

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

Line No.	Description	Company Pro Forma Rebuttal (Co. Sch. 3.1 HR-S)	Adjustments (Appendix F, page 2)	Pro Forma Present (Cols. b+c)	Company Proposed Increase (Co. Sch. 3.1 HR-S)	Gross Revenue Conversion Factor	Proposed Rates With Adjustments (Cols. d+e+f)	Adjustment To Proposed Increase	Operating Statement per Order (Cols. g+h)	\$ Revenue Change (Cols. i-b)	% Revenue Change (Cols. j/b)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	Sewer Service Revenues	\$ 29,582	\$ -	\$ 29,582	\$ 43,004	\$ (441)	\$ 72,145	\$ (18,514)	\$ 53,631	\$ 24,049	81.30%
2	Miscellaneous Revenues	2,207	163	2,370	-	-	2,370	-	2,370	163	7.39%
3	Total Operating Revenues	31,789	163	31,952	43,004	\$ (441)	74,515	(18,514)	56,001	24,212	76.16%
4	Uncollectible Accounts	679	3	682	1,393	(483)	1,592	(395)	1,197		
5	Maintenance Expenses	13,251	-	13,251	-	-	13,251	-	13,251		
6	General Expenses	33,232	(8,382)	24,850	-	-	24,850	-	24,850		
7	Depreciation	7,766	-	7,766	-	-	7,766	-	7,766		
8	Amortization of CIAC	(872)	-	(872)	-	-	(872)	-	(872)		
9	Taxes Other Than Income	2,841	-	2,841	(43)	43	2,841	-	2,841		
10	Expense Allocation Admt.	-	-	-	-	-	-	-	-		
11		-	-	-	-	-	-	-	-		
12		-	-	-	-	-	-	-	-		
13		-	-	-	-	-	-	-	-		
14		-	-	-	-	-	-	-	-		
15	Total Operating Expense										
16	Before Income Taxes	56,897	(8,379)	48,518	1,350	(440)	49,428	(395)	49,033		
17	State Income Tax	(2,592)	814	(1,778)	3,957	-	2,179	(1,721)	458		
18	Federal Income Tax	(8,472)	2,639	(5,833)	12,817	-	6,984	(5,575)	1,409		
19	Deferred Taxes and ITCs Net	(15)	-	(15)	-	-	(15)	-	(15)		
20	Total Operating Expenses	45,818	(4,926)	40,892	18,124	(440)	58,576	(7,691)	50,885		
21	NET OPERATING INCOME	\$ (14,029)	\$ 5,089	\$ (8,940)	\$ 24,880	\$ (1)	\$ 15,939	\$ (10,823)	\$ 5,116		
22	Rate Base (Appendix F, page 3)								\$ 64,112		
23	Overall Rate of Return (per Order)								7.98%		

**Harbor Ridge Utilities, Inc.-Sewer Operations**  
**Adjustments to Operating Income**  
For the Test Year Ending September 30, 2010

Line No.	Description	Interest Synchronization (Appendix F, page 6)	HomeServeUSA Misc. Revenues (Staff Ex. 12.0)	Rate Case Expense (Appendix F)	(Source)	(Source)	(Source)	(Source)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Sewer Service Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenues	-	163	-	-	-	-	-	163
3	Total Operating Revenues	-	163	-	-	-	-	-	163
4	Uncollectible Accounts	-	3	-	-	-	-	-	3
5	Maintenance Expenses	-	-	-	-	-	-	-	-
6	General Expenses	-	-	(8,382)	-	-	-	-	(8,382)
7	Depreciation	-	-	-	-	-	-	-	-
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	-	-	-	-	-	-	-	-
10	Expense Allocation Admt.	-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense	-	3	(8,382)	-	-	-	-	(8,379)
16	Before Income Taxes	-	3	(8,382)	-	-	-	-	(8,379)
17	State Income Tax	3	15	796	-	-	-	-	814
18	Federal Income Tax	11	49	2,579	-	-	-	-	2,639
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	14	67	(5,007)	-	-	-	-	(4,926)
21	NET OPERATING INCOME	\$ (14)	\$ 96	\$ 5,007	\$ -	\$ -	\$ -	\$ -	\$ 5,089

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

Line No.	Description	Company Pro Forma Rate Base (Co. Sch. 3.1 HR-S)	Adjustments (Appendix F, page 4)	Approved Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 181,511	\$ -	\$ 181,511
2	Less: Accumulated Depreciation	(158,030)	-	(158,030)
3		-	-	-
4	Net Plant	23,481	-	23,481
5	Additions to Rate Base			
6	Cash Working Capital	6,145	(1,048)	5,098
7	Deferred Charges	-	-	-
8		-	-	-
9		-	-	-
10		-	-	-
11		-	-	-
12		-	-	-
13		-	-	-
14		-	-	-
15		-	-	-
16	Deductions From Rate Base	-		
17	Contributions in Aid of Construction	56,433	-	56,433
18	Accumulated Deferred Income Taxes	(21,544)	-	(21,544)
19	Adjustment to Rate Base Allocations	644	-	644
20		-	-	-
21		-	-	-
22		-	-	-
23	Rate Base	<u>\$ 65,159</u>	<u>\$ (1,048)</u>	<u>\$ 64,112</u>



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

Line No.	Description (a)	Per Company (b)	Adjustments (c)	Per Order (d)
1	Present Revenues	\$ 31,789 <sup>(1)</sup>		\$ 31,789 <sup>(2)</sup>
2	Proposed Increase	<u>43,004 <sup>(3)</sup></u>	<u>(18,792) <sup>(4)</sup></u>	<u>24,212 <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 74,793</u>	<u>\$ (18,792)</u>	<u>\$ 56,001</u>
4	% Increase	135.28%		76.16%
5	Effect of Each Adjustment:			
6				
7				
8				
9	Rate of Return (Applied to Company Rate Base)		(9,668)	
10	Rate Case Expense		(8,566)	
11	Gross Revenue Conversion Factor		(441)	
12	HomeServeUSA Misc. Revenues		(3)	
13	Working Capital		(119)	
14	Interest Synchronization		5	
15				
16				
17				
18				
19				
20				
21				
22	Rounding			
23	Total Revenue Effect of Adjustments		<u>\$ (18,792)</u>	
24	<b>Reconciliation to Appendix F, page 1</b>			
25	Column (c), line 3.		163	
26	Column (f), line 3.		(441)	
27	Column (h), line 3.		(18,514)	
28	Total Effect of Adjustments		<u>\$ (18,792)</u>	

Sources:

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

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

Line No.	Description (a)	Amount (b)
1	Approved Rate Base	\$ 64,112 (1)
2	Weighted Cost of Debt	3.34% (2)
3	Synchronized Interest Per Order	2,138
4	Company Interest Expense	<u>2,173</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(35)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ 3</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ 11</u>

(1) Source: Appendix F, page 3  
(2) Source: ICC Staff Exhibit 3.0, Schedule 3.1  
(3) Source: Company Schedule 3.1 HR-S, p. 6, line 3

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

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

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

Line No.	Description (a)	Amount (b)	Source (c)
1	Maintenance Expenses	\$ 13,251	Appendix F, p. 1, column (d), line 5
2	General Expense	24,850	Appendix F, p. 1, column (d), line 6
3	Taxes Other Than Income	2,841	Appendix F, p. 1, column (d), line 9
4	Less Real Estate Taxes	<u>(162)</u>	Company workpaper (e), line 4
5	Operating Expenses Subject to Working Capital Allowance	40,780	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Order	5,098	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>6,145</u>	Company Schedule 3.1 HR-S, p. 7, line 7
9	Adjustment	<u><u>\$ (1,048)</u></u>	Line 7 less line 8

Harbor Ridge Utilities, Inc.-Sewer Operations  
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	347	347	
4	Fed Ex, mailings, postage, and miscellaneous costs	2,000	2,000	
5	Travel	200	200	
6	Water Service Personnel	-	78,226	
7	External Consultants (SFIO Consulting)	-	6,000	
8	Total Rate Case Expense	\$ 32,547	\$ 116,773	
9	Amortization Period	<u>5</u>	<u>5</u>	
10	Amortization Expense per Year (Line 8/Line 9)	\$ 6,509	\$ 23,355	<u>\$ (16,845)</u>
11	Allocation to Sewer (line 10 col (d) * 49.76%)			<u>\$ (8,382)</u>

Source:

Col. (b) Per Order

Col. (c) Company Rebuttal Schedule 3.1 HR-S

Line 11: Sewer per Customer allocation rate from Company workpaper Input Schedule