

DIRECT TESTIMONY

of

RICHARD W. BRIDAL II

Accountant
Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Great Northern Utilities, Inc.
Proposed General Increase in Water Rates

Camelot Utilities, Inc.
Proposed General Increase in Water and Sewer Rates

Lake Holiday Utilities Corporation
Proposed General Increase in Water Rates

Docket Nos. 11-0059, 11-0141, & 11-01421 (Cons.)

April 26, 2011

Table of Contents

Witness Identification	1
Purpose of Testimony	2
Schedule Identification	2
Effects of Allocation Factor Corrections	3
CPI Increases	4
Public Utility Tax	4
State Income Tax Increase	6
Rate Case Expense	8
Conclusion	13

1 **Witness Identification**

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

3 A. My name is Richard W. Bridal II. My business address is 527 East Capitol
4 Avenue, Springfield, Illinois 62701.

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

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

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

10 A. I am a Certified Public Accountant with a Bachelor of Business in Accountancy
11 from Western Illinois University. Prior to joining the Commission Staff (“Staff”) in
12 October 2008, I was employed for 8 years as an auditor by the Medicare Part A
13 Fiscal Intermediary for Illinois.

14 **Q. Have you previously testified before any regulatory bodies?**

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

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

17 A. I have been assigned to this case by the Manager of the Accounting Department
18 of the Commission. I am to review the filings of Great Northern Utilities, Inc.
19 (“Great Northern” or “Company”), Camelot Utilities, Inc. (“Camelot” or
20 “Company”), and Lake Holiday Utilities Corporation (“Lake Holiday” or
21 “Company”), analyze the underlying data, and propose adjustments when
22 appropriate.

23

24 **Purpose of Testimony**

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

26 A. The purpose of my testimony is to:

- 27 1. Propose adjustments for effects of allocation factor corrections;
- 28 2. Propose adjustments to remove CPI increases;
- 29 3. Propose adjustments to remove public utility taxes;
- 30 4. Propose adjustments for the increase in state income tax rate; and
- 31 5. Propose adjustments to rate case expense.

32

33 **Schedule Identification**

34 **Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 2.0?**

35 A. Yes. I am sponsoring the following schedules for the Companies, which show
36 data as of, or for the test year ending December 31, 2009:

37 **Adjustment Schedules**

38	Schedule 2.01 C-W, C-S, & LH	Adjustment for Effects of Allocation
39		Factor Corrections
40	Schedule 2.02 GN, C-W, C-S, & LH	Adjustment to Remove CPI Increases
41	Schedule 2.03 GN, C-W, C-S, & LH	Adjustment to Remove Public Utility
42		Taxes
43	Schedule 2.04 GN, C-W, C-S, & LH	Adjustment for Increase in State Income
44		Tax Rate
45	Schedule 2.05 C-W, C-S, LH, GN	Adjustment to Rate Case Expense

46 **Q. Please explain the purpose of the letters that follow the schedule numbers.**

47 A. The Companies filed for rate changes for three water utilities and one sewer
48 utility. The letters that follow the schedule numbers identify the respective
49 utilities as follows:

50 GN Great Northern Utilities, Inc. Water Operations

51 C-W Camelot Utilities, Inc. Water Operations

52 C-S Camelot Utilities, Inc. Sewer Operations

53 LH Lake Holiday Utilities Corp. Water Operations

54 Thus, for example, Schedule 2.01 C-W provides information for the Camelot
55 Utilities, Inc. water utility. The utility designation is a part of each schedule
56 number to ease identification of which utilities are affected by specific
57 adjustments.

58

59 **Effects of Allocation Factor Corrections**

60 **Q. Please describe Schedule 2.01, Adjustment for Effects of Allocation Factor**
61 **Corrections.**

62 A. This adjustment corrects the amount of Water Service Corporation (“WSC”)
63 expenses allocated to the Companies. The Company used an incorrect
64 allocation factor to calculate each utility’s share of WSC expenses. My
65 adjustment is based on the amended allocation factors as set forth in the
66 Companies’ responses to Staff data requests RWB 1.02 (C), and RWB 1.02
67 (LH).

68

69 **CPI Increases**

70 **Q. Please describe Schedule 2.02, Adjustment to Remove CPI Increases.**

71 A. Schedule 2.02 presents my proposed adjustment to Company Pro Forma
72 Expense Adjustments to disallow the increases to test year expenses that are
73 based on an inflation factor. Pro forma adjustments to a historical test year
74 should be based upon known and measurable changes. Inflation factors are not
75 known and measurable. The Commission's practice regarding the use of inflation
76 factors in a historical test year is set forth in 83 Ill. Adm. Code 287.40:

77 A utility may propose pro forma adjustments...to the selected historical
78 test year for all known and measurable changes in the operating results of
79 the test year.... Attrition or inflation factors shall not be substituted for a
80 specific study of individual capital, revenue and expense components.

81 The Company's pro forma adjustments for inflation should be disallowed
82 because the adjustments are based on the Consumer Price Index, which does
83 not represent a specific study of known and measurable changes to the test year
84 operating expenses.

85

86 **Public Utility Tax**

87 **Q. Please describe Schedule 2.03, Adjustment to Remove Public Utility Taxes.**

88 A. Schedule 2.03 presents my proposed adjustment to operating expense to
89 remove public utility taxes from the revenue requirement. The taxes, which are
90 an add-on charge to customers' bills, are not an actual operating expense of the
91 utility and should not be included in tariffed rates.

92 **Q. Is the Company allowed to recover its Gross Revenues tax liability from**
93 **customers?**

94 A. Yes. The Gross Revenues tax is one of the taxes imposed upon a public utility
95 that the Illinois Public Utilities Act ("Act") permits the utility to charge to its
96 customers, in addition to any rate authorized by the Act.¹ This additional charge
97 should be shown separately on the utility bill to each customer,² which the
98 Company's new billing system would allow it to do.³

99 **Q. Do you have a recommendation regarding recovery of the Gross Revenues**
100 **tax?**

101 A. I recommend that the Company proceed in an expeditious manner to make the
102 arrangements necessary to collect the Gross Revenues tax as a separate charge
103 on customers' bills when the rates approved in this docket go into effect. In
104 conjunction with this change, the Company should add the following language to
105 its tariff.

106 ANNUAL GROSS REVENUE TAX RECOVERY CHARGE
107

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

¹ 220 ILCS 5/9-222.

² *Id.*

³ Rebuttal testimony of Steven Lubertozi, Docket Nos. 09-0548 & 09-0549 (Cons.), ACUC-LWUC Ex. No. 4.0, p. 5.

118

119 **State Income Tax Increase**

120 **Q. Please describe Schedule 2.04, Adjustment for Increase in State Income**
121 **Tax Rate.**

122 A. Schedule 2.04 for each utility presents my adjustments to reflect the impact of
123 the increase in the Illinois State Income Tax ("SIT") rate from 7.3% to 9.5%,
124 effective January 1, 2011:

- 125 1) Increase state income tax expense;
- 126 2) Increase Accumulated Deferred Income Tax ("ADIT") for the shortfall resulting
127 from the tax rate increase, to be recognized as a decrease to rate base;
- 128 3) Create a corresponding regulatory asset for the future recovery of that
129 additional ADIT liability, to be recognized as an increase to rate base; and
- 130 4) Amortize the regulatory asset ratably over the remaining life of the
131 depreciable assets that gave rise to the ADIT.

132 **Q. Please provide the rationale to increase state income tax expense.**

133 A. As set forth in 35 ILCS 5/101 to 5/1701, the SIT rate was raised from 7.3% to
134 9.5% effective January 1, 2011. The Company's requested revenue requirement
135 was based upon the SIT tax rate of 7.3% that was the effective SIT for the test
136 year, 2010. The increase in the SIT rate is a known and measurable change to
137 the 2010 test year. My adjustment restates SIT based upon the rate that will be
138 effective during the first year that rates from this proceeding are expected to be in
139 effect.

140 **Q. Please explain your adjustment to increase ADIT and the impact of the SIT**
141 **rate increase on ADIT.**

142 A. My adjustment restates the ADIT balance to reflect the increased SIT rate. The
143 change in the SIT rate creates a shortfall in the ADIT balance. The ADIT balance
144 reflected in the Companies filings was determined by applying the old tax rate of
145 7.3% to the temporary differences when they originated. However, when those
146 temporary differences reverse, the SIT rate applied to those differences will be at
147 the new 9.5% rate rather than the old 7.3% rate reflected in the Companies'
148 proposed ADIT balance. Therefore, my adjustment is necessary because the
149 Companies' ADIT balance is less than the amount required.

150 ADIT arises because some transactions are recognized at different points in time
151 for income tax and financial purposes. Over time, these temporary differences
152 will reverse so that ultimately the same amount is recognized for both income tax
153 and financial purposes. ADIT is the net amount of income taxes associated with
154 these temporary differences that have not yet reversed. Most of these
155 differences are generated from differences in tax and book depreciation.

156 **Q. Please explain your adjustment to create a corresponding regulatory asset**
157 **for the future recovery of that additional ADIT liability, to be recognized as**
158 **an increase to rate base that is needed because of this ADIT shortfall**
159 **resulting from the SIT rate increase.**

160 A. My adjustment creates a regulatory asset that offsets the increase to the ADIT to
161 comply with the income tax normalization requirements of the Internal Revenue

162 Code⁴. The ratemaking impact of the ADIT increase must be amortized over the
163 remaining life of the underlying depreciable assets that gave rise to the ADIT.
164 Thus, since there is an offsetting asset to the increased ADIT reserve, there is no
165 impact on rate base except for the annual amortization of the increase to the
166 ADIT.

167 **Q. Please explain your adjustment that amortizes the regulatory asset over the**
168 **remaining life of the depreciable assets that gave rise to the ADIT.**

169 A. My adjustment amortizes the regulatory asset over the average remaining life of
170 the depreciable assets that gave rise to the ADIT. Thus, there is an increase to
171 depreciation expense to reflect the amortization and a corresponding decrease in
172 rate base for the amortization of the regulatory asset.

173

174 **Rate Case Expense**

175 **Q. Please describe Schedule 2.05, Adjustment to Rate Case Expense.**

176 A. Schedule 2.05 presents my proposed adjustment to rate case expense to: (1)
177 adjust the estimate for legal fees, (2) adjust costs for Customer notices, Fed Ex,
178 mailings, postage, and miscellaneous costs, (3) remove travel costs, (4)
179 decrease the cost of WSC personnel, (5) adjust consulting fees, and (6) change
180 the amortization period for rate case expense to five years from the three years
181 proposed by the Companies.

182 **Q. Please explain why you are adjusting the estimate for legal fees.**

⁴ 26 CFR Part 1, Section 168(f)(2)

183 A. I am adjusting the estimate for legal fees because the estimate appears
184 overstated based on the information provided by the Companies thus far. In the
185 Companies' response to Staff data requests, the Companies have provided
186 support for legal fees incurred. The supporting invoices indicate that as of
187 February 28, 2011, each of the utilities has incurred less than 17% of the total
188 estimated legal fees. I have allowed the amount of legal fees supported through
189 February 28, 2011.

190 The Companies should continue to provide Staff with the actual invoices for legal
191 services as they become available. In rebuttal testimony, I will consider revising
192 legal fees to reflect actual charges incurred plus an estimated amount to
193 complete the case.

194 **Q. Please explain why you are adjusting the estimate for customer notices**
195 **and Fed Ex, mailings, postage, and other miscellaneous costs.**

196 A. I am adjusting the estimate for the aforementioned costs because the estimates
197 are materially different from actual costs to date based on the information
198 provided by the Companies thus far. In the Companies' response to Staff data
199 requests, the Companies provided support for these costs through February 28,
200 2011. The invoices indicate that as of February 28, 2011, some of the utilities
201 have incurred more than their original estimates, while other utilities have
202 incurred less. I have allowed the amount of costs supported through February
203 28, 2011.

204 The Companies should continue to provide Staff with the actual invoices for
205 these costs as they become available. In rebuttal testimony, I will consider
206 revising customer notices, Fed Ex, mailings, postage, and miscellaneous costs to
207 reflect actual charges incurred plus an estimated amount to complete the case.

208 **Q. Please explain why you are removing travel cost from rate case expense.**

209 A. I am proposing the removal of travel cost from rate case expense because it is
210 not likely that Company witnesses will be required to travel to the hearings. The
211 Company witnesses of the three prior Utilities Inc. rate cases (Docket Nos. 10-
212 0110, 10-0280, and 10-0298) were not required to travel as the cases were either
213 settled prior to hearing or cross examination was waived. Until there is evidence
214 that travel will be necessary, travel costs should not be included.

215 In rebuttal testimony, I will reconsider the possibility of whether the Company
216 witnesses may need to travel to the hearing and whether an estimate for travel
217 costs of Company witnesses need to be reflected in an estimated amount of rate
218 case expense to complete the case.

219 **Q. Please explain why you are decreasing the rate case expense for WSC
220 personnel.**

221 A. I am decreasing the expense for WSC personnel to eliminate what I believe is
222 double recovery of salary, payroll tax and benefits expense.

223 **Q. Please explain why you believe that without your adjustment, there would
224 be double recovery of employee costs.**

225 A. Employee costs are generally recoverable as test year expenses, irrespective of
226 the duties the employees are performing. Without my adjustment, the
227 Companies would recover the cost of the employees as test year salary, payroll
228 taxes, and benefits expenses as well as rate case expense.

229 **Q. Please explain the mechanics of your adjustment.**

230 A. My adjustment is supported by an analysis of each employee of Water Services
231 that worked on the rate case. If the allocated test year amount of salary, payroll
232 taxes and benefits for an employee is greater than the amount of claimed rate
233 case expense, the rate case expense is zero. If the allocated test year amount of
234 salary, payroll taxes and benefits for an employee is less than the amount of rate
235 case expense, the rate case expense is the difference. Put another way, the rate
236 case expense for each employee equals the incremental amount over what the
237 Companies would recover as test year employee costs.

238 The Companies should continue to provide Staff with updates for actual WSC
239 personnel rate case expenses as they become available. In rebuttal testimony, I
240 will consider revising WSC personnel expenses to reflect actual costs incurred
241 plus an estimated amount to complete the case.

242 **Q. Please explain why you are adjusting the estimate for external consultants.**

243 A. I am adjusting the estimate for the external consultants because the estimates
244 are materially different from actual costs to date based on the information
245 provided by the Companies thus far. In response to Staff data requests, the
246 Companies provided support for these costs through February 28, 2011. The

247 invoices indicate that as of February 28, 2011, some of the utilities have incurred
248 more than their original estimates, while other utilities have incurred less. I have
249 allowed the amount of external consultant costs supported through February 28,
250 2011.

251 The Companies should continue to provide Staff with the actual invoices for
252 these costs as they become available. In rebuttal testimony, I will consider
253 revising the cost of external consultants to reflect actual charges incurred plus an
254 estimated amount to complete the case.

255 **Q. Please explain why you are proposing a five-year amortization period for**
256 **rate case expense.**

257 A. Because rates set in this proceeding will be in effect until the next rate case, I
258 believe that a five-year amortization period is more appropriate than the three-
259 year period proposed by the Companies. Previous rate cases for Great Northern
260 were filed in 1998, 1994, 1991, and 1988. Thus, in the last 23 years, the
261 Company has filed 4 rate cases, or, on average, a case every $5 \frac{3}{4}$ years (23
262 years/ 4 cases). Previous rate cases for Camelot were filed in 1992, 1982, 1980,
263 and 1976. Thus, in the last 35 years, the Company has filed 4 rate cases, or, on
264 average, a case every $8 \frac{3}{4}$ years (35 years/ 4 cases). Previous rate cases for
265 Lake Holiday were filed in 1982, 1986, and 1992. Thus, in the last 29 years, the
266 Company has filed 3 rate cases, or, on average, a case every $9 \frac{2}{3}$ years (29
267 years/ 3 cases). Another factor that suggests a longer amortization period is
268 appropriate is that Utilities, Inc. owns 24 companies in Illinois and an additional
269 63 companies in other states. It would need to file eight rate cases per year just

270 in Illinois to keep the Illinois companies on a three-year cycle and, presumably,
271 there is a limit to the resources that Utilities, Inc. has available to devote to rate
272 cases. Utilities, Inc. has not maintained a three-year rate case cycle for any of its
273 Illinois Companies.

274 **Q. Would the Companies fail to recover any of the rate case expense**
275 **approved by the Commission in the instant proceedings if it filed a rate**
276 **case in fewer than five years?**

277 A. No, they would not. It has been the practice of the Commission to allow
278 unamortized rate case expense to be recovered through rates approved in a
279 successive rate case.

280 **Q. If a three-year amortization for rate case expense were approved by the**
281 **Commission, would customers be entitled to a refund if the Companies**
282 **recover more rate case expense than approved in the instant proceedings**
283 **because they wait longer than three years to file its next rate case?**

284 A. No, there is no procedure in place for refunding an over-recovery of rate case
285 expense to customers if the amortization period is too short. It is reasonable to
286 expect that rates established in the instant proceeding will be in effect longer
287 than three years and that a five-year amortization period is more representative
288 of the period for which the approved rates will be in effect.

289

290 **Conclusion**

291 **Q. Does this question end your prepared direct testimony?**

292 A. Yes.

Great Northern Utilities - Water Operations
 Adjustment to Remove CPI Increases
 For the Test Year Ending December 31, 2009

Line No.	Description (a)	Expense Per Staff (b)	Expense Per Company (c)	Adjustment (b) - (c) (d)
1	<u>Maintenance Expenses</u>			
2	Purchased Power	\$ 11,081	\$ 11,579	\$ (498)
3	Maintenance and Repair [1]	23,311	24,359	(1,048)
4	Maintenance Testing	4,062	4,245	(183)
5	Meter Reading	3,691	3,857	(166)
6	Chemicals	6,760	7,063	(303)
7	Transportation [2]	2,026	2,117	(91)
8	Outside Services - Other	2,021	2,111	(90)
9	Staff Proposed Adjustment to Pro Forma Maintenance Expense			<u>\$ (1,881)</u>
10				
11	<u>General Expenses</u>			
12	Office Supplies & Other Office Exp.	\$ 5,873	\$ 6,137	\$ (264)
13	Rent	459	479	(20)
14	Office Utilities	5,397	5,639	(242)
15	Miscellaneous	2,060	2,153	(93)
16	Staff Proposed Adjustment to Pro Forma General Expense			<u>\$ (619)</u>

Source:

- Col. (b) Company response to Staff Data Request RWB 2.01 GN, Schedule B, "Per Books"
 Col. (c) Company response to Staff Data Request RWB 2.01 GN, Schedule B, "Pro Forma Proposed"
 [1] ICC Staff Ex. 2.0, Sch. 2.02 GN, Page 2
 [2] ICC Staff Ex. 2.0, Sch. 2.02 GN, Page 3

Great Northern Utilities - Water Operations
Adjustment to Remove CPI Increases
For the Test Year Ending December 31, 2009

<u>Line No.</u>	<u>Description</u> (a)	<u>Amount</u> (b)	<u>Source</u> (c)
1	Total Maintenance Expenses per Company	\$ 23,941	Company Schedule B
2	Less: Invoice Adjustment Per Company	<u>(630)</u>	Company wp-s
3	Total Maintenance Expenses per Staff	<u>23,311</u>	

Great Northern Utilities - Water Operations
 Adjustment to Remove CPI Increases
 For the Test Year Ending December 31, 2009

Line	Object Account	Description	State of Illinois Expense for TYE 12/31/2009	Vehicles in Illinois 12/31/2009	TYE 12/31/2009 Expense per Vehicle
			[a]	[b]	[c]
		FLEET TRANSPORTATION EXPENS			
[1]	6215	FUEL	[a] 68,192	27	2,526
[2]	6220	AUTO REPAIR/TIRES	[a] 27,820	27	1,030
[3]	6225	AUTO LICENSES	[a] 1,284	27	48
[4]	6230	OTHER TRANS EXPENSES	[a] -	27	-
[5]		FLEET TRANSPORTATION EXPENS	<u>97,296</u>	27	<u>3,604</u>
[6]		CPI adjustment @ 0% per Staff			-
[7]		CPI-adjusted Fleet Transportation Expense			3,604
				TYE 12/31/2009	
	Vehicles	Driver	% Used in Great Northern	Expense per Vehicle	\$ Allocated to Great Northern
[8]	09901	Brant, Nathan	[a] 4.74%	[b] 3,604	171
[9]	00745	Conard, William C	[a] 19.29%	[b] 3,604	695
[10]	00852	Carl Daniel	[a] 19.29%	[b] 3,604	695
[11]	00507	Mary Rollins	[a] 0.23%	[b] 3,604	8
[12]	00640	LeCroy, Gregg	[a] 0.23%	[b] 3,604	8
[13]	00733	Bruce Haas	[a] 3.57%	[b] 3,604	129
[14]	00701	Rees, Kim L	[a] 1.38%	[b] 3,604	50
[15]	00782	Sallese, Scott A	[a] 1.38%	[b] 3,604	50
[16]	00815	Tapella Tom	[a] 1.38%	[b] 3,604	50
[17]	00854	Brant, Tim	[a] 4.74%	[b] 3,604	171
[18]			Allocation Adjustment		<u>2,026</u>
[19]		Transportation exp-water operations per Staff			<u>2,026</u>

Notes:

- [a] Company response to Staff Data Request RWB 2.01 GN, wp P2a
- [b] From Line 7, Column [c]

Great Northern Utilities - Water Operations
 Adjustment to Remove Public Utility Taxes
 For the Test Year Ending December 31, 2009

Line No.	Description (a)	Amount (b)	Source (c)
1	Public Utility Taxes per Staff	\$ -	
2			
3	Public Utility Taxes in test year per Company	\$ 5,309	(1) Company workpaper (e)
4	Company pro forma adjustment to Public Utility Taxes	\$ 275	Company workpaper (e)
5	Company proposed increase to Public Utility Taxes	\$ 275	Company Schedule B
6			
7	Staff Proposed Adjustment	<u>\$ (5,859)</u>	

Notes:

(1) Company workpaper e Total Taxes Other Than Income less Payroll Taxes
 (\$7,639 - \$2,330 = \$5,309)

Great Northern Utilities - Water Operations
 Adjustment for Increase in State Income Tax Rate
 For the Test Year Ending December 31, 2009

Line No.	Description (a)	Amount (b)	Source (c)
1	New State Income Tax (SIT) Rate	9.50%	
2	Old SIT Rate	7.30%	
3	Incremental Increase in SIT rate	2.20%	Line 1 - Line 2
4	Pro Forma Present State Taxable Income	\$ (161,470)	Company wp-g-inc. tax
5	Staff Adjustment to SIT Expense	\$ (3,552)	Line 3 x Line 4
6	Accumulated Depreciation - Tax Basis	\$ (372,351)	Company Response to Staff data request JMO 6.01
7	Accumulated Depreciation - Book Basis	(322,533)	Company Schedule C - R.B.
8	Difference between Tax vs. Book	(49,818)	Line 6 - Line 7
9	Incremental Increase in SIT rate	2.20%	Line 3
10	Staff Adjustment to Increase ADIT Liability	\$ (1,096)	Line 8 x Line 9
11	Average Remaining Live of Assets	44	Company Response to Staff data request JMO 6.01
12	Staff Adjustment to Amortization Expense (Annual Amortization of ADIT Increase)	\$ 25	Line 10 / Line 11
13	Staff Adjustment to Create SIT-ADIT Regulatory Asset	1,071	Line 10 - Line 12

Great Northern Utilities - Water Operations
 Adjustment to Rate Case Expense
 For the Test Year Ending December 31, 2009

Line No.	Description (a)	Total Rate Case Expense per Staff (b)	Total Rate Case Expense per Co. (c)	Staff Proposed Adj. (b-c) (d)
1	Rate Case Expense			
2	Outside legal services	\$ 3,953	\$ 25,000	
3	Customer notices	-	390	
4	Fed Ex, mailings, postage, and miscellaneous costs	2,762	3,000	
5	Travel	-	5,500	
6	Water Service Personnel	15,466	65,879	
7	External Consultants (SFIO Consulting)	8,461	6,000	
8	Total Rate Case Expense	\$ 30,642	\$ 105,769	
9	Amortization Period	5	3	
10	Amortization Expense per Year (Line 8/Line 9)	\$ 6,128	\$ 35,256	<u>\$ (29,128)</u>

Source:

Col. (b), Lines 2-5 & 7 Company Response to Staff Data Request RWB 1.01

Col. (b), Line 6 ICC Staff Sch. 2.05 Workpaper (Confidential)

Col. (c) Company workpaper w/p (d)

Camelot Utilities - Water Operations
 Adjustment for Effects of Allocation Factor Corrections
 For the Test Year Ending December 31, 2009

Line No.	Description (a)	Amount Per Staff (b)	Amount Per Company (c)	Staff Adjustment (d)
1	Service Revenues - Water	\$ 277,171	\$ 267,000	\$ 10,171
2	Uncollectible Accounts	1,210	1,166	44
3	Maintenance Expenses	60,642	53,171	7,471
4	General Expenses	37,782	36,131	1,651
5	Depreciation	62,622	62,429	193
6	Taxes Other than Income	6,036	5,419	617
7	Total Operating Expenses Before Income Taxes	<u>\$ 168,292</u>	<u>\$ 158,316</u>	<u>\$ 9,976</u>

Sources:

- Column (b) Company Response to Staff Data Request RWB 1.02 C, Sched. B
- Column (c) Company Schedule B
- Column (d) Column (b) minus Column (c)

Camelot Utilities - Water Operations
 Adjustment to Remove CPI Increases
 For the Test Year Ending December 31, 2009

Line No.	Description (a)	Expense Per Staff (b)	Expense Per Company (c)	Adjustment (b) - (c) (d)
1	<u>Maintenance Expenses</u>			
2	Purchased Power	\$ 12,073	\$ 12,612	\$ (539)
3	Maintenance and Repair	18,828	19,669	(841)
4	Maintenance Testing	2,015	2,105	(90)
5	Meter Reading	1,327	1,387	(60)
6	Chemicals	5,541	5,788	(247)
7	Transportation [2]	1,230	1,285	(55)
8	Outside Services - Other	637	666	(29)
9	Staff Proposed Adjustment to Pro Forma Maintenance Expense			<u>\$ (1,322)</u>
10				
11	<u>General Expenses</u>			
12	Office Supplies & Other Office Exp.	\$ 2,728	\$ 2,849	\$ (121)
13	Rent	274	287	(13)
14	Office Utilities	3,277	3,424	(147)
15	Miscellaneous	1,994	2,083	(89)
16	Staff Proposed Adjustment to Pro Forma General Expense			<u>\$ (370)</u>

Source:

- Col. (b) Company Response to Staff Data Request RWB 1.02 C, Schedule B, "Per Books"
 Col. (c) Company Response to Staff Data Request RWB 1.02 C, Schedule B, "Pro Forma Proposed"
 [1] not used
 [2] ICC Staff Ex. 2.0, Sch. 2.2 C-W, Page 2

Camelot Utilities - Water Operations
 Adjustment to Remove Public Utility Taxes
 For the Test Year Ending December 31, 2009

Line No.	Description (a)	Amount (b)	Source (c)
1	Public Utility Taxes per Staff	\$ -	
2			
3	Public Utility Taxes in test year per Company	\$ 3,737	Company workpaper (e)
4	Company pro forma adjustment to Public Utility Taxes	\$ -	Company workpaper (e)
5	Company proposed increase to Public Utility Taxes	\$ 202	Company Schedule B
6			
7	Staff Proposed Adjustment	<u>\$ (3,939)</u>	

Notes:

- (1) Company workpaper e Total Taxes Other Than Income less Payroll Taxes
 (\$5,129 - \$1,392 = \$3,737)

Camelot Utilities - Water Operations
 Adjustment for Increase in State Income Tax Rate
 For the Test Year Ending December 31, 2009

Line No.	Description (a)	Amount (b)	Source (c)
1	New State Income Tax (SIT) Rate	9.50%	
2	Old SIT Rate	7.30%	
3	Incremental Increase in SIT rate	2.20%	Line 1 - Line 2
4	Pro Forma Present State Taxable Income	\$ (119,638)	Company wp-g-inc. tax
5	Staff Adjustment to SIT Expense	\$ (2,632)	Line 3 x Line 4
6	Accumulated Depreciation - Tax Basis	\$ (232,968)	Company Response to Staff data request JMO 6.01
7	Accumulated Depreciation - Book Basis	(106,978)	Company Schedule C - R.B.
8	Difference between Tax vs. Book	(125,990)	Line 6 - Line 7
9	Incremental Increase in SIT rate	2.20%	Line 3
10	Staff Adjustment to Increase ADIT Liability	\$ (2,772)	Line 8 x Line 9
11	Average Remaining Live of Assets	29	Company Response to Staff data request JMO 6.01
12	Staff Adjustment to Amortization Expense (Annual Amortization of ADIT Increase)	\$ 96	Line 10 / Line 11
13	Staff Adjustment to Create SIT-ADIT Regulatory Asset	2,676	Line 10 - Line 12

Camelot Utilities - Water Operations
 Adjustment to Rate Case Expense
 For the Test Year Ending December 31, 2009

Line No.	Description (a)	Total Rate Case Expense per Staff (b)	Total Rate Case Expense per Co. (c)	Staff Proposed Adj. (b-c) (d)
1	Rate Case Expense			
2	Outside legal services	\$ 3,068	\$ 25,000	
3	Customer notices	-	234	
4	Fed Ex, mailings, postage, and miscellaneous costs	3,109	1,000	
5	Travel	-	5,500	
6	Water Service Personnel	13,561	63,533	
7	External Consultants (SFIO Consulting)	-	6,000	
8	Total Rate Case Expense	<u>\$ 19,738</u>	<u>\$ 101,267</u>	
9	Amortization Period	<u>5</u>	<u>3</u>	
10	Amortization Expense per Year (Line 8/Line 9)	\$ 3,948	\$ 33,756	
11	Allocation Percentage to Water Operations	<u>50%</u>	<u>50%</u>	
12	Annual Rate Case Expense Amortization - Water Ops. (Line 10 x Line 11)	\$ 1,974	\$ 16,878	<u><u>\$ (14,904)</u></u>

Source:

Col. (b), Lines 2-5 & 7 Company Response to Staff Data Request RWB 3.02
 Col. (b), Line 6 ICC Staff Sch. 2.05 Workpaper (Confidential)
 Col. (c) Company workpaper w/p (d)
 Line 11 Company workpaper w/p (d) & "Input Schedule" workpaper

Camelot Utilities - Sewer Operations
 Adjustment for Effects of Allocation Factor Corrections
 For the Test Year Ending December 31, 2009

Line No.	Description	Amount Per Staff	Amount Per Company	Staff Adjustment
	(a)	(b)	(c)	(d)
1	Service Revenues - Water	\$ 223,650	\$ 213,500	\$ 10,150
2	Uncollectible Accounts	987	942	45
3	Maintenance Expenses	77,566	70,095	7,471
4	General Expenses	37,782	36,131	1,651
5	Depreciation	37,387	37,194	193
6	Taxes Other than Income	5,985	5,368	617
7	Total Operating Expenses Before Income Taxes	<u>\$ 159,707</u>	<u>\$ 149,730</u>	<u>\$ 9,977</u>

Sources:

- Column (b) Company Response to Staff Data Request RWB 1.02 C, Sched. B
- Column (c) Company Schedule B
- Column (d) Column (b) minus Column (c)

Camelot Utilities - Sewer Operations
 Adjustment to Remove CPI Increases
 For the Test Year Ending December 31, 2009

Line No.	Description (a)	Expense Per Staff (b)	Expense Per Company (c)	Adjustment (b) - (c) (d)
1	<u>Maintenance Expenses</u>			
2	Purchased Power	\$ 19,033	\$ 19,883	\$ (850)
3	Maintenance and Repair	29,890	31,225	(1,335)
4	Maintenance Testing	1,521	1,588	(67)
5	Meter Reading	-	-	-
6	Chemicals	5,541	5,788	(247)
7	Transportation [2]	1,230	1,285	(55)
8	Outside Services - Other	637	666	(29)
9	Staff Proposed Adjustment to Pro Forma Maintenance Expense			<u>\$ (1,733)</u>
10				
11	<u>General Expenses</u>			
12	Office Supplies & Other Office Exp.	\$ 2,728	\$ 2,849	\$ (121)
13	Rent	274	287	(13)
14	Office Utilities	3,277	3,424	(147)
15	Miscellaneous	1,994	2,083	(89)
16	Staff Proposed Adjustment to Pro Forma General Expense			<u>\$ (370)</u>

Source:

- Col. (b) Company Response to Staff Data Request RWB 1.02 C, Schedule B, "Per Books"
 Col. (c) Company Response to Staff Data Request RWB 1.02 C, Schedule B, "Pro Forma Proposed"
 [1] not used
 [2] ICC Staff Ex. 2.0, Sch. 2.02 C-S, Page 2

Camelot Utilities - Sewer Operations
 Adjustment to Remove CPI Increases
 For the Test Year Ending December 31, 2009

Line	Object Account	Description	State of Illinois Expense for TYE 12/31/2009 [a]	Vehicles in Illinois 12/31/2009 [b]	TYE 12/31/2009 Expense per Vehicle [c]
		FLEET TRANSPORTATION EXPENS			
[1]	6215	FUEL	[a] 68,192	27	2,526
[2]	6220	AUTO REPAIR/TIRES	[a] 27,820	27	1,030
[3]	6225	AUTO LICENSES	[a] 1,284	27	48
[4]	6230	OTHER TRANS EXPENSES	[a] -	27	-
[5]		FLEET TRANSPORTATION EXPENS	<u>97,296</u>	27	<u>3,604</u>
[6]		CPI adjustment @ 0% per Staff			-
[7]		CPI-adjusted Fleet Transportation Expense			3,604

	Vehicles	Driver	% Used in Camelot	TYE 12/31/2009 Expense per Vehicle [b]	\$ Allocated to Camelot
[8]	0413	Turner, Jason	[a] 11.13%	[b] 3,604	401
[9]	0507	Daniel, Carl	[a] 0.27%	[b] 3,604	10
[10]	0530	Schulte, Jeffrey C	[a] 11.13%	[b] 3,604	401
[11]	0640	Mary Rollins	[a] 0.27%	[b] 3,604	10
[12]	0643	Cloud Dennis, S	[a] 11.13%	[b] 3,604	401
[13]	0720	Stenzel John R	[a] 7.36%	[b] 3,604	265
[14]	0701	Bruce Haas	[a] 8.23%	[b] 3,604	297
[15]	0849	Steele, Frank Wayne	[a] 11.13%	[b] 3,604	401
[16]	0782	Sallese, Scott A	[a] 4.50%	[b] 3,604	162
[17]	0815	Tapella Tom	[a] 3.12%	[b] 3,604	113
[18]		Allocation Adjustment			<u>2,460</u>
[19]		Transportation exp-sewer operations per Staff	[a] 50%		1,230

Notes:

- [a] Company response to Staff Data Request RWB 1.02 C, wp P2a
- [b] From Line 7, Column [c]

Camelot Utilities - Sewer Operations
 Adjustment to Remove Public Utility Taxes
 For the Test Year Ending December 31, 2009

Line No.	Description (a)	Amount (b)	Source (c)
1	Public Utility Taxes per Staff	\$ -	
2			
3	Public Utility Taxes in test year per Company	\$ 3,770	Company workpaper (e)
4	Company pro forma adjustment to Public Utility Taxes	\$ -	Company workpaper (e)
5	Company proposed increase to Public Utility Taxes	\$ 706	Company Schedule B
6			
7	Staff Proposed Adjustment	<u>\$ (4,476)</u>	

Notes:

- (1) Company workpaper e Total Taxes Other Than Income less Payroll Taxes
 (\$5,162 - \$1,392 = \$3,770)

Camelot Utilities - Sewer Operations
 Adjustment for Increase in State Income Tax Rate
 For the Test Year Ending December 31, 2009

Line No.	Description (a)	Amount (b)	Source (c)
1	New State Income Tax (SIT) Rate	9.50%	
2	Old SIT Rate	7.30%	
3	Incremental Increase in SIT rate	2.20%	Line 1 - Line 2
4	Pro Forma Present State Taxable Income	\$ (65,140)	Company wp-g-inc. tax
5	Staff Adjustment to SIT Expense	\$ (1,433)	Line 3 x Line 4
6	Accumulated Depreciation - Tax Basis	\$ (498,847)	Company Response to Staff data request JMO 6.01
7	Accumulated Depreciation - Book Basis	(229,068)	Company Schedule C - R.B.
8	Difference between Tax vs. Book	(269,779)	Line 6 - Line 7
9	Incremental Increase in SIT rate	2.20%	Line 3
10	Staff Adjustment to Increase ADIT Liability	\$ (5,935)	Line 8 x Line 9
11	Average Remaining Live of Assets	28	Company Response to Staff data request JMO 6.01
12	Staff Adjustment to Amortization Expense (Annual Amortization of ADIT Increase)	\$ 212	Line 10 / Line 11
13	Staff Adjustment to Create SIT-ADIT Regulatory Asset	5,723	Line 10 - Line 12

Camelot Utilities -Sewer Operations
 Adjustment to Rate Case Expense
 For the Test Year Ending December 31, 2009

Line No.	Description (a)	Total Rate Case Expense per Staff (b)	Total Rate Case Expense per Co. (c)	Staff Proposed Adj. (b-c) (d)
1	Rate Case Expense			
2	Outside legal services	\$ 3,068	\$ 25,000	
3	Customer notices	-	234	
4	Fed Ex, mailings, postage, and miscellaneous costs	3,109	1,000	
5	Travel	-	5,500	
6	Water Service Personnel	13,561	63,533	
7	External Consultants (SFIO Consulting)	-	6,000	
8	Total Rate Case Expense	\$ 19,738	\$ 101,267	
9	Amortization Period	5	3	
10	Amortization Expense per Year (Line 8/Line 9)	\$ 3,948	\$ 33,756	<u>\$ (29,808)</u>
11	Allocation Percentage to Sewer Operations	50%	50%	
12	Annual Rate Case Expense Amortization - Sewer Ops. (Line 10 x Line 11)	\$ 1,974	\$ 16,878	<u>\$ (14,904)</u>

Source:

Col. (b), Lines 2-5 & 7 Company Response to Staff Data Request RWB 3.02
 Col. (b), Line 6 ICC Staff Sch. 2.05 Workpaper (Confidential)
 Col. (c) Company workpaper w/p (d)
 Line 11 Company workpaper w/p (d) & "Input Schedule" workpaper

Lake Holiday Utilities - Water Operations
 Adjustment for Effects of Allocation Factor Corrections
 For the Test Year Ending December 31, 2009

Line No.	Description (a)	Amount Per Staff (b)	Amount Per Company (c)	Staff Adjustment (d)
1	Service Revenues - Water	\$ 793,172	\$ 785,653	\$ 7,519
2	Uncollectible Accounts	21,661	21,456	205
3	Maintenance Expenses	209,656	205,586	4,070
4	General Expenses	197,777	194,963	2,814
5	Depreciation	149,817	149,817	-
6	Taxes Other than Income	<u>34,604</u>	<u>34,274</u>	<u>330</u>
7	Total Operating Expenses Before Income Taxes	<u>\$ 613,515</u>	<u>\$ 606,096</u>	<u>\$ 7,419</u>

Sources:

- Column (b) Company Response to Staff Data Request RWB 1.02 LH, Sched. B
- Column (c) Company Schedule B
- Column (d) Column (b) minus Column (c)

Lake Holiday Utilities - Water Operations
 Adjustment to Remove CPI Increases
 For the Test Year Ending December 31, 2009

Line No.	Description (a)	Expense Per Staff (b)	Expense Per Company (c)	Adjustment (b) - (c) (d)
1	<u>Maintenance Expenses</u>			
2	Purchased Power	\$ 30,048	\$ 31,389	\$ (1,341)
3	Maintenance and Repair [1]	32,384	34,078	(1,694)
4	Maintenance Testing	2,352	2,457	(105)
5	Meter Reading	5,945	6,210	(265)
6	Chemicals	12,487	13,044	(557)
7	Transportation [2]	9,670	10,102	(432)
8	Outside Services - Other	10,372	10,835	(463)
9	Staff Proposed Adjustment to Pro Forma Maintenance Expense			<u>\$ (3,516)</u>
10				
11	<u>General Expenses</u>			
12	Office Supplies & Other Office Exp.	\$ 28,887	\$ 30,176	\$ (1,289)
13	Rent	8,449	8,827	(378)
14	Office Utilities	9,615	10,044	(429)
15	Miscellaneous	8,182	8,548	(366)
16	Staff Proposed Adjustment to Pro Forma General Expense			<u>\$ (2,462)</u>

Source:

- Col. (b) Company response to Staff Data Request RWB 1.02 LH, Schedule B, "Per Books"
 Col. (c) Company response to Staff Data Request RWB 1.02 LH, Schedule B, "Pro Forma Proposed"
 [1] ICC Staff Ex. 2.0, Sch. 2.02 LH, Page 2
 [2] ICC Staff Ex. 2.0, Sch. 2.02 LH, Page 3

Lake Holiday Utilities - Water Operations
 Adjustment to Remove CPI Increases
 For the Test Year Ending December 31, 2009

Line No.	Description (a)	Amount (b)	Source (c)
1	Total Maint. & Repair Expenses per Company	\$ 32,621	Company Schedule B
2	Less: Invoice Adjustment Per Company	<u>(237)</u>	Company wp-s
3	Total Maintenance Expenses per Staff	<u>32,384</u>	

Note: The Company's workpapers indicated an adjustment to Maint. & Repair Expenses was necessary in order to remove expenses that should have been booked to test water. However, the adjustment was not made in the Company's as filed schedules. Line 2 of this schedule sets forth the necessary offset.

Lake Holiday Utilities - Water Operations
 Adjustment to Remove CPI Increases
 For the Test Year Ending December 31, 2009

Line	Object Account	Description	State of Illinois Expense for TYE 12/31/2009	Vehicles in Illinois 12/31/2009	TYE 12/31/2009 Expense per Vehicle
			[a]	[b]	[c]
		FLEET TRANSPORTATION EXPENS			
[1]	6215	FUEL	[a] 68,192	27	2,526
[2]	6220	AUTO REPAIR/TIRES	[a] 27,820	27	1,030
[3]	6225	AUTO LICENSES	[a] 1,284	27	48
[4]	6230	OTHER TRANS EXPENSES	[a] -	27	-
[5]		FLEET TRANSPORTATION EXPENS	<u>97,296</u>	27	<u>3,604</u>
[6]		CPI adjustment @ 0% per Staff			-
[7]		CPI-adjusted Fleet Transportation Expense			3,604

	Vehicles	Driver	% Used in Lake Holiday	TYE 12/31/2009 Expense per Vehicle	\$ Allocated to Lake Holiday
[8]	00413	Turner, Jason	[a] 53.32%	[b] 3,604	1,922
[9]	00507	Carl Daniel	[a] 53.32%	[b] 3,604	1,922
[10]	00530	Schulte, Jeffrey C	[a] 53.32%	[b] 3,604	1,922
[11]	00640	Mary Rollins	[a] 53.32%	[b] 3,604	1,922
[12]	00643	Cloud Dennis S	[a] 7.92%	[b] 3,604	285
[13]	00720	Stenzel, John, R	[a] 1.30%	[b] 3,604	47
[14]	00701	Bruce Haas	[a] 1.30%	[b] 3,604	47
[15]	00849	Steele, Frank Wayne	[a] 35.30%	[b] 3,604	1,272
[16]	00782	Sallese, Scott A	[a] 7.92%	[b] 3,604	285
[17]	00815	Tapella Tom	[a] 1.30%	[b] 3,604	47
[18]			Allocation Adjustment		<u>9,670</u>
[19]		Transportation exp-water operations per Staff			9,670

Notes:
 [a] Company response to Staff Data Request RWB 1.02 LH, wp P2a
 [b] From Line 7, Column [c]

Lake Holiday Utilities - Water Operations
 Adjustment to Remove Public Utility Taxes
 For the Test Year Ending December 31, 2009

Line No.	Description (a)	Amount (b)	Source (c)
1	Public Utility Taxes per Staff	\$ -	
2			
3	Public Utility Taxes in test year per Company	\$ 19,028	(1) Company workpaper (e)
4	Company pro forma adjustment to Public Utility Taxes	\$ 350	Company workpaper (e)
5	Company proposed increase to Public Utility Taxes	\$ 350	Company Schedule B
6			
7	Staff Proposed Adjustment	<u>\$ (19,728)</u>	

Notes:

- (1) Company workpaper e Total Taxes Other Than Income less Payroll Taxes
 (\$32,384 - \$13,356 = \$19,028)

Lake Holiday Utilities - Water Operations
 Adjustment for Increase in State Income Tax Rate
 For the Test Year Ending December 31, 2009

Line No.	Description (a)	Amount (b)	Source (c)
1	New State Income Tax (SIT) Rate	9.50%	
2	Old SIT Rate	7.30%	
3	Incremental Increase in SIT rate	2.20%	Line 1 - Line 2
4	Pro Forma Present State Taxable Income	\$ (194,790)	Company wp-g-inc. tax
5	Staff Adjustment to SIT Expense	\$ (4,285)	Line 3 x Line 4
6	Accumulated Depreciation - Tax Basis	\$ (1,412,023)	Company Response to Staff data request JMO 6.01
7	Accumulated Depreciation - Book Basis	(950,431)	Company Schedule C - R.B.
8	Difference between Tax vs. Book	(461,592)	Line 6 - Line 7
9	Incremental Increase in SIT rate	2.20%	Line 3
10	Staff Adjustment to Increase ADIT Liability	\$ (10,155)	Line 8 x Line 9
11	Average Remaining Live of Assets	43	Company Response to Staff data request JMO 6.01
12	Staff Adjustment to Amortization Expense (Annual Amortization of ADIT Increase)	\$ 236	Line 10 / Line 11
13	Staff Adjustment to Create SIT-ADIT Regulatory Asset	9,919	Line 10 - Line 12

Lake Holiday Utilities - Water Operations
 Adjustment to Rate Case Expense
 For the Test Year Ending December 31, 2009

Line No.	Description (a)	Total Rate Case Expense per Staff (b)	Total Rate Case Expense per Co. (c)	Staff Proposed Adj. (b-c) (d)
1	Rate Case Expense			
2	Outside legal services	\$ 4,219	\$ 25,000	
3	Customer notices	-	2,239	
4	Fed Ex, mailings, postage, and miscellaneous costs	2,316	3,000	
5	Travel	-	5,500	
6	Water Service Personnel	10,442	66,283	
7	External Consultants (SFIO Consulting)	2,295	6,000	
8	Total Rate Case Expense	\$ 19,272	\$ 108,022	
9	Amortization Period	5	3	
10	Amortization Expense per Year (Line 8/Line 9)	\$ 3,854	\$ 36,007	<u>\$ (32,153)</u>

Source:

Col. (b), Lines 2-5 & 7 Company Response to Staff Data Request RWB 3.02

Col. (b), Line 6 ICC Staff Sch. 2.05 Workpaper (Confidential)

Col. (c) Company workpaper w/p (d)