

**REBUTTAL 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.)**

**December 15, 2011**

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**SCHEDULES**

Schedule 9.01	Statement of Operating Income with Adjustments
Schedule 9.02	Adjustments to Operating Income
Schedule 9.03	Rate Base
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Schedule 9.05	Revenue Effect of Adjustments
Schedule 9.06	Interest Synchronization Adjustment
Schedule 9.07	Gross Revenue Conversion Factor
Schedule 9.08	Working Capital 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. Have you previously testified in this proceeding?**

7 A. Yes, my direct testimony is ICC Staff Exhibit 1.0.

8

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

10 A. The purpose of my testimony is to present Staff's adjusted Statements of  
11 Operating Income and Rate Base for Charmar Water Company  
12 ("Charmar"), Cherry Hill Water Company ("Cherry Hill"), Clarendon Water  
13 Company ("Clarendon"), Ferson Creek Utilities Company ("Ferson  
14 Creek"), Harbor Ridge Utilities, Inc. ("Harbor Ridge"), and Killarney Water  
15 Company ("Killarney") (individually, the "Company" and collectively, the  
16 "Companies"). I also propose adjustments to working capital, and  
17 respond to the Companies' and the People of the State of Illinois ("AG")  
18 testimony concerning working capital and rate case expenses. Finally, I  
19 discuss the status of the outstanding issue concerning affiliated  
20 transactions from my direct testimony.

21

22 **Q. Are you sponsoring any schedules as part of your rebuttal**  
23 **testimony?**

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

27

28 Revenue Requirement Schedules

29	Schedule 9.01	Statement of Operating Income with Adjustments
30	Schedule 9.02	Adjustments to Operating Income
31	Schedule 9.03	Rate Base
32	Schedule 9.04	Adjustments to Rate Base
33	Schedule 9.05	Revenue Effect of Adjustments
34	Schedule 9.06	Interest Synchronization Adjustment
35	Schedule 9.07	Gross Revenue Conversion Factor

36

37 Adjustment Schedules

38	Schedule 9.08	Working Capital Adjustment
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39

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

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

44	CM	Charmar
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45	CH	Cherry Hill
----	----	-------------

46	CL	Clarendon
----	----	-----------

47 FC-W Ferson Creek water operations

48 FC-S Ferson Creek sewer operations

49 HR-W Harbor Ridge water operations

50 HR-S Harbor Ridge sewer operations

51 KI Killarney

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

54

55 **Attachments**

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

57 A. No.

58

59 **Revenue Requirement Schedules**

60 **Q. Please describe ICC Staff Exhibit 9.0, Schedule 9.01, Statement of**  
61 **Operating Income with Adjustments.**

62 A. The description of Schedules 9.01 is the same as for Schedules 1.01,  
63 which is described in my direct testimony, except that each Schedule  
64 9.01 incorporates the Companies' rebuttal positions described in the  
65 Companies' Ex. 3.0 and 3.1, and Staff's rebuttal positions.

66

67 **Q. Please describe Schedule 9.02, Adjustments to Operating Income.**

68 A. The description of Schedules 9.02 is the same as for Schedules 1.02,  
69 which is described in my direct testimony.

70

71 **Q. Please describe Schedule 9.03, Rate Base.**

72 A. The description of Schedules 9.03 is the same as for Schedules 1.03  
73 which is described in my direct testimony, except that Schedules 10.3  
74 incorporate the Companies' and Staff's rebuttal positions.

75

76 **Q. Please describe Schedule 9.04, Adjustments to Rate Base.**

77 A. The description of Schedules 9.04 is the same as for Schedules 1.04,  
78 which is described in my direct testimony.

79

80 **Revenue Effect of Adjustments**

81 **Q. Please describe Schedule 9.05, Revenue Effect of Adjustments.**

82 A. Schedules 9.05 use the same concept as Staff Ex. 1.0, Schedules 1.05.  
83 The theory is discussed beginning on page 6 of my direct testimony.

84

85 **Interest Synchronization**

86 **Q. Please describe Schedule 9.06, Interest Synchronization Adjustment.**

87 A. Schedules 9.06 use the same concept as Staff Ex. 1.0, Schedules 1.06.  
88 The theory is discussed beginning on page 6 of my direct testimony.

89

90 **Gross Revenue Conversion Factor**

91 **Q. Please describe Schedule 9.07, Gross Revenue Conversion Factor.**

92 A. Schedules 9.07 use the same concept as Staff Ex. 1.0, Schedules 1.07.

93 The theory is discussed beginning on page 7 of my direct testimony.

94

95 **Uncontested Adjustments**

96 **Q. Did the Companies accept any of your adjustments from direct**  
97 **testimony?**

98 A. Yes. The Companies did not oppose the following adjustments (Co. Ex.  
99 3.0):

100 Schedule 1.09 Add-on Taxes Adjustment  
101 Schedule 1.10 Consumer Price Index Adjustment  
102 Schedule 1.12 Pro Forma Salaries and Benefits Adjustment  
103 Schedule 1.13 CM Legal Expense Normalization Adjustment  
104 Schedule 1.13 KI Unaccounted-for Water Adjustment  
105 Schedules 1.13 HR-S and HR-W Uncollectibles Expense Adjustment

106

107 Therefore, these adjustments are incorporated into the beginning rebuttal

108 positions of the Companies in the Staff rebuttal revenue requirement

109 schedules.

110

111 **Working Capital Adjustment**

112 **Q. Please describe ICC Staff Exhibit 9.0, Schedule 9.08, Working Capital**  
113 **Adjustment.**

114 A. Schedule 9.08 for each utility presents my proposed adjustments to  
115 working capital using the same methodology as in my direct testimony.  
116 (ICC Staff Ex. 1.0, pp. 7-8) The Companies agreed to this methodology in  
117 rebuttal testimony. (Ex. 3.0, p. 2, lines 13-14) These adjustments should  
118 be updated to reflect the operating expenses approved by the  
119 Commission.

120

121 **Q. Do you agree with AG witness Mr. Brosch that a zero cash working**  
122 **capital (“CWC”) allowance should be adopted, since the “Companies**  
123 **have not presented any reliable study to support an amount for CWC**  
124 **that should be included in rate base.”? (AG Ex. 1.0, pp. 21-22, lines**  
125 **462-464)**

126 A. No. As the Companies have explained, a lead-lag study would be cost-  
127 prohibitive based upon the revenues it would expect to generate versus  
128 the increased cost to rate case expense. (Company Ex. 3.0, pp. 3-5)  
129 Further, the Companies are correct that the Commission has not rejected  
130 the use of the 45-day formula method for small water and wastewater  
131 utilities. (*Id.*, pp. 5-6) Therefore, I recommend the Commission reject the  
132 AG's recommendation.

133

134 **Rate Case Expense Adjustments**

135 **Q. Do you agree with the Companies' proposal to include \$200 in travel**  
136 **costs per Company? (Ex. 3.0, p. 12, lines 6-7)**

137 A. Yes, I agree that this is a reasonable level of travel costs expected to be  
138 incurred for Company travel to the evidentiary hearing.

139

140 **Q. Do you agree with the Companies' proposal to update their rate case**  
141 **expenses as reflected in Exhibits 3.3 for each Company? (Ex. 3.0, p.**  
142 **12, lines 12-19)**

143 A. Yes, the updates provide a better estimate of the rate case expenses  
144 expected to be incurred than the costs in the Company's direct case.  
145 Therefore, Staff's rebuttal revenue requirements reflect the Companies'  
146 rebuttal positions and updates to rate case expense, and no further  
147 adjustments are necessary.

148

149 **Q. Do you agree with AG witness Brosch that the Companies' method**  
150 **of inclusion of labor costs for Company employees in rate case**  
151 **expenses creates a problem of over-recovery of labor costs? (AG Ex.**  
152 **1.0, p. 23, lines 487-489)**

153 A. No. The Companies are correct that the test year capitalized salary costs  
154 related to internal labor are deducted from the salary amounts in the test  
155 year, therefore no double-counting occurs. (Company Ex. 3.0, p. 13-20)

156

157 **Q. Section 9-229 of the Act requires the Commission to expressly**  
158 **address in its final order the justness and reasonableness of any**  
159 **amount expended by a public utility to compensate attorneys or**  
160 **technical experts to prepare and litigate a general rate case filing.**  
161 **Have the Companies provided information in the record to support**  
162 **the justness and reasonableness of rate case expenses?**

163 A. Yes, the Companies have sponsored Exhibits 3.3, 3.5, and 3.6 in support  
164 of the justness and reasonableness of their rate case expense request.

165

166 **Q. In your direct testimony, you recommended that the Commission**  
167 **make the following finding in its final order:**

168 **The Commission finds that the amounts of compensation for**  
169 **attorneys and technical experts to prepare and litigate this**  
170 **proceeding, as adjusted by Staff, are just and reasonable**  
171 **pursuant to Section 9-229 of the Public Utilities Act (220 ILCS**  
172 **5/9-229).**

173

174 **Do the Companies oppose this recommendation?**

175 A No. (Companies Supplemental Rebuttal Ex. 3.0, p. 2, lines 25-28)

176

177 **HomeServeUSA Issue**

178 **Q. In your direct testimony, you recommended that the Companies**  
179 **provide the amount of other revenue adjustments related to each**

180 **Company's ratepayer's participation in HomeServeUSA contracts.**

181 **Did the Companies provide such adjustments?**

182 A. No. (Companies Ex. 3.0, p. 6, lines 17-21) Staff witness Mr. Sackett (ICC  
183 Staff Ex. 12.0) responds to the Companies' rebuttal position on this issue  
184 and presents adjustments to be considered by the Commission as an  
185 alternative to his primary position. I have incorporated into Staff's rebuttal  
186 revenue requirements these alternative adjustments.

187

188 **Conclusion**

189 **Q. Does this question end your prepared rebuttal testimony?**

190 A. Yes.

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

Line No.	Description	Company Pro Forma Rebuttal (Co. Sch. 3.1 CM)	Staff Adjustments (Sch 9.02 CM)	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Co. Sch. 3.1 CM)	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	\$ (45,022)	\$ 89,909	\$ 65,115	262.62%
2	Miscellaneous Revenues	264	27	291	50	-	341	-	341	77	29.17%
3	Total Operating Revenues	25,058	27	25,085	110,297	\$ (110)	135,272	(45,022)	90,250	65,192	260.16%
4	Uncollectible Accounts	513	1	514	2,281	-	2,795	(932)	1,863		
5	Maintenance Expenses	7,854	-	7,854	-	-	7,854	-	7,854		
6	General Expenses	32,585	-	32,585	-	-	32,585	-	32,585		
7	Depreciation	18,977	(2,180)	16,797	-	-	16,797	-	16,797		
8	Amortization of CIAC	(82)	-	(82)	-	-	(82)	-	(82)		
9	Taxes Other Than Income	1,016	-	1,016	110	(110)	1,016	-	1,016		
10		-	-	-	-	-	-	-	-		
11		-	-	-	-	-	-	-	-		
12		-	-	-	-	-	-	-	-		
13		-	-	-	-	-	-	-	-		
14		-	-	-	-	-	-	-	-		
15	Total Operating Expense										
16	Before Income Taxes	60,863	(2,179)	58,684	2,391	(110)	60,965	(932)	60,033		
17	State Income Tax	(4,441)	313	(4,128)	10,251	-	6,123	(4,189)	1,934		
18	Federal Income Tax	(15,849)	1,016	(14,833)	33,202	1	18,370	(13,566)	4,804		
19	Deferred Taxes and ITCs Net	(72)	-	(72)	-	-	(72)	-	(72)		
20	Total Operating Expenses	40,501	(850)	39,651	45,844	(109)	85,386	(18,687)	66,699		
21	NET OPERATING INCOME	\$ (15,443)	\$ 877	\$ (14,566)	\$ 64,453	\$ (1)	\$ 49,886	\$ (26,335)	\$ 23,551		
22	Staff Rate Base (ICC Staff Exhibit 9.0, Schedule 9.03 CM, Column (d))								\$ 295,125		
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. 9.06 CM)	Abandoned Plant (Sch. 10.01)	HomeServeUSA Misc. Revenues (Staff Ex. 12.0)	(Source)	(Source)	(Source)	(Source)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Water Service Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenues	-	-	27	-	-	-	-	27
3	Total Operating Revenues	-	-	27	-	-	-	-	27
4	Uncollectible Accounts	-	-	1	-	-	-	-	1
5	Maintenance Expenses	-	-	-	-	-	-	-	-
6	General Expenses	-	-	-	-	-	-	-	-
7	Depreciation	-	(2,180)	-	-	-	-	-	(2,180)
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense	-	(2,180)	1	-	-	-	-	(2,179)
16	Before Income Taxes	-	(2,180)	1	-	-	-	-	(2,179)
17	State Income Tax	104	207	2	-	-	-	-	313
18	Federal Income Tax	337	671	8	-	-	-	-	1,016
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	441	(1,302)	11	-	-	-	-	(850)
21	NET OPERATING INCOME	\$ (441)	\$ 1,302	\$ 16	\$ -	\$ -	\$ -	\$ -	\$ 877

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

Line No.	Description (a)	Company Pro Forma Rate Base (Co. Sch. 3.1 CM) (b)	Staff Adjustments (Sch 9.04 CM) (c)	Staff Pro Forma Rate Base (Col. b+c) (d)
1	Gross Plant in Service	\$ 370,744	\$ (37,758)	\$ 332,986
2	Less: Accumulated Depreciation	(14,947)	4,944	(10,003)
3	-	-	-	-
4	Net Plant	<u>355,797</u>	<u>(32,814)</u>	<u>322,983</u>
5	Additions to Rate Base			
6	Cash Working Capital	5,180	0	5,180
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>\$ 327,939</u>	<u>\$ (32,814)</u>	<u>\$ 295,125</u>

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

Line No.	Description	Working Capital (Sch. 9.08 CM)	Abandoned Plant (Sch. 10.01)	Tank Transfer (Sch. 10.02)	(Source)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Gross Plant in Service	\$ -	\$ (33,568)	\$ (4,190)	\$ -	\$ -	\$ -	\$ -	\$ (37,758)
2	Less: Accumulated Depreciation	-	4,624	320	-	-	-	-	4,944
3		-	-	-	-	-	-	-	-
4	Net Plant	-	(28,944)	(3,870)	-	-	-	-	(32,814)
5	Additions to Rate Base								
6	Cash Working Capital	0	-	-	-	-	-	-	0
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	\$ 0	\$ (28,944)	\$ (3,870)	\$ -	\$ -	\$ -	\$ -	\$ (32,814)

**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>110,297 <sup>(3)</sup></u>	<u>(45,105) <sup>(4)</sup></u>	<u>65,192 <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 135,355</u>	<u>\$ (45,105)</u>	<u>\$ 90,250</u>
4	% Increase	<u>440.17%</u>		<u>260.16%</u>
5	Staff Adjustments:			
6				
7	Rate of Return (Applied to Company Rate Base)		(39,047)	
8	Abandoned Plant		(3,282)	
9	Tank Transfer		(2,665)	
10	Gross Revenue Conversion Factor		(110)	
11	HomeServeUSA Misc. Revenues		(1)	
12	Interest Synchronization		(2)	
13	Working Capital		-	
14				
15				
16	Rounding		<u>2</u>	
17	Total Revenue Effect of Staff Adjustments		<u>\$ (45,105)</u>	
18	<b>Reconciliation to Schedule 9.01 CM</b>			
19	Column (c), line 3.		27	
20	Column (f), line 3.		(110)	
21	Column (h), line 3.		(45,022)	
22	Total Effect of Staff's Adjustments		<u>\$ (45,105)</u>	

Sources:

- (1) ICC Staff Exhibit 9.0, Schedule 9.01 CM, column (b), line 3
- (2) ICC Staff Exhibit 9.0, Schedule 9.01 CM, column (d), line 3
- (3) ICC Staff Exhibit 9.0, Schedule 9.01 CM, column (e), line 3
- (4) Line 22
- (5) ICC Staff Exhibit 9.0, Schedule 9.01 CM, column (j), line 3

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

Line No.	Description	Amount
	(a)	(b)
1	Staff Rate Base	\$ 295,125 (1)
2	Weighted Cost of Debt	3.34% (2)
3	Synchronized Interest Per Staff	9,844
4	Company Interest Expense	<u>10,938</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(1,094)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ 104</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ 337</u>

(1) Source: ICC Staff Ex. 9.0, Schedule 9.03 CM, Column (d).

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

(3) Source: Company Schedule 3.1 CM, p. 6, line 3

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 9.01 CM, column (d), line 5
2	General Expense	32,585	Schedule 9.01 CM, column (d), line 6
3	Taxes Other Than Income	1,016	Schedule 9.01 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	41,442	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Staff	5,180	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>5,180</u>	Company Schedule 3.1 CM, p. 7, line 7
9	Staff Adjustment	<u><u>\$ 0</u></u>	Line 7 less line 8

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

Line No.	Description	Company Pro Forma Rebuttal (Co. Sch. 3.1 CH)	Staff Adjustments (Sch 9.02 CH)	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Co. Sch. 3.1 CH)	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	\$ (24,939)	\$ 169,072	\$ 84,061	98.88%
2	Miscellaneous Revenues	517	133	650	90	-	740	-	740	223	43.13%
3	Total Operating Revenues	85,528	133	85,661	109,201	\$ (111)	194,751	(24,939)	169,812	84,284	98.55%
4	Uncollectible Accounts	304	-	304	391	1	696	(89)	607		
5	Maintenance Expenses	27,373	-	27,373	-	-	27,373	-	27,373		
6	General Expenses	42,425	-	42,425	-	-	42,425	-	42,425		
7	Depreciation	33,370	-	33,370	-	-	33,370	-	33,370		
8	Amortization of CIAC	(181)	-	(181)	-	-	(181)	-	(181)		
9	Taxes Other Than Income	11,226	-	11,226	109	(109)	11,226	-	11,226		
10		-	-	-	-	-	-	-	-		
11		-	-	-	-	-	-	-	-		
12		-	-	-	-	-	-	-	-		
13		-	-	-	-	-	-	-	-		
14		-	-	-	-	-	-	-	-		
15	Total Operating Expense										
16	Before Income Taxes	114,517	-	114,517	500	(108)	114,909	(89)	114,820		
17	State Income Tax	(4,334)	13	(4,321)	10,327	(1)	6,005	(2,361)	3,644		
18	Federal Income Tax	(14,072)	41	(14,031)	33,448	(1)	19,416	(7,646)	11,770		
19	Deferred Taxes and ITCs Net	(179)	-	(179)	-	-	(179)	-	(179)		
20	Total Operating Expenses	95,932	54	95,986	44,275	(110)	140,151	(10,096)	130,055		
21	NET OPERATING INCOME	\$ (10,404)	\$ 79	\$ (10,325)	\$ 64,926	\$ (1)	\$ 54,600	\$ (14,843)	\$ 39,757		
22	Staff Rate Base (ICC Staff Exhibit 9.0, Schedule 9.03 CH, Column (d))								\$ 498,213		
23	Staff Overall Rate of Return (ICC Staff Exhibit 3.0, Schedule 3.1)								7.98%		



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

Line No.	Description	Company Pro Forma Rate Base (Co. Sch. 3.1 CH)	Staff Adjustments (Sch 9.04 CH)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 411,133	\$ -	\$ 411,133
2	Less: Accumulated Depreciation	(77,986)	-	(77,986)
3		-	-	-
4	Net Plant	<u>333,147</u>	<u>-</u>	<u>333,147</u>
5	Additions to Rate Base			
6	Cash Working Capital	9,108	0	9,108
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	(22,026)	-	(22,026)
19	Adjustment to Rate Base Allocations	527	-	527
20		-	-	-
21		-	-	-
22		<u>-</u>	<u>-</u>	<u>-</u>
23	Rate Base	<u>\$ 498,213</u>	<u>\$ 0</u>	<u>\$ 498,213</u>



**Cherry Hill 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	\$ 85,528 <sup>(1)</sup>		\$ 85,528 <sup>(2)</sup>
2	Proposed Increase	<u>109,201 <sup>(3)</sup></u>	<u>(24,917) <sup>(4)</sup></u>	<u>84,284 <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 194,729</u>	<u>\$ (24,917)</u>	<u>\$ 169,812</u>
4	% Increase	<u>127.68%</u>		<u>98.55%</u>
5	Staff Adjustments:			
6				
7				
8	Rate of Return (Applied to Company Rate Base)		(24,809)	
9	Gross Revenue Conversion Factor		(111)	
10	HomeServe USA Misc. Revenues		-	
11	Working Capital		-	
12				
13				
14	Rounding		<u>3</u>	
15				
16	Total Revenue Effect of Staff Adjustments		<u>\$ (24,917)</u>	
17	<b><u>Reconciliation to Schedule 9.01 CM</u></b>			
18	Column (c), line 3.		133	
19	Column (f), line 3.		(111)	
20	Column (h), line 3.		(24,939)	
21	Total Effect of Staff's Adjustments		<u>\$ (24,917)</u>	

Sources:

- (1) ICC Staff Exhibit 9.0, Schedule 9.01 CH, column (b), line 3
- (2) ICC Staff Exhibit 9.0, Schedule 9.01 CH, column (d), line 3
- (3) ICC Staff Exhibit 9.0, Schedule 9.01 CH, column (e), line 3
- (4) Line 21
- (5) ICC Staff Exhibit 9.0, Schedule 9.01 CH, column (j), line 3

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	\$ 498,213 (1)
2	Weighted Cost of Debt	3.34% (2)
3	Synchronized Interest Per Staff	16,617
4	Company Interest Expense	<u>16,617</u> (3)
5	Increase (Decrease) in Interest Expense	<u>-</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ -</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ -</u>

(1) Source: ICC Staff Ex. 9.0, Schedule 9.03 CH, Column (d).

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

(3) Source: Company Schedule 3.1 CH, p. 6, line 3

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 9.01 CH, column (d), line 5
2	General Expense	42,425	Schedule 9.01 CH, column (d), line 6
3	Taxes Other Than Income	11,226	Schedule 9.01 CH, 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	72,866	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Staff	9,108	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>9,108</u>	Company Schedule 3.1 Ch, p. 7, line 7
9	Staff Adjustment	<u><u>\$ 0</u></u>	Line 7 less line 8

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

Line No.	Description	Company Pro Forma Rebuttal (Co. Sch. 3.1 CL)	Staff Adjustments (Sch 9.02 CL)	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Co. Sch. 3.1 CL)	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	\$ 93,519	\$ -	\$ 93,519	\$ 157,137	\$ (156)	\$ 250,500	\$ (25,441)	\$ 225,059	\$ 131,540	140.66%
2	Miscellaneous Revenues	997	187	1,184	215	-	1,399	-	1,399	402	40.32%
3	Total Operating Revenues	94,516	187	94,703	157,352	\$ (156)	251,899	(25,441)	226,458	131,942	139.60%
4	Uncollectible Accounts	746	1	747	1,254	1	2,002	(203)	1,799		
5	Maintenance Expenses	67,227	-	67,227	-	-	67,227	-	67,227		
6	General Expenses	52,046	-	52,046	-	-	52,046	-	52,046		
7	Depreciation	28,519	-	28,519	-	-	28,519	-	28,519		
8	Amortization of CIAC	(1,748)	-	(1,748)	-	-	(1,748)	-	(1,748)		
9	Taxes Other Than Income	6,818	-	6,818	157	(157)	6,818	-	6,818		
10		-	-	-	-	-	-	-	-		
11		-	-	-	-	-	-	-	-		
12		-	-	-	-	-	-	-	-		
13		-	-	-	-	-	-	-	-		
14		-	-	-	-	-	-	-	-		
15	Total Operating Expense										
16	Before Income Taxes	153,608	1	153,609	1,411	(156)	154,864	(203)	154,661		
17	State Income Tax	(7,686)	18	(7,668)	14,814	-	7,146	(2,398)	4,748		
18	Federal Income Tax	(25,069)	57	(25,012)	47,983	-	22,971	(7,766)	15,205		
19	Deferred Taxes and ITCs Net	(327)	-	(327)	-	-	(327)	-	(327)		
20	Total Operating Expenses	120,526	76	120,602	64,208	(156)	184,654	(10,367)	174,287		
21	NET OPERATING INCOME	\$ (26,010)	\$ 111	\$ (25,899)	\$ 93,144	\$ -	\$ 67,245	\$ (15,074)	\$ 52,171		
22	Staff Rate Base (ICC Staff Exhibit 9.0, Schedule 9.03 CL, Column (d))								\$ 653,767		
23	Staff Overall Rate of Return (ICC Staff Exhibit 3.0, Schedule 3.1)								7.98%		



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

Line No.	Description	Company Pro Forma Rate Base (Co. Sch. 3.1 CL)	Staff Adjustments (Sch 9.04 CL)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 750,671	\$ -	\$ 750,671
2	Less: Accumulated Depreciation	210	-	210
3		-	-	-
4	Net Plant	750,881	-	750,881
5	Additions to Rate Base			
6	Cash Working Capital	15,625	0	15,625
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	(84,958)	-	(84,958)
19	Adjustment to Rate Base Allocations	738	-	738
20		-	-	-
21		-	-	-
22		-	-	-
23	Rate Base	<u>\$ 653,767</u>	<u>\$ 0</u>	<u>\$ 653,767</u>



**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>157,352</u> <sup>(3)</sup>	<u>(25,410)</u> <sup>(4)</sup>	<u>131,942</u> <sup>(5)</sup>
3	Proposed Revenues	<u>\$ 251,868</u>	<u>\$ (25,410)</u>	<u>\$ 226,458</u>
4	% Increase	<u>166.48%</u>		<u>139.60%</u>
5	Staff Adjustments:			
6				
7	Rate of Return (Applied to Company Rate Base)		(25,253)	
8	Gross Revenue Conversion Factor		(156)	
9	Interest Synchronization		(1)	
10	HomeServeUSA Misc. Revenues		(1)	
11	Working Capital		-	
12				
13				
14				
15				
16				
17				
18				
19	Rounding		<u>1</u>	
20	Total Revenue Effect of Staff Adjustments		<u>\$ (25,410)</u>	
21	<b>Reconciliation to Schedule 9.01 CL</b>			
22	Column (c), line 3.		187	
23	Column (f), line 3.		(156)	
24	Column (h), line 3.		(25,441)	
25	Total Effect of Staff's Adjustments		<u>\$ (25,410)</u>	

Sources:

- (1) ICC Staff Exhibit 9.0, Schedule 9.01 CL, column (b), line 3
- (2) ICC Staff Exhibit 9.0, Schedule 9.01 CL, column (d), line 3
- (3) ICC Staff Exhibit 9.0, Schedule 9.01 CL, column (e), line 3
- (4) Line 25
- (5) ICC Staff Exhibit 9.0, Schedule 9.01 CL, column (j), line 3

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

Line No.	Description (a)	Amount (b)
1	Staff Rate Base	\$ 653,767 (1)
2	Weighted Cost of Debt	3.34% (2)
3	Synchronized Interest Per Staff	21,806
4	Company Interest Expense	<u>21,806</u> (3)
5	Increase (Decrease) in Interest Expense	<u>-</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ -</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ -</u>

(1) Source: ICC Staff Ex. 9.0, Schedule 9.03 CL, Column (d).

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

(3) Source: Company Schedule 3.1 CL, p. 6, line 3

**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 9.01 CL, column (d), line 5
2	General Expense	52,046	Schedule 9.01 CL, column (d), line 6
3	Taxes Other Than Income	6,818	Schedule 9.01 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	125,001	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Staff	15,625	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>15,625</u>	Company Schedule 3.1 CL, p. 7, line 7
9	Staff Adjustment	<u><u>\$ 0</u></u>	Line 7 less line 8

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

Line No.	Description	Company Pro Forma Rebuttal (Co. Sch. 3.1 FC-S)	Staff Adjustments (Sch 9.02 FC-S)	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Co. Sch. 3.1 FC-S)	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	\$ 132,160	\$ -	\$ 132,160	\$ 120,240	\$ (121)	\$ 252,279	\$ (18,506)	\$ 233,773	\$ 101,613	76.89%
2	Miscellaneous Revenues	619	190	809	-	-	809	-	809	190	30.69%
3	Total Operating Revenues	132,779	190	132,969	120,240	\$ (121)	253,088	(18,506)	234,582	101,803	76.67%
4	Uncollectible Accounts	1,703	2	1,705	1,549	(1)	3,253	(238)	3,015		
5	Maintenance Expenses	82,267	-	82,267	-	-	82,267	-	82,267		
6	General Expenses	40,096	-	40,096	-	-	40,096	-	40,096		
7	Depreciation	60,999	-	60,999	-	-	60,999	-	60,999		
8	Amortization of CIAC	(30,849)	-	(30,849)	-	-	(30,849)	-	(30,849)		
9	Taxes Other Than Income	8,670	-	8,670	120	(120)	8,670	-	8,670		
10		-	-	-	-	-	-	-	-		
11		-	-	-	-	-	-	-	-		
12		-	-	-	-	-	-	-	-		
13		-	-	-	-	-	-	-	-		
14		-	-	-	-	-	-	-	-		
15	Total Operating Expense										
16	Before Income Taxes	162,886	2	162,888	1,669	(121)	164,436	(238)	164,198		
17	State Income Tax	(4,863)	18	(4,845)	11,264	-	6,419	(1,735)	4,684		
18	Federal Income Tax	(15,652)	58	(15,594)	36,484	1	20,891	(5,621)	15,270		
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-		
20	Total Operating Expenses	142,371	78	142,449	49,417	(120)	191,746	(7,594)	184,152		
21	NET OPERATING INCOME	\$ (9,592)	\$ 112	\$ (9,480)	\$ 70,823	\$ (1)	\$ 61,342	\$ (10,912)	\$ 50,430		
22	Staff Rate Base (ICC Staff Exhibit 9.0, Schedule 9.03 FC-S, Column (d))								\$ 631,969		
23	Staff Overall Rate of Return (ICC Staff Exhibit 3.0, Schedule 3.1)								7.98%		



**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. 3.1 FC-S)	Staff Adjustments (Sch 9.04 FC-S)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 1,930,781	\$ -	\$ 1,930,781
2	Less: Accumulated Depreciation	(685,118)	-	(685,118)
3		-	-	-
4	Net Plant	<u>1,245,663</u>	<u>-</u>	<u>1,245,663</u>
5	Additions to Rate Base			
6	Cash Working Capital	15,320	0	15,320
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	(80,226)	-	(80,226)
19	Adjustment to Rate Base Allocations	748	-	748
20	Customer Deposits	(83)	-	(83)
21		-	-	-
22		<u>-</u>	<u>-</u>	<u>-</u>
23	Rate Base	<u>\$ 631,969</u>	<u>\$ 0</u>	<u>\$ 631,969</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>(18,437) <sup>(4)</sup></u>	<u>101,803 <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 253,019</u>	<u>\$ (18,437)</u>	<u>\$ 234,582</u>
4	% Increase	90.56%		76.67%
5	Staff Adjustments:			
6				
7				
8	Rate of Return (Applied to Company Rate Base)		(18,318)	
9	Gross Revenue Conversion Factor		(121)	
10	HomeServeUSA Misc. Revenues		(2)	
11	Working Capital		-	
12	Interest Synchronization		-	
13				
14				
15				
16				
17				
18				
19	Rounding		<u>4</u>	
20	Total Revenue Effect of Staff Adjustments		<u>\$ (18,437)</u>	
21	<b>Reconciliation to Schedule 9.01 FC-S</b>			
22	Column (c), line 3.		190	
23	Column (f), line 3.		(121)	
24	Column (h), line 3.		<u>(18,506)</u>	
25	Total Effect of Staff's Adjustments		<u>\$ (18,437)</u>	

Sources:

- (1) ICC Staff Exhibit 9.0, Schedule 9.01 FC-S, column (b), line 3
- (2) ICC Staff Exhibit 9.0, Schedule 9.01 FC-S, column (d), line 3
- (3) ICC Staff Exhibit 9.0, Schedule 9.01 FC-S, column (e), line 3
- (4) Line 25
- (5) ICC Staff Exhibit 9.0, Schedule 9.01 FC-S, column (j), line 3

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	\$ 631,969 (1)
2	Weighted Cost of Debt	3.34% (2)
3	Synchronized Interest Per Staff	21,079
4	Company Interest Expense	<u>21,079</u> (3)
5	Increase (Decrease) in Interest Expense	<u>-</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ -</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ -</u>

(1) Source: ICC Staff Ex. 9.0, Schedule 9.03 FC-S, Column (d).

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

(3) Source: Company Schedule 3.1 FC-S, p. 6, line 3

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 9.01 FC-S, column (d), line 5
2	General Expense	40,096	Schedule 9.01 FC-S, column (d), line 6
3	Taxes Other Than Income	8,670	Schedule 9.01 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	122,491	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Staff	15,311	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>15,311</u>	Company Schedule 3.1 FC-S, p. 7, line 7
9	Staff Adjustment	<u><u>\$ 0</u></u>	Line 7 less line 8

**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 Rebuttal (Co. Sch. 3.1 FC-W)	Staff Adjustments (Sch 9.02 FC-W)	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Co. Sch. 3.1 FC-W)	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	\$ (17,004)	\$ 179,583	\$ 81,332	82.78%
2	Miscellaneous Revenues	464	195	659	424	-	1,083	-	1,083	619	133.41%
3	Total Operating Revenues	98,715	195	98,910	98,852	\$ (92)	197,670	(17,004)	180,666	81,951	83.02%
4	Uncollectible Accounts	1,277	3	1,280	1,280	5	2,565	(221)	2,344		
5	Maintenance Expenses	34,234	-	34,234	-	-	34,234	-	34,234		
6	General Expenses	40,917	-	40,917	-	-	40,917	-	40,917		
7	Depreciation	42,643	-	42,643	-	-	42,643	-	42,643		
8	Amortization of CIAC	(18,073)	-	(18,073)	-	-	(18,073)	-	(18,073)		
9	Taxes Other Than Income	8,853	-	8,853	98	(98)	8,853	-	8,853		
10		-	-	-	-	-	-	-	-		
11		-	-	-	-	-	-	-	-		
12		-	-	-	-	-	-	-	-		
13		-	-	-	-	-	-	-	-		
14		-	-	-	-	-	-	-	-		
15	Total Operating Expense										
16	Before Income Taxes	109,851	3	109,854	1,378	(93)	111,139	(221)	110,918		
17	State Income Tax	(3,062)	18	(3,044)	9,260	-	6,216	(1,594)	4,622		
18	Federal Income Tax	(10,202)	59	(10,143)	29,992	1	19,850	(5,164)	14,686		
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-		
20	Total Operating Expenses	96,587	80	96,667	40,630	(92)	137,205	(6,979)	130,226		
21	NET OPERATING INCOME	\$ 2,128	\$ 115	\$ 2,243	\$ 58,222	\$ -	\$ 60,465	\$ (10,025)	\$ 50,440		
22	Staff Rate Base (ICC Staff Exhibit 9.0, Schedule 9.03 FC-W, Column (d))								\$ 632,085		
23	Staff Overall Rate of Return (ICC Staff Exhibit 3.0, Schedule 3.1)								7.98%		



## 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. 3.1 FC-W)	Staff Adjustments (Sch 9.04 FC-W)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 1,383,047	\$ -	\$ 1,383,047
2	Less: Accumulated Depreciation	(342,354)	-	(342,354)
3		-	-	-
4	Net Plant	<u>1,040,693</u>	-	<u>1,040,693</u>
5	Additions to Rate Base			
6	Cash Working Capital	9,410	(0)	9,410
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	(79,581)	-	(79,581)
19	Adjustment to Rate Base Allocations	764	-	764
20	Customer Deposits	(84)	-	(84)
21		-	-	-
22		-	-	-
23	Rate Base	<u>\$ 632,085</u>	<u>\$ (0)</u>	<u>\$ 632,085</u>



**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>98,852 <sup>(3)</sup></u>	<u>(16,901) <sup>(4)</sup></u>	<u>81,951 <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 197,567</u>	<u>\$ (16,901)</u>	<u>\$ 180,666</u>
4	% Increase	100.14%		83.02%
5	Staff Adjustments:			
6				
7				
8	Rate of Return (Applied to Company Rate Base)		(16,811)	
9	Gross Revenue Conversion Factor		(92)	
10	HomeServeUSA Misc. Revenues		(3)	
11	Working Capital		-	
12	Interest Synchronization		-	
13				
14				
15				
16				
17				
18				
19	Rounding		<u>5</u>	
20	Total Revenue Effect of Staff Adjustments		<u>\$ (16,901)</u>	
21	<b>Reconciliation to Schedule 9.01 FC-W</b>			
22	Column (c), line 3.		195	
23	Column (f), line 3.		(92)	
24	Column (h), line 3.		(17,004)	
25	Total Effect of Staff's Adjustments		<u>\$ (16,901)</u>	

Sources:

- (1) ICC Staff Exhibit 9.0, Schedule 9.01 FC-W, column (b), line 3
- (2) ICC Staff Exhibit 9.0, Schedule 9.01 FC-W, column (d), line 3
- (3) ICC Staff Exhibit 9.0, Schedule 9.01 FC-W, column (e), line 3
- (4) Line 25
- (5) ICC Staff Exhibit 9.0, Schedule 9.01 FC-W, column (j), line 3

**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	\$ 632,085 (1)
2	Weighted Cost of Debt	3.34% (2)
3	Synchronized Interest Per Staff	21,083
4	Company Interest Expense	<u>21,083</u> (3)
5	Increase (Decrease) in Interest Expense	<u>-</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ -</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ -</u>

(1) Source: ICC Staff Ex. 9.0, Schedule 9.03 FC-W, Column (d).  
 (2) Source: ICC Staff Exhibit 3.0, Schedule 3.1  
 (3) Source: Company Schedule 3.1 FC-W, p. 6, line 3

**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 9.01 FC-W, column (d), line 5
2	General Expense	40,917	Schedule 9.01 FC-W, column (d), line 6
3	Taxes Other Than Income	8,853	Schedule 9.01 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	75,277	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Staff	9,410	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>9,410</u>	Company Schedule 3.1 FC-W, p. 7, line 7
9	Staff Adjustment	<u>\$ (0)</u>	Line 7 less line 8

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 Rebuttal (Co. Sch. 3.1 HR-S)	Staff Adjustments (Sch 9.02 HR-S)	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Co. Sch. 3.1 HR-S)	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	\$ (9,830)	\$ 62,315	\$ 32,733	110.65%
2	Miscellaneous Revenues	2,207	163	2,370	-	-	2,370	-	2,370	163	7.39%
3	Total Operating Revenues	31,789	163	31,952	43,004	\$ (441)	74,515	(9,830)	64,685	32,896	103.48%
4	Uncollectible Accounts	679	3	682	1,393	(483)	1,592	(210)	1,382		
5	Maintenance Expenses	13,251	-	13,251	-	-	13,251	-	13,251		
6	General Expenses	33,232	-	33,232	-	-	33,232	-	33,232		
7	Depreciation	7,766	-	7,766	-	-	7,766	-	7,766		
8	Amortization of CIAC	(872)	-	(872)	-	-	(872)	-	(872)		
9	Taxes Other Than Income	2,841	-	2,841	(43)	43	2,841	-	2,841		
10	Expense Allocation Admt.	-	-	-	-	-	-	-	-		
11		-	-	-	-	-	-	-	-		
12		-	-	-	-	-	-	-	-		
13		-	-	-	-	-	-	-	-		
14		-	-	-	-	-	-	-	-		
15	Total Operating Expense										
16	Before Income Taxes	56,897	3	56,900	1,350	(440)	57,810	(210)	57,600		
17	State Income Tax	(2,592)	15	(2,577)	3,957	-	1,380	(914)	466		
18	Federal Income Tax	(8,472)	49	(8,423)	12,817	-	4,394	(2,960)	1,434		
19	Deferred Taxes and ITCs Net	(15)	-	(15)	-	-	(15)	-	(15)		
20	Total Operating Expenses	45,818	67	45,885	18,124	(440)	63,569	(4,084)	59,485		
21	NET OPERATING INCOME	\$ (14,029)	\$ 96	\$ (13,933)	\$ 24,880	\$ (1)	\$ 10,946	\$ (5,746)	\$ 5,200		
22	Staff Rate Base (ICC Staff Exhibit 9.0, Schedule 9.03 HR-S, Column (d))								\$ 65,159		
23	Staff Overall Rate of Return (ICC Staff Exhibit 3.0, Schedule 3.1)								7.98%		



**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. 3.1 HR-S)	Staff Adjustments (Sch 9.04 HR-S)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 181,511	\$ -	\$ 181,511
2	Less: Accumulated Depreciation	(158,030)	-	(158,030)
3	-	-	-	-
4	Net Plant	<u>23,481</u>	-	<u>23,481</u>
5	Additions to Rate Base			
6	Cash Working Capital	6,145	0	6,145
7	Deferred Charges	-	-	-
8	-	-	-	-
9	-	-	-	-
10	-	-	-	-
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	Deductions From Rate Base	-		
17	Contributions in Aid of Construction	56,433	-	56,433
18	Accumulated Deferred Income Taxes	(21,544)	-	(21,544)
19	Adjustment to Rate Base Allocations	644	-	644
20	-	-	-	-
21	-	-	-	-
22	-	-	-	-
23	Rate Base	<u>\$ 65,159</u>	<u>\$ 0</u>	<u>\$ 65,159</u>



**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 <sup>(3)</sup></u>	<u>(10,108) <sup>(4)</sup></u>	<u>32,896 <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 74,793</u>	<u>\$ (10,108)</u>	<u>\$ 64,685</u>
4	% Increase	135.28%		103.48%
5	Staff Adjustments:			
6				
7				
8				
9	Rate of Return (Applied to Company Rate Base)		(9,668)	
10	Gross Revenue Conversion Factor		(441)	
11	HomeServeUSA Misc. Revenues		(3)	
12	Working Capital		-	
13	Interest Synchronization		-	
14				
15				
16				
17				
18				
19				
20				
21				
22	Rounding		<u>4</u>	
23	Total Revenue Effect of Staff Adjustments		<u>\$ (10,108)</u>	
24	<b>Reconciliation to Schedule 9.01 HR-S</b>			
25	Column (c), line 3.		163	
26	Column (f), line 3.		(441)	
27	Column (h), line 3.		(9,830)	
28	Total Effect of Staff's Adjustments		<u>\$ (10,108)</u>	

Sources:

- (1) ICC Staff Exhibit 9.0, Schedule 9.01 HR-S, column (b), line 3
- (2) ICC Staff Exhibit 9.0, Schedule 9.01 HR-S, column (d), line 3
- (3) ICC Staff Exhibit 9.0, Schedule 9.01 HR-S, column (e), line 3
- (4) Line 28
- (5) ICC Staff Exhibit 9.0, Schedule 9.01 HR-S, column (j), line 3

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

Line No.	Description	Amount
	(a)	(b)
1	Staff Rate Base	\$ 65,159 (1)
2	Weighted Cost of Debt	3.34% (2)
3	Synchronized Interest Per Staff	2,173
4	Company Interest Expense	<u>2,173</u> (3)
5	Increase (Decrease) in Interest Expense	<u>-</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ -</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ -</u>

(1) Source: ICC Staff Ex. 9.0, Schedule 9.03 HR-S, Column (d).

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

(3) Source: Company Schedule 3.1 HR-S, p. 6, line 3

**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 9.01 HR-S, column (d), line 5
2	General Expense	33,232	Schedule 9.01 HR-S, column (d), line 6
3	Taxes Other Than Income	2,841	Schedule 9.01 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	49,162	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Staff	6,145	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>6,145</u>	Company Schedule 3.1 HR-S, p. 7, line 7
9	Staff Adjustment	<u><u>\$ 0</u></u>	Line 7 less 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 Rebuttal (Co. Sch. 3.1 HR-W)	Staff Adjustments (Sch 9.02 HR-W)	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Co. Sch. 3.1 HR-W)	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	164	6,638	793	-	7,431	-	7,431	957	14.78%
3	Total Operating Revenues	77,704	164	77,868	79,435	\$ (1,520)	155,783	(14,189)	141,594	63,890	82.22%
4	Uncollectible Accounts	1,659	4	1,663	3,104	(1,440)	3,327	(303)	3,024		
5	Maintenance Expenses	26,123	-	26,123	-	-	26,123	-	26,123		
6	General Expenses	33,548	-	33,548	-	-	33,548	-	33,548		
7	Depreciation	39,455	-	39,455	-	-	39,455	-	39,455		
8	Amortization of CIAC	(13,029)	-	(13,029)	-	-	(13,029)	-	(13,029)		
9	Taxes Other Than Income	2,866	-	2,866	79	(79)	2,866	-	2,866		
10		-	-	-	-	-	-	-	-		
11		-	-	-	-	-	-	-	-		
12		-	-	-	-	-	-	-	-		
13		-	-	-	-	-	-	-	-		
14		-	-	-	-	-	-	-	-		
15	Total Operating Expense										
16	Before Income Taxes	90,622	4	90,626	3,183	(1,519)	92,290	(303)	91,987		
17	State Income Tax	(2,659)	15	(2,644)	7,244	-	4,600	(1,319)	3,281		
18	Federal Income Tax	(8,933)	49	(8,884)	23,463	-	14,579	(4,273)	10,306		
19	Deferred Taxes and ITCs Net	(44)	-	(44)	-	-	(44)	-	(44)		
20	Total Operating Expenses	78,986	68	79,054	33,890	(1,519)	111,425	(5,895)	105,530		
21	NET OPERATING INCOME	\$ (1,282)	\$ 96	\$ (1,186)	\$ 45,545	\$ (1)	\$ 44,358	\$ (8,294)	\$ 36,064		
22	Staff Rate Base (ICC Staff Exhibit 9.0, Schedule 9.03 HR-W, Column (d))								\$ 451,925		
23	Staff Overall Rate of Return (ICC Staff Exhibit 3.0, Schedule 3.1)								7.98%		



**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. 3.1 HR-W)	Staff Adjustments (Sch 9.04 HR-W)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 963,019	\$ -	\$ 963,019
2	Less: Accumulated Depreciation	(252,644)	-	(252,644)
3		-	-	-
4	Net Plant	<u>710,375</u>	-	<u>710,375</u>
5	Additions to Rate Base			
6	Cash Working Capital	7,797	(0)	7,797
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	(21,785)	-	(21,785)
19	Adjustment to Rate Base Allocations	650	-	650
20		-	-	-
21		-	-	-
22		-	-	-
23	Rate Base	<u>\$ 451,925</u>	<u>\$ (0)</u>	<u>\$ 451,925</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>79,435 <sup>(3)</sup></u>	<u>(15,545) <sup>(4)</sup></u>	<u>63,890 <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 157,139</u>	<u>\$ (15,545)</u>	<u>\$ 141,594</u>
4	% Increase	102.23%		82.22%
5	Staff Adjustments:			
6				
7				
8	Rate of Return (Applied to Company Rate Base)		(14,026)	
9	Gross Revenue Conversion Factor		(1,520)	
10	HomeServeUSA Misc. Revenues		(4)	
11	Working Capital		-	
12	Interest Synchronization		-	
13				
14				
15				
16				
17				
18				
19				
20				
21				
22	Rounding		<u>5</u>	
23	Total Revenue Effect of Staff Adjustments		<u>\$ (15,545)</u>	
24	<b><u>Reconciliation to Schedule 9.01 HR-W</u></b>			
25	Column (c), line 3.		164	
26	Column (f), line 3.		(1,520)	
27	Column (h), line 3.		<u>(14,189)</u>	
28	Total Effect of Staff's Adjustments		<u>\$ (15,545)</u>	

**Sources:**

- (1) ICC Staff Exhibit 9.0, Schedule 9.01 HR-W, column (b), line 3
- (2) ICC Staff Exhibit 9.0, Schedule 9.01 HR-W, column (d), line 3
- (3) ICC Staff Exhibit 9.0, Schedule 9.01 HR-W, column (e), line 3
- (4) Line 28
- (5) ICC Staff Exhibit 9.0, Schedule 9.01 HR-W, column (j), line 3

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

Line No.	Description (a)	Amount (b)
1	Staff Rate Base	\$ 451,925 (1)
2	Weighted Cost of Debt	3.34% (2)
3	Synchronized Interest Per Staff	15,074
4	Company Interest Expense	<u>15,074 (3)</u>
5	Increase (Decrease) in Interest Expense	<u>-</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ -</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ -</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 3.1HR-W, p. 7, line 3

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 9.01 HR-W, column (d), line 5
2	General Expense	33,548	Schedule 9.01 HR-W, column (d), line 6
3	Taxes Other Than Income	2,866	Schedule 9.01 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	62,373	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Staff	7,797	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>7,797</u>	Company Schedule 3.1 HR-W, p. 8, line 7
9	Staff Adjustment	<u><u>\$ (0)</u></u>	Line 7 less line 8





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

Line No.	Description	Company Pro Forma Rate Base (Co. Sch. 3.1 KI)	Staff Adjustments (Sch 9.04 KI)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 633,780	\$ -	\$ 633,780
2	Less: Accumulated Depreciation	(161,743)	-	(161,743)
3		-	-	-
4	Net Plant	<u>472,037</u>	<u>-</u>	<u>472,037</u>
5	Additions to Rate Base			
6	Cash Working Capital	11,142	0	11,142
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	(50,347)	-	(50,347)
19	Adjustment to Rate Base Allocations	705	-	705
20		-	-	-
21		-	-	-
22		<u>-</u>	<u>-</u>	<u>-</u>
23	Rate Base	<u>\$ 603,588</u>	<u>\$ 0</u>	<u>\$ 603,588</u>



**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>164,028 <sup>(3)</sup></u>	<u>(24,658) <sup>(4)</sup></u>	<u>139,370 <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 230,929</u>	<u>\$ (24,658)</u>	<u>\$ 206,271</u>
4	% Increase	245.18%		208.32%
5	Staff Adjustments:			
6				
7				
8	Rate of Return (Applied to Company Rate Base)		(24,507)	
9	Gross Revenue Conversion Factor		(152)	
10	HomeServeUSA Misc. Revenues		(7)	
11	Working Capital		-	
12	Interest Synchronization		-	
13				
14				
15				
16				
17				
18				
19				
20				
21	Rounding		<u>8</u>	
22	Total Revenue Effect of Staff Adjustments		<u>\$ (24,658)</u>	
23	<b>Reconciliation to Schedule 9.01 KI</b>			
24	Column (c), line 3.		178	
25	Column (f), line 3.		(152)	
26	Column (h), line 3.		(24,684)	
27	Total Effect of Staff's Adjustments		<u>\$ (24,658)</u>	

Sources:

- (1) ICC Staff Exhibit 9.0, Schedule 9.01 KI, column (b), line 3
- (2) ICC Staff Exhibit 9.0, Schedule 9.01 KI, column (d), line 3
- (3) ICC Staff Exhibit 9.0, Schedule 9.01 KI, column (e), line 3
- (4) Line 27
- (5) ICC Staff Exhibit 9.0, Schedule 9.01 KI, column (j), line 3

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

Line No.	Description (a)	Amount (b)
1	Staff Rate Base	\$ 603,588 (1)
2	Weighted Cost of Debt	3.34% (2)
3	Synchronized Interest Per Staff	20,132
4	Company Interest Expense	<u>20,132</u> (3)
5	Increase (Decrease) in Interest Expense	<u>-</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ -</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ -</u>

(1) Source: ICC Staff Ex. 9.0, Schedule 9.03 KI, Column (d).

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

(3) Source: Company Schedule 3.1 KI, p. 7, line 3

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 9.01 KI, column (d), line 5
2	General Expense	48,636	Schedule 9.01 KI, column (d), line 6
3	Taxes Other Than Income	8,370	Schedule 9.01 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	89,139	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Staff	11,142	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>11,142</u>	Company Schedule 3.1 KI, p. 7, line 8
9	Staff Adjustment	<u><u>\$ 0</u></u>	Line 7 less line 8