

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

Line No.	Description	Company Pro Forma Rebuttal (Co. Sch. 3.1 HR-W)	Adjustments (Appendix G, page 2)	Pro Forma Present (Cols. b+c)	Company Proposed Increase (Co. Sch. 3.1 HR-W)	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	\$ 71,230	\$ -	\$ 71,230	\$ 78,642	\$ (1,520)	\$ 148,352	\$ (14,189)	\$ 134,163	\$ 62,933	88.35%
2	Miscellaneous Revenues	6,474	164	6,638	793	-	7,431	-	7,431	957	14.78%
3	Total Operating Revenues	77,704	164	77,868	79,435	\$ (1,520)	155,783	(14,189)	141,594	63,890	82.22%
4	Uncollectible Accounts	1,659	4	1,663	3,104	(1,440)	3,327	(303)	3,024		
5	Maintenance Expenses	26,123	-	26,123	-	-	26,123	-	26,123		
6	General Expenses	33,548	-	33,548	-	-	33,548	-	33,548		
7	Depreciation	39,455	-	39,455	-	-	39,455	-	39,455		
8	Amortization of CIAC	(13,029)	-	(13,029)	-	-	(13,029)	-	(13,029)		
9	Taxes Other Than Income	2,866	-	2,866	79	(79)	2,866	-	2,866		
10	-	-	-	-	-	-	-	-	-		
11	-	-	-	-	-	-	-	-	-		
12	-	-	-	-	-	-	-	-	-		
13	-	-	-	-	-	-	-	-	-		
14	-	-	-	-	-	-	-	-	-		
15	Total Operating Expense										
16	Before Income Taxes	90,622	4	90,626	3,183	(1,519)	92,290	(303)	91,987		
17	State Income Tax	(2,659)	15	(2,644)	7,244	-	4,600	(1,319)	3,281		
18	Federal Income Tax	(8,933)	49	(8,884)	23,463	-	14,579	(4,273)	10,306		
19	Deferred Taxes and ITCs Net	(44)	-	(44)	-	-	(44)	-	(44)		
20	Total Operating Expenses	78,986	68	79,054	33,890	(1,519)	111,425	(5,895)	105,530		
21	NET OPERATING INCOME	\$ (1,282)	\$ 96	\$ (1,186)	\$ 45,545	\$ (1)	\$ 44,358	\$ (8,294)	\$ 36,064		
22	Rate Base (Appendix G, page 3)								\$ 451,925		
23	Overall Rate of Return (per Order)								7.98%		

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

Line No.	Description	Company Pro Forma Rate Base (Co. Sch. 3.1 HR-W)	Adjustments (Appendix G, page 4)	Approved Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 963,019	\$ -	\$ 963,019
2	Less: Accumulated Depreciation	(252,644)	-	(252,644)
3		-	-	-
4	Net Plant	<u>710,375</u>	-	<u>710,375</u>
5	Additions to Rate Base			
6	Cash Working Capital	7,797	(0)	7,797
7	Deferred Charges	-	-	-
8	Net Pro Forma Plant	132,000	-	132,000
9		-	-	-
10		-	-	-
11		-	-	-
12		-	-	-
13		-	-	-
14		-	-	-
15		-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(377,112)	-	(377,112)
18	Accumulated Deferred Income Taxes	(21,785)	-	(21,785)
19	Adjustment to Rate Base Allocations	650	-	650
20		-	-	-
21		-	-	-
22		-	-	-
23	Rate Base	<u>\$ 451,925</u>	<u>\$ (0)</u>	<u>\$ 451,925</u>

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

Line No.	Description (a)	Per Company (b)	Adjustments (c)	Per Order (d)
1	Present Revenues	\$ 77,704 ⁽¹⁾		\$ 77,704 ⁽²⁾
2	Proposed Increase	<u>79,435</u> ⁽³⁾	<u>(15,545)</u> ⁽⁴⁾	<u>63,890</u> ⁽⁵⁾
3	Proposed Revenues	<u>\$ 157,139</u>	<u>\$ (15,545)</u>	<u>\$ 141,594</u>
4	% Increase	102.23%		82.22%
5	Effect of Each Adjustment:			
6				
7				
8	Rate of Return (Applied to Company Rate Base)		(14,026)	
9	Gross Revenue Conversion Factor		(1,520)	
10	HomeServeUSA Misc. Revenues		(4)	
11	Working Capital		-	
12	Interest Synchronization		-	
13				
14				
15				
16				
17				
18				
19				
20				
21				
22	Rounding		<u>5</u>	
23	Total Revenue Effect of Adjustments		<u>\$ (15,545)</u>	
24	Reconciliation to Appendix G, page 2			
25	Column (c), line 3.		164	
26	Column (f), line 3.		(1,520)	
27	Column (h), line 3.		(14,189)	
28	Total Effect of Adjustments		<u>\$ (15,545)</u>	

Sources:

- (1) Appendix G, p. 1, column (b), line 3
- (2) Appendix G, p. 1, column (d), line 3
- (3) Appendix G, p. 1, column (e), line 3
- (4) Line 28
- (5) Appendix G, p. 1, column (j), line 3

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

Line No.	Description (a)	Amount (b)
1	Approved Rate Base	\$ 451,925 (1)
2	Weighted Cost of Debt	3.34% (2)
3	Synchronized Interest Per Order	15,074
4	Company Interest Expense	<u>15,074</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: Appendix G, page 3

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

(3) Source: Company Schedule 3.1HR-W, p. 7, line 3

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

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

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

Line No.	Description (a)	Amount (b)	Source (c)
1	Maintenance Expenses	\$ 26,123	Appendix G, p. 1, column (d), line 5
2	General Expense	33,548	Appendix G, p. 1, column (d), line 6
3	Taxes Other Than Income	2,866	Appendix G, p. 1, column (d), line 9
4	Less Real Estate Taxes	<u>(164)</u>	Company workpaper (e), line 4
5	Operating Expenses Subject to Working Capital Allowance	62,373	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Order	7,797	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>7,797</u>	Company Schedule 3.1 HR-W, p. 8, line 7
9	Adjustment	<u><u>\$ (0)</u></u>	Line 7 less line 8