

DIRECT TESTIMONY

Of

DANIEL G. KAHLE

Accountant  
Accounting Department  
Financial Analysis Division  
Illinois Commerce Commission

Proposed General Increase in Water and Sewer Rates

Illinois-American Water Company

Docket No. 11-0767

March 1, 2012

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1 **Witness Identification**

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

3 A. My name is Daniel G. Kahle. My business address is 527 East Capitol  
4 Avenue, Springfield, Illinois 62701.

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

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

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

10 A. I have a Bachelor of Science degree in Accountancy from the University  
11 of Illinois. I am a Certified Public Accountant, licensed to practice in the  
12 State of Illinois. My prior accounting experience includes seventeen years  
13 as an internal auditor for the State of Illinois, including four years as Chief  
14 Auditor at the Department of Commerce and Economic Opportunity  
15 ("DCEO"), five years as an Accounting Office Manager at DCEO, as well  
16 as a period of time employed as an Assurance Services Manager in a  
17 public accounting firm. I joined the Staff of the Illinois Commerce  
18 Commission ("Staff") in April 2006.

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

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

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

22 A. My responsibilities are to review the filings by Illinois-American Water  
23 Company ("Company" or "IAWC"), analyze the underlying data and  
24 propose adjustments when appropriate.

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

26 A. The purpose of my testimony is to present Staff's adjusted Operating  
27 Statements and Rate Base for IAWC, and to propose adjustments to the  
28 Company's respective rate base and operating statement for each rate  
29 area in this proceeding concerning utility plant-in-service, depreciation  
30 expense and cash working capital. Also, I am recommending that the  
31 Commission make a finding regarding an original cost determination for  
32 IAWC.

33 **Schedule Identification**

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

35 A. Yes, I prepared the following schedules for the Company, which show  
36 data as of, or for the test year ended, September 30, 2013:

37 **REVENUE REQUIREMENT SCHEDULES**

38 Schedule 1.1 - Statement of Operating Income with Adjustments

39 Schedule 1.2 - Adjustments to Operating Income

40 Schedule 1.3 - Rate Base

41 Schedule 1.4 - Adjustments to Rate Base

42 Schedule 1.5 - Revenue Effect of Staff's Adjustments

43 Schedule 1.6 - Interest Synchronization Adjustment

44 Schedule 1.7 - Gross Revenue Conversion Factor

45 ADJUSTMENT SCHEDULES

46 Schedule 1.8 – Cash Working Capital Adjustment

47 Schedule 1.9 – Utility Plant-in Service Adjustment

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

50 A. The Company filed for rate changes for several different rate areas. The  
51 letters that follow the schedule numbers identify the respective rate areas  
52 as follows:

53 ZN – Zone 1  
54 CW – Chicago Metro Water  
55 CS – Chicago Metro Sewer  
56 PK – Pekin  
57 LC – Lincoln

58 Thus, Schedule 1.1-ZN provides information for the Zone 1 rate area.

59 The rate area designation is a part of each schedule number to ease  
60 identification of which rate areas are affected by specific adjustments.

61 Revenue Requirement Schedules

62 **Q. Please describe Schedule 1.1 for each rate area, Statement of**  
63 **Operating Income with Adjustments.**

64 A. Schedule 1.1 for each rate area derives the required revenue at Staff's  
65 proposed Rate of Return. Column (b) presents the Company's pro forma  
66 operating statement at present rates for the test year as reflected on its  
67 Schedule C-2. Column (c) reflects the total of all Staff adjustments shown  
68 on Schedule 1.2. Column (d) reflects the Company's operating statement

69 at present rates per Staff. Column (e) presents the Company's proposed  
70 increase/(decrease) to revenue. Column (f) adjusts revenue to reflect  
71 Staff's Gross Revenue Conversion Factor. Column (g) is Staff's operating  
72 statement inclusive of the Company's proposed revenue change. Column  
73 (h) is the necessary change to the Company's proposed revenues,  
74 adjusted for Staff's Gross Revenue Conversion Factor, to arrive at Staff's  
75 computed revenue requirement as reflected in Column (i). Net Operating  
76 Income in Column (i), line 27, is the product of Rate Base, line 28, and  
77 Rate of Return, line 29.

78 Line 30 is the difference between the Company's current operating  
79 revenues and Staff's proposed operating revenues. Line 31 is Staff's  
80 calculated percentage change in operating revenues.

81 **Q. Please describe Schedule 1.2 for each rate area, Adjustments to**  
82 **Operating Income.**

83 A. Schedule 1.2 for each rate area identifies Staff's adjustments to Operating  
84 Income. The source of each adjustment is shown in the heading of each  
85 column. For comparability between the different rate areas, columns for  
86 every adjustment to Operating Income proposed by Staff witnesses  
87 appear on all Schedules 1.2; however, the column is designated as "(Not  
88 Applicable)" for those rate areas not affected by a given adjustment.  
89 Column (i) on p. 2 is carried forward to Schedule 1.1, Column (c).

90 **Q. Please describe Schedule 1.3 for each rate area, Rate Base.**

91 A. Schedule 1.3 for each rate area compiles Staff's Rate Base. Column (b)  
92 reflects the Company's proposed Rate Base. Column (c) summarizes  
93 Staff's adjustments to Rate Base. Column (d) is the net of Columns (b)  
94 and (c), and reflects Staff's proposed Rate Base.

95 **Q. Please describe Schedule 1.4 for each rate area, Adjustments to Rate**  
96 **Base.**

97 A. Schedule 1.4 for each rate area identifies Staff's adjustments to Rate  
98 Base. The source of each adjustment is shown in the heading of each  
99 column. For comparability between the different rate areas, columns for  
100 every adjustment to Rate Base proposed by Staff witnesses appear on all  
101 Schedules 1.4; however, the column is designated as "(Not Applicable)"  
102 for those rate areas not affected by a given adjustment. Column (i) on p.  
103 1 is carried forward to Schedule 1.3, Column (c).

104 **Revenue Effect of Staff's Adjustments**

105 **Q. Please explain Schedule 1.5 for each rate area, Revenue Effect of**  
106 **Staff's Adjustments.**

107 A. Schedule 1.5 for each rate area identifies the approximate effect of each  
108 Staff adjustment on the each rate area's revenue requirement. Schedule  
109 1.5 is not the development of Staff's revenue requirement. Rather, it is an

110 analysis that is intended to assist in identifying the relative monetary  
111 significance of each Staff adjustment.

112 **Interest Synchronization**

113 **Q. Please explain Schedule 1.6 for each rate area, Interest**  
114 **Synchronization Adjustment.**

115 A. Schedule 1.6 for each rate area computes the interest component of the  
116 Revenue Requirement. The interest expense (component) is computed  
117 by multiplying the Rate Base by Weighted Cost of Debt. The calculated  
118 Interest Expense is then compared against the Interest Expense used by  
119 the Company in its computation of test year Income Tax Expense. The  
120 tax effect of the difference in Interest Expense is the adjustment for  
121 Interest Synchronization. The effect of this adjustment is to ensure that  
122 the Revenue Requirement reflects the tax savings generated by the  
123 interest component of the revenue requirement.

124 **Gross Revenue Conversion Factor**

125 **Q. Please describe Schedule 1.7 for each rate area, Gross Revenue**  
126 **Conversion Factor.**

127 A. Schedule 1.7 for each rate area presents Staff's proposed Gross  
128 Revenue Conversion Factor ("GRCF"). It is based upon the applicable  
129 federal tax rate, state income tax rate, and uncollectible rate. The GRCF  
130 is multiplied by the operating income deficiency to determine the total

131 amount of revenue required for the income deficiency and the associated  
132 increase in income tax expense and uncollectible expense. The GRCF is  
133 used in the calculation of the Revenue Requirement in Columns (f)  
134 through (h) of Schedule 1.1.

135 **Original Cost Determination**

136 **Q. What is the relevance of an original cost determination?**

137 A. Requirements for preservation of records are associated with an original  
138 cost determination. Requirements for the preservation of specific records  
139 are set forth in 83 Ill. Adm. Code 615, The Preservation of Records of  
140 Water Utilities, Appendix A. For example, the records that support journal  
141 vouchers and journal entries charging plant accounts are to be maintained  
142 “7 years prior to date as of which original cost of plant has been  
143 unconditionally determined or approved by this Commission” in an original  
144 cost determination proceeding or a rate case.<sup>1</sup>

145 **Q. What do you recommend regarding an original cost determination?**

146 A. I recommend that the Commission conclude and make a finding in the  
147 Order in this proceeding that the Company’s September 30, 2011 plant  
148 balance of \$1,323,228,487 as reflected on Company Schedule B-5, p. 3  
149 of 28, is approved for purposes of an original cost determination, subject  
150 to any adjustments ordered by the Commission in this proceeding.

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<sup>1</sup> 83 Ill. Adm. Code 615, Appendix A, 12(b)(1)

151 **Cash Working Capital**

152 **Q. Please define the term “cash working capital”.**

153 A. Cash Working Capital (“CWC”) is the amount of funds required from  
154 investors to finance the day-to-day operations of a company. A  
155 company’s CWC requirement may be positive or negative, depending on  
156 whether it receives revenues, on average, slower or faster than it pays  
157 expenses. One way to determine the level of CWC to be included in rate  
158 base is through a lead-lag study that analyzes test year cash transactions  
159 and invoices. In general, lag times are associated with the collection of  
160 revenues owed to a Company (that is, the collection of cash from  
161 customers lags behind the Company’s cash outlays for the provision of  
162 service), and lead times are associated with the payments for goods and  
163 services received by the Company (for example, vendors allow the  
164 Company to pay later for goods and services provided currently).

165 **Q. How did the Company calculate its cash working capital?**

166 A. The Company’s calculation of CWC is based on the results of a lead-lag  
167 study conducted by the Company and provided to Staff as the workpapers  
168 supporting IAWC Ex. 6.00, Schedule B-8.

169 **Q. Please describe Schedule 1.8 for each rate area, Cash Working  
170 Capital Adjustment.**

171 A. Schedules 1.8 present my proposed adjustments to CWC to: (1) reflect all  
172 of Staff’s proposed changes to those accounts included within the cash

173 working capital calculation, and (2) using pension expense from the  
174 Company's Schedule C-2 rather than the projected qualified pension  
175 contribution under the ERISA guideline for the test year ending  
176 September 30, 2013 used by the Company.

177 **Q. Why did you use pension expense in your calculation rather than the**  
178 **projected qualified pension contribution?**

179 A. As stated earlier, CWC is the amount of funds required from investors to  
180 finance operations of a Company. CWC, added to rate base, provides for  
181 long-term financing of operations. The projected qualified pension  
182 contribution versus pension expense from the Company's Schedule C-2 is  
183 a short-term timing difference. The Commission's practice is to use the  
184 operating statement to represent the funds required from investors. To  
185 make that representation, the operating statement is adjusted to eliminate  
186 items not financed by investors such as depreciation and amortization.

187 The Company's use of the projected qualified pension contribution, rather  
188 than pension expense from the operating statement, tends to make the  
189 CWC schedule into a cash flow schedule rather than a representation of  
190 long-term financing of operations. There are many items from the  
191 operating statement that include accrued expenses. For example, payroll  
192 expense usually includes accrued vacation. As payroll expense is not  
193 adjusted to a cash amount for CWC calculation, the Company's adjusting

194 pension expense to reflect cash flow is not consistent with Commission  
195 practice.

196 **Utility Plant-in-Service**

197 **Q. Please describe Schedule 1.9 for each rate area, Utility Plant-in-**  
198 **Service Adjustment.**

199 A. Schedules 1.9 present my proposed adjustments to reduce the  
200 Company's additions to plant-in-service for the years ending September  
201 30, 2012 and September 30, 2013 based on the Company's history of  
202 actual capital spending compared to planned capital spending for the  
203 years 2009, 2010 and 2011.

204 **Q. Why are you adjusting the additions to plant that the Company**  
205 **proposed for the test year?**

206 A. Because the Company has chosen a future test year for this rate  
207 proceeding, the additions are simply forecasted amounts that are subject  
208 to change as the data supporting them is updated going forward.  
209 Presumably, the farther out the projections, the more likely that change  
210 will occur. Adjusting the forecasted additions to reflect the Company's  
211 historical spending pattern for planned capital expenditures provides a  
212 more realistic plant-in-service balance to use in the calculation of rates  
213 that will be in effect until the Order is entered in the Company's next rate  
214 proceeding.

215 **Q. How did you determine the percent of capital plan expended that you**  
216 **applied to the projected plant additions in order to calculate your**  
217 **adjustments?**

218 A. As shown on Staff Ex. 1.0, Schedule 1.9 ZN, p. 3, the percent of capital  
219 plan expended is the ratio of total actual capital expenditures for the  
220 three-year period to the total planned capital expenditures for the same  
221 time period.

222 **Q. Why are you adjusting additions to the year ending September 30,**  
223 **2012 as well as to the test year?**

224 A. Similar to the test year, the additions to plant-in-service for the year  
225 ending September 30, 2012 are forecasted amounts. Therefore, it is  
226 appropriate to adjust them in the same manner as the test year additions.

227 **Q. Do your proposed adjustments to reduce the Company's additions to**  
228 **plant-in-service also include adjustments to other components of the**  
229 **revenue requirement?**

230 A. Yes, Schedules 1.9 also present related adjustments to depreciation  
231 expense, accumulated depreciation, and accumulated deferred federal  
232 and state income taxes.

233 **Q. Is there a Schedule 1.9, p. 3 for each rate area?**

234 A. No. Schedule 1.9, p. 3 represents Company-wide data and is referenced  
235 by Schedule 1.9, p. 2 for each rate area.

236 **Q. Are you proposing any other adjustments to plant?**

237 A. Yes. For Zone 1, I am proposing two reductions to plant-in-service as of  
238 September 30, 2011. One is for a project identified in the Company's  
239 response to Staff Data Request WHA-1.01 for which the Company was  
240 reimbursed by the Illinois Department of Transportation. The second is a  
241 project identified in the Company's response to Staff Data Request WHA-  
242 1.03 which was included in the Company's additions twice (ICC Staff Ex.  
243 1.0, Schedule 1.9 ZN, p. 2, lines 15 and 16).

244 **Conclusion**

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

246 A. Yes.



**Illinois-American Water Company**  
**Zone 1**  
**Adjustments to Operating Income**  
**For the Test Year Ending September 30, 2013**

Line No.	Description	Interest Synchronization (Schedule 1.6)	Utility Plant-in-Service (Staff Ex. 1.0 Sch. 1.9 ZN)	Incentive Compensation (Staff Ex. 2.0 Sch. 2.1)	Business Transformation (Staff Ex. 2.0 Sch. 2.3)	Rate Case Expense (Staff Ex. 3.0 Sch. 3.1)	Social/Service Memberships (Staff Ex. 3.0 Sch. 3.2)	Lobbying Expense (Staff Ex. 3.0 Sch. 3.3)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Tariff Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenue	-	-	-	-	-	-	-	-
3	<b>Total Operating Revenue</b>	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	-	-	(103,558)	-	-	-	-	(103,558)
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Service Company Fees	-	-	-	(70,248)	-	-	-	(70,248)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	(22,604)	-	-	(22,604)
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	(98,330)	(11,614)	(109,944)
17	Maintenance - other	-	-	-	-	-	-	-	-
18	Miscellaneous	-	-	-	-	-	-	-	-
19	Depreciation & Amortization	-	(191,192)	-	-	-	-	-	(191,192)
20	Taxes other than Income	-	-	-	-	-	-	-	-
21	<b>Total Operating Expense</b>	-	(191,192)	(103,558)	(70,248)	(22,604)	(98,330)	(11,614)	(497,546)
22	<b>Before Income Taxes</b>	-	(191,192)	(103,558)	(70,248)	(22,604)	(98,330)	(11,614)	(497,546)
23	State Income Tax	(95,390)	8,479	4,592	3,115	1,002	4,361	515	(73,326)
24	Federal Income Tax	(719,458)	63,950	34,638	23,496	7,561	32,889	3,885	(553,039)
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
26	<b>Total Operating Expenses</b>	<b>(814,848)</b>	<b>(118,763)</b>	<b>(64,328)</b>	<b>(43,637)</b>	<b>(14,041)</b>	<b>(61,080)</b>	<b>(7,214)</b>	<b>(1,123,911)</b>
27	<b>NET OPERATING INCOME</b>	<b>\$ 814,848</b>	<b>\$ 118,763</b>	<b>\$ 64,328</b>	<b>\$ 43,637</b>	<b>\$ 14,041</b>	<b>\$ 61,080</b>	<b>\$ 7,214</b>	<b>\$ 1,123,911</b>

**Illinois-American Water Company**  
**Zone 1**  
 Adjustments to Operating Income  
 For the Test Year Ending September 30, 2013

Line No.	Description	Subtotal Operating Statement Adjustments	Charitable Contributions (Staff Ex. 3.0 Sch. 3.4)	Advertising Expense (Staff Ex. 3.0 Sch. 3.5)	(Source)	(Source)	(Source)	(Source)	Total Operating Statement Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Tariff Revenue	\$ -	\$ -	\$ -				\$ -	\$ -
2	Miscellaneous Revenue	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	#REF!	-	-	-	-	-	-	-	-
5	Labor	(103,558)	-	-	-	-	-	-	(103,558)
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Service Company Fees	(70,248)	-	-	-	-	-	-	(70,248)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	(22,604)	-	-	-	-	-	-	(22,604)
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	(109,944)	(112,978)	(20,833)	-	-	-	-	(243,755)
17	Maintenance - other	-	-	-	-	-	-	-	-
12	Miscellaneous	-	-	-	-	-	-	-	-
13	Depreciation & Amortization	(191,192)	-	-	-	-	-	-	(191,192)
14	Taxes other than Income	-	-	-	-	-	-	-	-
15	Total Operating Expense	-	-	-	-	-	-	-	-
16	Before Income Taxes	(497,546)	(112,978)	(20,833)	-	-	-	-	(631,357)
17	State Income Tax	(73,326)	5,010	924	-	-	-	-	(67,392)
18	Federal Income Tax	(553,039)	37,789	6,968	-	-	-	-	(508,282)
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	(1,123,911)	(70,179)	(12,941)	-	-	-	-	(1,207,031)
21	NET OPERATING INCOME	\$ 1,123,911	\$ 70,179	\$ 12,941	\$ -	\$ -	\$ -	\$ -	\$ 1,207,031

**Illinois-American Water Company**  
**Zone 1**  
**Rate Base**  
**For the Test Year Ending September 30, 2013**

Line No.	Description	Company Present Adjusted (Company Schedule B-1)	Staff Adjustments (Schedule 1.4 p. 1)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Utility Plant in Service	\$ 977,593,518	\$ (6,093,382)	\$ 971,500,136
2	Less: Accumulated Depreciation	<u>(336,159,307)</u>	<u>2,095,295</u>	<u>(334,064,012)</u>
3	Net Utility Plant in Service	641,434,211	(3,998,087)	637,436,124
4	Construction Work in Progress	\$ -	\$ -	\$ -
5	Utility Plant Acquisition Adj. - DuPage	-	-	-
6	Additions to Rate Base			
7	Cash Working Capital	(49,000)	(900,000)	(949,000)
8	Materials & Supplies	3,188,607	-	3,188,607
9	Deferred Charges - Tank Painting	7,961,821	-	7,961,821
10	FAS 109 Reg. Asset-Net of Liability	1,231,213	-	1,231,213
11	Service Company Audit Costs	270,498	-	270,498
12		-	-	-
13		-	-	-
14		-	-	-
15	Deductions From Rate Base			
16	Customer Advances	(47,656,078)	-	(47,656,078)
17	Pension Asset (Liability)	8,134,971	(8,134,971)	-
18	OPEB Liability	(1,502,178)	-	(1,502,178)
19	Contributions in Aid of Construction	(61,772,833)	-	(61,772,833)
20	Accum. Depr. On CIAC	19,218,306	-	19,218,306
21	Budget Payment Plan	(3,651)	-	(3,651)
22	Deferred Federal Income Taxes	(34,980,560)	1,081,272	(33,899,288)
23	Deferred State Income Taxes	(1,386,976)	(8,645)	(1,395,621)
24	Investment Tax Credit - pre 1971	<u>(1,544)</u>	<u>-</u>	<u>(1,544)</u>
25	Rate Base	<u>\$ 534,086,807</u>	<u>\$ (11,960,431)</u>	<u>\$ 522,126,376</u>

**Illinois-American Water Company**  
**Zone 1**  
**Adjustments to Rate Base**  
**For the Test Year Ending September 30, 2013**

Line No.	Description	Cash Working Capital (Staff Ex. 1.0 Sch. 1.8 ZN)	Utility Plant-in-Service (Staff Ex. 1.0 Sch. 1.9 ZN)	Pension Asset (Staff Ex. 2.0 Sch. 2.2)	(Source)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(c)	(e)	(f)	(f)	(g)	(h)	(i)
1	Gross Utility Plant in Service	\$ -	\$ (6,093,382)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,093,382)
2	Less: Accumulated Depreciation	-	2,095,295	-	-	-	-	-	2,095,295
3	Net Utility Plant in Service	-	(3,998,087)	-	-	-	-	-	(3,998,087)
4	Construction Work in Progress	-	-	-	-	-	-	-	-
5	Utility Plant Acquisition Adj. - DuPage	-	-	-	-	-	-	-	-
6	Additions to Rate Base								
7	Cash Working Capital	(900,000)	-	-	-	-	-	-	(900,000)
8	Materials & Supplies	-	-	-	-	-	-	-	-
9	Deferred Charges - Tank Painting	-	-	-	-	-	-	-	-
10	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
11	Service Company Audit Costs	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Deductions From Rate Base								
16	Customer Advances	-	-	-	-	-	-	-	-
17	Pension Asset (Liability)	-	-	(8,134,971)	-	-	-	-	(8,134,971)
18	OPEB Liability	-	-	-	-	-	-	-	-
19	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
20	Accum. Depr. On CIAC	-	-	-	-	-	-	-	-
21	Budget Payment Plan	-	-	-	-	-	-	-	-
22	Deferred Federal Income Taxes	-	(218,035)	1,299,307	-	-	-	-	1,081,272
23	Deferred State Income Taxes	-	(8,645)	-	-	-	-	-	(8,645)
24	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
25	Rate Base	\$ (900,000)	\$ (4,224,767)	\$ (6,835,664)	\$ -	\$ -	\$ -	\$ -	\$ (11,960,431)

**Illinois-American Water Company**  
**Revenue Effect of Staff's Adjustments**  
 Zone 1  
 Statement of Operating Income with Adjustments

Line No.	Description (a)	IAWC Proposal (b)	Staff's Adjustments (c)	Staff's Proposal (d)
1	<b>Summary</b>			
2	Current Revenues	\$ 156,496,012		\$ 156,496,012
3	<b>Proposed Increase</b>	<b>29,172,856</b>	<b>(15,446,671) #</b>	<b>13,726,185</b>
4	Proposed Revenue Requirement	\$ 185,668,868	\$ (15,446,671)	\$ 170,222,197
5	<b>Percentage Increase</b>	<b>18.64 %</b>	<b>(9.87)%</b>	<b>8.77 %</b>
6	<b>Effect of Each Staff Adjustment</b>			
7	Rate of Return		\$ (12,053,704)	
8	Interest Synchronization (Schedule 1.6)		(1,577,604)	
9	Pension Asset (Staff Ex. 2.0 Sch. 2.2)		(673,595)	
10	Utility Plant-in-Service (Staff Ex. 1.0 Sch. 1.9 ZN)		(609,144)	
11	Charitable Contributions (Staff Ex. 3.0 Sch. 3.4)		(113,947)	
12	Incentive Compensation (Staff Ex. 2.0 Sch. 2.1)		(104,447)	
13	Social/Service Memberships (Staff Ex. 3.0 Sch. 3.2)		(99,173)	
14	Cash Working Capital (Staff Ex. 1.0 Sch. 1.8 ZN)		(88,687)	
15	Business Transformation (Staff Ex. 2.0 Sch. 2.3)		(70,851)	
16	Rate Case Expense (Staff Ex. 3.0 Sch. 3.1)		(22,798)	
17	Advertising Expense (Staff Ex. 3.0 Sch. 3.5)		(21,012)	
18	Lobbying Expense (Staff Ex. 3.0 Sch. 3.3)		(11,713)	
19				
20				
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31				
32				
33				
34				
35				
36				
37	Rounding		4	
38	Effect of Staff's Adjustments		<u>\$ (15,446,671)</u>	
39	<b>Reconciliation to Schedule 1.1</b>			
40	Column (c), line 5.		-	
41	Column (f), line 5.		-	
42	Column (h), line 5.		(15,446,671)	
43	Total Effect of Staff's Adjustments		<u>\$ (15,446,671)</u>	

**Illinois-American Water Company**  
**Zone 1**  
 Interest Synchronization Adjustment  
 For the Test Year Ending September 30, 2013

Line No.	Description (a)	Amount (b)
1	Gross Utility Plant in Service	\$ 522,126,376 (1)
2	Weighted Cost of Debt	3.45% (2)
3	Synchronized Interest Per Staff	18,013,360
4	Company Interest Expense	<u>15,862,378</u> (3)
5	Increase (Decrease) in Interest Expense	<u>2,150,982</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 4.435%	<u>\$ (95,390)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ (719,458)</u>

(1) Source: Schedule 1.3, Column (d)

(2) Source: ICC Staff Exhibit 6.0 Schedule 6.1

(3) Source: Company Schedule C-5

**Illinois-American Water Company**  
**Zone 1**  
**Gross Revenue Conversion Factor**  
**For the Test Year Ending September 30, 2013**

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.8500%	<u>0.008500</u>	
3	State Taxable Income		0.991500	1.000000
4	State Income Tax	4.43474%	<u>0.043970</u>	<u>0.044347</u>
5	Federal Taxable Income		<u>0.947530</u>	<u>0.955653</u>
6	Federal Income Tax	35.0000%	<u>0.331635</u>	<u>0.334479</u>
7	Operating Income		<u>0.615894</u>	<u>0.621174</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.623655</u>	<u>1.609855</u>

**Illinois-American Water Company**  
**Zone 1**  
**Cash Working Capital Adjustment**  
**For the Test Year Ending September 30, 2013**

Line No. (A)	Item (B)	Amount <sup>(1)</sup> (C)	Average Daily Amount (C)/365 (D)	Expense (Lead)/Lag <sup>(2)</sup> (E)	Cash Requirement (D)*(E) (F)	Source (G)
1	Revenue	\$ 170,586,421				Schedule 1.8, page 2, line 3
2	Return on Equity	(20,503,903)				Schedule 1.8, page 2, line 19
3	Non-cash OPEB expenses	-				
4	Uncollectible Accounts	(1,452,126)				
5	Total Depr/Amortization	<u>(32,106,146)</u>				Schedule 1.7, page 2, line 13
6						
7	Net Revenues	<u>\$ 116,524,246</u>	\$ 319,245	43.82	\$ 13,989,294	
8						
9	Labor	\$ 19,038,268	52,160	(13.07)	(681,726)	
10	Fuel and Power	6,052,534	16,582	(40.55)	(672,412)	
11	Chemicals	7,400,837	20,276	(40.90)	(829,299)	
12	Purchased Water	364,224	998	(45.93)	(45,832)	Co. Schedule C-2.5
13	Waste Disposal	709,983	1,945	(43.13)	(83,895)	
14	Bus Support Serv-Serv Co	15,684,081	42,970	9.22	396,184	
15	Group Insurance	4,764,059	13,052	4.68	61,084	
16	Pensions	2,405,692	6,591	18.50	121,932	
17	Insurance Other than Group	2,242,077	6,143	42.39	260,388	
18	Customer Accounting	2,012,021	5,512	(62.82)	(346,288)	
19	Rents	627,843	1,720	(6.00)	(10,321)	
20	General Office	1,398,140	3,831	(32.20)	(123,343)	
21	Maintenance	4,144,689	11,355	(57.67)	(654,861)	Schedule 1.8, page 2, line 16
22	Miscellaneous	<u>8,290,929</u>	<u>22,715</u>	<u>(44.99)</u>	<u>(1,021,942)</u>	
23						
24	Total O&M Expenses	<u>\$ 75,135,377</u>			<u>(3,630,330)</u>	
25						
26	General Taxes	10,611,740	29,073	(142.91)	(4,154,860)	
27	Federal Income Tax - Current	9,881,797	27,073	(76.89)	(2,081,675)	
28	State Income Tax - Current	1,426,161	3,907	(37.50)	(146,523)	
29	Deferred Income Taxes	1,440,144	3,946	-	-	
30	Interest Expense	<u>18,013,360</u>	<u>49,352</u>	<u>(86.78)</u>	<u>(4,282,738)</u>	Schedule 1.6, line 3
31						
32	Subtotal Other Expenses	<u>\$ 41,373,202</u>			<u>(10,665,796)</u>	
33						
34	Total Cash Working Capital Requirement per Staff (Rounded to nearest \$1,000)				\$ (307,000)	Line 7 + Line 24 + Line 32
35						
36	Cash Working Capital per Company				<u>593,000</u>	IAWC response to DGK-2.04
37						
38	Staff Proposed adjustment				<u>\$ (900,000)</u>	Line 34 - Line 36

Source:  
 (1) Schedule 1.1, except where noted.  
 (2) Schedule B-8, except where noted.

**Illinois-American Water Company**  
**Zone 1**  
**Cash Working Capital Adjustment**  
**For the Test Year Ending September 30, 2013**

Line No. (A)	Item (B)	Amount (C)	Source (D)
1	Total operating revenue	\$ 170,222,197	Schedule 1.1 ZN, line 3, column (i)
2	Surcharge revenue	364,224	Co. Schedule C-2.5
3	Total revenue	<u>\$ 170,586,421</u>	Line 1 + Line 2
4			
5			
6			
7			
8			
9			
10	Depr/amortization per Income Statement	\$ 30,579,246	Schedule 1.1 ZN, line 19, column (i)
11	Amortization of rate case expense	741,028	Schedule 1.1 ZN, line 12, column (i)
12	Reclassify amortization of tank painting	785,872	IAWC Schedule B-10
13	Total depr/amortization for CWC	<u>\$ 32,106,146</u>	Sum of lines 10 through 12
14	Maintenance-other per Income Statement	\$ 4,930,561	Schedule 1.1 ZN, line 17, column (i)
15	Reclassify amortization of tank painting	785,872	Line 12
16	Total Maintenance-other for CWC	<u>\$ 4,144,689</u>	Line 14 - Line 15
17	Total Rate Base	\$ 522,126,376	Schedule 1.1 ZN, line 29, column (i)
18	Weighted Cost of Capital	3.9270%	Staff Ex. 6.0, Sch. 6.1
19	Return on equity deduction from revenue	<u>\$ 20,503,903</u>	Line 17 * Line 18

**Illinois-American Water Company**  
**Zone 1**  
**Utility Plant-in-Service Adjustment**  
**For the Test Year Ending September 30, 2013**

Line No. (A)	Description (B)	Amount (C)	Source (D)
1	Average Utility Plant-in-Service at 9/30/13 per Staff	\$ 971,500,136	ICC Staff Ex. 1.0, Sch. 1.9 ZN, page 2, line 22
2	Average Utility Plant-in-Service at 9/30/13 per Company	977,593,518	ICC Staff Ex. 1.0, Sch. 1.9 ZN, page 2, line 12
3	Staff Adjustment to Utility Plant-in-Service	<u>\$ (6,093,382)</u>	Line 1 - Line 2
4	Staff avg. UPIS expressed as a % of Co. avg. UPIS	99.38%	Line 1 / Line 2
5	Accumulated Depreciation per Staff	\$ (334,064,012)	Line 4 * (Line 6 + Line 7)
6	Accumulated Depreciation per Company	(336,159,307)	Company Sch. B-1
7		-	
8	Staff Adjustment to Accumulated Depreciation	<u>\$ 2,095,295</u>	Line 5 - Line 6 - Line 7
9	Depreciation Expense per Staff	\$ 30,482,748	Line 4 * (Line 10 + Line 11)
10	Depreciation Expense per Company	30,673,940	Company Schedule C-12
11		-	
12	Staff Adjustment to Depreciation Expense	<u>\$ (191,192)</u>	Line 9 - Line 10 - Line 11
13	Deferred Federal Income Tax per Staff	\$ 34,762,525	Line 4 * Line 14
14	Deferred Federal Income Tax per Company	34,980,560	Company Sch. B-1
15	Staff Adjustment to Accumulated Deferred FIT	<u>\$ (218,035)</u>	Line 13 - Line 14
16	Deferred State Income Tax per Staff	\$ 1,378,331	Line 4 * Line 17
17	Deferred State Income Tax per Company	1,386,976	Company Sch. B-1
18	Staff Adjustment to Accumulated Deferred SIT	<u>\$ (8,645)</u>	Line 16 - Line 17

**Illinois-American Water Company**  
**Zone 1**  
 Utility Plant-in-Service Adjustment  
 For the Test Year Ending September 30, 2013

Line No.	Description	Amount	Source
(A)	(B)	(C)	(D)
1	2012 Projected Additions per Company	\$ 75,672,537	Company Sch. B-5
2	2013 Projected Additions per Company	51,977,466	Company Sch. B-5
3	Total Projected Additions per Company	<u>\$ 127,650,003</u>	Line 1 + Line 2
4	Average Planned Capital Expenditures Expended	96.90%	ICC Staff Ex. 1.0, Schedule 1.9 ZN, p. 3
5	2012/2013 Projected Additions per Staff	<u>\$ 123,694,789</u>	Line 4 * Line 3
6	2012 Projected Retirements per Company	\$ 6,768,525	Company Sch. B-5
7	2013 Projected Retirements per Company	8,220,171	Company Sch. B-5
8	Total Projected Retirements per Company	<u>\$ 14,988,696</u>	Line 6 + Line 7
9	% of retirements to additions	<u>11.74%</u>	Line 8 / Line 3
10	2012/2013 Projected Retirements per Staff	<u>\$ 14,524,274</u>	Line 9 * Line 5
11	Projected Utility Plant-in-Service at 9/30/13 per Company	\$ 997,873,916	Company Sch. B-5
12	Average Utility Plant-in-Service at 9/30/13 per Company	977,593,518	Company Sch. B-4
13	Company % of average UPIS to projected UPIS	97.97%	Line 12 / Line 11
14	Utility Plant-in-Service at 9/30/11	\$ 885,212,610	Company Sch. B-5
15	Interurban - IL Route 158 Relocation	(1,988,000)	Company Response to Staff DR WHA 1.01
16	Champaign – Replace Neil Street Booster Station	(741,000)	Company Response to Staff DR WHA 1.03
17	Adjusted Utility Plant-in-Service at 9/30/11	<u>\$ 882,483,610</u>	Sum Line 14 through Line 16
18	2012/2013 Projected Additions per Staff	123,694,789	Line 5
19	2012/2013 Projected Retirements per Staff	(14,524,274)	Line 10
20	Projected Utility Plant-in-Service at 9/30/13 per Staff	<u>\$ 991,654,125</u>	Sum Line 16 through Line 18
21	Company % of average UPIS to projected UPIS	97.97%	Line 13
22	Average Utility Plant-in-Service at 9/30/13 per Staff	<u>\$ 971,500,136</u>	Line 20 * Line 21

**Illinois-American Water Company**  
**Zone 1**  
**Utility Plant-in-Service Adjustment**  
**For the Test Year Ending September 30, 2013**

Line No. (A)	Description (B)	Actual Capital Expenditures (1) (C)	Planned Capital Expenditures (1) (D)
1	Total Company		
2	2009	\$ 89,353,183	\$ 92,459,597
3	2010	87,072,942	103,402,381
4	2011	90,253,023	79,344,393
5	3-Year Totals	<u>\$ 266,679,148</u>	<u>\$ 275,206,371</u>
6	Average Planned Capital Expenditures Expended		96.90% (2)

Source:

(1) Company Schedule G-8, page 3

(2) Col. (C), line 5 / Col. (D), line 5



**Illinois-American Water Company**  
**Lincoln**  
**Adjustments to Operating Income**  
**For the Test Year Ending September 30, 2013**

Line No.	Description	Interest Synchronization (Schedule 1.6)	Utility Plant-in-Service (Staff Ex. 1.0 Sch. 1.9 LC)	Incentive Compensation (Staff Ex. 2.0 Sch. 2.1)	Business Transformation (Staff Ex. 2.0 Sch. 2.3)	Rate Case Expense (Staff Ex. 3.0 Sch. 3.1)	Social/Service Memberships (Staff Ex. 3.0 Sch. 3.2)	Lobbying Expense (Staff Ex. 3.0 Sch. 3.3)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Tariff Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenue	-	-	-	-	-	-	-	-
3	<b>Total Operating Revenue</b>	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	-	-	(2,598)	-	-	-	-	(2,598)
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Service Company Fees	-	-	-	(1,925)	-	-	-	(1,925)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	(619)	-	-	(619)
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	(2,694)	(292)	(2,986)
17	Maintenance - other	-	-	-	-	-	-	-	-
18	Miscellaneous	-	-	-	-	-	-	-	-
19	Depreciation & Amortization	-	(1,972)	-	-	-	-	-	(1,972)
20	Taxes other than Income	-	-	-	-	-	-	-	-
21	<b>Total Operating Expense</b>	-	(1,972)	(2,598)	(1,925)	(619)	(2,694)	(292)	(10,100)
22	<b>Before Income Taxes</b>	-	(1,972)	(2,598)	(1,925)	(619)	(2,694)	(292)	(10,100)
23	State Income Tax	(2,010)	87	115	85	27	119	13	(1,564)
24	Federal Income Tax	(15,161)	660	869	644	207	901	98	(11,782)
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
26	<b>Total Operating Expenses</b>	<b>(17,171)</b>	<b>(1,225)</b>	<b>(1,614)</b>	<b>(1,196)</b>	<b>(385)</b>	<b>(1,674)</b>	<b>(181)</b>	<b>(23,446)</b>
27	<b>NET OPERATING INCOME</b>	<b>\$ 17,171</b>	<b>\$ 1,225</b>	<b>\$ 1,614</b>	<b>\$ 1,196</b>	<b>\$ 385</b>	<b>\$ 1,674</b>	<b>\$ 181</b>	<b>\$ 23,446</b>

**Illinois-American Water Company**  
**Lincoln**  
 Adjustments to Operating Income  
 For the Test Year Ending September 30, 2013

Line No.	Description	Subtotal Operating Statement Adjustments	Charitable Contributions (Staff Ex. 3.0 Sch. 3.4)	Advertising Expense (Staff Ex. 3.0 Sch. 3.5)	(Source)	(Source)	(Source)	(Source)	Subtotal Operating Statement Adjustments
	(a)	(j)	(l)	(l)	(m)	(n)	(o)	(p)	(q)
1	Tariff Revenue	\$ -	\$ -	\$ -				\$ -	\$ -
2	Miscellaneous Revenue	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	(2,598)	-	-	-	-	-	-	(2,598)
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Service Company Fees	(1,925)	-	-	-	-	-	-	(1,925)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	(619)	-	-	-	-	-	-	(619)
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	(2,986)	(2,816)	(721)	-	-	-	-	(6,523)
17	Maintenance - other	-	-	-	-	-	-	-	-
12	Miscellaneous	-	-	-	-	-	-	-	-
13	Depreciation & Amortization	(1,972)	-	-	-	-	-	-	(1,972)
14	Taxes other than Income	-	-	-	-	-	-	-	-
15	Total Operating Expense	-	-	-	-	-	-	-	-
16	Before Income Taxes	(10,100)	(2,816)	(721)	-	-	-	-	(13,637)
17	State Income Tax	(1,564)	125	32	-	-	-	-	(1,407)
18	Federal Income Tax	(11,782)	942	241	-	-	-	-	(10,599)
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	(23,446)	(1,749)	(448)	-	-	-	-	(25,643)
21	NET OPERATING INCOME	\$ 23,446	\$ 1,749	\$ 448	\$ -	\$ -	\$ -	\$ -	\$ 25,643

**Illinois-American Water Company**  
**Lincoln**  
**Rate Base**  
**For the Test Year Ending September 30, 2013**

Line No.	Description	Company Pro Forma Present Adjusted (Company Schedule B-1)	Staff Adjustments (Schedule 1.4 p. 1)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Utility Plant in Service	\$ 25,703,179	\$ (56,485)	\$ 25,646,694
2	Less: Accumulated Depreciation	<u>(12,285,491)</u>	<u>26,998</u>	<u>(12,258,493)</u>
3	Net Utility Plant in Service	13,417,688	(29,487)	13,388,201
4	Construction Work in Progress	\$ -	\$ -	\$ -
5	Utility Plant Acquisition Adj. - DuPage	-	-	-
6	Additions to Rate Base			
7	Cash Working Capital	113,000	(24,000)	89,000
8	Materials & Supplies	53,558	-	53,558
9	Deferred Charges - Tank Painting	378,339	-	378,339
10	FAS 109 Reg. Asset-Net of Liability	33,756	-	33,756
11	Service Company Audit Costs	7,416	-	7,416
12		-	-	-
13		-	-	-
14		-	-	-
15	Deductions From Rate Base			
16	Customer Advances	(1,463,578)	-	(1,463,578)
17	Pension Asset (Liability)	204,111	(204,111)	-
18	OPEB Liability	(41,184)	-	(41,184)
19	Contributions in Aid of Construction	(950,964)	-	(950,964)
20	Accum. Depr. On CIAC	266,773	-	266,773
21	Budget Payment Plan	-	-	-
22	Deferred Federal Income Taxes	(918,211)	32,088	(886,123)
23	Deferred State Income Taxes	(36,407)	(80)	(36,487)
24	Investment Tax Credit - pre 1971	<u>(42)</u>	<u>-</u>	<u>(42)</u>
25	Rate Base	<u>\$ 11,064,255</u>	<u>\$ (225,589)</u>	<u>\$ 10,838,666</u>

**Illinois-American Water Company**  
**Lincoln**  
**Adjustments to Rate Base**  
**For the Test Year Ending September 30, 2013**

Line No.	Description	Cash Working Capital (Staff Ex. 1.0 Sch. 1.8 LC)	Utility Plant-in-Service (Staff Ex. 1.0 Sch. 1.9 LC)	Pension Asset (Staff Ex. 2.0 Sch. 2.2)	(Source)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(c)	(d)	(f)	(g)	(g)	(h)	(i)
1	Gross Utility Plant in Service	\$ -	\$ (56,485)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (56,485)
2	Less: Accumulated Depreciation	-	26,998	-	-	-	-	-	26,998
3	Net Utility Plant in Service	-	(29,487)	-	-	-	-	-	(29,487)
4	Construction Work in Progress	-	-	-	-	-	-	-	-
5	Utility Plant Acquisition Adj. - DuPage	-	-	-	-	-	-	-	-
6	Additions to Rate Base								
7	Cash Working Capital	(24,000)	-	-	-	-	-	-	(24,000)
8	Materials & Supplies	-	-	-	-	-	-	-	-
9	Deferred Charges - Tank Painting	-	-	-	-	-	-	-	-
10	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
11	Service Company Audit Costs	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Deductions From Rate Base								
16	Customer Advances	-	-	-	-	-	-	-	-
17	Pension Asset (Liability)	-	-	(204,111)	-	-	-	-	(204,111)
18	OPEB Liability	-	-	-	-	-	-	-	-
19	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
20	Accum. Depr. On CIAC	-	-	-	-	-	-	-	-
21	Budget Payment Plan	-	-	-	-	-	-	-	-
22	Deferred Federal Income Taxes	-	(2,018)	34,106	-	-	-	-	32,088
23	Deferred State Income Taxes	-	(80)	-	-	-	-	-	(80)
24	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
25	Rate Base	\$ (24,000)	\$ (31,584)	\$ (170,005)	\$ -	\$ -	\$ -	\$ -	\$ (225,589)

**Illinois-American Water Company**  
**Revenue Effect of Staff's Adjustments**  
 Lincoln  
 Statement of Operating Income with Adjustments

Line No.	Description (a)	IAWC Proposal (b)	Staff's Adjustments (c)	Staff's Proposal (d)
1	<b>Summary</b>			
2	Current Revenues	\$ 3,631,571		\$ 3,631,571
3	<b>Proposed Increase</b>	<u>1,047,710</u>	<u>(318,375) #</u>	<u>729,335</u>
4	Proposed Revenue Requirement	<u>\$ 4,679,281</u>	<u>\$ (318,375)</u>	<u>\$ 4,360,906</u>
5	<b>Percentage Increase</b>	<b>28.85 %</b>	<b>(8.77)%</b>	<b>20.08 %</b>
6	<b>Effect of Each Staff Adjustment</b>			
7	Rate of Return		\$ (249,707)	
8	Interest Synchronization (Schedule 1.6)		(32,682)	
9	Pension Asset (Staff Ex. 2.0 Sch. 2.2)		(16,753)	
10	Utility Plant-in-Service (Staff Ex. 1.0 Sch. 1.9 LC)		(5,101)	
11	Charitable Contributions (Staff Ex. 3.0 Sch. 3.4)		(2,840)	
12	Social/Service Memberships (Staff Ex. 3.0 Sch. 3.2)		(2,718)	
13	Incentive Compensation (Staff Ex. 2.0 Sch. 2.1)		(2,621)	
14	Cash Working Capital (Staff Ex. 1.0 Sch. 1.8 LC)		(2,365)	
15	Business Transformation (Staff Ex. 2.0 Sch. 2.3)		(1,942)	
16	Advertising Expense (Staff Ex. 3.0 Sch. 3.5)		(727)	
17	Rate Case Expense (Staff Ex. 3.0 Sch. 3.1)		(625)	
18	Lobbying Expense (Staff Ex. 3.0 Sch. 3.3)		(294)	
19	Gross Revenue Conversion Factor		(1)	
20				
21				
22				
23				
24				
25				
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29				
30				
31				
32				
33				
34				
35				
36				
37	Rounding		1	
38	Effect of Staff's Adjustments		<u>\$ (318,375)</u>	
39	<b>Reconciliation to Schedule 1.1</b>			
40	Column (c), line 5.		-	
41	Column (f), line 5.		(1)	
42	Column (h), line 5.		(318,374)	
43	Total Effect of Staff's Adjustments		<u>\$ (318,375)</u>	

**Illinois-American Water Company**  
**Lincoln**  
**Interest Synchronization Adjustment**  
**For the Test Year Ending September 30, 2013**

Line No.	Description (a)	Amount (b)
1	Gross Utility Plant in Service	\$ 10,838,666 (1)
2	Weighted Cost of Debt	3.45% (2)
3	Synchronized Interest Per Staff	373,934
4	Company Interest Expense	<u>328,608</u> (3)
5	Increase (Decrease) in Interest Expense	<u>45,326</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 4.435%	<u>\$ (2,010)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ (15,161)</u>

(1) Source: Schedule 1.3, Column (d)

(2) Source: ICC Staff Exhibit 6.0 Schedule 6.1

(3) Source: Company Schedule C-5

Illinois-American Water Company  
Lincoln  
Gross Revenue Conversion Factor  
For the Test Year Ending September 30, 2013

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.8500%	<u>0.008500</u>	
3	State Taxable Income		0.991500	1.000000
4	State Income Tax	4.4347%	<u>0.043970</u>	<u>0.044347</u>
5	Federal Taxable Income		0.947530	0.955653
6	Federal Income Tax	35.0000%	<u>0.331635</u>	<u>0.334479</u>
7	Operating Income		<u>0.615894</u>	<u>0.621174</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.623655</u>	<u>1.609855</u>

**Illinois-American Water Company**  
**Lincoln**  
**Cash Working Capital Adjustment**  
**For the Test Year Ending September 30, 2013**

Line No.	Item	Amount <sup>(1)</sup>	Average Daily Amount (C)/365	Expense (Lead)/Lag <sup>(2)</sup>	Cash Requirement (D)*(E)	Source
(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	Revenue	\$ 4,360,906				Schedule 1.8, page 2, line 3
2	Return on Equity	(425,634)				Schedule 1.8, page 2, line 19
3	Non-cash OPEB expenses	-				
4	Uncollectible Accounts	(37,108)				
5	Total Depr/Amortization	(949,478)				Schedule 1.8, page 2, line 13
6						
7	Net Revenues	<u>\$ 2,948,686</u>	\$ 8,079	49.38	\$ 398,921	
8						
9	Labor	\$ 487,281	1,335	(12.43)	(16,594)	
10	Fuel and Power	129,244	354	(36.09)	(12,779)	
11	Chemicals	52,425	144	(45.68)	(6,561)	
12	Purchased Water	-	-		-	
13	Waste Disposal	29,881	82	(7.71)	(631)	
14	Service Company Charges	429,700	1,177	9.22	10,854	
15	Group Insurance	125,013	343	5.00	1,713	
16	Pensions	60,360	165	18.50	3,059	
17	Insurance Other than Group	61,469	168	42.39	7,139	
18	Customer Accounting	53,931	148	(62.82)	(9,282)	
19	Rents	20,517	56	(11.06)	(622)	
20	General Office	40,699	112	(34.43)	(3,839)	
21	Maintenance	144,552	396	(91.71)	(36,320)	Schedule 1.8, page 2, line 16
22	Miscellaneous	178,423	489	(47.19)	(23,068)	
23						
24	Total O&M Expenses	<u>\$ 1,813,495</u>			<u>(86,932)</u>	
25						
26	General Taxes	225,910	619	(92.06)	(56,979)	
27	Federal Income Tax - Current	288,274	790	(76.89)	(60,727)	
28	State Income Tax - Current	40,662	111	(37.50)	(4,178)	
29	Deferred Income Taxes	206,086	565	-	-	
30	Interest Expense	373,934	1,024	(86.78)	(88,904)	Schedule 1.6, line 3
31						
32	Subtotal Other Expenses	<u>\$ 1,134,866</u>			<u>(210,788)</u>	
33						
34	Total Cash Working Capital Requirement per Staff (Rounded to nearest \$1,000)				\$ 101,000	Line 7 + Line 24 + Line 32
35						
36	Cash Working Capital per Company				<u>125,000</u>	IAWC response to DGK-2.04
37						
38	Staff Proposed adjustment				<u>\$ (24,000)</u>	Line 34 - Line 36

Source:

- (1) Schedule 1.1, except where noted.
- (2) Schedule B-8, except where noted.

**Illinois-American Water Company**  
**Lincoln**  
**Cash Working Capital Adjustment**  
**For the Test Year Ending September 30, 2013**

Line No. (A)	Item (B)	Amount (C)	Source (D)
1	Total operating revenue	\$ 4,360,906	Schedule 1.1 LC, line 3, column (i)
2	Surcharge revenue	-	Not applicable
3	Total revenue	<u>\$ 4,360,906</u>	Line 1 + Line 2
4			
5			
6			
7			
8			
9			
10	Depr/amortization per Income Statement	\$ 897,872	Schedule 1.1 LC, line 19, column (i)
11	Amortization of rate case expense	20,317	Schedule 1.1 LC, line 12, column (i)
12	Reclassify amortization of tank painting	31,289	IAWC Schedule B-10
13	Total depr/amortization for CWC	<u>\$ 949,478</u>	Sum of lines 10 through 12
14	Maintenance-other per Income Statement	\$ 175,841	Schedule 1.1 LC, line 17, column (i)
15	Reclassify amortization of tank painting	31,289	Line 12
16	Total Maintenance-other for CWC	<u>\$ 144,552</u>	Line 14 - Line 15
17	Total Rate Base	\$ 10,838,666	Schedule 1.1 LC, line 29, column (i)
18	Weighted Cost of Capital	3.9270%	Staff Ex. 6.0, Sch. 6.1
19	Return on equity deduction from revenue	<u>\$ 425,634</u>	Line 17 * Line 18

**Illinois-American Water Company**  
**Lincoln**  
 Utility Plant-in-Service Adjustment  
 For the Test Year Ending September 30, 2013

Line No. (A)	Description (B)	Amount (C)	Source (D)
1	Average Utility Plant-in-Service at 9/30/13 per Staff	\$ 25,646,694	ICC Staff Ex. 1.0, Sch. 1.9 LC, page 2, line 19
2	Average Utility Plant-in-Service at 9/30/13 per Company	25,703,179	ICC Staff Ex. 1.0, Sch. 1.9 LC, page 2, line 12
3	Staff Adjustment to Utility Plant-in-Service	<u>\$ (56,485)</u>	Line 1 - Line 2
4	Staff avg. UPIS expressed as a % of Co. avg. UPIS	99.78%	Line 1 / Line 2
5	Accumulated Depreciation per Staff	\$ (12,258,493)	Line 4 * (Line 6 + Line 7)
6	Accumulated Depreciation per Company	(12,285,491)	Company Sch. B-1
7		-	
8	Staff Adjustment to Accumulated Depreciation	<u>\$ 26,998</u>	Line 5 - Line 6 - Line 7
9	Depreciation Expense per Staff	\$ 895,361	Line 4 * (Line 10 + Line 11)
10	Depreciation Expense per Company	897,333	Company Schedule C-12
11		-	
12	Staff Adjustment to Depreciation Expense	<u>\$ (1,972)</u>	Line 9 - Line 10 - Line 11
13	Deferred Federal Income Tax per Staff	\$ 916,193	Line 4 * Line 14
14	Deferred Federal Income Tax per Company	918,211	Company Sch. B-1
15	Staff Adjustment to Accumulated Deferred FIT	<u>\$ (2,018)</u>	Line 13 - Line 14
16	Deferred State Income Tax per Staff	\$ 36,327	Line 4 * Line 17
17	Deferred State Income Tax per Company	36,407	Company Sch. B-1
18	Staff Adjustment to Accumulated Deferred SIT	<u>\$ (80)</u>	Line 16 - Line 17

**Illinois-American Water Company**  
**Lincoln**  
 Utility Plant-in-Service Adjustment  
 For the Test Year Ending September 30, 2013

Line No. (A)	Description (B)	Amount (C)	Source (D)
1	2012 Projected Additions per Company	\$ 1,069,263	Company Sch. B-5
2	2013 Projected Additions per Company	1,054,350	Company Sch. B-5
3	Total Projected Additions per Company	<u>\$ 2,123,613</u>	Line 1 + Line 2
4	Average Planned Capital Expenditures Expended	96.90%	ICC Staff Ex. 1.0, Schedule 1.9 ZN, p. 3
5	2012/2013 Projected Additions per Staff	<u>\$ 2,057,813</u>	Line 4 * Line 3
6	2012 Projected Retirements per Company	\$ 88,239	Company Sch. B-5
7	2013 Projected Retirements per Company	188,388	Company Sch. B-5
8	Total Projected Retirements per Company	<u>\$ 276,627</u>	Line 6 + Line 7
9	% of retirements to additions	<u>13.03%</u>	Line 8 / Line 3
10	2012/2013 Projected Retirements per Staff	<u>\$ 268,056</u>	Line 9 * Line 5
11	Projected Utility Plant-in-Service at 9/30/13 per Company	\$ 26,041,969	Company Sch. B-5
12	Average Utility Plant-in-Service at 9/30/13 per Company	25,703,179	Company Sch. B-4
13	Company % of average UPIS to projected UPIS	98.70%	Line 12 / Line 11
14	Utility Plant-in-Service at 9/30/11	\$ 24,194,982	Company Sch. B-5
15	2012/2013 Projected Additions per Staff	2,057,813	Line 5
16	2012/2013 Projected Retirements per Staff	(268,056)	Line 10
17	Projected Utility Plant-in-Service at 9/30/13 per Staff	<u>\$ 25,984,739</u>	Sum Line 14 through Line 16
18	Company % of average UPIS to projected UPIS	98.70%	Line 13
19	Average Utility Plant-in-Service at 9/30/13 per Staff	<u>\$ 25,646,694</u>	Line 18 * Line 17



**Illinois-American Water Company**  
**Pekin**  
**Adjustments to Operating Income**  
**For the Test Year Ending September 30, 2013**

Line No.	Description	Interest Synchronization (Schedule 1.6)	Utility Plant-in-Service (Staff Ex. 1.0 Sch. 1.9 PK)	Incentive Compensation (Staff Ex. 2.0 Sch. 2.1)	Business Transformation (Staff Ex. 2.0 Sch. 2.3)	Rate Case Expense (Staff Ex. 3.0 Sch. 3.1)	Social/Service Memberships (Staff Ex. 3.0 Sch. 3.2)	Lobbying Expense (Staff Ex. 3.0 Sch. 3.3)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Tariff Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenue	-	-	-	-	-	-	-	-
3	<b>Total Operating Revenue</b>	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	-	-	(4,634)	-	-	-	-	(4,634)
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Service Company Fees	-	-	-	(4,711)	-	-	-	(4,711)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	(1,516)	-	-	(1,516)
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	(6,594)	(520)	(7,114)
17	Maintenance - other	-	-	-	-	-	-	-	-
18	Miscellaneous	-	-	-	-	-	-	-	-
19	Depreciation & Amortization	-	(6,298)	-	-	-	-	-	(6,298)
20	Taxes other than Income	-	-	-	-	-	-	-	-
21	<b>Total Operating Expense</b>	-	(6,298)	(4,634)	(4,711)	(1,516)	(6,594)	(520)	(24,273)
22	<b>Before Income Taxes</b>	-	(6,298)	(4,634)	(4,711)	(1,516)	(6,594)	(520)	(24,273)
23	State Income Tax	(3,607)	279	206	209	67	292	23	(2,531)
24	Federal Income Tax	(27,205)	2,107	1,550	1,576	507	2,206	174	(19,085)
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
26	<b>Total Operating Expenses</b>	<b>(30,812)</b>	<b>(3,912)</b>	<b>(2,878)</b>	<b>(2,926)</b>	<b>(942)</b>	<b>(4,096)</b>	<b>(323)</b>	<b>(45,889)</b>
27	<b>NET OPERATING INCOME</b>	<b>\$ 30,812</b>	<b>\$ 3,912</b>	<b>\$ 2,878</b>	<b>\$ 2,926</b>	<b>\$ 942</b>	<b>\$ 4,096</b>	<b>\$ 323</b>	<b>\$ 45,889</b>

**Illinois-American Water Company**  
**Pekin**  
 Adjustments to Operating Income  
 For the Test Year Ending September 30, 2013

Line No.	Description	Subtotal Operating Statement Adjustments	Charitable Contributions (Staff Ex. 3.0 Sch. 3.4)	Advertising Expense (Staff Ex. 3.0 Sch. 3.5)	(Source)	(Source)	(Source)	(Source)	Subtotal Operating Statement Adjustments
	(a)	(j)	(l)	(l)	(m)	(n)	(o)	(p)	(q)
1	Tariff Revenue	\$ -	\$ -	\$ -				\$ -	\$ -
2	Miscellaneous Revenue	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	(4,634)	-	-	-	-	-	-	(4,634)
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Service Company Fees	(4,711)	-	-	-	-	-	-	(4,711)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	(1,516)	-	-	-	-	-	-	(1,516)
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	(7,114)	(6,892)	(318)	-	-	-	-	(14,324)
17	Maintenance - other	-	-	-	-	-	-	-	-
12	Miscellaneous	-	-	-	-	-	-	-	-
13	Depreciation & Amortization	(6,298)	-	-	-	-	-	-	(6,298)
14	Taxes other than Income	-	-	-	-	-	-	-	-
15	Total Operating Expense	-	-	-	-	-	-	-	-
16	Before Income Taxes	(24,273)	(6,892)	(318)	-	-	-	-	(31,483)
17	State Income Tax	(2,531)	306	14	-	-	-	-	(2,211)
18	Federal Income Tax	(19,085)	2,305	106	-	-	-	-	(16,674)
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	(45,889)	(4,281)	(198)	-	-	-	-	(50,368)
21	NET OPERATING INCOME	\$ 45,889	\$ 4,281	\$ 198	\$ -	\$ -	\$ -	\$ -	\$ 50,368

**Illinois-American Water Company**  
**Pekin**  
**Rate Base**  
**For the Test Year Ending September 30, 2013**

Line No.	Description	Company Pro Forma Present Adjusted (Company Schedule B-1)	Staff Adjustments (Schedule 1.4 p. 1)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Utility Plant in Service	\$ 37,575,112	\$ (149,781)	\$ 37,425,331
2	Less: Accumulated Depreciation	<u>(14,274,340)</u>	<u>56,900</u>	<u>(14,217,440)</u>
3	Net Utility Plant in Service	23,300,772	(92,881)	23,207,891
4	Construction Work in Progress	\$ -	\$ -	\$ -
5	Utility Plant Acquisition Adj. - DuPage	-	-	-
6	Additions to Rate Base			
7	Cash Working Capital	378,000	(38,000)	340,000
8	Materials & Supplies	118,110	-	118,110
9	Deferred Charges - Tank Painting	165,544	-	165,544
10	FAS 109 Reg. Asset-Net of Liability	82,507	-	82,507
11	Service Company Audit Costs	18,127	-	18,127
12		-	-	-
13		-	-	-
14		-	-	-
15	Deductions From Rate Base			
16	Customer Advances	(1,381,677)	-	(1,381,677)
17	Pension Asset (Liability)	364,033	(364,033)	-
18	OPEB Liability	(100,665)	-	(100,665)
19	Contributions in Aid of Construction	(2,337,724)	-	(2,337,724)
20	Accum. Depr. On CIAC	943,105	-	943,105
21	Budget Payment Plan	-	-	-
22	Deferred Federal Income Taxes	(1,306,166)	43,309	(1,262,857)
23	Deferred State Income Taxes	(51,790)	(206)	(51,996)
24	Investment Tax Credit - pre 1971	<u>(103)</u>	<u>-</u>	<u>(103)</u>
25	Rate Base	<u>\$ 20,192,073</u>	<u>\$ (451,811)</u>	<u>\$ 19,740,262</u>

**Illinois-American Water Company**  
**Pekin**  
 Adjustments to Rate Base  
 For the Test Year Ending September 30, 2013

Line No.	Description	Cash Working Capital (Staff Ex. 1.0 Sch. 1.8 PK)	Utility Plant-in-Service (Staff Ex. 1.0 Sch. 1.9 PK)	Pension Asset (Staff Ex. 2.0 Sch. 2.2)	(Source)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(c)	(e)	(e)	(f)	(g)	(h)	(i)
1	Gross Utility Plant in Service	\$ -	\$ (149,781)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (149,781)
2	Less: Accumulated Depreciation	-	56,900	-	-	-	-	-	56,900
3	Net Utility Plant in Service	-	(92,881)	-	-	-	-	-	(92,881)
4	Construction Work in Progress	-	-	-	-	-	-	-	-
5	Utility Plant Acquisition Adj. - DuPage	-	-	-	-	-	-	-	-
6	Additions to Rate Base								
7	Cash Working Capital	(38,000)	-	-	-	-	-	-	(38,000)
8	Materials & Supplies	-	-	-	-	-	-	-	-
9	Deferred Charges - Tank Painting	-	-	-	-	-	-	-	-
10	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
11	Service Company Audit Costs	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Deductions From Rate Base								
16	Customer Advances	-	-	-	-	-	-	-	-
17	Pension Asset (Liability)	-	-	(364,033)	-	-	-	-	(364,033)
18	OPEB Liability	-	-	-	-	-	-	-	-
19	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
20	Accum. Depr. On CIAC	-	-	-	-	-	-	-	-
21	Budget Payment Plan	-	-	-	-	-	-	-	-
22	Deferred Federal Income Taxes	-	(5,207)	48,516	-	-	-	-	43,309
23	Deferred State Income Taxes	-	(206)	-	-	-	-	-	(206)
24	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
25	Rate Base	\$ (38,000)	\$ (98,294)	\$ (315,517)	\$ -	\$ -	\$ -	\$ -	\$ (451,811)

**Illinois-American Water Company**  
**Revenue Effect of Staff's Adjustments**  
 Pekin  
 Statement of Operating Income with Adjustments

Line No.	Description (a)	IAWC Proposal (b)	Staff's Adjustments (c)	Staff's Proposal (d)
1	<b>Summary</b>			
2	Current Revenues	\$ 7,312,785		\$ 7,312,785
3	<b>Proposed Increase</b>	<b>1,660,074</b>	<b>(591,629) #</b>	<b>1,068,445</b>
4	Proposed Revenue Requirement	\$ 8,972,859	\$ (591,629)	\$ 8,381,230
5	<b>Percentage Increase</b>	<b>22.70 %</b>	<b>(8.09)%</b>	<b>14.61 %</b>
6	<b>Effect of Each Staff Adjustment</b>			
7	Rate of Return		\$ (455,711)	
8	Interest Synchronization (Schedule 1.6)		(59,645)	
9	Pension Asset (Staff Ex. 2.0 Sch. 2.2)		(31,091)	
10	Utility Plant-in-Service (Staff Ex. 1.0 Sch. 1.9 PK)		(16,039)	
11	Charitable Contributions (Staff Ex. 3.0 Sch. 3.4)		(6,951)	
12	Social/Service Memberships (Staff Ex. 3.0 Sch. 3.2)		(6,650)	
13	Business Transformation (Staff Ex. 2.0 Sch. 2.3)		(4,751)	
14	Incentive Compensation (Staff Ex. 2.0 Sch. 2.1)		(4,673)	
15	Cash Working Capital (Staff Ex. 1.0 Sch. 1.8 PK)		(3,745)	
16	Rate Case Expense (Staff Ex. 3.0 Sch. 3.1)		(1,529)	
17	Lobbying Expense (Staff Ex. 3.0 Sch. 3.3)		(524)	
18	Advertising Expense (Staff Ex. 3.0 Sch. 3.5)		(321)	
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31				
32				
33				
34				
35				
36				
37	Rounding		1	
38	Effect of Staff's Adjustments		<u>\$ (591,629)</u>	
39	<b>Reconciliation to Schedule 1.1</b>			
40	Column (c), line 5.		-	
41	Column (f), line 5.		-	
42	Column (h), line 5.		(591,629)	
43	Total Effect of Staff's Adjustments		<u>\$ (591,629)</u>	

**Illinois-American Water Company**  
**Pekin**  
 Interest Synchronization Adjustment  
 For the Test Year Ending September 30, 2013

Line No.	Description (a)	Amount (b)
1	Gross Utility Plant in Service	\$ 19,740,262 (1)
2	Weighted Cost of Debt	3.45% (2)
3	Synchronized Interest Per Staff	681,039
4	Company Interest Expense	<u>599,705</u> (3)
5	Increase (Decrease) in Interest Expense	<u>81,334</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 4.435%	<u>\$ (3,607)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ (27,205)</u>

(1) Source: Schedule 1.3, Column (d)  
 (2) Source: ICC Staff Exhibit 6.0 Schedule 6.1  
 (3) Source: Company Schedule C-5

Illinois-American Water Company  
Pekin  
Gross Revenue Conversion Factor  
For the Test Year Ending September 30, 2013

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.8500%	<u>0.008500</u>	
3	State Taxable Income		0.991500	1.000000
4	State Income Tax	4.4347%	<u>0.043970</u>	<u>0.044347</u>
5	Federal Taxable Income		0.947530	0.955653
6	Federal Income Tax	35.0000%	<u>0.331635</u>	<u>0.334479</u>
7	Operating Income		<u>0.615894</u>	<u>0.621174</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.623655</u>	<u>1.609855</u>

**Illinois-American Water Company**  
**Pekin**  
**Cash Working Capital Adjustment**  
**For the Test Year Ending September 30, 2013**

Line No. (A)	Item (B)	Amount <sup>(1)</sup> (C)	Average Daily Amount (C)/365 (D)	Expense (Lead)/Lag <sup>(2)</sup> (E)	Cash Requirement (D)*(E) (F)	Source (G)
1	Revenue	\$ 8,381,230				Schedule 1.8, page 2, line 3
2	Return on Equity	(775,200)				Schedule 1.8, page 2, line 19
3	Non-cash OPEB expenses	-				
4	Uncollectible Accounts	(71,320)				
5	Total Depr/Amortization	<u>(1,645,998)</u>				Schedule 1.8, page 2, line 13
6						
7	Net Revenues	<u>\$ 5,888,712</u>	\$ 16,133	45.52	\$ 734,395	
8						
9	Labor	\$ 916,522	2,511	(12.67)	(31,815)	
10	Fuel and Power	225,190	617	(32.69)	(20,168)	
11	Chemicals	67,748	186	(52.32)	(9,711)	
12	Purchased Water	-	-	0.00	-	
13	Waste Disposal	-	-	(7.71)	-	
14	Service Company Charges	1,051,744	2,881	9.22	26,567	
15	Group Insurance	225,820	619	5.08	3,143	
16	Pensions	107,653	295	18.50	5,456	
17	Insurance Other than Group	150,247	412	42.39	17,449	
18	Customer Accounting	135,250	371	(62.82)	(23,278)	
19	Rents	4,653	13	(5.25)	(67)	
20	General Office	161,679	443	(40.94)	(18,135)	
21	Maintenance	319,014	874	(54.38)	(47,529)	Schedule 1.8, page 2, line 16
22	Miscellaneous	<u>429,412</u>	<u>1,176</u>	<u>(36.88)</u>	<u>(43,388)</u>	
23						
24	Total O&M Expenses	<u>\$ 3,794,932</u>			<u>(141,475)</u>	
25						
26	General Taxes	503,032	1,378	(73.64)	(101,488)	
27	Federal Income Tax - Current	516,660	1,416	(76.89)	(108,838)	
28	State Income Tax - Current	74,769	205	(37.50)	(7,682)	
29	Deferred Income Taxes	317,688	870	-	-	
30	Interest Expense	<u>681,039</u>	<u>1,866</u>	<u>(86.78)</u>	<u>(161,919)</u>	Schedule 1.6, line 3
31						
32	Subtotal Other Expenses	<u>\$ 2,093,188</u>			<u>(379,928)</u>	
33						
34	Total Cash Working Capital Requirement per Staff (Rounded to nearest \$1,000)				\$ 213,000	Line 7 + Line 24 + Line 32
35						
36	Cash Working Capital per Company				<u>251,000</u>	IAWC response to DGK-2.04
37						
38	Staff Proposed adjustment				<u>\$ (38,000)</u>	Line 34 - Line 36

Source:

- (1) Schedule 1.1, except where noted.
- (2) Schedule B-8, except where noted.

**Illinois-American Water Company**  
**Pekin**  
**Cash Working Capital Adjustment**  
**For the Test Year Ending September 30, 2013**

Line No. (A)	Item (B)	Amount (C)	Source (D)
1	Total operating revenue	\$ 8,381,230	Schedule 1.1 PK, line 3, column (i)
2	Surcharge revenue	-	Not applicable
3	Total revenue	<u>\$ 8,381,230</u>	Line 1 + Line 2
4			
5			
6			
7			
8			
9			
10	Depr/amortization per Income Statement	\$ 1,579,916	Schedule 1.1 PK, line 19, column (i)
11	Amortization of rate case expense	49,657	Schedule 1.1 PK, line 12, column (i)
12	Reclassify amortization of tank painting	16,425	IAWC Schedule B-10
13	Total depr/amortization for CWC	<u>\$ 1,645,998</u>	Sum of lines 10 through 12
14	Maintenance-other per Income Statement	\$ 335,439	Schedule 1.1 PK, line 17, column (i)
15	Reclassify amortization of tank painting	16,425	Line 12
16	Total Maintenance-other for CWC	<u>\$ 319,014</u>	Line 14 - Line 15
17	Total Rate Base	\$ 19,740,262	Schedule 1.1 PK, line 29, column (i)
18	Weighted Cost of Capital	3.9270%	Staff Ex. 6.0, Sch. 6.1
19	Return on equity deduction from revenue	<u>\$ 775,200</u>	Line 17 * Line 18

**Illinois-American Water Company**  
**Pekin**  
 Utility Plant-in-Service Adjustment  
 For the Test Year Ending September 30, 2013

Line No. (A)	Description (B)	Amount (C)	Source (D)
1	Average Utility Plant-in-Service at 9/30/13 per Staff	\$ 37,425,331	ICC Staff Ex. 1.0, Sch. 1.9 PK, page 2, line 19
2	Average Utility Plant-in-Service at 9/30/13 per Company	37,575,112	ICC Staff Ex. 1.0, Sch. 1.9 PK, page 2, line 12
3	Staff Adjustment to Utility Plant-in-Service	<u>\$ (149,781)</u>	Line 1 - Line 2
4	Staff avg. UPIS expressed as a % of Co. avg. UPIS	99.60%	Line 1 / Line 2
5	Accumulated Depreciation per Staff	\$ (14,217,440)	Line 4 * (Line 6 + Line 7)
6	Accumulated Depreciation per Company	(14,274,340)	Company Sch. B-1
7		-	
8	Staff Adjustment to Accumulated Depreciation	<u>\$ 56,900</u>	Line 5 - Line 6 - Line 7
9	Depreciation Expense per Staff	\$ 1,573,779	Line 4 * (Line 10 + Line 11)
10	Depreciation Expense per Company	1,580,077	Company Schedule C-12
11		-	
12	Staff Adjustment to Depreciation Expense	<u>\$ (6,298)</u>	Line 9 - Line 10 - Line 11
13	Deferred Federal Income Tax per Staff	\$ 1,300,959	Line 4 * Line 14
14	Deferred Federal Income Tax per Company	1,306,166	Company Sch. B-1
15	Staff Adjustment to Accumulated Deferred FIT	<u>\$ (5,207)</u>	Line 13 - Line 14
16	Deferred State Income Tax per Staff	\$ 51,584	Line 4 * Line 17
17	Deferred State Income Tax per Company	51,790	Company Sch. B-1
18	Staff Adjustment to Accumulated Deferred SIT	<u>\$ (206)</u>	Line 16 - Line 17

**Illinois-American Water Company**  
**Pekin**  
 Utility Plant-in-Service Adjustment  
 For the Test Year Ending September 30, 2013

Line No. (A)	Description (B)	Amount (C)	Source (D)
1	2012 Projected Additions per Company	\$ 2,327,684	Company Sch. B-5
2	2013 Projected Additions per Company	3,349,824	Company Sch. B-5
3	Total Projected Additions per Company	<u>\$ 5,677,508</u>	Line 1 + Line 2
4	Average Planned Capital Expenditures Expended	96.90%	ICC Staff Ex. 1.0, Schedule 1.9 ZN, p. 3
5	2012/2013 Projected Additions per Staff	<u>\$ 5,501,591</u>	Line 4 * Line 3
6	2012 Projected Retirements per Company	\$ 187,161	Company Sch. B-5
7	2013 Projected Retirements per Company	537,555	Company Sch. B-5
8	Total Projected Retirements per Company	<u>\$ 724,716</u>	Line 6 + Line 7
9	% of retirements to additions	<u>12.76%</u>	Line 8 / Line 3
10	2012/2013 Projected Retirements per Staff	<u>\$ 702,261</u>	Line 9 * Line 5
11	Projected Utility Plant-in-Service at 9/30/13 per Company	\$ 38,499,318	Company Sch. B-5
12	Average Utility Plant-in-Service at 9/30/13 per Company	37,575,112	Company Sch. B-4
13	Company % of average UPIS to projected UPIS	97.60%	Line 12 / Line 11
14	Utility Plant-in-Service at 9/30/11	\$ 33,546,522	Company Sch. B-5
15	2012/2013 Projected Additions per Staff	5,501,591	Line 5
16	2012/2013 Projected Retirements per Staff	<u>(702,261)</u>	Line 10
17	Projected Utility Plant-in-Service at 9/30/13 per Staff	<u>\$ 38,345,853</u>	Sum Line 14 through Line 16
18	Company % of average UPIS to projected UPIS	97.60%	Line 13
19	Average Utility Plant-in-Service at 9/30/13 per Staff	<u>\$ 37,425,331</u>	Line 18 * Line 17



**Illinois-American Water Company**  
**Chicago Metro Waste Water**  
**Adjustments to Operating Income**  
 For the Test Year Ending September 30, 2013

Line No.	Description	Interest Synchronization (Schedule 1.6)	Utility Plant-in-Service (Staff Ex. 1.0 Sch. 1.9 CW)	Incentive Compensation (Staff Ex. 2.0 Sch. 2.1)	Business Transformation (Staff Ex. 2.0 Sch. 2.3)	Rate Case Expense (Staff Ex. 3.0 Sch. 3.1)	Social/Service Memberships (Staff Ex. 3.0 Sch. 3.2)	Lobbying Expense (Staff Ex. 3.0 Sch. 3.3)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Tariff Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenue	-	-	-	-	-	-	-	-
3	<b>Total Operating Revenue</b>	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	-	-	(1,741)	-	-	-	-	(1,741)
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Service Company Fees	-	-	-	(4,152)	-	-	-	(4,152)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	(1,973)	-	-	(1,973)
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	(8,582)	(195)	(8,777)
17	Maintenance - other	-	-	-	-	-	-	-	-
18	Miscellaneous	-	-	-	-	-	-	-	-
19	Depreciation & Amortization	-	(11,863)	-	-	-	-	-	(11,863)
20	Taxes other than Income	-	-	-	-	-	-	-	-
21	<b>Total Operating Expense</b>	-	(11,863)	(1,741)	(4,152)	(1,973)	(8,582)	(195)	(28,506)
22	Before Income Taxes	-	(11,863)	(1,741)	(4,152)	(1,973)	(8,582)	(195)	(28,506)
23	State Income Tax	(9,781)	526	77	184	87	381	9	(8,517)
24	Federal Income Tax	(73,771)	3,968	582	1,389	660	2,870	65	(64,237)
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
26	<b>Total Operating Expenses</b>	<b>(83,552)</b>	<b>(7,369)</b>	<b>(1,082)</b>	<b>(2,579)</b>	<b>(1,226)</b>	<b>(5,331)</b>	<b>(121)</b>	<b>(101,260)</b>
27	<b>NET OPERATING INCOME</b>	<b>\$ 83,552</b>	<b>\$ 7,369</b>	<b>\$ 1,082</b>	<b>\$ 2,579</b>	<b>\$ 1,226</b>	<b>\$ 5,331</b>	<b>\$ 121</b>	<b>\$ 101,260</b>

**Illinois-American Water Company**  
**Chicago Metro Waste Water**  
**Adjustments to Operating Income**  
**For the Test Year Ending September 30, 2013**

Line No.	Description	Subtotal Operating Statement Adjustments	Charitable Contributions (Staff Ex. 3.0 Sch. 3.4)	Advertising Expense (Staff Ex. 3.0 Sch. 3.5)	(Source)	(Source)	(Source)	(Source)	Subtotal Operating Statement Adjustments
	(a)	(j)	(l)	(l)	(m)	(n)	(o)	(p)	(q)
1	Tariff Revenue	\$ -	\$ -	\$ -				\$ -	\$ -
2	Miscellaneous Revenue	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	(1,741)	-	-	-	-	-	-	(1,741)
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Service Company Fees	(4,152)	-	-	-	-	-	-	(4,152)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	(1,973)	-	-	-	-	-	-	(1,973)
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	(8,777)	(8,970)	(415)	-	-	-	-	(18,162)
17	Maintenance - other	-	-	-	-	-	-	-	-
12	Miscellaneous	-	-	-	-	-	-	-	-
13	Depreciation & Amortization	(11,863)	-	-	-	-	-	-	(11,863)
14	Taxes other than Income	-	-	-	-	-	-	-	-
15	Total Operating Expense	-	-	-	-	-	-	-	-
16	Before Income Taxes	(28,506)	(8,970)	(415)	-	-	-	-	(37,891)
17	State Income Tax	(8,517)	398	18	-	-	-	-	(8,101)
18	Federal Income Tax	(64,237)	3,000	139	-	-	-	-	(61,098)
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	(101,260)	(5,572)	(258)	-	-	-	-	(107,090)
21	NET OPERATING INCOME	\$ 101,260	\$ 5,572	\$ 258	\$ -	\$ -	\$ -	\$ -	\$ 107,090

**Illinois-American Water Company**  
**Chicago Metro Waste Water**  
**Rate Base**  
**For the Test Year Ending September 30, 2013**

Line No.	Description	Company Pro Forma Present Adjusted (Company Schedule B-1)	Staff Adjustments (Schedule 1.4 p. 1)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Utility Plant in Service	\$ 163,825,664	\$ (446,322)	\$ 163,379,342
2	Less: Accumulated Depreciation	<u>(70,691,380)</u>	<u>192,590</u>	<u>(70,498,790)</u>
3	Net Utility Plant in Service	93,134,284	(253,732)	92,880,552
4	Construction Work in Progress	-	\$ -	\$ -
5	Utility Plant Acquisition Adj. - DuPage	48,753	-	48,753
6	Additions to Rate Base			
7	Cash Working Capital	840,000	(137,000)	703,000
8	Materials & Supplies	12,434	-	12,434
9	Deferred Charges - Tank Painting	-	-	-
10	FAS 109 Reg. Asset-Net of Liability	107,448	-	107,448
11	Service Company Audit Costs	23,606	-	23,606
12		-	-	-
13		-	-	-
14		-	-	-
15	Deductions From Rate Base			
16	Customer Advances	(1,816,806)	-	(1,816,806)
17	Pension Asset (Liability)	136,775	(136,775)	-
18	OPEB Liability	(131,095)	-	(131,095)
19	Contributions in Aid of Construction	(74,108,949)	-	(74,108,949)
20	Accum. Depr. On CIAC	36,228,105	-	36,228,105
21	Budget Payment Plan	-	-	-
22	Deferred Federal Income Taxes	(5,969,867)	205,479	(5,764,388)
23	Deferred State Income Taxes	(236,705)	(645)	(237,350)
24	Investment Tax Credit - pre 1971	<u>(135)</u>	<u>-</u>	<u>(135)</u>
25	Rate Base	<u>\$ 48,267,848</u>	<u>\$ (322,673)</u>	<u>\$ 47,945,175</u>

**Illinois-American Water Company**  
**Chicago Metro Waste Water**  
**Adjustments to Rate Base**  
 For the Test Year Ending September 30, 2013

Line No.	Description	Cash Working Capital (Staff Ex. 1.0 Sch. 1.8 CW)	Utility Plant-in-Service (Staff Ex. 1.0 Sch. 1.9 CW)	Pension Asset (Staff Ex. 2.0 Sch. 2.2)	(Source)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(c)	(e)	(e)	(f)	(g)	(h)	(i)
1	Gross Utility Plant in Service	\$ -	\$ (446,322)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (446,322)
2	Less: Accumulated Depreciation	-	192,590	-	-	-	-	-	192,590
3	Net Utility Plant in Service	-	(253,732)	-	-	-	-	-	(253,732)
4	Construction Work in Progress	-	-	-	-	-	-	-	-
5	Utility Plant Acquisition Adj. - DuPage	-	-	-	-	-	-	-	-
6	Additions to Rate Base								
7	Cash Working Capital	(137,000)	-	-	-	-	-	-	(137,000)
8	Materials & Supplies	-	-	-	-	-	-	-	-
9	Deferred Charges - Tank Painting	-	-	-	-	-	-	-	-
10	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
11	Service Company Audit Costs	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Deductions From Rate Base								
16	Customer Advances	-	-	-	-	-	-	-	-
17	Pension Asset (Liability)	-	-	(136,775)	-	-	-	-	(136,775)
18	OPEB Liability	-	-	-	-	-	-	-	-
19	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
20	Accum. Depr. On CIAC	-	-	-	-	-	-	-	-
21	Budget Payment Plan	-	-	-	-	-	-	-	-
22	Deferred Federal Income Taxes	-	(16,264)	221,743	-	-	-	-	205,479
23	Deferred State Income Taxes	-	(645)	-	-	-	-	-	(645)
24	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
25	Rate Base	\$ (137,000)	\$ (270,641)	\$ 84,968	\$ -	\$ -	\$ -	\$ -	\$ (322,673)

**Illinois-American Water Company**  
**Revenue Effect of Staff's Adjustments**  
 Chicago Metro Waste Water  
 Statement of Operating Income with Adjustments

Line No.	Description (a)	IAWC Proposal (b)	Staff's Adjustments (c)	Staff's Proposal (d)
1	<b>Summary</b>			
2	Current Revenues	\$ 12,422,064		\$ 12,422,064
3	<b>Proposed Increase</b>	<b>1,875,653</b>	<b>(1,301,890) #</b>	<b>573,763</b>
4	Proposed Revenue Requirement	\$ 14,297,717	\$ (1,301,890)	\$ 12,995,827
5	<b>Percentage Increase</b>	<b>15.10 %</b>	<b>(10.48)%</b>	<b>4.62 %</b>
6	<b>Effect of Each Staff Adjustment</b>			
7	Rate of Return		\$ (1,089,348)	
8	Interest Synchronization (Schedule 1.6)		(142,528)	
9	Utility Plant-in-Service (Staff Ex. 1.0 Sch. 1.9 CW)		(38,634)	
10	Cash Working Capital (Staff Ex. 1.0 Sch. 1.8 CW)		(13,500)	
11	Charitable Contributions (Staff Ex. 3.0 Sch. 3.4)		(9,047)	
12	Social/Service Memberships (Staff Ex. 3.0 Sch. 3.2)		(8,656)	
13	Business Transformation (Staff Ex. 2.0 Sch. 2.3)		(4,187)	
14	Rate Case Expense (Staff Ex. 3.0 Sch. 3.1)		(1,991)	
15	Incentive Compensation (Staff Ex. 2.0 Sch. 2.1)		(1,757)	
16	Advertising Expense (Staff Ex. 3.0 Sch. 3.5)		(419)	
17	Lobbying Expense (Staff Ex. 3.0 Sch. 3.3)		(196)	
18	Pension Asset (Staff Ex. 2.0 Sch. 2.2)		8,373	
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37	Rounding		-	
38	Effect of Staff's Adjustments		<b>\$ (1,301,890)</b>	
39	<b>Reconciliation to Schedule 1.1</b>			
40	Column (c), line 5.		-	
41	Column (f), line 5.		-	
42	Column (h), line 5.		(1,301,890)	
43	Total Effect of Staff's Adjustments		<b>\$ (1,301,890)</b>	

Illinois-American Water Company  
 Chicago Metro Waste Water  
 Interest Synchronization Adjustment  
 For the Test Year Ending September 30, 2013

Line No.	Description (a)	Amount (b)
1	Gross Utility Plant in Service	\$ 47,945,175 (1)
2	Weighted Cost of Debt	3.45% (2)
3	Synchronized Interest Per Staff	1,654,109
4	Company Interest Expense	<u>1,433,555</u> (3)
5	Increase (Decrease) in Interest Expense	<u>220,554</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 4.435%	\$ <u>(9,781)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	\$ <u>(73,771)</u>

(1) Source: Schedule 1.3, Column (d)

(2) Source: ICC Staff Exhibit 6.0 Schedule 6.1

(3) Source: Company Schedule C-5

Illinois-American Water Company  
 Chicago Metro Waste Water  
 Gross Revenue Conversion Factor  
 For the Test Year Ending September 30, 2013

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.8500%	<u>0.008500</u>	
3	State Taxable Income		0.991500	1.000000
4	State Income Tax	4.43474%	<u>0.043970</u>	<u>0.044347</u>
5	Federal Taxable Income		<u>0.947530</u>	<u>0.955653</u>
6	Federal Income Tax	35.0000%	<u>0.331635</u>	<u>0.334479</u>
7	Operating Income		<u>0.615894</u>	<u>0.621174</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.623655</u>	<u>1.609855</u>

**Illinois-American Water Company**  
**Chicago Metro Waste Water**  
**Cash Working Capital Adjustment**  
**For the Test Year Ending September 30, 2013**

Line No. (A)	Item (B)	Amount <sup>(1)</sup> (C)	Average Daily Amount (C)/365 (D)	Expense (Lead)/Lag <sup>(2)</sup> (E)	Cash Requirement (D)*(E) (F)	Source (G)
1	Revenue	\$ 13,937,442				Schedule 1.8, page 2, line 3
2	Return on Equity	(1,882,807)				Schedule 1.8, page 2, line 19
3	Non-cash OPEB expenses	-				
4	Uncollectible Accounts	(122,321)				
5	Total Depr/Amortization	<u>(4,415,297)</u>				Schedule 1.8, page 2, line 13
6						
7	Net Revenues	<u>\$ 7,517,017</u>	\$ 20,595	67.53	\$ 1,390,751	
8						
9	Labor	\$ 998,335	2,735	(12.43)	(33,998)	
10	Fuel and Power	1,107,459	3,034	(42.95)	(130,316)	
11	Chemicals	93,177	255	(44.84)	(11,447)	
12	Purchased Water	941,615	2,580	-	-	Co. Schedule C-2.5
13	Waste Disposal	1,260,258	3,453	(72.38)	(249,911)	
14	Service Company Charges	(4,152)	(11)	9.22	(105)	
15	Group Insurance	182,656	500	8.70	4,354	
16	Pensions	40,447	111	18.50	2,050	
17	Insurance Other than Group	195,666	536	42.39	22,724	
18	Customer Accounting	(202)	(1)	(62.82)	35	
19	Rents	499	1	(18.79)	(26)	
20	General Office	87,498	240	(27.16)	(6,511)	
21	Maintenance	789,132	2,162	(62.94)	(136,077)	Schedule 1.8, page 2, line 16
22	Miscellaneous	<u>664,329</u>	<u>1,820</u>	<u>(41.44)</u>	<u>(75,424)</u>	
23						
24	Total O&M Expenses	<u>\$ 6,356,717</u>			<u>(614,651)</u>	
25						
26	General Taxes	614,335	1,683	9.58	16,124	
27	Federal Income Tax - Current	(211,819)	(580)	(76.89)	44,621	
28	State Income Tax - Current	7,128	20	(37.50)	(732)	
29	Deferred Income Taxes	58,003	159	-	-	
30	Interest Expense	<u>1,654,109</u>	<u>4,532</u>	<u>(86.78)</u>	<u>(393,270)</u>	Schedule 1.6, line 3
31						
32	Subtotal Other Expenses	<u>\$ 2,121,756</u>			<u>(333,257)</u>	
33						
34	Total Cash Working Capital Requirement per Staff (Rounded to nearest \$1,000)				\$ 443,000	Line 7 + Line 24 + Line 32
35						
36	Cash Working Capital per Company				<u>580,000</u>	IAWC response to DGK-2.04
37						
38	Staff Proposed adjustment				<u>\$ (137,000)</u>	Line 34 - Line 36

Source:

- (1) Schedule 1.1, except where noted.
- (2) Schedule B-8, except where noted.

Illinois-American Water Company  
 Chicago Metro Waste Water  
 Cash Working Capital Adjustment  
 For the Test Year Ending September 30, 2013

Line No. (A)	Item (B)	Amount (C)	Source (D)
1	Total operating revenue	\$ 12,995,827	Schedule 1.1 CW, line 3, column (i)
2	Surcharge revenue	941,615	Co. Schedule C-2.5
3	Total revenue	<u>\$ 13,937,442</u>	Line 1 + Line 2
4			
5			
6			
7			
8			
9			
10	Depr/amortization per Income Statement	\$ 4,350,628	Schedule 1.1 CW, line 19, column (i)
11	Amortization of rate case expense	64,669	Schedule 1.1 CW, line 12, column (i)
12	Reclassify amortization of tank painting	-	
13	Total depr/amortization for CWC	<u>\$ 4,415,297</u>	Sum of lines 10 through 12
14	Maintenance-other per Income Statement	\$ 789,132	Schedule 1.1 CW, line 17, column (i)
15	Reclassify amortization of tank painting	-	Line 12
16	Total Maintenance-other for CWC	<u>\$ 789,132</u>	Line 14 - Line 15
17	Total Rate Base	\$ 47,945,175	Schedule 1.1 CW, line 29, column (i)
18	Weighted Cost of Capital	3.9270%	Staff Ex. 6.0, Sch. 6.1
19	Return on equity deduction from revenue	<u>\$ 1,882,807</u>	Line 17 * Line 18

**Illinois-American Water Company**  
**Chicago Metro Waste Water**  
 Utility Plant-in-Service Adjustment  
 For the Test Year Ending September 30, 2013

Line No. (A)	Description (B)	Amount (C)	Source (D)
1	Average Utility Plant-in-Service at 9/30/13 per Staff	\$ 163,379,342	ICC Staff Ex. 1.0, Sch. 1.9 CW, page 2, line 19
2	Average Utility Plant-in-Service at 9/30/13 per Company	163,825,664	ICC Staff Ex. 1.0, Sch. 1.9 CW, page 2, line 12
3	Staff Adjustment to Utility Plant-in-Service	<u>\$ (446,322)</u>	Line 1 - Line 2
4	Staff avg. UPIS expressed as a % of Co. avg. UPIS	99.73%	Line 1 / Line 2
5	Accumulated Depreciation per Staff	\$ (70,498,790)	Line 4 * (Line 6 + Line 7)
6	Accumulated Depreciation per Company	(70,691,380)	Company Sch. B-1
7		-	
8	Staff Adjustment to Accumulated Depreciation	<u>\$ 192,590</u>	Line 5 - Line 6 - Line 7
9	Depreciation Expense per Staff	\$ 4,342,636	Line 4 * (Line 10 + Line 11)
10	Depreciation Expense per Company	4,354,499	Company Schedule C-12
11		-	
12	Staff Adjustment to Depreciation Expense	<u>\$ (11,863)</u>	Line 9 - Line 10 - Line 11
13	Deferred Federal Income Tax per Staff	\$ 5,953,603	Line 4 * Line 14
14	Deferred Federal Income Tax per Company	5,969,867	Company Sch. B-1
15	Staff Adjustment to Accumulated Deferred FIT	<u>\$ (16,264)</u>	Line 13 - Line 14
16	Deferred State Income Tax per Staff	\$ 236,060	Line 4 * Line 17
17	Deferred State Income Tax per Company	236,705	Company Sch. B-1
18	Staff Adjustment to Accumulated Deferred SIT	<u>\$ (645)</u>	Line 16 - Line 17

**Illinois-American Water Company**  
**Chicago Metro Waste Water**  
 Utility Plant-in-Service Adjustment  
 For the Test Year Ending September 30, 2013

Line No. (A)	Description (B)	Amount (C)	Source (D)
1	2012 Projected Additions per Company	\$ 9,029,121	Company Sch. B-5
2	2013 Projected Additions per Company	7,258,458	Company Sch. B-5
3	Total Projected Additions per Company	<u>\$ 16,287,579</u>	Line 1 + Line 2
4	Average Planned Capital Expenditures Expended	96.90%	ICC Staff Ex. 1.0, Schedule 1.9 ZN, p. 3
5	2012/2013 Projected Additions per Staff	<u>\$ 15,782,911</u>	Line 4 * Line 3
6	2012 Projected Retirements per Company	\$ 590,042	Company Sch. B-5
7	2013 Projected Retirements per Company	988,956	Company Sch. B-5
8	Total Projected Retirements per Company	<u>\$ 1,578,998</u>	Line 6 + Line 7
9	% of retirements to additions	<u>9.69%</u>	Line 8 / Line 3
10	2012/2013 Projected Retirements per Staff	<u>\$ 1,530,073</u>	Line 9 * Line 5
11	Projected Utility Plant-in-Service at 9/30/13 per Company	\$ 167,283,654	Company Sch. B-5
12	Average Utility Plant-in-Service at 9/30/13 per Company	163,825,664	Company Sch. B-4
13	Company % of average UPIS to projected UPIS	97.93%	Line 12 / Line 11
14	Utility Plant-in-Service at 9/30/11	\$ 152,575,073	Company Sch. B-5
15	2012/2013 Projected Additions per Staff	15,782,911	Line 5
16	2012/2013 Projected Retirements per Staff	(1,530,073)	Line 10
17	Projected Utility Plant-in-Service at 9/30/13 per Staff	<u>\$ 166,827,911</u>	Sum Line 14 through Line 16
18	Company % of average UPIS to projected UPIS	97.93%	Line 13
19	Average Utility Plant-in-Service at 9/30/13 per Staff	<u>\$ 163,379,342</u>	Line 18 * Line 17



**Illinois-American Water Company**  
**Chicago Metro Water**  
**Adjustments to Operating Income**  
**For the Test Year Ending September 30, 2013**

Line No.	Description	Interest Synchronization (Schedule 1.6)	Utility Plant-in-Service (Staff Ex. 1.0 Sch. 1.9 CW)	Incentive Compensation (Staff Ex. 2.0 Sch. 2.1)	Business Transformation (Staff Ex. 2.0 Sch. 2.3)	Rate Case Expense (Staff Ex. 3.0 Sch. 3.1)	Social/Service Memberships (Staff Ex. 3.0 Sch. 3.2)	Lobbying Expense (Staff Ex. 3.0 Sch. 3.3)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Tariff Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenue	-	-	-	-	-	-	-	-
3	<b>Total Operating Revenue</b>	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	-	-	(21,403)	-	-	-	-	(21,403)
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Service Company Fees	-	-	-	(10,612)	-	-	-	(10,612)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	(2,778)	-	-	(2,778)
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	(12,084)	(2,400)	(14,484)
17	Maintenance - other	-	-	-	-	-	-	-	-
18	Miscellaneous	-	-	-	-	-	-	-	-
19	Depreciation & Amortization	-	(15,117)	-	-	-	-	-	(15,117)
20	Taxes other than Income	-	-	-	-	-	-	-	-
21	<b>Total Operating Expense</b>	-	(15,117)	(21,403)	(10,612)	(2,778)	(12,084)	(2,400)	(64,394)
22	<b>Before Income Taxes</b>	-	(15,117)	(21,403)	(10,612)	(2,778)	(12,084)	(2,400)	(64,394)
23	State Income Tax	(19,025)	670	949	471	123	536	106	(16,170)
24	Federal Income Tax	(143,495)	5,056	7,159	3,549	929	4,042	803	(121,957)
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
26	<b>Total Operating Expenses</b>	<b>(162,520)</b>	<b>(9,391)</b>	<b>(13,295)</b>	<b>(6,592)</b>	<b>(1,726)</b>	<b>(7,506)</b>	<b>(1,491)</b>	<b>(202,521)</b>
27	<b>NET OPERATING INCOME</b>	<b>\$ 162,520</b>	<b>\$ 9,391</b>	<b>\$ 13,295</b>	<b>\$ 6,592</b>	<b>\$ 1,726</b>	<b>\$ 7,506</b>	<b>\$ 1,491</b>	<b>\$ 202,521</b>

**Illinois-American Water Company**  
**Chicago Metro Water**  
 Adjustments to Operating Income  
 For the Test Year Ending September 30, 2013

Line No.	Description	Subtotal Operating Statement Adjustments	Charitable Contributions (Staff Ex. 3.0 Sch. 3.4)	Advertising Expense (Staff Ex. 3.0 Sch. 3.5)	(Source)	(Source)	(Source)	(Source)	Subtotal Operating Statement Adjustments
	(a)	(j)	(l)	(l)	(m)	(n)	(o)	(p)	(q)
1	Tariff Revenue	\$ -	\$ -	\$ -				\$ -	\$ -
2	Miscellaneous Revenue	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	(21,403)	-	-	-	-	-	-	(21,403)
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Service Company Fees	(10,612)	-	-	-	-	-	-	(10,612)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	(2,778)	-	-	-	-	-	-	(2,778)
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	(14,484)	(12,631)	(2,621)	-	-	-	-	(29,736)
17	Maintenance - other	-	-	-	-	-	-	-	-
12	Miscellaneous	-	-	-	-	-	-	-	-
13	Depreciation & Amortization	(15,117)	-	-	-	-	-	-	(15,117)
14	Taxes other than Income	-	-	-	-	-	-	-	-
15	Total Operating Expense	-	-	-	-	-	-	-	-
16	Before Income Taxes	(64,394)	(12,631)	(2,621)	-	-	-	-	(79,646)
17	State Income Tax	(16,170)	560	116	-	-	-	-	(15,494)
18	Federal Income Tax	(121,957)	4,225	877	-	-	-	-	(116,855)
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	(202,521)	(7,846)	(1,628)	-	-	-	-	(211,995)
21	NET OPERATING INCOME	\$ 202,521	\$ 7,846	\$ 1,628	\$ -	\$ -	\$ -	\$ -	\$ 211,995

**Illinois-American Water Company**  
**Chicago Metro Water**  
 Rate Base  
 For the Test Year Ending September 30, 2013

Line No.	Description	Company Pro Forma Present Adjusted (Company Schedule B-1)	Staff Adjustments (Schedule 1.4 p. 1)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Utility Plant in Service	\$ 241,374,850	\$ (581,555)	\$ 240,793,295
2	Less: Accumulated Depreciation	<u>(90,744,565)</u>	<u>218,635</u>	<u>(90,525,930)</u>
3	Net Utility Plant in Service	150,630,285	(362,920)	150,267,365
4	Construction Work in Progress	\$ -	\$ -	\$ -
5	Utility Plant Acquisition Adj. - DuPage	68,656	-	68,656
6	Additions to Rate Base			
7	Cash Working Capital	825,000	(87,000)	738,000
8	Materials & Supplies	191,060	-	191,060
9	Deferred Charges - Tank Painting	2,530,194	-	2,530,194
10	FAS 109 Reg. Asset-Net of Liability	151,313	-	151,313
11	Service Company Audit Costs	33,243	-	33,243
12		-	-	-
13		-	-	-
14		-	-	-
15	Deductions From Rate Base			
16	Customer Advances	(25,529,931)	-	(25,529,931)
17	Pension Asset (Liability)	1,681,283	(1,681,283)	-
18	OPEB Liability	(184,614)	-	(184,614)
19	Contributions in Aid of Construction	(35,480,979)	-	(35,480,979)
20	Accum. Depr. On CIAC	16,740,516	-	16,740,516
21	Budget Payment Plan	-	-	-
22	Deferred Federal Income Taxes	(8,803,415)	305,781	(8,497,634)
23	Deferred State Income Taxes	(349,055)	(841)	(349,896)
24	Investment Tax Credit - pre 1971	<u>(190)</u>	<u>-</u>	<u>(190)</u>
25	Rate Base	<u>\$ 102,503,366</u>	<u>\$ (1,826,263)</u>	<u>\$ 100,677,103</u>

**Illinois-American Water Company**  
**Chicago Metro Water**  
**Adjustments to Rate Base**  
 For the Test Year Ending September 30, 2013

Line No.	Description	Cash Working Capital (Staff Ex. 1.0 Sch. 1.8 CW)	Utility Plant-in-Service (Staff Ex. 1.0 Sch. 1.9 CW)	Pension Asset (Staff Ex. 2.0 Sch. 2.2)	(Source)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(c)	(e)	(e)	(f)	(g)	(h)	(i)
1	Gross Utility Plant in Service	\$ -	\$ (581,555)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (581,555)
2	Less: Accumulated Depreciation	-	218,635	-	-	-	-	-	218,635
3	Net Utility Plant in Service	-	(362,920)	-	-	-	-	-	(362,920)
4	Construction Work in Progress	-	-	-	-	-	-	-	-
5	Utility Plant Acquisition Adj. - DuPage	-	-	-	-	-	-	-	-
6	Additions to Rate Base								
7	Cash Working Capital	(87,000)	-	-	-	-	-	-	(87,000)
8	Materials & Supplies	-	-	-	-	-	-	-	-
9	Deferred Charges - Tank Painting	-	-	-	-	-	-	-	-
10	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
11	Service Company Audit Costs	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Deductions From Rate Base								
16	Customer Advances	-	-	-	-	-	-	-	-
17	Pension Asset (Liability)	-	-	(1,681,283)	-	-	-	-	(1,681,283)
18	OPEB Liability	-	-	-	-	-	-	-	-
19	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
20	Accum. Depr. On CIAC	-	-	-	-	-	-	-	-
21	Budget Payment Plan	-	-	-	-	-	-	-	-
22	Deferred Federal Income Taxes	-	(21,210)	326,991	-	-	-	-	305,781
23	Deferred State Income Taxes	-	(841)	-	-	-	-	-	(841)
24	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
25	Rate Base	\$ (87,000)	\$ (384,971)	\$ (1,354,292)	\$ -	\$ -	\$ -	\$ -	\$ (1,826,263)

**Illinois-American Water Company**  
**Revenue Effect of Staff's Adjustments**  
 Chicago Metro Water  
 Statement of Operating Income with Adjustments

Line No.	Description (a)	IAWC Proposal (b)	Staff's Adjustments (c)	Staff's Proposal (d)
1	<b>Summary</b>			
2	Current Revenues	\$ 32,565,182		\$ 32,565,182
3	<b>Proposed Increase</b>	<b>4,053,051</b>	<b>(2,876,423) #</b>	<b>1,176,628</b>
4	Proposed Revenue Requirement	\$ 36,618,233	\$ (2,876,423)	\$ 33,741,810
5	<b>Percentage Increase</b>	<b>12.45 %</b>	<b>(8.83)%</b>	<b>3.61 %</b>
6	<b>Effect of Each Staff Adjustment</b>			
7	Rate of Return		\$ (2,313,379)	
8	Interest Synchronization (Schedule 1.6)		(302,747)	
9	Pension Asset (Staff Ex. 2.0 Sch. 2.2)		(133,454)	
10	Utility Plant-in-Service (Staff Ex. 1.0 Sch. 1.9 CW)		(53,184)	
11	Incentive Compensation (Staff Ex. 2.0 Sch. 2.1)		(21,586)	
12	Charitable Contributions (Staff Ex. 3.0 Sch. 3.4)		(12,739)	
13	Social/Service Memberships (Staff Ex. 3.0 Sch. 3.2)		(12,187)	
14	Business Transformation (Staff Ex. 2.0 Sch. 2.3)		(10,703)	
15	Cash Working Capital (Staff Ex. 1.0 Sch. 1.8 CW)		(8,573)	
16	Rate Case Expense (Staff Ex. 3.0 Sch. 3.1)		(2,802)	
17	Advertising Expense (Staff Ex. 3.0 Sch. 3.5)		(2,643)	
18	Lobbying Expense (Staff Ex. 3.0 Sch. 3.3)		(2,421)	
19	Gross Revenue Conversion Factor		1	
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37	Rounding		(6)	
38	Effect of Staff's Adjustments		<b>\$ (2,876,423)</b>	
39	<b>Reconciliation to Schedule 1.1</b>			
40	Column (c), line 5.		-	
41	Column (f), line 5.		1	
42	Column (h), line 5.		(2,876,424)	
43	Total Effect of Staff's Adjustments		<b>\$ (2,876,423)</b>	

**Illinois-American Water Company**  
**Chicago Metro Water**  
**Interest Synchronization Adjustment**  
**For the Test Year Ending September 30, 2013**

Line No.	Description (a)	Amount (b)
1	Gross Utility Plant in Service	\$ 100,677,103 (1)
2	Weighted Cost of Debt	3.45% (2)
3	Synchronized Interest Per Staff	3,473,360
4	Company Interest Expense	<u>3,044,350</u> (3)
5	Increase (Decrease) in Interest Expense	<u>429,010</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 4.435%	<u>\$ (19,025)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ (143,495)</u>

(1) Source: Schedule 1.3, Column (d)

(2) Source: ICC Staff Exhibit 6.0 Schedule 6.1

(3) Source: Company Schedule C-5

**Illinois-American Water Company**  
**Chicago Metro Water**  
 Gross Revenue Conversion Factor  
 For the Test Year Ending September 30, 2013

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.8500%	<u>0.008500</u>	
3	State Taxable Income		0.991500	1.000000
4	State Income Tax	4.4347%	<u>0.043970</u>	<u>0.044347</u>
5	Federal Taxable Income		0.947530	0.955653
6	Federal Income Tax	35.0000%	<u>0.331635</u>	<u>0.334479</u>
7	Operating Income		<u>0.615894</u>	<u>0.621174</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.623655</u>	<u>1.609855</u>

**Illinois-American Water Company**  
**Chicago Metro Water**  
**Cash Working Capital Adjustment**  
**For the Test Year Ending September 30, 2013**

Line No. (A)	Item (B)	Amount <sup>(1)</sup> (C)	Average Daily Amount (C)/365 (D)	Expense (Lead)/Lag <sup>(2)</sup> (E)	Cash Requirement (D)*(E) (F)	Source (G)
1	Revenue	\$ 53,517,043				Schedule 1.8, page 2, line 3
2	Return on Equity	(3,953,590)				Schedule 1.8, page 2, line 19
3	Non-cash OPEB expenses	-				
4	Uncollectible Accounts	(447,733)				
5	Total Depr/Amortization	<u>(6,667,124)</u>				Schedule 1.8, page 2, line 13
6						
7	Net Revenues	<u>\$ 42,448,596</u>	\$ 116,298	53.06	\$ 6,170,747	
8						
9	Labor	\$ 4,152,942	11,378	(12.43)	(141,428)	
10	Fuel and Power	378,564	1,037	(51.77)	(53,694)	
11	Chemicals	33,077	91	(38.30)	(3,471)	
12	Purchased Water	19,775,233	54,179	(26.03)	(1,410,272)	Co. Schedule C-2.5
13	Waste Disposal	-	-	(7.71)	-	
14	Service Company Charges	3,196,538	8,758	9.22	80,745	
15	Group Insurance	979,774	2,684	4.65	12,482	
16	Pensions	497,193	1,362	18.50	25,200	
17	Insurance Other than Group	275,545	755	42.39	32,001	
18	Customer Accounting	415,935	1,140	(62.82)	(71,586)	
19	Rents	575,672	1,577	8.76	13,816	
20	General Office	475,295	1,302	(34.15)	(44,469)	
21	Maintenance	1,448,087	3,967	(45.74)	(181,467)	Schedule 1.8, page 2, line 16
22	Miscellaneous	<u>1,966,593</u>	<u>5,388</u>	<u>(43.46)</u>	<u>(234,159)</u>	
23						
24	Total O&M Expenses	<u>\$ 34,170,448</u>			<u>(1,976,302)</u>	
25						
26	General Taxes	1,808,271	4,954	(183.97)	(911,418)	
27	Federal Income Tax - Current	2,555,355	7,001	(76.89)	(538,305)	
28	State Income Tax - Current	356,244	976	(37.50)	(36,600)	
29	Deferred Income Taxes	81,898	224	-	-	
30	Interest Expense	<u>3,473,360</u>	<u>9,516</u>	<u>(86.78)</u>	<u>(825,803)</u>	Schedule 1.6, line 3
31						
32	Subtotal Other Expenses	<u>\$ 8,275,128</u>			<u>(2,312,127)</u>	
33						
34	Total Cash Working Capital Requirement per Staff (Rounded to nearest \$1,000)				\$ 1,882,000	Line 7 + Line 24 + Line 32
35						
36	Cash Working Capital per Company				<u>1,969,000</u>	IAWC response to DGK-2.04
37						
38	Staff Proposed adjustment				<u>\$ (87,000)</u>	Line 34 - Line 36

Source:

- (1) Schedule 1.1, except where noted.
- (2) Schedule B-8, except where noted.

**Illinois-American Water Company**  
**Chicago Metro Water**  
 Cash Working Capital Adjustment  
 For the Test Year Ending September 30, 2013

Line No. (A)	Item (B)	Amount (C)	Source (D)
1	Total operating revenue	\$ 33,741,810	Schedule 1.1 CW, line 3, column (i)
2	Surcharge revenue	19,775,233	Co. Schedule C-2.5
3	Total revenue	<u>\$ 53,517,043</u>	Line 1 + Line 2
4			
5			
6			
7			
8			
9			
10	Depr/amortization per Income Statement	\$ 6,317,235	Schedule 1.1 CW, line 19, column (i)
11	Amortization of rate case expense	91,070	Schedule 1.1 CW, line 12, column (i)
12	Reclassify amortization of tank painting	258,819	IAWC Schedule B-10
13	Total depr/amortization for CWC	<u>\$ 6,667,124</u>	Sum of lines 10 through 12
14	Maintenance-other per Income Statement	\$ 1,706,906	Schedule 1.1 CW, line 17, column (i)
15	Reclassify amortization of tank painting	258,819	Line 12
16	Total Maintenance-other for CWC	<u>\$ 1,448,087</u>	Line 14 - Line 15
17	Total Rate Base	\$ 100,677,103	Schedule 1.1 CW, line 29, column (i)
18	Weighted Cost of Capital	3.9270%	Staff Ex. 6.0, Sch. 6.1
19	Return on equity deduction from revenue	<u>\$ 3,953,590</u>	Line 17 * Line 18

**Illinois-American Water Company**  
**Chicago Metro Water**  
 Utility Plant-in-Service Adjustment  
 For the Test Year Ending September 30, 2013

Line No. (A)	Description (B)	Amount (C)	Source (D)
1	Average Utility Plant-in-Service at 9/30/13 per Staff	\$ 240,793,295	ICC Staff Ex. 1.0, Sch. 1.9 CW, page 2, line 19
2	Average Utility Plant-in-Service at 9/30/13 per Company	241,374,850	ICC Staff Ex. 1.0, Sch. 1.9 CW, page 2, line 12
3	Staff Adjustment to Utility Plant-in-Service	<u>\$ (581,555)</u>	Line 1 - Line 2
4	Staff avg. UPIS expressed as a % of Co. avg. UPIS	99.76%	Line 1 / Line 2
5	Accumulated Depreciation per Staff	\$ (90,525,930)	Line 4 * (Line 6 + Line 7)
6	Accumulated Depreciation per Company	(90,744,565)	Company Sch. B-1
7		-	
8	Staff Adjustment to Accumulated Depreciation	<u>\$ 218,635</u>	Line 5 - Line 6 - Line 7
9	Depreciation Expense per Staff	\$ 6,259,304	Line 4 * (Line 10 + Line 11)
10	Depreciation Expense per Company	6,274,421	Company Schedule C-12
11		-	
12	Staff Adjustment to Depreciation Expense	<u>\$ (15,117)</u>	Line 9 - Line 10 - Line 11
13	Deferred Federal Income Tax per Staff	\$ 8,782,205	Line 4 * Line 14
14	Deferred Federal Income Tax per Company	8,803,415	Company Sch. B-1
15	Staff Adjustment to Accumulated Deferred FIT	<u>\$ (21,210)</u>	Line 13 - Line 14
16	Deferred State Income Tax per Staff	\$ 348,214	Line 4 * Line 17
17	Deferred State Income Tax per Company	349,055	Company Sch. B-1
18	Staff Adjustment to Accumulated Deferred SIT	<u>\$ (841)</u>	Line 16 - Line 17

**Illinois-American Water Company**  
**Chicago Metro Water**  
 Utility Plant-in-Service Adjustment  
 For the Test Year Ending September 30, 2013

Line No. (A)	Description (B)	Amount (C)	Source (D)
1	2012 Projected Additions per Company	\$ 10,076,346	Company Sch. B-5
2	2013 Projected Additions per Company	11,572,161	Company Sch. B-5
3	Total Projected Additions per Company	<u>\$ 21,648,507</u>	Line 1 + Line 2
4	Average Planned Capital Expenditures Expended	96.90%	ICC Staff Ex. 1.0, Schedule 1.9 ZN, p. 3
5	2012/2013 Projected Additions per Staff	<u>\$ 20,977,732</u>	Line 4 * Line 3
6	2012 Projected Retirements per Company	\$ 922,594	Company Sch. B-5
7	2013 Projected Retirements per Company	1,527,415	Company Sch. B-5
8	Total Projected Retirements per Company	<u>\$ 2,450,009</u>	Line 6 + Line 7
9	% of retirements to additions	<u>11.32%</u>	Line 8 / Line 3
10	2012/2013 Projected Retirements per Staff	<u>\$ 2,374,096</u>	Line 9 * Line 5
11	Projected Utility Plant-in-Service at 9/30/13 per Company	\$ 246,897,797	Company Sch. B-5
12	Average Utility Plant-in-Service at 9/30/13 per Company	241,374,850	Company Sch. B-4
13	Company % of average UPIS to projected UPIS	97.76%	Line 12 / Line 11
14	Utility Plant-in-Service at 9/30/11	\$ 227,699,300	Company Sch. B-5
15	2012/2013 Projected Additions per Staff	20,977,732	Line 5
16	2012/2013 Projected Retirements per Staff	(2,374,096)	Line 10
17	Projected Utility Plant-in-Service at 9/30/13 per Staff	<u>\$ 246,302,936</u>	Sum Line 14 through Line 16
18	Company % of average UPIS to projected UPIS	97.76%	Line 13
19	Average Utility Plant-in-Service at 9/30/13 per Staff	<u>\$ 240,793,295</u>	Line 18 * Line 17