



**Clarendon Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending September 30, 2010

Line No.	Description	Interest Synchronization (Appendix C, page 6)	HomeServeUSA Misc. Revenues (Staff Ex. 12.0)	Rate Case Expense (Appendix C)	(Source)	(Source)	(Source)	(Source)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Water Service Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenues	-	187	-	-	-	-	-	187
3	Total Operating Revenues	-	187	-	-	-	-	-	187
4	Uncollectible Accounts	-	1	-	-	-	-	-	1
5	Maintenance Expenses	-	-	-	-	-	-	-	-
6	General Expenses	-	-	(16,622)	-	-	-	-	(16,622)
7	Depreciation	-	-	-	-	-	-	-	-
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	-	1	(16,622)	-	-	-	-	(16,621)
17	State Income Tax	7	18	1,579	-	-	-	-	1,604
18	Federal Income Tax	21	57	5,115	-	-	-	-	5,193
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	28	76	(9,928)	-	-	-	-	(9,824)
21	NET OPERATING INCOME	\$ (28)	\$ 111	\$ 9,928	\$ -	\$ -	\$ -	\$ -	\$ 10,011

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

Line No.	Description	Company Pro Forma Rate Base (Co. Sch. 3.1 CL)	Adjustments (Appendix C, page 4)	Approved Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 750,671	\$ -	\$ 750,671
2	Less: Accumulated Depreciation	210	-	210
3		-	-	-
4	Net Plant	750,881	-	750,881
5	Additions to Rate Base			
6	Cash Working Capital	15,625	(2,078)	13,547
7	Deferred Charges	-	-	-
8		-	-	-
9		-	-	-
10		-	-	-
11		-	-	-
12		-	-	-
13		-	-	-
14		-	-	-
15		-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(28,519)	-	(28,519)
18	Accumulated Deferred Income Taxes	(84,958)	-	(84,958)
19	Adjustment to Rate Base Allocations	738	-	738
20		-	-	-
21		-	-	-
22		-	-	-
23	Rate Base	<u>\$ 653,767</u>	<u>\$ (2,078)</u>	<u>\$ 651,689</u>



**Clarendon Water Company**  
**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	\$ 94,516 <sup>(1)</sup>		\$ 94,516 <sup>(2)</sup>
2	Proposed Increase	<u>157,352 <sup>(3)</sup></u>	<u>(42,397) <sup>(4)</sup></u>	<u>114,955 <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 251,868</u>	<u>\$ (42,397)</u>	<u>\$ 209,471</u>
4	% Increase	166.48%		121.62%
5	Effect of Each Adjustment:			
6				
7	Rate of Return (Applied to Company Rate Base)		(25,253)	
8	Rate Case Expense		(16,755)	
9	Gross Revenue Conversion Factor		(156)	
10	Interest Synchronization		(1)	
11	HomeServeUSA Misc. Revenues		(1)	
12	Working Capital		(233)	
13				
14				
15				
16				
17				
18				
19	Rounding		<u>2</u>	
20	Total Revenue Effect of Adjustments		<u>\$ (42,397)</u>	
21	<b><u>Reconciliation to Appendix C, page 1</u></b>			
22	Column (c), line 3.		187	
23	Column (f), line 3.		(156)	
24	Column (h), line 3.		(42,428)	
25	Total Effect of Adjustments		<u>\$ (42,397)</u>	

Sources:

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

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

Line No.	Description (a)	Amount (b)
1	Approved Rate Base	\$ 651,689 (1)
2	Weighted Cost of Debt	3.34% (2)
3	Synchronized Interest Per Order	21,737
4	Company Interest Expense	<u>21,806</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(69)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ 7</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ 21</u>

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

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

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

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

Line No.	Description (a)	Amount (b)	Source (c)
1	Maintenance Expenses	\$ 67,227	Appendix C, p. 1, column (d), line 5
2	General Expense	35,424	Appendix C, p. 1, column (d), line 6
3	Taxes Other Than Income	6,818	Appendix C, p. 1, column (d), line 9
4	Less Real Estate Taxes	<u>(1,090)</u>	Company workpaper (e), line 4
5	Operating Expenses Subject to Working Capital Allowance	108,379	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Order	13,547	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>15,625</u>	Company Schedule 3.1 CL, p. 7, line 7
9	Adjustment	<u><u>\$ (2,078)</u></u>	Line 7 less line 8

Clarendon Water Company  
Rate Case Expense Adjustment  
For the Test Year Ending September 30, 2010

Line No.	Description (a)	Total Rate Case Expense per Order (b)	Total Rate Case Expense per Company (Actual + Estimate) (c)	Order Adjustment (b-c) (d)
1	Rate Case Expense			
2	Outside legal services	\$ 30,000	\$ 30,000	
3	Customer notices	394	394	
4	Fed Ex, mailings, postage, and miscellaneous costs	2,000	2,000	
5	Travel	200	200	
6	Water Service Personnel	-	77,109	
7	External Consultants (SFIO Consulting)	-	6,000	
8	Total Rate Case Expense	\$ 32,594	\$ 115,703	
9	Amortization Period	5	5	
10	Amortization Expense per Year (Line 8/Line 9)	\$ 6,519	\$ 23,141	\$ <u>(16,622)</u>

Source:

Col. (b) Per Order  
Col. (c) Company Rebuttal Schedule 3.1 CL