

**DIRECT TESTIMONY  
ON REHEARING**

**of**

**Philip Rukosuev**

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Rates Department  
Financial Analysis Division  
Illinois Commerce Commission

Camelot Utilities, Inc.  
Great Northern Utilities, Inc.  
Lake Holiday Utilities Corporation

Proposed General Increase in Water and Sewer Rates

Docket Nos. 11-0059/11-0141/0142 (Cons.) on Rehearing

February 10, 2012

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1           **INTRODUCTION**

2

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

4   A.    My name is Philip Rukosuev. My business address is 527 East Capitol Avenue,  
5        Springfield, Illinois 62701.

6

7   **Q.    Are you the same Philip Rukosuev who previously testified in this case?**

8   A.    Yes.

9

10 **Q.    What is the subject of your testimony on rehearing?**

11 A.    The purpose of my testimony on rehearing is threefold. In response to the  
12 Illinois Commerce Commission’s (“Commission”) concerns about rate shock in  
13 this proceeding, I: (1) provide my view on whether a rate mitigation plan should  
14 be adopted at this juncture; (2) provide for the Commission’s consideration two,  
15 non-mutually exclusive steps that would address bill impacts in future Utilities,  
16 Inc. dockets; and (3) present an alternative rate mitigation solution patterned  
17 after Commonwealth Edison Company’s Rider RRS with the certain  
18 modifications as set forth in my testimony on a Bill Stabilization Adjustment  
19 program, or “Rider BSA.”

20

21 For purposes of this testimony, I refer to Camelot Utilities, Inc (“CU”), Great  
22 Northern Utilities, Inc. (“GNU”), and Lake Holiday Utilities Corporation (“LH”)  
23 collectively as the “Companies” or “UI.”

24

25 **Q. Are you sponsoring any schedules with your testimony?**

26 A. Yes, I have attached the following schedules:

27

28 **Schedule 17.1** – Comparison of Final Order and Staff's Alternative Plan Water  
29 Rates (Illustrative).

30 **Schedule 17.2** – Comparison of Final Order and Staff's Alternative Plan Sewer  
31 Rates (Illustrative).

32 **Schedule 17.3**– Impact of Staff's Alternative Plan on Annual Water and Sewer  
33 Revenues for Camelot Utilities, Inc.

34 **Schedule 17.4** – Impact of Staff's Alternative Plan on Hypothetical Residential  
35 Water and Sewer Customer for Camelot Utilities, Inc.

36 **Schedule 17.5** – Typical Bill Comparison of Final Order Water Rates vs. Staff  
37 Proposed Alternative Plan Water Rates.

38 **Schedule 17.6** – Typical Bill Comparison of Final Order Water and Sewer Rates  
39 vs. Staff Proposed Alternative Plan Water and Sewer Rates.

40 **Schedule 17.7** – Loan Amortization - Water Only Customer.

41 **Schedule 17.8** – Loan Amortization – Water & Sewer Customer.

42

43 **STAFF'S OVERALL RECOMMENDATIONS**

44

45 **Q. Please summarize your overall recommendations.**

46 A. I recommend that the Commission not adopt a program at this time to mitigate

47 rates; however, I also recommend the Commission consider certain factors in a  
48 future proceeding, whether that is the next rate case or some other docketed  
49 proceeding. If the Commission is nonetheless inclined to adopt a rate mitigation  
50 plan at this point in time, finds that the plan is permissible under Illinois law, and  
51 determines that such a plan is just and reasonable in light of the facts of this  
52 case, then it should direct the Company to offer a rate mitigation plan patterned  
53 after Commonwealth Edison's Rider RRS with the certain modifications as set  
54 forth in my testimony about Rider BSA.

55

56 **Q. How is the remainder of your testimony organized?**

57 A. My testimony is organized into three major parts. First, I provide a short  
58 discussion on the background for rehearing in this proceeding. Second, I  
59 provide the Commission with my primary recommendation with respect to the  
60 rate shock mitigation issue, which includes a discussion about additional options  
61 the Commission can utilize in future UI cases to address the issue of rate shock.  
62 Finally, in the event the Commission wishes to implement a rate mitigation plan  
63 in this proceeding in order to address rate shock, I discuss a rate mitigation plan  
64 patterned after Commonwealth Edison's Rider RRS, which I refer to as Rider  
65 BSA.

66

67 **BACKGROUND**

68

69 **Q. Please briefly provide background information on the reasons for**

70        **rehearing.**

71    A.    On December 8, 2011, two intervenors, the People of the State of Illinois (“AG”) and Camelot Homeowner’s Association (“Association”), requested that the Commission grant rehearing of its Final Order in this docket. In their petition for rehearing, the AG and the Association requested that the rate increase be reduced, the rate impact be moderated consistent with the principles of gradualism, and the Companies be ordered to offer a rate moderation plan. On December 21, 2011, the Commission granted rehearing only on the mitigation of rate shock issue. During its bench session, the Commission expressed concerns that, despite the acknowledgment of rate shock in this proceeding by all parties, no party suggested any concrete solution to mitigate the effect of these substantial bill increases. Although the Commission did not explicitly state that rates previously approved by the Commission should be reopened or re-examined, they indicated that parties provide the Commission with viable options to mitigate or alleviate rate shock.

85

86        As a result of the Commission’s granting of rehearing on the rate shock issue, I discuss the concerns I have with rate mitigation in general, but I also provide an alternative plan to provide a workable solution to mitigate an impending rate shock on UI customers.

90

91        **STAFF’S PRIMARY RECOMMENDATION WITH RESPECT TO RATE SHOCK**  
92        **MITIGATION**

93

94 **Q. In light of Commission's granting rehearing in this case, what is your**  
95 **primary position with respect to the rate shock issue?**

96 **A.** In this proceeding, the Commission approved revenue requirement increases  
97 ranging from 48.0% for LH and 251.7% for GNU that it found to be just and  
98 reasonable.

99  
100 These large increases were based on record evidence and are cost-based. The  
101 bill impacts of these increases, unfortunately, cannot be spread over a large  
102 customer base because the service areas are small. Nor can the bill impacts be  
103 mitigated by moving costs to other customer classes as the Companies have  
104 largely just one customer class: residential. Where there are commercial  
105 customers, however, there are typically very few. In other words, given the level  
106 of approved increases, the resulting high bill impacts cannot be ameliorated  
107 through traditional rate mitigation methods. It is not clear to Staff that an atypical  
108 method, such as a rate mitigation plan that defers approved rate increases to  
109 later periods, should be adopted at this time. Indeed, no rate mitigation plan was  
110 put forth in this proceeding. Even if there was, there are valid concerns as to: (a)  
111 such a plan's ability to truly ease the financial burden of higher rates upon  
112 customers; and (b) maintain safe, adequate and reliable utility service. With  
113 regard to the former, a customer who defers rate increases pays lower rates  
114 today at the cost of much higher rates in the future, particularly because they  
115 must pay back all deferred rate increases with interest. With regard to the latter  
116 concern, the reduction in revenues collected from customers may adversely

117 impact the utility's ability to make necessary infrastructure investments to its  
118 water and sewer systems in a timely and adequate manner. As the Commission  
119 explained in the Final Order in this case:

120 A utility is entitled under the Act to recover its cost of providing  
121 utility service and earn a fair rate of return on assets used to  
122 provide such service. The record evidence supports the  
123 Companies' and Staff's position that the Companies' cannot  
124 recover their costs of service under their current rates and that the  
125 rates proposed by Staff are necessary for the Companies to  
126 recover the costs incurred in meeting their public utility service  
127 obligations, including a reasonable rate of return on utility assets.  
128 Based on the Commission's review of the record, both the  
129 Companies and Staff considered the financial impact of the rates  
130 and made significant efforts to establish rates as low as possible,  
131 while ensuring each Company a fair and reasonable rate of return  
132 on investments. Unfortunately, the Intervenors failed to provide any  
133 viable solutions to avoid or mitigate any potential rate impact on  
134 customers. In summary, there is no legal basis for the Commission  
135 to reject a rate increase that reflects the reasonable cost of  
136 providing utility service and instead direct the Companies to refile a  
137 rate increase request. (Final Order, at 33.)  
138

139 Based on the Commission's above articulated concerns, I recommend that the  
140 Commission not adopt a rate mitigation plan for the Companies. Instead, I  
141 propose that the Commission consider two, non-mutually exclusive steps that  
142 would address bill impacts on a going forward basis that do not suffer from the  
143 disadvantages that a rate mitigation plan as described above could have for  
144 ratepayers.

145  
146 **Q. Please explain the two, non-mutually exclusive steps that the Commission**  
147 **can take to address bill impacts going forward.**

148 A. Since additional rate relief requests are expected from UI in the near future, in

149 order to reduce the “pain” associated with potential large future water and sewer  
150 rate increases, the Commission should consider various methods of mitigating  
151 such increases. Each of these methods is explained in detail below.

152

### 153 **Rate Design Changes - Usage Tier Structure**

154

155 In many UI jurisdictions, water and sewer ratemaking is based on rate design  
156 methods and principles established many decades ago. Therefore, it may be  
157 necessary to revisit the water and sewer rate design in territories that experience  
158 significant rate increases. Generally speaking, three types of rate structures are  
159 common in water and sewer rate design: declining-block rates, uniform usage  
160 rates, and inclining-block rates. In the case of UI, inclining-block rates could  
161 become an important method of encouraging water conservation and  
162 subsequently reducing customers’ bills. In an inclining-block rate structure, the  
163 unit price increases with each higher level, or tier, of consumption. Such rate  
164 structure can potentially be "punitive" to large customers, charging them a higher  
165 unit rate simply because they are large water users. Therefore, inclining block  
166 rates should be designed based on differences in the cost of serving customers  
167 who contribute to the system’s various costs, not just on customers who use  
168 large amounts of water throughout the year.

169

170 In fact, in a presently ongoing UI rate case, Docket Nos. 11-0561 through 0566  
171 (Cons.), Staff inquired from the Companies in that proceeding about whether any

172 changes to billing systems or processes would be necessary to implement an  
173 alternative rate design structure. In response to Staff Data Request PR 3.09, the  
174 Companies stated:

175 Manually changing and implementing the rate structure of a regular  
176 IL company would take approximately 3 days: 2 days to change the  
177 rate structure and 1 day to test the changes. This would equate to  
178 approximately \$1000 based on each employee's cap time rate.  
179 The process will involve creating new bill factors along with bill  
180 factor values by the billing manager. Any necessary rate  
181 components would need to be added for each rate change. The  
182 pertinent bill factor is plugged into the rate component while  
183 eligibility is added to the rate component depending on case by  
184 case basis. After the manual entry of the rate change is  
185 completed, the customer care specialist and the assistant billing  
186 manager would need to check the accuracy of the new rate  
187 structure. If the rate structure is too complicated to manually input  
188 the assistance of our programmer will be required. His rate is  
189 \$150/hour and he might need to spend anywhere between 1 day to  
190 5 days depending on the size of the company. That would equate  
191 to approximately \$1200 to \$6000 per company. (Emphasis added.)  
192

193 Based on the response to discovery in that proceeding, it appears that rate  
194 design changes are relatively easy to implement and don't take much time.  
195 Nevertheless, it should be noted that this type of rate structure by itself, without a  
196 significant accompanying customer information program, will generally not  
197 produce the desired conservation and reduction in customer bills if customers  
198 are not aware that the more they use, the higher the unit price they pay. In sum,  
199 the intent of an inclining-block structure is to set the tiers so as to give customers  
200 more discretion over usage.

201

202 **Consolidation**

203

204 UI operates a total of 23 water and wastewater subsidiaries in Illinois. Each has  
 205 its own standalone rate structure and rates designed to produce revenues to  
 206 sustain each individual subsidiary. Over the past two decades there have been  
 207 several water rate cases filed by UI as shown in Table A, below.

208

<b>TABLE A</b>				
<b>Utilities Inc Water Companies</b>				
<b>Utility</b>	<b>Docket No.</b>	<b>Date Approved</b>	<b>% Requested</b>	<b>% Granted</b>
Apple Canyon	03-0399	4-Apr	52.90%	7.90%
	09-0548	10-Sep	133.20%	66.10%
Camelot Utilities	92-0345	Jul-93	34.80%	29.90%
	11-0141	11-Nov	253.00%	212.60%
Charmar	03-0400	4-Apr	61.40%	61.40%
	11-0561	Pending	448.00%	
Cherry Hill	03-0401	4-Apr	15.20%	6.50%
	11-0562	Pending	128.00%	
Clarendon	97-0664	Aug-98	37.70%	29.40%
	11-0563	Pending	168.00%	
Ferson Creek	83-0432	Jun-84	46.40%	46.40%
	11-0565	Pending	100.10%	
Galena Terr.	86-0480	Sep-87	45.80%	37.70%
	10-0280	10-Dec	82.50%	53.60%
Great Northern	98-0047	Oct-98	22.90%	18.40%
	11-0059	11-Nov	300.00%	251.70%
Harbor Ridge	94-0512	Oct-95	23.50%	4.30%
	11-0566	Pending	103.80%	
Killarney	94-0329	May-95	34.00%	17.90%
	11-0564	Pending	249.00%	
Lake Holiday	92-0420	Aug-93	16.20%	14.00%
	11-0142	11-Nov	76.00%	48.00%
Lake Wildwood	01-0663	2-Aug	29.00%	6.70%

	09-0549	10-Sep	137.90%	55.50%
Northern Hills	03-0402	4-Apr	13.00%	11.80%
	10-0298	11-Jan	155.30%	104.90%
Whispering Hills	94-0271	Mar-95	40.00%	30.90%
	10-0110	10-Oct	84.30%	51.90%

209

210

The table shows that many of these rate cases were filed after many years of no

211

rate relief requests by some of the subsidiaries. Additionally, each subsidiary of

212

UI is its own corporate entity and operates independently from any other UI

213

subsidiary. Company witness Ms. Georgiev described the relationship of UI to its

214

subsidiaries as follows:

215

Camelot Utilities, Inc. ("Camelot" or the "Company") is a wholly owned subsidiary of Utilities, Inc. ("UI"). Water Service Corporation ("WSC") manages the operation for all of VI's water and wastewater systems, including Camelot. WSC provides management, administration, engineering, accounting, billing, data processing, and regulatory services for the utility systems. WSC's expenses are assigned directly to a utility or distributed to the various companies pursuant to a formula that has been approved by the Commission. (UI Ex. 1.0, pp. 1-2.)

216

217

218

219

220

221

222

223

224

225

Unfortunately, this corporate organization does not provide any opportunity to

226

consolidate or mitigate the revenue requirement of one subsidiary with that of

227

another subsidiary, because the revenue requirement of each subsidiary and its

228

resulting rates are determined and approved for each subsidiary separately and

229

distinctly. The "high" revenue requirement of one subsidiary cannot be combined

230

with the "low" revenue requirement of another subsidiary so that the resulting

231

rates are somehow "more reasonable" for the customers of both subsidiaries.

232

233

Thus, the Commission should encourage UI to seriously consider some form of

234 consolidation of its 23 water and wastewater subsidiaries in Illinois.  
235 Consolidation would create increased efficiencies and has proven successful for  
236 other water utilities (For example, Aqua Illinois and Illinois American Water  
237 Company have consolidated its separate water and sewer divisions over the  
238 years.) Consolidation may also be beneficial for UI customers because not only  
239 may it protect them against dramatic rate increases but is also useful to address  
240 smaller system viability issues. Customers will also benefit from decreased rate  
241 case and administrative expenses due to the UI's ability to file single,  
242 consolidated rate cases for its many water and sewer operations.

243

244 **STAFF ALTERNATIVE PLAN – RIDER BSA (“BILL STABILIZATION**  
245 **ADJUSTMENT”)**  
246

247 **Q. Please explain what alternative plan the Commission could adopt to**  
248 **mitigate rates.**

249 A. The alternative plan I developed is very similar to the rate mitigation plan  
250 approved by the Commission in a Commonwealth Edison Company (“ComEd”)  
251 case, Docket No. 06-0411.<sup>1</sup>

252

253 **Q. Please explain how that rate mitigation plan came about.**

254 A. In Docket No. 06-0411, ComEd proposed a Residential Rate Stabilization

---

<sup>1</sup> Similarly, in Docket Nos. 06-0779, 06-0780 and 06-0781, the three Ameren companies filed Petitions for Special Permission to place tariff sheets into effect prescribing a plan - Rider CEP, which was very similar to ComEd's Rider RRS. The Commission subsequently granted Ameren's request. The plan was never implemented since its applicability was conditioned upon certain financial events not occurring.

255 (“RRS”) Program, which was designed to ease the adverse bill impacts on  
256 residential customers from the transition to “market-based” bundled prices after  
257 the end of the ten-year rate freeze mandated by the 1997 Electric Restructuring  
258 Law. ComEd voluntarily filed this rider as a petition which resulted in a seven-  
259 month proceeding in which the proposed program was analyzed by several  
260 parties.

261

262 **Q. What were the features of ComEd’s proposed rate mitigation plan?**

263 A. ComEd’s proposed rate mitigation plan was to cap the increases in bundled  
264 rates for all residential customers in the years 2007-2009. The difference  
265 between the capped bills and the actual costs of providing and delivering the  
266 power would be deferred with interest and added to customer bills in years 2010-  
267 2012. (ComEd Ex. 2.0, pp. 4-5, lines 72-73 and 87-91.)

268

269 The end-result of the plan was that residential customer bills would fall below the  
270 uncapped levels in years 2007-2009 but would exceed the uncapped levels in  
271 years 2010-2012 when the initial deferred costs plus interest are ultimately  
272 recovered by ComEd. In that proceeding, Staff voiced a number of concerns  
273 about ComEd’s proposed plan.

274

275 **Q. What concern did Staff present concerning the ComEd plan?**

276 A. Staff’s primary concern was that the program applied to all residential customers,

277 even those that could afford the increases in their bills. In Staff's estimation,  
278 these customers might not welcome a plan that required them to pay these  
279 additional costs in the future with interest.

280

281 **Q. What alternative did Staff propose?**

282 A. Staff modified the ComEd plan primarily by making it a voluntary plan that  
283 customers could opt-in to and by requiring the Company to separately calculate  
284 and track the deferred balances and repayments of each customer that opts into  
285 the plan. The program continued to be refined in the Company's surrebuttal  
286 testimony and in subsequent agreements. The Commission found that the  
287 optional Rider RRS, as modified by the parties in that proceeding, was in the  
288 public interest.

289

290 **Q. If the Commission chooses to adopt a rate mitigation plan in this**  
291 **proceeding, should it be mandatory or optional?**

292 A. In my opinion, any reasonable rate mitigation plan should be offered on an  
293 optional basis (the "opt-in feature").

294

295 **Q. What are the benefits of an opt-in feature?**

296 A. An opt-in feature benefits consumers by giving them the option to forgo a loan  
297 program that customers may not want or need to join.

298

299 A rate mitigation plan with an opt-in feature would also avoid possible subsidies

300 between customers. If participation in such a plan proceeds on an individual  
301 customer basis and not on a class wide basis, customers that enter the system  
302 during the life of the rate mitigation plan will not end up subsidizing customers  
303 that leave before the program ends.

304  
305 The optional plan will improve price signals for those customers who do not  
306 participate. They will consume water based on price signals that reflect the  
307 actual cost of providing water and would more likely make more efficient usage  
308 decisions.

309

310 **Q. Have you developed an optional plan that addresses the problems raised**  
311 **by the Commission on the mitigation of rate shock issue?**

312 A. Yes. Using Rider RRS that the Commission adopted for ComEd in Docket No.  
313 96-0411 as a template, I modified it to develop a proposed Rider BSA (Bill  
314 Stabilization Adjustment).

315  
316 Similar to Rider RSS, Rider BSA would be offered through a tariff offering  
317 available to customers with an opt-in feature. The main feature of Rider BSA is  
318 a limit (“caps”) on the overall water rates and subsequent charges paid by  
319 participating UI customers. In order for UI to recover the just and reasonable  
320 costs of service approved by the Commission in its Final Order, the difference  
321 between the bill that would have resulted based on the Final Order rate versus  
322 the bill that results due to Rider BSA must be deferred with interest and

323 incorporated into future rates.

324

325 Under Rider BSA, Base Facilities Charges (“BFCs”), and Usage Charges for  
326 water and sewer service would be capped as follows: in 2012, at 60% of the  
327 approved water and sewer rates in this proceeding; in 2013, at 75% of the  
328 approved water and sewer rates in this proceeding; and in 2014, at 90% of the  
329 approved water and sewer rates in this proceeding.

330

331 The difference, if any, between the capped charges and the costs that would  
332 have been recovered under the applicable rates without operation of the caps  
333 would be recorded as short-term customer receivables, and those costs will be  
334 recovered over a three-year period beginning with the first billing cycle in 2015.

335

336 **Q. How should the interest rate on the deferred amounts be determined?**

337 A. The interest rate would ideally be based on the cost of funds secured by the  
338 Company to cover the deferred balance. Setting the interest rate in excess of  
339 the Company’s cost to finance the deferral amounts would inappropriately  
340 provide a windfall to shareholders and unjustly harm consumers. Given that the  
341 deferral period I propose for Rider BSA is three years with a deferral recovery  
342 period of three years, the Company’s short-term debt rate would be a reasonable  
343 interest rate since the rider is essentially a short-term loan program. In this  
344 proceeding, the Commission adopted a 2.85% cost of short-term debt (Order,  
345 Docket No. 11-0059/0141/142 (Cons.), p. 25).

346

347 **Q. Under Rider BSA, should customers new to UI's system after the signup**  
348 **window, be eligible to participate?**

349 A. No. Like ComEd's Rider RSS, only customers who are customers of record at  
350 the end of the enrollment period (*i.e.*, at the conclusion of the sign-up window)  
351 will be eligible to participate. The arguments for offering Rider BSA to existing  
352 customers would not necessarily apply to new customers. New customers would  
353 not experience the same magnitude of bill impacts as existing customers.

354

355 **Q. If a customer who has opted-in moves before the end of the program, how**  
356 **would the deferral balance be recovered?**

357 A. Just as with Rider RSS, if the customer discontinues service for his or her  
358 existing account and provides a new billing address within the UI service territory,  
359 the deferral balance will be transferred to his or her new account. In the event  
360 the customer does not provide a new service address or moves outside of the UI  
361 service territory, any over- or under-collection of costs will be recognized through  
362 a separate final adjustment that includes recovery of the entire deferral balance  
363 that is outstanding for that customer.

364

365 **Q. Will a customer who has chosen to opt-in be able to opt-out of the**  
366 **program?**

367 A. Like Rider RSS, customers will be able to terminate their participation voluntarily,  
368 with the balance of deferral amounts due immediately.

369

370 **Q. Are there any potential implementation issues pertaining to your proposal?**

371 A. Yes. The Companies may need time to notify customers of the opportunity to  
372 participate, educate them about how Rider BSA would work, or to process the  
373 applications of interested customers. Consumer education is vital to the  
374 successful implementation of the rider. Furthermore, the Companies may  
375 encounter difficulties in revising its information processing and customer service  
376 systems to accommodate Rider BSA.

377

378 **Q. In your opinion, how should these issues be addressed?**

379 A. It is essential to enable customers to make an informed decision concerning  
380 participation in the program. A compliance filing outlining the consumer  
381 education plan, including the outreach efforts, billing issues and timelines should  
382 be provided by the Company to the Commission within 45 days of the Final  
383 Order on rehearing in this proceeding.

384

385 **Q. Is there any other implementation issue for the Commission to consider?**

386 A. Yes, the Commission faces the issue concerning how bills are to be adjusted  
387 when customers opt-in to the program. Currently, the rates from the Final Order  
388 in this proceeding have been in effect since November 21, 2011. If Rider BSA is  
389 adopted, however, when customers do enroll, an issue arises concerning the  
390 time period over which the rate caps would apply. One alternative would be to  
391 retroactively apply the rate caps to bills that customers have already incurred and

392 paid for since November 21, 2011. Under that scenario, participants would  
393 receive bill credits reflecting reductions retroactive to November 21, 2011.

394  
395 The second alternative is for enrollees to participate in the program on a going-  
396 forward basis. The rate caps would apply to bills incurred after the customer's  
397 enrollment date. So, for example, a customer that signs up in August 1, 2012  
398 would not receive credits for water consumed in November 21, 2011 through  
399 August 1 of that year.

400  
401 **Q. What are the relative merits of the two alternative approaches?**

402 A. The first alternative of calculating credits back to November 21, 2011 would offer  
403 the advantage of providing more significant immediate relief to customers  
404 encountering difficulty in the transition to new rates. The downside is that this  
405 alternative will raise future rates for these customers by increasing the deferred  
406 amount that must be recovered with interest during the deferral recovery period.

407 The second alternative to implement the rate caps on a going-forward basis  
408 would have the opposite effect of costing ratepayers more initially but reducing  
409 the upward pressure on rates in the deferral recovery period of 2015-2017. This  
410 alternative would offer no retroactive credits to ease the financial strain for  
411 individual customers from the inception of the new rates on November 21, 2011.  
412 However, the absence of credits would translate into lower deferred balances to  
413 be repaid with interest in years 2015-2017.

414

415 **Q. Which of these two alternatives would you recommend to the**  
416 **Commission?**

417 A. Both alternatives are reasonable. However, similar to Rider RSS, I believe the  
418 second alternative of implementing rate caps on a going-forward basis would be  
419 more beneficial. By limiting the amount of accumulated deferred balances, this  
420 alternative would reduce the problems these customers might encounter in  
421 repaying these deferred balances in years 2015-2017. It should be noted that  
422 any deferred rate benefits received in 2012-2014 become a cost in 2015-2017,  
423 so any initial credit becomes a burden in the long run which would eliminate the  
424 advantage of this alternative. In addition, implementing rate caps on a going-  
425 forward basis would avoid any administrative or technical issues in applying the  
426 caps to prior billing periods.

427

428 **Q. Please explain how the adjustments to future customer bills would work**  
429 **under Rider BSA.**

430 A. The exact mechanics behind the adjustments are not identical to Rider RSS,  
431 since in this proceeding we are dealing with a much smaller and relatively  
432 simpler set of companies. In other words, the Companies in this proceeding are  
433 much smaller and have a much simpler rate structure than ComEd; therefore,  
434 Rider BSA adjustments are applied in the most straightforward way possible.  
435 For any year in which the plan constrains UI's allowed charges, a negative  
436 adjustment, or credit, will be calculated and applied to all participating customers'  
437 bills. Similarly, during the recovery period, a positive adjustment, or charge, will

438 be calculated and applied to all participating customers' bills. The Rider BSA  
439 charge will appear as a separate line item on a participating customer's bill.

440

441 **Q. Please discuss the specifics concerning the determination of the**  
442 **applicable credits and charges under Rider BSA.**

443 A. Collectively, Schedules 17.1-17.8, provide a numerical example of the  
444 calculations involved. I provide these schedules solely to show how the  
445 calculation process works from a mathematical perspective. The data presented  
446 is for illustrative purposes only. For example, Schedule 17.4 provides how the  
447 customer receivable would be calculated over the first three years of the plan  
448 and how it would be reduced during the following three years. These schedules  
449 are not meant to provide a detailed analysis of every scenario imaginable, nor  
450 are they intended to forecast future events.

451

452 In each stage of the implementation of Rider BSA, the BFC and Usage Charge  
453 can be no lower than the rates in effect prior to the Final Order. Keeping the  
454 previous limitation in mind, in general, the calculation for the credits and charges  
455 will be as follows:

456 1. For the first year of the Program (*i.e.*, 2012), UI will limit the increase in  
457 the BFC and Usage Charge to 60% of the Final Order compliance rates  
458 ("current rates") as presented in Schedules 17.1 and 17.2. In subsequent  
459 years, UI will raise the cap in 2013 to an additional 15%, and in 2014 to an  
460 additional 15%.

461

462 2. To determine the 2012 credits, if any, UI will compare the applicable  
463 monthly bill under current rates and the capped rates. If the former is  
464 greater than the latter, then a credit will be applied to the customer's bill  
465 reflecting the difference (see Schedules 17.5 and 17.6). For years 2013

466 and 2014, the same procedure will apply.

467  
468 3. To determine the charges, if any, for customers in 2015, UI will determine  
469 the amount needed to amortize the existing short term customer  
470 receivables and associated carrying charges over a 36-month period at  
471 the most recent Commission-approved cost of short-term debt, which is  
472 2.85%. Approximately one-third of such amount will be recovered in 2015.  
473 So, customers who chose to opt-in and who were given a credit on their  
474 bill during the deferral billing periods (*i.e.*, 2012-2014), their individual  
475 accounts will carry a deferral balance that will be recovered from 2015-  
476 2017 (see Schedules 17.4-17.8).  
477

478 **Q. Will the credits and charges be calculated in the same manner for all**  
479 **participating customers?**

480 A. Yes. Like Rider RSS, the plan is essentially a loan to individual customers from  
481 UI. Just as customers take out loans for homes, cars or appliances, Rider BSA  
482 extends a loan to an individual customer which would be paid back over the last  
483 three years of a six-year period. Because loans are such an accepted part of  
484 economic life, the plan's payment requirements would be clearer to customers if  
485 represented as such. Customers must understand that just like all other loans  
486 they undertake, they are responsible for payment of any unpaid balance with  
487 interest.

488  
489 **Q. What are the key differences between the AG's Phase-In plan proposed in**  
490 **Docket Nos. 11-0561 (Cons.) and the Rider BSA that you are proposing as**  
491 **an alternative?**

492 A. First, similar to Rider RSS, Staff's Plan is available on an opt-in basis while the  
493 AG's proposed plan in that docket is mandatory.

494

495 Second, the AG's plan would recover the deferred revenues through base rates  
496 while Staff's plan, similar to Rider RSS, would be administered through an  
497 optional tariff offering available to customers, with deferred balances accounted  
498 for as a customer receivable.

499  
500 Third, although both plans will ease the transition for customers from current  
501 rates to the Final Order compliance rates, in contrast to the Phase-In plan  
502 proposed in Docket Nos. 11-0561 (Cons.), the proposed Rider BSA, similar to  
503 Rider RSS, has a much shorter deferral period and the rate caps are positioned  
504 at a much higher level for each of the deferral years. The higher rate caps would  
505 cause the amount of the deferrals to be lower and the potential for adverse bill  
506 impacts in years four through six to be lower as well. Thus, although under both  
507 plans ratepayers would be afforded some protection from the full effect of the  
508 approved rate increases during the deferral period, under Rider BSA the adverse  
509 impacts of the program would be less when the caps are lifted. Finally, by  
510 utilizing higher caps, the deferred costs will be recovered over a much shorter  
511 period than is typical for amortization of utility plant investment.

512

513 **Q. Please recap the key elements of Rider BSA which you present as an**  
514 **alternative available to the Commisison should it decide to adopt a rate**  
515 **mitigation plan.**

516 A. The main features of Rider BSA are as follows:

517 1. Rate caps are used for the first three years of the plan but at different levels.  
518 The increase in average annual UI customer's bills will be capped at 40%,

- 519 25%, and 10% below the uncapped bill levels per year in each of the years  
520 2012, 2013, and 2014.
- 521
- 522 2. Participation in Rider BSA will be voluntary. To participate, customers will fill  
523 out an enrollment form, sign it, and send it to UI.
- 524
- 525 3. Only customers of record at the conclusion of the signup window will be  
526 eligible to participate in Rider BSA. Customers will be able to enroll within 90  
527 days or another agreed upon time interval following the Final Order on  
528 rehearing in this proceeding.
- 529
- 530 4. In each stage of Rider BSA, the BFCs and Usage Charges can be no lower  
531 than the rates in effect prior to the Final Order.
- 532
- 533 5. Customers who choose to participate in Rider BSA will receive credits on  
534 their bills for amounts above the rate caps. \_However, there will be no credits  
535 for bills that fall below rate caps.
- 536
- 537 6. Credits will be applied to bills only on a going-forward basis subsequent to  
538 customer enrollment.
- 539
- 540 7. UI will track both the amounts of customers' bills that are deferred via credits  
541 (the "deferral amounts") and the repayments of such amounts on an  
542 individual customer basis.
- 543
- 544 8. UI will collect the deferral amounts during the last three years of the plan,  
545 2015 through 2017, with a final adjustment in a participating customer's final  
546 bill, if required.
- 547
- 548 9. Participating customers who discontinue their accounts, but provide another  
549 service address to which they are immediately relocating within the UI service  
550 territory and establish a new account with UI, will have the option to transfer  
551 the balance of their deferral amounts from their old account to their new  
552 account and continue on Rider BSA.
- 553
- 554 10. Participating customers who discontinue their accounts, but do not provide  
555 such other service address, establish such a new account, and choose to  
556 make such a transfer, will see the entire balance of deferral amounts due with  
557 the final bill.
- 558
- 559 11. Customers will be able to terminate their participation in the plan voluntarily,  
560 with the balance of deferral amounts due immediately.
- 561
- 562 12. Assuming the Commission approves Rider BSA, UI will develop appropriate  
563 customer education and enrollment materials. A compliance filing outlining  
564 the consumer education plan, including the outreach efforts, billing issues

565 and timelines should be provided by UI to the Commission for approval within  
566 45 days of the Final Order on rehearing in this proceeding.

567  
568 13. Deferral amounts will accrue carrying charges at a 2.85% annual rate, which  
569 equals to the cost of short-term debt that the Commission adopted in its Final  
570 Order in this Docket.  
571

572 **Q. Please summarize the main advantages of Rider BSA.**

573 A. The main advantages of Rider BSA are as follows:

574 a. It eases the transition for all participating customers through rate caps in  
575 years 2012-2015.

576 b. Staff's program is administered on an individual basis, and customers can  
577 decide whether to opt into the program or pay now and avoid deferrals.

578 c. Staff's plan has higher annual rate caps which reduce the deferrals  
579 individual customers must repay in years 2015-2017.  
580

581 **Q. Are there reasons why it would not be desirable to offer any rate mitigation  
582 plan, such as Rider BSA, to the Companies' customers?**

583 A. Yes. There are several reasons. First, a rate mitigation plan defers the full  
584 recovery of the approved revenue requirement for several years. A delay in  
585 collecting, in full, the approved revenues may result in insufficient revenues to  
586 operate and maintain the Companies' water and sewer systems in a safe,  
587 adequate, and reliable manner. It is unknown how that revenue reduction would  
588 affect the utilities' ability to provide utility service and its impact on the utility  
589 customers of each utility.  
590

591 For example, the Companies are subject to numerous and extensive  
592 environmental laws and regulations, such as the United States Clean Water Act  
593 of 1972 and the United States Safe Drinking Water Act of 1974. Any rate  
594 mitigation plan increases the likelihood that the resulting revenue shortfall to the  
595 Companies may render them unable to comply with such regulations effectively,  
596 as these regulations require substantial operating and capital costs on an  
597 ongoing basis.

598  
599 Second, it creates future rate impacts when deferrals must be repaid. Although  
600 a rate mitigation plan can reduce rate shock in the deferral period, it creates the  
601 potential for even greater rate shock in later periods when deferral repayments  
602 that reflect accrued interest begin.

603  
604 Third, the mitigated prices may distort customer decision-making by encouraging  
605 consumers to use a greater amount of water than they might otherwise use  
606 under current higher rates, and thereby discourage customers from managing  
607 their water use as wisely as possible.

608  
609 Fourth, successful application of a rate mitigation plan, such as Rider BSA, may  
610 require reprogramming of UI's billing systems and providing additional customer  
611 information, which would take additional time and resources with additional  
612 potential technical issues.

613

614 **Q. What is your overall opinion about the adoption of a rate mitigation plan?**

615 A. I am sympathetic to Commission's concerns with rate shock in this case, but I  
616 stand by my recommendations from the proceeding, which were adopted in the  
617 Commission's Final Order in this Docket, and discussed in detail above. I  
618 understand that certain ratepayers may experience financial difficulties due to  
619 the rate increases adopted, and by offering the Commission Rider BSA in the  
620 alternative, I seek to offer relief to the broadest number of customers as soon as  
621 possible. Despite these laudable intentions, however, I think that implementation  
622 of any rate mitigation plan constitutes a step backwards from the development of  
623 cost-based rates and runs counter to the manner in which water rates have  
624 historically been established by the Commission.

625

626 **Q. Based on your re-examination of the record evidence in this case, your**  
627 **description of rider BSA and subsequent discussions about its advantages**  
628 **and disadvantages, what is your final recommendation to the Commission**  
629 **in this proceeding?**

630 A. My overall recommendation is for the Commission to not adopt a rate mitigation  
631 plan in this proceeding.

632

633 When designing rates for the Companies, Staff concluded that rate shock to  
634 residential customers cannot be effectively mitigated or avoided by spreading  
635 costs among other classes or having other classes subsidize another class' cost.  
636 In other words, the Companies do not have sufficient customer classes to spread

637 costs, shoulder the burden, and mitigate rate increases. Faced with no  
638 meaningful mitigation alternatives, rates were designed to recover the revenue  
639 requirement recommended by Staff.

640

641 Thus, based on the thorough review of the Companies' financial, accounting and  
642 other information in this case, the Commission should not ignore that evidence in  
643 setting rates in this proceeding. The Commission has recognized the importance  
644 of adhering to basic cost of service principles in many circumstances. Simply  
645 put, although Rider BSA will help mitigate rate shock in this proceeding, it will  
646 move rates away from cost and violate the well-established Commission policy of  
647 basing rates, to the extent possible and reasonable, on cost. For all of these  
648 reasons, Staff urges the Commission to maintain the final rates approved in this  
649 proceeding.

650

651 If the Commission decides to adopt some form of a rate mitigation plan to  
652 alleviate rack shock to UI customers, then Rider BSA, as described in detail  
653 above, is the most appropriate solution for this situation.

654

655 **Q. Does this complete your direct testimony?**

656 **A.** Yes, it does.

Camelot Utilities, Inc.  
 Comparison of Final Order and Staff's Alternative Plan Water Rates (Illustrative)

Line No.	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
	Billing Units	Final Order Base Rates	Final Order Revenues	Staff's Alternative Plan 2012 Base Rates Cap 60%	Staff's Alternative Plan 2013 Base Rates Cap 75%	Staff's Alternative Plan 2014 Base Rates Cap 90%	Staff's Alternative Plan 2015-2017 Base Rates No Cap 100%	
				[(C)*(B)]	[(C)*60%]	[(C)*75%]	[(C)*90%]	[(C)*100%]
1	<b>Base Facilities Charge</b>							
2	5/8 inch	2,538	\$ 14.64	\$ 37,156	\$ 8.78	\$ 10.98	\$ 13.18	\$ 14.64
3	3/4 inch	12	\$ 21.96	\$ 264	\$ 13.18	\$ 16.47	\$ 19.76	\$ 21.96
4	1 inch	60	\$ 36.59	\$ 2,195	\$ 21.95	\$ 27.44	\$ 32.93	\$ 36.59
5	<b>Usage Charge</b>							
6	All meter sizes	13,659,799	\$ 14.48	\$ 197,794	\$ 8.69	\$ 10.86	\$ 13.03	\$ 14.48
7	<b>Miscellaneous Revenues</b>			<u>\$ 914</u>				
8	<b>Residential Revenues from Base Rates</b>			* \$ 237,409				
9	<b>Residential Total Revenues</b>			<u>* \$ 238,323</u>				

\* Amounts differ slightly from the Final Order due to rounding.

Note: Column (H) presents only base rates. Customer bills will also include deferred amounts. Please refer to Schedule 17.5 and 17.6.

Camelot Utilities, Inc.  
 Comparison of Final Order and Staff's Alternative Plan Sewer Rates (Illustrative)

Line No.	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
	Billing Units	Final Order Base Rates	Final Order Revenues	Staff's Alternative Plan 2012 Base Rates	Staff's Alternative Plan 2013 Base Rates	Staff's Alternative Plan 2014 Base Rates	Staff's Alternative Plan 2015-2017 Base Rates	Staff's Alternative Plan 2015-2017 Base Rates
				Cap 60%	Cap 75%	Cap 90%	No Cap 100%	
				[(C)*(B)]	[(C)*60%]	[(C)*75%]	[(C)*90%]	[(C)*100%]
1	<b>Base Facilities Charge</b>							
2	5/8 inch	2,466	\$ 76.85	\$ 189,512.10	\$ 46.11	\$ 57.64	\$ 69.17	\$ 76.85
3	5/8 inch (Low Use)	72	\$ 73.06	\$ 5,260.32	\$ 43.84	\$ 54.80	\$ 65.75	\$ 73.06
4	3/4 inch	12	\$ 76.85	\$ 922.20	\$ 46.11	\$ 57.64	\$ 69.17	\$ 76.85
5	1 inch	60	\$ 76.85	\$ 4,611.00	\$ 46.11	\$ 57.64	\$ 69.17	\$ 76.85
6	<b>Usage Charge</b>							
7	All meter sizes							
8	<b>Miscellaneous Revenues</b>			<u>\$ 831</u>				
9	<b>Residential Revenues from Base Rates</b>			* \$ 200,306				
10	<b>Residential Total Revenues</b>			<u>* \$ 201,137</u>				

\* Amounts differ slightly from the Final Order due to rounding.

Note: Column (H) presents only base rates. Customer bills will also include deferred amounts. Please refer to Schedule 17.5 and 17.6.

**Hypothetical Illustration**  
**Impact of Staff's Alternative Plan on Annual Water Revenues for Camelot Utilities, Inc.**

(A)	(B)	(C)	(D)	(E)	(F)	(G)
	<b>2012</b>	<b>2013</b>	<b>2014</b>			
1 Bill Caps	60%	75%	90%			
2 Assumed Participation Rate	30%	30%	30%			
3 Cost of short-term debt	2.85%	2.85%	2.85%			
	<b>Dec. 31, 2012</b>	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2014</b>	<b>Repayment Period</b>		
				<b>2015</b>	<b>2016</b>	<b>2017</b>
4 Uncapped Annual Revenues	* \$ 79,136	\$ 237,409	\$ 237,409	\$ 237,409.13	\$ 237,409.13	\$ 237,409.13
5 Capped Annual Revenues (Share of 30% Opt-In Customers)	* \$ 14,246	\$ 53,417	\$ 64,095	\$ 249,646.06	\$ 249,646.06	\$ 249,646.06
6 Uncapped Annual Revenue (Share of 70% Opt-Out Customers)	* \$ 55,395	\$ 166,186	\$ 166,186			
7 Amount of Annual Revenues Deferred for Year (Line 4 - 5 - 6)	\$ 9,495	\$ 17,806	\$ 7,127	\$ (12,236.93)	\$ (12,236.93)	\$ (12,236.93)
8 Percent of Annual Revenues Deferred for Year	12%	8%	3%			
9 Previous Deferrals		\$ 9,494.67	\$ 27,571.00	<b>\$ 35,484.23</b>	Short term receivables balance to be amortized over three year period.	
10 Interest on Previous Deferrals	**	\$ 270.60	\$ 785.77			
11 Subtotal (Lines 9+10)		<b>\$ 9,765.27</b>	<b>\$ 28,356.77</b>			

\* Assuming that Rider BSA will go into effect 90 days (plan's sign-up window) after Final Order on Rehearing is issued on or about 05/19/2012. So, in 2012, there are approximately 4 months left for Rider BSA to accrue deferrals.

\*\* For simplicity purposes, assuming that interest will accrue on deferrals annually.

**Hypothetical Illustration**  
**Impact of Staff's Alternative Plan on Annual Sewer Revenues for Camelot Utilities, Inc.**

(A)	(B)	(C)	(D)	(E)	(F)	(G)
	<b>2012</b>	<b>2013</b>	<b>2014</b>			
1 Bill Caps	60%	75%	90%			
2 Assumed Participation Rate	30%	30%	30%			
3 Cost of short-term debt	2.85%	2.85%	2.85%			
	<b>Dec. 31, 2012</b>	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2014</b>	<b>Repayment Period</b>		
				<b>2015</b>	<b>2016</b>	<b>2017</b>
4 Uncapped Annual Revenues	* \$ 66,769	\$ 200,306	\$ 200,306	\$ 200,305.62	\$ 200,305.62	\$ 200,305.62
5 Capped Annual Revenues (Share of 30% Opt-In Customers)	* \$ 12,018	\$ 45,071	\$ 54,086	\$ 210,742.60	\$ 210,742.60	\$ 210,742.60
6 Uncapped Annual Revenue (Share of 70% Opt-Out Customers)	* \$ 46,738	\$ 140,214	\$ 140,214			
7 Amount of Annual Revenues Deferred for Year (Line 4 - 5 - 6)	\$ 8,012	\$ 15,021	\$ 6,005	\$ (10,436.98)	\$ (10,436.98)	\$ (10,436.98)
8 Percent of Annual Revenues Deferred for Year	12%	7%	3%			
9 Previous Deferrals		\$ 8,012.20	\$ 23,261.45	<b>\$ 29,929.85</b>	Short term receivables balance to be amortized over three year period.	
10 Interest on Previous Deferrals	**	\$ 228.35	\$ 662.95			
11 Subtotal (Lines 9+10)		<b>\$ 8,240.54</b>	<b>\$ 23,924.41</b>			

\* Assuming that Rider BSA will go into effect 90 days (plan's sign-up window) after Final Order on Rehearing is issued on or about 05/19/2012. So, in 2012, there are approximately 4 months left for Rider BSA to accrue deferrals.

\*\* For simplicity purposes, assuming that interest will accrue on deferrals annually.

Hypothetical Illustration						
Impact of Staff's Alternative Plan on Hypothetical Residential Water Customer of Camelot Utilities, Inc.						

(A)	(B)	(C)	(D)	(E)	(F)	(G)
	<b>2012</b>	<b>2013</b>	<b>2014</b>			
1 Bill Caps	60%	75%	90%			
2 Cost of short-term debt	2.85%	2.85%	2.85%			
	<b>Dec. 31, 2012</b>	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2014</b>	Repayment Period		
				2015	2016	2017
3 Uncapped Annual Bills	* \$ 360.32	\$ 1,080.97	\$ 1,080.97	\$ 1,080.97	\$ 1,080.97	\$ 1,080.97
4 Capped Annual Bills	* \$ 216.22	\$ 810.73	\$ 972.80	\$ 1,268.51	\$ 1,268.51	\$ 1,268.51
5 Amount Deferred for Year (Line 3-Line 4)	\$ 144.10	\$ 270.24	\$ 108.17	\$ (187.54)	\$ (187.54)	\$ (187.54)
6 Percent Deferred for Year	-40%	-25%	-10%			
7 Previous Deferrals		\$ 144.10	\$ 418.45	<b>\$ 538.55</b>	Short term receivables balance to be amortized over three year period.	
8 Interest on Previous Deferrals	**	\$ 4.11	\$ 11.93			
9 Subtotal (Lines 7+8)		<b>\$ 148.21</b>	<b>\$ 430.38</b>			

\* Assuming that Rider BSA will go into effect 90 days (plan's sign-up window) after Final Order on Rehearing is issued on or about 05/19/2012. So, in 2012, there are approximately 4 months left for Rider BSA to accrue deferrals.

\*\* For simplicity purposes, assuming that interest will accrue on deferrals annually.

**Hypothetical Illustration**  
**Impact of Staff's Alternative Plan on Hypothetical Residential Water and Sewer Customer of Camelot Utilities, Inc.**

(A)	(B)	(C)	(D)	(E)	(F)	(G)
	<b>2012</b>	<b>2013</b>	<b>2014</b>			
1 Bill Caps	60%	75%	90%			
2 Cost of short-term debt	2.85%	2.85%	2.85%			
	<b>Dec. 31, 2012</b>	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2014</b>	<b>Repayment Period</b>		
				<b>2015</b>	<b>2016</b>	<b>2017</b>
3 Uncapped Annual Bills	* \$ 667.72	\$ 2,003.17	\$ 2,003.17	\$ 2,003.17	\$ 2,003.17	\$ 2,003.17
4 Capped Annual Bills	* \$ 400.66	\$ 1,502.41	\$ 1,802.84	\$ 2,350.66	\$ 2,350.66	\$ 2,350.66
5 Amount Deferred for Year (Line 3-Line 4)	\$ 267.06	\$ 500.76	\$ 200.33	\$ (347.49)	\$ (347.49)	\$ (347.49)
6 Percent Deferred for Year	-40%	-25%	-10%			
7 Previous Deferrals		\$ 267.06	\$ 775.44	<b>\$ 997.87</b>	Short term receivables balance to be amortized over three year period.	
8 Interest on Previous Deferrals		\$ 7.61	\$ 22.10			
9 Subtotal (Lines 7+8)		<b>\$ 274.67</b>	<b>\$ 797.54</b>			

\* Assuming that Rider BSA will go into effect 90 days (plan's sign-up window) after Final Order on Rehearing is issued on or about 05/19/2012. So, in 2012, there are approximately 4 months left for Rider BSA to accrue deferrals.

\*\* For simplicity purposes, assuming that interest will accrue on deferrals annually.

Camelot Utilities, Inc  
 Typical Bill Comparison of Final Order Water Rates vs. Staff Alternative Plan  
 Water Rates

Residential & Commercial 5/8" meter size

Rate Comparison

	Final Order Rates	Staff's Alternative Plan Base Rates			
		2012	2013	2014	2015-2017
<b>Usage Charge</b> Per 1000 gallons	\$14.48	\$8.69	\$10.86	\$13.03	\$14.48
<b>Fixed Charge per month</b>	\$14.64	\$8.78	\$10.98	\$13.18	\$14.64

Bill Comparison

Year	Level of Average Usage (1,000 Gal)	Current Monthly Bill	Alternative Plan Monthly Bill	Dollar Change	Percent Difference	Notes
2012	5.210	\$90.08	\$54.05	(\$36.03)	-40.0%	\$36.03 equals deferral at 60% cap.
2013	5.210	\$90.08	\$67.56	(\$22.52)	-25.0%	\$22.52 equals deferral at 75% cap.
2014	5.210	\$90.08	\$81.07	(\$9.01)	-10.0%	\$9.01 equals deferral at 90% cap.
2015	5.210	\$90.08	\$105.71	\$15.63	17.3%	\$15.63 equals deferral amortization (see Schedule 17.7)
2016	5.210	\$90.08	\$105.71	\$15.63	17.3%	\$15.63 equals deferral amortization (see Schedule 17.7)
2017	5.210	\$90.08	\$105.71	\$15.63	17.3%	\$15.63 equals deferral amortization (see Schedule 17.7)

Note: The deferral amortization amount will appear as a separate line item on a customer's bill.

Camelot Utilities, Inc  
 Typical Bill Comparison of Final Order Water and Sewer Rates vs. Staff Alternative  
 Plan Water and Sewer Rates

Residential & Commercial 5/8" meter size

Rate Comparison

	Final Order Rates	Staff's Alternative Plan Base Rates			
		2012	2013	2014	2015-2017
<b>Usage Charge</b> Per 1000 gallons	\$14.48	\$8.69	\$10.86	\$13.03	\$14.48
<b>Fixed Charge per month</b>					
Water	\$14.64	\$8.78	\$10.98	\$13.18	\$14.64
Sewer	\$76.85	\$46.11	\$57.64	\$69.17	\$76.85

Bill Comparison

Year	Average Level of Usage (1,000 Gal)	Current Monthly Bill	Alternative Plan Monthly Bill	Dollar Change	Percent Difference	Notes
2012	5.210	\$166.93	\$100.16	(\$66.77)	-40.00%	\$66.77 equals deferral at 60% cap.
2013	5.210	\$166.93	\$125.20	(\$41.73)	-25.00%	\$41.73 equals deferral at 75% cap.
2014	5.210	\$166.93	\$150.24	(\$16.69)	-10.00%	\$16.69 equals deferral at 90% cap.
2015	5.210	\$166.93	\$195.89	<b>\$28.96</b>	<b>17.35%</b>	\$28.96 equals deferral amortization (see Schedule 17.7)
2016	5.210	\$166.93	\$195.89	<b>\$28.96</b>	<b>17.35%</b>	\$28.96 equals deferral amortization (see Schedule 17.7)
2017	5.210	\$166.93	\$195.89	<b>\$28.96</b>	<b>17.35%</b>	\$28.96 equals deferral amortization (see Schedule 17.7)

Note: The deferral amortization amount will appear as a separate line item on a customer's bill.

## Loan Amortization Schedule

Enter values	
Loan amount	\$ 538.55
Annual interest rate	2.85 %
Loan period in years	3
Number of payments per year	12
Start date of loan	1/1/2015
Optional extra payments	

Loan summary	
Scheduled payment	\$ 15.63
Scheduled number of payments	36
Actual number of payments	36
Total early payments	\$ -
Total interest	\$ 23.99

Lender name: Camelot Utilities, Inc.

Pmt. No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
1	2/1/2015	\$ 538.55	\$ 15.63	\$ -	\$ 15.63	\$ 14.35	\$ 1.28	\$ 524.21	\$ 1.28
2	3/1/2015	\$ 524.21	\$ 15.63	\$ -	\$ 15.63	\$ 14.38	\$ 1.24	\$ 509.82	\$ 2.52
3	4/1/2015	\$ 509.82	\$ 15.63	\$ -	\$ 15.63	\$ 14.42	\$ 1.21	\$ 495.41	\$ 3.73
4	5/1/2015	\$ 495.41	\$ 15.63	\$ -	\$ 15.63	\$ 14.45	\$ 1.18	\$ 480.96	\$ 4.91
5	6/1/2015	\$ 480.96	\$ 15.63	\$ -	\$ 15.63	\$ 14.48	\$ 1.14	\$ 466.48	\$ 6.05
6	7/1/2015	\$ 466.48	\$ 15.63	\$ -	\$ 15.63	\$ 14.52	\$ 1.11	\$ 451.96	\$ 7.16
7	8/1/2015	\$ 451.96	\$ 15.63	\$ -	\$ 15.63	\$ 14.55	\$ 1.07	\$ 437.40	\$ 8.24
8	9/1/2015	\$ 437.40	\$ 15.63	\$ -	\$ 15.63	\$ 14.59	\$ 1.04	\$ 422.82	\$ 9.27
9	10/1/2015	\$ 422.82	\$ 15.63	\$ -	\$ 15.63	\$ 14.62	\$ 1.00	\$ 408.20	\$ 10.28
10	11/1/2015	\$ 408.20	\$ 15.63	\$ -	\$ 15.63	\$ 14.66	\$ 0.97	\$ 393.54	\$ 11.25
11	12/1/2015	\$ 393.54	\$ 15.63	\$ -	\$ 15.63	\$ 14.69	\$ 0.93	\$ 378.85	\$ 12.18
12	1/1/2016	\$ 378.85	\$ 15.63	\$ -	\$ 15.63	\$ 14.73	\$ 0.90	\$ 364.12	\$ 13.08
13	2/1/2016	\$ 364.12	\$ 15.63	\$ -	\$ 15.63	\$ 14.76	\$ 0.86	\$ 349.36	\$ 13.95
14	3/1/2016	\$ 349.36	\$ 15.63	\$ -	\$ 15.63	\$ 14.80	\$ 0.83	\$ 334.56	\$ 14.78
15	4/1/2016	\$ 334.56	\$ 15.63	\$ -	\$ 15.63	\$ 14.83	\$ 0.79	\$ 319.73	\$ 15.57
16	5/1/2016	\$ 319.73	\$ 15.63	\$ -	\$ 15.63	\$ 14.87	\$ 0.76	\$ 304.86	\$ 16.33
17	6/1/2016	\$ 304.86	\$ 15.63	\$ -	\$ 15.63	\$ 14.90	\$ 0.72	\$ 289.96	\$ 17.05
18	7/1/2016	\$ 289.96	\$ 15.63	\$ -	\$ 15.63	\$ 14.94	\$ 0.69	\$ 275.02	\$ 17.74
19	8/1/2016	\$ 275.02	\$ 15.63	\$ -	\$ 15.63	\$ 14.97	\$ 0.65	\$ 260.05	\$ 18.40
20	9/1/2016	\$ 260.05	\$ 15.63	\$ -	\$ 15.63	\$ 15.01	\$ 0.62	\$ 245.04	\$ 19.01
21	10/1/2016	\$ 245.04	\$ 15.63	\$ -	\$ 15.63	\$ 15.04	\$ 0.58	\$ 230.00	\$ 19.60
22	11/1/2016	\$ 230.00	\$ 15.63	\$ -	\$ 15.63	\$ 15.08	\$ 0.55	\$ 214.92	\$ 20.14
23	12/1/2016	\$ 214.92	\$ 15.63	\$ -	\$ 15.63	\$ 15.12	\$ 0.51	\$ 199.80	\$ 20.65
24	1/1/2017	\$ 199.80	\$ 15.63	\$ -	\$ 15.63	\$ 15.15	\$ 0.47	\$ 184.65	\$ 21.13
25	2/1/2017	\$ 184.65	\$ 15.63	\$ -	\$ 15.63	\$ 15.19	\$ 0.44	\$ 169.46	\$ 21.57
26	3/1/2017	\$ 169.46	\$ 15.63	\$ -	\$ 15.63	\$ 15.22	\$ 0.40	\$ 154.24	\$ 21.97
27	4/1/2017	\$ 154.24	\$ 15.63	\$ -	\$ 15.63	\$ 15.26	\$ 0.37	\$ 138.98	\$ 22.33
28	5/1/2017	\$ 138.98	\$ 15.63	\$ -	\$ 15.63	\$ 15.30	\$ 0.33	\$ 123.68	\$ 22.66
29	6/1/2017	\$ 123.68	\$ 15.63	\$ -	\$ 15.63	\$ 15.33	\$ 0.29	\$ 108.35	\$ 22.96
30	7/1/2017	\$ 108.35	\$ 15.63	\$ -	\$ 15.63	\$ 15.37	\$ 0.26	\$ 92.98	\$ 23.22
31	8/1/2017	\$ 92.98	\$ 15.63	\$ -	\$ 15.63	\$ 15.41	\$ 0.22	\$ 77.58	\$ 23.44
32	9/1/2017	\$ 77.58	\$ 15.63	\$ -	\$ 15.63	\$ 15.44	\$ 0.18	\$ 62.14	\$ 23.62
33	10/1/2017	\$ 62.14	\$ 15.63	\$ -	\$ 15.63	\$ 15.48	\$ 0.15	\$ 46.66	\$ 23.77
34	11/1/2017	\$ 46.66	\$ 15.63	\$ -	\$ 15.63	\$ 15.52	\$ 0.11	\$ 31.14	\$ 23.88
35	12/1/2017	\$ 31.14	\$ 15.63	\$ -	\$ 15.63	\$ 15.55	\$ 0.07	\$ 15.59	\$ 23.95
36	1/1/2018	\$ 15.59	\$ 15.63	\$ -	\$ 15.59	\$ 15.55	\$ 0.04	\$ -	\$ 23.99

## Loan Amortization Schedule

Enter values	
Loan amount	\$ 997.87
Annual interest rate	2.85 %
Loan period in years	3
Number of payments per year	12
Start date of loan	1/1/2015
Optional extra payments	

Loan summary	
Scheduled payment	\$ 28.95
Scheduled number of payments	36
Actual number of payments	36
Total early payments	\$ -
Total interest	\$ 44.45

Lender name: Camelot Utilities, Inc.

Pmt. No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
1	2/1/2015	\$ 997.87	\$ 28.95	\$ -	\$ 28.95	\$ 26.58	\$ 2.37	\$ 971.29	\$ 2.37
2	3/1/2015	\$ 971.29	\$ 28.95	\$ -	\$ 28.95	\$ 26.65	\$ 2.31	\$ 944.64	\$ 4.68
3	4/1/2015	\$ 944.64	\$ 28.95	\$ -	\$ 28.95	\$ 26.71	\$ 2.24	\$ 917.93	\$ 6.92
4	5/1/2015	\$ 917.93	\$ 28.95	\$ -	\$ 28.95	\$ 26.77	\$ 2.18	\$ 891.16	\$ 9.10
5	6/1/2015	\$ 891.16	\$ 28.95	\$ -	\$ 28.95	\$ 26.84	\$ 2.12	\$ 864.32	\$ 11.22
6	7/1/2015	\$ 864.32	\$ 28.95	\$ -	\$ 28.95	\$ 26.90	\$ 2.05	\$ 837.42	\$ 13.27
7	8/1/2015	\$ 837.42	\$ 28.95	\$ -	\$ 28.95	\$ 26.96	\$ 1.99	\$ 810.46	\$ 15.26
8	9/1/2015	\$ 810.46	\$ 28.95	\$ -	\$ 28.95	\$ 27.03	\$ 1.92	\$ 783.43	\$ 17.18
9	10/1/2015	\$ 783.43	\$ 28.95	\$ -	\$ 28.95	\$ 27.09	\$ 1.86	\$ 756.33	\$ 19.04
10	11/1/2015	\$ 756.33	\$ 28.95	\$ -	\$ 28.95	\$ 27.16	\$ 1.80	\$ 729.18	\$ 20.84
11	12/1/2015	\$ 729.18	\$ 28.95	\$ -	\$ 28.95	\$ 27.22	\$ 1.73	\$ 701.96	\$ 22.57
12	1/1/2016	\$ 701.96	\$ 28.95	\$ -	\$ 28.95	\$ 27.29	\$ 1.67	\$ 674.67	\$ 24.24
13	2/1/2016	\$ 674.67	\$ 28.95	\$ -	\$ 28.95	\$ 27.35	\$ 1.60	\$ 647.32	\$ 25.84
14	3/1/2016	\$ 647.32	\$ 28.95	\$ -	\$ 28.95	\$ 27.42	\$ 1.54	\$ 619.90	\$ 27.38
15	4/1/2016	\$ 619.90	\$ 28.95	\$ -	\$ 28.95	\$ 27.48	\$ 1.47	\$ 592.42	\$ 28.85
16	5/1/2016	\$ 592.42	\$ 28.95	\$ -	\$ 28.95	\$ 27.55	\$ 1.41	\$ 564.88	\$ 30.26
17	6/1/2016	\$ 564.88	\$ 28.95	\$ -	\$ 28.95	\$ 27.61	\$ 1.34	\$ 537.26	\$ 31.60
18	7/1/2016	\$ 537.26	\$ 28.95	\$ -	\$ 28.95	\$ 27.68	\$ 1.28	\$ 509.59	\$ 32.88
19	8/1/2016	\$ 509.59	\$ 28.95	\$ -	\$ 28.95	\$ 27.74	\$ 1.21	\$ 481.84	\$ 34.09
20	9/1/2016	\$ 481.84	\$ 28.95	\$ -	\$ 28.95	\$ 27.81	\$ 1.14	\$ 454.03	\$ 35.23
21	10/1/2016	\$ 454.03	\$ 28.95	\$ -	\$ 28.95	\$ 27.88	\$ 1.08	\$ 426.16	\$ 36.31
22	11/1/2016	\$ 426.16	\$ 28.95	\$ -	\$ 28.95	\$ 27.94	\$ 1.01	\$ 398.22	\$ 37.32
23	12/1/2016	\$ 398.22	\$ 28.95	\$ -	\$ 28.95	\$ 28.01	\$ 0.95	\$ 370.21	\$ 38.27
24	1/1/2017	\$ 370.21	\$ 28.95	\$ -	\$ 28.95	\$ 28.07	\$ 0.88	\$ 342.14	\$ 39.15
25	2/1/2017	\$ 342.14	\$ 28.95	\$ -	\$ 28.95	\$ 28.14	\$ 0.81	\$ 314.00	\$ 39.96
26	3/1/2017	\$ 314.00	\$ 28.95	\$ -	\$ 28.95	\$ 28.21	\$ 0.75	\$ 285.79	\$ 40.70
27	4/1/2017	\$ 285.79	\$ 28.95	\$ -	\$ 28.95	\$ 28.27	\$ 0.68	\$ 257.51	\$ 41.38
28	5/1/2017	\$ 257.51	\$ 28.95	\$ -	\$ 28.95	\$ 28.34	\$ 0.61	\$ 229.17	\$ 41.99
29	6/1/2017	\$ 229.17	\$ 28.95	\$ -	\$ 28.95	\$ 28.41	\$ 0.54	\$ 200.76	\$ 42.54
30	7/1/2017	\$ 200.76	\$ 28.95	\$ -	\$ 28.95	\$ 28.48	\$ 0.48	\$ 172.29	\$ 43.02
31	8/1/2017	\$ 172.29	\$ 28.95	\$ -	\$ 28.95	\$ 28.54	\$ 0.41	\$ 143.74	\$ 43.42
32	9/1/2017	\$ 143.74	\$ 28.95	\$ -	\$ 28.95	\$ 28.61	\$ 0.34	\$ 115.13	\$ 43.77
33	10/1/2017	\$ 115.13	\$ 28.95	\$ -	\$ 28.95	\$ 28.68	\$ 0.27	\$ 86.45	\$ 44.04
34	11/1/2017	\$ 86.45	\$ 28.95	\$ -	\$ 28.95	\$ 28.75	\$ 0.21	\$ 57.70	\$ 44.24
35	12/1/2017	\$ 57.70	\$ 28.95	\$ -	\$ 28.95	\$ 28.82	\$ 0.14	\$ 28.88	\$ 44.38
36	1/1/2018	\$ 28.88	\$ 28.95	\$ -	\$ 28.88	\$ 28.82	\$ 0.07	\$ -	\$ 44.45