

## Harbor Ridge Utilities, Inc.-Water Operations

## Statement of Operating Income with Adjustments

For the Test Year Ending September 30, 2010

Line No.	Description	Company Pro Forma Rebuttal (Co. Sch. 3.1 HR-W)	Adjustments (Appendix G, page 2)	Pro Forma Present (Cols. b+c)	Company Proposed Increase (Co. Sch. 3.1 HR-W)	Gross Revenue Conversion Factor	Proposed Rates With Adjustments (Cols. d+e+f)	Adjustment To Proposed Increase	Operating Statement per Order (Cols. g+h)	\$ Revenue Change (Cols. i-b)	% Revenue Change (Cols. j/b)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	Water Service Revenues	\$ 71,230	\$ -	\$ 71,230	\$ 78,642	\$ (1,520)	\$ 148,352	\$ (22,958)	\$ 125,394	\$ 54,164	76.04%
2	Miscellaneous Revenues	6,474	164	6,638	793	-	7,431	-	7,431	957	14.78%
3	Total Operating Revenues	77,704	164	77,868	79,435	\$ (1,520)	155,783	(22,958)	132,825	55,121	70.94%
4	Uncollectible Accounts	1,659	4	1,663	3,104	(1,440)	3,327	(490)	2,837		
5	Maintenance Expenses	26,123	-	26,123	-	-	26,123	-	26,123		
6	General Expenses	33,548	(8,463)	25,085	-	-	25,085	-	25,085		
7	Depreciation	39,455	-	39,455	-	-	39,455	-	39,455		
8	Amortization of CIAC	(13,029)	-	(13,029)	-	-	(13,029)	-	(13,029)		
9	Taxes Other Than Income	2,866	-	2,866	79	(79)	2,866	-	2,866		
10	-	-	-	-	-	-	-	-	-		
11	-	-	-	-	-	-	-	-	-		
12	-	-	-	-	-	-	-	-	-		
13	-	-	-	-	-	-	-	-	-		
14	-	-	-	-	-	-	-	-	-		
15	Total Operating Expense										
16	Before Income Taxes	90,622	(8,459)	82,163	3,183	(1,519)	83,827	(490)	83,337		
17	State Income Tax	(2,659)	822	(1,837)	7,244	-	5,407	(2,134)	3,273		
18	Federal Income Tax	(8,933)	2,664	(6,269)	23,463	-	17,194	(6,913)	10,281		
19	Deferred Taxes and ITCs Net	(44)	-	(44)	-	-	(44)	-	(44)		
20	Total Operating Expenses	78,986	(4,973)	74,013	33,890	(1,519)	106,384	(9,537)	96,847		
21	NET OPERATING INCOME	\$ (1,282)	\$ 5,137	\$ 3,855	\$ 45,545	\$ (1)	\$ 49,399	\$ (13,421)	\$ 35,978		
22	Rate Base (Appendix G, page 3)								\$ 450,867		
23	Overall Rate of Return (per Order)								7.98%		

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

Line No.	Description	Interest Synchronization (Appendix G, page 6)	HomeServeUSA Misc. Revenues (Staff Ex. 12.0)	Rate Case Expense (Appendix G)	(Source)	(Source)	(Source)	(Source)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Water Service Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenues	-	164	-	-	-	-	-	164
3	Total Operating Revenues	-	164	-	-	-	-	-	164
4	Uncollectible Accounts	-	4	-	-	-	-	-	4
5	Maintenance Expenses	-	-	-	-	-	-	-	-
6	General Expenses	-	-	(8,463)	-	-	-	-	(8,463)
7	Depreciation	-	-	-	-	-	-	-	-
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	-	4	(8,463)	-	-	-	-	(8,459)
17	State Income Tax	3	15	804	-	-	-	-	822
18	Federal Income Tax	11	49	2,604	-	-	-	-	2,664
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	14	68	(5,055)	-	-	-	-	(4,973)
21	NET OPERATING INCOME	\$ (14)	\$ 96	\$ 5,055	\$ -	\$ -	\$ -	\$ -	\$ 5,137

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

Line No.	Description	Company Pro Forma Rate Base (Co. Sch. 3.1 HR-W)	Adjustments (Appendix G, page 4)	Approved Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 963,019	\$ -	\$ 963,019
2	Less: Accumulated Depreciation	(252,644)	-	(252,644)
3		-	-	-
4	Net Plant	710,375	-	710,375
5	Additions to Rate Base			
6	Cash Working Capital	7,797	(1,058)	6,739
7	Deferred Charges	-	-	-
8	Net Pro Forma Plant	132,000	-	132,000
9		-	-	-
10		-	-	-
11		-	-	-
12		-	-	-
13		-	-	-
14		-	-	-
15		-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(377,112)	-	(377,112)
18	Accumulated Deferred Income Taxes	(21,785)	-	(21,785)
19	Adjustment to Rate Base Allocations	650	-	650
20		-	-	-
21		-	-	-
22		-	-	-
23	Rate Base	<u>\$ 451,925</u>	<u>\$ (1,058)</u>	<u>\$ 450,867</u>



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

Line No.	Description (a)	Per Company (b)	Adjustments (c)	Per Order (d)
1	Present Revenues	\$ 77,704 <sup>(1)</sup>		\$ 77,704 <sup>(2)</sup>
2	Proposed Increase	<u>79,435 <sup>(3)</sup></u>	<u>(24,314) <sup>(4)</sup></u>	<u>55,121 <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 157,139</u>	<u>\$ (24,314)</u>	<u>\$ 132,825</u>
4	% Increase	102.23%		70.94%
5	Effect of Each Adjustment:			
6				
7				
8	Rate of Return (Applied to Company Rate Base)		(14,029)	
9	Rate Case Expense		(8,648)	
10	Gross Revenue Conversion Factor		(1,520)	
11	HomeServeUSA Misc. Revenues		(4)	
12	Working Capital		(120)	
13	Interest Synchronization		5	
14				
15				
16				
17				
18				
19				
20				
21				
22	Rounding		-	
23	Total Revenue Effect of Adjustments		<u>\$ (24,316)</u>	
24	<b>Reconciliation to Appendix G, page 2</b>			
25	Column (c), line 3.		164	
26	Column (f), line 3.		(1,520)	
27	Column (h), line 3.		(22,958)	
28	Total Effect of Adjustments		<u>\$ (24,314)</u>	

**Sources:**

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

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

Line No.	Description (a)	Amount (b)
1	Approved Rate Base	\$ 450,867 (1)
2	Weighted Cost of Debt	3.34% (2)
3	Synchronized Interest Per Order	15,038
4	Company Interest Expense	<u>15,074</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(36)</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 G, page 3

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

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

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

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

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

Line No.	Description (a)	Amount (b)	Source (c)
1	Maintenance Expenses	\$ 26,123	Appendix G, p. 1, column (d), line 5
2	General Expense	25,085	Appendix G, p. 1, column (d), line 6
3	Taxes Other Than Income	2,866	Appendix G, p. 1, column (d), line 9
4	Less Real Estate Taxes	<u>(164)</u>	Company workpaper (e), line 4
5	Operating Expenses Subject to Working Capital Allowance	53,910	Sum of Lines 1, 2, 3, and 4
6	Divisor (1/8)	<u>0.125</u>	
7	Working Capital Allowance Per Order	6,739	Line 5 x line 6
8	Working Capital Allowance Per Company	<u>7,797</u>	Company Schedule 3.1 HR-W, p. 8, line 7
9	Adjustment	<u><u>\$ (1,058)</u></u>	Line 7 less line 8

Harbor Ridge Utilities, Inc.-Water 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 Water (line 10 col (d) * 50.24%)			<u>\$ (8,463)</u>

Source:

Col. (b) Per Order

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

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