

CORRECTED

REBUTTAL TESTIMONY

Of

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Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Proposed General Increase in Water and Sewer Rates

Illinois-American Water Company

Docket No. 11-0767

May 21, 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. Have you previously filed testimony in this proceeding?

6 A. Yes, my direct testimony was filed as ICC Staff Ex. 1.0 on March 1, 2012.

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

8 A. The purpose of my corrected rebuttal testimony is to:

- 9 1. Present Staff's adjusted Operating Statements and Rate Base for
10 Illinois-American Water Company ("Company" or "IAWC");
- 11 2. Respond to the rebuttal testimony of the Company's witnesses
12 Jeffery Kaiser (IAWC Ex. 3.00R), Rich Kerckhove (IAWC Ex.
13 5.00R) and Scott Rungren (IAWC Ex. 6.00R) on proposed
14 adjustments to utility plant-in-service with related adjustments to
15 depreciation expense, accumulated depreciation, and accumulated
16 deferred federal and state income taxes, cash working capital
17 ("CWC"), and original cost; and
- 18 3. Respond to adjustments to CWC, accumulated deferred income
19 taxes ("ADIT") proposed by AG witness Ralph C. Smith (AG Ex.
20 2.0R).

21 **Schedule Identification**

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

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

25 REVENUE REQUIREMENT SCHEDULES

26 Schedule 9.1 (C) – Statement of Operating Income with Adjustments

27 Schedule 9.2 (C) – Adjustments to Operating Income

28 Schedule 9.3 (C) – Rate Base

29 Schedule 9.4 (C) – Adjustments to Rate Base

30 Schedule 9.5 (C) – Revenue Effect of Staff's Adjustments

31 Schedule 9.6 (C) – Interest Synchronization Adjustment

32 Schedule 9.7 (C) – Gross Revenue Conversion Factor

33 ADJUSTMENT SCHEDULES

34 Schedule 9.8 (C) – Cash Working Capital Adjustment

35 Q. Please explain the purpose of the letters that follow the schedule

36 numbers.

37 A. The Company filed for rate changes for several different rate areas. The

38 letters that follow the schedule numbers identify the respective rate areas

39 as follows:

40 ZN – Zone 1

41 CW – Chicago Metro Water

42 CS – Chicago Metro Sewer

43 PK – Pekin

44 LC – Lincoln

45 Thus, Schedule 9.1-ZN (C) provides information for the Zone 1 rate area.

46 The rate area designation is a part of each schedule number to ease

47 identification of which rate areas are affected by specific adjustments.

48 Revenue Requirement Schedules

49 Q. Please describe Schedule 9.1 (C) for each rate area, Statement of

50 Operating Income with Adjustments.

51 A. The description of Schedule 9.1 (C) is the same as for Schedule 1.1,
52 which is described in my direct testimony, except that Schedule 9.1 (C)
53 incorporates the Company's rebuttal positions described in IAWC Ex.
54 5.01R and Staff's rebuttal positions. Page 2 of Schedule 9.1 (C) shows
55 the Company's direct position with the Company's update and rebuttal
56 adjustments.

57 Q. Please describe Schedule 9.2 (C) for each rate area, Adjustments to
58 Operating Income.

59 A. This schedule identifies Staff's adjustment to Operating Income. The
60 source of each adjustment is shown in the heading of each column.
61 Column (i) is carried forward to Staff Ex. 9.0-C, Schedule 9.1 (C), Column
62 (c).

63 Q. Please describe Schedule 9.3 (C) for each rate area, Rate Base.

64 A. The description of Schedule 9.3 (C) is the same as for Schedule 1.3,
65 which is described in my direct testimony, except that Schedule 9.3 (C)
66 incorporates the Company's and Staff's rebuttal positions. Page 2 of
67 Schedule 9.3 (C) shows the Company's direct position with the
68 Company's update and rebuttal adjustments.

69 Q. Please describe Schedule 9.4 (C) for each rate area, Adjustments to Rate
70 Base.

71 A. Schedule 9.4 (C) identifies Staff's adjustments to rate base. The source of
72 each adjustment is shown in the heading of each column. Column (i) is
73 carried forward to Staff Ex. 9.0 (C), Schedule 9.3 (C), Column (c).

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

75 Q. Please explain Schedule 9.5 (C) for each rate area, Revenue Effect of
76 Staff's Adjustments.

77 A. Schedule 9.5 (C) for each rate area identifies the approximate effect of
78 each Staff adjustment on the each rate area's revenue requirement.
79 Schedule 9.5 (C) is not the development of Staff's revenue requirement.
80 Rather, it is an analysis that is intended to assist in identifying the relative
81 monetary significance of each Staff adjustment.

82 **Interest Synchronization**

83 Q. Please explain Schedule 9.6 (C) for each rate area, Interest
84 Synchronization Adjustment.

85 A. Schedule 9.6 (C) uses the same concept as Staff Ex. 1.0, Schedule 1.6.
86 The theory is discussed at page 6 of my direct testimony.

87 **Gross Revenue Conversion Factor**

88 Q. Please describe Schedule 9.7 (C) for each rate area, Gross Revenue
89 Conversion Factor.

90 A. Schedule 9.7 (C) uses the same concept as Staff Ex. 1.0, Schedule 1.7.
91 The theory is discussed at pages 6 and 7 of my direct testimony.

92 **Uncontested Issues**

93 Q. Have you made any changes to your proposed adjustments?

94 A. Yes. After reviewing the rebuttal testimony of Mr. Kerckhove (IAWC Ex.
95 5.00R, pp. 5-6), I am withdrawing my proposed adjustments for the two
96 projects discussed in my direct testimony. (ICC Staff Ex. 1.0, p. 12)

97 Also, after reviewing the rebuttal testimony of Mr. Kaiser (IAWC Ex. 3.00R,
98 pp. 3-4) and Mr. Kerckhove (IAWC Ex. 5.00R, pp. 4-5), I am withdrawing
99 my proposed adjustments based on the Company's history of actual
100 capital spending compared to planned capital spending discussed in my
101 direct testimony. (ICC Staff Ex. 1.0, pp. 10-11)

102 **Original Cost Determination**

103 Q. Do you agree with Mr. Rungren's proposal for Original Cost Determination
104 (IAWC Ex. 6.00R, p. 18)?

105 A. Yes. Since the September 30, 2011 plant balance includes forecasted
106 costs, I recommend that the Commission conclude and make a finding in
107 the Order in this proceeding that the Company's June 30, 2011 plant
108 balance of \$1,304,723,156 is approved for purposes of an original cost
109 determination, subject to any adjustments ordered by the Commission in
110 this proceeding.

111 **Cash Working Capital**

112 ***Pension Expense***

113 Q. Did you review Mr. Rungren's rebuttal testimony regarding the amount of
114 pension expense to include in the CWC calculation (IAWC Ex. 6.00R, p.
115 19)?

116 A. Yes. I am maintaining my position using pension expense from the
117 revenue requirement, Staff Ex. 9.0 (C), Schedule 9.1 (C), in the CWC
118 calculation rather than the contribution to the pension fund as Mr. Rungren
119 proposes. CWC should be the amount of funds required from investors to
120 finance the day-to-day operations of a company. The revenue
121 requirement, which reflects a normal year of operation, represents the
122 Company's annual operating funds required from investors. The CWC
123 calculation removes non-cash items like uncollectibles, depreciation and
124 amortization expenses from the revenue requirement leaving cash
125 operating expenses.

126 The recovery of pension expense, as reflected in the revenue
127 requirement, is an expense of providing utility service: a contribution to the
128 pension trust fund is not. The Commission has adopted the practice of
129 basing pension expenses on FAS 87 and has abandoned the practice of
130 recognizing pay-as-you-go pension expense. Including the contribution to
131 the pension fund in CWC would allow the Company to recover, in rates,
132 an amount that is not a cost of providing utility service and would allow two

133 different measures of pension costs to be considered in the ratemaking
134 process.

135 Mr. Rungren attempts to equate pension contributions to purchased water
136 and wastewater treatment expenses. (IAWC Ex. 6.00R, p. 20) Purchased
137 water and wastewater treatment expenses are included in the CWC
138 calculation, but since they are recovered through purchased water and
139 purchased sewage treatment surcharges, they are not included in the
140 revenue requirement. Including purchased water and wastewater
141 treatment expenses in the CWC calculation, however, is a Commission
142 practice. Purchased water and wastewater treatment expenses would be
143 included in the revenue requirement if they were not recovered through a
144 rider. The same is not true for the pension contribution.

145 Considering contributions to pension funds in the CWC calculation is
146 contrary to Commission practice. The Commission has consistently
147 based CWC on the revenue requirement and including expenses which
148 would be in the revenue requirement if not collected through a rider. Mr.
149 Rungren's proposal would have the Commission set rates for something
150 which would not be in rate base or in the revenue requirement.

151 Mr. Rungren's proposal is shortsighted. Mr. Rungren does not see that
152 Commission practice includes many items in the CWC calculation that
153 represent operating expenses from the revenue requirement but not the

154 actual cash disbursements. In the revenue requirement and the CWC
155 calculation, for example:

- 156 • Federal income tax is calculated on a separate return basis; not on
157 actual tax payments;
- 158 • Return on equity is deducted from operating revenue at an amount
159 equal to rate base multiplied by the weighted cost of capital; not
160 actual dividends paid; and
- 161 • Interest expense is an amount calculated on the interest
162 synchronization schedule and included in rates; not interest actually
163 paid.

164 Mr. Rungren's proposal would overly complicate an already complex
165 matter. For example, in cases when no pension contribution is required,
166 the Commission would be forced to determine an amount that represents
167 potential overfunding for the CWC calculation. How this amount would be
168 determined is unclear. Also, if the Commission were to abandon its
169 practice of basing the CWC calculation on the revenue requirement,
170 utilities might be encouraged to make further departures from the revenue
171 requirement in calculating CWC in future proceedings that would bring
172 more contestable issues into the CWC calculation.

173 ***Collection Lag***

174 Q. Did you review Mr. Smith's proposal to use 21 days for collection lag (AG
175 Ex. 2.0, p. 49)?

176 A. Yes. Mr. Smith is correct that the Commission adopted 21 days for
177 collection lag in the Company's most recent rate case (Docket No. 09-
178 0319, p. 17); however, the evidence in the instant proceeding supports the
179 collection lag days as proposed by the Company. Section 735.160(a)(2)
180 (83 Ill. Adm. Code 735.160(a)(2)) establishes that the number of days
181 between the date the utility customer receives the bill and the due date for
182 payment of the bill must not be less than 21-days. However, this rule only
183 sets a 21-day deadline for which the bill should be paid and does not
184 reflect the actual collection lag. The Company has prepared a lead/lag
185 study for the year ending June 30, 2011 using average receivables to
186 determine collection lag. The Company's method has been accepted by
187 the Commission in many other proceedings; for example, the Company's
188 most recent rate case (Docket No. 09-0319), Ameren Illinois Company's
189 most recent electric and gas rate cases (Docket Nos. 09-0306/0307/0308
190 for electric and Docket No. 11-0282 for gas); and Northern Illinois Gas
191 Company d/b/a Nicor Gas Company. (Docket No. 08-0363)

192 ***Prepayments to Service Company***

193 Q. Did you review Mr. Smith's proposal to adjust payment lag to the
194 Company's service company (AG Ex. 2.0, p. 50)?

195 A. Yes. The evidence in this proceeding supports the Company's position to
196 base the payment lag on prepayments to the service company. The
197 Company prepays their service company as required in the service
198 company agreement approved by the Commission.

199 **ADIT - Repairs Deduction**

200 Q. Did you review Mr. Smith's testimony concerning his adjustment to ADIT
201 related to the Company's change of method for accounting for repairs for
202 tax purposes (AG Ex. 2.0, p. 57)?

203 A. Yes. I support the adjustment. As Mr. Smith explains, the Company has
204 realized a tax savings which represent an interest free source of funds
205 from the Federal and State government. (*Id.*, p. 64) The cumulative effect
206 of the Company's deferral of income taxes are credit balances of ADIT
207 that are deductions from rate base. (Company Schedule B-9, p. 2, lines 6
208 and 12 and Schedule B-1, lines 19 and 20)

209 The Company proposes to reduce ADIT by an amount recorded as
210 uncertain tax positions by the Company in accordance with Financial
211 Accounting Standards Interpretation No. 48 ("FIN 48"). Since, in this case,
212 ADIT is a deduction from rate base, the Company's reduction of ADIT by
213 the FIN 48 amount results in an increase in rate base.

214 Mr. Smith's proposal eliminates the reduction of ADIT by the FIN 48
215 amount thereby decreasing the Company's proposed rate base. I have
216 included Mr. Smith's adjustment (AG Ex. 2.2) in Staff's revenue
217 requirement.

218 Q. Why do you agree with Mr. Smith's proposal regarding FIN 48?

219 A. FIN 48 amounts should not be combined with deferred tax accounts as
220 proposed by the Company. The FIN 48 amount represents a source of
221 cost free capital that should be reflected as a rate base deduction. Cost
222 deductions on any tax return represent a level of uncertainty with regard to
223 the final IRS determination of taxable income. Under the Company's
224 proposal, if the IRS does not disallow the tax deduction associated with
225 the FIN 48 reserve, customers would not receive the benefit of the
226 deferred tax credits until the first rate case after tax returns are no longer
227 subject to IRS review and adjustment. The Company has proposed no
228 mechanism to protect customers for the increased rates while awaiting the
229 IRS to complete its review of the issue if the FIN 48 reserve is proved to
230 be unnecessary.

231 Q. Is there any guidance that supports your position to not reduce the ADIT
232 by the FIN 48 amounts?

233 A. Yes, the Federal Energy Regulatory Commission ("FERC") has provided
234 guidance on this issue in FERC Docket No. AI 07-2-000 and Deloitte &
235 Touche LLP's Energy & Resources Group prepared a training session
236 which discussed the FERC guidance. FERC sets forth guidance that
237 certain classifications that are required or permitted under FIN 48 are not
238 permitted under FERC reporting. The FERC guidance does not permit
239 FIN 48 amounts to be combined with deferred tax accounts. The FERC
240 guidance also requires that interest and penalties applicable to

241 underpayment of income taxes be recorded as interest expense and
242 penalties respectively. FERC's guidance states:

243 FIN 48, which does not permit a liability for uncertain
244 tax positions related to temporary differences to be
245 classified as a deferred tax liability, frustrates this
246 important measurement objective. Therefore, entities
247 should continue to recognize deferred income taxes
248 for Commission accounting and reporting purposes
249 based on the difference between positions taken in
250 tax returns filed or expected to be filed and amounts
251 reported in the financial statements. (FERC Docket
252 No. AI 07-2-000, May 25, 2007, p. 4)

253 The Deloitte & Touche LLP's Energy & Resources Group presentation
254 states:

255 Uncertain tax positions

- 256 • Uncertain tax positions related to temporary
257 differences must continue to be classified within
258 the deferred tax accounts under FERC reporting
259 (the liability for uncertain tax benefits under GAAP
260 may not be combined with the deferred tax
261 accounts)
- 262 • Interest must be charged to account 431 and
263 penalties must be charged to account 426.3
264 (under GAAP, an acceptable policy is to include
265 interest and penalties in income tax expense)

266 (Energy & Resources Quarterly Accounting Update
267 Webcast – Q1 2012, Copyright © 2012 Deloitte
268 Development LLC, March 19, 2012, p. 49)

269 While FERC does not regulate water or wastewater utilities, an order from
270 a federal regulatory agency that considers the appropriate accounting
271 treatment of transactions to provide guidance on the regulatory treatment
272 of an issue should be given consideration. FERC's guidance is

273 authoritative for gas and electric utilities. The Commission should make a
274 determination whether a consistent approach for all utilities should be
275 applied.

276 Q. Do you have any other recommendation concerning the ADIT - Repairs
277 Deduction?

278 A. Yes. To mitigate the Company's risk in adopting uncertain tax positions, I
279 recommend that the Commission allow the Company to recover from
280 ratepayers any interest accrued on FIN 48 funds in its cost of service as
281 interest expense. The Company should still have an incentive to make
282 uncertain tax positions. If the tax position prevails, the Company would
283 retain the interest expense that the IRS would not collect. If the uncertain
284 tax position fails, the Company would pay the interest expense collected in
285 its cost of service to the Internal Revenue Service.

286 **Bonus Depreciation**

287 Q. Did you review Mr. Smith's testimony concerning the reasonableness of
288 the Company's election not to recognize bonus depreciation in 2011 (AG
289 Ex. 2.0, p. 83)?

290 A. Yes. It is my understanding that taxpayers may elect to claim or not claim
291 bonus depreciation and that the election must be made consistently for all
292 groups in a consolidated return. It is also my understanding that, since the
293 Company's parent company has a large consolidated net operating loss,
294 bonus depreciation would not provide a tax benefit for 2011. It is also

295 possible that the consolidated net operating loss could expire before it can
296 be used to offset future taxable income. For these reasons, the
297 Commission should find the Company's election to not recognize bonus
298 depreciation in 2011 reasonable.

299 **Call Center Costs**

300 Q. Please explain the adjustment proposed for call center costs?

301 A. The adjustment for call center costs presents the quantification of Staff
302 witness David Sackett's adjustment to disallow unsupported call center
303 costs related to the second expansion of the Alton call center (Staff Ex.
304 15.0). Mr. Sackett is proposing an adjustment to decrease costs by
305 \$44,120.

306 Q. How did you determine the adjustment amounts for each service area?

307 A. I allocated the \$44,120 adjustment proposed by Mr. Sackett using
308 percentages contained in the Company's Excel workpaper titled "DGK
309 1.02 Illinois Master Source 11.xlsx". I used the percentages on rows 217
310 through 235 for "Bus Support Serv-Service Co". I multiplied \$44,120 by
311 76.65%, 16.11%, 5.14% and 2.10% for Zone 1, Chicago Metro Water,
312 Pekin and Lincoln respectively.

313 **Conclusion**

314 Q. Does this question end your prepared corrected rebuttal testimony?

315 A. Yes.

Illinois-American Water Company
Zone 1
Statement of Operating Income with Adjustments
For the Test Year Ending September 30, 2013

Line No.	Description	Company Pro Forma Present Adjusted (Company Schedule C-2)	Company Update Adjustments	Company Rebuttal Adjustments	Company Rebuttal GRCF Adj.	Company Rebuttal Case Pro Forma Adjusted
	(a)	(b)	(c)	(d)	(e)	(f)
1	Tariff Revenue	\$ 154,190,895	\$ (166,755)	\$ -	\$ (236)	\$ 154,023,904
2	Other Revenue	2,305,117	(143,932)	-	-	2,161,185
3	Total Operating Revenue	156,496,012	(310,687)	-	(236)	156,185,089
4	Uncollectible Accounts Expense	1,335,454	182	-	(246)	1,335,390
5	Labor	19,141,826	(483,640)	(11,614)	-	18,646,572
6	Fuel & Power	6,052,534	(1,411,657)	-	-	4,640,877
7	Chemicals	7,400,837	(5,592)	-	-	7,395,245
8	Waste Disposal	709,983	-	-	-	709,983
9	Service Company Fees	15,754,329	(244,707)	(12,540)	-	15,497,082
10	Group Insurance	4,764,059	(4,240)	-	-	4,759,819
11	Pensions	2,405,692	19,756	-	-	2,425,448
12	Regulatory Expense	763,632	(25,098)	-	-	738,534
13	Insurance - other	2,242,077	-	-	-	2,242,077
14	Customer Accounting	2,012,021	-	-	-	2,012,021
15	Rents	627,843	-	-	-	627,843
16	General Office Expense	1,641,895	-	(90,834)	-	1,551,061
17	Maintenance - other	4,930,561	-	-	-	4,930,561
18	Miscellaneous	8,290,929	(10,165)	-	-	8,280,764
19	Depreciation & Amortization	30,770,438	(82,631)	-	-	30,687,807
20	Taxes other than Income	10,611,740	(34,851)	-	-	10,576,889
21	Total Operating Expense					
22	Before Income Taxes	119,455,850	(2,282,643)	(114,988)	(246)	117,057,973
23	State Income Tax	988,701	120,914	5,154	(12)	1,114,757
24	Federal Income Tax	7,179,443	637,999	38,865	22	7,856,329
25	Deferred Taxes and ITCs Net	-	-	-	-	-
26	Total Operating Expenses	127,623,994	(1,523,730)	(70,969)	(236)	126,029,059
27	NET OPERATING INCOME	\$ 28,872,018	\$ 1,213,043	\$ 70,969	\$ -	\$ 30,156,030

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

Line No.	Description	Interest Synchronization (Schedule 9.6)	Rate Case Expense (Staff Ex. 11.0 Sch. 11.1)	Social/Service Memberships (Staff Ex. 11.0 Sch. 11.2)	Management Audit Costs (Staff Ex. 11.0 Sch. 11.3)	Call Center Costs (Staff Ex. 15.0)	(Source)	(Source)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Tariff Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenue	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	-	-	-	-	-	-	-	-
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Service Company Fees	-	-	-	-	(33,818)	-	-	(33,818)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	(29,522)	-	-	-	-	-	(29,522)
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	(79,392)	(34,646)	-	-	-	(114,038)
17	Maintenance - other	-	-	-	-	-	-	-	-
18	Miscellaneous	-	-	-	-	-	-	-	-
19	Depreciation & Amortization	-	-	-	-	-	-	-	-
20	Taxes other than Income	-	-	-	-	-	-	-	-
21	Total Operating Expense	-	(29,522)	(79,392)	(34,646)	(33,818)	-	-	(177,378)
22	Before Income Taxes	-	(29,522)	(79,392)	(34,646)	(33,818)	-	-	(177,378)
23	State Income Tax	(99,784)	1,309	3,521	1,536	1,500	-	-	(91,918)
24	Federal Income Tax	(752,601)	9,874	26,555	11,588	11,311	-	-	(693,273)
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
26	Total Operating Expenses	(852,385)	(18,339)	(49,316)	(21,522)	(21,007)	-	-	(962,569)
27	NET OPERATING INCOME	\$ 852,385	\$ 18,339	\$ 49,316	\$ 21,522	\$ 21,007	\$ -	\$ -	\$ 962,569

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

Line No.	Description	Company Rebuttal Case Pro Forma Adjusted (Staff Schedule 9.3, p. 2)	Staff Adjustments (Schedule 9.4 p. 1)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Utility Plant in Service	\$ 976,376,154	\$ -	\$ 976,376,154
2	Less: Accumulated Depreciation	<u>(334,575,387)</u>	<u>-</u>	<u>(334,575,387)</u>
3	Net Utility Plant in Service	641,800,767	-	641,800,767
4	Construction Work in Progress	\$ -	\$ -	\$ -
5	Utility Plant Acquisition Adj. - DuPage	-	-	-
6	Additions to Rate Base			
7	Cash Working Capital	588,000	(1,281,000)	(693,000)
8	Materials & Supplies	3,188,607	-	3,188,607
9	Deferred Charges - Tank Painting	7,961,624	-	7,961,624
10	FAS 109 Reg. Asset-Net of Liability	1,188,161	-	1,188,161
11	Service Company Audit Costs	768,583	(155,907)	612,676
12		-	-	-
13		-	-	-
14		-	-	-
15	Deductions From Rate Base			
16	Customer Advances	(47,656,078)	-	(47,656,078)
17	Pension Asset (Liability)	7,403,613	(7,403,613)	-
18	OPEB Liability	(1,496,655)	-	(1,496,655)
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	(35,461,518)	(42,494)	(35,504,012)
23	Deferred State Income Taxes	(1,472,403)	-	(1,472,403)
24	Investment Tax Credit - pre 1971	<u>(1,544)</u>	<u>-</u>	<u>(1,544)</u>
25	Rate Base	<u>\$ 534,252,979</u>	<u>\$ (8,883,014)</u>	<u>\$ 525,369,965</u>

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

Line No.	Description	Company Pro Forma Present Adjusted (Company Schedule B-1)	Company Update	Company Rebuttal	Company Rebuttal Case Pro Forma Adjusted
	(a)	(b)	(c)	(d)	(e)
1	Gross Utility Plant in Service	\$ 977,593,518	\$ (1,217,364)	\$ -	\$ 976,376,154
2	Less: Accumulated Depreciation	<u>(336,159,307)</u>	<u>1,613,610</u>	<u>(29,690)</u>	<u>(334,575,387)</u>
3	Net Utility Plant in Service	641,434,211	396,246	(29,690)	641,800,767
4	Construction Work in Progress	\$ -	-	\$ -	\$ -
5	Utility Plant Acquisition Adj. - DuPage	-	-	-	-
6	Additions to Rate Base				
7	Cash Working Capital	(49,000)	648,000	(11,000)	588,000
8	Materials & Supplies	3,188,607	-	-	3,188,607
9	Deferred Charges - Tank Painting	7,961,821	(197)	-	7,961,624
10	FAS 109 Reg. Asset-Net of Liability	1,231,213	(43,052)	-	1,188,161
11	Service Company Audit Costs	270,498	498,085	-	768,583
12		-	-	-	-
13		-	-	-	-
14		-	-	-	-
15	Deductions From Rate Base				
16	Customer Advances	(47,656,078)	-	-	(47,656,078)
17	Pension Asset (Liability)	8,134,971	(731,358)	-	7,403,613
18	OPEB Liability	(1,502,178)	5,523	-	(1,496,655)
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)	(480,958)	-	(35,461,518)
23	Deferred State Income Taxes	(1,386,976)	(85,427)	-	(1,472,403)
24	Investment Tax Credit - pre 1971	<u>(1,544)</u>	<u>-</u>	<u>-</u>	<u>(1,544)</u>
25	Rate Base	<u>\$ 534,086,807</u>	<u>\$ 206,862</u>	<u>\$ (40,690)</u>	<u>\$ 534,252,979</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. 9.0 Sch. 9.8 ZN)	Pension Asset (Staff Ex. 10.0 Sch. 10.1)	Management Audit Costs (Staff Ex. 11.0 Sch. 11.3)	FIN 48 ADIT (AG Ex. 2.2)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(e)	(e)	(e)	(f)	(g)	(h)	(i)
1	Gross Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Less: Accumulated Depreciation	-	-	-	-	-	-	-	-
3	Net Utility Plant in Service	-	-	-	-	-	-	-	-
4	Construction Work in Progress	-	-	-	-	-	-	-	-
5	Utility Plant Acquisition Adj. - DuPage	-	-	-	-	-	-	-	-
6	Additions to Rate Base								
7	Cash Working Capital	(1,281,000)	-	-	-	-	-	-	(1,281,000)
8	Materials & Supplies	-	-	-	-	-	-	-	-
9	Deferred Charges - Tank Painting	-	-	-	-	-	-	-	-
10	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
11	Service Company Audit Costs	-	-	(155,907)	-	-	-	-	(155,907)
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Deductions From Rate Base								
16	Customer Advances	-	-	-	-	-	-	-	-
17	Pension Asset (Liability)	-	(7,403,613)	-	-	-	-	-	(7,403,613)
18	OPEB Liability	-	-	-	-	-	-	-	-
19	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
20	Accum. Depr. On CIAC	-	-	-	-	-	-	-	-
21	Budget Payment Plan	-	-	-	-	-	-	-	-
22	Deferred Federal Income Taxes	-	986,506	-	(1,029,000)	-	-	-	(42,494)
23	Deferred State Income Taxes	-	-	-	-	-	-	-	-
24	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
25	Rate Base	<u>\$ (1,281,000)</u>	<u>\$ (6,417,107)</u>	<u>\$ (155,907)</u>	<u>\$ (1,029,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,883,014)</u>

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	Summary			
2	Current Revenues	\$ 156,185,089		\$ 156,185,089
3	Proposed Increase	26,418,020	(13,778,640) #	12,639,380
4	Proposed Revenue Requirement	\$ 182,603,109	\$ (13,778,640)	\$ 168,824,469
5	Percentage Increase	16.91 %	(8.82)%	8.09 %
6	Effect of Each Staff Adjustment			
7	Rate of Return		\$ (11,147,507)	
8	Interest Synchronization (Schedule 9.6)		(1,572,401)	
9	Pension Asset (Staff Ex. 10.0 Sch. 10.1)		(635,413)	
10	Cash Working Capital (Staff Ex. 9.0 Sch. 9.8 ZN)		(126,843)	
11	Social/Service Memberships (Staff Ex. 11.0 Sch. 11.2)		(80,072)	
12	Management Audit Costs (Staff Ex. 11.0 Sch. 11.3)		(50,382)	
13	Rate Case Expense (Staff Ex. 11.0 Sch. 11.1)		(29,776)	
14	Gross Revenue Conversion Factor		(244)	
15	FIN 48 ADIT (AG Ex. 2.2)		(101,890)	
16	Call Center Costs (Staff Ex. 15.0)		(34,108)	
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37	Rounding		(4)	
38	Effect of Staff's Adjustments		<u>\$ (13,778,640)</u>	
39	Reconciliation to Schedule 9.1			
40	Column (c), line 5.		-	
41	Column (f), line 5.		(244)	
42	Column (h), line 5.		(13,778,396)	
43	Total Effect of Staff's Adjustments		<u>\$ (13,778,640)</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	\$ 525,369,965 (1)
2	Weighted Cost of Debt	3.45% (2)
3	Synchronized Interest Per Staff	18,117,383
4	Company Interest Expense	<u>15,867,313</u> (3)
5	Increase (Decrease) in Interest Expense	<u>2,250,070</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 4.435%	<u>\$ (99,784)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ (752,601)</u>

(1) Source: Schedule 9.3, Column (d)

(2) Source: ICC Staff Exhibit 14.0 Schedule 14.1

(3) Source: Company Rebuttal (IAWC Ex. 5.05R)

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		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
Zone 1
Cash Working Capital Adjustment
For the Test Year Ending September 30, 2013

Line No.	Item	Amount ⁽¹⁾	Average Daily Amount (C)/365	Expense (Lead)/Lag ⁽²⁾	Cash Requirement (D)*(E)	Source
(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	Revenue	\$ 169,188,693				Schedule 9.8, page 2, line 3
2	Return on Equity	(20,785,737)				Schedule 9.8, page 2, line 13
3	Uncollectible Accounts	(1,442,825)				
4	Total Depr/Amortization	<u>(32,182,691)</u>				Schedule 9.8, page 2, line 7
5						
6	Net Revenues	<u>\$ 114,777,440</u>	\$ 314,459	43.82	\$ 13,779,582	Sum Lines 1 through 4
7						
8	Labor	\$ 18,646,572	51,086	(13.07)	(667,701)	
9	Fuel and Power	4,640,877	12,715	(40.55)	(515,582)	
10	Chemicals	7,395,245	20,261	(40.90)	(828,673)	
11	Purchased Water	364,224	998	(45.93)	(45,832)	Co. Schedule C-2.5
12	Waste Disposal	709,983	1,945	(43.13)	(83,895)	
13	Bus Support Serv-Serv Co	15,463,264	42,365	9.22	390,606	
14	Group Insurance	4,759,819	13,041	4.40	57,379	
15	Pensions	2,425,448	6,645	18.50	122,934	
16	Insurance Other than Group	2,242,077	6,143	42.39	260,388	
17	Customer Accounting	2,012,021	5,512	(62.82)	(346,288)	
18	Rents	627,843	1,720	(6.00)	(10,321)	
19	General Office	1,437,023	3,937	(32.20)	(126,773)	
20	Maintenance	4,144,689	11,355	(57.67)	(654,861)	Schedule 9.8, page 2, line 10
21	Miscellaneous	<u>8,280,764</u>	<u>22,687</u>	<u>(44.99)</u>	<u>(1,020,689)</u>	
22						
23	Total O&M Expenses	<u>\$ 73,149,849</u>			<u>(3,469,308)</u>	Sum Lines 7 through 21
24						
25	General Taxes	10,576,889	28,978	(142.91)	(4,141,214)	
26	Federal Income Tax - Current	11,354,713	31,109	(76.89)	(2,391,956)	
27	State Income Tax - Current	1,578,603	4,325	(37.50)	(162,185)	
28	Interest Expense	<u>18,117,383</u>	<u>49,637</u>	<u>(86.78)</u>	<u>(4,307,470)</u>	Schedule 9.6, line 3
29						
30	Subtotal Other Expenses	<u>\$ 41,627,588</u>			<u>(11,002,825)</u>	Sum Lines 25 through 28
31	Total Expenses	<u>\$ 114,777,437</u>				Line 23 + Line 30
32	Total Cash Working Capital Requirement per Staff (Rounded to nearest \$1,000)				\$ (693,000)	Line 6 + Line 23 + Line 30
33						
34	Cash Working Capital per Company				<u>588,000</u>	IAWC Ex. 6.03R
35						
36	Staff Proposed adjustment				<u>\$ (1,281,000)</u>	Line 32 - Line 34

Source:
 ## Schedule 9.1, except where noted.
 ## IAWC Ex. 6.03R

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	\$ 168,824,469	Schedule 9.1 ZN, line 3, column (i)
2	Surcharge revenue	364,224	Co. Schedule C-2.5
3	Total revenue	<u>\$ 169,188,693</u>	Line 1 + Line 2
4	Depr/amortization per Income Statement	\$ 30,687,807	Schedule 9.1 ZN, line 19, column (i)
5	Amortization of rate case expense	709,012	Schedule 9.1 ZN, line 12, column (i)
6	Reclassify amortization of tank painting	785,872	IAWC Schedule B-10
7	Total depr/amortization for CWC	<u>\$ 32,182,691</u>	Sum of lines 10 through 12
8	Maintenance-other per Income Statement	\$ 4,930,561	Schedule 9.1 ZN, line 17, column (i)
9	Reclassify amortization of tank painting	785,872	Line 12
10	Total Maintenance-other for CWC	<u>\$ 4,144,689</u>	Line 14 - Line 15
11	Total Rate Base	\$ 525,369,965	Schedule 9.1 ZN, line 29, column (i)
12	Weighted Cost of Capital	3.96%	Staff Ex. 14.0, Sch. 14.1
13	Return on equity deduction from revenue	<u>\$ 20,785,737</u>	Line 17 * Line 18

Illinois-American Water Company
Lincoln
Statement of Operating Income with Adjustments
For the Test Year Ending September 30, 2013

Line No.	Description	Company Present Adjusted (Company Schedule C-2)	Company Update Adjustments	Company Rebuttal Adjustments	Company Rebuttal GRCF Adj.	Company Rebuttal Case Pro Forma Adjusted
	(a)	(b)	(c)	(d)	(e)	(f)
1	Tariff Revenue	\$ 3,579,281	\$ (3,867)	\$ -	\$ (12)	\$ 3,575,402
2	Other Revenue	52,290	3,350	-	-	55,640
3	Total Operating Revenue	3,631,571	(517)	-	(12)	3,631,042
4	Uncollectible Accounts Expense	30,908	61	-	(11)	30,958
5	Labor	489,879	(6,143)	(292)	-	483,444
6	Fuel & Power	129,244	(15,722)	-	-	113,522
7	Chemicals	52,425	(71)	-	-	52,354
8	Waste Disposal	29,881	-	-	-	29,881
9	Service Company Fees	431,625	(6,704)	(344)	-	424,577
10	Group Insurance	125,013	1,120	-	-	126,133
11	Pensions	60,360	496	-	-	60,856
12	Regulatory Expense	20,936	(711)	-	-	20,225
13	Insurance - other	61,469	-	-	-	61,469
14	Customer Accounting	53,931	-	-	-	53,931
15	Rents	20,517	-	-	-	20,517
16	General Office Expense	47,222	-	(2,318)	-	44,904
17	Maintenance - other	175,841	-	-	-	175,841
18	Miscellaneous	178,423	890	-	-	179,313
19	Depreciation & Amortization	899,844	(2,265)	-	-	897,579
20	Taxes other than Income	225,910	(300)	-	-	225,610
21	Total Operating Expense					
22	Before Income Taxes	3,033,428	(29,349)	(2,954)	(11)	3,001,114
23	State Income Tax	19,575	17,802	132	(1)	37,508
24	Federal Income Tax	253,511	96,731	996	-	351,238
25	Deferred Taxes and ITCs Net	-	-	-	-	-
26	Total Operating Expenses	3,306,514	85,184	(1,826)	(12)	3,389,860
27	NET OPERATING INCOME	\$ 325,057	\$ (85,701)	\$ 1,826	\$ -	\$ 241,182

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

Line No.	Description	Interest Synchronization (Schedule 9.6)	Rate Case Expense (Staff Ex. 11.0 Sch. 11.1)	Social/Service Memberships (Staff Ex. 11.0 Sch. 11.2)	Management Audit Costs (Staff Ex. 11.0 Sch. 11.3)	Call Center Costs (Staff Ex. 15.0)	(Source)	(Source)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Tariff Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenue	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	-	-	-	-	-	-	-	-
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Service Company Fees	-	-	-	-	(927)	-	-	(927)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	(809)	-	-	-	-	-	(809)
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	(2,175)	(949)	-	-	-	(3,124)
17	Maintenance - other	-	-	-	-	-	-	-	-
18	Miscellaneous	-	-	-	-	-	-	-	-
19	Depreciation & Amortization	-	-	-	-	-	-	-	-
20	Taxes other than Income	-	-	-	-	-	-	-	-
21	Total Operating Expense	-	(809)	(2,175)	(949)	(927)	-	-	(4,860)
22	Before Income Taxes	-	(809)	(2,175)	(949)	(927)	-	-	(4,860)
23	State Income Tax	(1,922)	36	96	42	41	-	-	(1,707)
24	Federal Income Tax	(14,497)	271	727	317	310	-	-	(12,872)
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
26	Total Operating Expenses	(16,419)	(502)	(1,352)	(590)	(576)	-	-	(19,439)
27	NET OPERATING INCOME	\$ 16,419	\$ 502	\$ 1,352	\$ 590	\$ 576	\$ -	\$ -	\$ 19,439

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

Line No.	Description	Company Rebuttal Case Pro Forma Adjusted (Staff Schedule 9.3, p. 2)	Staff Adjustments (Schedule 9.4 p. 1)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Utility Plant in Service	\$ 25,669,803	\$ -	\$ 25,669,803
2	Less: Accumulated Depreciation	<u>(12,242,066)</u>	<u>-</u>	<u>(12,242,066)</u>
3	Net Utility Plant in Service	13,427,737	-	13,427,737
4	Construction Work in Progress	\$ -	\$ -	\$ -
5	Utility Plant Acquisition Adj. - DuPage	-	-	-
6	Additions to Rate Base			
7	Cash Working Capital	136,000	(89,000)	47,000
8	Materials & Supplies	53,558	-	53,558
9	Deferred Charges - Tank Painting	378,337	-	378,337
10	FAS 109 Reg. Asset-Net of Liability	32,575	-	32,575
11	Service Company Audit Costs	21,072	(4,271)	16,801
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	Deductions From Rate Base			
16	Customer Advances	(1,463,578)	-	(1,463,578)
17	Pension Asset (Liability)	185,761	(185,761)	-
18	OPEB Liability	(41,033)	-	(41,033)
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	(930,835)	(1,105)	(931,940)
23	Deferred State Income Taxes	(38,650)	-	(38,650)
24	Investment Tax Credit - pre 1971	<u>(42)</u>	<u>-</u>	<u>(42)</u>
25	Rate Base	<u>\$ 11,076,711</u>	<u>\$ (280,137)</u>	<u>\$ 10,796,574</u>

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)	Company Update	Company Rebuttal	Company Rebuttal Case Pro Forma Adjusted
	(a)	(b)	(c)	(d)	(e)
1	Gross Utility Plant in Service	\$ 25,703,179	\$ (33,376)	\$ -	\$ 25,669,803
2	Less: Accumulated Depreciation	(12,285,491)	44,239	(814)	(12,242,066)
3	Net Utility Plant in Service	13,417,688	10,863	(814)	13,427,737
4	Construction Work in Progress	\$ -	\$ -	\$ -	\$ -
5	Utility Plant Acquisition Adj. - DuPage	-	-	-	-
6	Additions to Rate Base				
7	Cash Working Capital	113,000	23,000	-	136,000
8	Materials & Supplies	53,558	-	-	53,558
9	Deferred Charges - Tank Painting	378,339	(2)	-	378,337
10	FAS 109 Reg. Asset-Net of Liability	33,756	(1,181)	-	32,575
11	Service Company Audit Costs	7,416	13,656	-	21,072
12		-	-	-	-
13		-	-	-	-
14		-	-	-	-
15	Deductions From Rate Base				
16	Customer Advances	(1,463,578)	-	-	(1,463,578)
17	Pension Asset (Liability)	204,111	(18,350)	-	185,761
18	OPEB Liability	(41,184)	151	-	(41,033)
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)	(12,624)	-	(930,835)
23	Deferred State Income Taxes	(36,407)	(2,243)	-	(38,650)
24	Investment Tax Credit - pre 1971	(42)	-	-	(42)
25	Rate Base	<u>\$ 11,064,255</u>	<u>\$ 13,270</u>	<u>\$ (814)</u>	<u>\$ 11,076,711</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. 9.0 Sch. 9.8 LC)	Pension Asset (Staff Ex. 10.0 Sch. 10.1)	Management Audit Costs (Staff Ex. 11.0 Sch. 11.3)	FIN 48 ADIT (AG Ex. 2.2)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(d)	(d)	(d)	(g)	(g)	(h)	(i)
1	Gross Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Less: Accumulated Depreciation	-	-	-	-	-	-	-	-
3	Net Utility Plant in Service	-	-	-	-	-	-	-	-
4	Construction Work in Progress	-	-	-	-	-	-	-	-
5	Utility Plant Acquisition Adj. - DuPage	-	-	-	-	-	-	-	-
6	Additions to Rate Base								
7	Cash Working Capital	(89,000)	-	-	-	-	-	-	(89,000)
8	Materials & Supplies	-	-	-	-	-	-	-	-
9	Deferred Charges - Tank Painting	-	-	-	-	-	-	-	-
10	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
11	Service Company Audit Costs	-	-	(4,271)	-	-	-	-	(4,271)
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Deductions From Rate Base								
16	Customer Advances	-	-	-	-	-	-	-	-
17	Pension Asset (Liability)	-	(185,761)	-	-	-	-	-	(185,761)
18	OPEB Liability	-	-	-	-	-	-	-	-
19	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
20	Accum. Depr. On CIAC	-	-	-	-	-	-	-	-
21	Budget Payment Plan	-	-	-	-	-	-	-	-
22	Deferred Federal Income Taxes	-	25,895	-	(27,000)	-	-	-	(1,105)
23	Deferred State Income Taxes	-	-	-	-	-	-	-	-
24	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
25	Rate Base	<u>\$ (89,000)</u>	<u>\$ (159,866)</u>	<u>\$ (4,271)</u>	<u>\$ (27,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (280,137)</u>

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	Summary			
2	Current Revenues	\$ 3,631,042		\$ 3,631,042
3	Proposed Increase	<u>1,171,291</u>	<u>(296,375) #</u>	<u>874,916</u>
4	Proposed Revenue Requirement	<u>\$ 4,802,333</u>	<u>\$ (296,375)</u>	<u>\$ 4,505,958</u>
5	Percentage Increase	32.26 %	(8.16)%	24.10 %
6	Effect of Each Staff Adjustment			
7	Rate of Return		\$ (231,122)	
8	Interest Synchronization (Schedule 9.6)		(32,601)	
9	Pension Asset (Staff Ex. 10.0 Sch. 10.1)		(15,830)	
10	Cash Working Capital (Staff Ex. 9.0 Sch. 9.8 LC)		(8,813)	
11	Social/Service Memberships (Staff Ex. 11.0 Sch. 11.2)		(2,195)	
12	Management Audit Costs (Staff Ex. 11.0 Sch. 11.3)		(1,381)	
13	Rate Case Expense (Staff Ex. 11.0 Sch. 11.1)		(815)	
14	Gross Revenue Conversion Factor		(12)	
15	FIN 48 ADIT (AG Ex. 2.2)		(2,674)	
16	Call Center Costs (Staff Ex. 15.0)		(934)	
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36				
37	Rounding		<u>2</u>	
38	Effect of Staff's Adjustments		<u>\$ (296,375)</u>	
39	Reconciliation to Schedule 9.1			
40	Column (c), line 5.		-	
41	Column (f), line 5.		(12)	
42	Column (h), line 5.		<u>(296,363)</u>	
43	Total Effect of Staff's Adjustments		<u>\$ (296,375)</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	\$ 10,796,574 (1)
2	Weighted Cost of Debt	3.45% (2)
3	Synchronized Interest Per Staff	372,320
4	Company Interest Expense	<u>328,978</u> (3)
5	Increase (Decrease) in Interest Expense	<u>43,342</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 4.435%	<u>\$ (1,922)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ (14,497)</u>

(1) Source: Schedule 9.3, Column (d)

(2) Source: ICC Staff Exhibit 14.0 Schedule 14.1

(3) Source: Company Rebuttal (IAWC Ex. 5.05R)

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 ⁽¹⁾	Average Daily Amount (C)/365	Expense (Lead)/Lag ⁽²⁾	Cash Requirement (D)*(E)	Source
(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	Revenue	\$ 4,505,958				Schedule 9.8, page 2, line 3
2	Return on Equity	(427,156)				Schedule 9.8, page 2, line 13
3	Uncollectible Accounts	(38,395)				
4	Total Depr/Amortization	<u>(948,284)</u>				Schedule 9.8, page 2, line 7
5						
6	Net Revenues	<u>\$ 3,092,123</u>	\$ 8,472	49.38	\$ 418,326	Sum Lines 1 through 4
7						
8	Labor	\$ 483,444	1,325	(12.43)	(16,464)	
9	Fuel and Power	113,522	311	(36.09)	(11,225)	
10	Chemicals	52,354	143	(45.68)	(6,552)	
11	Purchased Water	-	-	-	-	
12	Waste Disposal	29,881	82	(7.71)	(631)	
13	Service Company Charges	423,650	1,161	9.22	10,702	
14	Group Insurance	126,133	346	4.72	1,631	
15	Pensions	60,856	167	18.50	3,084	
16	Insurance Other than Group	61,469	168	42.39	7,139	
17	Customer Accounting	53,931	148	(62.82)	(9,282)	
18	Rents	20,517	56	(11.06)	(622)	
19	General Office	41,780	114	(34.43)	(3,941)	
20	Maintenance	144,552	396	(91.71)	(36,320)	Schedule 9.8, page 2, line 10
21	Miscellaneous	<u>179,313</u>	<u>491</u>	<u>(47.19)</u>	<u>(23,183)</u>	
22						
23	Total O&M Expenses	<u>\$ 1,791,402</u>			<u>(85,664)</u>	Sum Lines 7 through 21
24						
25	General Taxes	225,610	618	(92.06)	(56,903)	
26	Federal Income Tax - Current	628,519	1,722	(76.89)	(132,402)	
27	State Income Tax - Current	74,272	203	(37.50)	(7,631)	
28	Interest Expense	<u>372,320</u>	<u>1,020</u>	<u>(86.78)</u>	<u>(88,520)</u>	Schedule 9.6, line 3
29						
30	Subtotal Other Expenses	<u>\$ 1,300,721</u>			<u>(285,456)</u>	Sum Lines 25 through 28
31	Total Expenses	<u>\$ 3,092,123</u>				Line 23 + Line 30
32	Total Cash Working Capital Requirement per Staff (Rounded to nearest \$1,000)				\$ 47,000	Line 6 + Line 23 + Line 30
33						
34	Cash Working Capital per Company				<u>136,000</u>	IAWC Ex. 6.03R
35						
36	Staff Proposed adjustment				<u>\$ (89,000)</u>	Line 32 - Line 34

Source:
 ## Schedule 9.1, except where noted.
 ## IAWC Ex. 6.03R

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	\$ 4,505,958	Schedule 9.1 LC, line 3, column (i)
2	Surcharge revenue	-	Not applicable
3	Total revenue	<u>\$ 4,505,958</u>	Line 1 + Line 2
4	Depr/amortization per Income Statement	\$ 897,579	Schedule 9.1 LC, line 19, column (i)
5	Amortization of rate case expense	19,416	Schedule 9.1 LC, line 12, column (i)
6	Reclassify amortization of tank painting	31,289	IAWC Schedule B-10
7	Total depr/amortization for CWC	<u>\$ 948,284</u>	Sum of lines 10 through 12
8	Maintenance-other per Income Statement	\$ 175,841	Schedule 9.1 LC, line 17, column (i)
9	Reclassify amortization of tank painting	31,289	Line 12
10	Total Maintenance-other for CWC	<u>\$ 144,552</u>	Line 14 - Line 15
11	Total Rate Base	\$ 10,796,574	Schedule 9.1 LC, line 29, column (i)
12	Weighted Cost of Capital	3.96%	Staff Ex. 14.0, Sch. 14.1
13	Return on equity deduction from revenue	<u>\$ 427,156</u>	Line 17 * Line 18

Illinois-American Water Company
Pekin
Statement of Operating Income with Adjustments
For the Test Year Ending September 30, 2013

Line No.	Description	Company Pro Forma Present Adjusted (Company Schedule C-2)	Company Update Adjustments	Company Rebuttal Adjustments	Company Rebuttal GRCF Adj.	Company Rebuttal Case Pro Forma Adjusted
	(a)	(b)	(c)	(d)	(e)	(f)
1	Tariff Revenue	\$ 7,186,942	\$ (8,845)	\$ -	\$ (17)	\$ 7,178,080
2	Other Revenue	125,843	(63,340)	-	-	62,503
3	Total Operating Revenue	<u>7,312,785</u>	<u>(72,185)</u>	-	(17)	7,240,583
4	Uncollectible Accounts Expense	62,238	(473)	-	(17)	61,748
5	Labor	921,156	(10,957)	(520)	-	909,679
6	Fuel & Power	225,190	(143,861)	-	-	81,329
7	Chemicals	67,748	(113)	-	-	67,635
8	Waste Disposal	-	-	-	-	-
9	Service Company Fees	1,056,455	(16,410)	(841)	-	1,039,204
10	Group Insurance	225,820	1,998	-	-	227,818
11	Pensions	107,653	884	-	-	108,537
12	Regulatory Expense	51,173	(1,715)	-	-	49,458
13	Insurance - other	150,247	-	-	-	150,247
14	Customer Accounting	135,250	-	-	-	135,250
15	Rents	4,653	-	-	-	4,653
16	General Office Expense	176,003	-	(4,229)	-	171,774
17	Maintenance - other	335,439	-	-	-	335,439
18	Miscellaneous	429,412	(6,010)	-	-	423,402
19	Depreciation & Amortization	1,586,214	(5,537)	-	-	1,580,677
20	Taxes other than Income	503,032	(535)	-	-	502,497
21	Total Operating Expense					
22	Before Income Taxes	6,037,683	(182,729)	(5,590)	(17)	5,849,347
23	State Income Tax	45,733	26,724	251	(1)	72,707
24	Federal Income Tax	480,955	171,714	1,900	-	654,569
25	Deferred Taxes and ITCs Net	-	-	-	-	-
26	Total Operating Expenses	<u>6,564,371</u>	<u>15,709</u>	<u>(3,439)</u>	<u>(18)</u>	<u>6,576,623</u>
27	NET OPERATING INCOME	<u>\$ 748,414</u>	<u>\$ (87,894)</u>	<u>\$ 3,439</u>	<u>\$ 1</u>	<u>\$ 663,960</u>

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

Line No.	Description	Interest Synchronization (Schedule 9.6)	Rate Case Expense (Staff Ex. 11.0 Sch. 11.1)	Social/Service Memberships (Staff Ex. 11.0 Sch. 11.2)	Management Audit Costs (Staff Ex. 11.0 Sch. 11.3)	Call Center Costs (Staff Ex. 15.0)	(Source)	(Source)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Tariff Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenue	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	-	-	-	-	-	-	-	-
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Service Company Fees	-	-	-	-	(2,268)	-	-	(2,268)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	(1,980)	-	-	-	-	-	(1,980)
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	(5,324)	(2,323)	-	-	-	(7,647)
17	Maintenance - other	-	-	-	-	-	-	-	-
18	Miscellaneous	-	-	-	-	-	-	-	-
19	Depreciation & Amortization	-	-	-	-	-	-	-	-
20	Taxes other than Income	-	-	-	-	-	-	-	-
21	Total Operating Expense	-	(1,980)	(5,324)	(2,323)	(2,268)	-	-	(11,895)
22	Before Income Taxes	-	(1,980)	(5,324)	(2,323)	(2,268)	-	-	(11,895)
23	State Income Tax	(3,527)	88	236	103	101	-	-	(2,999)
24	Federal Income Tax	(26,605)	662	1,781	777	759	-	-	(22,626)
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
26	Total Operating Expenses	(30,132)	(1,230)	(3,307)	(1,443)	(1,408)	-	-	(37,520)
27	NET OPERATING INCOME	\$ 30,132	\$ 1,230	\$ 3,307	\$ 1,443	\$ 1,408	\$ -	\$ -	\$ 37,520

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

Line No.	Description	Company Rebuttal Case Pro Forma Adjusted (Staff Schedule 9.3, p. 2)	Staff Adjustments (Schedule 9.4 p. 1)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Utility Plant in Service	\$ 37,493,533	\$ -	\$ 37,493,533
2	Less: Accumulated Depreciation	<u>(14,168,198)</u>	<u>-</u>	<u>(14,168,198)</u>
3	Net Utility Plant in Service	23,325,335	-	23,325,335
4	Construction Work in Progress	\$ -	\$ -	\$ -
5	Utility Plant Acquisition Adj. - DuPage	-	-	-
6	Additions to Rate Base			
7	Cash Working Capital	259,000	(136,000)	123,000
8	Materials & Supplies	118,110	-	118,110
9	Deferred Charges - Tank Painting	165,544	-	165,544
10	FAS 109 Reg. Asset-Net of Liability	79,622	-	79,622
11	Service Company Audit Costs	51,505	(10,455)	41,050
12		-	-	-
13		-	-	-
14		-	-	-
15	Deductions From Rate Base			
16	Customer Advances	(1,381,677)	-	(1,381,677)
17	Pension Asset (Liability)	331,305	(331,305)	-
18	OPEB Liability	(100,295)	-	(100,295)
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	(1,324,124)	(1,164)	(1,325,288)
23	Deferred State Income Taxes	(54,979)	-	(54,979)
24	Investment Tax Credit - pre 1971	<u>(103)</u>	<u>-</u>	<u>(103)</u>
25	Rate Base	<u>\$ 20,074,624</u>	<u>\$ (478,924)</u>	<u>\$ 19,595,700</u>

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)	Company Update	Company Rebuttal	Company Rebuttal Case Pro Forma Adjusted
	(a)	(b)	(c)	(d)	(e)
1	Gross Utility Plant in Service	\$ 37,575,112	\$ (81,579)	\$ -	\$ 37,493,533
2	Less: Accumulated Depreciation	(14,274,340)	108,132	(1,990)	(14,168,198)
3	Net Utility Plant in Service	23,300,772	26,553	(1,990)	23,325,335
4	Construction Work in Progress	\$ -	-	\$ -	-
5	Utility Plant Acquisition Adj. - DuPage	-	-	-	-
6	Additions to Rate Base				
7	Cash Working Capital	378,000	(118,000)	(1,000)	259,000
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	(2,885)	-	79,622
11	Service Company Audit Costs	18,127	33,378	-	51,505
12		-	-	-	-
13		-	-	-	-
14		-	-	-	-
15	Deductions From Rate Base				
16	Customer Advances	(1,381,677)	-	-	(1,381,677)
17	Pension Asset (Liability)	364,033	(32,728)	-	331,305
18	OPEB Liability	(100,665)	370	-	(100,295)
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)	(17,958)	-	(1,324,124)
23	Deferred State Income Taxes	(51,790)	(3,189)	-	(54,979)
24	Investment Tax Credit - pre 1971	(103)	-	-	(103)
25	Rate Base	<u>\$ 20,192,073</u>	<u>\$ (114,459)</u>	<u>\$ (2,990)</u>	<u>\$ 20,074,624</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. 9.0 Sch. 9.8 PK)	Pension Asset (Staff Ex. 10.0 Sch. 10.1)	Management Audit Costs (Staff Ex. 11.0 Sch. 11.3)	FIN 48 ADIT (AG Ex. 2.2)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(e)	(e)	(e)	(f)	(g)	(h)	(i)
1	Gross Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Less: Accumulated Depreciation	-	-	-	-	-	-	-	-
3	Net Utility Plant in Service	-	-	-	-	-	-	-	-
4	Construction Work in Progress	-	-	-	-	-	-	-	-
5	Utility Plant Acquisition Adj. - DuPage	-	-	-	-	-	-	-	-
6	Additions to Rate Base								
7	Cash Working Capital	(136,000)	-	-	-	-	-	-	(136,000)
8	Materials & Supplies	-	-	-	-	-	-	-	-
9	Deferred Charges - Tank Painting	-	-	-	-	-	-	-	-
10	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
11	Service Company Audit Costs	-	-	(10,455)	-	-	-	-	(10,455)
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Deductions From Rate Base								
16	Customer Advances	-	-	-	-	-	-	-	-
17	Pension Asset (Liability)	-	(331,305)	-	-	-	-	-	(331,305)
18	OPEB Liability	-	-	-	-	-	-	-	-
19	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
20	Accum. Depr. On CIAC	-	-	-	-	-	-	-	-
21	Budget Payment Plan	-	-	-	-	-	-	-	-
22	Deferred Federal Income Taxes	-	36,836	-	(38,000)	-	-	-	(1,164)
23	Deferred State Income Taxes	-	-	-	-	-	-	-	-
24	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
25	Rate Base	\$ (136,000)	\$ (294,469)	\$ (10,455)	\$ (38,000)	\$ -	\$ -	\$ -	\$ (478,924)

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	Summary			
2	Current Revenues	\$ 7,240,583		\$ 7,240,583
3	Proposed Increase	<u>1,754,419</u>	<u>(537,389) #</u>	<u>1,217,030</u>
4	Proposed Revenue Requirement	<u>\$ 8,995,002</u>	<u>\$ (537,389)</u>	<u>\$ 8,457,613</u>
5	Percentage Increase	24.23 %	(7.42)%	16.81 %
6	Effect of Each Staff Adjustment			
7	Rate of Return		\$ (418,869)	
8	Interest Synchronization (Schedule 9.6)		(59,083)	
9	Pension Asset (Staff Ex. 10.0 Sch. 10.1)		(29,158)	
10	Cash Working Capital (Staff Ex. 9.0 Sch. 9.8 PK)		(13,467)	
11	Social/Service Memberships (Staff Ex. 11.0 Sch. 11.2)		(5,369)	
12	Management Audit Costs (Staff Ex. 11.0 Sch. 11.3)		(3,378)	
13	Rate Case Expense (Staff Ex. 11.0 Sch. 11.1)		(1,997)	
14	Gross Revenue Conversion Factor		(19)	
15	FIN 48 ADIT (AG Ex. 2.2)		(3,763)	
16	Call Center Costs (Staff Ex. 15.0)		(2,286)	
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36				
37	Rounding		-	
38	Effect of Staff's Adjustments		<u>\$ (537,389)</u>	
39	Reconciliation to Schedule 9.1			
40	Column (c), line 5.		-	
41	Column (f), line 5.		(19)	
42	Column (h), line 5.		(537,370)	
43	Total Effect of Staff's Adjustments		<u>\$ (537,389)</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	\$ 19,595,700 (1)
2	Weighted Cost of Debt	3.45% (2)
3	Synchronized Interest Per Staff	675,758
4	Company Interest Expense	<u>596,216</u> (3)
5	Increase (Decrease) in Interest Expense	<u>79,542</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 4.435%	<u>\$ (3,527)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ (26,605)</u>

(1) Source: Schedule 9.3, Column (d)
 (2) Source: ICC Staff Exhibit 14.0 Schedule 14.1
 (3) Source: Company Rebuttal (IAWC Ex. 5.05R)

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.	Item	Amount ⁽¹⁾	Average Daily Amount (C)/365	Expense (Lead)/Lag ⁽²⁾	Cash Requirement (D)*(E)	Source
(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	Revenue	\$ 8,457,613				Schedule 9.8, page 2, line 3
2	Return on Equity	(775,284)				Schedule 9.8, page 2, line 13
3	Uncollectible Accounts	(72,092)				
4	Total Depr/Amortization	<u>(1,644,580)</u>				Schedule 9.8, page 2, line 7
5						
6	Net Revenues	<u>\$ 5,965,657</u>	\$ 16,344	45.52	\$ 743,991	Sum Lines 1 through 4
7						
8	Labor	\$ 909,679	2,492	(12.67)	(31,577)	
9	Fuel and Power	81,329	223	(32.69)	(7,284)	
10	Chemicals	67,635	185	(52.32)	(9,695)	
11	Purchased Water	-	-	-	-	
12	Waste Disposal	-	-	(7.71)	-	
13	Service Company Charges	1,036,936	2,841	9.22	26,193	
14	Group Insurance	227,818	624	4.81	3,002	
15	Pensions	108,537	297	18.50	5,501	
16	Insurance Other than Group	150,247	412	42.39	17,449	
17	Customer Accounting	135,250	371	(62.82)	(23,278)	
18	Rents	4,653	13	(5.25)	(67)	
19	General Office	164,127	450	(40.94)	(18,409)	
20	Maintenance	319,014	874	(54.38)	(47,529)	Schedule 9.8, page 2, line 10
21	Miscellaneous	<u>423,402</u>	<u>1,160</u>	<u>(36.88)</u>	<u>(42,781)</u>	
22						
23	Total O&M Expenses	<u>\$ 3,628,627</u>			<u>(128,474)</u>	Sum Lines 7 through 21
24						
25	General Taxes	502,497	1,377	(73.64)	(101,380)	
26	Federal Income Tax - Current	1,035,553	2,837	(76.89)	(218,147)	
27	State Income Tax - Current	123,222	338	(37.50)	(12,660)	
28	Interest Expense	<u>675,758</u>	<u>1,851</u>	<u>(86.78)</u>	<u>(160,664)</u>	Schedule 9.6, line 3
29						
30	Subtotal Other Expenses	<u>\$ 2,337,030</u>			<u>(492,851)</u>	Sum Lines 25 through 28
31	Total Expenses	<u>\$ 5,965,657</u>				Line 23 + Line 30
32	Total Cash Working Capital Requirement per Staff (Rounded to nearest \$1,000)				\$ 123,000	Line 6 + Line 23 + Line 30
33						
34	Cash Working Capital per Company				<u>259,000</u>	IAWC Ex. 6.03R
35						
36	Staff Proposed adjustment				<u>\$ (136,000)</u>	Line 32 - Line 34

Source:
 ## Schedule 9.1, except where noted.
 ## IAWC Ex. 6.03R

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	\$ 8,457,613	Schedule 9.1 PK, line 3, column (i)
2	Surcharge revenue	-	Not applicable
3	Total revenue	<u>\$ 8,457,613</u>	Line 1 + Line 2
4	Depr/amortization per Income Statement	\$ 1,580,677	Schedule 9.1 PK, line 19, column (i)
5	Amortization of rate case expense	47,478	Schedule 9.1 PK, line 12, column (i)
6	Reclassify amortization of tank painting	16,425	IAWC Schedule B-10
7	Total depr/amortization for CWC	<u>\$ 1,644,580</u>	Sum of lines 10 through 12
8	Maintenance-other per Income Statement	\$ 335,439	Schedule 9.1 PK, line 17, column (i)
9	Reclassify amortization of tank painting	16,425	Line 12
10	Total Maintenance-other for CWC	<u>\$ 319,014</u>	Line 14 - Line 15
11	Total Rate Base	\$ 19,595,700	Schedule 9.1 PK, line 29, column (i)
12	Weighted Cost of Capital	3.96%	Staff Ex. 14.0, Sch. 14.1
13	Return on equity deduction from revenue	<u>\$ 775,284</u>	Line 17 * Line 18

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

Line No.	Description	Company Pro Forma Present Adjusted (Company Schedule C-2)	Company Update Adjustments	Company Rebuttal Adjustments	Company Rebuttal GRCF Adj.	Company Rebuttal Case Pro Forma Adjusted
	(a)	(b)	(c)	(d)	(e)	(f)
1	Tariff Revenue	\$ 12,010,466	\$ 201,600	\$ -	\$ (14)	\$ 12,212,052
2	Other Revenue	411,598	-	-	-	411,598
3	Total Operating Revenue	12,422,064	201,600	-	(14)	12,623,650
4	Uncollectible Accounts Expense	117,444	124	-	(15)	117,553
5	Labor	1,000,076	(146,550)	(195)	-	853,331
6	Fuel & Power	1,107,459	(16,706)	-	-	1,090,753
7	Chemicals	93,177	(15,148)	-	-	78,029
8	Waste Disposal	297,364	229,822	-	-	527,186
9	Service Company Fees	-	-	-	-	-
10	Group Insurance	182,656	(11,160)	-	-	171,496
11	Pensions	40,447	332	-	-	40,779
12	Regulatory Expense	66,642	(2,234)	-	-	64,408
13	Insurance - other	195,666	-	-	-	195,666
14	Customer Accounting	(202)	-	-	-	(202)
15	Rents	499	-	-	-	499
16	General Office Expense	105,660	-	(5,504)	-	100,156
17	Maintenance - other	789,132	-	-	-	789,132
18	Miscellaneous	664,329	198,776	-	-	863,105
19	Depreciation & Amortization	4,362,491	34,981	-	-	4,397,472
20	Taxes other than Income	614,335	(10,690)	-	-	603,645
21	Total Operating Expense					
22	Before Income Taxes	9,637,175	261,547	(5,699)	(15)	9,893,008
23	State Income Tax	(4,177)	(17,301)	262	(1)	(21,217)
24	Federal Income Tax	(288,820)	(143,275)	1,972	1	(430,122)
25	Deferred Taxes and ITCs Net	-	-	-	-	-
26	Total Operating Expenses	9,344,178	100,971	(3,465)	(15)	9,441,669
27	NET OPERATING INCOME	\$ 3,077,886	\$ 100,629	\$ 3,465	\$ 1	\$ 3,181,981

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 9.6)	Rate Case Expense (Staff Ex. 11.0 Sch. 11.1)	Social/Service Memberships (Staff Ex. 11.0 Sch. 11.2)	Management Audit Costs (Staff Ex. 11.0 Sch. 11.3)	Call Center Costs (Staff Ex. 15.0)	(Source)	(Source)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Tariff Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenue	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	-	-	-	-	-	-	-	-
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Service Company Fees	-	-	-	-	-	-	-	-
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	(2,577)	-	-	-	-	-	(2,577)
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	(6,929)	(3,024)	-	-	-	(9,953)
17	Maintenance - other	-	-	-	-	-	-	-	-
18	Miscellaneous	-	-	-	-	-	-	-	-
19	Depreciation & Amortization	-	-	-	-	-	-	-	-
20	Taxes other than Income	-	-	-	-	-	-	-	-
21	Total Operating Expense	-	(2,577)	(6,929)	(3,024)	-	-	-	(12,530)
22	Before Income Taxes	-	(2,577)	(6,929)	(3,024)	-	-	-	(12,530)
23	State Income Tax	(9,732)	114	307	134	-	-	-	(9,177)
24	Federal Income Tax	(73,400)	862	2,318	1,011	-	-	-	(69,209)
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
26	Total Operating Expenses	(83,132)	(1,601)	(4,304)	(1,879)	-	-	-	(90,916)
27	NET OPERATING INCOME	\$ 83,132	\$ 1,601	\$ 4,304	\$ 1,879	\$ -	\$ -	\$ -	\$ 90,916

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

Line No.	Description	Company Rebuttal Case Pro Forma Adjusted (Staff Schedule 9.3, p. 2)	Staff Adjustments (Schedule 9.4 p. 1)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Utility Plant in Service	\$ 163,719,425	\$ -	\$ 163,719,425
2	Less: Accumulated Depreciation	<u>(70,574,248)</u>	<u>-</u>	<u>(70,574,248)</u>
3	Net Utility Plant in Service	93,145,177	-	93,145,177
4	Construction Work in Progress	-	\$ -	\$ -
5	Utility Plant Acquisition Adj. - DuPage	48,753	-	48,753
6	Additions to Rate Base			
7	Cash Working Capital	565,000	(142,000)	423,000
8	Materials & Supplies	12,434	-	12,434
9	Deferred Charges - Tank Painting	-	-	-
10	FAS 109 Reg. Asset-Net of Liability	103,691	-	103,691
11	Service Company Audit Costs	67,074	(13,608)	53,466
12		-	-	-
13		-	-	-
14		-	-	-
15	Deductions From Rate Base			
16	Customer Advances	(1,816,806)	-	(1,816,806)
17	Pension Asset (Liability)	124,479	(124,479)	-
18	OPEB Liability	(130,613)	-	(130,613)
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	(6,051,948)	(7,640)	(6,059,588)
23	Deferred State Income Taxes	(251,284)	-	(251,284)
24	Investment Tax Credit - pre 1971	<u>(135)</u>	<u>-</u>	<u>(135)</u>
25	Rate Base	<u>\$ 47,934,978</u>	<u>\$ (287,727)</u>	<u>\$ 47,647,251</u>

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)	Company Update	Company Rebuttal	Company Rebuttal Case Pro Forma Adjusted
	(a)	(b)	(c)	(d)	(e)
1	Gross Utility Plant in Service	\$ 163,825,664	\$ (106,239)	\$ -	\$ 163,719,425
2	Less: Accumulated Depreciation	(70,691,380)	119,723	(2,591)	(70,574,248)
3	Net Utility Plant in Service	93,134,284	13,484	(2,591)	93,145,177
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	(271,000)	(4,000)	565,000
8	Materials & Supplies	12,434	-	-	12,434
9	Deferred Charges - Tank Painting	-	-	-	-
10	FAS 109 Reg. Asset-Net of Liability	107,448	(3,757)	-	103,691
11	Service Company Audit Costs	23,606	43,468	-	67,074
12		-	-	-	-
13		-	-	-	-
14		-	-	-	-
15	Deductions From Rate Base				
16	Customer Advances	(1,816,806)	-	-	(1,816,806)
17	Pension Asset (Liability)	136,775	(12,296)	-	124,479
18	OPEB Liability	(131,095)	482	-	(130,613)
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)	(82,081)	-	(6,051,948)
23	Deferred State Income Taxes	(236,705)	(14,579)	-	(251,284)
24	Investment Tax Credit - pre 1971	(135)	-	-	(135)
25	Rate Base	<u>\$ 48,267,848</u>	<u>\$ (326,279)</u>	<u>\$ (6,591)</u>	<u>\$ 47,934,978</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. 9.0 Sch. 9.8 CW)	Pension Asset (Staff Ex. 10.0 Sch. 10.1)	Management Audit Costs (Staff Ex. 11.0 Sch. 11.3)	FIN 48 ADIT (AG Ex. 2.2)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(c)	(e)	(e)	(f)	(g)	(h)	(i)
1	Gross Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Less: Accumulated Depreciation	-	-	-	-	-	-	-	-
3	Net Utility Plant in Service	-	-	-	-	-	-	-	-
4	Construction Work in Progress	-	-	-	-	-	-	-	-
5	Utility Plant Acquisition Adj. - DuPage	-	-	-	-	-	-	-	-
6	Additions to Rate Base								
7	Cash Working Capital	(142,000)	-	-	-	-	-	-	(142,000)
8	Materials & Supplies	-	-	-	-	-	-	-	-
9	Deferred Charges - Tank Painting	-	-	-	-	-	-	-	-
10	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
11	Service Company Audit Costs	-	-	(13,608)	-	-	-	-	(13,608)
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Deductions From Rate Base								
16	Customer Advances	-	-	-	-	-	-	-	-
17	Pension Asset (Liability)	-	(124,479)	-	-	-	-	-	(124,479)
18	OPEB Liability	-	-	-	-	-	-	-	-
19	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
20	Accum. Depr. On CIAC	-	-	-	-	-	-	-	-
21	Budget Payment Plan	-	-	-	-	-	-	-	-
22	Deferred Federal Income Taxes	-	168,360	-	(176,000)	-	-	-	(7,640)
23	Deferred State Income Taxes	-	-	-	-	-	-	-	-
24	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
25	Rate Base	\$ (142,000)	\$ 43,881	\$ (13,608)	\$ (176,000)	\$ -	\$ -	\$ -	\$ (287,727)

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	Summary			
2	Current Revenues	\$ 12,623,650		\$ 12,623,650
3	Proposed Increase	<u>1,596,990</u>	<u>(1,182,415) #</u>	<u>414,575</u>
4	Proposed Revenue Requirement	<u>\$ 14,220,640</u>	<u>\$ (1,182,415)</u>	<u>\$ 13,038,225</u>
5	Percentage Increase	12.65 %	(9.37)%	3.28 %
6	Effect of Each Staff Adjustment			
7	Rate of Return		\$ (1,000,192)	
8	Interest Synchronization (Schedule 9.6)		(141,081)	
9	Cash Working Capital (Staff Ex. 9.0 Sch. 9.8 CW)		(14,061)	
10	Social/Service Memberships (Staff Ex. 11.0 Sch. 11.2)		(6,988)	
11	Management Audit Costs (Staff Ex. 11.0 Sch. 11.3)		(4,398)	
12	Rate Case Expense (Staff Ex. 11.0 Sch. 11.1)		(2,599)	
13	FIN 48 ADIT (AG Ex. 2.2)		(17,427)	
14	Gross Revenue Conversion Factor		(14)	
15	Pension Asset (Staff Ex. 10.0 Sch. 10.1)		4,345	
16				
17				
18				
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		<u>\$ (1,182,415)</u>	
39	Reconciliation to Schedule 9.1			
40	Column (c), line 5.		-	
41	Column (f), line 5.		(14)	
42	Column (h), line 5.		(1,182,401)	
43	Total Effect of Staff's Adjustments		<u>\$ (1,182,415)</u>	

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	\$ 47,647,251 (1)
2	Weighted Cost of Debt	3.45% (2)
3	Synchronized Interest Per Staff	1,643,115
4	Company Interest Expense	<u>1,423,669</u> (3)
5	Increase (Decrease) in Interest Expense	<u>219,446</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 4.435%	\$ <u>(9,732)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	\$ <u>(73,400)</u>

(1) Source: Schedule 9.3, Column (d)

(2) Source: ICC Staff Exhibit 14.0 Schedule 14.1

(3) Source: Company Rebuttal (IAWC Ex. 5.05R)

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.	Item	Amount ⁽¹⁾	Average Daily Amount (C)/365	Expense (Lead)/Lag ⁽²⁾	Cash Requirement (D)*(E)	Source
(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	Revenue	\$ 13,979,840				Schedule 9.8, page 2, line 3
2	Return on Equity	(1,885,116)				Schedule 9.8, page 2, line 13
3	Uncollectible Accounts	(121,077)				
4	Total Depr/Amortization	<u>(4,459,303)</u>				Schedule 9.8, page 2, line 7
5						
6	Net Revenues	<u>\$ 7,514,344</u>	\$ 20,587	67.53	\$ 1,390,257	Sum Lines 1 through 4
7						
8	Labor	\$ 853,331	2,338	(12.43)	(29,060)	
9	Fuel and Power	1,090,753	2,988	(42.95)	(128,350)	
10	Chemicals	78,029	214	(44.84)	(9,586)	
11	Purchased Water	-	-	-	-	
12	Waste Disposal	1,468,801	4,024	(72.38)	(291,265)	
13	Service Company Charges	-	-	9.22	-	
14	Group Insurance	171,496	470	8.56	4,022	
15	Pensions	40,779	112	18.50	2,067	
16	Insurance Other than Group	195,666	536	42.39	22,724	
17	Customer Accounting	(202)	(1)	(62.82)	35	
18	Rents	499	1	(18.79)	(26)	
19	General Office	90,203	247	(27.16)	(6,712)	
20	Maintenance	789,132	2,162	(62.94)	(136,077)	Schedule 9.8, page 2, line 10
21	Miscellaneous	<u>863,105</u>	<u>2,365</u>	<u>(41.44)</u>	<u>(97,992)</u>	
22						
23	Total O&M Expenses	<u>\$ 5,641,592</u>			<u>(670,220)</u>	Sum Lines 7 through 21
24						
25	General Taxes	603,645	1,654	9.58	15,844	
26	Federal Income Tax - Current	(361,844)	(991)	(76.89)	76,225	
27	State Income Tax - Current	(12,164)	(33)	(37.50)	1,250	
28	Interest Expense	<u>1,643,115</u>	<u>4,502</u>	<u>(86.78)</u>	<u>(390,656)</u>	Schedule 9.6, line 3
29						
30	Subtotal Other Expenses	<u>\$ 1,872,752</u>			<u>(297,338)</u>	Sum Lines 25 through 28
31	Total Expenses	<u>\$ 7,514,344</u>				Line 23 + Line 30
32	Total Cash Working Capital Requirement per Staff (Rounded to nearest \$1,000)				\$ 423,000	Line 6 + Line 23 + Line 30
33						
34	Cash Working Capital per Company				<u>565,000</u>	IAWC Ex. 6.03R
35						
36	Staff Proposed adjustment				<u>\$ (142,000)</u>	Line 32 - Line 34

Source:
 ## Schedule 9.1, except where noted.
 ## IAWC Ex. 6.03R

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	\$ 13,038,225	Schedule 9.1 CW, line 3, column (i)
2	Surcharge revenue	941,615	Co. Schedule C-2.5
3	Total revenue	<u>\$ 13,979,840</u>	Line 1 + Line 2
4	Depr/amortization per Income Statement	\$ 4,397,472	Schedule 9.1 CW, line 19, column (i)
5	Amortization of rate case expense	61,831	Schedule 9.1 CW, line 12, column (i)
6	Reclassify amortization of tank painting	-	
7	Total depr/amortization for CWC	<u>\$ 4,459,303</u>	Sum of lines 10 through 12
8	Maintenance-other per Income Statement	\$ 789,132	Schedule 9.1 CW, line 17, column (i)
9	Reclassify amortization of tank painting	-	Line 12
10	Total Maintenance-other for CWC	<u>\$ 789,132</u>	Line 14 - Line 15
11	Total Rate Base	\$ 47,647,251	Schedule 9.1 CW, line 29, column (i)
12	Weighted Cost of Capital	3.96%	Staff Ex. 14.0, Sch. 14.1
13	Return on equity deduction from revenue	<u>\$ 1,885,116</u>	Line 17 * Line 18

Illinois-American Water Company
Chicago Metro Water
Statement of Operating Income with Adjustments
For the Test Year Ending September 30, 2013

Line No.	Description	Company Present Adjusted (Company Schedule C-2)	Company Update Adjustments	Company Rebuttal Adjustments	Company Rebuttal GRCF Adj.	Company Rebuttal Case Pro Forma Adjusted
	(a)	(b)	(c)	(d)	(e)	(f)
1	Tariff Revenue	\$ 31,723,118	\$ (101,731)	\$ -	\$ (35)	\$ 31,621,352
2	Other Revenue	842,064	(41,744)	-	-	800,320
3	Total Operating Revenue	<u>32,565,182</u>	<u>(143,475)</u>	<u>-</u>	<u>(35)</u>	<u>32,421,672</u>
4	Uncollectible Accounts Expense	437,732	106	-	(36)	437,802
5	Labor	4,174,345	55,455	(2,400)	-	4,227,400
6	Fuel & Power	378,564	(205,215)	-	-	173,349
7	Chemicals	33,077	(214)	-	-	32,863
8	Waste Disposal	-	-	-	-	-
9	Service Company Fees	3,207,150	(51,431)	(2,635)	-	3,153,084
10	Group Insurance	979,774	17,074	-	-	996,848
11	Pensions	497,193	4,083	-	-	501,276
12	Regulatory Expense	93,848	(3,147)	-	-	90,701
13	Insurance - other	275,545	-	-	-	275,545
14	Customer Accounting	415,935	-	-	-	415,935
15	Rents	575,672	-	-	-	575,672
16	General Office Expense	505,031	-	(9,787)	-	495,244
17	Maintenance - other	1,706,906	31,060	-	-	1,737,966
18	Miscellaneous	1,966,593	(47,924)	-	-	1,918,669
19	Depreciation & Amortization	6,332,352	(10,155)	-	-	6,322,197
20	Taxes other than Income	1,808,271	4,136	-	-	1,812,407
21	Total Operating Expense					
22	Before Income Taxes	<u>23,387,988</u>	<u>(206,172)</u>	<u>(14,822)</u>	<u>(36)</u>	<u>23,166,958</u>
23	State Income Tax	328,209	(6,180)	667	(2)	322,694
24	Federal Income Tax	2,355,689	(96,742)	5,034	2	2,263,983
25	Deferred Taxes and ITCs Net	-	-	-	-	-
26	Total Operating Expenses	<u>26,071,886</u>	<u>(309,094)</u>	<u>(9,121)</u>	<u>(36)</u>	<u>25,753,635</u>
27	NET OPERATING INCOME	<u>\$ 6,493,296</u>	<u>\$ 165,619</u>	<u>\$ 9,121</u>	<u>\$ 1</u>	<u>\$ 6,668,037</u>

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 9.6)	Rate Case Expense (Staff Ex. 11.0 Sch. 11.1)	Social/Service Memberships (Staff Ex. 11.0 Sch. 11.2)	Management Audit Costs (Staff Ex. 11.0 Sch. 11.3)	Call Center Costs (Staff Ex. 15.0)	(Source)	(Source)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Tariff Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenue	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	-	-	-	-	-	-	-	-
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Service Company Fees	-	-	-	-	(7,108)	-	-	(7,108)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	(3,628)	-	-	-	-	-	(3,628)
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	(9,757)	(4,258)	-	-	-	(14,015)
17	Maintenance - other	-	-	-	-	-	-	-	-
18	Miscellaneous	-	-	-	-	-	-	-	-
19	Depreciation & Amortization	-	-	-	-	-	-	-	-
20	Taxes other than Income	-	-	-	-	-	-	-	-
21	Total Operating Expense	-	(3,628)	(9,757)	(4,258)	(7,108)	-	-	(24,751)
22	Before Income Taxes	-	(3,628)	(9,757)	(4,258)	(7,108)	-	-	(24,751)
23	State Income Tax	(19,505)	161	433	189	315	-	-	(18,407)
24	Federal Income Tax	(147,116)	1,213	3,264	1,424	2,377	-	-	(138,838)
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
26	Total Operating Expenses	(166,621)	(2,254)	(6,060)	(2,645)	(4,416)	-	-	(181,996)
27	NET OPERATING INCOME	\$ 166,621	\$ 2,254	\$ 6,060	\$ 2,645	\$ 4,416	\$ -	\$ -	\$ 181,996

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

Line No.	Description	Company Rebuttal Case Pro Forma Adjusted (Staff Schedule 9.3, p. 2)	Staff Adjustments (Schedule 9.4 p. 1)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Utility Plant in Service	\$ 241,225,239	\$ -	\$ 241,225,239
2	Less: Accumulated Depreciation	<u>(90,549,906)</u>	<u>-</u>	<u>(90,549,906)</u>
3	Net Utility Plant in Service	150,675,333	-	150,675,333
4	Construction Work in Progress	\$ -	\$ -	\$ -
5	Utility Plant Acquisition Adj. - DuPage	68,656	-	68,656
6	Additions to Rate Base			
7	Cash Working Capital	1,964,000	(97,000)	1,867,000
8	Materials & Supplies	191,060	-	191,060
9	Deferred Charges - Tank Painting	2,941,738	-	2,941,738
10	FAS 109 Reg. Asset-Net of Liability	146,022	-	146,022
11	Service Company Audit Costs	94,457	(19,160)	75,297
12		-	-	-
13		-	-	-
14		-	-	-
15	Deductions From Rate Base			
16	Customer Advances	(25,529,931)	-	(25,529,931)
17	Pension Asset (Liability)	1,530,131	(1,530,131)	-
18	OPEB Liability	(183,935)	-	(183,935)
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	(8,924,456)	(10,730)	(8,935,186)
23	Deferred State Income Taxes	(370,554)	-	(370,554)
24	Investment Tax Credit - pre 1971	<u>(190)</u>	<u>-</u>	<u>(190)</u>
25	Rate Base	<u>\$ 103,861,868</u>	<u>\$ (1,657,021)</u>	<u>\$ 102,204,847</u>

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)	Company Update	Company Rebuttal	Company Rebuttal Case Pro Forma Adjusted
	(a)	(b)	(c)	(d)	(e)
1	Gross Utility Plant in Service	\$ 241,374,850	\$ (149,611)	\$ -	\$ 241,225,239
2	Less: Accumulated Depreciation	(90,744,565)	198,308	(3,649)	(90,549,906)
3	Net Utility Plant in Service	150,630,285	48,697	(3,649)	150,675,333
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	1,143,000	(4,000)	1,964,000
8	Materials & Supplies	191,060	-	-	191,060
9	Deferred Charges - Tank Painting	2,530,194	411,544	-	2,941,738
10	FAS 109 Reg. Asset-Net of Liability	151,313	(5,291)	-	146,022
11	Service Company Audit Costs	33,243	61,214	-	94,457
12		-	-	-	-
13		-	-	-	-
14		-	-	-	-
15	Deductions From Rate Base				
16	Customer Advances	(25,529,931)	-	-	(25,529,931)
17	Pension Asset (Liability)	1,681,283	(151,152)	-	1,530,131
18	OPEB Liability	(184,614)	679	-	(183,935)
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)	(121,041)	-	(8,924,456)
23	Deferred State Income Taxes	(349,055)	(21,499)	-	(370,554)
24	Investment Tax Credit - pre 1971	(190)	-	-	(190)
25	Rate Base	<u>\$ 102,503,366</u>	<u>\$ 1,366,151</u>	<u>\$ (7,649)</u>	<u>\$ 103,861,868</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. 9.0 Sch. 9.8 CW)	Pension Asset (Staff Ex. 10.0 Sch. 10.1)	Management Audit Costs (Staff Ex. 11.0 Sch. 11.3)	FIN 48 ADIT (AG Ex. 2.2)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(e)	(e)	(e)	(f)	(g)	(h)	(i)
1	Gross Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Less: Accumulated Depreciation	-	-	-	-	-	-	-	-
3	Net Utility Plant in Service	-	-	-	-	-	-	-	-
4	Construction Work in Progress	-	-	-	-	-	-	-	-
5	Utility Plant Acquisition Adj. - DuPage	-	-	-	-	-	-	-	-
6	Additions to Rate Base								
7	Cash Working Capital	(97,000)	-	-	-	-	-	-	(97,000)
8	Materials & Supplies	-	-	-	-	-	-	-	-
9	Deferred Charges - Tank Painting	-	-	-	-	-	-	-	-
10	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
11	Service Company Audit Costs	-	-	(19,160)	-	-	-	-	(19,160)
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Deductions From Rate Base								
16	Customer Advances	-	-	-	-	-	-	-	-
17	Pension Asset (Liability)	-	(1,530,131)	-	-	-	-	-	(1,530,131)
18	OPEB Liability	-	-	-	-	-	-	-	-
19	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
20	Accum. Depr. On CIAC	-	-	-	-	-	-	-	-
21	Budget Payment Plan	-	-	-	-	-	-	-	-
22	Deferred Federal Income Taxes	-	248,270	-	(259,000)	-	-	-	(10,730)
23	Deferred State Income Taxes	-	-	-	-	-	-	-	-
24	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
25	Rate Base	\$ (97,000)	\$ (1,281,861)	\$ (19,160)	\$ (259,000)	\$ -	\$ -	\$ -	\$ (1,657,021)

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	Summary			
2	Current Revenues	\$ 32,421,672		\$ 32,421,672
3	Proposed Increase	3,827,900	(2,661,897) #	1,166,003
4	Proposed Revenue Requirement	\$ 36,249,572	\$ (2,661,897)	\$ 33,587,675
5	Percentage Increase	11.81 %	(8.21)%	3.60 %
6	Effect of Each Staff Adjustment			
7	Rate of Return		\$ (2,167,140)	
8	Interest Synchronization (Schedule 9.6)		(305,683)	
9	Pension Asset (Staff Ex. 10.0 Sch. 10.1)		(126,928)	
10	Social/Service Memberships (Staff Ex. 11.0 Sch. 11.2)		(9,839)	
11	Cash Working Capital (Staff Ex. 9.0 Sch. 9.8 CW)		(9,605)	
12	Call Center Costs (Staff Ex. 15.0)		(7,170)	
13	Management Audit Costs (Staff Ex. 11.0 Sch. 11.3)		(6,192)	
14	Rate Case Expense (Staff Ex. 11.0 Sch. 11.1)		(3,660)	
15	Gross Revenue Conversion Factor		(36)	
16	FIN 48 ADIT (AG Ex. 2.2)		(25,646)	
17				
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31				
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34				
35				
36				
37	Rounding		<u>2</u>	
38	Effect of Staff's Adjustments		<u>\$ (2,661,897)</u>	
39	Reconciliation to Schedule 9.1			
40	Column (c), line 5.		-	
41	Column (f), line 5.		(36)	
42	Column (h), line 5.		(2,661,861)	
43	Total Effect of Staff's Adjustments		<u>\$ (2,661,897)</u>	

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	\$ 102,204,847 (1)
2	Weighted Cost of Debt	3.45% (2)
3	Synchronized Interest Per Staff	3,524,534
4	Company Interest Expense	<u>3,084,697</u> (3)
5	Increase (Decrease) in Interest Expense	<u>439,837</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 4.435%	<u>\$ (19,505)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ (147,116)</u>

(1) Source: Schedule 9.3, Column (d)

(2) Source: ICC Staff Exhibit 14.0 Schedule 14.1

(3) Source: Company Rebuttal (IAWC Ex. 5.05R)

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.	Item	Amount ⁽¹⁾	Average Daily Amount (C)/365	Expense (Lead)/Lag ⁽²⁾	Cash Requirement (D)*(E)	Source
(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	Revenue	\$ 53,362,908				Schedule 9.8, page 2, line 3
2	Return on Equity	(4,043,633)				Schedule 9.8, page 2, line 13
3	Uncollectible Accounts	(447,713)				
4	Total Depr/Amortization	<u>(6,699,149)</u>				Schedule 9.8, page 2, line 7
5						
6	Net Revenues	<u>\$ 42,172,413</u>	\$ 115,541	53.06	\$ 6,130,598	Sum Lines 1 through 4
7						
8	Labor	\$ 4,227,400	11,582	(12.43)	(143,963)	
9	Fuel and Power	173,349	475	(51.77)	(24,587)	
10	Chemicals	32,863	90	(38.30)	(3,448)	
11	Purchased Water	19,775,233	54,179	(26.03)	(1,410,272)	Co. Schedule C-2.5
12	Waste Disposal	-	-	(7.71)	-	
13	Service Company Charges	3,145,976	8,619	9.22	79,468	
14	Group Insurance	996,848	2,731	4.37	11,935	
15	Pensions	501,276	1,373	18.50	25,407	
16	Insurance Other than Group	275,545	755	42.39	32,001	
17	Customer Accounting	415,935	1,140	(62.82)	(71,586)	
18	Rents	575,672	1,577	8.76	13,816	
19	General Office	481,229	1,318	(34.15)	(45,025)	
20	Maintenance	1,448,087	3,967	(45.74)	(181,467)	Schedule 9.8, page 2, line 10
21	Miscellaneous	<u>1,918,669</u>	<u>5,257</u>	<u>(43.46)</u>	<u>(228,453)</u>	
22						
23	Total O&M Expenses	<u>\$ 33,968,082</u>			<u>(1,946,175)</u>	Sum Lines 7 through 21
24						
25	General Taxes	1,812,407	4,965	(183.97)	(913,503)	
26	Federal Income Tax - Current	2,511,831	6,882	(76.89)	(529,136)	
27	State Income Tax - Current	355,558	974	(37.50)	(36,530)	
28	Interest Expense	<u>3,524,534</u>	<u>9,656</u>	<u>(86.78)</u>	<u>(837,970)</u>	Schedule 9.6, line 3
29						
30	Subtotal Other Expenses	<u>\$ 8,204,330</u>			<u>(2,317,139)</u>	Sum Lines 25 through 28
31	Total Expenses	<u>\$ 42,172,412</u>				Line 23 + Line 30
32	Total Cash Working Capital Requirement per Staff (Rounded to nearest \$1,000)				\$ 1,867,000	Line 6 + Line 23 + Line 30
33						
34	Cash Working Capital per Company				<u>1,964,000</u>	IAWC Ex. 6.03R
35						
36	Staff Proposed adjustment				<u>\$ (97,000)</u>	Line 32 - Line 34

Source:
 ## Schedule 9.1, except where noted.
 ## IAWC Ex. 6.03R

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	\$ 33,587,675	Schedule 9.1 CW, line 3, column (i)
2	Surcharge revenue	19,775,233	Co. Schedule C-2.5
3	Total revenue	<u>\$ 53,362,908</u>	Line 1 + Line 2
4	Depr/amortization per Income Statement	\$ 6,322,197	Schedule 9.1 CW, line 19, column (i)
5	Amortization of rate case expense	87,073	Schedule 9.1 CW, line 12, column (i)
6	Reclassify amortization of tank painting	289,879	IAWC Schedule B-10
7	Total depr/amortization for CWC	<u>\$ 6,699,149</u>	Sum of lines 10 through 12
8	Maintenance-other per Income Statement	\$ 1,737,966	Schedule 9.1 CW, line 17, column (i)
9	Reclassify amortization of tank painting	289,879	Line 12
10	Total Maintenance-other for CWC	<u>\$ 1,448,087</u>	Line 14 - Line 15
11	Total Rate Base	\$ 102,204,847	Schedule 9.1 CW, line 29, column (i)
12	Weighted Cost of Capital	3.96%	Staff Ex. 14.0, Sch. 14.1
13	Return on equity deduction from revenue	<u>\$ 4,043,633</u>	Line 17 * Line 18