

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

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

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

Line No.	Description	Company Pro Forma Rate Base (Co. Sch. 3.1 CL)	Adjustments (Appendix C, page 4)	Approved Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 750,671	\$ -	\$ 750,671
2	Less: Accumulated Depreciation	210	-	210
3		-	-	-
4	Net Plant	750,881	-	750,881
5	Additions to Rate Base			
6	Cash Working Capital	15,625	0	15,625
7	Deferred Charges	-	-	-
8		-	-	-
9		-	-	-
10		-	-	-
11		-	-	-
12		-	-	-
13		-	-	-
14		-	-	-
15		-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(28,519)	-	(28,519)
18	Accumulated Deferred Income Taxes	(84,958)	-	(84,958)
19	Adjustment to Rate Base Allocations	738	-	738
20		-	-	-
21		-	-	-
22		-	-	-
23	Rate Base	<u>\$ 653,767</u>	<u>\$ 0</u>	<u>\$ 653,767</u>

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

Line No.	Description	Per Company	Adjustments	Per Order
	(a)	(b)	(c)	(d)
1	Present Revenues	\$ 94,516 ⁽¹⁾		\$ 94,516 ⁽²⁾
2	Proposed Increase	<u>157,352</u> ⁽³⁾	<u>(25,410)</u> ⁽⁴⁾	<u>131,942</u> ⁽⁵⁾
3	Proposed Revenues	<u>\$ 251,868</u>	<u>\$ (25,410)</u>	<u>\$ 226,458</u>
4	% Increase	166.48%		139.60%
5	Effect of Each Adjustment:			
6				
7	Rate of Return (Applied to Company Rate Base)		(25,253)	
8	Gross Revenue Conversion Factor		(156)	
9	Interest Synchronization		(1)	
10	HomeServeUSA Misc. Revenues		(1)	
11	Working Capital		-	
12				
13				
14				
15				
16				
17				
18				
19	Rounding		<u>1</u>	
20	Total Revenue Effect of Adjustments		<u>\$ (25,410)</u>	
21	Reconciliation to Appendix C, page 1			
22	Column (c), line 3.		187	
23	Column (f), line 3.		(156)	
24	Column (h), line 3.		(25,441)	
25	Total Effect of Adjustments		<u>\$ (25,410)</u>	

Sources:

- (1) Appendix C, p. 1, column (b), line 3
- (2) Appendix C, p. 1, column (d), line 3
- (3) Appendix C, p. 1, column (e), line 3
- (4) Line 25
- (5) Appendix C, p. 1, column (j), line 3

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

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

(1) Source: Apprndix C, page 3
(2) Source: ICC Staff Exhibit 3.0, Schedule 3.1
(3) Source: Company Schedule 3.1 CL, p. 6, line 3

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

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

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

Line No.	Description (a)	Amount (b)	Source (c)
1	Maintenance Expenses	\$ 67,227	Appendix C, p. 1, column (d), line 5
2	General Expense	52,046	Appendix C, p. 1, column (d), line 6
3	Taxes Other Than Income	6,818	Appendix C, p. 1, column (d), line 9
4	Less Real Estate Taxes	<u>(1,090)</u>	Company workpaper (e), line 4
5	Operating Expenses Subject to Working Capital Allowance	125,001	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Order	15,625	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>15,625</u>	Company Schedule 3.1 CL, p. 7, line 7
9	Adjustment	<u>\$ 0</u>	Line 7 less line 8