

**DIRECT TESTIMONY**

of

**Dianna Hathhorn  
Accountant**

**Accounting Department  
Financial Analysis Division  
Illinois Commerce Commission**

**Charmar Water Company  
Proposed General Increase in Water Rates**

**Cherry Hill Water Company  
Proposed General Increase in Water Rates**

**Clarendon Water Company  
Proposed General Increase in Water Rates**

**Ferson Creek Utilities Company  
Proposed General Increase in Water and Sewer Rates**

**Harbor Ridge Utilities, Inc.  
Proposed General Increase in Water and Sewer Rates**

**Killarney Water Company  
Proposed General Increase in Water Rates**

**Docket Nos. 11-0561/0562/0563/0564/0565/0566 (Cons.)**

**October 20, 2011**

**TABLE OF CONTENTS**

Witness Identification..... 1  
Revenue Requirement Schedules .....4  
Revenue Effect of Adjustments .....6  
Interest Synchronization .....6  
Gross Revenue Conversion Factor.....7  
Working Capital Adjustment .....7  
Add-On Taxes Adjustment.....8  
Consumer Price Index Adjustment .....9  
Rate Case Expense Adjustment..... 10  
Pro Forma Salaries and Benefits Adjustment ..... 13  
Legal Expense Normalization Adjustment (Charmar only) ..... 14  
Unaccounted-for Water Adjustment (Killarney only) ..... 15  
Uncollectibles Expense Adjustment (Harbor Ridge only)..... 16  
Outstanding Issue ..... 18  
Conclusion ..... 19

**SCHEDULES**

Schedule 1.01 Statement of Operating Income with Adjustments  
Schedule 1.02 Adjustments to Operating Income  
Schedule 1.03 Rate Base  
Schedule 1.04 Adjustments to Rate Base  
Schedule 1.05 Revenue Effect of Adjustments  
Schedule 1.06 Interest Synchronization Adjustment  
Schedule 1.07 Gross Revenue Conversion Factor  
Schedule 1.08 Working Capital Adjustment  
Schedule 1.09 Add-on Taxes Adjustment  
Schedule 1.10 Consumer Price Index Adjustment  
Schedule 1.11 Rate Case Expense Adjustment  
Schedule 1.12 Pro Forma Salaries and Benefits Adjustment  
Schedule 1.13 CM Legal Expense Normalization Adjustment  
Schedule 1.13 KI Unaccounted-for Water Adjustment  
Schedules 1.13 HR-S and HR-W Uncollectibles Expense Adjustment

1 **Witness Identification**

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

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

5

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

7 A. I am an Accountant in the Accounting Department of the Financial  
8 Analysis Division of the Illinois Commerce Commission (“Commission”).

9

10

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

12 A. I am a licensed Certified Public Accountant. I earned a B.S. in Accounting  
13 from Illinois State University in 1993. Prior to joining the Commission  
14 Staff (“Staff”) in 1998, I worked as an internal auditor for another Illinois  
15 state agency for approximately 3.5 years. I also have 1.5 years  
16 experience in public accounting for a national firm.

17

18 **Q. Have you previously testified before this Commission?**

19 A. Yes, I have.

20

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

22 A. The purpose of my testimony is to present Staff's adjusted Statements of  
23 Operating Income and Rate Base for Charmar Water Company  
24 ("Charmar"), Cherry Hill Water Company ("Cherry Hill"), Clarendon Water  
25 Company ("Clarendon"), Ferson Creek Utilities Company ("Ferson  
26 Creek"), Harbor Ridge Utilities, Inc. ("Harbor Ridge"), and Killarney Water  
27 Company ("Killarney") (individually, the "Company" and collectively, the  
28 "Companies"). I also propose adjustments to working capital, add-on  
29 taxes, general and maintenance expenses, rate case expenses, legal  
30 expenses, salaries and benefits expenses, and uncollectibles expenses.  
31 Finally, I recommend that the Companies provide in rebuttal testimony  
32 amounts for adjustments due to outstanding discovery related to affiliated  
33 interest transactions.

34

35 **Q. Are you sponsoring any schedules as part of your direct testimony?**

36 A. Yes. I prepared (or supervised the preparation of) the following schedules  
37 for each of the Companies, which show data as of, or for the test year  
38 ending, September 30, 2010:

39

40 Revenue Requirement Schedules

41	Schedule 1.01	Statement of Operating Income with Adjustments
42	Schedule 1.02	Adjustments to Operating Income
43	Schedule 1.03	Rate Base
44	Schedule 1.04	Adjustments to Rate Base

45	Schedule 1.05	Revenue Effect of Adjustments
46	Schedule 1.06	Interest Synchronization Adjustment
47	Schedule 1.07	Gross Revenue Conversion Factor
48		
49	<u>Adjustment Schedules</u>	
50	Schedule 1.08	Working Capital Adjustment
51	Schedule 1.09	Add-on Taxes Adjustment
52	Schedule 1.10	Consumer Price Index Adjustment
53	Schedule 1.11	Rate Case Expense Adjustment
54	Schedule 1.12	Pro Forma Salaries and Benefits Adjustment
55	Schedule 1.13 CM	Legal Expense Normalization Adjustment
56	Schedule 1.13 KI	Unaccounted-for Water Adjustment
57	Schedules 1.13 HR-S and HR-W	Uncollectibles Expense Adjustment
58		

59 **Q. Please explain the CM, CH, CL, FC-W, FC-S, HR-W, HR-S, and KI**  
60 **suffixes that appear in your schedule numbers.**

61 A. These suffixes indicate the Company to which a particular schedule  
62 applies, as follows:

- 63 CM Charmar
- 64 CH Cherry Hill
- 65 CL Clarendon
- 66 FC-W Ferson Creek water operations
- 67 FC-S Ferson Creek sewer operations
- 68 HR-W Harbor Ridge water operations
- 69 HR-S Harbor Ridge sewer operations

70 KI Killarney

71 The schedules listed above that do not have a suffix indicates that the  
72 schedules apply to all of the filings.

73

74 **Attachments**

75 **Q. Have you included any attachments as part of your direct testimony?**

76 A. No.

77

78 **Revenue Requirement Schedules**

79 **Q. Please describe ICC Staff Exhibit 1.0, Schedule 1.01, Statement of**  
80 **Operating Income with Adjustments.**

81 A. Schedule 1.01 for each utility derives the required sewer and/or water  
82 revenues at the Staff proposed rate of return with Staff's adjustments.  
83 Column (b) presents the Companies' pro forma operating statement at  
84 present rates for the test year as reflected on their Schedule B. Column  
85 (c) reflects the total of all Staff Adjustments shown on ICC Staff Exhibit  
86 1.0, Schedule 1.02 for each utility. Column (d) reflects the pro forma  
87 operating statement at present rates per Staff's recommendation.  
88 Column (e) presents the Companies' proposed increases to sewer and/or  
89 water revenues. Column (f) adjusts the sewer and/or water revenues to  
90 reflect Staff's gross revenue conversion factor. Column (g) is Staff's pro  
91 forma operating statement inclusive of the Companies' proposed sewer  
92 and/or water revenue increases. Column (h) presents the necessary

93 change to the Companies' proposed revenues to arrive at Staff's  
94 proposed revenue requirement reflected in column (i). Column (j) is the  
95 difference between current revenues and required revenues as  
96 determined by Staff. Column (k) is Staff's calculated percentage change  
97 in sewer and/or water revenues. Net Operating Income in column (i), line  
98 21, is the product of rate base, line 22, and rate of return, line 23.

99

100 **Q. Please describe Schedule 1.02, Adjustments to Operating Income.**

101 A. Schedule 1.02 for each utility identifies Staff's adjustments to Operating  
102 Income. The source of each adjustment is shown in the heading of each  
103 column. The last column from page 1 or 2 is carried forward to ICC Staff  
104 Exhibit 1.0, Schedule 1.01, column (c).

105

106 **Q. Please describe Schedule 1.03, Rate Base.**

107 A. Schedule 1.03 for each utility compiles Staff's proposed rate base.  
108 Column (b) reflects the sewer and/or water proposed rate base. Column  
109 (c) summarizes Staff's adjustments to rate base. Column (d) is the net of  
110 columns (b) and (c) and reflects Staff's computed rate base.

111

112 **Q. Please describe Schedule 1.04, Adjustments to Rate Base.**

113 A. Schedule 1.04 for each utility identifies Staff's adjustments to rate base.  
114 The source of each adjustment is shown in the heading of each column.

115 Column (i) is carried forward to ICC Staff Exhibit 1.0, Schedule 1.03,  
116 column (c) for each utility.

117

118 **Revenue Effect of Adjustments**

119 **Q. Please describe Schedule 1.05, Revenue Effect of Adjustments.**

120 A. Schedule 1.05 for each utility identifies the approximate effect of each  
121 proposed Staff adjustment on the Companies' sewer and/or water  
122 revenue requirements. Schedule 1.05 is not the development of Staff's  
123 sewer and/or water revenue requirements. Rather, it is an analysis that is  
124 intended to assist in identifying the relative monetary significance of each  
125 Staff adjustment.

126

127 **Interest Synchronization**

128 **Q. Please describe Schedule 1.06, Interest Synchronization Adjustment.**

129 A. Schedule 1.06 for each utility computes the interest component of the  
130 sewer and water revenue requirements. The interest expense  
131 (component) is computed by multiplying the rate base by weighted cost of  
132 debt. The calculated interest expense is then compared to the interest  
133 expense used by the Companies in their computation of test year income  
134 tax expense. The tax effect of the difference in interest expense is the  
135 adjustment for interest synchronization. The effect of this adjustment is to  
136 ensure that the sewer and/or water revenue requirements reflect the tax

137 savings generated by the interest component of the revenue  
138 requirements.

139

140 **Gross Revenue Conversion Factor**

141 **Q. Please describe Schedule 1.07, Gross Revenue Conversion Factor.**

142 A. Schedule 1.07 for each utility presents Staff's proposed gross revenue  
143 conversion factor ("GRCF"). The GRCF is applied to the operating  
144 income deficiency to derive the change in revenue requirement. It is  
145 based upon the applicable federal income tax rate, state income tax rate,  
146 and uncollectible rate. The uncollectibles rate for Harbor Ridge is  
147 calculated in Schedules 1.13 HR-S and HR-W. The GRCF is used in the  
148 calculation of the revenue requirement in columns (f) through (h) of the  
149 corresponding Schedule 1.01.

150

151 **Working Capital Adjustment**

152 **Q. Please describe ICC Staff Exhibit 1.0, Schedule 1.08, Working Capital  
153 Adjustment.**

154 A. Schedule 1.08 for each utility presents my proposed adjustments to  
155 working capital for the removal of real estate taxes and to incorporate the  
156 effects of other Staff-proposed adjustments to operating expenses. Each  
157 of these adjustments is set forth on Schedule 1.02 described above. The

158 Companies calculated their sewer and/or water working capital  
159 requirements using the 1/8<sup>th</sup> formula method based on the operating  
160 expenses presented in their filings. I have no objection to the use of this  
161 method. However, I removed real estate taxes where payment is deferred  
162 for more than a year resulting in an extended payment lag. In addition,  
163 Staff has proposed adjustments to operating expense components of the  
164 sewer and/or water working capital proposed by the Companies. Each of  
165 these adjustments is set forth on Schedule 1.02 described above.  
166 Therefore, each working capital allowance has changed accordingly as  
167 shown on Schedule 1.08 for each utility to reflect Staff's proposed  
168 adjustments to the applicable sewer and/or water expenses. These  
169 adjustments should be updated to reflect the operating expenses  
170 approved by the Commission.

171

172 **Add-On Taxes Adjustment**

173 **Q. Please describe ICC Staff Exhibit 1.0, Schedule 1.09, Add-On Taxes**  
174 **Adjustment.**

175 A. Schedule 1.09 for each utility presents my proposed adjustments to  
176 operating expense to remove public utility taxes from the revenue  
177 requirement. The taxes, which are an add-on charge to customers' bills,  
178 are not an actual operating expense of the utility and should not be  
179 included in tariffed rates.

180

181 **Q. Each Company has proposed to include language in their respective**  
182 **tariffs regarding the “Annual Gross Revenue Tax.” Do you agree**  
183 **with the Companies’ recommendation to include such language in**  
184 **the tariffs?**

185 A. Yes; this language will allow the Companies to collect the Gross  
186 Revenues tax as a separate charge on customers’ bills when the rates  
187 approved in this docket go into effect.

188

189 **Consumer Price Index Adjustment**

190 **Q. Please describe ICC Staff Exhibit 1.0, Schedule 1.10, Consumer Price**  
191 **Index (“CPI”) Adjustment.**

192 A. Schedule 1.10 for each utility presents my proposed adjustments to  
193 operating expenses to disallow the increases to test year expenses that  
194 are based on an inflation factor. Pro forma adjustments to a historical test  
195 year should be based upon known and measurable changes. Inflation  
196 factors are not known and measurable. The Commission’s practice  
197 regarding the use of inflation factors in a historical test year is set forth in  
198 83 Ill. Adm. Code 287.40:

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

205 The Company's pro forma adjustments for inflation should be disallowed  
206 because the adjustments are based on a CPI inflation factor, which does  
207 not represent a specific study of known and measurable changes to the  
208 test year operating expenses.

209

210 **Rate Case Expense Adjustment**

211 **Q. Please describe ICC Staff Exhibit 1.0, Schedule 1.11, Rate Case**  
212 **Expense Adjustment.**

213 A. Schedule 1.11 for each utility presents my proposed adjustments to  
214 operating expenses to: (1) increase the amortization period for rate case  
215 expense from three years to five years since it is a more reasonable  
216 estimate of the time period that rates from this proceeding would be in  
217 effect for these Companies; and (2) adjust the estimated travel expenses  
218 to more reasonable levels consistent with recent rate cases of affiliates of  
219 the Companies.

220

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

223 A. Based upon the historical frequency of the Companies' prior rate case  
224 filings, a five-year amortization period is more reasonable than three, as  
225 proposed by the Companies. The historical frequency of the Companies'  
226 prior filings is as follows:

Company	Dates of Prior Rate Filings	Average Frequency of Rate Case Filings Including Current Case
Charmar	2003, 1991, 1984, 1980, 1977	Every 5.6 years
Cherry Hills	2003, 1994, 1991, 1980, 1977	Every 5.6 years
Clarendon	1997, 1992, 1980, 1977	Every 6.8 years
Ferson Creek	1983, 1982	Every 9.6 years
Harbor Ridge	1994, 1992, 1985	Every 6.5 years
Killarney	1994, 1991, 1983, 1980, 1977	Every 5.6 years

227

228 Therefore, the evidence does not support a three-year amortization  
 229 period. Further, the Companies are all owned by Utilities, Inc. (“UI”) which  
 230 owns 24 companies in Illinois as part of 70 systems in 15 states. UI has  
 231 not maintained a three-year rate case cycle for any of its Illinois  
 232 companies.

233

234 **Q. Please explain why you are reducing the travel cost estimate of rate**  
 235 **case expense.**

236 A. I am proposing the removal of travel cost from rate case expense because  
 237 it is not likely that the Companies’ witnesses will be required to travel to  
 238 the hearings. My adjustments do, however, allow rate recovery for the  
 239 travel costs incurred to date for Charmar. The Companies’ witnesses in  
 240 three prior UI rate cases (Docket Nos. 10-0110, 10-0280, and 10-0298)  
 241 were not required to travel as the cases were either settled prior to  
 242 hearing or cross-examination was waived. It is my understanding that the

243 pending UI cases of Docket Nos. 11-0059, 11-0141 and 11-0142  
244 Consolidated required only a minimum amount of travel by the Company  
245 as well. Until there is evidence that travel will be necessary at the  
246 amounts estimated by the Companies, such travel costs should not be  
247 included.

248 In rebuttal testimony, I will reconsider the possibility of whether the  
249 Companies' witnesses may need to travel to the hearing and whether an  
250 estimate for travel costs of the Companies' witnesses needs to be  
251 reflected in an estimated amount of rate case expenses to complete the  
252 cases.

253

254 **Q. Section 9-229 of the Act requires the Commission to expressly**  
255 **address in its final order the justness and reasonableness of any**  
256 **amount expended by a public utility to compensate attorneys or**  
257 **technical experts to prepare and litigate a general rate case filing.**  
258 **Do you have a recommendation regarding the information the**  
259 **Companies have provided to support the justness and**  
260 **reasonableness of rate case expenses?**

261 A. Yes. I recommend that the Companies incorporate into their rebuttal  
262 testimony their responses to the following Staff data requests that support  
263 the recovery of their requested rate case expenses that I have not  
264 adjusted as just and reasonable:

- 265           • 2<sup>nd</sup> Supplemental Response to DLH-2.04 including attachment  
266           from original response
- 267           • DLH-2.05 (including all updates and attachments)

268

269   **Q.    What finding do you recommend that the Commission make in its**  
270   **final order?**

271   A.    I recommend that the Commission make the following finding in its final  
272   order:

273           The Commission finds that the amounts of compensation for  
274           attorneys and technical experts to prepare and litigate this  
275           proceeding, as adjusted by Staff, are just and reasonable pursuant  
276           to Section 9-229 of the Public Utilities Act (220 ILCS 5/9-229).

277

278   **Pro Forma Salaries and Benefits Adjustment**

279   **Q.    Please describe ICC Staff Exhibit 1.0, Schedule 1.12, Pro Forma**  
280   **Salaries and Benefits Adjustment.**

281   A.    Schedule 1.12 for each utility presents my proposed adjustments to  
282   increase operating expenses to reflect the known and measurable costs  
283   of five additional personnel hired at Water Service Corporation (“WSC”)  
284   hired after the WSC allocations of salaries and benefits to the test year  
285   were prepared. (Companies Responses to Staff Data Requests (“DR”)  
286   DLH-2.03)

287

288 **Legal Expense Normalization Adjustment (Charmar only)**

289 **Q. Please describe ICC Staff Exhibit 1.0, Schedule 1.13 CM, Legal**  
290 **Expense Normalization Adjustment.**

291 A. Schedule 1.13 CM presents my proposed adjustment to decrease  
292 Charmar's legal expenses <sup>1</sup> to reflect a more reasonable level expected to  
293 be incurred on an on-going basis. Schedule 1.13 CM, lines 5 through 8  
294 compare the 2006 through 2009 historical legal expense balance with the  
295 test year's balance of \$10,203. The balances are wide ranging---from as  
296 low as \$13 when no direct charges were incurred in 2009, to \$11,675 in  
297 2008. (Company Response to Staff DR DLH-5.01) The volatility in the  
298 past balances indicates that the test year balance is not a reasonable  
299 predictor of future legal expense costs. Further, the Company stated the  
300 2011 legal expense through August 2011 dropped to only \$7 of allocated  
301 charges, and that its legal matters with the Illinois Department of Natural  
302 Resources, which gave rise to the test year level of expenses, were  
303 complete. (Company Responses to Staff DRs DLH-7.01S and DLH-  
304 10.01) Therefore, I concluded that a five-year normalized amount of legal  
305 expense of \$5,328, computed on line 11 of Schedule 1.13 CM, is more  
306 reasonable for purposes of setting an on-going level of cost to be  
307 recovered by ratepayers.

308

309 **Unaccounted-for Water Adjustment (Killarney only)**

310 **Q. Please describe ICC Staff Exhibit 1.0, Schedule 1. 13 KI,**

311 **Unaccounted-for Water Adjustment.**

312 A. Schedule 1.13 KI presents my proposed adjustment to decrease  
313 Killarney's maintenance expenses because the unaccounted-for water  
314 percentage exceeded the maximum as defined in Killarney's tariff.

315

316 **Q. Please explain your rationale for decreasing maintenance expenses**  
317 **due to Killarney's excess unaccounted-for water percentages.**

318 A. Unaccounted-for water is the difference between the amount of water  
319 pumped and sold by Killarney. The maximum percentage unaccounted-  
320 for water sets a limit on the amount of unaccounted-for water costs that  
321 may be recovered by Killarney.<sup>2</sup> When the actual unaccounted-for water  
322 percentage exceeds the maximum unaccounted-for water percentage, the  
323 production or maintenance costs (purchased power and chemicals)  
324 should be reduced by the excess unaccounted-for water percentage. My  
325 proposed adjustment limits the cost ratepayers bear for unaccounted-for  
326 water to what the Commission has set forth as reasonable in Killarney's  
327 tariff.

---

<sup>1</sup> Note these are the on-going legal expenses of the Company, separate from legal fees included in rate case expense.

<sup>2</sup> Killarney Water Company., ILL. C.C. No. 3, Original Sheet No. 10, effective February 12, 2007

328

329 **Uncollectibles Expense Adjustment (Harbor Ridge only)**

330 **Q. Please describe ICC Staff Exhibit 1.0, Schedules 1.13 HR-S and HR-**  
331 **W, Uncollectibles Expense Adjustment.**

332 A. Schedules 1.13 HR-S and HR-W present my proposed adjustments to  
333 decrease Harbor Ridge's uncollectibles expense at present rates to reflect  
334 the amounts at more reasonable levels expected to be incurred on an on-  
335 going basis. I propose to use 2.1347%, calculated at Schedules 1.13 HR-  
336 S and HR-W, page 2 to adjust uncollectibles expense at present rates,  
337 and further propose that my adjusted uncollectibles percentage be used  
338 to calculate the uncollectibles expense including the Company increase in  
339 the final Commission order.

340

341 **Q. How do the test year amounts and uncollectibles percentages**  
342 **compare with calendar years 2009 and 2010 activity?**

343 A. The test year amounts reflect much higher expense and percentage  
344 amounts than compared to the combined activity from 2009 and 2010:<sup>3</sup>

	Expense at Present	Revenues at Present	Percentage
Test Year Sewer	\$958	\$29,695	3.0136%
Test Year Water	\$2,811	\$78,438	3.6176%

---

<sup>3</sup> 2010 and 2009 data from Schs. 1.13 HR-S and HR-W, page 2. Test year percentages reflects expense at present rates divided by revenues at present rates including miscellaneous revenues, from the Company's Schedules B, column (D).

	Expense at Present	Revenues at Present	Percentage
Test Year Total	\$3,769	\$108,133	n/a
2010 Total	\$1,957	\$108,232	1.8082%
2009 Total	\$2,372	\$94,562	2.5084%

345

346 **Q. Please explain the rationale and calculations in Schedules 1.13 HR-S**  
347 **and HR-W, page 2.**

348 A. My adjustment calculates an uncollectibles expense percentage  
349 calculated using the weighted average of 2009 and 2010 expenses and  
350 revenues in total for sewer and water. (Col. (d) of page 2) This is  
351 necessary due to two factors. First, the Company stated that beginning in  
352 2009, it enhanced its estimation techniques establishing unique  
353 percentages to all outstanding balances based on their aging, rather than  
354 the previous method of providing an allowance on balances that had aged  
355 greater than 90 days. (Harbor Ridge response to Staff DR DLH-3.01)  
356 This factor supports reliance on the 2009 and 2010 data as a better  
357 predictor of future activity than the pre-2009 data.

358 Second, the Company stated that the allocated water and/or sewer bad  
359 debt or uncollectibles expense in its rate filings is not comparable to the  
360 amounts reported in its annual reports (Form 22 ILCS) due to different  
361 allocation methods. However, the Company said that total bad debt  
362 expense of the water and sewer operations could be compared between  
363 the annual reports and the rate case filing. (Harbor Ridge response to

364 Staff DR DLH-6.01) This factor supports analysis of the Company's  
365 uncollectible expense on a combined basis rather than separately for  
366 water and sewer. Therefore, my adjustment calculates an uncollectibles  
367 expense factor for Harbor Ridge based on 2009 and 2010 combined data.

368

369 **Outstanding Issue**

370 **Q. Do you have any outstanding issues at the time of filing your direct**  
371 **testimony?**

372 A. Yes. The Companies' responses to Staff DRs DLH-12 raised additional  
373 questions concerning an affiliated interest transaction contract. The  
374 contract is between the Companies' affiliate, WSC, and HomeServeUSA,  
375 a company that provides utility warranty services.<sup>4</sup> HomeServeUSA's  
376 website describes its services as "providing homeowners across the  
377 country with affordable home emergency repair plans..."<sup>5</sup> WSC receives  
378 compensation based upon the Companies' ratepayers enrolling in  
379 HomeServeUSA's plans. The HomeServeUSA website advocates that its  
380 service is "an easy way to add new services and benefits to your customer  
381 service offerings and add incremental revenue **straight to your bottom**  
382 **line**-with no financial or operational risk....Benefits: **Added revenue to**

---

<sup>4</sup> The partnership between WSC's parent, UI, and HomeServeUSA is disclosed on UI's website at <http://www.uiwater.com/employment/index.php>. UI is also listed as a customer of HomeServeUSA at [http://www.homeserveusa.com/Our\\_Partners.html](http://www.homeserveusa.com/Our_Partners.html).

<sup>5</sup> [http://www.homeserveusa.com/Our\\_Company.html](http://www.homeserveusa.com/Our_Company.html).

383 **your bottom line.**<sup>6</sup> (Emphasis added.) However, no such compensation  
384 has been included in the Companies revenue requirements in this case to  
385 offset rates. (Companies' response to Staff DR DLH-12.03) Therefore, I  
386 recommend that the Companies provide the amount of other revenue  
387 adjustments on this issue in their rebuttal testimony. The adjustments  
388 should reflect the on-going amount of revenues related to each  
389 Company's ratepayer's participation in HomeServeUSA contracts.

390

391 **Conclusion**

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

393 A. Yes.

---

<sup>6</sup> <http://www.homeserveusa.com/Partners.html>.

**Charmar Water Company**  
**Statement of Operating Income with Adjustments**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Company Pro Forma Present (Co. Sch. B)	Staff Adjustments (Sch 1.02 CM)	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Co. Sch. B)	Staff Gross Revenue Conversion Factor	Proposed Rates With Staff Adjustments (Cols. d+e+f)	Adjustment To Proposed Increase	Staff Pro Forma Proposed (Cols. g+h)	\$ Revenue Change (Cols. i-b)	% Revenue Change (Cols. j/b)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	Water Service Revenues	\$ 24,794	\$ -	\$ 24,794	\$ 110,247	\$ (110)	\$ 134,931	\$ (42,773)	\$ 92,158	\$ 67,364	271.69%
2	Miscellaneous Revenues	264	-	264	50	-	314	-	314	50	18.94%
3	Total Operating Revenues	25,058	-	25,058	110,297	\$ (110)	135,245	(42,773)	92,472	67,414	269.03%
4	Uncollectible Accounts	513	-	513	2,281	-	2,794	(885)	1,909		
5	Maintenance Expenses	14,444	(6,590)	7,854	-	-	7,854	-	7,854		
6	General Expenses	50,093	(17,548)	32,545	-	-	32,545	-	32,545		
7	Depreciation	26,717	(9,105)	17,612	-	-	17,612	-	17,612		
8	Amortization of CIAC	(82)	-	(82)	-	-	(82)	-	(82)		
9	Taxes Other Than Income	1,036	(20)	1,016	110	(110)	1,016	-	1,016		
10		-	-	-	-	-	-	-	-		
11		-	-	-	-	-	-	-	-		
12		-	-	-	-	-	-	-	-		
13		-	-	-	-	-	-	-	-		
14		-	-	-	-	-	-	-	-		
15	Total Operating Expense										
16	Before Income Taxes	92,721	(33,263)	59,458	2,391	(110)	61,739	(885)	60,854		
17	State Income Tax	(7,473)	3,230	(4,243)	10,251	-	6,008	(3,979)	2,029		
18	Federal Income Tax	(24,205)	8,996	(15,209)	33,202	1	17,994	(12,889)	5,105		
19	Deferred Taxes and ITCs Net	(72)	-	(72)	-	-	(72)	-	(72)		
20	Total Operating Expenses	60,971	(21,037)	39,934	45,844	(109)	85,669	(17,753)	67,916		
21	NET OPERATING INCOME	\$ (35,913)	\$ 21,037	\$ (14,876)	\$ 64,453	\$ (1)	\$ 49,576	\$ (25,020)	\$ 24,556		
22	Staff Rate Base (ICC Staff Exhibit 1.0, Schedule 1.03 CM, Column (d))								\$ 307,724		
23	Staff Overall Rate of Return (ICC Staff Exhibit 3.0, Schedule 3.1)								7.98%		

**Charmar Water Company**  
**Adjustments to Operating Income**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Interest Synchronization (Sch. 1.06 CM)	Add-on Taxes (Sch. 1.09 CM)	Consumer Price Index (Sch. 1.10 CM)	Rate Case Expense (Sch. 1.11 CM)	Salaries and Benefits (Sch. 1.12 CM)	Legal Exp. Normalization (Sch. 1.13 CM)	Abandoned Plant (Sch. 2.03)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Water Service Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenues	-	-	-	-	-	-	-	-
3	Total Operating Revenues	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Maintenance Expenses	-	-	(1,263)	-	-	(5,328)	-	(6,590)
6	General Expenses	-	-	(369)	(17,253)	74	-	-	(17,548)
7	Depreciation	-	-	-	-	-	-	(9,105)	(9,105)
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	-	(28)	-	-	8	-	-	(20)
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	-	(28)	(1,632)	(17,253)	82	(5,328)	(9,105)	(33,263)
17	State Income Tax	70	3	155	1,639	(8)	506	865	3,230
18	Federal Income Tax	227	9	502	5,309	(25)	172	2,802	8,996
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	297	(16)	(975)	(10,305)	49	(4,650)	(5,438)	(21,037)
21	NET OPERATING INCOME	\$ (297)	\$ 16	\$ 975	\$ 10,305	\$ (49)	\$ 4,650	\$ 5,438	\$ 21,037

**Charmar Water Company**  
**Rate Base**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Company Pro Forma Rate Base (Co. Sch. C) (b)	Staff Adjustments (Sch 1.04 CM) (c)	Staff Pro Forma Rate Base (Col. b+c) (d)
1	Gross Plant in Service	\$ 370,744	\$ (33,568)	\$ 337,176
2	Less: Accumulated Depreciation	(13,226)	11,637	(1,589)
3	-	-	-	-
4	Net Plant	<u>357,518</u>	<u>(21,931)</u>	<u>335,587</u>
5	Additions to Rate Base			
6	Cash Working Capital	8,196	(3,021)	5,175
7	Deferred Charges	-	-	-
8	-	-	-	-
9	-	-	-	-
10	-	-	-	-
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(836)	-	(836)
18	Accumulated Deferred Income Taxes	(32,310)	-	(32,310)
19	Adjustment to Rate Base Allocations	108	-	108
20	-	-	-	-
21	-	-	-	-
22	-	-	-	-
23	Rate Base	<u>\$ 332,676</u>	<u>\$ (24,952)</u>	<u>\$ 307,724</u>

**Charmar Water Company**  
**Adjustments to Rate Base**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Working Capital (Sch. 1.08 CM)	Abandoned Plant (Sch. 2.03)	Accumulated Depreciation (Sch. 2.04)	(Source)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Gross Plant in Service	\$ -	\$ (33,568)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (33,568)
2	Less: Accumulated Depreciation	-	9,913	1,724	-	-	-	-	11,637
3		-	-	-	-	-	-	-	-
4	Net Plant	-	(23,655)	1,724	-	-	-	-	(21,931)
5	Additions to Rate Base								-
6	Cash Working Capital	(3,021)	-	-	-	-	-	-	(3,021)
7	Deferred Charges	-	-	-	-	-	-	-	-
8		-	-	-	-	-	-	-	-
9		-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accumulated Deferred Income Taxes	-	-	-	-	-	-	-	-
19	Adjustment to Rate Base Allocations	-	-	-	-	-	-	-	-
20		-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-
22		-	-	-	-	-	-	-	-
23	Rate Base	<u>\$ (3,021)</u>	<u>\$ (23,655)</u>	<u>\$ 1,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (24,952)</u>

**Charmar Water Company**  
**Revenue Effect of Adjustments**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Per Company (b)	Staff Adjustments (c)	Per Staff (d)
1	Present Revenues	\$ 25,058 <sup>(1)</sup>	\$ -	\$ 25,058 <sup>(2)</sup>
2	Proposed Increase	<u>110,247 <sup>(3)</sup></u>	<u>(42,883) <sup>(4)</sup></u>	<u>67,364 <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 135,305</u>	<u>\$ (42,883)</u>	<u>\$ 92,422</u>
4	% Increase	439.97%		268.83%
5	Staff Adjustments:			
6	Rate Case Expense		(17,617)	
7	Abandoned Plant		(11,979)	
8	Legal Expense Normalization		(7,949)	
9	Rate of Return (Applied to Company Rate Base)		(3,407)	
10	Consumer Price Index		(1,666)	
11	Working Capital		(343)	
12	Gross Revenue Conversion Factor		(110)	
13	Interest Synchronization		(67)	
14	Add-on Taxes		(27)	
15	Salaries and Benefits		84	
16	Accumulated Depreciation		195	
17				
18				
19				
20	Rounding		<u>3</u>	
21	Total Revenue Effect of Staff Adjustments		<u>\$ (42,883)</u>	

Sources:

- (1) ICC Staff Exhibit 1.0, Schedule 1.01 CM, column (b), line 3
- (2) ICC Staff Exhibit 1.0, Schedule 1.01 CM, column (d), line 3
- (3) ICC Staff Exhibit 1.0, Schedule 1.01 CM, column (e), line 3
- (4) ICC Staff Exhibit 1.0, Schedule 1.01 CM, columns (f) + (h), line 3
- (5) ICC Staff Exhibit 1.0, Schedule 1.01 CM, column (j), line 1

Charmar Water Company  
Interest Synchronization Adjustment  
For the Test Year Ending September 30, 2010

Line No.	Description	Amount
	(a)	(b)
1	Staff Rate Base	\$ 307,724 (1)
2	Weighted Cost of Debt	3.34% (2)
3	Synchronized Interest Per Staff	10,264
4	Company Interest Expense	<u>11,003</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(739)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ 70</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ 227</u>

- (1) Source: ICC Staff Ex. 1.0, Schedule 1.03 CH, Column (d).  
(2) Source: ICC Staff Exhibit 3.0, Schedule 3.1  
(3) Source: Company Schedule B, column "Pro Forma Proposed"

**Charmar Water Company**  
**Gross Revenue Conversion Factor**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	2.0690%	<u>0.020690</u>	
3	State Taxable Income		0.979310	1.000000
4	State Income Tax	9.5000%	<u>0.093034</u>	<u>0.095000</u>
5	Federal Taxable Income		0.886276	0.905000
6	Federal Income Tax	34.0000%	<u>0.301334</u>	<u>0.307700</u>
7	Operating Income		<u>0.584942</u>	<u>0.597300</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.709571</u>	<u>1.674201</u>

**Charmar Water Company**  
**Working Capital Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Maintenance Expenses	\$ 7,854	Schedule 1.01 CM, column (d), line 5
2	General Expense	32,545	Schedule 1.01 CM, column (d), line 6
3	Taxes Other Than Income	1,016	Schedule 1.01 CM, column (d), line 9
4	Less Real Estate Taxes	<u>(13)</u>	Company workpaper (e), line 4
5	Operating Expenses Subject to Working Capital Allowance	41,402	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Staff	5,175	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>8,196</u>	Company Schedule C, Water Operations, column "As Adjusted"
9	Staff Adjustment	<u><u>\$ (3,021)</u></u>	Line 7 less line 8

Charmar Water Company  
Add-on Taxes Adjustment  
For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Add-on Taxes per Staff	\$ -	
2	Add-on Taxes at present per Company	<u>28</u>	Company workpaper (e), line 3
3	Staff Proposed Adjustment	<u><u>\$ (28)</u></u>	Line 1 - line 2

**Charmar Water Company**  
**Consumer Price Index Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	CPI Increase to Maintenance Expenses per Staff	\$ -	
2	CPI Increase to Maintenance Expenses per Company:		
3	Maintenance and Repair	\$ 25	Company Schedule B, col.(C), line 13
4	Maintenance Testing	10	Company Schedule B, col.(C), line 14 less Company adjustment [k]
5	Transportation	301	Company workpaper (p2a), col. (C), line 7
6	Outside Services-Other	927	Company Schedule B, col.(C), line 19 less Company adjustment [q]
7	Total CPI Increase to Maintenance Expenses per Company	<u>\$ 1,263</u>	Sum of lines 3 through 6
8	Staff Proposed Adjustment	<u><u>\$ (1,263)</u></u>	Line 1 - line 7
9	CPI Increase to General Expenses per Staff	\$ -	
10	CPI Increase to General Expenses per Company:		
11	Office Supplies & Other Office Exp.	\$ 48	Company Schedule B, col.(C), line 26
12	Rent	2	Company Schedule B, col.(C), line 29
13	Office Utilities	220	Company Schedule B, col.(C), line 31
14	Miscellaneous	99	Company Schedule B, col.(C), line 33
15	Total CPI Increase to General Expenses per Company	<u>\$ 369</u>	Sum of lines 11 through 14
16	Staff Proposed Adjustment	<u><u>\$ (369)</u></u>	Line 9 - line 15

Charmar Water Company  
 Rate Case Expense Adjustment  
 For the Test Year Ending September 30, 2010

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	\$ 30,000	\$ 30,000	
3	Customer notices	58	58	
4	Fed Ex, mailings, postage, and miscellaneous costs	2,000	2,000	
5	Travel	1,166	5,500	
6	Water Service Personnel	79,339	79,339	
7	External Consultants (SFIO Consulting)	<u>6,000</u>	<u>6,000</u>	
8	Total Rate Case Expense	\$ 118,563	\$ 122,897	
9	Amortization Period	<u>5</u>	<u>3</u>	
10	Amortization Expense per Year (Line 8/Line 9)	\$ 23,713	\$ 40,966	<u><u>\$ (17,253)</u></u>

Source:

Col. (b) Company Response to Staff Data Request DLH-2.05  
 Col. (c) Company workpaper w/p (d)

**Charmar Water Company**  
**Pro Forma Salaries and Benefits Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Additional Salaries Expense per Staff	\$ 925	Company response to Staff Data Request DLH-2.03
2	Additional Salaries Expense per Company	<u>864</u>	Company workpaper (b), line 44
3	Staff Proposed Adjustment to General Expenses	<u><u>\$ 61</u></u>	Line 1 - line 2
4	Additional Payroll Taxes per Staff	\$ 74	Company response to Staff Data Request DLH-2.03
5	Additional Payroll Taxes per Company	<u>66</u>	Company workpaper (b), line 44
6	Staff Proposed Adjustment to Taxes Other Than Income	<u><u>\$ 8</u></u>	Line 4 - line 5
7	Additional Benefits Expense per Staff	\$ 165	Company response to Staff Data Request DLH-2.03
8	Additional Benefits Expense per Company	<u>152</u>	Company workpaper (b), line 44
9	Staff Proposed Adjustment to General Expenses	<u><u>\$ 13</u></u>	Line 7 - line 8

**Charmar Water Company**  
**Legal Expense Normalization Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Legal Expense per Staff	\$ 4,875	Line 11
2	Legal Expense per Company	10,203	Line 9
3	Staff Proposed Adjustment to Maintenance Expenses	<u>\$ (5,328)</u>	Line 1 - line 2
4	Historical Legal Expenses (Allocated and Direct Charges Combined)		
5	2006	\$ 440	(1)
6	2007	2,046	(1)
7	2008	11,675	(1)
8	2009	13	(1)
9	Test Year	<u>10,203</u>	(1)
10		\$ 24,377	Sum of lines 5 through 9
11	Normalized Amount over 5 Years	<u>\$ 4,875</u>	Line 10 / 5 Years

Source:  
 (1) Company Response to Staff Data Request DLH-5.01

**Cherry Hill Water Company**  
**Statement of Operating Income with Adjustments**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Company Pro Forma Present (Co. Sch. B)	Staff Adjustments (Sch 1.02 CH)	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Co. Sch. B)	Staff Gross Revenue Conversion Factor	Proposed Rates With Staff Adjustments (Cols. d+e+f)	Adjustment To Proposed Increase	Staff Pro Forma Proposed (Cols. g+h)	\$ Revenue Change (Cols. i-b)	% Revenue Change (Cols. j/b)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	Water Service Revenues	\$ 85,011	\$ -	\$ 85,011	\$ 109,111	\$ (111)	\$ 194,011	\$ (24,974)	\$ 169,037	\$ 84,026	98.84%
2	Miscellaneous Revenues	517	-	517	90	-	607	-	607	90	17.41%
3	Total Operating Revenues	85,528	-	85,528	109,201	\$ (111)	194,618	(24,974)	169,644	84,116	98.35%
4	Uncollectible Accounts	304	-	304	391	1	696	(90)	606		
5	Maintenance Expenses	28,496	(1,123)	27,373	-	-	27,373	-	27,373		
6	General Expenses	59,332	(17,072)	42,260	-	-	42,260	-	42,260		
7	Depreciation	33,971	(601)	33,370	-	-	33,370	-	33,370		
8	Amortization of CIAC	(181)	-	(181)	-	-	(181)	-	(181)		
9	Taxes Other Than Income	11,288	(62)	11,226	109	(109)	11,226	-	11,226		
10		-	-	-	-	-	-	-	-		
11		-	-	-	-	-	-	-	-		
12		-	-	-	-	-	-	-	-		
13		-	-	-	-	-	-	-	-		
14		-	-	-	-	-	-	-	-		
15	Total Operating Expense										
16	Before Income Taxes	133,210	(18,858)	114,352	500	(108)	114,744	(90)	114,654		
17	State Income Tax	(6,118)	1,800	(4,318)	10,327	(1)	6,008	(2,364)	3,644		
18	Federal Income Tax	(19,815)	5,794	(14,021)	33,448	(1)	19,426	(7,657)	11,769		
19	Deferred Taxes and ITCs Net	(179)	-	(179)	-	-	(179)	-	(179)		
20	Total Operating Expenses	107,098	(11,264)	95,834	44,275	(110)	139,999	(10,111)	129,888		
21	NET OPERATING INCOME	\$ (21,570)	\$ 11,264	\$ (10,306)	\$ 64,926	\$ (1)	\$ 54,619	\$ (14,863)	\$ 39,756		
22	Staff Rate Base (ICC Staff Exhibit 1.0, Schedule 1.03 CH, Column (d))								\$ 498,193		
23	Staff Overall Rate of Return (ICC Staff Exhibit 3.0, Schedule 3.1)								7.98%		

Cherry Hill Water Company  
 Adjustments to Operating Income  
 For the Test Year Ending September 30, 2010

Line No.	Description	Interest Synchronization (Sch. 1.06 CH)	Add-on Taxes (Sch. 1.09 CH)	Consumer Price Index (Sch. 1.10 CH)	Rate Case Expense (Sch. 1.11 CH)	Salaries and Benefits (Sch. 1.12 CH)	Retire Plant (Sch. 2.01)	Pro Forma Plant (Sch. 2.06)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Water Service Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenues	-	-	-	-	-	-	-	-
3	Total Operating Revenues	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Maintenance Expenses	-	-	(1,123)	-	-	-	-	(1,123)
6	General Expenses	-	-	(266)	(17,164)	358	-	-	(17,072)
7	Depreciation	-	-	-	-	-	(133)	(468)	(601)
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	-	(99)	-	-	37	-	-	(62)
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense	-	(99)	(1,389)	(17,164)	395	(133)	(468)	(18,858)
16	Before Income Taxes	-	(99)	(1,389)	(17,164)	395	(133)	(468)	(18,858)
17	State Income Tax	9	9	132	1,631	(38)	13	44	1,800
18	Federal Income Tax	30	30	427	5,281	(122)	4	144	5,794
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	39	(60)	(830)	(10,252)	235	(116)	(280)	(11,264)
21	NET OPERATING INCOME	\$ (39)	\$ 60	\$ 830	\$ 10,252	\$ (235)	\$ 116	\$ 280	\$ 11,264

**Cherry Hill Water Company**  
**Rate Base**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Company Pro Forma Rate Base (Co. Sch. C)	Staff Adjustments (Sch 1.04 CH)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 420,072	\$ (8,939)	\$ 411,133
2	Less: Accumulated Depreciation	(82,718)	4,732	(77,986)
3	-	-	-	-
4	Net Plant	<u>337,354</u>	<u>(4,207)</u>	<u>333,147</u>
5	Additions to Rate Base			
6	Cash Working Capital	12,389	(3,301)	9,088
7	Deferred Charges	-	-	-
8	Net Pro Forma Plant	180,000	-	180,000
9				
10	-	-	-	-
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(2,543)	-	(2,543)
18	Accumulated Deferred Income Taxes	(22,423)	397	(22,026)
19	Adjustment to Rate Base Allocations	527	-	527
20	-	-	-	-
21	-	-	-	-
22	-	-	-	-
23	Rate Base	<u>\$ 505,304</u>	<u>\$ (7,111)</u>	<u>\$ 498,193</u>

Cherry Hill Water Company  
 Adjustments to Rate Base  
 For the Test Year Ending September 30, 2010

Line No.	Description	Working Capital (Sch. 1.08 CH)	Retire Plant (Sch. 2.01)	Pro Forma Plant (Sch. 2.06)	ADIT (Sch. 2.08)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Gross Plant in Service	\$ -	\$ (4,264)	\$ (4,675)	\$ -	\$ -	\$ -	\$ -	\$ (8,939)
2	Less: Accumulated Depreciation	-	4,264	468	-	-	-	-	4,732
3		-	-	-	-	-	-	-	-
4	Net Plant	-	-	(4,207)	-	-	-	-	(4,207)
5	Additions to Rate Base								-
6	Cash Working Capital	(3,301)	-	-	-	-	-	-	(3,301)
7	Deferred Charges	-	-	-	-	-	-	-	-
8	Net Pro Forma Plant	-	-	-	-	-	-	-	-
9		-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accumulated Deferred Income Taxes	-	-	-	397	-	-	-	397
19	Adjustment to Rate Base Allocations	-	-	-	-	-	-	-	-
20		-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-
22		-	-	-	-	-	-	-	-
23	Rate Base	\$ (3,301)	\$ -	\$ (4,207)	\$ 397	\$ -	\$ -	\$ -	\$ (7,111)

**Cherry Hill Water Company**  
**Revenue Effect of Adjustments**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Per Company	Staff Adjustments	Per Staff
	(a)	(b)	(c)	(d)
1	Present Revenues	\$ 85,528 <sup>(1)</sup>	\$ -	\$ 85,528 <sup>(2)</sup>
2	Proposed Increase	<u>109,111 <sup>(3)</sup></u>	<u>(25,085) <sup>(4)</sup></u>	<u>84,026 <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 194,639</u>	<u>\$ (25,085)</u>	<u>\$ 169,554</u>
4	% Increase	127.57%		98.24%
5	Staff Adjustments:			
6				
7	Rate Case Expense		(17,226)	
8	Rate of Return (Applied to Company Rate Base)		(5,095)	
9	Consumer Price Index		(1,395)	
10	Pro Forma Plant		(939)	
11	Working Capital		(368)	
12	Retire Plant		(195)	
13	Gross Revenue Conversion Factor		(111)	
14	Add-On Taxes		(101)	
15	Interest Synchronization		(95)	
16	ADIT		44	
17	Salaries and Benefits		395	
18				
19	Rounding		<u>1</u>	
20				
21	Total Revenue Effect of Staff Adjustments		<u>\$ (25,085)</u>	

Sources:

- (1) ICC Staff Exhibit 1.0, Schedule 1.01 CH, column (b), line 3
- (2) ICC Staff Exhibit 1.0, Schedule 1.01 CH, column (d), line 3
- (3) ICC Staff Exhibit 1.0, Schedule 1.01 CH, column (e), line 3
- (4) ICC Staff Exhibit 1.0, Schedule 1.01 CH, columns (f) + (h), line 3
- (5) ICC Staff Exhibit 1.0, Schedule 1.01 CH, column (j), line 1

Cherry Hill Water Company  
Interest Synchronization Adjustment  
For the Test Year Ending September 30, 2010

Line No.	Description	Amount
	(a)	(b)
1	Staff Rate Base	\$ 498,193 (1)
2	Weighted Cost of Debt	3.34% (2)
3	Synchronized Interest Per Staff	16,617
4	Company Interest Expense	<u>16,713</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(96)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ 9</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ 30</u>

- (1) Source: ICC Staff Ex. 1.0, Schedule 1.03 CH, Column (d).  
(2) Source: ICC Staff Exhibit 3.0, Schedule 3.1  
(3) Source: Company Schedule B, column "Pro Forma Proposed"

Cherry Hill Water Company  
Gross Revenue Conversion Factor  
For the Test Year Ending September 30, 2010

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.3584%	<u>0.003584</u>	
3	State Taxable Income		0.996416	1.000000
4	State Income Tax	9.5000%	<u>0.094660</u>	<u>0.095000</u>
5	Federal Taxable Income		0.901756	0.905000
6	Federal Income Tax	34.0000%	<u>0.306597</u>	<u>0.307700</u>
7	Operating Income		<u>0.595159</u>	<u>0.597300</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.680223</u>	<u>1.674201</u>

**Cherry Hill Water Company**  
**Working Capital Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Maintenance Expenses	\$ 27,373	Schedule 1.01 C-S, column (d), line 5
2	General Expense	42,260	Schedule 1.01 C-S, column (d), line 6
3	Taxes Other Than Income	11,226	Schedule 1.01 C-S, column (d), line 9
4	Less Real Estate Taxes	<u>(8,158)</u>	Company workpaper (e), line 4
5	Operating Expenses Subject to Working Capital Allowance	72,701	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Staff	9,088	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>12,389</u>	Company Schedule C, Water Operations, column "As Adjusted"
9	Staff Adjustment	<u><u>\$ (3,301)</u></u>	Line 7 less line 8

Cherry Hill Water Company  
Add-on Taxes Adjustment  
For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Add-on Taxes per Staff	\$ -	
2	Add-on Taxes at present per Company	<u>99</u>	Company workpaper (e), line 3
3	Staff Proposed Adjustment	<u><u>\$ (99)</u></u>	Line 1 - line 2

**Cherry Hill Water Company**  
**Consumer Price Index Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	CPI Increase to Maintenance Expenses per Staff	\$ -	
2	CPI Increase to Maintenance Expenses per Company:		
3	Purchased Power	\$ 257	Company Schedule B, col.(C), line 11
4	Maintenance and Repair	323	Company Schedule B, col.(C), line 13
5	Meter Reading	24	Company Schedule B, col.(C), line 15
6	Chemicals	121	Company Schedule B, col.(C), line 16
7	Transportation	283	Company workpaper (p2a), col. (C), line 6
8	Outside Services-Other	115	Company Schedule B, col.(C), line 19
9	Total CPI Increase to Maintenance Expenses per Company	<u>\$ 1,123</u>	Sum of lines 3 through 8
10	Staff Proposed Adjustment	<u><u>\$ (1,123)</u></u>	Line 1 - line 9
11	CPI Increase to General Expenses per Staff	\$ -	
12	CPI Increase to General Expenses per Company:		
13	Office Supplies & Other Office Exp.	\$ 176	Company Schedule B, col.(C), line 26
14	Rent	8	Company Schedule B, col.(C), line 29
15	Office Utilities	82	Company Schedule B, col.(C), line 31
16	Total CPI Increase to General Expenses per Company	<u>\$ 266</u>	Sum of lines 13 through 15
17	Staff Proposed Adjustment	<u><u>\$ (266)</u></u>	Line 11 - line 16

Cherry Hill Water Company  
 Rate Case Expense Adjustment  
 For the Test Year Ending September 30, 2010

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	\$ 30,000	\$ 30,000	
3	Customer notices	141	141	
4	Fed Ex, mailings, postage, and miscellaneous costs	2,500	2,500	
5	Travel	-	5,500	
6	Water Service Personnel	76,339	76,339	
7	External Consultants (SFIO Consulting)	<u>6,000</u>	<u>6,000</u>	
8	Total Rate Case Expense	\$ 114,980	\$ 120,480	
9	Amortization Period	<u>5</u>	<u>3</u>	
10	Amortization Expense per Year (Line 8/Line 9)	\$ 22,996	\$ 40,160	<u><u>\$ (17,164)</u></u>

Source:

Col. (b) Company Response to Staff Data Request DLH-2.05

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

**Cherry Hill Water Company**  
**Pro Forma Salaries and Benefits Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Additional Salaries Expense per Staff	\$ 4,513	Company response to Staff Data Request DLH-2.03
2	Additional Salaries Expense per Company	<u>4,218</u>	Company workpaper (b), line 46
3	Staff Proposed Adjustment to General Expenses	<u><u>\$ 295</u></u>	Line 1 - line 2
4	Additional Payroll Taxes per Staff	\$ 361	Company response to Staff Data Request DLH-2.03
5	Additional Payroll Taxes per Company	<u>324</u>	Company workpaper (b), line 46
6	Staff Proposed Adjustment to Taxes Other Than Income	<u><u>\$ 37</u></u>	Line 4 - line 5
7	Additional Benefits Expense per Staff	\$ 803	Company response to Staff Data Request DLH-2.03
8	Additional Benefits Expense per Company	<u>740</u>	Company workpaper (b), line 46
9	Staff Proposed Adjustment to General Expenses	<u><u>\$ 63</u></u>	Line 7- line 8



**Clarendon Water Company**  
**Adjustments to Operating Income**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Interest Synchronization (Sch. 1.06 CL)	Add-on Taxes (Sch. 1.09 CL)	Consumer Price Index (Sch. 1.10 CL)	Rate Case Expense (Sch. 1.11 CL)	Salaries and Benefits (Sch. 1.12 CL)	Depreciation Expense (Sch. 2.02)	(Source)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Water Service Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenues	-	-	-	-	-	-	-	-
3	Total Operating Revenues	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Maintenance Expenses	-	-	(2,485)	-	-	-	-	(2,485)
6	General Expenses	-	-	(327)	(22,531)	503	-	-	(22,355)
7	Depreciation	-	-	-	-	-	(643)	-	(643)
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	-	(97)	-	-	52	-	-	(45)
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	-	(97)	(2,812)	(22,531)	555	(643)	-	(25,528)
17	State Income Tax	(63)	9	267	2,140	(53)	61	-	2,361
18	Federal Income Tax	(205)	30	865	6,933	(171)	21	-	7,473
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	(268)	(58)	(1,680)	(13,458)	331	(561)	-	(15,694)
21	NET OPERATING INCOME	\$ 268	\$ 58	\$ 1,680	\$ 13,458	\$ (331)	\$ 561	\$ -	\$ 15,694

**Clarendon Water Company**  
**Rate Base**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Company Pro Forma Rate Base (Co. Sch. C)	Staff Adjustments (Sch 1.04 CL)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 798,616	\$ (47,945)	\$ 750,671
2	Less: Accumulated Depreciation	(63,701)	63,911	210
3	-	-	-	-
4	Net Plant	<u>734,915</u>	<u>15,966</u>	<u>750,881</u>
5	Additions to Rate Base			
6	Cash Working Capital	18,173	(3,247)	14,926
7	Deferred Charges	-	-	-
8	-	-	-	-
9	-	-	-	-
10	-	-	-	-
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(28,519)	-	(28,519)
18	Accumulated Deferred Income Taxes	(86,874)	1,916	(84,958)
19	Adjustment to Rate Base Allocations	738	-	738
20	-	-	-	-
21	-	-	-	-
22	-	<u>-</u>	<u>-</u>	<u>-</u>
23	Rate Base	<u>\$ 638,433</u>	<u>\$ 14,635</u>	<u>\$ 653,068</u>

**Clarendon Water Company**  
**Adjustments to Rate Base**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Working Capital (Sch. 1.08 CL)	Retire Plant (Sch. 2.01)	Accumulated Depreciation (Sch. 2.04)	ADIT (Sch. 2.08)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Gross Plant in Service	\$ -	\$ (47,945)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (47,945)
2	Less: Accumulated Depreciation	-	47,945	15,966	-	-	-	-	63,911
3		-	-	-	-	-	-	-	-
4	Net Plant	-	-	15,966	-	-	-	-	15,966
5	Additions to Rate Base								-
6	Cash Working Capital	(3,247)	-	-	-	-	-	-	(3,247)
7	Deferred Charges	-	-	-	-	-	-	-	-
8		-	-	-	-	-	-	-	-
9		-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accumulated Deferred Income Taxes	-	-	-	1,916	-	-	-	1,916
19	Adjustment to Rate Base Allocations	-	-	-	-	-	-	-	-
20		-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-
22		-	-	-	-	-	-	-	-
23	Rate Base	\$ (3,247)	\$ -	\$ 15,966	\$ 1,916	\$ -	\$ -	\$ -	\$ 14,635

**Clarendon Water Company**  
**Revenue Effect of Adjustments**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Per Company (b)	Staff Adjustments (c)	Per Staff (d)
1	Present Revenues	\$ 94,516 <sup>(1)</sup>	\$ -	\$ 94,516 <sup>(2)</sup>
2	Proposed Increase	<u>157,137 <sup>(3)</sup></u>	<u>(31,127) <sup>(4)</sup></u>	<u>126,010 <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 251,653</u>	<u>\$ (31,127)</u>	<u>\$ 220,526</u>
4	% Increase	166.25%		133.32%
5	Staff Adjustments:			
6				
7	Rate Case Expense		(22,713)	
8	Rate of Return (Applied to Company Rate Base)		(6,455)	
9	Consumer Price Index		(2,835)	
10	Depreciation Expense		(947)	
11	Working Capital		(363)	
12	Gross Revenue Conversion Factor		(156)	
13	Interest Synchronization		(119)	
14	Add-On Taxes		(98)	
15	Retire Plant		-	
16	ADIT		214	
17	Salaries and Benefits		559	
18	Accumulated Depreciation		1,787	
19	Rounding		<u>(1)</u>	
20	Total Revenue Effect of Staff Adjustments		<u>\$ (31,127)</u>	

Sources:

- (1) ICC Staff Exhibit 1.0, Schedule 1.01 CL, column (b), line 3
- (2) ICC Staff Exhibit 1.0, Schedule 1.01 CL, column (d), line 3
- (3) ICC Staff Exhibit 1.0, Schedule 1.01 CL, column (e), line 3
- (4) ICC Staff Exhibit 1.0, Schedule 1.01 CL, columns (f) + (h), line 3
- (5) ICC Staff Exhibit 1.0, Schedule 1.01 CL, column (j), line 1

**Clarendon Water Company**  
**Interest Synchronization Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)
1	Staff Rate Base	\$ 653,068 (1)
2	Weighted Cost of Debt	3.34% (2)
3	Synchronized Interest Per Staff	21,782
4	Company Interest Expense	<u>21,116</u> (3)
5	Increase (Decrease) in Interest Expense	<u>666</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ (63)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ (205)</u>

(1) Source: ICC Staff Ex. 1.0, Schedule 1.03 CL, Column (d).  
 (2) Source: ICC Staff Exhibit 3.0, Schedule 3.1  
 (3) Source: Company Schedule B, column "Pro Forma Proposed"

**Clarendon Water Company**  
**Gross Revenue Conversion Factor**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.7980%	<u>0.007980</u>	
3	State Taxable Income		0.992020	1.000000
4	State Income Tax	9.5000%	<u>0.094242</u>	<u>0.095000</u>
5	Federal Taxable Income		0.897778	0.905000
6	Federal Income Tax	34.0000%	<u>0.305245</u>	<u>0.307700</u>
7	Operating Income		<u>0.592533</u>	<u>0.597300</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.687670</u>	<u>1.674201</u>

**Clarendon Water Company**  
**Working Capital Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Maintenance Expenses	\$ 67,227	Schedule 1.01 CL, column (d), line 5
2	General Expense	46,452	Schedule 1.01 CL, column (d), line 6
3	Taxes Other Than Income	6,818	Schedule 1.01 CL, column (d), line 9
4	Less Real Estate Taxes	<u>(1,090)</u>	Company workpaper (e), line 4
5	Operating Expenses Subject to Working Capital Allowance	119,407	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Staff	14,926	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>18,173</u>	Company Schedule C, Water Operations, column "As Adjusted"
9	Staff Adjustment	<u>\$ (3,247)</u>	Line 7 less line 8

Clarendon Water Company  
Add-on Taxes Adjustment  
For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Add-on Taxes per Staff	\$ -	
2	Add-on Taxes at present per Company	<u>97</u>	Company workpaper (e), line 3
3	Staff Proposed Adjustment	<u><u>\$ (97)</u></u>	Line 1 - line 2

**Clarendon Water Company**  
**Consumer Price Index Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	CPI Increase to Maintenance Expenses per Staff	\$ -	
2	CPI Increase to Maintenance Expenses per Company:		
3	Purchased Power	\$ 485	Company Schedule B, col.(C), line 11
4	Maintenance and Repair	1,312	Company Schedule B, col.(C), line 12
5	Maintenance Testing	59	Company Schedule B, col.(C), line 13
6	Meter Reading	89	Company Schedule B, col.(C), line 14
7	Chemicals	236	Company Schedule B, col.(C), line 15
8	Transportation	230	Company workpaper (p2a), col. (C), line 7
9	Outside Services-Other	74	Company Schedule B, col.(C), line 18
10	Total CPI Increase to Maintenance Expenses per Company	<u>\$ 2,485</u>	Sum of lines 3 through 9
11	Staff Proposed Adjustment	<u>\$ (2,485)</u>	Line 1 - line 10
12	CPI Increase to General Expenses per Staff	\$ -	
13	CPI Increase to General Expenses per Company:		
14	Office Supplies & Other Office Exp.	\$ 201	Company Schedule B, col.(C), line 24
15	Rent	9	Company Schedule B, col.(C), line 27
16	Office Utilities	73	Company Schedule B, col.(C), line 29
17	Miscellaneous	44	Company Schedule B, col.(C), line 30
18	Total CPI Increase to General Expenses per Company	<u>\$ 327</u>	Sum of lines 14 through 17
19	Staff Proposed Adjustment	<u>\$ (327)</u>	Line 12 - line 18

Clarendon Water Company  
 Rate Case Expense Adjustment  
 For the Test Year Ending September 30, 2010

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	\$ 3,000	\$ 30,000	
3	Customer notices	394	394	
4	Fed Ex, mailings, postage, and miscellaneous costs	2,000	2,000	
5	Travel	-	5,500	
6	Water Service Personnel	76,339	76,339	
7	External Consultants (SFIO Consulting)	<u>6,000</u>	<u>6,000</u>	
8	Total Rate Case Expense	\$ 87,733	\$ 120,233	
9	Amortization Period	<u>5</u>	<u>3</u>	
10	Amortization Expense per Year (Line 8/Line 9)	\$ 17,547	\$ 40,078	<u><u>\$ (22,531)</u></u>

Source:

Col. (b) Company Response to Staff Data Request DLH-2.05

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

**Clarendon Water Company**  
**Pro Forma Salaries and Benefits Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Additional Salaries Expense per Staff	\$ 6,326	Company response to Staff Data Request DLH-2.03
2	Additional Salaries Expense per Company	<u>5,912</u>	Company workpaper (b), line 46
3	Staff Proposed Adjustment to General Expenses	<u>\$ 414</u>	Line 1 - line 2
4	Additional Payroll Taxes per Staff	\$ 507	Company response to Staff Data Request DLH-2.03
5	Additional Payroll Taxes per Company	<u>455</u>	Company workpaper (b), line 46
6	Staff Proposed Adjustment to Taxes Other Than Income	<u>\$ 52</u>	Line 4 - line 5
7	Additional Benefits Expense per Staff	\$ 1,126	Company response to Staff Data Request DLH-2.03
8	Additional Benefits Expense per Company	<u>1,037</u>	Company workpaper (b), line 46
9	Staff Proposed Adjustment to General Expenses	<u>\$ 89</u>	Line 7 - line 8

**Killarney Water Company**  
**Statement of Operating Income with Adjustments**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Company Pro Forma Present (Co. Sch. B)	Staff Adjustments (Sch 1.02 KI)	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Co. Sch. B)	Staff Gross Revenue Conversion Factor	Proposed Rates With Staff Adjustments (Cols. d+e+f)	Adjustment To Proposed Increase	Staff Pro Forma Proposed (Cols. g+h)	\$ Revenue Change (Cols. i-b)	% Revenue Change (Cols. j/b)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	Water Service Revenues	\$ 65,780	\$ -	\$ 65,780	\$ 163,529	\$ (152)	\$ 229,157	\$ (24,566)	\$ 204,591	\$ 138,811	211.02%
2	Miscellaneous Revenues	1,121	-	1,121	499	-	1,620	-	1,620	499	44.51%
3	Total Operating Revenues	66,901	-	66,901	164,028	\$ (152)	230,777	(24,566)	206,211	139,310	208.23%
4	Uncollectible Accounts	2,446	-	2,446	6,080	14	8,540	(913)	7,627		
5	Maintenance Expenses	38,491	(1,592)	36,899	-	-	36,899	-	36,899		
6	General Expenses	65,185	(16,605)	48,580	-	-	48,580	-	48,580		
7	Depreciation	39,412	159	39,571	-	-	39,571	-	39,571		
8	Amortization of CIAC	(1,574)	-	(1,574)	-	-	(1,574)	-	(1,574)		
9	Taxes Other Than Income	8,384	(14)	8,370	164	(164)	8,370	-	8,370		
10		-	-	-	-	-	-	-	-		
11		-	-	-	-	-	-	-	-		
12		-	-	-	-	-	-	-	-		
13		-	-	-	-	-	-	-	-		
14		-	-	-	-	-	-	-	-		
15	Total Operating Expense										
16	Before Income Taxes	152,344	(18,052)	134,292	6,244	(150)	140,386	(913)	139,473		
17	State Income Tax	(9,993)	1,679	(8,314)	14,990	(1)	6,675	(2,247)	4,428		
18	Federal Income Tax	(32,368)	5,314	(27,054)	48,550	-	21,496	(7,278)	14,218		
19	Deferred Taxes and ITCs Net	(73)	-	(73)	-	-	(73)	-	(73)		
20	Total Operating Expenses	109,910	(11,059)	98,851	69,784	(151)	168,484	(10,438)	158,046		
21	NET OPERATING INCOME	\$ (43,009)	\$ 11,059	\$ (31,950)	\$ 94,244	\$ (1)	\$ 62,293	\$ (14,128)	\$ 48,165		
22	Staff Rate Base (ICC Staff Exhibit 1.0, Schedule 1.03 KI, Column (d))								\$ 603,581		
23	Staff Overall Rate of Return (ICC Staff Exhibit 3.0, Schedule 3.1)								7.98%		

**Killarney Water Company**  
**Adjustments to Operating Income**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Interest Synchronization (Sch. 1.06 KI)	Add-on Taxes (Sch. 1.09 KI)	Consumer Price Index (Sch. 1.10 KI)	Rate Case Expense (Sch. 1.11 KI)	Salaries and Benefits (Sch. 1.12 KI)	Unaccounted for Water (Sch. 1.13 KI)	Depreciation Expense (Sch. 2.02)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Water Service Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenues	-	-	-	-	-	-	-	-
3	Total Operating Revenues	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Maintenance Expenses	-	-	(1,142)	-	-	(450)	-	(1,592)
6	General Expenses	-	-	(303)	(17,182)	480	-	-	(17,005)
7	Depreciation	-	-	-	-	-	-	159	159
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	-	(64)	-	-	50	-	-	(14)
10	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Total Operating Expense Before Income Taxes	-	(64)	(1,445)	(17,182)	530	(450)	159	(18,452)
17	State Income Tax	(36)	6	137	1,632	(50)	43	(15)	1,717
18	Federal Income Tax	(118)	20	445	5,287	(163)	15	(49)	5,437
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	(154)	(38)	(863)	(10,263)	317	(392)	95	(11,298)
21	NET OPERATING INCOME	\$ 154	\$ 38	\$ 863	\$ 10,263	\$ (317)	\$ 392	\$ (95)	\$ 11,298



**Killarney Water Company**  
**Rate Base**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Company Pro Forma Rate Base (Co. Sch. C)	Staff Adjustments (Sch 1.04 KI)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 636,130	\$ (2,350)	\$ 633,780
2	Less: Accumulated Depreciation	(174,152)	12,409	(161,743)
3	-	-	-	-
4	Net Plant	461,978	10,059	472,037
5	Additions to Rate Base			
6	Cash Working Capital	14,008	(2,873)	11,135
7	Deferred Charges	-	-	-
8	Net Pro forma Plant	170,000	-	170,000
9				
10	-	-	-	-
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	51	-	51
18	Accumulated Deferred Income Taxes	(49,643)	(704)	(50,347)
19	Adjustment to Rate Base Allocations	705	-	705
20	-	-	-	-
21	-	-	-	-
22	-	-	-	-
23	Rate Base	<u>\$ 597,099</u>	<u>\$ 6,482</u>	<u>\$ 603,581</u>

**Killarney Water Company**  
**Adjustments to Rate Base**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Working Capital (Sch. 1.08 KI)	Retire Plant (Sch. 2.01)	Accumulated Depreciation (Sch. 2.04)	Pro Forma Plant (Sch. 2.06)	ADIT (Sch. 2.08)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Gross Plant in Service	\$ -	\$ (6,350)	\$ -	\$ 4,000	\$ -	\$ -	\$ -	\$ (2,350)
2	Less: Accumulated Depreciation	-	6,350	6,459	(400)	-	-	-	12,409
3		-	-	-	-	-	-	-	-
4	Net Plant	-	-	6,459	3,600	-	-	-	10,059
5	Additions to Rate Base								-
6	Cash Working Capital	(2,873)	-	-	-	-	-	-	(2,873)
7	Deferred Charges	-	-	-	-	-	-	-	-
8	Net Pro forma Plant	-	-	-	-	-	-	-	-
9		-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accumulated Deferred Income Taxes	-	-	-	-	(704)	-	-	(704)
19	Adjustment to Rate Base Allocations	-	-	-	-	-	-	-	-
20		-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-
22		-	-	-	-	-	-	-	-
23	Rate Base	\$ (2,873)	\$ -	\$ 6,459	\$ 3,600	\$ (704)	\$ -	\$ -	\$ 6,482

**Killarney Water Company**  
**Revenue Effect of Adjustments**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Per Company (b)	Staff Adjustments (c)	Per Staff (d)
1	Present Revenues	\$ 66,901 <sup>(1)</sup>	\$ -	\$ 66,901 <sup>(2)</sup>
2	Proposed Increase	<u>163,529 <sup>(3)</sup></u>	<u>(24,718) <sup>(4)</sup></u>	<u>138,811 <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 230,430</u>	<u>\$ (24,718)</u>	<u>\$ 205,712</u>
4	% Increase	244.43%		207.49%
5	Staff Adjustments:			
6				
7	Rate Case Expense		(17,846)	
8	Rate of Return (Applied to Company Rate Base)		(6,237)	
9	Consumer Price Index		(1,501)	
10	Unaccounted for Water		(682)	
11	Working Capital		(331)	
12	Gross Revenue Conversion Factor		(152)	
13	Interest Synchronization		(116)	
14	ADIT		(81)	
15	Add-on Taxes		(66)	
16	Retire Plant		-	
17	Depreciation Expense		165	
18	Salares and Benefits		551	
19	Accumulated Depreciation		745	
20	Pro Forma Plant		831	
21	Rounding		<u>2</u>	
22	Total Revenue Effect of Staff Adjustments		<u>\$ (24,718)</u>	

Sources:

- (1) ICC Staff Exhibit 1.0, Schedule 1.01 KI, column (b), line 3
- (2) ICC Staff Exhibit 1.0, Schedule 1.01 KI, column (d), line 3
- (3) ICC Staff Exhibit 1.0, Schedule 1.01 KI, column (e), line 3
- (4) ICC Staff Exhibit 1.0, Schedule 1.01 KI, columns (f) + (h), line 3
- (5) ICC Staff Exhibit 1.0, Schedule 1.01 KI, column (j), line 1

**Killarney Water Company**  
**Interest Synchronization Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)
1	Staff Rate Base	\$ 603,581 (1)
2	Weighted Cost of Debt	3.34% (2)
3	Synchronized Interest Per Staff	20,132
4	Company Interest Expense	<u>19,749 (3)</u>
5	Increase (Decrease) in Interest Expense	<u>383</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ (36)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ (118)</u>

(1) Source: ICC Staff Ex. 1.0, Schedule 1.03 KI, Column (d).  
 (2) Source: ICC Staff Exhibit 3.0, Schedule 3.1  
 (3) Source: Company Schedule B, column "Pro Forma Proposed"

**Killarney Water Company**  
**Gross Revenue Conversion Factor**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	3.7180%	<u>0.037180</u>	
3	State Taxable Income		0.962820	1.000000
4	State Income Tax	9.5000%	<u>0.091468</u>	<u>0.095000</u>
5	Federal Taxable Income		0.871352	0.905000
6	Federal Income Tax	34.0000%	<u>0.296260</u>	<u>0.307700</u>
7	Operating Income		<u>0.575092</u>	<u>0.597300</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.738852</u>	<u>1.674201</u>

**Killarney Water Company**  
**Working Capital Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Maintenance Expenses	\$ 36,899	Schedule 1.01 KI, column (d), line 5
2	General Expense	48,580	Schedule 1.01 KI, column (d), line 6
3	Taxes Other Than Income	8,370	Schedule 1.01 KI, column (d), line 9
4	Less Real Estate Taxes	<u>(4,766)</u>	Company workpaper (e), line 4
5	Operating Expenses Subject to Working Capital Allowance	89,083	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Staff	11,135	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>14,008</u>	Company Schedule C, Water Operations, column "As Adjusted"
9	Staff Adjustment	<u><u>\$ (2,873)</u></u>	Line 7 less line 8

**Killarney Water Company**  
**Add-on Taxes Adjustment**  
For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Add-on Taxes per Staff	\$ -	
2	Add-on Taxes at present per Company	<u>64</u>	Company workpaper (e), line 4
3	Staff Proposed Adjustment	<u><u>\$ (64)</u></u>	Line 1 - line 2

**Killarney Water Company**  
**Consumer Price Index Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	CPI Increase to Maintenance Expenses per Staff	\$ -	
2	CPI Increase to Maintenance Expenses per Company:		
3	Purchased Power	\$ 414	Company Schedule B, col.(C), line 11
4	Maintenance and Repair	255	Company Schedule B, col.(C), line 13
5	Maintenance Testing	51	Company Schedule B, col.(C), line 14
6	Meter Reading	13	Company Schedule B, col.(C), line 15
7	Chemicals	108	Company Schedule B, col.(C), line 16
8	Transportation	230	Company workpaper (p2a), col. (C), line 6
9	Outside Services-Other	71	Company Schedule B, col.(C), line 19
10	Total CPI Increase to Maintenance Expenses per Company	<u>\$ 1,142</u>	Sum of lines 3 through 9
11	Staff Proposed Adjustment	<u>\$ (1,142)</u>	Line 1 - line 10
12	CPI Increase to General Expenses per Staff	\$ -	
13	CPI Increase to General Expenses per Company:		
14	Office Supplies & Other Office Exp.	\$ 192	Company Schedule B, col.(C), line 26
15	Rent	8	Company Schedule B, col.(C), line 29
16	Office Utilities	61	Company Schedule B, col.(C), line 31
17	Miscellaneous	42	Company Schedule B, col.(C), line 32
18	Total CPI Increase to General Expenses per Company	<u>\$ 303</u>	Sum of lines 14 through 17
19	Staff Proposed Adjustment	<u>\$ (303)</u>	Line 12 - line 18

Killarney Water Company  
 Rate Case Expense Adjustment  
 For the Test Year Ending September 30, 2010

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	\$ 30,000	\$ 30,000	
3	Customer notices	375	375	
4	Fed Ex, mailings, postage, and miscellaneous costs	2,000	2,000	
5	Travel	-	5,500	
6	Water Service Personnel	76,739	76,739	
7	External Consultants (SFIO Consulting)	<u>6,000</u>	<u>6,000</u>	
8	Total Rate Case Expense	\$ 115,114	\$ 120,614	
9	Amortization Period	<u>5</u>	<u>3</u>	
10	Amortization Expense per Year (Line 8/Line 9)	\$ 23,023	\$ 40,205	<u>\$ (17,182)</u>

Source:

Col. (b) Company Response to Staff Data Request DLH-2.05

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

**Killarney Water Company**  
**Pro Forma Salaries and Benefits Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Additional Salaries Expense per Staff	\$ 6,038	Company response to Staff Data Request DLH-2.03
2	Additional Salaries Expense per Company	<u>5,643</u>	Company workpaper (b), line 51
3	Staff Proposed Adjustment to General Expenses	<u>\$ 395</u>	Line 1 - line 2
4	Additional Payroll Taxes per Staff	\$ 484	Company response to Staff Data Request DLH-2.03
5	Additional Payroll Taxes per Company	<u>434</u>	Company workpaper (b), line 51
6	Staff Proposed Adjustment to Taxes Other Than Income	<u>\$ 50</u>	Line 4 - line 5
7	Additional Benefits Expense per Staff	\$ 1,075	Company response to Staff Data Request DLH-2.03
8	Additional Benefits Expense per Company	<u>990</u>	Company workpaper (b), line 51
9	Staff Proposed Adjustment to General Expenses	<u>\$ 85</u>	Line 7 - line 8

**Killarney Water Company**  
**Unaccounted-for Water Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Unaccounted-for Water Percentage	Unaccounted-for Water Adjustment
1	Total Water Pumped (gallons)	25,304,000 (A)	
2	Total Water Sold (gallons)	<u>19,555,000 (A)</u>	
3	Line 1 less Line 2	5,749,000	
4	Estimate of usage for flushing and softener backwashing (gallons)	<u>- (A)</u>	
5	Unaccounted-for Water (gallons) (Line 3 less Line 4)	5,749,000	
6	Unaccounted-for Water Percentage (Line 5 divided by Line 1)	22.7%	
7	Maximum Percentage per Tariff	<u>18.8% (B)</u>	
8	Excess Unaccounted-for Water Percentage (Line 7 less Line 6)	<u><u>-3.9%</u></u>	-3.9%
9	Maintenance Expenses		(C) \$ <u>11,492</u>
10	Staff Proposed Adjustment - Disallowed Maintenance Expenses (Line 8 x Line 9)		<u><u>\$ (450)</u></u>

Sources:

(A) 2010 Form 22 ILCC, page 20W

(B) ILL. C.C. No. 3 Original Sheet No. 4, effective February 12, 2007

(C) Company Schedule B, Water Operations, page 2 of 4, column "Per Books", Purchased Power (\$9,111) plus Chemicals (\$2,381)

Ferson Creek Utilities Company-Water Operations  
 Statement of Operating Income with Adjustments  
 For the Test Year Ending September 30, 2010

Line No.	Description	Company Pro Forma Present (Co. Sch. B)	Staff Adjustments (Sch 1.02 FC-W)	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Co. Sch. B)	Staff Gross Revenue Conversion Factor	Proposed Rates With Staff Adjustments (Cols. d+e+f)	Adjustment To Proposed Increase	Staff Pro Forma Proposed (Cols. g+h)	\$ Revenue Change (Cols. i-b)	% Revenue Change (Cols. j/b)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	Water Service Revenues	\$ 98,251	\$ -	\$ 98,251	\$ 98,428	\$ (92)	\$ 196,587	\$ (17,114)	\$ 179,473	\$ 81,222	82.67%
2	Miscellaneous Revenues	464	-	464	424	-	888	-	888	424	91.38%
3	Total Operating Revenues	98,715	-	98,715	98,852	\$ (92)	197,475	(17,114)	180,361	81,646	82.71%
4	Uncollectible Accounts	1,277	-	1,277	1,280	5	2,562	(223)	2,339		
5	Maintenance Expenses	35,273	(1,039)	34,234	-	-	34,234	-	34,234		
6	General Expenses	48,857	(8,301)	40,556	-	-	40,556	-	40,556		
7	Depreciation	43,689	(1,046)	42,643	-	-	42,643	-	42,643		
8	Amortization of CIAC	(18,073)	-	(18,073)	-	-	(18,073)	-	(18,073)		
9	Taxes Other Than Income	8,897	(44)	8,853	98	(98)	8,853	-	8,853		
10		-	-	-	-	-	-	-	-		
11		-	-	-	-	-	-	-	-		
12		-	-	-	-	-	-	-	-		
13		-	-	-	-	-	-	-	-		
14		-	-	-	-	-	-	-	-		
15	Total Operating Expense										
16	Before Income Taxes	119,920	(10,430)	109,490	1,378	(93)	110,775	(223)	110,552		
17	State Income Tax	(3,989)	961	(3,028)	9,260	-	6,232	(1,605)	4,627		
18	Federal Income Tax	(12,919)	2,823	(10,096)	29,992	1	19,897	(5,197)	14,700		
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-		
20	Total Operating Expenses	103,012	(6,646)	96,366	40,630	(92)	136,904	(7,025)	129,879		
21	NET OPERATING INCOME	\$ (4,297)	\$ 6,646	\$ 2,349	\$ 58,222	\$ -	\$ 60,571	\$ (10,089)	\$ 50,482		
22	Staff Rate Base (ICC Staff Exhibit 1.0, Schedule 1.03 FC-W, Column (d))								\$ 632,608		
23	Staff Overall Rate of Return (ICC Staff Exhibit 3.0, Schedule 3.1)								7.98%		

Ferson Creek Utilities Company-Water Operations  
 Adjustments to Operating Income  
 For the Test Year Ending September 30, 2010

Line No.	Description	Interest Synchronization (Sch. 1.06 FC-W)	Add-on Taxes (Sch. 1.09 FC-W)	Consumer Price Index (Sch. 1.10 FC-W)	Rate Case Expense (Sch. 1.11 FC-W)	Salaries and Benefits (Sch. 1.12 FC-W)	Depreciation Expense (Sch. 2.02)	(Source)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Water Service Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenues	-	-	-	-	-	-	-	-
3	Total Operating Revenues	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Maintenance Expenses	-	-	(1,039)	-	-	-	-	(1,039)
6	General Expenses	-	-	(451)	(8,374)	524	-	-	(8,301)
7	Depreciation	-	-	-	-	-	(1,046)	-	(1,046)
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	-	(98)	-	-	54	-	-	(44)
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense Before Income Taxes	-	(98)	(1,490)	(8,374)	578	(1,046)	-	(10,430)
17	State Income Tax	(30)	9	142	796	(55)	99	-	961
18	Federal Income Tax	(98)	30	458	2,577	(178)	34	-	2,823
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	(128)	(59)	(890)	(5,001)	345	(913)	-	(6,646)
21	NET OPERATING INCOME	\$ 128	\$ 59	\$ 890	\$ 5,001	\$ (345)	\$ 913	\$ -	\$ 6,646

**Ferson Creek Utilities Company-Water Operations**  
**Rate Base**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Company Pro Forma Rate Base (Co. Sch. C)	Staff Adjustments (Sch 1.04 FC-W)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 1,421,749	\$ (38,702)	\$ 1,383,047
2	Less: Accumulated Depreciation	(385,117)	43,332	(341,785)
3	-	-	-	-
4	Net Plant	1,036,632	4,630	1,041,262
5	Additions to Rate Base			
6	Cash Working Capital	11,628	(2,264)	9,364
7	Deferred Charges	-	-	-
8	-	-	-	-
9	-	-	-	-
10	-	-	-	-
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(339,117)	-	(339,117)
18	Accumulated Deferred Income Taxes	(81,533)	1,952	(79,581)
19	Adjustment to Rate Base Allocations	764	-	764
20	Customer Deposits	(84)	-	(84)
21	-	-	-	-
22	-	-	-	-
23	Rate Base	<u>\$ 628,290</u>	<u>\$ 4,318</u>	<u>\$ 632,608</u>

Ferson Creek Utilities Company-Water Operations  
 Adjustments to Rate Base  
 For the Test Year Ending September 30, 2010

Line No.	Description	Working Capital (Sch. 1.08 FC-W)	Retire Plant (Sch. 2.01)	Reclassify Plant (Sch. 2.07)	ADIT (Sch. 2.08)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Gross Plant in Service	\$ -	\$ (43,332)	\$ 4,630	\$ -	\$ -	\$ -	\$ -	\$ (38,702)
2	Less: Accumulated Depreciation	-	43,332	-	-	-	-	-	43,332
3		-	-	-	-	-	-	-	-
4	Net Plant	-	-	4,630	-	-	-	-	4,630
5	Additions to Rate Base								-
6	Cash Working Capital	(2,264)	-	-	-	-	-	-	(2,264)
7	Deferred Charges	-	-	-	-	-	-	-	-
8		-	-	-	-	-	-	-	-
9		-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accumulated Deferred Income Taxes	-	-	-	1,952	-	-	-	1,952
19	Adjustment to Rate Base Allocations	-	-	-	-	-	-	-	-
20		-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-
22		-	-	-	-	-	-	-	-
23	Rate Base	\$ (2,264)	\$ -	\$ 4,630	\$ 1,952	\$ -	\$ -	\$ -	\$ 4,318

**Ferson Creek Utilities Company-Water Operations**  
**Revenue Effect of Adjustments**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Per Company (b)	Staff Adjustments (c)	Per Staff (d)
1	Present Revenues	\$ 98,715 <sup>(1)</sup>	\$ -	\$ 98,715 <sup>(2)</sup>
2	Proposed Increase	<u>98,428 <sup>(3)</sup></u>	<u>(17,206) <sup>(4)</sup></u>	<u>81,222 <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 197,143</u>	<u>\$ (17,206)</u>	<u>\$ 179,937</u>
4	% Increase	99.71%		82.28%
5	Staff Adjustments:			
6				
7	Rate Case Expense		(8,483)	
8	Rate of Return (Applied to Company Rate Base)		(6,424)	
9	Depreciation Expense		(1,549)	
10	Consumer Price Index		(1,510)	
11	Working Capital		(255)	
12	Interest Synchronization		(118)	
13	Add-on Taxes		(100)	
14	Gross Revenue Conversion Factor		(92)	
15	Retire Plant		-	
16	ADIT		220	
17	Reclassify Plant		521	
18	Salares and Benefits		585	
19	Rounding		<u>(1)</u>	
20	Total Revenue Effect of Staff Adjustments		<u>\$ (17,206)</u>	

Sources:

- (1) ICC Staff Exhibit 1.0, Schedule 1.01 FC-W, column (b), line 3
- (2) ICC Staff Exhibit 1.0, Schedule 1.01 FC-W, column (d), line 3
- (3) ICC Staff Exhibit 1.0, Schedule 1.01 FC-W, column (e), line 3
- (4) ICC Staff Exhibit 1.0, Schedule 1.01 FC-W, columns (f) + (h), line 3
- (5) ICC Staff Exhibit 1.0, Schedule 1.01 FC-W, column (j), line 1

**Ferson Creek Utilities Company-Water Operations**  
**Interest Synchronization Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)
1	Staff Rate Base	\$ 632,608 (1)
2	Weighted Cost of Debt	3.34% (2)
3	Synchronized Interest Per Staff	21,100
4	Company Interest Expense	<u>20,781 (3)</u>
5	Increase (Decrease) in Interest Expense	<u>319</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ (30)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ (98)</u>

(1) Source: ICC Staff Ex. 1.0, Schedule 1.03 FC-W, Column (d).  
 (2) Source: ICC Staff Exhibit 3.0, Schedule 3.1  
 (3) Source: Company Schedule B, column "Pro Forma Proposed"

Ferson Creek Utilities Company-Water Operations  
 Gross Revenue Conversion Factor  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Rate (b)	Per Staff With Bad Debts (c)	Per Staff Without Bad Debts (d)
1	Revenues		1.000000	
2	Uncollectibles	1.3004%	<u>0.013004</u>	
3	State Taxable Income		0.986996	1.000000
4	State Income Tax	9.5000%	<u>0.093765</u>	<u>0.095000</u>
5	Federal Taxable Income		0.893231	0.905000
6	Federal Income Tax	34.0000%	<u>0.303699</u>	<u>0.307700</u>
7	Operating Income		<u>0.589532</u>	<u>0.597300</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.696261</u>	<u>1.674201</u>

Ferson Creek Utilities Company-Water Operations  
 Working Capital Adjustment  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Maintenance Expenses	\$ 34,234	Schedule 1.01 FC-W, column (d), line 5
2	General Expense	40,556	Schedule 1.01 FC-W, column (d), line 6
3	Taxes Other Than Income	8,853	Schedule 1.01 FC-W, column (d), line 9
4	Less Real Estate Taxes	<u>(8,727)</u>	Company workpaper (e), line 4
5	Operating Expenses Subject to Working Capital Allowance	74,916	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Staff	9,364	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>11,628</u>	Company Schedule C, Water Operations, column "As Adjusted"
9	Staff Adjustment	<u>\$ (2,264)</u>	Line 7 less line 8

Ferson Creek Utilities Company-Water Operations  
Add-on Taxes Adjustment  
For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Add-on Taxes per Staff	\$ -	
2	Add-on Taxes at present per Company	<u>98</u>	Company workpaper (e), line 3
3	Staff Proposed Adjustment	<u><u>\$ (98)</u></u>	Line 1 - line 2

**Ferson Creek Utilities Company-Water Operations**  
**Consumer Price Index Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	CPI Increase to Maintenance Expenses per Staff	\$ -	
2	CPI Increase to Maintenance Expenses per Company:		
3	Maintenance and Repair	\$ 181	Company Schedule B, col.(C), line 13
4	Maintenance Testing	66	Company Schedule B, col.(C), line 14
5	Meter Reading	42	Company Schedule B, col.(C), line 15
6	Chemicals	416	Company Schedule B, col.(C), line 16
7	Transportation	250	Company workpaper (p2a), col. (C), line 7
8	Outside Services-Other	84	Company Schedule B, col.(C), line 19
9	Total CPI Increase to Maintenance Expenses per Company	<u>\$ 1,039</u>	Sum of lines 3 through 8
10	Staff Proposed Adjustment	<u>\$ (1,039)</u>	Line 1 - line 9
11	CPI Increase to General Expenses per Staff	\$ -	
12	CPI Increase to General Expenses per Company:		
13	Office Supplies & Other Office Exp.	\$ 236	Company Schedule B, col.(C), line 26
14	Rent	10	Company Schedule B, col.(C), line 29
15	Office Utilities	157	Company Schedule B, col.(C), line 31
16	Miscellaneous	48	Company Schedule B, col.(C), line 32
17	Total CPI Increase to General Expenses per Company	<u>\$ 451</u>	Sum of lines 13 through 156
18	Staff Proposed Adjustment	<u>\$ (451)</u>	Line 11 - line 17

Ferson Creek Utilities Company-Water Operations  
 Rate Case Expense Adjustment  
 For the Test Year Ending September 30, 2010

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	\$ 30,000	\$ 30,000	
3	Customer notices	411	411	
4	Fed Ex, mailings, postage, and miscellaneous costs	1,000	1,000	
5	Travel	-	5,500	
6	Water Service Personnel	73,135	73,135	
7	External Consultants (SFIO Consulting)	<u>6,000</u>	<u>6,000</u>	
8	Total Rate Case Expense	\$ 110,546	\$ 116,046	
9	Amortization Period	<u>5</u>	<u>3</u>	
10	Amortization Expense per Year (Line 8/Line 9)	\$ 22,109	\$ 38,682	<u>\$ (16,573)</u>
11	Allocation to Water (line 10 col (d) * 50.53%)			<u>\$ (8,374)</u>

Source:

Col. (b) Company Response to Staff Data Request DLH-2.05

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

Line 11: Water per Customer allocation rate from Company workpaper Input Schedule

Ferson Creek Utilities Company-Water Operations  
 Pro Forma Salaries and Benefits Adjustment  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Additional Salaries Expense per Staff	\$ 6,596	Company response to Staff Data Request DLH-2.03 x 50.53%
2	Additional Salaries Expense per Company	<u>6,165</u>	Company workpaper (b), line 47
3	Staff Proposed Adjustment to General Expenses	<u>\$ 431</u>	Line 1 - line 2
4	Additional Payroll Taxes per Staff	\$ 528	Company response to Staff Data Request DLH-2.03 x 50.53%
5	Additional Payroll Taxes per Company	<u>474</u>	Company workpaper (b), line 47
6	Staff Proposed Adjustment to Taxes Other Than Income	<u>\$ 54</u>	Line 4 - line 5
7	Additional Benefits Expense per Staff	\$ 1,174	Company response to Staff Data Request DLH-2.03 x 50.53%
8	Additional Benefits Expense per Company	<u>1,081</u>	Company workpaper (b), line 47
9	Staff Proposed Adjustment to General Expenses	<u>\$ 93</u>	Line 7 - line 8



Ferson Creek Utilities Company-Sewer Operations  
 Adjustments to Operating Income  
 For the Test Year Ending September 30, 2010

Line No.	Description	Interest Synchronization (Sch. 1.06 FC-S)	Add-on Taxes (Sch. 1.09 FC-S)	Consumer Price Index (Sch. 1.10 FC-S)	Rate Case Expense (Sch. 1.11 FC-S)	Salaries and Benefits (Sch. 1.12 FC-S)	Depreciation Expense (Sch. 2.02)	(Source)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Sewer Service Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenues	-	-	-	-	-	-	-	-
3	Total Operating Revenues	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Maintenance Expenses	-	-	(3,432)	-	-	-	-	(3,432)
6	General Expenses	-	-	(442)	(8,199)	514	-	-	(8,127)
7	Depreciation	-	-	-	-	-	351	-	351
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	-	(130)	-	-	53	-	-	(77)
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense Before Income Taxes	-	(130)	(3,874)	(8,199)	567	351	-	(11,285)
17	State Income Tax	7	12	368	779	(54)	(33)	-	1,079
18	Federal Income Tax	23	40	1,192	2,523	(174)	(11)	-	3,593
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	30	(78)	(2,314)	(4,897)	339	307	-	(6,613)
21	NET OPERATING INCOME	\$ (30)	\$ 78	\$ 2,314	\$ 4,897	\$ (339)	\$ (307)	\$ -	\$ 6,613

**Ferson Creek Utilities Company-Sewer Operations**  
**Rate Base**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Company Pro Forma Rate Base (Co. Sch. C)	Staff Adjustments (Sch 1.04 FC-S)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 1,937,309	\$ (6,528)	\$ 1,930,781
2	Less: Accumulated Depreciation	(687,585)	1,898	(685,687)
3	-	-	-	-
4	Net Plant	1,249,724	(4,630)	1,245,094
5	Additions to Rate Base			
6	Cash Working Capital	17,798	(2,522)	15,276
7	Deferred Charges	-	-	-
8	-	-	-	-
9	-	-	-	-
10	-	-	-	-
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(549,453)	-	(549,453)
18	Accumulated Deferred Income Taxes	(79,764)	(462)	(80,226)
19	Adjustment to Rate Base Allocations	748	-	748
20	Customer Deposits	(83)	-	(83)
21	-	-	-	-
22	-	-	-	-
23	Rate Base	<u>\$ 638,970</u>	<u>\$ (7,614)</u>	<u>\$ 631,356</u>

Ferson Creek Utilities Company-Sewer Operations  
 Adjustments to Rate Base  
 For the Test Year Ending September 30, 2010

Line No.	Description	Working Capital (Sch. 1.08 FC-S)	Retire Plant (Sch. 2.01)	Reclassify Plant (Sch. 2.08)	ADIT (Sch. 2.08)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Gross Plant in Service	\$ -	\$ (1,898)	\$ (4,630)	\$ -	\$ -	\$ -	\$ -	\$ (6,528)
2	Less: Accumulated Depreciation	-	1,898	-	-	-	-	-	1,898
3		-	-	-	-	-	-	-	-
4	Net Plant	-	-	(4,630)	-	-	-	-	(4,630)
5	Additions to Rate Base								-
6	Cash Working Capital	(2,522)	-	-	-	-	-	-	(2,522)
7	Deferred Charges	-	-	-	-	-	-	-	-
8		-	-	-	-	-	-	-	-
9		-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accumulated Deferred Income Taxes	-	-	-	(462)	-	-	-	(462)
19	Adjustment to Rate Base Allocations	-	-	-	-	-	-	-	-
20		-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-
22		-	-	-	-	-	-	-	-
23	Rate Base	<u>\$ (2,522)</u>	<u>\$ -</u>	<u>\$ (4,630)</u>	<u>\$ (462)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,614)</u>

**Ferson Creek Utilities Company-Sewer Operations**  
**Revenue Effect of Adjustments**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Per Company (b)	Staff Adjustments (c)	Per Staff (d)
1	Present Revenues	\$ 132,779 <sup>(1)</sup>	\$ -	\$ 132,779 <sup>(2)</sup>
2	Proposed Increase	<u>120,240 <sup>(3)</sup></u>	<u>(18,863) <sup>(4)</sup></u>	<u>101,377 <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 253,019</u>	<u>\$ (18,863)</u>	<u>\$ 234,156</u>
4	% Increase	90.56%		76.35%
5	Staff Adjustments:			
6				
7	Rate Case Expense		(8,305)	
8	Rate of Return (Applied to Company Rate Base)		(6,497)	
9	Consumer Price Index		(3,925)	
10	Reclassify Plant		(521)	
11	Working Capital		(284)	
12	Add-On Taxes		(132)	
13	Interest Synchronization		(123)	
14	Gross Revenue Conversion Factor		(121)	
15	ADIT		(52)	
16	Retire Plant		-	
17	Depreciation Expense		521	
18	Salaries and Benefits		575	
19	Rounding		<u>1</u>	
20	Total Revenue Effect of Staff Adjustments		<u>\$ (18,863)</u>	

Sources:

- (1) ICC Staff Exhibit 1.0, Schedule 1.01 FC-S, column (b), line 3
- (2) ICC Staff Exhibit 1.0, Schedule 1.01 FC-S, column (d), line 3
- (3) ICC Staff Exhibit 1.0, Schedule 1.01 FC-S, column (e), line 3
- (4) ICC Staff Exhibit 1.0, Schedule 1.01 FC-S, columns (f) + (h), line 3
- (5) ICC Staff Exhibit 1.0, Schedule 1.01 FC-S, column (j), line 1

Ferson Creek Utilities Company-Sewer Operations  
 Interest Synchronization Adjustment  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)
1	Staff Rate Base	\$ 631,356 (1)
2	Weighted Cost of Debt	3.34% (2)
3	Synchronized Interest Per Staff	21,058
4	Company Interest Expense	<u>21,134</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(76)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ 7</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ 23</u>

(1) Source: ICC Staff Ex. 1.0, Schedule 1.03 FC-S, Column (d).  
 (2) Source: ICC Staff Exhibit 3.0, Schedule 3.1  
 (3) Source: Company Schedule B, column "Pro Forma Proposed"

Ferson Creek Utilities Company-Sewer Operations  
 Gross Revenue Conversion Factor  
 For the Test Year Ending September 30, 2010

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	1.2883%	<u>0.012883</u>	
3	State Taxable Income		0.987117	1.000000
4	State Income Tax	9.5000%	<u>0.093776</u>	<u>0.095000</u>
5	Federal Taxable Income		0.893341	0.905000
6	Federal Income Tax	34.0000%	<u>0.303736</u>	<u>0.307700</u>
7	Operating Income		<u>0.589605</u>	<u>0.597300</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.696051</u>	<u>1.674201</u>

Ferson Creek Utilities Company-Sewer Operations  
 Working Capital Adjustment  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Maintenance Expenses	\$ 82,267	Schedule 1.01 FC-S, column (d), line 5
2	General Expense	39,742	Schedule 1.01 FC-S, column (d), line 6
3	Taxes Other Than Income	8,670	Schedule 1.01 FC-S, column (d), line 9
4	Less Real Estate Taxes	<u>(8,542)</u>	Company workpaper (e), line 4
5	Operating Expenses Subject to Working Capital Allowance	122,137	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Staff	15,267	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>17,789</u>	Company Schedule C, Water Operations, column "As Adjusted"
9	Staff Adjustment	<u>\$ (2,522)</u>	Line 7 less line 8

Ferson Creek Utilities Company-Sewer Operations  
Add-on Taxes Adjustment  
For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Add-on Taxes per Staff	\$ -	
2	Add-on Taxes at present per Company	<u>130</u>	Company workpaper (e), line 3
3	Staff Proposed Adjustment	<u><u>\$ (130)</u></u>	Line 1 - line 2

**Ferson Creek Utilities Company-Sewer Operations**  
**Consumer Price Index Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	CPI Increase to Maintenance Expenses per Staff	\$ -	
2	CPI Increase to Maintenance Expenses per Company:		
3	Purchased Power	\$ 2,116	Company Schedule B, col.(C), line 11
4	Maintenance and Repair	438	Company Schedule B, col.(C), line 13
5	Maintenance Testing	139	Company Schedule B, col.(C), line 14
6	Chemicals	407	Company Schedule B, col.(C), line 16
7	Transportation	250	Company workpaper (p2a), col. (C), line 7
8	Outside Services-Other	82	Company Schedule B, col.(C), line 19
9	Total CPI Increase to Maintenance Expenses per Company	<u>\$ 3,432</u>	Sum of lines 3 through 8
10	Staff Proposed Adjustment	<u>\$ (3,432)</u>	Line 1 - line 9
11	CPI Increase to General Expenses per Staff	\$ -	
12	CPI Increase to General Expenses per Company:		
13	Office Supplies & Other Office Exp.	\$ 231	Company Schedule B, col.(C), line 26
14	Rent	10	Company Schedule B, col.(C), line 29
15	Office Utilities	154	Company Schedule B, col.(C), line 31
16	Miscellaneous	47	Company Schedule B, col.(C), line 32
17	Total CPI Increase to General Expenses per Company	<u>\$ 442</u>	Sum of lines 13 through 16
18	Staff Proposed Adjustment	<u>\$ (442)</u>	Line 11 - line 17

Ferson Creek Utilities Company-Sewer Operations  
 Rate Case Expense Adjustment  
 For the Test Year Ending September 30, 2010

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	\$ 30,000	\$ 30,000	
3	Customer notices	411	411	
4	Fed Ex, mailings, postage, and miscellaneous costs	1,000	1,000	
5	Travel	-	5,500	
6	Water Service Personnel	73,135	73,135	
7	External Consultants (SFIO Consulting)	<u>6,000</u>	<u>6,000</u>	
8	Total Rate Case Expense	\$ 110,546	\$ 116,046	
9	Amortization Period	<u>5</u>	<u>3</u>	
10	Amortization Expense per Year (Line 8/Line 9)	\$ 22,109	\$ 38,682	<u>\$ (16,573)</u>
11	Allocation to Sewer (line 10 col (d) * 49.47%)			<u>\$ (8,199)</u>

Source:

Col. (b) Company Response to Staff Data Request DLH-2.05

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

Line 11: Sewer per Customer allocation rate from Company workpaper Input Schedule

Ferson Creek Utilities Company-Sewer Operations  
 Pro Forma Salaries and Benefits Adjustment  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Additional Salaries Expense per Staff	\$ 6,458	Company response to Staff Data Request DLH-2.03 x 49.47%
2	Additional Salaries Expense per Company	<u>6,035</u>	Company workpaper (b), line 47
3	Staff Proposed Adjustment to General Expenses	<u>\$ 423</u>	Line 1 - line 2
4	Additional Payroll Taxes per Staff	\$ 517	Company response to Staff Data Request DLH-2.03 x 49.47%
5	Additional Payroll Taxes per Company	<u>464</u>	Company workpaper (b), line 47
6	Staff Proposed Adjustment to Taxes Other Than Income	<u>\$ 53</u>	Line 4 - line 5
7	Additional Benefits Expense per Staff	\$ 1,149	Company response to Staff Data Request DLH-2.03 x 49.47%
8	Additional Benefits Expense per Company	<u>1,058</u>	Company workpaper (b), line 47
9	Staff Proposed Adjustment to General Expenses	<u>\$ 91</u>	Line 7 - line 8

Harbor Ridge Utilities, Inc.-Water Operations  
 Statement of Operating Income with Adjustments  
 For the Test Year Ending September 30, 2010

Line No.	Description	Company Pro Forma Present (Co. Sch. B)	Staff Adjustments (Sch 1.02 HR-W)	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Co. Sch. B)	Staff Gross Revenue Conversion Factor	Proposed Rates With Staff Adjustments (Cols. d+e+f)	Adjustment To Proposed Increase	Staff Pro Forma Proposed (Cols. g+h)	\$ Revenue Change (Cols. i-b)	% Revenue Change (Cols. j/b)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	Water Service Revenues	\$ 71,230	\$ -	\$ 71,230	\$ 78,642	\$ (1,520)	\$ 148,352	\$ (14,189)	\$ 134,163	\$ 62,933	88.35%
2	Miscellaneous Revenues	6,474	-	6,474	793	-	7,267	-	7,267	793	12.25%
3	Total Operating Revenues	77,704	-	77,704	79,435	\$ (1,520)	155,619	(14,189)	141,430	63,726	82.01%
4	Uncollectible Accounts	2,811	(1,152)	1,659	3,104	(1,440)	3,323	(303)	3,020		
5	Maintenance Expenses	27,042	(919)	26,123	-	-	26,123	-	26,123		
6	General Expenses	41,855	(8,477)	33,378	-	-	33,378	-	33,378		
7	Depreciation	37,903	1,552	39,455	-	-	39,455	-	39,455		
8	Amortization of CIAC	(13,029)	-	(13,029)	-	-	(13,029)	-	(13,029)		
9	Taxes Other Than Income	2,889	(23)	2,866	79	(79)	2,866	-	2,866		
10		-	-	-	-	-	-	-	-		
11		-	-	-	-	-	-	-	-		
12		-	-	-	-	-	-	-	-		
13		-	-	-	-	-	-	-	-		
14		-	-	-	-	-	-	-	-		
15	Total Operating Expense										
16	Before Income Taxes	99,471	(9,019)	90,452	3,183	(1,519)	92,116	(303)	91,813		
17	State Income Tax	(3,481)	838	(2,643)	7,244	-	4,601	(1,319)	3,282		
18	Federal Income Tax	(11,274)	2,394	(8,880)	23,463	-	14,583	(4,273)	10,310		
19	Deferred Taxes and ITCs Net	(44)	-	(44)	-	-	(44)	-	(44)		
20	Total Operating Expenses	84,672	(5,787)	78,885	33,890	(1,519)	111,256	(5,895)	105,361		
21	NET OPERATING INCOME	\$ (6,968)	\$ 5,787	\$ (1,181)	\$ 45,545	\$ (1)	\$ 44,363	\$ (8,294)	\$ 36,069		
22	Staff Rate Base (ICC Staff Exhibit 1.0, Schedule 1.03 HR-W, Column (d))								\$ 451,988		
23	Staff Overall Rate of Return (ICC Staff Exhibit 3.0, Schedule 3.1)								7.98%		

**Harbor Ridge Utilities, Inc.-Water Operations**  
**Adjustments to Operating Income**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Interest Synchronization (Sch. 1.06 HR-W)	Add-on Taxes (Sch. 1.09 HR-W)	Consumer Price Index (Sch. 1.10 HR-W)	Rate Case Expense (Sch. 1.11 HR-W)	Salaries and Benefits (Sch. 1.12 HR-W)	Uncollectibles Expense (Sch. 1.13 HR-W)	Depreciation Expense (Sch. 2.02)	Subtotal Operating Statement Adjustments (i)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Water Service Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenues	-	-	-	-	-	-	-	-
3	Total Operating Revenues	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	(1,152)	-	(1,152)
5	Maintenance Expenses	-	-	(919)	-	-	-	-	(919)
6	General Expenses	-	-	(290)	(8,630)	443	-	-	(8,477)
7	Depreciation	-	-	-	-	-	-	1,547	1,547
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	-	(69)	-	-	46	-	-	(23)
10	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Total Operating Expense Before Income Taxes	-	(69)	(1,209)	(8,630)	489	(1,152)	1,547	(9,024)
17	State Income Tax	(20)	7	115	820	(46)	109	(147)	838
18	Federal Income Tax	(63)	21	372	2,656	(151)	37	(476)	2,396
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	(83)	(41)	(722)	(5,154)	292	(1,006)	924	(5,790)
21	NET OPERATING INCOME	\$ 83	\$ 41	\$ 722	\$ 5,154	\$ (292)	\$ 1,006	\$ (924)	\$ 5,790



**Harbor Ridge Utilities, Inc.-Water Operations**  
**Rate Base**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Company Pro Forma Rate Base (Co. Sch. C)	Staff Adjustments (Sch 1.04 HR-W)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 961,546	\$ 1,473	\$ 963,019
2	Less: Accumulated Depreciation	(255,530)	2,971	(252,559)
3		-	-	-
4	Net Plant	<u>706,016</u>	<u>4,444</u>	<u>710,460</u>
5	Additions to Rate Base			
6	Cash Working Capital	8,973	(1,198)	7,775
7	Deferred Charges	-	-	-
8	Net Pro Forma Plant	132,000	-	132,000
9				
10		-	-	-
11		-	-	-
12		-	-	-
13		-	-	-
14		-	-	-
15		-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(377,112)	-	(377,112)
18	Accumulated Deferred Income Taxes	(20,928)	(857)	(21,785)
19	Adjustment to Rate Base Allocations	650	-	650
20		-	-	-
21		-	-	-
22		<u>-</u>	<u>-</u>	<u>-</u>
23	Rate Base	<u>\$ 449,599</u>	<u>\$ 2,389</u>	<u>\$ 451,988</u>

Harbor Ridge Utilities, Inc.-Water Operations  
 Adjustments to Rate Base  
 For the Test Year Ending September 30, 2010

Line No.	Description	Working Capital (Sch. 1.08 HR-W)	Accumulated Depreciation (Sch. 2.04)	Pro Forma Plant (Sch. 2.06)	Reclassify Plant (Sch. 2.07)	ADIT (Sch. 2.08)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Gross Plant in Service	\$ -	\$ -	\$ 54	\$ 1,419	\$ -	\$ -	\$ -	\$ 1,473
2	Less: Accumulated Depreciation	-	2,976	(5)	-	-	-	-	2,971
3		-	-	-	-	-	-	-	-
4	Net Plant	-	2,976	49	1,419	-	-	-	4,444
5	Additions to Rate Base								-
6	Cash Working Capital	(1,198)	-	-	-	-	-	-	(1,198)
7	Deferred Charges	-	-	-	-	-	-	-	-
8	Net Pro Forma Plant	-	-	-	-	-	-	-	-
9		-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accumulated Deferred Income Taxes	-	-	-	-	(857)	-	-	(857)
19	Adjustment to Rate Base Allocations	-	-	-	-	-	-	-	-
20		-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-
22		-	-	-	-	-	-	-	-
23	Rate Base	<u>\$ (1,198)</u>	<u>\$ 2,976</u>	<u>\$ 49</u>	<u>\$ 1,419</u>	<u>\$ (857)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,389</u>

**Harbor Ridge Utilities, Inc.-Water Operations**  
**Revenue Effect of Adjustments**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Per Company (b)	Staff Adjustments (c)	Per Staff (d)
1	Present Revenues	\$ 77,704 <sup>(1)</sup>	\$ -	\$ 77,704 <sup>(2)</sup>
2	Proposed Increase	<u>78,642 <sup>(3)</sup></u>	<u>(15,709) <sup>(4)</sup></u>	<u>62,933 <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 156,346</u>	<u>\$ (15,709)</u>	<u>\$ 140,637</u>
4	% Increase	101.21%		80.99%
5	Staff Adjustments:			
6				
7	Rate Case Expense		(8,818)	
8	Rate of Return (Applied to Company Rate Base)		(4,617)	
9	Uncollectibles Expense		(1,721)	
10	Gross Revenue Conversion Factor		(1,520)	
11	Consumer Price Index		(1,235)	
12	Working Capital		(136)	
13	ADIT		(97)	
14	Interest Synchronization		(87)	
15	Add-on Taxes		(70)	
16	Pro Forma Plant		11	
17	Reclassify Plant		161	
18	Accumulated Depreciation		338	
19	Salares and Benefits		500	
20	Depreciation Expense		1,581	
21				
22	Rounding		<u>1</u>	
23	Total Revenue Effect of Staff Adjustments		<u>\$ (15,709)</u>	

**Sources:**

- (1) ICC Staff Exhibit 1.0, Schedule 1.01 HR-W, column (b), line 3
- (2) ICC Staff Exhibit 1.0, Schedule 1.01 HR-W, column (d), line 3
- (3) ICC Staff Exhibit 1.0, Schedule 1.01 HR-W, column (e), line 3
- (4) ICC Staff Exhibit 1.0, Schedule 1.01 HR-W, columns (f) + (h), line 3
- (5) ICC Staff Exhibit 1.0, Schedule 1.01 HR-W, column (j), line 1

Harbor Ridge Utilities, Inc.-Water Operations  
Interest Synchronization Adjustment  
For the Test Year Ending September 30, 2010

Line No.	Description	Amount
	(a)	(b)
1	Staff Rate Base	\$ 451,988 (1)
2	Weighted Cost of Debt	3.34% (2)
3	Synchronized Interest Per Staff	15,076
4	Company Interest Expense	<u>14,870</u> (3)
5	Increase (Decrease) in Interest Expense	<u>206</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ (20)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ (63)</u>

(1) Source: ICC Staff Ex. 1.0, Schedule 1.03 HR-W, Column (d).

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

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

Harbor Ridge Utilities, Inc.-Water Operations  
 Gross Revenue Conversion Factor  
 For the Test Year Ending September 30, 2010

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles (1)	2.1347%	<u>0.021347</u>	
3	State Taxable Income		0.978653	1.000000
4	State Income Tax	9.5000%	<u>0.092972</u>	<u>0.095000</u>
5	Federal Taxable Income		0.885681	0.905000
6	Federal Income Tax	34.0000%	<u>0.301132</u>	<u>0.307700</u>
7	Operating Income		<u>0.584549</u>	<u>0.597300</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.710721</u>	<u>1.674201</u>

Harbor Ridge Utilities, Inc.-Water Operations  
 Working Capital Adjustment  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Maintenance Expenses	\$ 26,123	Schedule 1.01 HR-W, column (d), line 5
2	General Expense	33,378	Schedule 1.01 HR-W, column (d), line 6
3	Taxes Other Than Income	2,866	Schedule 1.01 HR-W, column (d), line 9
4	Less Real Estate Taxes	<u>(164)</u>	Company workpaper (e), line 4
5	Operating Expenses Subject to Working Capital Allowance	62,203	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Staff	7,775	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>8,973</u>	Company Schedule C, Water Operations, column "As Adjusted"
9	Staff Adjustment	<u><u>\$ (1,198)</u></u>	Line 7 less line 8

Harbor Ridge Utilities, Inc.-Water Operations  
Add-on Taxes Adjustment  
For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Add-on Taxes per Staff	\$ -	
2	Add-on Taxes at present per Company	<u>69</u>	Company workpaper (e), line 4
3	Staff Proposed Adjustment	<u><u>\$ (69)</u></u>	Line 1 - line 2

**Harbor Ridge Utilities, Inc.-Water Operations**  
**Consumer Price Index Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	CPI Increase to Maintenance Expenses per Staff	\$ -	
2	CPI Increase to Maintenance Expenses per Company:		
3	Purchased Power	\$ 323	Company Schedule B, col.(C), line 11
4	Maintenance and Repair	230	Company Schedule B, col.(C), line 13
5	Maintenance Testing	51	Company Schedule B, col.(C), line 14
6	Chemicals	29	Company Schedule B, col.(C), line 16
7	Transportation	223	Company workpaper (p2a), col. (C), line 6
8	Outside Services-Other	63	Company Schedule B, col.(C), line 19
9	Total CPI Increase to Maintenance Expenses per Company	<u>\$ 919</u>	Sum of lines 3 through 8
10	Staff Proposed Adjustment	<u><u>\$ (919)</u></u>	Line 1 - line 9
11	CPI Increase to General Expenses per Staff	\$ -	
12	CPI Increase to General Expenses per Company:		
13	Office Supplies & Other Office Exp.	\$ 171	Company Schedule B, col.(C), line 26
14	Rent	8	Company Schedule B, col.(C), line 29
15	Office Utilities	63	Company Schedule B, col.(C), line 31
16	Miscellaneous	48	Company Schedule B, col.(C), line 32
17	Total CPI Increase to General Expenses per Company	<u>\$ 290</u>	Sum of lines 13 through 16
18	Staff Proposed Adjustment	<u><u>\$ (290)</u></u>	Line 11 - line 17

Harbor Ridge Utilities, Inc.-Water Operations  
 Rate Case Expense Adjustment  
 For the Test Year Ending September 30, 2010

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	\$ 30,000	\$ 30,000	
3	Customer notices	347	347	
4	Fed Ex, mailings, postage, and miscellaneous costs	2,000	2,000	
5	Travel	-	5,500	
6	Water Service Personnel	76,739	76,739	
7	External Consultants (SFIO Consulting)	<u>6,000</u>	<u>6,000</u>	
8	Total Rate Case Expense	\$ 115,086	\$ 120,586	
9	Amortization Period	<u>5</u>	<u>3</u>	
10	Amortization Expense per Year (Line 8/Line 9)	\$ 23,017	\$ 40,195	<u>\$ (17,178)</u>
11	Allocation to Water (line 10 col (d) * 50.24%)			<u>\$ (8,630)</u>

Source:

Col. (b) Company Response to Staff Data Request DLH-2.05

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

Line 11: Water per Customer allocation rate from Company workpaper Input Schedule

**Harbor Ridge Utilities, Inc.-Water Operations**  
**Pro Forma Salaries and Benefits Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Additional Salaries Expense per Staff	\$ 5,568	Company response to Staff Data Request DLH-2.03 x 50.24%
2	Additional Salaries Expense per Company	<u>5,203</u>	Company workpaper (b), line 52
3	Staff Proposed Adjustment to General Expenses	<u>\$ 365</u>	Line 1 - line 2
4	Additional Payroll Taxes per Staff	\$ 446	Company response to Staff Data Request DLH-2.03 x 50.24%
5	Additional Payroll Taxes per Company	<u>400</u>	Company workpaper (b), line 52
6	Staff Proposed Adjustment to Taxes Other Than Income	<u>\$ 46</u>	Line 4 - line 5
7	Additional Benefits Expense per Staff	\$ 991	Company response to Staff Data Request DLH-2.03 x 50.24%
8	Additional Benefits Expense per Company	<u>912</u>	Company workpaper (b), line 52
9	Staff Proposed Adjustment to General Expenses	<u>\$ 79</u>	Line 7 - line 8

**Harbor Ridge Utilities, Inc.-Water Operations**  
**Uncollectibles Expense Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Uncollectible Expense per Staff	\$ 1,659	Line 5
2	Uncollectible Expense per Company	<u>2,811</u>	Company Schedule B, col. (B), line 5
3	Staff Proposed Adjustment to Uncollectible Expense at Present Rates	<u>\$ (1,152)</u>	Line 2 - line 1
4	Present Revenues per Company	\$ 77,704	Company Schedule B, col. (D), line 3 + line 4
5	Uncollectible Expense at Present Rates per Staff	\$ 1,659	Line 4 x Sch. 1.13 HR-W, col. (d), line 7

**Harbor Ridge Utilities, Inc.-Water Operations**  
**Uncollectibles Expense Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Expense (b)	Revenue (c)	Percent (d)
1	2010 Water	\$ 983	74,679	
2	2010 Sewer	974	33,553	
3	Total 2010	\$ 1,957	108,232	1.8082%
4	2009 Water	\$ 1,193	72,022	
5	2009 Sewer	1,179	22,540	
6	Total 2009	\$ 2,372	94,562	2.5084%
7	Weighted Average	\$ 4,329	202,794	2.1347%

Source:  
 Col. (b) and (c) Form 22  
 Col. (d) Col. (b) / (c)  
 Line 7 Sum of lines 3 + 6

**Harbor Ridge Utilities, Inc.-Sewer Operations**  
**Statement of Operating Income with Adjustments**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Company Pro Forma Present (Co. Sch. B)	Staff Adjustments (Sch 1.02 HR-S)	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Co. Sch. B)	Staff Gross Revenue Conversion Factor	Proposed Rates With Staff Adjustments (Cols. d+e+f)	Adjustment To Proposed Increase	Staff Pro Forma Proposed (Cols. g+h)	\$ Revenue Change (Cols. i-b)	% Revenue Change (Cols. j/b)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	Sewer Service Revenues	\$ 29,582	\$ -	\$ 29,582	\$ 43,004	\$ (441)	\$ 72,145	\$ (9,851)	\$ 62,294	\$ 32,712	110.58%
2	Miscellaneous Revenues	2,207	-	2,207	-	-	2,207	-	2,207	-	0.00%
3	Total Operating Revenues	31,789	-	31,789	43,004	\$ (441)	74,352	(9,851)	64,501	32,712	102.90%
4	Uncollectible Accounts	958	(279)	679	1,393	(483)	1,589	(210)	1,379		
5	Maintenance Expenses	13,607	(356)	13,251	-	-	13,251	-	13,251		
6	General Expenses	41,461	(8,397)	33,064	-	-	33,064	-	33,064		
7	Depreciation	7,473	293	7,766	-	-	7,766	-	7,766		
8	Amortization of CIAC	(872)	-	(872)	-	-	(872)	-	(872)		
9	Taxes Other Than Income	2,818	23	2,841	(43)	43	2,841	-	2,841		
10	Expense Allocation Admt.	-	-	-	-	-	-	-	-		
11		-	-	-	-	-	-	-	-		
12		-	-	-	-	-	-	-	-		
13		-	-	-	-	-	-	-	-		
14		-	-	-	-	-	-	-	-		
15	Total Operating Expense										
16	Before Income Taxes	65,445	(8,717)	56,728	1,350	(440)	57,638	(210)	57,428		
17	State Income Tax	(3,405)	830	(2,575)	3,957	-	1,382	(916)	466		
18	Federal Income Tax	(11,030)	2,610	(8,420)	12,817	-	4,397	(2,967)	1,430		
19	Deferred Taxes and ITCs Net	(15)	-	(15)	-	-	(15)	-	(15)		
20	Total Operating Expenses	50,995	(5,277)	45,718	18,124	(440)	63,402	(4,093)	59,309		
21	NET OPERATING INCOME	\$ (19,206)	\$ 5,277	\$ (13,929)	\$ 24,880	\$ (1)	\$ 10,950	\$ (5,758)	\$ 5,192		
22	Staff Rate Base (ICC Staff Exhibit 1.0, Schedule 1.03 HR-S, Column (d))								\$ 65,053		
23	Staff Overall Rate of Return (ICC Staff Exhibit 3.0, Schedule 3.1)								7.98%		

**Harbor Ridge Utilities, Inc.-Sewer Operations**  
**Adjustments to Operating Income**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Interest Synchronization (Sch. 1.06 HR-S)	Add-on Taxes (Sch. 1.09 HR-S)	Consumer Price Index (Sch. 1.10 HR-S)	Rate Case Expense (Sch. 1.11 HR-S)	Salaries and Benefits (Sch. 1.12 HR-S)	Uncollectibles Expense (Sch. 1.13 HR-S)	Depreciation Expense (Sch. 2.02)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Sewer Service Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenues	-	-	-	-	-	-	-	-
3	Total Operating Revenues	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	(279)	-	(279)
5	Maintenance Expenses	-	-	(356)	-	-	-	-	(356)
6	General Expenses	-	-	(287)	(8,548)	438	-	-	(8,397)
7	Depreciation	-	-	-	-	-	-	293	293
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	-	(23)	-	-	46	-	-	23
10	Expense Allocation Admt.	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Total Operating Expense	-	(23)	(643)	(8,548)	484	(279)	293	(8,717)
16	Before Income Taxes	-	(23)	(643)	(8,548)	484	(279)	293	(8,717)
17	State Income Tax	2	2	61	812	(46)	27	(28)	830
18	Federal Income Tax	5	7	198	2,630	(149)	9	(90)	2,610
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	7	(14)	(384)	(5,106)	289	(243)	175	(5,277)
21	NET OPERATING INCOME	\$ (7)	\$ 14	\$ 384	\$ 5,106	\$ (289)	\$ 243	\$ (175)	\$ 5,277

**Harbor Ridge Utilities, Inc.-Sewer Operations**  
**Rate Base**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Company Pro Forma Rate Base (Co. Sch. C)	Staff Adjustments (Sch 1.04 HR-S)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 182,930	\$ (1,419)	\$ 181,511
2	Less: Accumulated Depreciation	(210,855)	52,740	(158,115)
3	-	-	-	-
4	Net Plant	(27,925)	51,321	23,396
5	Additions to Rate Base			
6	Cash Working Capital	7,236	(1,112)	6,124
7	Deferred Charges	-	-	-
8	-	-	-	-
9	-	-	-	-
10	-	-	-	-
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	106,889	(50,456)	56,433
18	Accumulated Deferred Income Taxes	(20,731)	(813)	(21,544)
19	Adjustment to Rate Base Allocations	644	-	644
20	-	-	-	-
21	-	-	-	-
22	-	-	-	-
23	Rate Base	<u>\$ 66,113</u>	<u>\$ (1,060)</u>	<u>\$ 65,053</u>

Harbor Ridge Utilities, Inc.-Sewer Operations  
 Adjustments to Rate Base  
 For the Test Year Ending September 30, 2010

Line No.	Description	Working Capital (Sch. 1.08 HR-S)	Accumulated Depreciation (Sch. 2.04)	CIAC (Sch. 2.05)	Reclassify Plant (Sch. 2.07)	ADIT (Sch. 2.08)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Gross Plant in Service	\$ -	\$ -	\$ -	\$ (1,419)	\$ -	\$ -	\$ -	\$ (1,419)
2	Less: Accumulated Depreciation	-	52,740	-	-	-	-	-	52,740
3		-	-	-	-	-	-	-	-
4	Net Plant	-	52,740	-	(1,419)	-	-	-	51,321
5	Additions to Rate Base								-
6	Cash Working Capital	(1,112)	-	-	-	-	-	-	(1,112)
7	Deferred Charges	-	-	-	-	-	-	-	-
8		-	-	-	-	-	-	-	-
9		-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	(50,456)	-	-	-	-	(50,456)
18	Accumulated Deferred Income Taxes	-	-	-	-	(813)	-	-	(813)
19	Adjustment to Rate Base Allocations	-	-	-	-	-	-	-	-
20		-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-
22		-	-	-	-	-	-	-	-
23	Rate Base	\$ (1,112)	\$ 52,740	\$ (50,456)	\$ (1,419)	\$ (813)	\$ -	\$ -	\$ (1,060)

**Harbor Ridge Utilities, Inc.-Sewer Operations**  
**Revenue Effect of Adjustments**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Per Company (b)	Staff Adjustments (c)	Per Staff (d)
1	Present Revenues	\$ 31,789 <sup>(1)</sup>	\$ -	\$ 31,789 <sup>(2)</sup>
2	Proposed Increase	<u>43,004</u> <sup>(3)</sup>	<u>(10,292)</u> <sup>(4)</sup>	<u>32,712</u> <sup>(5)</sup>
3	Proposed Revenues	<u>\$ 74,793</u>	<u>\$ (10,292)</u>	<u>\$ 64,501</u>
4	% Increase	135.28%		102.90%
5	Staff Adjustments:			
6				
7	Rate Case Expense		(8,735)	
8	CIAC		(5,725)	
9	Rate of Return (Applied to Company Rate Base)		(680)	
10	Consumer Price Index		(657)	
11	Gross Revenue Conversion Factor		(441)	
12	Uncollectibles Expense		(416)	
13	Reclassify Plant		(161)	
14	Working Capital		(126)	
15	ADIT		(92)	
16	Add-on Taxes		(24)	
17	Interest Synchronization		(12)	
18	Depreciation Expense		299	
19	Salaries and Benefits		494	
20	Accumulated Depreciation		5,984	
21				
22	Rounding		-	
23	Total Revenue Effect of Staff Adjustments		<u>\$ (10,292)</u>	

Sources:

- (1) ICC Staff Exhibit 1.0, Schedule 1.01 HR-S, column (b), line 3
- (2) ICC Staff Exhibit 1.0, Schedule 1.01 HR-S, column (d), line 3
- (3) ICC Staff Exhibit 1.0, Schedule 1.01 HR-S, column (e), line 3
- (4) ICC Staff Exhibit 1.0, Schedule 1.01 HR-S, columns (f) + (h), line 3
- (5) ICC Staff Exhibit 1.0, Schedule 1.01 HR-S, column (j), line 1

**Harbor Ridge Utilities, Inc.-Sewer Operations**  
**Interest Synchronization Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)
1	Staff Rate Base	\$ 65,053 (1)
2	Weighted Cost of Debt	3.34% (2)
3	Synchronized Interest Per Staff	2,170
4	Company Interest Expense	<u>2,187</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(17)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ 2</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ 5</u>

(1) Source: ICC Staff Ex. 1.0, Schedule 1.03 HR-S, Column (d).  
 (2) Source: ICC Staff Exhibit 3.0, Schedule 3.1  
 (3) Source: Company Schedule B, column "Pro Forma Proposed"

**Harbor Ridge Utilities, Inc.-Sewer Operations**  
**Gross Revenue Conversion Factor**  
 For the Test Year Ending September 30, 2010

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	2.1347%	<u>0.021347</u>	
3	State Taxable Income		0.978653	1.000000
4	State Income Tax	9.5000%	<u>0.092972</u>	<u>0.095000</u>
5	Federal Taxable Income		0.885681	0.905000
6	Federal Income Tax	34.0000%	<u>0.301132</u>	<u>0.307700</u>
7	Operating Income		<u>0.584549</u>	<u>0.597300</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.710721</u>	<u>1.674201</u>

**Harbor Ridge Utilities, Inc.-Sewer Operations**  
**Working Capital Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Maintenance Expenses	\$ 13,251	Schedule 1.01 HR-S, column (d), line 5
2	General Expense	33,064	Schedule 1.01 HR-S, column (d), line 6
3	Taxes Other Than Income	2,841	Schedule 1.01 HR-S, column (d), line 9
4	Less Real Estate Taxes	<u>(162)</u>	Company workpaper (e), line 4
5	Operating Expenses Subject to Working Capital Allowance	48,994	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Staff	6,124	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>7,236</u>	Company Schedule C, Water Operations, column "As Adjusted"
9	Staff Adjustment	<u><u>\$ (1,112)</u></u>	Line 7 less line 8

Harbor Ridge Utilities, Inc.-Sewer Operations  
Add-on Taxes Adjustment  
For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Add-on Taxes per Staff	\$ -	
2	Add-on Taxes at present per Company	<u>23</u>	Company workpaper (e), line 4
3	Staff Proposed Adjustment	<u><u>\$ (23)</u></u>	Line 1 - line 2

**Harbor Ridge Utilities, Inc.-Sewer Operations**  
**Consumer Price Index Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	CPI Increase to Maintenance Expenses per Staff	\$ -	
2	CPI Increase to Maintenance Expenses per Company:		
3	Maintenance and Repair	\$ 40	Company Schedule B, col.(C), line 13
4	Maintenance Testing	1	Company Schedule B, col.(C), line 14
5	Chemicals	29	Company Schedule B, col.(C), line 16
6	Transportation	223	Company workpaper (p2a), col. (C), line 6
7	Outside Services-Other	63	Company Schedule B, col.(C), line 19
8	Total CPI Increase to Maintenance Expenses per Company	<u>\$ 356</u>	Sum of lines 3 through 7
9	Staff Proposed Adjustment	<u><u>\$ (356)</u></u>	Line 1 - line 8
10	CPI Increase to General Expenses per Staff	\$ -	
11	CPI Increase to General Expenses per Company:		
12	Office Supplies & Other Office Exp.	\$ 169	Company Schedule B, col.(C), line 26
13	Rent	8	Company Schedule B, col.(C), line 29
14	Office Utilities	63	Company Schedule B, col.(C), line 31
15	Miscellaneous	47	Company Schedule B, col.(C), line 32
16	Total CPI Increase to General Expenses per Company	<u>\$ 287</u>	Sum of lines 12 through 15
17	Staff Proposed Adjustment	<u><u>\$ (287)</u></u>	Line 10 - line 16

Harbor Ridge Utilities, Inc.-Sewer Operations  
 Rate Case Expense Adjustment  
 For the Test Year Ending September 30, 2010

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	\$ 30,000	\$ 30,000	
3	Customer notices	347	347	
4	Fed Ex, mailings, postage, and miscellaneous costs	2,000	2,000	
5	Travel	-	5,500	
6	Water Service Personnel	76,739	76,739	
7	External Consultants (SFIO Consulting)	<u>6,000</u>	<u>6,000</u>	
8	Total Rate Case Expense	\$ 115,086	\$ 120,586	
9	Amortization Period	<u>5</u>	<u>3</u>	
10	Amortization Expense per Year (Line 8/Line 9)	\$ 23,017	\$ 40,195	<u>\$ (17,178)</u>
11	Allocation to Sewer (line 10 col (d) * 49.76%)			<u>\$ (8,548)</u>

Source:

Col. (b) Company Response to Staff Data Request DLH-2.05

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

Line 11: Sewer per Customer allocation rate from Company workpaper Input Schedule

**Harbor Ridge Utilities, Inc.-Sewer Operations**  
**Pro Forma Salaries and Benefits Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Additional Salaries Expense per Staff	\$ 5,514	Company response to Staff Data Request DLH-2.03 x 49.76%
2	Additional Salaries Expense per Company	<u>5,154</u>	Company workpaper (b), line 52
3	Staff Proposed Adjustment to General Expenses	<u><u>\$ 360</u></u>	Line 1- line 2
4	Additional Payroll Taxes per Staff	\$ 442	Company response to Staff Data Request DLH-2.03 x 49.76%
5	Additional Payroll Taxes per Company	<u>396</u>	Company workpaper (b), line 52
6	Staff Proposed Adjustment to Taxes Other Than Income	<u><u>\$ 46</u></u>	Line 4 - line 5
7	Additional Benefits Expense per Staff	\$ 981	Company response to Staff Data Request DLH-2.03 x 49.76%
8	Additional Benefits Expense per Company	<u>904</u>	Company workpaper (b), line 52
9	Staff Proposed Adjustment to General Expenses	<u><u>\$ 77</u></u>	Line 7 - line 8

**Harbor Ridge Utilities, Inc.-Sewer Operations**  
**Uncollectibles Expense Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Amount (b)	Source (c)
1	Uncollectible Expense per Staff	\$ 679	Line 5
2	Uncollectible Expense per Company	<u>958</u>	Company Schedule B, col. (B), line 5
3	Staff Proposed Adjustment to Uncollectible Expense at Present Rates	<u><u>\$ (279)</u></u>	Line 1 - line 2
4	Present Revenues per Company	\$ 31,789	Company Schedule B, col. (D), line 3 + line 4
5	Uncollectible Expense at Present Rates per Staff	\$ 679	Line 4 x Sch. 1.13 HR-S, col. (d), line 7

**Harbor Ridge Utilities, Inc.-Sewer Operations**  
**Uncollectibles Expense Adjustment**  
 For the Test Year Ending September 30, 2010

Line No.	Description (a)	Expense (b)	Revenue (c)	Percent (d)
1	2010 Water	\$ 983	74,679	
2	2010 Sewer	974	33,553	
3	Total 2010	\$ 1,957	108,232	1.8082%
4	2009 Water	\$ 1,193	72,022	
5	2009 Sewer	1,179	22,540	
6	Total 2009	\$ 2,372	94,562	2.5084%
7	Weighted Average	\$ 4,329	202,794	2.1347%

Source:  
 Col. (b) and (c) Form 22  
 Col. (d) Col. (b) / (c)  
 Line 7 Sum of lines 3 + 6