proposal to remove the Wells that are no longer in service?**

15 A. Yes, I do.

16 NEW IT INFRASTRUCTURE

17 **Q. Do you agree with the Intervenors' comments as they pertain to the new IT**
18 **infrastructure commonly known as Project Phoenix?**

19 A. No, I do not. These assets are currently in service and providing a benefit to all of Apple
20 Canyon's and Lake Wildwood's customers. The legacy accounting and billing system was
21 no longer supported by the original vendor. In addition, the legacy system did not contain

1 certain internal controls that are commonly present in most accounting systems, like the
2 three way match. The three way match allows the Company to compare the purchase order
3 to the actual goods received to the voucher sent by the vendor. The billing system
4 conversion allows the Company to track usage and service issues at a premise regardless of
5 the customer. In addition, the Company's past practice when dealing with customer service
6 issues was to fax service orders to the local operators. However, the new system allows for
7 instant communication between the operator and the customer service representative, which
8 reduces delay time to the customer. These are just a few of the benefits to the customer.
9 However, keeping the legacy systems, which were unsupported by the vendor, was not in
10 the best interest of ratepayers and the Company.

11 BILLING DATA

12 **Q. Can you please explain the discrepancy noted by Mr. Rubin on page 14 of his**
13 **testimony?**

14 A. The Company is in the process of looking into this issue. However, the data displayed on
15 page 14 of his testimony is for 2009 consumption and has no impact on the test year.

16 **Q. Is Lake Wildwood charging all of its residential customers the \$10.34 base facility**
17 **charge?**

18 A. Yes, Lake Wildwood is charging all of its residential customers the \$10.34 base facility
19 charge. The Company has one residential customer with a one inch meter. This customer
20 is charged the \$10.34 monthly base facility charge. However, there was an error in the
21 original filing on Schedule D, wherein the company included the monthly base facility

1 commercial rate of \$19.69. This should have been \$10.34 per month. The customer is
2 being billed the correct amount and the error has no impact on the requested rates.

3 **Q. Have you corrected that in your rebuttal exhibits?**

4 A. Yes I have.

5 MISCELLANEOUS

6 **Q. Mr. Rubin indicates that the Companies should not be granted rate relief. How**
7 **would you respond to this comment?**

8 A. First, I would say that Mr. Rubin has not conducted a true regulatory audit of the
9 company's books and records and therefore he is not in a position to opine as to the
10 Company's need for rate relief. Second, *The Regulation of Public Utilities* by Charles
11 Phillips at page 177 recognize that "allowable operating costs must be ascertained," and
12 based on Mr. Rubin's testimony he hasn't performed the necessary step or steps
13 (commonly known as a audit) to ascertain the appropriate levels of expense. Lastly, the
14 Staff of the Illinois Commerce Commission has conducted a thorough audit of the
15 Company's books and records and is in agreement with the Company that rate relief is
16 warranted, albeit a difference level of additional revenues.

17 **Q. Have you made all of the prior adjustment that you discussed?**

18 A. Yes, all of the adjustments discussed above are contained in ACUC-LWUC Exhibit No.
19 4.0.

20 **Q. What ROE are you using to calculate your revenue requirement?**

1 A. Consistent with Pauline Ahern's testimony I have used a cost of common equity of
2 11.50%.

3 **Q. Have you included a new income statement, rate base rate of return, rate schedule**
4 **and supporting work papers?**

5 A. Yes, I have. The adjusted customer rates after accepting some of Staff's adjustments and
6 rejecting other Staff adjustment are attached hereto as ACUC-LWUC Exhibit No. 4.0.

7 **Q. Does this conclude your rebuttal testimony?**

8 A. Yes it does.

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	\$ <u>2,847,331</u>	Total	\$ <u>847,294</u>
Accumulated Depreciation-Water	(805,474)	Current and Accrued Liabilities	
Accumulated Depreciation-Sewer	0	Accounts Payable-Trade	2,105
Total	\$ <u>(805,474)</u>	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	\$ <u>0</u>	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	\$ <u>45,346</u>	Sewer	0
Current Assets		Total	\$ <u>1,015,517</u>
Cash	(1)	Accumulated Deferred Income Tax	
Accounts Receivable - Net	(408,895)	Unamortized ITC	0
Other Current Assets	<u>0</u>	Deferred Tax - Federal	121,563
Total	\$ <u>(408,895)</u>	Deferred Tax - State	2,513
Deferred Charges	<u>13,709</u>	Total	\$ <u>124,076</u>
TOTAL ASSETS	\$ <u><u>1,692,018</u></u>	TOTAL LIABILITIES AND OTHER CREDITS	\$ <u><u>1,692,018</u></u>

Apple Canyon
Water Operations
Test Year Ended December 31, 2008

	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	366,370 [n]	631,518
Service Revenues - Sewer	-		-		-
Miscellaneous Revenues	10,718		10,718	440 [k]	11,158
Uncollectible Accounts	(10,706)		(10,706)	(14,792) [b]	(25,498)
Total Operating Revenues	180,022	85,139	265,160	352,017	617,178
Maintenance Expenses					
Salaries and Wages	161,401	(26,992) [c]	134,409	-	134,409
Adjustment to remove Incentive Compensation		(2,974) [j]	(2,974)		(2,974)
Purchased Power	15,007	-	15,007	-	15,007
Purchased Water	-	-	-	-	-
Maintenance and Repair	18,061	-	18,061	-	18,061
Maintenance Testing	3,071	-	3,071	-	3,071
Meter Reading	3,533	-	3,533	-	3,533
UFW adjustment		(7,359) [l]	(7,359)		(7,359)
Chemicals	7,349	-	7,349	-	7,349
Transportation	24,507	-	24,507	-	24,507
Operating Exp. Charged to Plant	(54,504)	9,199 [c]	(45,305)	-	(45,305)
Outside Services - Other	10,493	-	10,493	-	10,493
Total	188,917	(28,126)	160,790	-	160,790
General Expenses					
Salaries and Wages	64,361	(10,062) [c]	54,299	-	54,299
Office Supplies & Other Office Exp.	33,364	-	33,364	-	33,364
Regulatory Commission Exp.	1,438	41,603 [d]	43,042	-	43,042
Pension & Other Benefits	49,395	(7,800) [c]	41,595	-	41,595
Rent	2,913	-	2,913	-	2,913
Insurance	21,580	-	21,580	-	21,580
Office Utilities	11,136	-	11,136	-	11,136
Miscellaneous	16,653	-	16,653	-	16,653
Expense Allocation adj	-	(1,953) [o]	(1,953)	-	(1,953)
Total	200,841	21,788	222,629	-	222,629
Depreciation	82,187	45,104 [e]	127,292		127,292
Amortization of PAA	-	-	-		-
Taxes Other Than Income	31,279	(7,629) [f]	23,650	352 [f]	24,001
Income Taxes - Federal	(132,627)	44,380 [g]	(88,247)	110,838 [g]	22,591
Income Taxes - State	(30,718)	10,279 [g]	(20,439)	25,672 [g]	5,232
Amortization of ITC	-	-	-	-	-
Amortization of CIAC	(11,203)	(8,172) [e]	(19,375)	-	(19,375)
Total	(61,082)	83,961	22,880	136,861	159,741
Total Operating Expenses	328,676	77,623	406,299	136,861	543,160
Net Operating Income	(148,654)	7,516	(141,138)	215,156	74,018
Other Income	(5)	-	(5)	-	(5)
Interest During Construction	(2,025)	2,025 [h]	-	-	-
Interest on Debt	113,393	(83,227) [i]	30,165	-	30,165
Net Income	(260,017)	88,717	(171,299)	215,156	43,857

Apple Canyon

Explanation of Adjustments to Income Statement

- [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. [Not attached]
- [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 Freetly's cost of debt and capital structure.
- [j] Adjustment to remove Incentive Compensation (Jones testimony)
- [k] ACUC-LWUC Exhibit No. 4.0, Schedule D-ACUC
- [l] Adjustment to reduce the O&M expenses for excess UFW (Staff sch 1.11AC)
- [m] w/p [o] - Intentionally left blank
- [n] ACUC-LWUC Exhibit No. 4.0, Schedule D-ACUC
- [o] w/p [p] - adjust allocations 12/31/08 allocation factors.

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

ACUC-LWUC Exhibit No. 4.0
Schedule C-ACUC
Page 1 of 2

	Per Books	Pro Forma Adjustments	As Adjusted	Proposed Increase	Effect of Proposed Increase
Net Operating Income	(148,654)	7,516	(141,138)	215,156	74,018
Gross Plant In Service	2,847,331	5,762 [d]	2,853,093	-	2,853,093
Abandon Well retirement (UPIS)		(19,680) [i]	(19,680)	-	(19,680)
Abandon Well retirement (AD)		19,680 [i]	19,680	-	19,680
Accumulated Depreciation	(805,474)	(137,195) [c] & [g]	(942,668)	-	(942,668)
Net Plant In Service	2,041,858	(131,433)	1,910,425	-	1,910,425
Cash Working Capital	52,299	(1,746) [a]	50,553	-	50,553
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)
Net Pro Forma Plant	-	50,504 [b]	50,504	-	50,504
Total Rate Base	900,372	(32,743)	867,629	-	867,629
Return on Rate Base	-16.51%		-16.27%		8.53%

- [a] w/p [i] - Working Capital is calculated based on pro forma expenses.
- [b] w/p [j] - Pro Forma Plant is adjusted for planned additional capital projects audited by Staff. [Not attached]
- [c] w/p [appendix] - Accumulated depreciation is adjusted for planned additional capital investments, retirements, and plant held for future use.
- [d] w/p [l] - Plant additions for first half of 2009. [Not attached]
- [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.
- [i] Adjusted for abandoned well as per staff exhibit 1.0 Sch 1.7LW and 1.7AC

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

ACUC-LWUC Exhibit No. 4.0
Schedule D-ACUC

WATER

Bill code		Gallonage	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>
						-

Apple Canyon
Uncollectible Accounts
Test Year Ended December 31, 2008

ACUC-LWUC Exhibit No. 4.0
Schedule F-ACUC
w/p [a]

	<u>Water</u>
Test Year / Present Revenues	<u>\$ 265,148</u>
Uncollectible Accounts	<u>\$ 10,706</u>
Uncollectible %	<u>4.04%</u>
PROPOSED Revenues	<u>\$ 631,518</u>
Uncollectible %	<u>4.04%</u>
Uncollectible Accounts	<u>\$ 25,498</u>

Apple Canyon
Rate Case Expense
Test Year Ended December 31, 2008

ACUC-LWUC Exhibit No. 4.0
Schedule F-ACUC
w/p [d]

Total

Actual incurred rate case expense per general ledger dated 3/10/2010 71,538
(Includes legal, consulting, and other admin invoices and Capttime for WSC personnel)
Legal Fees Not included in the GL (till date - 3/10/10) 23,882

Customer Notices (1 notices):

Postage	2,690 =	customers x \$0.44	1,184
Stock	2,690 =	notices x (.0526)	141

	Personnel	Cost	# of Trips/ Nights	
Travel				
Airfare	2	500	1	1,000
Hotel/Meals	2	200	3	1,200

Water Service Personnel - estimated from 3/01/2010-hearing

	hours	rate	\$	
John Williams	25	\$ 58	1,450	
Lena Georgiev	50	\$ 52	2,600	
Steve Lubertozzi	50	\$ 92	4,600	
Dhwani Mehta	50	\$ 29	1,450	
LaWanda Valrie	15	\$ 23	345	
Carl Daniel	50	\$ 117	5,874	
Mike Miller	40	\$ 43	1,717	
Tom Tapella	15	\$ 43	644	
Total				<u>18,679</u>

Legal Fees - estimated from 3/10/10 to hearing 7,500

Consulting Fees - estimated from 3/10/10 to hearing 4,000

Total Cost of current case - estimated cost to complete 129,125

Amortized over 3 years 3

Amortization Expense per year \$ 43,042

Apple Canyon
 Calculation of Taxes Other Than Income Taxes
 Test Year Ended December 31, 2008

ACUC-LWUC Exhibit No. 4.0
 Schedule F-ACUC
 w/p [e]

Water

Test Year

Utility/Commission Tax	\$	353
Real Estate Tax		2,641
Personal Property Tax		6,466
Gross Receipts Tax		-
Franchise Tax		530
Sales/Use Tax		-
 Payroll Taxes		 21,289
 Total		 <u><u>31,279</u></u>

Pro Forma Present

Payroll Tax Increase		(7,629)
 Adjustment	\$	<u><u>(7,629)</u></u>

Pro Forma Proposed

Proposed Revenue Increase (less uncollectibles)	\$	351,577
Gross Receipts Increase (Utility/Commission Tax)		0.10%
 Adjustment	\$	<u><u>352</u></u>

Apple Canyon
Depreciation Expense
Test Year Ended December 31, 2008

ACUC-LWUC Exhibit No. 4.0
Schedule F-ACUC
w/p [f]

		<u>Water</u>
Gross Plant		2,847,331
Add:		
Pro Forma Projects		50,504
Plant Additions in 2009		5,762
Less:		
Abandon Well (Retire)		(19,680)
Land		(5,856)
Vehicles		(109,138)
Computers		(241,342)
Net		<u>2,527,581</u>
Plant Dep. @ w/p [g]	2.59%	<u>65,530</u>
Vehicles		109,138
Vehicle Dep. @	25.00%	<u>27,285</u>
Computers		241,342
Computer Dep. @	14.29%	<u>34,477</u>
Total Depreciation		<u><u>127,292</u></u>
PAA		-
Amortization @	2.59%	<u><u>-</u></u>
CIAC		(747,322)
Amortization @ w/p [g]	2.59%	<u><u>(19,375)</u></u>

Apple Canyon
Calculation of Income Taxes
Test Year Ended December 31, 2008

ACUC-LWUC Exhibit No. 4.0
Schedule F-ACUC
w/p [g]

WATER

	Pro Forma Present	Pro Forma Proposed
<u>State Income Taxes</u>	<hr/>	<hr/>
Total Revenue	\$ 265,160	\$ 617,178
Maintenance Expense	160,790	160,790
General Expense	222,629	222,629
Depreciation & Amortization	107,917	107,917
Taxes Other Than Income	23,650	24,001
Interest Expense	30,165	30,165
Other Expenses	0	0
	<hr/>	<hr/>
Taxable Income profit/(loss)	\$ (279,991)	\$ 71,675
State Tax Rate	7.30%	7.30%
	<hr/>	<hr/>
Total State Income Taxes	<u>\$ (20,439)</u>	<u>\$ 5,232</u>
<u>Federal Taxes</u>		
Taxable Income before taxes	\$ (279,991)	\$ 71,675
Less: State I/T	(20,439)	5,232
	<hr/>	<hr/>
Federal Taxable Income	(259,551)	66,443
Federal Tax Rate	34%	34%
	<hr/>	<hr/>
Total Federal Taxes	<u>\$ (88,247)</u>	<u>\$ 22,591</u>

UTILITIES, INC. AND SUBSIDIARIES
Capital Structure
Test Year Ended December 31, 2008

ACUC-LWUC Exhibit No. 4.0
Schedule F-ACUC
w/p [h]

	December 31 2008	Annual Interest Expense	Capital Structure
COMMON SHAREHOLDERS' EQUITY:			
Common shares, \$.10 par value; authorized 1,000 and issued 1,000 shares	\$ 100		
Paid-in capital	98,111,656		
Retained earnings	59,625,258		
Note receivable from parent	0		
Other Comprehensive Income	0		
Total Common Shareholder's Equity	\$ 157,737,014		43.96%
DEBT:			
Short Term Debt	22,380,391	590,842	6.24%
Long Term Debt	178,726,842	11,760,226	49.81%
Total Short Term & Long-Term Debt	\$ 201,107,233	\$ 12,351,069	
TOTAL CAPITALIZATION	\$ 358,844,247		100.00%
COST OF DEBT	6.14%		

	<u>Ratio</u>	<u>Cost</u>	<u>Weighted Cost</u>
Short-Term Debt	6.24%	2.64%	0.16%
Long-Term Debt	49.81%	6.65%	3.31%
Common Equity	43.96%	11.50%	5.06%
	100.00%		8.53%

Apple Canyon
Pro Forma Interest Expense
Test Year Ended December 31, 2008

w/p [h]

	Water	Sewer	Total
Pro Forma Present Rate Base	867,629	0	867,629
Average Weighted Embedded Cost of Debt	3.48%	3.48%	3.48%
Pro Forma Interest Expense	30,165	0	30,165

Lake Wildwood Utilities Corporation
Balance Sheet
December 31, 2008

<u>ASSETS</u>		<u>LIABILITIES AND OTHER CREDITS</u>	
Plant In Service		Capital Stock and Retained Earnings	
Water	\$ 1,335,847	Common Stock and Paid In Capital	\$ 630,519
Sewer	<u>0</u>	Retained Earnings	130,042
Total	\$ 1,335,847	Total	\$ <u>760,561</u>
Accumulated Depreciation-Water	(463,472)	Current and Accrued Liabilities	
Accumulated Depreciation-Sewer	0	Accounts Payable-Trade	2,228
Total	\$ <u>(463,472)</u>	Taxes Accrued	524
Net Utility Plant	\$ <u>872,375</u>	Customer Deposits	0
		Customer Deposits - Interest	(2)
		A/P - Assoc. Companies	(235,306)
		Deferred Revenue	0
		Total	\$ <u>(232,556)</u>
Plant Acquisition Adjustment-Water	0	Advances In Aid of Construction	
Plant Acquisition Adjustment-Sewer	<u>0</u>	Water	0
Total	\$ <u>0</u>	Sewer	0
		Total	\$ <u>0</u>
Construction Work In Process-Water	124,077	Contributions In Aid of Construction	
Construction Work In Process-Sewer	<u>0</u>	Water	107,181
Total	\$ <u>124,077</u>	Sewer	0
		Total	\$ <u>107,181</u>
Current Assets		Accumulated Deferred Income Tax	
Cash	750	Unamortized ITC	0
Accounts Receivable - Net	(333,245)	Deferred Tax - Federal	20,862
Other Current Assets	<u>0</u>	Deferred Tax - State	8,196
Total	\$ <u>(332,495)</u>	Total	\$ <u>29,057</u>
Deferred Charges	<u>285</u>	TOTAL LIABILITIES AND OTHER CREDITS	\$ <u>664,244</u>
TOTAL ASSETS	\$ <u><u>664,244</u></u>		

	Per Books	Pro Forma Adjustments	Pro Forma Present	Proposed Increase	Pro Forma Proposed
Operating Revenues					
Service Revenues - Water	202,627	(9,577) [a]	193,051	269,226 [n]	462,277
Service Revenues - Sewer	-		-		-
Miscellaneous Revenues	5,401		5,401	215 [k]	5,616
Uncollectible Accounts	(6,014)		(6,014)	(8,387) [b]	(14,401)
Total Operating Revenues	202,014	(9,577)	192,438	261,054	453,492
Maintenance Expenses					
Salaries and Wages	85,271	27,519 [c]	112,790	-	112,790
Adjustment to remove Incentive Compensation		(1,586) [j]	(1,586)	-	(1,586)
Purchased Power	14,783	-	14,783	-	14,783
Purchased Water	-	-	-	-	-
Maintenance and Repair	18,003	-	18,003	-	18,003
Maintenance Testing	1,617	-	1,617	-	1,617
Meter Reading	371	-	371	-	371
UFW adjustment		(1,344) [l]	(1,344)	-	(1,344)
Chemicals	793	-	793	-	793
Transportation	13,050	-	13,050	-	13,050
Operating Exp. Charged to Plant	(41,624)	2,189 [c]	(39,435)	-	(39,435)
Outside Services - Other	5,947	-	5,947	-	5,947
Total	98,210	26,778	124,988	-	124,988
General Expenses					
Salaries and Wages	34,193	(5,270) [c]	28,924	-	28,924
Office Supplies & Other Office Exp.	18,780	-	18,780	-	18,780
Regulatory Commission Exp.	3,808	33,598 [d]	37,406	-	37,406
Pension & Other Benefits	26,242	8,406 [c]	34,648	-	34,648
Rent	1,548	-	1,548	-	1,548
Insurance	11,465	-	11,465	-	11,465
Office Utilities	10,527	-	10,527	-	10,527
Miscellaneous	8,825	-	8,825	-	8,825
Expense Allocation adj	-	(1,452) [o]	(1,452)	-	(1,452)
Total	115,388	35,282	150,670	-	150,670
Depreciation	59,556	6,982 [e]	66,537		66,537
Amortization of PAA	-	-	-		-
Taxes Other Than Income	17,517	299 [f]	17,817	261 [f]	18,078
Income Taxes - Federal	(44,808)	(15,753) [g]	(60,561)	82,197 [g]	21,636
Income Taxes - State	(10,378)	(3,649) [g]	(14,027)	19,038 [g]	5,011
Amortization of ITC	-	-	-	-	-
Amortization of CIAC	(4,326)	13 [e]	(4,313)	-	(4,313)
Total	17,562	(12,109)	5,453	101,496	106,949
Total Operating Expenses	231,160	49,952	281,111	101,496	382,607
Net Operating Income	(29,145)	(59,528)	(88,674)	159,559	70,885
Other Income	(2)	-	(2)	-	(2)
Interest During Construction	(1,076)	1,076 [h]	-	-	-
Interest on Debt	60,263	(31,377) [i]	28,887	-	28,887
Net Income	(88,331)	(29,227)	(117,558)	159,559	42,001

- [a] Revenues are annualized at proposed rates using the average test year customers.
- [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. [Not attached]
- [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 Freetly's cost of debt and capital structure.
- [j] Adjustment to remove Incentive Compensation (Jones testimony)
- [k] ACUC-LWUC Exhibit No. 4.0, Schedule D-LWUC
- [l] Adjustment to reduce the O&M expenses for excess UFW (Staff Sch. 1.11LW)
- [m] Intentionally left blank
- [n] ACUC-LWUC Exhibit No. 4.0, Schedule D-LWUC
- [o] w/p [p] - adjust allocations 12/31/08 allocation factors.

Lake Wildwood Utilities Corporation
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	(29,145)	(59,528)	(88,674)	159,559	70,885
Gross Plant In Service	1,335,847	19,278 [d]	1,355,125	-	1,355,125
Abandon Well retirement (UPIS)	0	(89,935) [e]	(89,935)	-	(89,935)
Abandon Well retirement (AD)	0	89,935 [e]	89,935	-	89,935
Accumulated Depreciation	(463,472)	(287) [c]	(463,759)	-	(463,759)
Net Plant In Service	872,375	18,990	891,366	-	891,366
Cash Working Capital	28,800	7,795 [a]	36,595	-	36,595
Contributions In Aid of Construction	(107,181)	-	(107,181)	-	(107,181)
Accumulated Deferred Income Taxes	(29,057)	-	(29,057)	-	(29,057)
Customer Deposits	(2)	-	(2)	-	(2)
Adjustment to Rate Base Allocations	-	59 [h]	59	-	59
Net Pro Forma Plant	-	39,069 [b]	39,069	-	39,069
Total Rate Base	764,936	65,913	830,849	-	830,849
Return on Rate Base	-3.81%		-10.67%		8.53%

Lake Wildwood Utilities Corporation
Explanations of Adjustments to Rate Base
Test Year Ended December 31, 2008

- [a] w/p [i] - Working Capital is calculated based on pro forma expenses.
- [b] w/p [j] - Pro Forma Plant is adjusted for planned additional capital projects audited by Staff. [Not attached]
- [c] w/p [appendix] - Accumulated depreciation is adjusted for planned additional capital investments, retirements, and plant held for future use.
- [d] w/p [l] - Plant additions for first half of 2009. [Not attached]
- [e] Adjusted for abandoned well as per staff exhibit 1.0 Sch 1.7LW and 1.7AC
- [f] Intentionally left blank
- [g] Intentionally left blank
- [h] w/p [p] - adjust allocations 12/31/08 allocation factors.

Lake Wildwood Utilities Corporation
 Consumption Analysis 01/01/08 - 12/31/08
 Test Year / Present Revenues

ACUC-LWUC Exhibit No. 4.0
 Schedule D-LWUC

WATER

Bill code		Gallonage	Usage Charge	Units	BFC	Revenues
<u>All Subs:</u>						
5901	5/8" Res.	12,455,230	\$ 3.62	5,548	\$ 10.34	\$ 102,452
	3/4" Res.	-	\$ -	-	\$ -	\$ -
	1" Res.	42,066	\$ 3.62	7	\$ 10.34	\$ 290
5804	Availability	-	\$ -	11,327	\$ 7.47	\$ 84,613
5902	5/8" Commercial	117,317	\$ 3.62	73	\$ 10.34	\$ 1,182
5910	1" Commercial	902,643	\$ 3.62	36	\$ 19.69	\$ 3,971
5912	1.5" Commercial	29,000	\$ 3.62	12	\$ 36.25	\$ 544
1114	3" Commercial	-	\$ -	-	\$ -	\$ -
		<u>13,546,256</u>		<u>17,003</u>		<u>\$ 193,051</u>
						-

Lake Wildwood Utilities Corporation
Uncollectible Accounts
Test Year Ended December 31, 2008

ACUC-LWUC Exhibit No. 4.0
Schedule F-LWUC
w/p [a]

	<u>Water</u>
Test Year / Present Revenues	<u>\$ 193,051</u>
Uncollectible Accounts	<u>\$ 6,014</u>
Uncollectible %	<u>3.12%</u>
PROPOSED Revenues	<u>\$ 462,277</u>
Uncollectible %	<u>3.12%</u>
Uncollectible Accounts	<u>\$ 14,401</u>

Lake Wildwood Utilities Corporation
Rate Case Expense
Test Year Ended December 31, 2008

ACUC-LWUC Exhibit No. 4.0
Schedule F-LWUC
w/p [d]

	Total
Actual incurred rate case expense per general ledger dated 3/10/2010	62,602
(Includes legal, consulting, and other admin invoices and Capttime for WSC personnel)	
Legal Fees Not included in the GL (till date - 3/10/10)	16,537

Customer Notices (2 notices):				
Postage	1,421	=	customers x \$0.44	625
Stock	1,421	=	notices x (.0526)	75

	<u>Personnel</u>	<u>Cost</u>	<u># of Trips/ Nights</u>	
Travel				
Airfare	2	500	1	1,000
Hotel/Meals	2	200	3	1,200

Water Service Personnel - estimated from 3/01/2010-hearing				
	<u>hours</u>	<u>rate</u>	<u>\$</u>	
John Williams	25	\$	58	\$ 1,450
Lena Georgiev	50	\$	52	\$ 2,600
Steve Lubertozzi	50	\$	92	\$ 4,600
Dhwani Mehta	50	\$	29	\$ 1,450
LaWanda Valrie	15	\$	23	\$ 345
Carl Daniel	50	\$	117	\$ 5,874
Mike Miller	40	\$	43	\$ 1,717
Tom Tapella	15	\$	43	\$ 644
Total				18,679

Legal Fees - estimated from 3/10/10 to hearing 7,500

Consulting Fees - estimated from 3/10/10 to hearing 4,000

Total Cost of current case - estimated cost to complete 112,217

Amortized over 3 years 3

Amortization Expense per year \$ 37,406

**Lake Wildwood Utilities Corporation
 Calculation of Taxes Other Than Income Taxes
 Test Year Ended December 31, 2008**

**ACUC-LWUC Exhibit No. 4.0
 Schedule F-LWUC
 w/p [e]**

Water

Test Year

Utility/Commission Tax	\$	184
Real Estate Tax		718
Personal Property Tax		4,600
Gross Receipts Tax		-
Franchise Tax		398
Sales/Use Tax		305
 Payroll Taxes		 11,312
 Total		 <u><u>17,517</u></u>

Pro Forma Present

Payroll Tax Increase		299
 Adjustment	\$	<u><u>299</u></u>

Pro Forma Proposed

Proposed Revenue Increase (less uncollectibles)	\$	260,839
Gross Receipts Increase (Utility/Commission Tax)		0.10%
 Adjustment	\$	<u><u>261</u></u>

**Lake Wildwood Utilities Corporation
 Depreciation Expense
 Test Year Ended December 31, 2008**

**ACUC-LWUC Exhibit No. 4.0
 Schedule F-LWUC
 w/p [f]**

	<u>Water</u>
Gross Plant	1,335,847
Add:	
Pro Forma Projects	39,069
Plant Additions in 2009	19,278
Less:	
Abandon Well (Retire)	(89,935)
Land	(1,377)
Vehicles	(57,912)
Computers	(128,107)
Net	<u>1,116,862</u>
Plant Dep. @ w/p [g]	3.02% <u>33,758</u>
Vehicles	57,912
Vehicle Dep. @	25.00% <u>14,478</u>
Computers	128,107
Computer Dep. @	14.29% <u>18,301</u>
Total Depreciation	<u><u>66,537</u></u>
PAA	-
Amortization @	3.02% <u><u>-</u></u>
CIAC	(142,688)
Amortization @ w/p [g]	3.02% <u><u>(4,313)</u></u>

**Lake Wildwood Utilities Corporation
Calculation of Income Taxes
Test Year Ended December 31, 2008**

**ACUC-LWUC Exhibit No. 4.0
Schedule F-LWUC
w/p [g]**

WATER

	<u>Pro Forma Present</u>	<u>Pro Forma Proposed</u>
<u>State Income Taxes</u>		
Total Revenue	\$ 192,438	\$ 453,492
Maintenance Expense	124,988	124,988
General Expense	150,670	150,670
Depreciation & Amortization	62,225	62,225
Taxes Other Than Income	17,817	18,078
Interest Expense	28,887	28,887
Other Expenses	0	0
Taxable Income profit/(loss)	\$ (192,148)	\$ 68,645
State Tax Rate	7.30%	7.30%
Total State Income Taxes	<u>\$ (14,027)</u>	<u>\$ 5,011</u>
<u>Federal Taxes</u>		
Taxable Income before taxes	\$ (192,148)	\$ 68,645
Less: State I/T	<u>(14,027)</u>	<u>5,011</u>
Federal Taxable Income	(178,122)	63,634
Federal Tax Rate	34%	34%
Total Federal Taxes	<u>\$ (60,561)</u>	<u>\$ 21,636</u>

UTILITIES, INC. AND SUBSIDIARIES
Capital Structure
Test Year Ended December 31, 2008

ACUC-LWUC Exhibit No. 4.0
Schedule F-LWUC
w/p [h]

	<u>December 31</u> <u>2008</u>	<u>Annual</u> <u>Interest</u> <u>Expense</u>	<u>Capital</u> <u>Structure</u>
<u>COMMON SHAREHOLDERS' EQUITY:</u>			
Common shares, \$.10 par value; authorized 1,000 and issued 1,000 shares	\$ 100		
Paid-in capital	98,111,656		
Retained earnings	59,625,258		
Note receivable from parent	0		
Other Comprehensive Income	0		
Total Common Shareholder's Equity	<u>\$ 157,737,014</u>		<u>43.96%</u>
<u>DEBT:</u>			
Short Term Debt	22,380,391	590,842	<u>6.24%</u>
Long term Debt	178,726,842	11,760,226	<u>49.81%</u>
Total Long-Term & Short-Term, Debt	<u>\$ 201,107,233</u>	<u>\$ 12,351,069</u>	
TOTAL CAPITALIZATION	<u>\$ \$ 358,844,247</u>		<u>100.00%</u>
COST OF DEBT	<u>6.14%</u>		

	<u>Ratio</u>	<u>Cost</u>	<u>Weighted Cost</u>
Short-Term Debt	6.24%	2.64%	0.16%
Long-Term Debt	49.81%	6.65%	3.31%
Common Equity	<u>43.96%</u>	<u>11.50%</u>	<u>5.06%</u>
	100.00%		8.53%

Lake Wildwood Utilities Corporation
Pro Forma Interest Expense
Test Year Ended December 31, 2008

w/p [h]

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Pro Forma Present Rate Base	830,849	0	830,849
Average Weighted Embedded Cost of Debt	3.48%	0.00%	3.48%
Pro Forma Interest Expense	<u>28,887</u>	<u>0</u>	<u>28,887</u>

Lake Wildwood Utilities Corporation
Calculation of Working Capital
Test Year Ended December 31, 2008

ACUC-LWUC Exhibit No. 4.0
Schedule F-LWUC
w/p [i]

		<u>Water</u>
Test Year		
<hr/>		
Maintenance Expenses		98,210
General Expenses		115,388
Property Taxes		(718)
Taxes Other Than Income		17,517
<hr/>		
Total		230,397
<hr/>		
Working Capital	1/8	28,800
<hr/>		
Pro Forma Present		
<hr/>		
Maintenance Expenses		124,988
General Expenses		150,670
Property Taxes		(718)
Taxes Other Than Income		17,817
<hr/>		
Total		292,757
<hr/>		
Working Capital	1/8	36,595
<hr/>		

2
0
0
7

ILLINOIS COMMERCE COMMISSION
AMENDED AND ANNUAL GROSS REVENUE RETURN
 For Public Utilities and Rail Carriers
 Period: 01/01/2007 through 12/31/2007
 INSTRUCTIONS ARE ON REVERSE SIDE

Tax Contact (Officer or other person to receive questions regarding tax return) Apple Canyon Utility Company John Heynee <i>CHRISTINE KIM</i> 2335 Senders Rd, Northbrook IL 60062	Tel: _____ Fax: _____ Email: _____ Co. Type: P1 - WA
--	---

CHECK HERE IF THIS IS AN ADDRESS CHANGE FEIN or Social Security # 362709618

1.	a ACTUAL Illinois Gross Operating Revenue for the calendar year ending December 31, 2007 (See instructions Line 1a for your basis of reporting revenues.)	1a	355942.00
	b Revenue from Illinois-related Interstate or International service	1b	
	c Total Illinois Intrastate Gross Revenue (Line 1a minus Line 1b)	1c	355942.00
2.	Deduct: (THIS SECTION IS FOR USE BY PUBLIC UTILITIES ONLY)		
	a Revenue from sale to utilities or electric cooperatives for resale	2a	
	b Uncollectable accts (only if filing on ACCRUAL basis—see instructions 1a)	2b	3260.00
	c Other deductions (must itemize on separate sheet, see instructions)	2c	
	d Total Estimated Deductions	2d	3260.00
3.	Gross Revenue subject to tax (Line 1c minus Line 2d)	3	352682.00
4.	Tax payable for the calendar year ending December 31, 2007 (Public Utilities—Line 3 x .001) (Rail Carriers - Line 3 x .0015)	4	353.00
5.	Deduct:		
	a Credit Memorandum No. _____ (Original must be attached)	5a	
	b Total prior credit memos submitted with previously filed 2007 returns, if any	5b	
	c Total payments made with previously filed 2007 returns, if any	5c	
	d Total of credit memos and payments submitted with previously filed 2007 returns, if any	5d	
6.	Tax unpaid or (overpaid) (Line 4 minus Line 5d)	6	353.00
7.	Payment enclosed with return (NO PAYMENT NECESSARY IF AMOUNT DUE IS 99 CENTS OR LESS)	7	353.00
8.	Account balance (Line 6 minus Line 7)	8	

DATB: Under penalties of perjury, I state that I have examined this return and, to the best of my knowledge, it is true, correct and complete.

Christine Kim
 Officer's Signature CHRISTINE KIM ACTING MANAGER
 Please type or print Officer's Name and Title

IMPORTANT

The term Public Utility and Utility, as used on this form includes Telecommunications Carriers as under the Public Utilities Act.

To avoid penalties, the original of this RETURN with REMITTANCE must be filed with the FISCAL INFORMATION SECTION of the ILLINOIS COMMERCE COMMISSION, 527 East Capitol Avenue, Springfield, IL 62701 or or before MARC-4 31 following the end of the applicable tax year.

Make check, draft or money order payable to (Public Utilities) ILLINOIS COMMERCE COMMISSION - Public Utility Fund
 (Railroads) ILLINOIS COMMERCE COMMISSION - Transportation Regulatory Fund

Disclosure of information is MANDATORY and the purpose is outlined under the Public Utilities Act (220 ILCS 5/2-202) and the Illinois Commercial Transportation Law (625 ILCS 5/18c-1512). Failure to provide any information could result in substantial penalties.

AGENCY USE ONLY Posted by: _____ Date: _____

#044115443#
 03/29/2008
 006510690430

This is a LEGAL COPY of your check. You can use it the same way you would use the original check.

000043647
 IRA
 003
 023
 8908

9002/92/EO E0F0E005557
 084069019600

WATER SERVICE CORP. <small>REGULATED ACCOUNT BY ILLINOIS ASSOCIATION OF PUBLIC UTILITIES NORTH BRIDGEVILLE NORTH BRIDGEVILLE, IL 62451</small>		NOT VALID AFTER 90 DAYS NO. 713601 00713601	
VENDOR# 3008937	DATE 3/21/2008	NET AMOUNT *****353.00	CHECK #11
PAY TO THE ORDER OF THREE HUNDRED FIFTY THREE AND 00/100 ***** DOLLARS			
ILLINOIS COMMERCE COMMISSION PUBLIC UTILITY FUND 527 E CAPITOL AVE PO BOX 19280 SPRINGFIELD IL 62794-9280			

#713601# 404115443# 989034290# #0000035300#

#713601# 404115443# 989034290# #0000035300#



* > 03/28/2008
 006510690430
 084069019600

5318 05160
 ACCEPTOR'S SIGNATURE
 ILLINOIS COMMERCE COMMISSION
 527 E CAPITOL AVE
 SPRINGFIELD, IL 62794-9280

For the Treasurer of
 State of Illinois
 Public Utilities
 Illinois State Treasurer
 SPRINGFIELD, ILLINOIS
 > 011/0000 <

ENDORSE HERE
 X

#555001010# 03/28/2008
 006510690430

↓ Do not endorse or write below this line. ↓

2
0
0
7

ILLINOIS COMMERCE COMMISSION
AMENDED AND ANNUAL GROSS REVENUE RETURN
 For Public Utilities and Rail Carriers
 Period: 01/01/2007 through 12/31/2007
 INSTRUCTIONS ARE ON REVERSE SIDE

Tax Contact (Officer or other person to receive questions regarding tax return) Lake Wildwood Utilities Corporation John Haynes CHRISTINE KIM 2335 Sanders Rd, Northbrook IL 60062	Tel: _____ Fax: _____ Email: _____ Co. Type: P1 - WA
--	--

CHECK HERE IF THIS IS AN ADDRESS CHANGE FEIN or Social Security # **362734321**

1.	a ACTUAL Illinois Gross Operating Revenue for the calendar year ending December 31, 2007 (See instructions Line 1a for your basis of reporting revenues.)	1a	
	b Revenue from Illinois-related Interstate or International service	1b	190 064.00
	c Total Illinois Intrastate Gross Revenue (Line 1a minus Line 1b)	1c	190 064.00
2.	Deduct: (THIS SECTION IS FOR USE BY PUBLIC UTILITIES ONLY)		
	a Revenue from sale to utilities or electric cooperatives for resale	2a	
	b Uncollectable accts (only if filing on ACCRUAL basis--see instructions 1a)	2b	6 229.00
	c Other deductions (must itemize on separate sheet, see instructions)	2c	
	d Total Estimated Deductions	2d	6 229.00
3.	Gross Revenue subject to tax (Line 1c minus Line 2d)	3	183 835.00
4.	Tax payable for the calendar year ending December 31, 2007 (Public Utilities - Line 3 x .001) (Rail Carriers - Line 3 x .0015)	4	184.00
5.	Deduct:		
	a Credit Memorandum No. _____ (Original must be attached)	5a	
	b Total prior credit memos submitted with previously filed 2007 returns, if any	5b	
	c Total payments made with previously filed 2007 returns, if any	5c	
	d Total of credit memos and payments submitted with previously filed 2007 returns, if any	5d	
6.	Tax unpaid or (overpaid) (Line 4 minus Line 5d)	6	184.00
7.	Payment enclosed with return (NO PAYMENT NECESSARY IF AMOUNT DUE IS 99 CENTS OR LESS)	7	184.00
8.	Account balance (Line 6 minus Line 7)	8	0.00

OATH: Under penalties of perjury, I state that I have examined this return and, to the best of my knowledge, it is true, correct and complete.

Christine Kim CHRISTINE KIM, ACCTG. MANAGER
 Officer's Signature Please type or print Officer's Name and Title

IMPORTANT

The term Public Utility and Utility as used on this form includes Telecommunications Carriers as under the Public Utilities Act.

To avoid penalties, the original of this RETURN with REMITTANCE, must be filed with the FISCAL INFORMATION SECTION of the ILLINOIS COMMERCE COMMISSION, 527 East Capitol Avenue, Springfield, IL 62701 on or before MARCH 31 following the end of the applicable tax year.

Make check, draft or money order payable to (Public Utilities) ILLINOIS COMMERCE COMMISSION - Public Utility Fund
 (Railroads) ILLINOIS COMMERCE COMMISSION - Transportation Regulatory Fund

Disclosure of information is MANDATORY and the purpose is outlined under the Public Utilities Act (220 ILCS 5/2-202) and the Illinois Commercial Transportation Law (625 ILCS 5/180-1502). Failure to provide any information could result in substantial penalties.

AGENCY USE ONLY

Posted by: _____

Date: _____

ACUC-LWUC Exhibit No. 4.0
 Schedule G-LWUC
 Page 2 of 2

04415443
 03/27/2008
 006510690432

This is a LEGAL COPY of your check. You can use it the same way you would use the original check.

000041649
 IRA
 001
 023
 6908

8002/82/EO 03/28/2008
 264069075900
 006510690432

WATER SERVICE CORP. SARASOTA ASSOCIATE OF SUNBELT WATER SERVICES 200 AVENUE W NORTH BRIDGE, FL 34902		J.P. MORGAN CHASE & CO. N.A. Columbus, Ohio	NOT VALID AFTER 90 DAYS	NO. 713605 00713603
VENDOR#	DATE	NET AMOUNT	06/15/4 481	
3008937	3/21/2008	\$*****184.00		

FOR ONE HUNDRED EIGHTY FOUR AND 00/100***** DOLLARS

TO THE ORDER OF

ILLINOIS COMMERCE COMMISSION
 PUBLIC UTILITY FUND
 527 E CAPITOL AVE
 PO BOX 19280
 SPRINGFIELD IL 62794-9280

NO SIGNATURE REQUIRED OVER \$1,000

James J. Schmal
 AUTHORIZED REPRESENTATIVE

⑈713605⑈ ⑈04415443⑈ ⑈989034290⑈ ⑈0000018400⑈

⑈713605⑈ ⑈04415443⑈ ⑈989034290⑈ ⑈0000018400⑈



⑈0000018400⑈ 03/28/2008
 006510690432

5318 05150

ADOTTI, ROBERT J.
 4052001 03/27/2008
 18448 C

For to the order of
 Dept. Soc. Ill.
 Acct 6.1.1786
 For Transit Only
 Illinois State Treasurer
 SPRINGFIELD
 > 07182638 <

ENDORSE HERE
 X

5550001010 03/28/2008
 006510690432

Do not endorse or write below this line.