

Docket No. 10-0298  
NH Exhibit No. 3.0

Surrebuttal Testimony  
of  
Lena Georgiev

Northern Hills Water and Sewer Company  
Docket No. 10-0298

September 14, 2010

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

2 A. My name is Lena Georgiev. I am the Regulatory Manager for the Atlantic and Midwest  
3 regions for Utilities, Inc. (“UI”) and its subsidiaries. My business address is 2335 Sanders  
4 Road, Northbrook, Illinois 60062.

5 **Q. Ms Georgiev have you previously filed testimony in this proceeding?**

6 A. Yes, I have.

7 **Q. Ms Georgiev have you reviewed the Rebuttal Testimony of Staff and Intervenor  
8 witnesses?**

9 A. Yes, I have.

10 **Q. Would you please address 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.

16 GROSS REVENUE CONVERSION FACTOR

17 **Q. Do you agree with Staff’s Gross Revenue Conversion Factor?**

18 A. Yes, I do.

19 WORKING CAPITAL

20 **Q. Do you agree with Staff’s cash working capital calculation?**

21 A. Yes, I do.

1 MAINTENANCE AND REPAIR EXPENSE

2 **Q. Does Company and Staff agree with Sludge Hauling expense adjustment?**

3 A. Yes, they do.

4 DEPRECIATION EXPENSE

5 **Q. Do you agree with Staff witness Ostrander's adjustment to depreciation expense?**

6 A. Yes, I do.

7 UTILITY PLANT – PROFORMA PLANT (ACCUMULATED DEPRECIATION)

8 **Q. In his rebuttal testimony, Mr. Ostrander continues to advocate adjustments to reflect**  
9 **the changes in accumulated depreciation, accumulated deferred income taxes (ADIT),**  
10 **and accumulated amortization of contributions in aid of construction (CIAC) through**  
11 **the end of the date of Company's pro forma plant additions, December 31, 2009. (ICC**  
12 **Staff Ex. 6.0, pp. 7-17) Would you please comment on Mr. Ostrander's proposed**  
13 **adjustments?**

14 A. Yes, but only to a limited extent. In my rebuttal testimony in this proceeding, I  
15 demonstrated in detail that Mr. Ostrander's proposed adjustments are improper. I  
16 demonstrated that they violate the Commission's rules on pro forma adjustments, 83 Ill.  
17 Admin. Code Section 287.40 and test year, 83 Ill. Admin. Code Section 287.20. I  
18 demonstrated that they also violate the matching principle and are inconsistent with  
19 longstanding Commission practice. In short, my rebuttal testimony demonstrated that Mr.  
20 Ostrander's proposed adjustments should be rejected by the Commission. Mr. Ostrander's  
21 rebuttal testimony attempts to refute my arguments, but does not succeed. I see no reason

1 to repeat my arguments here. However, certain portions of Mr. Ostrander's rebuttal  
2 testimony do need to be addressed.

3 **Q. In his rebuttal testimony, Mr. Ostrander testifies that: "Part 287.40 does not restrict,**  
4 **as Ms. Georgiev asserts, the information that the Commission can consider." (ICC**  
5 **Staff Ex. 6.0, p. 8) Please comment.**

6 A. I note that Mr. Ostrander did not provide a citation to my testimony where he states that I  
7 made the "assertion" in question. I testified that Section 287.40 permits the utility to  
8 propose the pro forma adjustment for plant additions that Northern Hills made in this  
9 proceeding and that the section does not permit the adjustments to accumulated  
10 depreciation, ADIT, and CIAC proposed by Mr. Ostrander.

11 **Q. In his rebuttal testimony, Mr. Ostrander states: "The Commission should consider**  
12 **whether a utility has proposed a pro forma adjustment for post-test year plant**  
13 **additions in a way that warrants adjustments to accumulated depreciation, ADIT,**  
14 **and accumulated amortization of CIAC as well." Please comment.**

15 A. I am puzzled by Mr. Ostrander's use of the words "in a way". I have already explained  
16 how Northern Hills's pro forma adjustment for plant additions was calculated and I have  
17 already explained that the manner in which the pro forma adjustment was calculated  
18 complies with Section 287.40. Apparently, Mr. Ostrander is suggesting a subjective test to  
19 justify disparate treatment for different utilities, despite the fact that the utilities are  
20 proposing substantially similar pro forma adjustments. In other words, he suggests that  
21 Northern Hills proposed its pro forma adjustment for plant additions "in a way" that

1 warrants his proposed adjustments, but that ComEd, Peoples Gas and North Shore  
2 proposed their pro forma adjustments for plant additions “in a way” that doesn’t warrant  
3 similar adjustments. However, Mr. Ostrander makes no attempt to distinguish the “way” in  
4 which Northern Hills’s proposed pro forma adjustment is different from those of ComEd,  
5 Peoples Gas and North Shore.

6 **Q. Mr. Ostrander claims that “Northern Hills’s investment in rate base would be**  
7 **overstated unless offset by or matched with the known and measurable changes to**  
8 **accumulated depreciation, ADIT, and accumulated amortization of CIAC through**  
9 **December 31, 2009 that occur with the passage of time”. (Staff Ex. 6.0, p. 9) Do you**  
10 **agree?**

11 A. I do not agree. I have already explained in my rebuttal testimony the purpose of pro forma  
12 adjustments—the mitigation of regulatory lag. The rates in this proceeding will not  
13 become effective until February 2011, over a year from the end of the pro forma  
14 adjustment for plant additions. Northern Hills has continued to make plant investment  
15 since December 31, 2009 and will continue to do so up to and past the date it receives an  
16 order in this proceeding. Mr. Ostrander simply has no basis for claiming that, absent his  
17 proposed adjustments, Northern Hills’s rate base would be overstated. For this same  
18 reason, Mr. Ostrander also has no basis for his claim that “Northern Hills’s proposed plant  
19 investment is not representative of the plant investment that will exist during the rate  
20 effective period.” (Staff Ex. 6.0, p. 10)

1 **Q. Mr. Ostrander claims that Northern Hills’s proposal violates the matching principle**  
2 **and that it will inflate rate base and “overstate Northern Hills’s cost of capital”.**  
3 **(Staff Ex. 6.0, p. 11) Please comment.**

4 A. I have already demonstrated that Northern Hills’s proposal will not inflate rate base. As for  
5 overstating Northern Hills’s cost of capital, this is another example that demonstrates that it  
6 is Mr. Ostrander who violates the matching principle by proposing adjustments that will  
7 reflect the depreciation reserve, ADIT and accumulated amortization of CIAC as of  
8 December 31, 2009, but leave other elements of cost of service, including cost of capital  
9 determined as of December 31, 2008.

10 **Q. In his rebuttal testimony, Mr. Ostrander cites a number of Commission cases in**  
11 **which he states that the “Commission matched the date for accumulated depreciation**  
12 **reserve on embedded plant to coincide with the date of pro forma plant additions”.**  
13 **(Staff Ex. 6.0, pp. 11-13) Would you please comment on those cases?**

14 A. Yes. None of those cases appears to be on point as the reserve issue was not contested.  
15 In Docket 08-0482, it was the utility that proposed the adjustment to the depreciation  
16 reserve. In Dockets 02-0798, 03-0008, and 03-0009, the plant additions were the contested  
17 issue, not the reserve (See ALJPO in Dockets 09-0306 through 09-0311). Moreover, there  
18 were no proposed adjustments for ADIT and CIAC.

19 Docket 94-0270 predates the Commission’s recent orders, upon which Northern Hills  
20 relies, by over a decade and Dockets 85-0166 and 83-0433 predates the Commission’s

1 recent orders, upon which Northern Hills relies, by two decades. The reserve issue was not  
2 contested in these cases and their facts are different.

3 Mr. Ostrander cites three cases where the Commission did not roll forward the accumulated  
4 depreciation reserve to coincide with the date for pro forma plant additions, Docket 05-  
5 0597 for ComEd, and Dockets 07-0241 and 07-0242 for Peoples Gas and North Shore. He  
6 neglected to mention two other ComEd cases where the Commission similarly rejected the  
7 type adjustment proposed by Mr. Ostrander: Docket 07-0566 (Order dated September 10,  
8 2008) and Docket 01-0423 (Order dated March 28, 2001).

9 **Q. In his rebuttal testimony, Mr. Ostrander discusses the rate cases of the Ameren**  
10 **Illinois Utilities over the last 10 years to conclude that where the utility included only**  
11 **limited projects in its pro forma plant adjustment, the issue of accumulated**  
12 **depreciation on embedded plant was not raised; however, where a “more aggressive**  
13 **position regarding the level of projects included in the pro forma plant adjustment**  
14 **was taken, the Commission did find that the accumulated depreciation reserve for all**  
15 **embedded plant likewise should be matched to coincide with the date of pro forma**  
16 **plant additions.” (Staff Ex. 6.0, pp. 14-17) Please comment.**

17 A. First, the use of “limited” and “more aggressive” introduce a degree of subjectivity to  
18 ratemaking that is completely unacceptable. Second, my review of Mr. Ostrander’s  
19 description of the eight cases he discusses indicates that only two of the eight cases reached  
20 a result consistent with his proposed adjustment to the accumulated depreciation reserve in  
21 this proceeding, and one of those was by stipulation. Third, I fail to see why the cases of

1 the Ameren Illinois Utilities are particularly instructive to Northern Hills's situation. The  
2 fact is that Mr. Ostrander does not attempt to apply his "limited" vs. "aggressive" theory to  
3 the four recent cases involving ComEd and Peoples Gas/North Shore. Those cases did not  
4 involve limited projects in the pro forma adjustment for plant additions. Nevertheless, the  
5 Commission specifically rejected pro forma adjustments to the accumulated depreciation  
6 reserve substantially the same as that proposed by Mr. Ostrander in this proceeding.

7 RATE CASE EXPENSE

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

9 A. For the purposes of this case the Company is seeking recovery of actual costs incurred and  
10 an estimate to bring this case to conclusion.

11 **Q. Do you agree with Staff's adjustment to the estimates regarding miscellaneous costs?**

12 A. Yes I do, for the purposes of this rate proceeding.

13 **Q. Has the Company updated its rate case expenses in its surrebuttal exhibits?**

14 A. Yes, the Company has updated its actual rate case expenses through August 31, 2010 plus  
15 an estimate of the amount to bring the case to conclusion. The latest invoices for August  
16 are included as Exhibit 3.2.

17 **Q. Do you agree with Staff's adjustment to adjust the estimates for Angelica Anderson, ,  
18 Dimitry Neyzelman, Thomas Tapella and Carl Daniel?**

19 A. Yes I do, in part, for the purposes of this rate proceeding. I agreed with the estimates  
20 proposed by Staff for Angelica Anderson and Dimitry Neyzelman. I do not agree with  
21 Staff's estimate of for Carl Daniel. Mr. Daniel had already booked an additional 2 hours

1 just for August 2010. The Company estimates an additional 3 hours for Carl Daniel after  
2 August 31<sup>st</sup>, 2010. I also do not agree with Staff's adjustment to remove the estimate for  
3 Thomas Tapella. The company estimates an additional 10 hours for Thomas Tapella after  
4 August 31<sup>st</sup>, 2010.

5 **Q. Has the Company made any other adjustments to estimated time for WSC personnel?**

6 A. Yes, the Company has made several other adjustments to the estimated hours of other WSC  
7 personnel.

8 EMPLOYEE EXPENSES

9 **Q. Do you agree with Staff's adjustment as it pertains to operations, customer service  
10 and corporate employee expenses?**

11 A. The Company does not agree with the calculation of the employee headcount used to  
12 calculate the "per employee" amount for health care expense and other benefits expense.  
13 Further, the Company does not agree with the adjustment to remove salaries for certain  
14 temporary workers as well as the overtime for full-time customer service and WSC  
15 employees.

16 The first adjustment I will discuss is the calculation of the employee headcount. Staff  
17 witness Jones is using an average headcount to calculate the headcount for all WSC  
18 employees. This method of calculating an average by using the headcount at the beginning  
19 and at the end of the test year is seriously flawed. I will illustrate with an example that will  
20 show the flaw in this adjustment. For example, the Company could propose to use an  
21 average of billing units for the test year's consumption. By using Staff witness Jones'

1 methodology, an average of billing units at January and at December of 2009 can be  
2 computed. This average could be extremely under or over estimating the total test year  
3 billing units. The average billing units could show the need to adjust consumption and  
4 related expenses either up or down. That adjustment would then inappropriately  
5 misrepresent the levels of expenses and revenue during the test year and going forward.

6 The test year end employee headcount is representative of the number of employees that  
7 are employed and are going to be employed with WSC in the future. Finally, for  
8 comparison purposes the most recent number of WSC employees was obtained from the  
9 payroll department. That number is slightly less than the December 31, 2009 figure which  
10 shows that the 436 test year end head count is more indicative of the number of employees  
11 that WSC currently employs.

12 The second adjustment I will discuss is the removal of temporary CSRs. Of the five  
13 temporary employees presented, three have been converted to full time positions. The  
14 remaining temporary positions were also intended to convert to full time positions. The  
15 temporary positions are crucial in the Company's ability to continue to provide excellent  
16 customer service and response time to its customers until temporary workers become full  
17 time.

18 The third adjustment related to the CSRs salary expense that the Company disagrees with is  
19 the removal of overtime from the CSRs salaries. The budgeted overtime for 2010 and  
20 going forward is 5% of salaries. For 2010, that total is about \$45,000 which is consistent  
21 with the overtime amount used in this proceeding. The Company must continue to

1 maintain adequate resources to answer customer calls. The best way for us to manage the  
2 varying demands of calls is through overtime as opposed to through hiring additional  
3 employees with additional overhead expenses. Even though the capital investment in the  
4 new ShoreTel phone system allows for more resources to be available during business  
5 hours which allows for better utilization and management of overtime, due to the reduction  
6 in resources and overall costs of providing customer service, overtime will be a necessary  
7 component of good, consistent service to our customers.

8 The final salary related adjustment that the Company disagrees with is the removal of  
9 overtime incurred by WSC employees. While the Company agrees that annualizing the  
10 overtime hours from one particular period during the test year is not the most accurate way  
11 of calculating overtime, the Company disagrees with the adjustment to remove all overtime  
12 related salary expenses for WSC employees. The actual overtime incurred during the 2008  
13 and 2009 for the WSC employees is \$24,822 and \$43,540, respectively. Both of these  
14 amounts and their average are higher than the annualized overtime hours included in this  
15 proceeding. The Company is not updating the WSC salary work papers for the sake of  
16 resolving this rate case, however, it will be unreasonable and unrepresentative to remove all  
17 overtime for the WSC employees.

#### 18 RATE DESIGN

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

20 A. Yes, I do. However, because the Company does not agree with the revenue requirement  
21 recommended by Staff, I do not agree with the resulting rates proposed by Staff witness

1 Boggs. Customers' proposed rates are shown on Northern Hills Exhibit No. 3.0, Schedule  
2 3.1 W, Pages 14-17 Schedule 3.1 S, Page 15-17.

3 **Q. Are you proposing any changes to the Company's sewer rate design?**

4 A. No, I am not.

5 **Q. Have you included updated tariff sheets reflecting the Company's Surrebuttal  
6 positions?**

7 A. Yes, the updated tariff sheets reflecting the Company's Surrebuttal positions are attached as  
8 Northern Hills Exhibit 3.1 W & S.

9 MISCELLANEOUS

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

11 A. I have used Staff's recommended ROE.

12 **Q. Do you agree with Staff's recommendation regarding an Original Cost Determination  
13 in this proceeding?**

14 A. Yes, I do.

15 **Q. Have you made all of the prior adjustments that you discussed?**

16 A. Yes, all of the adjustments discussed above are contained in Northern Hills Exhibit No. 3.0,  
17 Schedule 3.1 W & S

18 **Q. Have you included a new income statement, rate base, rate schedule and supporting  
19 work papers?**

20 A. Yes, I have. The schedules after accepting some of Staff's adjustments and rejecting other  
21 Staff adjustments are attached hereto as Northern Hills Exhibit No. 3.0, Schedule 3.1 W &

1           S. I used Staff's work papers and exhibits, which were provided during the course of  
2           discovery.

3   **Q. Does this conclude your surrebuttal testimony?**

4   A. Yes it does.



**Northern Hills Water and Sewer Company - Water Operations**  
**Adjustments to Operating Income**  
 For the Test Year Ending December 31, 2008

Line No.	Description	Interest Synchronization	Depreciation Expense	Rate Case Expense	(Source)	(Source)	(Source)	(Source)	Total Operating Statement Adjustments
		NH Ex. 3.0 Schedule 3.1 W Page 9 (Column b)	NH Ex. 3.0 Schedule 3.1 W Page 12 (Column b)	NH Ex. 3.0 Schedule 3.1 W Page 3 (Column d)					
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(i)	(k)
1	Water Service Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenues	-	-	-	-	-	-	-	-
3	Total Operating Revenues	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Maintenance Expenses	-	-	-	-	-	-	-	-
6	General Expenses	-	-	462	-	-	-	-	462
7	Depreciation	-	(79)	-	-	-	-	-	(79)
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	-	-	-	-	-	-	-	-
10	Amortization of PAA	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Total Operating Expense	-	(79)	462	-	-	-	-	383
16	Before Income Taxes	-	(79)	462	-	-	-	-	383
17	State Income Tax	13	6	(34)	-	-	-	-	(15)
18	Federal Income Tax	55	25	(146)	-	-	-	-	(66)
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	68	(48)	282	-	-	-	-	302
21	NET OPERATING INCOME	\$ (68)	\$ 48	\$ (282)	\$ -	\$ -	\$ -	\$ -	\$ (302)

Northern Hills Water and Sewer Company - Water Operations  
 Adjustment to Rate Case Expense  
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Total Rate Case Expense (Actual & Estimate) (b)	Total Rate Case Expense per Company Rebuttal (c)	Staff Proposed Adj. (b-c) (d)
1	Rate Case Expense			
2	Outside legal services	\$ 25,000	\$ 25,000	
3	Customer notices	350	350	
4	Water Service Corp. personnel	44,110	37,456	
5	External consultants	13,736	13,736	
6	Miscellaneous costs	3,050	4,905	
7				
8	Total Rate Case Expense	<u>\$ 86,246</u>	<u>\$ 81,447</u>	
9				
10	Amortization Period	5	5	
11				
12	Amortization Expense per Year (Line 8/Line 10)	<u>\$ 17,249</u>	<u>\$ 16,289</u>	
13				
14	Allocated to Water Operations (Line 12 x 48.17%)	<u>\$ 8,309</u>	<u>\$ 7,847</u>	<u>\$ 462</u>

Source:

Col. (c) NH Exhibit 2.0, Schedule 2.1 W, p. 4  
 Col. (b), lines 2, 3, 5, 6 NH Ex. 3.0, Schedule 3.1 W, page 4  
 Col. (b), line 4 NH Ex. 3.0, Schedule 3.1 W, page 5

Northern Hills Water and Sewer Company - Water Operations  
 Adjustment to Rate Case Expense  
 For the Test Year Ending December 31, 2008

Line	Description (a)	Inv. Date (b)	Co. Doc. # (c)	Amount (d)	Comment (e)
<b>1</b>	<b>Outside Legal Services</b>				
2	Howard & Howard	Sep-10		2,035.00	
3	Howard & Howard	8/4/2010		2,714.00	
4	Howard & Howard	7/21/2010	276216	1,606.50	
5	Howard & Howard	6/9/2010	266388	9.16	
6	Howard & Howard	6/7/2010	269830	855.00	
7	Howard & Howard	5/11/2010	265861	741.96	
8	Howard & Howard	4/5/2010	254825	1,311.00	
9	Howard & Howard	3/18/2010	249244	354.00	
10	Howard & Howard	3/15/2010	249251	-	not rate case expense
11	Howard & Howard	3/18/2010	249253	-	not rate case expense
12	Howard & Howard	2/28/2010	249235	560.50	
13	Defrees	12/10/2009	219551	39.90	
14	Defrees	9/3/2009	193009	22.80	
15	Defrees	7/1/2009	174775	51.30	
16	Defrees	4/17/2009	155029	870.28	
17	Defrees	12/28/2007	17199	-	not rate case expense
18	Defrees	6/28/2007	51789	-	not rate case expense
19				11,171.40	
20	Company's estimate to complete case			13,828.60	
21	<b>Legal expense per Staff</b>			<b>25,000.00</b>	
22					
23	<b>Customer Notices</b>				
24	Notices = 355 x \$0.0526 x 2			37.35	
25	Postage for 2 mailings = 2,227 x .44 x 2			312.40	
26	<b>Customer notices per Staff</b>			<b>349.75</b>	
27					
28	<b>Misc. Costs</b>				
29	Rockford Register	4/6/2010	249491	405.45	Publicize rate increase
30	Office Team	6/30/2010	271579	660.00	Temp Agency
31	Office Team	4/7/2010	250350	224.00	Temp Agency
32	Office Team	12/31/2009	225475	638.40	Temp Agency
33	Office Team	12/8/2009	218397	223.44	Temp Agency
34	Angelica Anderson	12/24/2009	223477	36.62	Travel
35	Travel 2009533			1.66	Travel
36				2,189.57	
37	Staff's estimate to complete case:				
38	Temporary workers			660.00	
39	Travel			200.00	
40	<b>Misc. per Staff</b>			<b>3,049.57</b>	
41					
42	<b>Consulting</b>				
43	Lubertozi	2/26/2010	242045	5,100.00	
44	Lubertozi	12/2/2009	218888	603.75	
45	Lubertozi	11/12/2009	214091	1,578.75	
46	Lubertozi	10/21/2009	207533	453.75	
47	SFIO	7/31/2010	282940	200.00	
48	SFIO	7/1/2010	272079	750.00	
49	SFIO	6/2/2010	264020	600.00	
50	SFIO	4/6/2010	249955	600.00	
51	SFIO	4/6/2010	249953	600.00	
52				10,486.25	
53	Company's estimate for SFIO to complete case			3,250.00	
54	<b>Consultants expense per Staff</b>			<b>13,736.25</b>	

Source:

Company response to Staff data request BCJ 2.02

Northern Hills Water and Sewer Company - Water Operations  
 Adjustment to Rate Case Expense  
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Actual Expense as of 8/31/10 (b)	Estimated Expense to End of Case (c)	Actual + Estimate (b + c) (d)	Test Year Employee Allocation (e)	Rate Case Expense Less Test Year Alloc. (f)	Rate Case Expense Per Staff (g)
1	Water Service Personnel						
2	Anderson, Angelica	\$ 1,150	\$ -	\$ 1,150	\$ 485 (1)	\$ 665	\$ 665
3	Barrett, Jason Owen	237		237	82 (2)	155	155
4	Brant, Tim J	960	513	1,473	4,369 (1)	(2,896)	-
5	Burris, Paul	283		283	-	283	283
6	Carlton, Andrew F.	6,610		6,610	-	6,610	6,610
7	Casados, Jim	-	330	330	163 (2)	167	167
8	Conard, William C.	972		972	13,789 (1)	(12,817)	-
9	Daniel, Carl	2,022	354	2,376	438 (1)	1,938	1,938
10	Dryjanski, Michael	996		996	-	996	996
11	Georgiev, Lena	5,466	3,355	8,821	1,113 (2)	7,707	7,707
12	Goldsmith, Larry	53		53	545 (1)	(492)	-
13	Granite, Deborah R	37		37	- (2)	37	37
14	Hoy, John Patrick	536	143	679	305 (2)	374	374
15	Krugler, Adriene	-	-	-	107 (2)	(107)	-
16	Lubertozzi, Steve	3,101	1,430	4,531	214 (2)	4,317	4,317
17	Marzouk, Michelle	338		338	-	338	338
18	McLean, Pam	75	39	114	90 (2)	24	24
19	Mehta, Dhvani	12,696	2,175	14,871	77 (2)	14,794	14,794
20	Miller Jr, Michael A/Bruce Haas	1,698	1,756	3,454	968 (1)	2,486	2,486
21	Neyzelman, Dimitry	377	-	377	96 (2)	281	281
22	Rees, Kim	287		287	11,781 (1)	(11,494)	-
23	Stover, John	-	-	-	304 (2)	(304)	-
24	Tapella, Thomas Anthony	1,435	439	1,874	1,232 (1)	642	642
25	Valrie, LaWanda N	2,350	-	2,350	54 (2)	2,296	2,296
26	Williams, John	-	-	-	154 (2)	(154)	-
28		<u>\$ 41,677</u>	<u>\$ 10,534</u>	<u># \$ 52,211</u>			<u>\$ 44,110</u>

Source:  
 Col. (b) Company response to Staff data request BCJ 2.02  
 Col. (e)(1) Staff Sch. 2.5 Workpaper A  
 Col. (e)(2) Staff Sch. 2.6 Workpaper

**Northern Hills Water and Sewer Company - Water Operations**  
**Rate Base**  
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Company Rebuttal Pro Forma Rate Base (Co. Sch. 2.1 W) (b)	NH Ex. 3.0 Schedule 3.1 W Page 8 (Column k) (c)	Staff Pro Forma Rate Base (Col. b+c) (d)
1	Gross Plant in Service	\$ 547,237	\$ -	\$ 547,237
2	Less: Accumulated Depreciation	(164,912)	-	(164,912)
3	-	-	-	-
4	Net Plant	382,325	-	382,325
5	Additions to Rate Base			
6	Cash Working Capital	5,329	57	5,386
7	Adjustment to Rate Base Allocations	31	-	31
8	Deferred Charges	-	-	-
9	Net Pro Forma Plant	7,196	-	7,196
10	Net Plant Acquisition Adjustment	-	-	-
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(112,700)	-	(112,700)
18	Accumulated Deferred Income Taxes	(19,809)	-	(19,809)
19	Customer Deposits	(1)	-	(1)
20	-	-	-	-
21	-	-	-	-
22	-	-	-	-
23	Staff Rate Base	<u>\$ 262,371</u>	<u>\$ 57</u>	<u>\$ 262,428</u>



**Northern Hills Water and Sewer Company - Water Operations**  
**Revenue Effect of Adjustments**  
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Per Company (b)	Staff Adjustments (c)	Per Staff (d)
1	Present Revenues	\$ 40,964 <sup>(1)</sup>	\$ -	\$ 40,964 <sup>(2)</sup>
2	Proposed Increase	<u>63,080 <sup>(3)</sup></u>	<u>(18,745) <sup>(4)</sup></u>	<u>44,335 <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 104,044</u>	<u>\$ (18,745)</u>	<u>\$ 85,299</u>
4	% Increase	153.99%		108.23%
5	Staff Adjustments:			
6	Rate of Return (Applied to Company Rate Base)		\$ (19,124)	
7	Other Rate Base Components		-	
8			-	
9	Gross Revenue Conversion Factor	NH Exhibit 3.0, Schedule 3.1 W, Page 11	(124)	
10	Depreciation Expense	NH Exhibit 3.0, Schedule 3.1 W, Page 13	(79)	
11			-	
12	Working Capital	NH Exhibit 3.0, Schedule 3.1 W, Page 12	6	
13	Interest Synchronization	NH Exhibit 3.0, Schedule 3.1 W, Page 10	113	
14	Rate Case Expense	NH Exhibit 3.0, Schedule 3.1 W, Page 3	463	
15	Rounding		-	
16	Total Revenue Effect of Staff Adjustments		<u>\$ (18,745)</u>	

Sources:

- (1) NH Exhibit 3.0, Schedule 3.1 W, Page 1, column (b), line 3
- (2) NH Exhibit 3.0, Schedule 3.1 W, Page 1, column (d), line 3
- (3) NH Exhibit 3.0, Schedule 3.1 W, Page 1, column (e), line 3
- (4) NH Exhibit 3.0, Schedule 3.1 W, Page 1, columns (f) + (h), line 3
- (5) NH Exhibit 3.0, Schedule 3.1 W, Page 1, column (i), line 24

Northern Hills Water and Sewer Company - Water Operations  
 Interest Synchronization Adjustment  
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Amount (b)
1	Staff Rate Base	\$ 262,428 (1)
2	Weighted Cost of Debt	3.47% (2)
3	Synchronized Interest Per Staff	9,106
4	Company Interest Expense	<u>9,282</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(176)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 7.300%	<u>\$ 13</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ 55</u>

(1) Source: NH Exhibit 3.0, Schedule 3.1 W, Page 6, column (d), line 23.

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

(3) Source: NH Exhibit 2.0, Schedule 2.1 W, page 14 of 21, column (b), line 4

Northern Hills Water and Sewer Company - Water Operations  
 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	0.4249%	<u>0.004249</u>	
3	State Taxable Income		0.995751	1.000000
4	State Income Tax	7.3000%	<u>0.072690</u>	<u>0.073000</u>
5	Federal Taxable Income		0.923061	0.927000
6	Federal Income Tax	34.0000%	<u>0.313841</u>	<u>0.315180</u>
7	Operating Income		<u>0.609220</u>	<u>0.611820</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.641443</u>	<u>1.634468</u>

Northern Hills Water and Sewer Company - Water Operations  
 Adjustment to Working Capital  
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Amount (b)	Source (c)
1	Maintenance Expenses	\$ 20,388	NH Exhibit 3.0, Schedule 3.1 W, Page 1, column (d), line 5
2	General Expense	21,641	NH Exhibit 3.0, Schedule 3.1 W, Page 1, column (d), line 6
3	Taxes Other Than Income	2,503	NH Exhibit 3.0, Schedule 3.1 W, Page 1, column (d), line 9
4	Less Real Estate Taxes	<u>(1,449)</u>	Response to Staff data request JMO 1.01, tab "Linked TB", account 7555
5	Operating Expenses Subject to Working Capital Allowance	43,083	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Staff	5,385	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>5,328</u>	NH Exhibit 2.0, Schedule 2.1 W, page 13 of 21, column (b), line 7
9	Staff Adjustment	<u><u>\$ 57</u></u>	Line 7 less line 8

Northern Hills Water and Sewer Company - Water Operations  
 Adjustment to Depreciation Expense  
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Amount (b)	Sources (c)
1	Amount per Staff	\$ 18,421	ICC Staff Exhibit 6.0, Sch. 6.10 W, page 2, column (c), line 5
2	Amount per Company	<u>18,500</u>	NH Exhibit 2.0, Schedule 2.1 W, page 1 of 21, column (d), line 7
3	Proposed Adjustment	<u><u>\$ (79)</u></u>	Line 1 less Line 2

**Northern Hills Water and Sewer Company - Water Operations**  
**Adjustment to Depreciation Expense**  
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Depreciation Expense (b)	Sources (c)
1	Gross Utility Plant @ 12/31/2008	\$ 14,178	ICC Staff Exhibit 5.0, Schedule 5.1
2	2009 Pro Forma Plant Additions	298	NH Exhibit 2.0, Schedule 2.1 W, page 18 of 21, column (f), line 13
3	Vehicles	1,743	Company response to Staff data request JMO 1.01, tab "wp - f - depr"
4	Computers	<u>2,202</u>	Company response to Staff data request JMO 1.01, tab "wp - f - depr"

Northern Hills Water and Sewer Company  
 Comparison of Revised Original Proposed and Proposed Water Rates

Docket No. 10-0298  
 NH Ex. 3.0  
 Schedule 3.1 W  
 Page 14 of 17

<b>All Customer Classifications</b>								
Line No.	Class/Description (A)	Sales 1,000 Gallons (B)	Revised Original Proposed Total Revenue (C)	% of Revenue to Total (D)	Proposed Total Revenue (E)	% of Revenue to Total (F)	Dollar Difference [(E)-(C)] (G)	Total Revenue % Difference [(G)/(C)] (H)
1	Water Residential	9,239	\$ 103,672.00	99.66%	\$ 84,910.00	99.58%	\$ (18,762.00)	-18.10%
2	Total Water Sales	9,239	\$ 103,672.00	99.66%	\$ 84,910.00	99.58%	\$ (18,762.00)	-18.10%
3	Other Operating Revenues		\$ 358.00	0.34%	358	0.42%	0	0.00%
4	Total Operating Revenues		\$ 104,030.00	100.00%	\$ 85,268.00	100.00%	\$ (18,762.00)	-18.04%

+ Northern Hills Water and Sewer Company  
Comparison of Revised Original Proposed and Proposed Water Rates

Docket No. 10-0298  
NH Ex. 3.0  
Schedule 3.1 W  
Page 15 of 17

<u>Water Residential</u>								
Line No.	Description (A)	Customer Meter Billings (B)	Revised Original Proposed Sales 1,000 Gallons (C)	Revised Original Proposed Rates (D)	Revised Original Proposed Total Revenue (E)	Proposed Sales 1,000 Gallons (F)	Proposed Rates (G)	Proposed Total Revenue (H)
	<b>Customer Charges:</b>							
1	5/8 inch	2,056.00		\$ 14.43	\$ 29,668.00		\$ 11.82	\$ 24,302.00
	<b>Usage Charges:</b>							
2	5/8 inch		9,239.00	\$ 8.0100	\$ 74,004.00	9,239.00	\$ 6.56	\$ 60,608.00
3	Residential Total	<u>2,056.00</u>	<u>9,239.00</u>		<u>103,672.00</u>	<u>9,239.00</u>		<u>84,910.00</u>

Source: Company Schedule E  
NH Exhibit 3.0 , Schedule 3.1 W, Page 1

Northern Hills Water and Sewer Company  
 Comparison of Revised Original Proposed and Proposed Water Rates

Docket No. 10-0298  
 NH Ex. 3.0  
 Schedule 3.1 W  
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<b><u>Other Operating Revenues</u></b>			Original Proposed Sales 1,000 Gallons (C)	Original Proposed Rates (D)	Original Proposed Total Revenue (E)	Proposed Sales 1,000 Gallons (F)	Proposed Rates (G)	Proposed Total Revenue (H)
Line No.	Description (A)	Customer Meter Billings (B)						
1	Other Operating Revenues Total	-	-		<u>\$ 358.00</u>	-		<u>\$ 358.00</u>

**Source:** Company Schedule E  
 NH Exhibit 3.0 , Schedule 3.1 W, Page 1

Northern Hills Water and Sewer Company  
 Comparison of Revised Original Proposed and Proposed Water  
 Rates

Line No.	(A)	(B) <b>Revised Original Proposed</b>	(C) <b>Proposed</b>
1			
2	Proposed Water Revenues	\$ 103,672.00	\$ 84,941.00
3	Ratio (C2/B2)	<b>81.90%</b>	

Source: Company Schedule E  
 NH Exhibit 3.0 , Schedule 3.1 W, Page 1



**Northern Hills Water and Sewer Company - Sewer Operations**  
**Adjustments to Operating Income**  
 For the Test Year Ending December 31, 2008

Line No.	Description	Interest Synchronization NH Exhibit 3.0 Schedule 3.1 S Page 10 (Column b)	Depreciation Expense NH Exhibit 3.0 Schedule 3.1 S Page 13 (Column b)	Rate Case Expense NH Exhibit 3.0 Schedule 3.1 S Page 3 (Column d)	(Source)	(Source)	Maintenance and Repair Expense NH Exhibit 3.0 Schedule 3.1 S Page 6 (Column b)	(Source)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(j)	(k)
1	Sewer Service Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenues	-	-	-	-	-	-	-	-
3	Total Operating Revenues	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Maintenance Expenses	-	-	-	-	-	1,096	-	1,096
6	General Expenses	-	-	497	-	-	-	-	497
7	Depreciation	-	161	-	-	-	-	-	161
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	-	-	-	-	-	-	-	-
10	Amortization of PAA	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Total Operating Expense	-	161	497	-	-	1,096	-	1,754
16	Before Income Taxes	-	161	497	-	-	1,096	-	1,754
17	State Income Tax	70	(12)	(36)	-	-	(80)	-	(58)
18	Federal Income Tax	300	(51)	(157)	-	-	(345)	-	(253)
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	370	98	304	-	-	671	-	1,443
21	NET OPERATING INCOME	<u>\$ (370)</u>	<u>\$ (98)</u>	<u>\$ (304)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (671)</u>	<u>\$ -</u>	<u>\$ (1,443)</u>

Northern Hills Water and Sewer Company - Sewer Operations  
 Adjustment to Rate Case Expense  
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Total Rate Case Expense (Actual & Estimate) (b)	Total Rate Case Expense per Company Rebuttal (c)	Staff Proposed Adj. (b-c) (d)
1	Rate Case Expense			
2	Outside legal services	\$ 25,000	\$ 25,000	
3	Customer notices	350	350	
4	Water Service Corp. personnel	44,110	37,456	
5	External consultants	13,736	13,736	
6	Miscellaneous costs	3,050	4,905	
7				
8	Total Rate Case Expense	<u>\$ 86,246</u>	<u>\$ 81,447</u>	
9				
10	Amortization Period	5	5	
11				
12	Amortization Expense per Year (Line 8/Line 10)	<u>\$ 17,249</u>	<u>\$ 16,289</u>	
13				
14	Allocated to Sewer Operations (Line 12 x 51.83%)	<u>\$ 8,940</u>	<u>\$ 8,443</u>	<u>\$ 497</u>

Source:

Col. (c) NH Exhibit 2.0, Schedule 2.1 S, p. 4  
 Col. (b), lines 2, 3, 5, 6 NH Ex. 3.0, Schedule 3.1 S, page 4  
 Col. (b), line 4 NH Ex. 3.0, Schedule 3.1 S, page 5

Northern Hills Water and Sewer Company - Water Operations  
 Adjustment to Rate Case Expense  
 For the Test Year Ending December 31, 2008

Line	Description (a)	Inv. Date (b)	Co. Doc. # (c)	Amount (d)	Comment (e)
1	<b>Outside Legal Services</b>				
2	Howard & Howard	Sep-10		2,035.00	
3	Howard & Howard	8/4/2010		2,714.00	
4	Howard & Howard	7/21/2010	276216	1,606.50	
5	Howard & Howard	6/9/2010	266388	9.16	
6	Howard & Howard	6/7/2010	269830	855.00	
7	Howard & Howard	5/11/2010	265861	741.96	
8	Howard & Howard	4/5/2010	254825	1,311.00	
9	Howard & Howard	3/18/2010	249244	354.00	
10	Howard & Howard	3/15/2010	249251	-	not rate case expense
11	Howard & Howard	3/18/2010	249253	-	not rate case expense
12	Howard & Howard	2/28/2010	249235	560.50	
13	Defrees	12/10/2009	219551	39.90	
14	Defrees	9/3/2009	193009	22.80	
15	Defrees	7/1/2009	174775	51.30	
16	Defrees	4/17/2009	155029	870.28	
17	Defrees	12/28/2007	17199	-	not rate case expense
18	Defrees	6/28/2007	51789	-	not rate case expense
19				11,171.40	
20	Company's estimate to complete case			13,828.60	
21	<b>Legal expense per Staff</b>			<b>25,000.00</b>	
22					
23	<b>Customer Notices</b>				
24	Notices = 355 x \$0.0526 x 2			37.35	
25	Postage for 2 mailings = 2,227 x .44 x 2			312.40	
26	<b>Customer notices per Staff</b>			<b>349.75</b>	
27					
28	<b>Misc. Costs</b>				
29	Rockford Register	4/6/2010	249491	405.45	Publicize rate increase
30	Office Team	6/30/2010	271579	660.00	Temp Agency
31	Office Team	4/7/2010	250350	224.00	Temp Agency
32	Office Team	12/31/2009	225475	638.40	Temp Agency
33	Office Team	12/8/2009	218397	223.44	Temp Agency
34	Angelica Anderson	12/24/2009	223477	36.62	Travel
35	Travel 2009533			1.66	Travel
36				2,189.57	
37	Staff's estimate to complete case:				
38	Temporary workers			660.00	
39	Travel			200.00	
40	<b>Misc. per Staff</b>			<b>3,049.57</b>	
41					
42	<b>Consulting</b>				
43	Lubertozi	2/26/2010	242045	5,100.00	
44	Lubertozi	12/2/2009	218888	603.75	
45	Lubertozi	11/12/2009	214091	1,578.75	
46	Lubertozi	10/21/2009	207533	453.75	
47	SFIO	7/31/2010	282940	200.00	
48	SFIO	7/1/2010	272079	750.00	
49	SFIO	6/2/2010	264020	600.00	
50	SFIO	4/6/2010	249955	600.00	
51	SFIO	4/6/2010	249953	600.00	
52				10,486.25	
53	Company's estimate for SFIO to complete case			3,250.00	
54	<b>Consultants expense per Staff</b>			<b>13,736.25</b>	

Source:

Company response to Staff data request BCJ 2.02

Northern Hills Water and Sewer Company - Water Operations  
 Adjustment to Rate Case Expense  
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Actual Expense as of 8/31/10 (b)	Estimated Expense to End of Case (c)	Actual + Estimate (b + c) (d)	Test Year Employee Allocation (e)	Rate Case Expense Less Test Year Alloc. (f)	Rate Case Expense Per Staff (g)
1	Water Service Personnel						
2	Anderson, Angelica	\$ 1,150	\$ -	\$ 1,150	\$ 485 (1)	\$ 665	\$ 665
3	Barrett, Jason Owen	237		237	82 (2)	155	155
4	Brant, Tim J	960	513	1,473	4,369 (1)	(2,896)	-
5	Burris, Paul	283		283	-	283	283
6	Carlton, Andrew F.	6,610		6,610	-	6,610	6,610
7	Casados, Jim	-	330	330	163 (2)	167	167
8	Conard, William C.	972		972	13,789 (1)	(12,817)	-
9	Daniel, Carl	2,022	354	2,376	438 (1)	1,938	1,938
10	Dryjanski, Michael	996		996	-	996	996
11	Georgiev, Lena	5,466	3,355	8,821	1,113 (2)	7,707	7,707
12	Goldsmith, Larry	53		53	545 (1)	(492)	-
13	Granite, Deborah R	37		37	- (2)	37	37
14	Hoy, John Patrick	536	143	679	305 (2)	374	374
15	Krugler, Adriene	-	-	-	107 (2)	(107)	-
16	Lubertozi, Steve	3,101	1,430	4,531	214 (2)	4,317	4,317
17	Marzouk, Michelle	338		338	-	338	338
18	McLean, Pam	75	39	114	90 (2)	24	24
19	Mehta, Dhvani	12,696	2,175	14,871	77 (2)	14,794	14,794
20	Miller Jr, Michael A/Bruce Haas	1,698	1,756	3,454	968 (1)	2,486	2,486
21	Neyzelman, Dimitry	377	-	377	96 (2)	281	281
22	Rees, Kim	287		287	11,781 (1)	(11,494)	-
23	Stover, John	-	-	-	304 (2)	(304)	-
24	Tapella, Thomas Anthony	1,435	439	1,874	1,232 (1)	642	642
25	Valrie, LaWanda N	2,350	-	2,350	54 (2)	2,296	2,296
26	Williams, John	-	-	-	154 (2)	(154)	-
28		<u>\$ 41,677</u>	<u>\$ 10,534</u>	<u># \$ 52,211</u>			<u>\$ 44,110</u>

Source:  
 Col. (b) Company response to Staff data request BCJ 2.02  
 Col. (e)(1) Staff Sch. 2.5 Workpaper A  
 Col. (e)(2) Staff Sch. 2.6 Workpaper

Northern Hills Water and Sewer Company - Sewer Operations  
 Adjustment to Maintenance and Repair Expense  
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Amount (b)	Source (c)
1	Maintenance and Repair Expense per Staff	\$ 25,367	Line 9
2	Maintenance and Repair Expense per Company	24,271	NH Ex. 2.0, Sch. 2.1 S, p. 9
3	Staff Proposed Adjustment	<u>\$ 1,096</u>	
4			
5	2008 Sludge Hauling at New Rate	\$ 21,504	Co. response to Staff DR BCJ 2.13
6	2008 Sludge Hauling at Old Rate	<u>13,848</u>	Co. response to Staff DR BCJ 2.13
7	Addition to 2008 Maint. and Repair Expense	7,656	Line 6 minus line 7
8	2008 Maintenance and Repair Expense per Filing	<u>17,711</u>	Company Schedule B
9	2008 Maintenance and Repair Expense per Staff	<u>\$ 25,367</u>	Line 8 + line 9

**Northern Hills Water and Sewer Company - Sewer Operations**  
**Rate Base**  
 For the Test Year Ending December 31, 2008

Line No.	Description	Company Rebuttal Pro Forma Rate Base (Co. Sch. 2.1 S)	NH Exhibit 3.0 Schedule 3.1 S Page 8 (Column k)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 603,151	\$ -	\$ 603,151
2	Less: Accumulated Depreciation	(255,738)	-	(255,738)
3	-	-	-	-
4	Net Plant	347,413	-	347,413
5	Additions to Rate Base			
6	Cash Working Capital	8,906	200	9,106
7	Adjustment to Rate Base Allocations	34	-	34
8	Deferred Charges	-	-	-
9	Net Plant Acquisition Adjustment	-	-	-
10	Net Pro Forma Plant	850,624	-	850,624
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(172,886)	-	(172,886)
18	Accumulated Deferred Income Taxes	(22,175)	-	(22,175)
19	Customer Deposits	(2)	-	(2)
20	-	-	-	-
21	-	-	-	-
22	-	-	-	-
23	Staff Rate Base	<u>\$ 1,011,914</u>	<u>\$ 200</u>	<u>\$ 1,012,114</u>



**Northern Hills Water and Sewer Company - Sewer Operations**  
**Revenue Effect of Adjustments**  
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Per Company (b)	Staff Adjustments (c)	Per Staff (d)
1	Present Revenues	\$ 54,499 <sup>(1)</sup>	\$ -	\$ 54,499 <sup>(2)</sup>
2	Proposed Increase	<u>197,033 <sup>(3)</sup></u>	<u>(37,877) <sup>(4)</sup></u>	<u>159,156 <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 251,532</u>	<u>\$ (37,877)</u>	<u>\$ 213,655</u>
4	% Increase	361.54%		292.03%
5	Staff Adjustments:			
6	Rate of Return (Applied to Company Rate Base)		\$ (41,522)	
7	Other Rate Base Components		-	
8			-	
9			-	
10	Working Capital	NH Exhibit 3.0, Schedule 3.1 S, Page 12	21	
11	Depreciation Expense	NH Exhibit 3.0, Schedule 3.1 S, Page 13	161	
12	Rate Case Expense	NH Exhibit 3.0, Schedule 3.1 S, Page 3	501	
13	Interest Synchronization	NH Exhibit 3.0, Schedule 3.1 S, Page 10	612	
14	Maintenance and Repair Expense		1,103	
15	Gross Revenue Conversion Factor	NH Exhibit 3.0, Schedule 3.1 S, Page 11	1,249	
16	Rounding		<u>(3)</u>	
17	Total Revenue Effect of Staff Adjustments		<u>\$ (37,878)</u>	

Sources:

- (1) NH Exhibit 3.0, Schedule 3.1 S, Page 1, column (b), line 3
- (2) NH Exhibit 3.0, Schedule 3.1 S, Page 1, column (d), line 3
- (3) NH Exhibit 3.0, Schedule 3.1 S, Page 1, column (e), line 3
- (4) NH Exhibit 3.0, Schedule 3.1 S, Page 1, columns (f) + (h), line 3
- (5) NH Exhibit 3.0, Schedule 3.1 S, Page 1, column (i), line 24

Northern Hills Water and Sewer Company - Sewer Operations  
 Interest Synchronization Adjustment  
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Amount (b)
1	Staff Rate Base	\$ 1,012,114 (1)
2	Weighted Cost of Debt	3.47% (2)
3	Synchronized Interest Per Staff	35,120
4	Company Interest Expense	<u>36,073</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(953)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 7.300%	<u>\$ 70</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ 300</u>

(1) Source: NH Exhibit 3.0, Schedule 3.1 S, Page 7, column (d), line 23.

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

(3) Source: NH Exhibit 2.0, Schedule 2.1 S, page 16 of 21, column (b), line 4

**Northern Hills Water and Sewer Company - Sewer Operations**  
**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	0.5842%	<u>0.005842</u>	
3	State Taxable Income		0.994158	1.000000
4	State Income Tax	7.3000%	<u>0.072574</u>	<u>0.073000</u>
5	Federal Taxable Income		0.921584	0.927000
6	Federal Income Tax	34.0000%	<u>0.313339</u>	<u>0.315180</u>
7	Operating Income		<u>0.608245</u>	<u>0.611820</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.644074</u>	<u>1.634468</u>

**Northern Hills Water and Sewer Company - Sewer Operations**  
**Adjustment to Working Capital**  
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Amount (b)	Source (c)
1	Maintenance Expenses	\$ 47,099	NH Exhibit 3.0, Schedule 3.1 S, Page 1, column (d), line 5
2	General Expense	23,288	NH Exhibit 3.0, Schedule 3.1 S, Page 1, column (d), line 6
3	Taxes Other Than Income	4,017	NH Exhibit 3.0, Schedule 3.1 S, Page 1, column (d), line 9
4	Less Real Estate Taxes	<u>(1,560)</u>	Response to Staff data request JMO 1.01, tab "Linked TB", account 7555
5	Operating Expenses Subject to Working Capital Allowance	72,844	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Staff	9,106	Line 5 x Line 6
8	Working Capital Allowance Per Company	<u>8,906</u>	NH Exhibit 2.0, Schedule 2.1 S, page 15 of 21, column (b), line 7
9	Staff Adjustment	<u><u>\$ 200</u></u>	Line 7 less line 8

Northern Hills Water and Sewer Company - Sewer Operations  
 Adjustment to Depreciation Expense  
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Amount (b)	Sources (c)
1	Amount per Staff	\$ 38,309	ICC Staff Exhibit 6.0, Sch. 6.10 S, page 2, column (c), line 6
2	Amount per Company	<u>38,148</u>	NH Exhibit 2.0, Schedule 2.1 S, page 1 of 21, column (d), line 7
3	Proposed Adjustment	<u><u>\$ 161</u></u>	Line 1 less Line 2

**Northern Hills Water and Sewer Company - Sewer Operations**  
**Adjustment to Depreciation Expense**  
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Depreciation Expense (b)	Sources (d)
1	Gross Utility Plant @ 12/31/2008	\$ 11,479	ICC Staff Exhibit 5.0, Schedule 5.1
2	2009 Pro Forma Projects	19,734	Company response to Staff data request JMO 1.01, tab "wp - f - depr"
3	2009 Pro Forma Plant Additions	2,850	NH Exhibit 2.0, Schedule 2.1 S, page 20 of 21, column (g), line 13
4	Vehicles	1,875	Company response to Staff data request JMO 1.01, tab "wp - f - depr"
5	Computers	<u>2,370</u>	Company response to Staff data request JMO 1.01, tab "wp - f - depr"
6	Amount	<u><u>\$ 38,309</u></u>	Sum of Lines 1 through 5

Northern Hills Water and Sewer Company  
Comparison of Revised Original Proposed and Proposed  
Sewer Rates

Docket No. 10-0298  
NH Exhibit 3.0  
Schedule 3.1 S  
Page 15 of 17

<b>All Customer Classifications</b>								
Line No.	Class/Description (A)	Sales 1,000 Gallons (B)	Revised Original Proposed Total Revenue (C)	% of Revenue to Total (D)	Proposed Total Revenue (E)	% of Revenue to Total (F)	Dollar Difference [(E)-(C)] (G)	Total Revenue % Difference [(G)/(C)] (H)
1	Sewer Residential	0	\$ 251,063.00	99.81%	\$ 213,171.00	99.77%	\$ (37,892.00)	-15.09%
2	Other Operating Revenues		\$ 481.00	0.19%	\$ 481.00	0.23%	0	0.00%
3	Total Operating Revenues		\$ 251,544.00	100.00%	\$ 213,652.00	100.00%	\$ (37,892.00)	-15.06%

Northern Hills Water and Sewer Company  
 Comparison of Revised Original Proposed and Proposed  
 Sewer Rates

Docket No. 10-0298  
 NH Exhibit 3.0  
 Schedule 3.1 S  
 Page 16 of 17

Line No.	<u>Sewer</u> Class/ Description (A)	Customer Meter Billings (B)	Revised Original Proposed Sales 1,000 Gallons (C)	Revised Original Proposed Rates (D)	Revised Original Proposed Total Revenue (E)	Proposed Sales 1,000 Gallons (F)	Proposed Rates (G)	Proposed Total Revenue (H)
1	<b>Sewer Residential</b>							
2	Usage below 1,000 Gallons	180.14		\$ 119.44	\$ 21,516.00		\$ 97.72	\$ 17,603.00
3	Usage over 1,000 Gallons	1,921.86		\$ 119.44	\$ 229,547.00		\$ 101.76	\$ 195,568.00
4	<b>Total Sewer Sales</b>	<u>2,102.00</u>	-		<u>251,063.00</u>	-		<u>213,171.00</u>

Source: Company Schedule E  
 NH Exhibit 3.0 , Schedule 3.1 W, Page 1

Northern Hills Water and Sewer Company  
 Comparison of Revised Original Proposed and Proposed  
 Sewer Rates

<b><u>Other Operating Revenues</u></b>			Original Proposed Sales 1,000 Gallons (C)	Original Proposed Rates (D)	Original Proposed Total Revenue (E)	Proposed Sales 1,000 Gallons (F)	Proposed Rates (G)	Proposed Total Revenue (H)
Line No.	Description (A)	Customer Meter Billings (B)						
1	Other Operating Revenues Total	-	-		<u>\$ 481.00</u>	-		<u>\$ 481.00</u>

**Source:** Company Schedule E  
 NH Exhibit 3.0 , Schedule 3.1 W, Page 1



Applies To Northern Hills II Subdivision in Stephenson County, Illinois
(Name of City)

WATER SERVICE

Rates and Charges\*

All rates and charges included as a part thereof are subject to the Rules, Regulations and Conditions of Service hereinafter set forth;

Customer Charge

Monthly Rate

Base Facilities Charge:
Usage Charge:

\$11.82\* per month
\$6.56\* per 1,000 gallons

Water Usage

Charges for water usage will be billed on a monthly basis.

New Customer Charge

A charge of twenty-five dollars (\$25.00)\* will be applied to customers initiating service in new or existing homes or commercial establishments.

NSF Check Charge

A charge of twenty-five dollars (\$25.00)\* will be applied to customers whose check is returned by the bank due to non-sufficient funds (one charge per check each time it is returned).

Reconnection Charge

If water service is disconnected by the utility for any reasons as outlined in Section 17 of the Rules, Regulations, and Conditions of Service, the customer will be assessed a charge of thirty-seven dollars and fifty cents (\$37.50)\*, which will be paid by the customer before water service will be restored. If water service is disconnected at the customer's request due to seasonal residence and during normal business operating hours, the customer will be assessed a charge of thirty-seven dollars and fifty cents (\$37.50)\*, which will be added to the customer's next water bill. Customers who request to be reconnected within nine (9) months of disconnection will be assessed an appropriate base facilities charge for the service period the customer was disconnected. This charge will be paid by customers before water service will again be restored.

After Hours Call-Out Charges\*

If for any reason the customer requests services, or services are the result of the customer's negligence or willful act, and the services rendered by Northern Hills Water and Sewer Company occur after normal business operating hours, the Company has the right to bill for this call-out service and the minimum charge will be for two hours at the current labor rate or one hundred six dollars (\$106.00) and fifty-three dollars (\$53.00) per hour for all time accumulated above and beyond the two hour minimum.

Annual Gross Revenue Tax Recovery Charge\*

Section 9-222 of "The Public Utilities Act," as amended, authorizes a utility to recover from its Customers its Liabilities to the State of Illinois for Public Utility Annual Gross Revenue Tax imposed by Section 2-202 of "The Public Utilities Act," as amended. Pursuant to Section 9-222, the Company shall charge an Additional Charge for the Public Utility Annual Gross Revenue Tax equal to 0.1 % of all billings under this rate schedule except for (a) this Additional Charge for Public Utility Annual Gross Revenue Tax, (b) the Additional Charge for any Municipal Utility Tax, and (c) any other billings and billing items excluded from the base of the Public Utility Annual Gross Revenue Tax.

Late Payment Charge

An additional charge amounting to one and one-half percent (1-1/2%) per month will be added to all bills for service under the foregoing schedule not paid within twenty-one (21) days of the date of the bill.

(\* Indicates change)

Issued September 14, 2010
Month Day Year

Effective October 14, 2010
Month Day Year

Issued By Lisa Sparrow President

Name of Officer

Title

2335 Sanders Road Northbrook, IL 60062

Address of Officer

**Applies To Northern Hills II Subdivision in Stephenson County, Illinois**  
**(Name of City)**

**SEWER SERVICE**

Rates and Charges\*

All rates and charges included as a part thereof are subject to the Rules, Regulations and Conditions of Service hereinafter set forth;

Customer Charge

1. Monthly Rate - \$101.76\*
2. Low-Use Monthly Rate (less than 1,000 gallons water consumption) - \$97.72\*

Sewer Usage

Charges for sewer usage will be billed on a monthly basis.

New Customer Charge

A charge of twenty-five dollars (\$25.00)\* will be applied to customers initiating service in new or existing homes or commercial establishments.

NSF Check Charge

A charge of twenty-five dollars (\$25.00)\* will be applied to customers whose check is returned by the bank due to non-sufficient funds (one charge per check each time it is returned).

Annual Gross Revenue Tax Recovery Charge\*

Section 9-222 of "The Public Utilities Act," as amended, authorizes a utility to recover from its Customers its Liabilities to the State of Illinois for Public Utility Annual Gross Revenue Tax imposed by Section 2-202 of "The Public Utilities Act," as amended. Pursuant to Section 9-222, the Company shall charge an Additional Charge for the Public Utility Annual Gross Revenue Tax equal to 0.1 % of all billings under this rate schedule except for (a) this Additional Charge for Public Utility Annual Gross Revenue Tax, (b) the Additional Charge for any Municipal Utility Tax, and (c) any other billings and billing items excluded from the base of the Public Utility Annual Gross Revenue Tax

Late Payment Charge

An additional charge amounting to one and one-half percent (1-1/2%) per month will be added to all bills for service under the foregoing schedule not paid within twenty-one (21) days of the date of the bill

After Hours Call-Out Charges\*

If for any reason the customer requests services, or services are the result of the customer's negligence or willful act, and the services rendered by Northern Hills Water and Sewer Company occur after normal business operating hours, the Company has the right to bill for this call-out service and the minimum charge will be for two hours at the current labor rate or one hundred six dollars (\$106.00) and fifty-three dollars (\$53.00) per hour for all time accumulated above and beyond the two hour minimum.

(\* Indicates Change)



September 9, 2010

Utilities, Inc.  
Mr. John Stover, General Counsel  
Director, Regulatory Accounting  
2335 Sanders Road  
Northbrook, IL 60062

Billed through 08/31/10

Bill Number 105641 - 00012 - 357633

Northern Hills Rate Case - 2010231

Balance forward	\$	2,714.00
Payments received since last bill (last payment 08/30/10)	\$	<u>2,714.00</u>
Net balance forward	\$	0.00

FOR PROFESSIONAL SERVICES RENDERED

08/02/10	WMS	E-mail to                      regarding comments on draft rebuttal testimony; review revised testimony e-mailed from                      ( 1.4 hrs); review e-mails from                      and                      regarding low use sewer rate (.2 hrs); review ex parte report regarding public comments; review public comments and e-mail to                      et al; review and respond to e-mails from                      and                      regarding same (.4 hrs); telephone conference                      regarding draft testimony (.1 hrs); review Aqua testimony regarding low use sewer rate design and e-mail same to                      ; review and respond to e-mails from                      regarding same and revisions to testimony (.4 hrs)	2.50 hrs	737.50
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Utilities, Inc.  
 Mr. John Stover, General Counsel  
 Bill number 105641 - 00012 - 357633

08/04/10	WMS	Review rebuttal testimony schedules and exhibits and e-mail to et al regarding recommendation for rebuttal testimony filing; telephone conferences and exchange multiple e-mails with regarding corrections to testimony and schedules (1.7 hrs); prepare exhibits for filing;; prepare notice of filing (.4 hrs)	2.10 hrs	619.50
08/05/10	WMS	File rebuttal testimony and exhibits via e-docket and e-mail same to parties	0.30 hrs	88.50
08/10/10	WMS	Review e-mail from Staff with data requests BCJ 2.01 – 2.18; e-mail to et al regarding same	0.20 hrs	59.00
08/12/10	WMS	Review e-mail from Staff with data request CB 3.01 and forward same to (.1 hrs)	0.10 hrs	29.50
08/18/10	WMS	Review and respond to e-mails from regarding update to rate case expense	0.20 hrs	59.00
08/20/10	WMS	E-mail to regarding low sewer use rate revision in Galena case (.1 hrs); review and respond to e-mails from and regarding need to revise rebuttal or surrebuttal schedules based upon sludge hauling correction (.3 hrs); review e-mail from with completed responses to Staff data requests BCJ 2.01 – 2.15 (.4 hrs)	0.80 hrs	236.00
08/24/10	WMS	Review e-mail from regarding draft responses and rationale for low use sewer rate for Staff data request CB 3; e-mail to regarding comments on draft response and review e-mail response regarding same; review response on related issue in Galena case (.5 hrs)	0.50 hrs	147.50
08/26/10	WMS	Review and respond to e-mails from regarding completed response to Staff data requests PR 3.01	0.20 hrs	59.00

Utilities, Inc.  
Mr. John Stover, General Counsel  
Bill number 105641 - 00012 - 357633

Total Fees For This Matter

\$ 2,035.50

BILLING SUMMARY:

W. Michael Seidel

6.90 hrs

295 / hr

2,035.50

TOTAL FEES:

\$ 2,035.50

TOTAL CHARGES FOR THIS BILL:

\$ 2,035.50

TOTAL BALANCE NOW DUE:

\$ 2,035.50