

Apple Canyon Utility Company
 Balance Sheet
 December 31, 2011

LINE NO.	A	B	C	D
	<u>ASSETS</u>		<u>LIABILITIES AND OTHER CREDITS</u>	
1	Plant In Service		Capital Stock and Retained Earnings	
2	Water	\$ 3,009,800		
3	Sewer	0	Common Stock and Paid In Capital	\$ 727,170
4			Retained Earnings	(241,774)
5	Total	\$ 3,009,800	Total	\$ 485,396
6				
7	Accumulated Depreciation-Water	(1,025,934)	Current and Accrued Liabilities	
8	Accumulated Depreciation-Sewer	0	Accounts Payable-Trade	6,166
9			Taxes Accrued	3,115
10	Total	\$ (1,025,934)	Customer Deposits	1,344
11			Customer Deposits - Interest	2
12			A/P - Assoc. Companies	(327,852)
13	Net Utility Plant	\$ 1,983,866	Deferred Revenue	33,260
14			Total	\$ (283,964)
15				
16			Advances In Aid of Construction	
17	Plant Acquisition Adjustment-Water	0	Water	450,000
18	Plant Acquisition Adjustment-Sewer	0	Sewer	0
19			Total	\$ 450,000
20	Total	\$ 0		
21			Contributions In Aid of Construction	
22			Water	532,371
23	Construction Work In Process-Water	0	Sewer	0
24	Construction Work In Process-Sewer	0	Total	\$ 532,371
25				
26	Total	\$ 0	Accumulated Deferred Income Tax	
27			Unamortized ITC	0
28	Current Assets		Deferred Tax - Federal	135,898
29	Cash	0	Deferred Tax - State	6,158
30	Accounts Receivable - Net	(736,208)	Total	\$ 142,056
31	Other Current Assets	0		
32			TOTAL LIABILITIES AND OTHER CREDITS	
33	Total	\$ (736,208)		\$ 1,325,859
34				
35				
36	Deferred Charges	78,200		
37				
38	TOTAL ASSETS	\$ 1,325,859		

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Apple Canyon Utility Company
 Water Operations
 Test Year Ended December 31, 2011

Line No.	A	B	C	D	E	F
	Per Books	Pro Forma Adjustments		Pro Forma Present	Proposed Increase	Pro Forma Proposed
1	<u>Operating Revenues</u>					
2	Service Revenues - Water	453,082	(1,082) [a]	451,999	129,034 [n]	581,034
3	Service Revenues - Sewer	-		-		-
4	Miscellaneous Revenues	13,636		13,636		13,636
5	Uncollectible Accounts	(11,511)		(11,511)	(3,286) [b]	(14,798)
6						
7	Total Operating Revenues	455,206	(1,082)	454,124	125,748	579,872
8						
9	<u>Maintenance Expenses</u>					
10	Salaries and Wages	112,519	2,707 [c]	115,226	-	115,226
11	Purchased Power	25,257	-	25,257	-	25,257
12	Purchased Water	-	-	-	-	-
13	Maintenance and Repair	10,800	-	10,800	-	10,800
14	Maintenance Testing	2,028	-	2,028	-	2,028
15	Meter Reading	1	-	1	-	1
16	Chemicals	5,276	-	5,276	-	5,276
17	Transportation	24,494	(9,433) [m]	15,061	-	15,061
18	Operating Exp. Cap time Charged to Plant	(8,468)	(35,847) [c]	(44,315)	-	(44,315)
19	Outside Services - Other	29,226	-	29,226	-	29,226
20		-		-		-
21						
22	Total	201,134	(42,573)	158,561	-	158,561
23						
24	<u>General Expenses</u>					
25	Salaries and Wages	68,374	(10,292) [c]	58,082	-	58,082
26	Office Supplies & Other Office Exp.	27,067	-	27,067	-	27,067
27	Regulatory Commission Exp.	18,819	11,447 [d]	30,266	-	30,266
28	Pension & Other Benefits	44,676	(9,813) [c]	34,863	-	34,863
29	Rent	915	-	915	-	915
30	Insurance	22,469	-	22,469	-	22,469
31	Office Utilities	13,845	-	13,845	-	13,845
32	Miscellaneous	4,256	(1) [j]	4,255	-	4,255
33	Expense Allocation adj	-	(793) [o]	(793)	-	(793)
34						
35	Total	200,420	(9,452)	190,968	-	190,968
36						
37	Depreciation	103,139	16,916 [e]	120,055		120,055
38	Amortization of PAA	-	-	-		-
39	Taxes Other Than Income	26,897	(6,844) [f]	20,053	129 [f]	20,182
40	Income Taxes - Federal	(14,431)	205 [g]	(14,225)	38,653 [g]	24,428
41	Income Taxes - State	(3,343)	(1,049) [g]	(4,392)	11,934 [g]	7,542
42	Amortization of ITC	(108)	-	(108)	-	(108)
43	Amortization of CIAC	(19,281)	(701) [e]	(19,981)	-	(19,981)
44		-		-		-
45						
46	Total	92,873	8,528	101,401	50,716	152,117
47						
48	Total Operating Expenses	494,427	(43,496)	450,930	50,716	501,646
49						
50	<u>Net Operating Income</u>	(39,221)	42,414	3,193	75,032	78,225
51						
52	Other Income	(265)	-	(265)	-	(265)
53	Interest During Construction	(1)	1 [h]	-	-	-
54	Interest on Debt	32,573	(1,874) [i]	30,699	-	30,699
55						
56	<u>Net Income</u>	(71,528)	44,287	(27,241)	75,032	47,792

- [a] Revenues are annualized at current rates using test year customers.
- [b] w/p [a] - Uncollectible Accounts are adjusted based on the percentage of uncollectible accounts to revenues in the test year applied to pro forma proposed revenues.
- [c] w/p [b] - Salaries, Wages and Benefits are adjusted to annualize based on the most current information available.
- [d] w/p [d] - Regulatory Commission Expense has been adjusted to reflect the cost of the current rate case over 5 years.
- [e] w/p [f] - Depreciation and Amortization Expenses are annualized. Depreciation expense represents gross depreciable plant at the end of the year plus pro forma projects multiplied by the respective depreciation rates.
- [f] w/p [e] - Taxes Other than Income is adjusted for annualized payroll taxes, Utility Commission Taxes, and Gross Receipts Taxes.
- [g] w/p [g] - Income Taxes are computed on taxable income at following rates (34% federal and 9.5% state)
- [h] AFUDC is eliminated for rate making purposes.
- [i] w/p [h] - Interest on Debt has been computed using a 50.42% / 49.58% debt-to-equity ratio and a 6.6% cost of debt.
- [j] Adjustment to remove per books penalties/fines.
- [k] This note is intentionally left blank.
- [l] This note is intentionally left blank.
- [m] w/p [p-2a] - To adjust transportation expense based on operators' allocation.
- [n] Proposed revenue increase derived from Sch.D&E.
- [o] w/p [p] - adjust allocations 12/31/2011 allocation factors.

Apple Canyon Utility Company
Water Operations
Rate Base and Rate of Return
Test Year Ended December 31, 2011

A	B	C	D	E	F	
Line No.	Per Books	Pro Forma Adjustments	As Adjusted	Proposed Increase	Effect of Proposed Increase	
1	Net Operating Income	(39,221)	42,414	3,193	75,032	78,225
2						
3	Gross Plant In Service	3,009,800	(30,032) [d]	2,979,768	-	2,979,768
4	Accumulated Depreciation	(1,025,934)	(106,816) [c]	(1,132,750)	-	(1,132,750)
5	Net Plant In Service	1,983,866	(136,849)	1,847,017	-	1,847,017
6	Cash Working Capital	53,556	(7,358) [a]	46,198	-	46,198
7	Contributions In Aid of Construction	(532,371)	155,087 [f]	(377,284)	-	(377,284)
8	Advances in Aid of Construction	(450,000)	-	(450,000)	-	(450,000)
9	Accumulated Deferred Income Taxes	(142,056)	-	(142,056)	-	(142,056)
10	Customer Deposits	(1,346)	-	(1,346)	-	(1,346)
11	Adjustment to Rate Base Allocations	0	0 [h]	0	-	0
12	Deferred charges	78,200	(78,200) [e]	-	-	0
13						
14	Total Rate Base	989,849	(67,320)	922,529	-	922,529
15						
16						
17	Return on Rate Base	-3.96%		0.35%		8.5%

- [a] w/p [i] - Working Capital is calculated based on pro forma expenses.
- [b] Intentionally left blank
- [c] w/p [appendix] - Accumulated depreciation is adjusted for planned additional capital investments and retirements.
- [d] w/p [appendix] - Plant adjustments.
- [e] Remove per books Deferred Charges from rate base.
- [f] w/p [s] - Adjust CIAC.
- [g] Intentionally left blank
- [h] w/p [p] - adjust allocations 12/31/2011 allocation factors.

Apple Canyon Utility Company
 Test Year / Present Revenues

Schedule D

	A	B	C	D	E	F	G
	WATER						
Line	Meter Size	Gallorage	Usage Charge	Units	BFC	Revenues	
1	<u>All Subs:</u>						
2	5/8" Res.	18,508,175	\$ 5.70	10,440	\$ 18.73	\$ 301,114	
3	3/4" Res.	87,400	\$ 5.70	12	\$ 20.61	\$ 746	
4	1" Res.	117,070	\$ 5.70	84	\$ 22.48	\$ 2,556	
5	1.5" Res.	-	\$ 5.70	-	\$ 24.35	\$ -	
6	2" Res.	-	\$ 5.70	-	\$ 26.22	\$ -	
7	3" Res.	-	\$ 5.70	-	\$ 28.12	\$ -	
8	4" Res.	-	\$ 5.70	-	\$ 29.99	\$ -	
9	6" Res.	-	\$ 5.70	-	\$ 31.87	\$ -	
10	5/8" Coml.	149,900	\$ 5.70	36	\$ 18.73	\$ 1,529	
11	3/4" Coml.	-	\$ 5.70	-	\$ 20.61	\$ -	
12	1" Coml.	190,630	\$ 5.70	24	\$ 22.48	\$ 1,627	
13	1.5" Coml.	675,900	\$ 5.70	48	\$ 24.35	\$ 5,024	
14	2" Coml.	18,050	\$ 5.70	12	\$ 26.22	\$ 418	
15	3" Coml.	210,910	\$ 5.70	12	\$ 28.12	\$ 1,540	
16	4" Coml.	-	\$ 5.70	-	\$ 29.99	\$ -	
17	6" Coml.	-	\$ 5.70	-	\$ 31.87	\$ -	
18	Availability	-	\$ -	20,952	\$ 6.56	\$ 137,445	
19							
20		<u>19,958,035</u>		<u>31,620</u>		<u>\$ 451,999</u>	

Apple Canyon Utility Company
Proposed Revenues

Schedule E

	A	B	C	D	E	F	G
	WATER			Usage			
Line	Meter Size	Gallorage	Charge	Units	BFC	Revenues	
1	<u>All Subs:</u>						
2	5/8" Res.	18,508,175	\$ 7.33	10,440	\$ 24.08	\$ 387,074	
3	3/4" Res.	87,400	\$ 7.33	12	\$ 26.49	\$ 959	
4	1" Res.	117,070	\$ 7.33	84	\$ 28.90	\$ 3,286	
5	1.5" Res.	-	\$ 7.33	-	\$ 31.30	\$ -	
6	2" Res.	-	\$ 7.33	-	\$ 33.71	\$ -	
7	3" Res.	-	\$ 7.33	-	\$ 36.15	\$ -	
8	4" Res.	-	\$ 7.33	-	\$ 38.55	\$ -	
9	6" Res.	-	\$ 7.33	-	\$ 40.97	\$ -	
10	5/8" Coml.	149,900	\$ 7.33	36	\$ 24.08	\$ 1,966	
11	3/4" Coml.	-	\$ 7.33	-	\$ 26.49	\$ -	
12	1" Coml.	190,630	\$ 7.33	24	\$ 28.90	\$ 2,091	
13	1.5" Coml.	675,900	\$ 7.33	48	\$ 31.30	\$ 6,458	
14	2" Coml.	18,050	\$ 7.33	12	\$ 33.71	\$ 537	
15	3" Coml.	210,910	\$ 7.33	12	\$ 36.15	\$ 1,980	
16	4" Coml.	-	\$ 7.33	-	\$ 38.55	\$ -	
17	6" Coml.	-	\$ 7.33	-	\$ 40.97	\$ -	
18	Availability	-	\$ -	20,952	\$ 8.43	\$ 176,682	
19							
20		<u>19,958,035</u>		<u>31,620</u>		<u>\$ 581,034</u>	