

Northern Hills W & S Co.  
 Balance Sheet  
 December 31, 2008

**RECEIVED** Schedule A  
 MAR 15 2010

ILLINOIS COMMERCE COMMISSION  
 CHIEF CLERK'S OFFICE

<u>ASSETS</u>	
Plant In Service	
Water	\$ 539,283
Sewer	<u>521,934</u>
Total	\$ <u>1,061,218</u>
Accumulated Depreciation-Water	(164,415)
Accumulated Depreciation-Sewer	(233,129)
Total	\$ <u>(397,544)</u>
Net Utility Plant	\$ <u>663,674</u>
Plant Acquisition Adjustment-Water	15,140
Plant Acquisition Adjustment-Sewer	<u>12,698</u>
Total	\$ <u>27,838</u>
Construction Work In Process-Water	0
Construction Work In Process-Sewer	<u>129,711</u>
Total	\$ <u>129,711</u>
Current Assets	
Cash	(62)
Accounts Receivable - Net	(93,519)
Other Current Assets	<u>872</u>
Total	\$ <u>(92,709)</u>
Deferred Charges	<u>223</u>
<b>TOTAL ASSETS</b>	\$ <u><u>728,736</u></u>

<u>LIABILITIES AND OTHER CREDITS</u>	
=====	
Capital Stock and Retained Earnings	
Common Stock and Paid In Capital	\$ 220,556
Retained Earnings	(114,602)
Total	\$ <u>105,954</u>
Current and Accrued Liabilities	
Accounts Payable-Trade	(672)
Taxes Accrued	3,130
Customer Deposits	0
Customer Deposits - Interest	(3)
A/P - Assoc. Companies	291,097
Deferred Revenue	0
Total	\$ <u>293,552</u>
Advances In Aid of Construction	
Water	0
Sewer	0
Total	\$ <u>0</u>
Contributions In Aid of Construction	
Water	114,357
Sewer	173,958
Total	\$ <u>288,315</u>
Accumulated Deferred Income Tax	
Unamortized ITC	0
Deferred Tax - Federal	39,702
Deferred Tax - State	1,212
Total	\$ <u>40,914</u>
<b>TOTAL LIABILITIES AND OTHER CREDITS</b>	\$ <u><u>728,736</u></u>

Northern Hills W & S Co.  
 Combined Operations  
 Test Year Ended December 31, 2008

	Per Books	Pro Forma Adjustments	Pro Forma Present	Proposed Increase	Pro Forma Proposed
<b>Operating Revenues</b>					
Service Revenues - Water	33,480	7,126 [a]	40,606	63,080 [n]	103,686
Service Revenues - Sewer	62,579	(8,561) [a]	54,018	197,033 [n]	251,051
Miscellaneous Revenues	744	-	744	95	839
Uncollectible Accounts	(488)	-	(488)	(1,419) [b]	(1,907)
<b>Total Operating Revenues</b>	<b>96,315</b>	<b>(1,435)</b>	<b>94,880</b>	<b>258,789</b>	<b>353,669</b>
<b>Maintenance Expenses</b>					
Salaries and Wages	24,050	4,484 [c]	28,534	-	28,534
Purchased Power	8,584	- [m]	8,584	-	8,584
Purchased Sewer & Water	-	- [l]	-	-	-
Maintenance and Repair	25,111	14,159 [j][p]	39,270	-	39,270
Maintenance Testing	3,771	159 [j]	3,930	-	3,930
Meter Reading	(1)	(0) [j]	(1)	-	(1)
Chemicals	2,022	85 [j]	2,107	-	2,107
Transportation	3,162	133 [j]	3,295	-	3,295
Operating Exp. Charged to Plant	(21,208)	6,141 [c]	(15,067)	-	(15,067)
Outside Services - Other	3,166	133 [j]	3,299	-	3,299
<b>Total</b>	<b>48,657</b>	<b>25,294</b>	<b>73,951</b>	<b>-</b>	<b>73,951</b>
<b>General Expenses</b>					
Salaries and Wages	8,484	(1,168) [c]	7,316	-	7,316
Office Supplies & Other Office Exp.	4,178	176 [j]	4,354	-	4,354
Regulatory Commission Exp.	2,970	37,326 [d]	40,297	-	40,297
Pension & Other Benefits	6,535	1,123 [c]	7,658	-	7,658
Rent	386	16 [j]	403	-	403
Insurance	2,858	-	2,858	-	2,858
Office Utilities	3,401	143 [j]	3,545	-	3,545
Miscellaneous	2,988	126 [j][k]	3,114	-	3,114
Expense Allocation adj	-	856 [o]	856	-	856
<b>Total</b>	<b>31,801</b>	<b>38,599</b>	<b>70,400</b>	<b>-</b>	<b>70,400</b>
Depreciation	29,000	26,789 [e]	55,789	-	55,789
Amortization of PAA	-	814 [e]	814	-	814
Taxes Other Than Income	5,686	(177) [f]	5,508	(1,178) [f]	4,330
Income Taxes - Federal	(6,945)	(37,937) [g]	(44,882)	81,936 [g]	37,054
Income Taxes - State	(1,609)	(8,788) [g]	(10,395)	18,978 [g]	8,582
Amortization of ITC	-	-	-	-	-
Amortization of CIAC	(10,991)	(2,729) [e]	(13,720)	-	(13,720)
<b>Total</b>	<b>15,141</b>	<b>(22,027)</b>	<b>(6,886)</b>	<b>99,736</b>	<b>92,849</b>
<b>Total Operating Expenses</b>	<b>95,598</b>	<b>41,866</b>	<b>137,464</b>	<b>99,736</b>	<b>237,200</b>
<b>Net Operating Income</b>	<b>717</b>	<b>(43,301)</b>	<b>(42,584)</b>	<b>159,053</b>	<b>116,469</b>
Other Income	(1)	-	(1)	-	(1)
Interest During Construction	(9,882)	9,882 [h]	-	-	-
Interest on Debt	14,906	30,449 [i]	45,355	-	45,355
<b>Net Income</b>	<b>(4,307)</b>	<b>(83,632)</b>	<b>(87,939)</b>	<b>159,053</b>	<b>71,114</b>

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 CHIEF CLERK'S OFFICE

Northern Hills W & S Co.  
 Water Operations  
 Test Year Ended December 31, 2008

	Per Books	Pro Forma Adjustments	Pro Forma Present	Proposed Increase	Pro Forma Proposed
<b>Operating Revenues</b>					
Service Revenues - Water	33,480	7,126 [a]	40,606	63,080 [n]	103,686
Service Revenues - Sewer	-	-	-	-	-
Miscellaneous Revenues	263	-	263	95	358
Uncollectible Accounts	(173)	-	(173)	(268) [b]	(441)
<b>Total Operating Revenues</b>	<b>33,570</b>	<b>7,126</b>	<b>40,696</b>	<b>62,907</b>	<b>103,603</b>
<b>Maintenance Expenses</b>					
Salaries and Wages	11,585	2,160 [c]	13,745	-	13,745
Purchased Power	-	-	-	-	-
Purchased Water	-	-	-	-	-
Maintenance and Repair	7,401	311 [j]	7,712	-	7,712
Maintenance Testing	2,217	93 [j]	2,310	-	2,310
Meter Reading	(1)	(0) [j]	(1)	-	(1)
Chemicals	974	41 [j]	1,015	-	1,015
Transportation	1,523	64 [j]	1,587	-	1,587
Operating Exp. Charged to Plant	(10,216)	2,958 [c]	(7,258)	-	(7,258)
Outside Services - Other	1,525	64 [j]	1,589	-	1,589
<b>Total</b>	<b>15,008</b>	<b>5,691</b>	<b>20,699</b>	<b>-</b>	<b>20,699</b>
<b>General Expenses</b>					
Salaries and Wages	4,087	(563) [c]	3,524	-	3,524
Office Supplies & Other Office Exp.	2,012	85 [j]	2,097	-	2,097
Regulatory Commission Exp.	1,431	17,980 [d]	19,411	-	19,411
Pension & Other Benefits	3,148	541 [c]	3,689	-	3,689
Rent	186	8 [j]	194	-	194
Insurance	1,377	-	1,377	-	1,377
Office Utilities	1,638	69 [j]	1,707	-	1,707
Miscellaneous	1,439	61 [j]	1,500	-	1,500
Expense Allocation adj	-	413 [o]	413	-	413
<b>Total</b>	<b>15,318</b>	<b>18,593</b>	<b>33,911</b>	<b>-</b>	<b>33,911</b>
Depreciation	16,482	1,940 [e]	18,422	-	18,422
Amortization of PAA	-	476 [e]	476	-	476
Taxes Other Than Income	2,718	(53) [f]	2,665	63 [f]	2,728
Income Taxes - Federal	(2,455)	(9,609) [g]	(12,064)	19,807 [g]	7,743
Income Taxes - State	(569)	(2,225) [g]	(2,794)	4,588 [g]	1,793
Amortization of ITC	-	- [e]	-	-	-
Amortization of CIAC	(4,350)	(1,657) [e]	(6,006)	-	(6,006)
<b>Total</b>	<b>11,827</b>	<b>(11,128)</b>	<b>699</b>	<b>24,458</b>	<b>25,157</b>
<b>Total Operating Expenses</b>	<b>42,152</b>	<b>13,156</b>	<b>55,309</b>	<b>24,458</b>	<b>79,766</b>
<b>Net Operating Income</b>	<b>(8,582)</b>	<b>(6,031)</b>	<b>(14,612)</b>	<b>38,449</b>	<b>23,837</b>
Other Income	(0)	-	(0)	-	(0)
Interest During Construction	(5,557)	5,557 [h]	-	-	-
Interest on Debt	10,390	(1,108) [i]	9,282	-	9,282
<b>Net Income</b>	<b>(13,415)</b>	<b>(10,480)</b>	<b>(23,894)</b>	<b>38,449</b>	<b>14,555</b>

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ILLINOIS COMMERCE COMMISSION  
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Northern Hills W & S Co.  
Sewer Operations  
Test Year Ended December 31, 2008

	Per Books	Pro Forma Adjustments	Pro Forma Present	Proposed Increase	Pro Forma Proposed
<b>Operating Revenues</b>					
Service Revenues - Water					
Service Revenues - Sewer	62,579	(8,561) [a]	54,018	197,033 [n]	251,051
Miscellaneous Revenues	481	-	481		481
Uncollectible Accounts	(316)		(316)	(1,151) [b]	(1,467)
<b>Total Operating Revenues</b>	<b>62,744</b>	<b>(8,561)</b>	<b>54,183</b>	<b>195,882</b>	<b>250,065</b>
<b>Maintenance Expenses</b>					
Salaries and Wages	12,466	2,324 [c]	14,789	-	14,789
Purchased Power	8,584	- [m]	8,584	-	8,584
Purchased Sewer	-	-	-	-	-
Maintenance and Repair	17,711	13,848 [p]	31,559	-	31,559
Maintenance Testing	1,554	65 [j]	1,619	-	1,619
Meter Reading	-	- [j]	-	-	-
Chemicals	1,048	44 [j]	1,092	-	1,092
Transportation	1,639	69 [j]	1,708	-	1,708
Operating Exp. Charged to Plant	(10,992)	3,183 [c]	(7,809)	-	(7,809)
Outside Services - Other	1,641	69 [j]	1,710	-	1,710
<b>Total</b>	<b>33,649</b>	<b>19,602</b>	<b>53,252</b>	<b>-</b>	<b>53,252</b>
<b>General Expenses</b>					
Salaries and Wages	4,397	(605) [c]	3,792	-	3,792
Office Supplies & Other Office Exp.	2,165	91 [j]	2,257	-	2,257
Regulatory Commission Exp.	1,540	19,347 [d]	20,886	-	20,886
Pension & Other Benefits	3,387	582 [c]	3,969	-	3,969
Rent	200	8 [j]	209	-	209
Insurance	1,481	-	1,481	-	1,481
Office Utilities	1,763	74 [j]	1,837	-	1,837
Miscellaneous	1,549	65 [j][k]	1,614	-	1,614
Expense Allocation adj	-	444 [o]	444	-	444
<b>Total</b>	<b>16,483</b>	<b>20,006</b>	<b>36,489</b>	<b>-</b>	<b>36,489</b>
Depreciation	12,517	24,850 [e]	37,367	-	37,367
Amortization of PAA	-	338 [e]	338	-	338
Taxes Other Than Income	2,968	(125) [f]	2,843	(1,241) [f]	1,602
Income Taxes - Federal	(4,490)	(28,329) [g]	(32,818)	62,129 [g]	29,311
Income Taxes - State	(1,040)	(6,561) [g]	(7,601)	14,390 [g]	6,789
Amortization of ITC	-	- [e]	-	-	-
Amortization of CIAC	(6,641)	(1,073) [e]	(7,714)	-	(7,714)
<b>Total</b>	<b>3,314</b>	<b>(10,899)</b>	<b>(7,585)</b>	<b>75,278</b>	<b>67,693</b>
<b>Total Operating Expenses</b>	<b>53,446</b>	<b>28,709</b>	<b>82,155</b>	<b>75,278</b>	<b>157,433</b>
<b>Net Operating Income</b>	<b>9,299</b>	<b>(37,270)</b>	<b>(27,972)</b>	<b>120,604</b>	<b>92,632</b>
Other Income	(0)	-	(0)	-	(0)
Interest During Construction	(4,325)	4,325 [h]	-	-	-
Interest on Debt	4,516	31,557 [i]	36,073	-	36,073
<b>Net Income</b>	<b>9,108</b>	<b>(73,152)</b>	<b>(64,044)</b>	<b>120,604</b>	<b>56,560</b>

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- [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.
- [d] w/p [d] - Regulatory Commission Expense has been adjusted to reflect the cost of the current rate case over 3 years.
- [e] w/p [f] - Depreciation and Amortization Expense are annualized. Depreciation expense represents gross depreciable plant at the end of the year plus pro forma projects multiplied by the respective depreciation rates.
- [f] w/p [e] - Taxes Other than Income is adjusted for annualized payroll taxes, Utility Commission Taxes, and Gross Receipts Taxes.
- [g] w/p [g] - Income Taxes are computed on taxable income at following rates (34% federal and 7.3% state)
- [h] AFUDC is eliminated for rate making purposes.
- [i] w/p [h] - Interest on Debt has been computed using a 53.04% / 46.96% debt-to-equity ratio and a 6.6% cost of debt.
- [j] w/p [n] - A consumer price index increase of 4.21% has been included in this filing.
- [k] w/p [m] - Intentionally left blank
- [l] w/p [k] - Intentionally left blank
- [m] w/p [o] - Intentionally left blank
- [n] Proposed revenue increase derived from Sch.D&E.
- [o] w/p [p] - adjust allocations 12/31/08 allocation factors.
- [p] per 2009 Water Service Commission letter

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CHIEF CLERK'S OFFICE

Northern Hills W & S Co.  
 Combined 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	717	(43,301)	(42,584)	159,053	116,469
Gross Plant In Service	1,061,218	89,170 [d][f]	1,150,388	-	1,150,388
Accumulated Depreciation	(397,544)	(22,203) [c][e]	(419,746)	-	(419,746)
Net Plant In Service	663,674	66,968	730,642	-	730,642
Cash Working Capital	10,767	7,965 [a]	18,732	-	18,732
Contributions In Aid of Construction	(288,315)	2,729 [g]	(285,586)	-	(285,586)
Accumulated Deferred Income Taxes	(40,914)	0 [m]	(40,914)	-	(40,914)
Customer Deposits	(3)	-	(3)	-	(3)
Adjustment to Rate Base Allocations	0	2,181 [h]	2,181	-	2,181
Net Plant Acquisition Adjustment	12,698	(952) [l]	11,746	-	11,746
Deferred Charges	223	0 [j]	223	-	223
Net Pro Forma Plant	-	857,820 [b]	857,820	-	857,820
Total Rate Base	358,129	936,711	1,294,840	-	1,294,840
Return on Rate Base	0.20%		-3.29%		9.0%

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Northern Hills W & S Co.  
 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	(8,582)	(6,031)	(14,612)	38,449	23,837
Gross Plant In Service	539,283	7,954 [d]	547,237	-	547,237
Accumulated Depreciation	(164,415)	(458) [c]	(164,873)	-	(164,873)
Net Plant In Service	374,868	7,496	382,364	-	382,364
Cash Working Capital	4,130	3,029 [a]	7,159	-	7,159
Contributions In Aid of Construction	(114,357)	1,657 [g]	(112,700)	-	(112,700)
Accumulated Deferred Income Taxes	(19,708)	-	(19,708)	-	(19,708)
Customer Deposits	(1)	-	(1)	-	(1)
Adjustment to Rate Base Allocations		1,051 [h]	1,051	-	1,051
Net Plant Acquisition Adjustment	15,140	(338)			
Deferred charges	107	0	107	-	107
Net Pro Forma Plant	-	7,196 [b]	7,196	-	7,196
Total Rate Base	260,179	19,614	264,991	-	264,991
Return on Rate Base	-3.30%		-5.51%		9.0%

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 CHIEF CLERK'S OFFICE

Northern Hills W & S Co.  
 Sewer 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	9,299	(37,270)	(27,972)	120,604	92,632
Gross Plant In Service	521,934	81,217 [d][f]	603,151	-	603,151
Accumulated Depreciation	(233,129)	(21,745) [c][e]	(254,873)	-	(254,873)
Net Plant In Service	288,806	59,472	348,278	-	348,278
Cash Working Capital	6,637	4,936 [a]	11,573	-	11,573
Contributions In Aid of Construction	(173,958)	1,073 [g]	(172,886)	-	(172,886)
Accumulated Deferred Income Taxes	(21,206)	[m]	(21,206)	-	(21,206)
Customer Deposits	(2)	-	(2)	-	(2)
Adjustment to Rate Base Allocations		1,130 [h]	1,130	-	1,130
Net Plant Acquisition Adjustment	12,698	(476) [i]	12,222	-	12,222
Deferred Charges	116	[j]	116	-	116
Net Pro Forma Plant	-	850,624 [b]	850,624	-	850,624
Total Rate Base	113,090	916,759	1,029,849	-	1,029,849
Return on Rate Base	8.22%		-2.72%		9.0%

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**Northern Hills W & S Co.**  
**Explanations of Adjustments to Rate Base**  
**Test Year Ended December 31, 2008**

**Schedule C**  
**Page 2 of 2**

- [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 investments and retirements.
- [c] w/p [appendix] - Accumulated depreciation is adjusted for planned additional capital investments, retirements, and plant held for future use.
- [d] w/p [l] - Plant additions for first quarter 2009 estimated through December 2009.
- [e] Intentionally left blank
- [f] Intentionally left blank
- [g] CIAC accumulated amortization is adjusted for year end amortization recalculation.
- [h] w/p [p] - adjust allocations 12/31/08 allocation factors.

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CHIEF CLERK'S OFFICE

Northern Hills W & S Co.  
 Consumption Analysis 01/01/08 - 12/31/08  
 Test Year / Present Revenues

Schedule D

**WATER**

Bill code		Gallonage	Usage Charge	Units	BFC	Revenues
<u>All Subs:</u>						
6601	5/8" Res.	9,239,089	\$ 3.16	2,056	\$ 5.55	\$ 40,606
		<u>9,239,089</u>		<u>2,056</u>		<u>\$ 40,606</u>

**SEWER**

Bill code		Gallonage	Usage Charge	Units	BFC	Revenues
<u>All Subs:</u>						
6621		-	\$ -	2,102	\$ 25.70	\$ 54,018
Total		<u>-</u>		<u>2,102</u>		<u>\$ 54,018</u>

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ILLINOIS COMMERCE COMMISSION  
 CHIEF CLERK'S OFFICE

Northern Hills W & S Co.  
Proposed Revenues

Schedule E

**WATER**

Bill code		Gallage	Usage Charge	Units	BFC	Revenues	
<u>All Subs:</u>	6601	5/8" Res.	9,239,089	\$ 8.01	2,056	\$ 14.43	\$ 103,686
			<u>9,239,089</u>		<u>2,056</u>		<u>\$ 103,686</u>
		Miscellaneous Charges	Current Charge	Units	Proposed Charge	Additional Revenues	
		NSF Charge	\$ 10.00	1	\$ 25.00	\$ 15	
		New Customer Charge	\$ 15.00	8	\$ 25.00	\$ 80	
						<u>\$ 95</u>	

**SEWER**

Bill code		Gallage	Usage Charge	Units	BFC	Revenues
<u>All Subs:</u>	6621	-	\$ -	2,102	\$ 119.44	\$ 251,051
	Total	<u>-</u>		<u>2,102</u>		<u>\$ 251,051</u>
	Total	<u>9,239,089</u>		<u>4,158</u>		<u>\$ 354,737</u>
						\$ 94,624
						260,113
						274.89%

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CHIEF CLERK'S OFFICE