DIRECT TESTIMONY

of

RICHARD W. BRIDAL II

Accountant
Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Apple Canyon Utility Company
Proposed General Increase in Water Rates

Lake Wildwood Utilities Corporation
Proposed General Increase in Water Rates

Docket Nos. 12-0603/ 12-0604
Consolidated

January 22, 2013

Table of Contents

Witness Identification 1

Schedule Identification 2

Incentive Compensation 3

Cap-time Adjustment 7

Appeals Costs 9

Rate Case Expense 10

Cost of Unaccounted-for Water 15

Add-on Taxes 16

New Customer Charge 16

Revenues Associated with HomeServe USA Service Plans 17

Other Comments 17

Conclusion 18

Witness Identification

Q. Please state your name and business address.

A. My name is Richard W. Bridal II. My business address is 527 East Capitol Avenue, Springfield, Illinois 62701.

Q. By whom are you employed and in what capacity?

A. I am currently employed as an Accountant in the Accounting Department of the Financial Analysis Division of the Illinois Commerce Commission ("ICC" or "Commission").

Q. Please describe your professional background and affiliations.

A. I am a Certified Public Accountant with a Bachelor of Business in Accountancy from Western Illinois University. Prior to joining the Commission Staff ("Staff") in October 2008, I was employed for 8 years as an auditor by the Medicare Part A Fiscal Intermediary for Illinois.

Q. Have you previously testified before any regulatory bodies?

A. Yes. I have testified on multiple occasions before the Commission.

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

A. I have reviewed and analyzed the filings of Apple Canyon Utility Company ("Apple Canyon" or "Company") and Lake Wildwood Utilities Corporation ("Lake Wildwood" or "Company"), analyzed the underlying data, and proposed adjustments when appropriate. The purpose of my testimony is to:

1. Propose adjustments to the Statement of Operating Income concerning Incentive Compensation, Cap-time Adjustment, Appeals Costs related to Docket Nos. 09-0548/09-0549 (Cons.), Rate Case Expense, the Cost of Unaccounted for Water, Add-on Taxes, and Revenues Associated with HomeServe USA Service Plans;

2. Set forth an adjustment for revenue associated with the New Customer Charge, as described by Staff witness Ms. Cheri Harden (Staff Ex. 4.0);

3. Recommend that the Companies provide in rebuttal testimony amounts for adjustments due to outstanding discovery related to incentive compensation expense and rate case expense.

<u>Schedule Identification</u>

Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 3.0?

A. Yes. I am sponsoring the following schedules for the Companies, which show data as of, or for, the test year ending December 31, 2011:

Schedule 3.01 AC and LW	Adjustment for Incentive Compensation
Schedule 3.02 AC and LW	Adjustment for Cap-time
Schedule 3.03 AC and LW	Adjustment for Appeals Costs
Schedule 3.04 AC and LW	Adjustment for Rate Case Expense
Schedule 3.05 AC and LW	Adjustment for Cost of Unaccounted-for Water
Schedule 3.06 AC and LW	Adjustment for Add-on Taxes
Schedule 3.07 AC and LW	Adjustment for New Customer Charge

Schedule 3.08 AC and LW	Adjustment for Revenues Associated with HomeServe USA Service Plans

Q. Are you sponsoring any attachments as part of ICC Staff Exhibit 3.0?

A. Yes. I am sponsoring the following attachments for the Companies:

Attachment A	Companies' Responses to Staff Data Request ("DR") RWB 1.04 and RWB 2.04 (with attachments)

Q. Please explain the AC and LW suffixes that appear in your schedule numbers.

A. These suffixes indicate the Company to which a particular schedule applies. For example, Schedule 3.01 AC applies to Apple Canyon, while Schedule 3.01 LW applies to Lake Wildwood.

<u>Incentive Compensation</u>

Q. Please describe Schedule 3.01, Adjustment for Incentive Compensation.

A. Schedule 3.01 for each utility presents my adjustments to operating expense to remove incentive compensation costs from the revenue requirement. The incentive compensation costs have not been shown to be related to activities that provide customer benefits, but rather, appear to be entirely for stockholder or employee benefit and related to activities that are tied to net income, cash flow, return on investment, or other activities that should otherwise be provided by the utilities during the regular course of business. Such incentive compensation amounts should not be recovered from ratepayers.

Q. Has Staff proposed adjustments to remove incentive compensation costs from revenue requirements in previous Utilities, Inc. operating utilities' rate proceedings?

A. No. Prior to this proceeding, Staff understood that the Utilities, Inc. operating utilities included costs related to pension contributions made by Utilities, Inc. on behalf of its employees in their revenue requirements. However, during the current proceedings Staff discovered that the retirement plan provided by Utilities, Inc. was not a simple pension plan, but rather was an incentive compensation plan which formed the basis of contributions to employee 401(k) accounts dependent on the achievement of certain Key Performance Indicators ("KPIs").

Q. Please describe the incentive compensation plan.

A. As of the writing of this testimony, the Companies have failed to provide any detailed explanation or documentation which adequately describes the incentive compensation plan. Staff DRs RWB 6.01 through RWB 6.04 requesting clarification of the incentive plan remain outstanding. My understanding of the incentive compensation plan originates from the Companies' responses to Staff DR RWB 1.04 and RWB 2.04 (attached as Staff Ex. 3.0, Attachment A). This documentation indicates that the incentive compensation plan provides for contributions to employees' 401(k) accounts based on the measurement of 11 KPIs:

(1) Meet Core EBITDA Plan,

(2) Meet Budget Δ in UI Cash Flow Plan,

(3) Increase ROE,

(4) Timely and Accurate Billing,

(5) Service Orders Completed On-Time,

(6) Reduce MVA Rate,

(7) Reduce Work Related Injury Rate,

(8) Employee Satisfaction,

(9) Implement Employee Reward & Recognition Program,

(10) Maintain & Improve Compliance, and

(11) Implement Community Participation Program.

My adjustment disallows the costs associated with each of the above KPIs.

Q. Why should incentive compensation costs related to KPIs (1) Meet Core EBITA Plan, (2) Meet Budget Δ in UI Cash Flow Plan, and (3) Increase ROE be removed from the revenue requirement?

A. Ratepayers should not be required to fund incentive compensation plans linked to the financial performance goals of the regional or parent Company. Linking incentive compensation to these types of goals introduces an inappropriate circular relationship between rates and the expenses such rates are designed to cover: the larger the rate increase granted, the more success the Companies, Water Service Company ("WSC"), and their parent, Utilities Inc., will have in achieving their earnings goals. Thus, everything else held equal, a rate increase that includes incentive compensation costs will enhance the ability of the Companies, WSC, and Utilities, Inc. to award incentive compensation under an incentive compensation plan linked to financial performance. This circular

process may provide benefits to the shareholders, but it provides little benefit to ratepayers. Because financial performance goals primarily benefit shareholders, the shareholders should bear the cost of incentive compensation plans based on such goals. The Commission has accepted this argument in past rate cases denying recovery of incentive compensation costs based on financial goals[1].

Q. Why should incentive compensation costs related to KPIs (4) Timely and Accurate Billing, (5) Service Orders Completed On-Time, (6) Reduce MVA Rate, (7) Reduce Work Related Injury Rate, and (10) Maintain & Improve Compliance be removed from the revenue requirement?

A. All of the activities in question are services already expected in the provision of safe, reliable, least cost utility service. Ratepayers should not be asked to pay extra for timely, accurate, and safe service that is compliant with all applicable rules and standards. Providing timely and accurate billing and completing service orders on time are basic tenants of providing reliable utility service. Providing safe service that is compliant with all applicable rules and standards is also a basic tenant of providing utility service. The ratepayers should not be forced to pay a premium for services that should be inherent in providing basic utility service.

Q. Why should incentive compensation costs related to KPIs (8) Employee Satisfaction and (9) Implement Employee Reward & Recognition Program be removed from the revenue requirement?

[1] *See, e.g.*, Order, Docket No. 11-0436, February 16, 2012, p. 8; Order, Docket No. 10-0194, December 2, 2010, p. 10; Order, Docket Nos. 09-0166/09-0167 (Cons.), January 21, 2010, pp. 58-59; and Order, Docket Nos. 07-0585 – 07-0590 (Cons.), September 24, 2008, pp. 106-208.

A. It is unclear how employee satisfaction and employee reward & recognition programs serve to benefit ratepayers. These KPIs appear to be solely for the benefit of employees, with no explanation of how they impact ratepayers. Thus, the incentive compensation costs associated with these KPIs should not be allowed.

Q. Why should incentive compensation costs related to KPI (11) Implement Community Participation Program be removed from the revenue requirement?

A. While this KPI could potentially result in ratepayer benefit, it is unclear how such activities would benefit the Apple Canyon and Lake Wildwood ratepayers. For ratepayers to benefit, at a minimum, tangible participation in the Apple Canyon and Lake Wildwood communities would need to occur. There has been no showing by the Companies that any type of community participation has occurred, let alone community participation which is to the benefit of the ratepayers. Thus, incentive compensation costs associated with this KPI should not be allowed.

<u>Cap-time Adjustment</u>

Q. Please describe Schedule 3.02, Adjustment for Cap-time.

A. Schedule 3.02 for each utility presents my adjustments to operating expenses to amend the Cap-time amounts allocated to the utilities. My adjustments increase the amount of Cap-time allocated to each utility by 3%, the amount of salary increase included in the *pro forma* adjustments for salaries expense.

Q. What is Cap-time?

A. Capitalized time ("Cap-time"), as the term is used in this proceeding, is the amount of salary expense directly associated with the time employees spend working on specific, identifiable, assignable projects. Cap-time salaries are, therefore, allocated directly to the utilities with the projects that generate or are expected to generate that salary expense. In contrast, all other salaries expense is apportioned to the utilities based on an approved allocation mechanism. Both Cap-time salaries and all other general salaries expense are proposed to be increased by the Companies. Both types of salaries expense should be increased at the same rate unless the Companies can show a basis to do otherwise, which they have not done. At issue here is the amount of the Companies' allocated Cap-time adjustments, which did not receive the 3% increase that was applied to total salaries. The Companies' Cap-time adjustments ultimately reduce the amount of salary expense allocated to the Companies.

Q. Why is it necessary to increase the Companies' Cap-time adjustment amounts by the salary increase percentage?

A. The Companies' rate case templates increased total salary expenses (including Cap-time salaries) by 3%, and then allocated the increased salaries among all the utilities. Those same rate case templates also allocated a negative Cap-time adjustment among the utilities, as a reduction to salaries, so that only the utilities that incurred the Cap-time costs are effectively charged for it. A proper Cap-time adjustment would not only remove the associated base salary expense but also

the 3% increase that was included at the very beginning of the calculation. Unfortunately, the Companies' Cap-time adjustment only removed the base salary expense. Therefore, in order to remove the 3% increase the Companies neglected to also remove, it is necessary to increase the Companies' Cap-time adjustment by 3%.

Appeals Costs

Q. Please describe Schedule 3.03, Adjustment for Appeals Costs.

A. Schedule 3.03 for each utility presents my adjustments to operating expenses to remove the appeals costs related to the Companies' prior rate cases, Docket Nos. 09-0548/09-0549 (Cons.). These costs are above and beyond what was approved as rate case expense by the Commission in those proceedings. Further, ratepayers should not be forced to compensate the Companies for costs of actions they undertook as a result of their dissatisfaction with the Commission's Order.

Q. Please explain how the appeal costs are above and beyond what was approved by the Commission in Docket Nos. 09-0548/09-0549 (Cons.).

A. In response to Staff DR RWB 3.03 and RWB 3.06, the Companies stated that they spent amounts well in excess of the approved Docket Nos. 09-0548/09-0549 (Cons.) rate case expense amounts. (Apple Canyon spent $186,393, but was approved for only $94,107. Lake Wildwood spent $171,063, but was approved for only $90,573.) The Companies also stated that they had written off significant amounts of those excesses during 2010. (Apple Canyon wrote off $92,286 in 2010, and Lake Wildwood wrote off $80,490.) Therefore, the appeals

costs incurred in 2011 are also in excess of the previously-approved rate case expense amounts.

<u>Rate Case Expense</u>

Q. Please describe Schedule 3.04, Adjustment for Rate Case Expense.

A. Schedule 3.04 for each utility presents my adjustments to:

(1) Remove the legal fees because they have not been adequately supported;

(2) Reduce WSC personnel costs to amounts more consistent with the supporting documentation submitted to date;

(3) Remove the external consulting fees for SFIO Consulting because they have not been adequately supported; and

(4) Restate the unamortized rate case expense from prior rate cases approved 9/09/2010 based on corrected amortization amounts.

Q. Please explain why your adjustment removes legal fees from allowable rate case expense.

A. With the exception of two invoices and a single paragraph DR response, the Companies have failed to provide any detailed description, explanation, or support for the legal fees requested in their proposed rate case expense. Staff requested in discovery that the Companies provide "…all facts, information, data, analyses and assessments including all requests for proposals, bids, contracts, invoices, and other supporting documentation supporting the contention that the amounts set forth in rate case expense are just and reasonable amounts to

prepare and litigate the current general rate case." (Staff DR TEE 3.05) The two invoices provided in support of legal fees are not sufficient to support the recovery of $30,000 in legal fees requested by each Company. The one paragraph DR response lacks sufficient detail regarding how it was determined that $30,000 is the appropriate dollar amount for legal fees for each Company. Further, the support provided is inadequate to give the Commission a basis for the finding required by the Section 9-229 of the Public Utilities Act (the "Act").

Q. Please explain why your adjustment reduces the amount of internal rate case expense attributed to WSC personnel.

A. In response to Staff DR TEE 3.06, the Companies provided documentation which supports an amount of internal rate case expense which is less than that originally requested in the Companies' initial filings. My adjustment reduces the amount of rate case expense attributed to WSC personnel consistent with the amounts provided in the Companies response to Staff DR TEE 3.06.

Q. Please explain why your adjustment removes external consultant fees for SFIO Consulting from rate case expense.

A. With the exception of a single paragraph DR response, the Companies have failed to provide any detailed description, explanation, or support for the external consultant fees requested in their proposed rate case expense. Staff requested in discovery that the Companies provide "…all facts, information, data, analyses and assessments including all requests for proposals, bids, contracts, invoices, and other supporting documentation supporting the contention that the amounts set forth in rate case expense are just and reasonable amounts to prepare and

litigate the current general rate case." (Staff DR TEE 3.05) While I note that in response to Staff DR TEE 3.06 the Companies reduced their estimates for external consultant fees, no support for those fees has been submitted. No evidence has been provided which supports a contention that external consultants have already provided services to the Companies or that external consultants will provide any services to the Companies during the remainder of these proceedings. Given the absence of documentation in support of the recovery of the requested external consulting fees, and because no information has been submitted which would allow the Commission to reach the finding required by Section 9-229 of the Act, my proposed adjustment removes the external consulting fees in question from rate case expenses.

Q. Please explain why you restated the unamortized rate case expense from prior rate cases approved September 9, 2010 (Docket Nos. 09-0548/09-0549 (Cons.)).

A. My adjustments restate the unamortized rate case expense from prior rate cases approved September 9, 2010 based on corrected amortization amounts. In response to Staff DRs RWB 3.02 and RWB 3.05, the Companies acknowledged that they had erred in their determination of amortization amounts for rate case expense from prior rate cases. My adjustment restates the unamortized amounts to the correct amounts expected to remain unamortized when rates for this proceeding become effective.

Q. Are you aware of any unresolved potential issues related to rate case expenses?

A. Yes, I expect the Companies to submit, in response to certain Staff DRs, both new and supplemental responses related to the prudence and reasonableness of actual rate case expenses throughout the progression of the case. Accordingly, I may modify my rate case expense adjustments as necessary, based on any subsequent responses that the Companies provide. For example, the Companies have not provided any bids, requests for proposals, or contracts associated with outside legal fees or technical experts, even though such costs were included in the Companies' rate case expense estimates and such documentation was requested in Staff's discovery requests. Further, I expect additional documentation in support of internal WSC personnel costs and various other invoices. In rebuttal testimony I will amend my adjustment to rate case expense as necessary. In their own rebuttal testimony, the Companies should set forth detailed explanations and provide supporting documentation which would allow for Staff and the Commission to reach the findings required by Section 9-229 of the Act.

Q. Recognizing that you are not an attorney, what does Section 9-229 of the Act require?

A. My understanding is that the Commission is required to expressly address in its final order the justness and reasonableness of any amount expended by a public utility to compensate external attorneys or technical experts to prepare and litigate a general rate case filing.

Q. Given the information available at the time of your direct testimony, do you have a recommendation for the amount of rate case expense the

Companies should be allowed to recover in their respective revenue requirements?

A. Yes. I recommend the Commission allow Apple Canyon to recover $15,701 in amortized rate case expense in its revenue requirement. This amount represents a total allowable rate case expense amount of $75,506 amortized over a 5-year period. This amount represents the total allowable costs for customer notices, miscellaneous costs, travel, and WSC personnel. Further, this amount excludes all amounts Apple Canyon estimated it would expend to compensate external attorneys ($30,000) and external technical experts ($6,000) to prepare and litigate this proceeding.

I recommend the Commission allow Lake Wildwood to recover $15,056 in amortized rate case expense in its revenue requirement. This amount represents a total allowable rate case expense amount of $75,278 amortized over a 5-year period. This amount represents the total allowable costs for customer notices, miscellaneous costs, travel, and WSC personnel. Further, this amount also excludes all amounts Lake Wildwood estimated it would expend to compensate external attorneys ($30,000) and external technical experts ($6,000) to prepare and litigate this proceeding.

Q. Given the information available at the time of your direct testimony, do you have a recommendation for the Commission as to the language that should be included in the final order with regards to Section 9-229 of the Act?

A. Yes. I recommend that the Order in this proceeding express a Commission conclusion as follows:

The Commission has considered the costs expended by the Companies to compensate attorneys and technical experts to prepare and litigate these rate case proceedings and assesses that the amounts included as rate case expense in the revenue requirements of $15,701[2] for Apple Canyon and $15,056[3] for Lake Wildwood are just and reasonable.

<u>Cost of Unaccounted-for Water</u>

Q. Please describe Schedules 3.05AC and LW, Adjustment for Cost of Unaccounted-for Water.

A. Schedule 3.05 for each utility presents my adjustments to decrease the Companies' maintenance expenses because the unaccounted-for water percentages exceeded the maximum as defined in the Companies' tariffs.

Q. Please explain your rationale for decreasing maintenance expenses due to the Companies' excess unaccounted-for water percentages.

A. Unaccounted-for water is the difference between the amount of water *pumped* and the amount of water *sold* by a water utility. The maximum percentage unaccounted-for water sets a limit on the amount of unaccounted-for water costs that may be recovered by the Companies.[4] When the *actual* unaccounted-for water percentage exceeds the *maximum* unaccounted-for water percentage, the production or maintenance costs (purchased power and chemicals) should be reduced by the excess unaccounted-for water percentage. My proposed

[2] Staff Ex. 13.0, Sch. 3.04 AC, l. 13
[3] Staff Ex. 13.0, Sch. 3.04 LW, l. 13
[4] Apple Canyon Utility Company, ILL. C.C. No. 1, First Revised Sheet No. 38, effective March 19, 2007; Lake Wildwood Utilities Corp., ILL.C.C. No. 3, Original Sheet No. 33, effective February 12, 2007.

adjustment limits the cost ratepayers bear for unaccounted-for water to what the Commission has approved in the Companies' tariffs.

Add-on Taxes

Q. Please describe your Schedules 3.06AC and LW, Adjustment for Add-on Taxes.

A. Schedule 3.06 for each utility presents my adjustments to operating expense to remove public utility taxes included in the Companies' pro forma present revenue requirements from the final approved revenue requirements. The additional amounts of add-on tax included in the Companies' proposed increases are removed through the gross revenue conversion factor on column (f) of Schedules 1.01 AC and 1.01 LW. The taxes, which are an add-on charge to customers' bills, are not an actual operating expense of the utility and should not be included in tariffed rates.

New Customer Charge

Q. Please describe your Schedule 3.07, Adjustment for New Customer Charge.

A. Schedule 3.07 for each utility presents Staff's adjustments to move revenue associated with the New Customer Charge from Water Service Revenues to Miscellaneous Revenues. I sponsor the adjustment schedule, while Staff witness Ms. Harden provides the rationale for the adjustment in her direct testimony, Staff Ex. 4.0.

Revenues Associated with HomeServe USA Service Plans

Q. Please describe your Schedule 3.08, Adjustment for HomeServe USA Service Plans.

A. Schedule 3.08 for each utility presents my adjustments to include in other revenues amounts attributable to the compensation received by WSC from HomeServe USA as a result of ratepayers from each utility enrolling in HomeServe USA service repair plans.[5] This adjustment is similar to that set forth by Staff and accepted by the Companies' sister utilities in Docket Nos. 11-0561 – 11-0566 (Cons.). This compensation should be included in utility revenues as it is directly attributable to the provision of ratepayer information to HomeServe USA. In their supplemental response to Staff DR RWB 3.01, the Companies indicate that they do not object to this adjustment.

Other Comments

Q. Do you have any other comments?

A. Yes. As of the writing of this testimony, responses to Staff DRs remain outstanding. Notably, responses to Staff DRs RWB 6.01 – RWB 6.04 regarding 401(k) match and incentive compensation have not been received. I am also awaiting responses to Staff DRs RWB 7.01 – RWB 7.03 regarding internal rate case expense and Staff DRs RWB 8.01 – RWB 8.10 regarding rate case expense for external attorneys and technical experts. Further, the Company will be providing supplemental responses to Staff DR RWB 5.01 regarding rate case

[5] The compensation paid to WSC is described in the confidential Marketing Agreement between WSC and HomeServe USA. The Marketing Agreement was entered into the evidentiary record in Docket Nos. 11-0561 – 11-0566 (Cons.) as Staff Ex. 12.0, Conf. Attachment B.

expense and will be providing responses to various other Intervenor DRs. I will update my adjustments as necessary in rebuttal testimony dependent on the DR responses provided by the Companies.

Conclusion

Q. Does this question end your prepared direct testimony?

A. Yes it does.

ILLINOIS COMMERCE COMMISSION
DOCKET NO. 12-0603 Apple Canyon Utility Company
DOCKET NO. 12-0604 Lake Wildwood Utilities Corporation
Responses to Staff Data Requests RWB 1.01 – 1.10

RWB 1.04 The WP-Appendix tab includes Pension and 401(k) percentages in column B, Lines 29 and 30. Column C of Lines 29 and 30 states that the source for the percentages is "historical practice." Please provide detailed support for the "historical practice" referenced therein.

The response to this question is provided by Dimitry Neyzelman.

RESPONSE: Utilities Inc. has two benefit plans currently: a 401k and a profit sharing described below. For employees who are participating in the 401k plan, the Company matches (at a 50% contribution rate) up to 6% of the employees' salary that is being contributed towards the 401k retirement plan. In other words, the Company will match $.50 on every $1.00 each employee contributes to the 401k plan up to a maximum contribution equal to 3% of the base annual compensation. Matching contributions are made in the same pay period in which the employee contributions are made.

Company contributions 3% contributions: these are actual contributions that Utilities Inc. makes to each employee who is contributing to the 401k plan. The contributions are 2010 contributions made during 2011.

Company contributions 4% profit sharing: This percentage is an estimated average based on the profit sharing contributions made in the past. Enclosed are two historic announcements related to the profit sharing contributions for 2010 made in 2011 and 2011 made in 2012. The 2010 percentage was 4.5% while the 2011 percentage was 6.5%.

Dimitry Neyzelman

From: Lisa Sparrow
Sent: Sunday, March 06, 2011 8:16 PM
To: Entire Company
Subject: 2010 401K Payment and 2011 Plan
Attachments: 2010 12 Tier I KPI REPORT.xls; Tier II KPI REPORT 2010.xls

UI Team –

I am proud to inform you that our 2010 audited financial statements are in and we finished the year just over plan at 101% of EBITDA!! (Please find attached the final KPIs for 2010.) Recall our sharing plan for the 2010 401K contribution is based on 4% of an individual's 2010 wages for meeting our EBITDA budget + 0.5% for every 1% over plan. Although we indicated performance on all of our KPIs was required to pay out that bonus at 100%, our performance was particularly outstanding given the revenue challenges we faced in 2010. As such, I am pleased to share that eligible employees will be receiving a contribution of 4.5% of their 2010 wages in their 401K plans. Congratulations and very nice work. We still have work to do on our non-financial metrics though and will need to focus our attention there this year.

We understand that the economy has been tough on many of our families and a contribution to 401K might not be perceived as beneficial as cash today (although long term value is undisputedly and considerably higher in a 401K). We looked into our ability to allow employees to choose a bonus vs. 401K; however, after an exhaustive review we are unable to provide cash bonuses to some without affecting the tax deferred benefit for all. However, we are funding the 4.5% contribution immediately (vs. waiting until September as has been done traditionally). Therefore, vested balances will be available for borrowing or withdrawal (w/ associated tax impacts) if you so choose.

I am also pleased to announce details for the 2011 401k plan. As you already know from the updated 2011 Benefits Manual, we are continuing to match $0.50 for each $1 invested in your 401K, up to a maximum of 6% contributed for a total 3% match. In addition, we will continue the plan for a discretionary contribution of 4% for meeting our budgeted EBITDA, and a 0.5% increase over that for every 1% over budget.

If you have any questions at all about the program or this year's contribution, please feel free to contact Jim Devine.

Thank you for the amazing work in 2010 and I look forward to a great 2011!

Regards
Lisa

Dimitry Neyzelman

From: Lisa Sparrow
Sent: Wednesday, March 14, 2012 5:24 PM
To: Entire Company
Subject: 2011 Results and 401K Performance Payment
Attachments: 2011 12 KPIs v2 021712.xlsx

UI Team –

Please find attached our final 2011 KPIs. I am pleased to announce that our 2011 audit has been completed and we ended the year 7% over plan on EBITDA. This level of performance yields a maximum target payout to 401Ks of 7.5%. When we apply the total performance of ***all KPIs*** this results in a 401K payment of 6.5%. Eligible employees will see this payment in their 401K account shortly. I hope you find this result as exciting as I do. Thank you for all of your hard work in achieving these outstanding results. To help understand the how we arrive at a 6.5% payout, please see the relative weighting of all the KPI's below. When averaged they result in 85.7% of a 7.5% target which is 6.5%.

Meet Core EBITDA Plan	Dollars ($MM)	$2.0	100%
Meet Budget Δ in UI Cash Flow Plan	Net Δ in UI Cash Flow vs. Budget ($MM)	$0.3	100%
Increase ROE	ROE % (TTM)	1.37	100%
Timely and Accurate Billing	% Billed On-Time	(0.2)	100%
	% of Accurate Bills	(1.8)	100%
Service Orders Completed On-Time	% Completed by Due Date	(8.2)	50%
Reduce MVA Rate	# of On- Road MVA's / 1,000,000 Miles	(2.21)	25%(1)
	# of Off- Road MVA's	7	100%
Reduce Work Related Injury Rate	# of OSHA Reportable Injuries / 100 Employees	(1.17)	25%(2)
Employee Satisfaction	10% Improvement in Employee Satisfaction Survey	(0.46)	100%(3)
Implement Employee Reward & Recognition Program	100% Program Implementation	0	100%

Maintain & Improve Compliance	% of System Days in Compliance	2.1	100%
	% of Systems in Compliance or on Compliance Plan	0.0	100%
Implement Community Participation Program	100% Program Implementation	0.0	100%

(1) This weighting was increased from 0% after a review of on-road MVA's identified a number of MVAs were not "at fault".
(2) This weighting was increased from 0% after a review of OSHA injuries indicated that some injuries were minor and difficult to prevent (e.g. bee stings).
(3) This weighting was increased from 50% given that the underlying data supported the goal we were trying to achieve, which was to significantly improve employee satisfaction. We did not feel it was appropriate to penalize this KPI simply because we picked only one question to review.

We are in the process of finalizing the 2012 KPIs and will have that information out to you shortly. If you have any questions in the interim, please let me know. Again, great job in 2011 and many thanks to each of you for achieving these results.

Regards
Lisa Sparrow
President and CEO

ILLINOIS COMMERCE COMMISSION
DOCKET NO. 12-0603 Apple Canyon Utility Company
DOCKET NO. 12-0604 Lake Wildwood Utilities Corporation
Responses to Staff Data Requests RWB 2.01 – 2.10

RWB 2.04 The WP-Appendix tab includes Pension and 401(k) percentages in column B, Lines 29 and 30. Column C of Lines 29 and 30 states that the source for the percentages is "historical practice." Please provide detailed support for the "historical practice" referenced therein.

The response to this question is provided by Dimitry Neyzelman.

RESPONSE: Utilities Inc. has two benefit plans currently: a 401k and a profit sharing described below. For employees who are participating in the 401k plan, the Company matches (at a 50% contribution rate) up to 6% of the employees' salary that is being contributed towards the 401k retirement plan. In other words, the Company will match $.50 on every $1.00 each employee contributes to the 401k plan up to a maximum contribution equal to 3% of the base annual compensation. Matching contributions are made in the same pay period in which the employee contributions are made.

Company contributions 3% contributions: these are actual contributions that Utilities Inc. makes to each employee who is contributing to the 401k plan. The contributions are 2010 contributions made during 2011.

Company contributions 4% profit sharing: This percentage is an estimated average based on the profit sharing contributions made in the past. Enclosed are two historic announcements related to the profit sharing contributions for 2010 made in 2011 and 2011 made in 2012. The 2010 percentage was 4.5% while the 2011 percentage was 6.5%.

Please see the files attached to Staff DR RWB 1.04.

Apple Canyon Utility Company
Adjustment for Incentive Compensation
For the Test Year Ending December 31, 2011

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Allowable Operations Pension/Incentive Compensation per Staff	$ -	
2	Operations Allocation - Pension per Company	3,457	Company wp-b, Col J, Ln 35
3	**Staff Proposed Adjustment for Operations Incentive Compensation (Adjustment to Maintenance Expenses)**	**$ (3,457)**	Line 1 - Line 2
4	Allowable Non-Operations Pension/Incentive Compensation per Staff	$ -	
5	Office - Pension per Company	370	Company wp-b-4, Col I, Ln 46
6	WSC - Pension per Company	1,358	Company WSC Salaries wp (pension x allocator)
7	Total Non-Operations Pension Costs per Company	1,728	Line 5 + Line 6
8	**Staff Proposed Adjustment for Non-Operations Incentive Compensation (Adjustment to General Expense)**	**$ (1,728)**	Line 1 - Line 7
		(5,185)	

Lake Wildwood Utilities Corporation
Adjustment for Incentive Compensation
For the Test Year Ending December 31, 2011

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Allowable Operations Pension/Incentive Compensation per Staff	$ -	
2	Operations Allocation - Pension per Company	3,612	Company wp-b, Col J, Ln 35
3	**Staff Proposed Adjustment for Operations Incentive Compensation (Adjustment to Maintenance Expenses)**	**$ (3,612)**	Line 1 - Line 2
4	Allowable Non-Operations Pension/Incentive Compensation per Staff	$ -	
5	Office - Pension per Company	194	Company wp-b-4, Col I, Ln 46
6	WSC - Pension per Company	714	Company WSC Salaries wp (pension x allocator)
7	Total Non-Operations Pension Costs per Company	908	Line 5 + Line 6
8	**Staff Proposed Adjustment for Non-Operations Incentive Compensation (Adjustment to General Expense)**	**$ (908)**	Line 1 - Line 7
		(4,520)	

Apple Canyon Utility Company
Adjustment for Cap-time
For the Test Year Ending December 31, 2011

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Operating Exp. Cap-time Charged to Plant	$ (44,315)	Company Wp-b2 Salary Captime, Ln. 125
2	Salary Increase Percentage per Company	3%	Company wp-apendix, Ln. 19
3	Operating Exp. Cap-time Charged to Plant per Staff	(45,644)	Line 1 x (1 + Line 2)
4	Operating Exp. Cap-time Charged to Plant per Company	(44,315)	Company Sch. B-I.S., Ln. 18, Col F
5	**Staff Proposed Adjustment - Operating Exp. Cap-time Charged to Plant (Adjustment to Maintenance Expenses)**	**$ (1,329)**	Line 3 - Line 4

Lake Wildwood Utilities Corporation
Adjustment for Cap-time
For the Test Year Ending December 31, 2011

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Operating Exp. Cap-time Charged to Plant	$ (39,712)	Company Wp-b2 Salary Captime, Ln. 125
2	Salary Increase Percentage per Company	3%	Company wp-apendix, Ln. 19
3	Operating Exp. Cap-time Charged to Plant per Staff	(40,903)	Line 1 x (1 + Line 2)
4	Operating Exp. Cap-time Charged to Plant per Company	(39,712)	Company Sch. B-I.S., Ln. 18, Col F
5	**Staff Proposed Adjustment - Operating Exp. Cap-time Charged to Plant (Adjustment to Maintenance Expenses)**	**$ (1,191)**	Line 3 - Line 4

Apple Canyon Utility Company
Adjustment for Appeals Costs
For the Test Year Ending December 31, 2011

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Allowable Acct 6070 Misc. Reg Matters Comm Exp per Staff:	$ 12	Staff Ex. 3.0, Sch. 3.03AC, Ln 18
2	Account 6070 Misc. Reg Matters Comm Exp Balance per Company	19,872	Company Sch B, Ln 19; Company Linked TB
3	**Staff Proposed Adjustment to Remove Appeals Costs (Adjustment to Maintenance Expenses)**	**$ (19,860)**	Line 1 - Line 2
	Account 6070 Non-allowable Appleals Costs per Staff:		
4	OFFICE TEAM: RC-Write-Off	$ 165	TEE 3.18 AC Reg Comm Exp Other 2010-2011
5	FEB 10 RCL POs 1: Legal-Appeal	1,402	TEE 3.18 AC Reg Comm Exp Other 2010-2011
6	HOWARD & HOWARD: Legal-Appeal	148	TEE 3.18 AC Reg Comm Exp Other 2010-2011
7	MAY 11 RCL POs 11: Legal-Appeal	118	TEE 3.18 AC Reg Comm Exp Other 2010-2011
8	MAY 11 RCL POs 11: Legal-Appeal	30	TEE 3.18 AC Reg Comm Exp Other 2010-2011
9	MAY 11 RCL POs 11: Legal-Appeal	997	TEE 3.18 AC Reg Comm Exp Other 2010-2011
10	HOWARD & HOWARD: Legal-Appeal	885	TEE 3.18 AC Reg Comm Exp Other 2010-2011
11	SEPT 11 RECLASS PO 11: Legal-Appeal	1,753	TEE 3.18 AC Reg Comm Exp Other 2010-2011
12	OCT 11 RECLASS PO 14: Legal-Appeal	243	TEE 3.18 AC Reg Comm Exp Other 2010-2011
13	DEC 11 RECLASS PO 13: Legal-Appeal	1,256	TEE 3.18 AC Reg Comm Exp Other 2010-2011
14	DEC 11 RECLASS PO 13: Legal-Appeal	7,775	TEE 3.18 AC Reg Comm Exp Other 2010-2011
15	DEC 11 RECLASS PO 13: Legal-Appeal	3,761	TEE 3.18 AC Reg Comm Exp Other 2010-2011
16	DEC 11 RECLASS PO 13: Legal-Appeal	1,327	TEE 3.18 AC Reg Comm Exp Other 2010-2011
		19,860	
17	Account 6070 Misc. Reg Matters Comm Exp Balance per Company	19,872	Company Sch B, Ln 19; Company Linked TB
18	Allowable Acct 6070 Misc. Reg Matters Comm Exp per Staff	$ 12	

Lake Wildwood Utilities Corporation
Adjustment for Appeals Costs
For the Test Year Ending December 31, 2011

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Allowable Acct 6070 Misc. Reg Matters Comm Exp per Staff:	$ 4	Staff Ex. 3.0, Sch. 3.03LW, Ln 18
2	Account 6070 Misc. Reg Matters Comm Exp Balance per Company	20,176	Company Sch B, Ln 19; Company Linked TB
3	**Staff Proposed Adjustment to Remove Appeals Costs (Adjustment to Maintenance Expenses)**	**$ (20,172)**	Line1 - Line 2
	Account 6070 Non-allowable Appleals Costs per Staff:		
4	FEB 10 RCL POs 1: Legal-Appeal	$ 378	TEE 3.18 LW Reg Comm Exp Other 2010-2011
5	MAY 11 RCL POs 11: Legal-Appeal	118	TEE 3.18 LW Reg Comm Exp Other 2010-2011
6	MAY 11 RCL POs 11: Legal-Appeal	997	TEE 3.18 LW Reg Comm Exp Other 2010-2011
7	MAY 11 RCL POs 11: Legal-Appeal	148	TEE 3.18 LW Reg Comm Exp Other 2010-2011
8	MAY 11 RCL POs 11: Legal-Appeal	30	TEE 3.18 LW Reg Comm Exp Other 2010-2011
9	HOWARD & HOWARD: Legal-Appeal	885	TEE 3.18 LW Reg Comm Exp Other 2010-2011
10	SEPT 11 RECLASS PO 11: Legal-Appeal	1,833	TEE 3.18 LW Reg Comm Exp Other 2010-2011
11	OCT 11 RECLASS PO 14: Legal-Appeal	269	TEE 3.18 LW Reg Comm Exp Other 2010-2011
12	DEC 11 RECLASS PO 13: Legal-Appeal	1,200	TEE 3.18 LW Reg Comm Exp Other 2010-2011
13	DEC 11 RECLASS PO 13: SFIO-Appeal	500	TEE 3.18 LW Reg Comm Exp Other 2010-2011
14	DEC 11 RECLASS PO 13: Legal-Appeal	1,287	TEE 3.18 LW Reg Comm Exp Other 2010-2011
15	DEC 11 RECLASS PO 13: Legal-Appeal	3,498	TEE 3.18 LW Reg Comm Exp Other 2010-2011
16	DEC 11 RECLASS PO 13: Legal-Appeal	1,342	TEE 3.18 LW Reg Comm Exp Other 2010-2011
	DEC 11 RECLASS PO 13: Legal-Appeal	7,687	TEE 3.18 LW Reg Comm Exp Other 2010-2011
		20,172	
17	Account 6070 Misc. Reg Matters Comm Exp Balance per Company	20,176	Company Sch B, Ln 19; Company Linked TB
18	Allowable Acct 6070 Misc. Reg Matters Comm Exp per Staff	$ 4	

Apple Canyon Utility Company

Adjustment for Rate Case Expense

For the Test Year Ending December 31, 2011

Line No.	Description		Total Rate Case Expense Per Staff	Total Rate Case Expense Per Company	Staff Proposed Adjustment (b-c)
	(a)		(b)	(c)	(c)
	Rate Case Expense				
1	Legal Fees	[1]	$ -	$ 30,000	
2	Customer Notices		1,979	2,949	
3	Fed Ex, mailings, postage, and miscellaneous costs		2,000	2,000	
4	Travel		1,200	1,200	
5	WSC Personnel		33,145	71,542	
6	External Consultants (SFIO Consulting)	[2]	-	6,000	
7	Total Cost of Current Case - estimated to Complete (Sum of lines 1 thru 6)		38,324	113,691	
8	Unamortized Rate Case Expense from prior Rate Case approved 9/09/2010	[3]	39,212	37,638	
9	Total Rate Case Expense (Line 7 + Line 8)		77,536	151,329	
10	Amortization Period		5	5	
11	**Rate Case Expense Amortization per Year (Line 9 / Line 10)**		**$ 15,507**	**$ 30,266**	**$ (14,759)**
	(Adjustment to General Expense)				

Sources:
Column (b) Company Response to Staff Data Request TEE 3.05, RWB 5.01
Column (c) Company wp-d

Notes:
[1] Legal Fees disallowed by Staff as unsupported
[2] External Consultants disallowed by Staff as unsupported
[3] Unamortized prior rate case expense calculated by Staff on Sch. 3.04, p. 2, Ln 10

Apple Canyon Utility Company

Adjustment for Rate Case Expense

For the Test Year Ending December 31, 2011

Line No.	Description	Unamortized Rate Case Expense Per Staff	Sources
	(a)	(b)	(c)
	Unamortized Rate Case Expense from prior Rate Case approved 9/09/2010		
1	Rate Case Expense approved in Docket No. 09-0548	$ 94,107	See Note A
2	Amortization Period approved in Docket No. 09-0548	5	See Note A
3	Annual Rate Case Expense Amortization approved in 09-0548	18,821	Line 1 / Line 2
4	Monthly Rate Case Expense Amortization	1,568	Line 2 / 12
5	2010 Amortization of Rate Case Expense (3 months)	4,705	Line 4 x 3 months
6	2011 Amortization of Rate Case Expense (12 Months)	18,821	Line 3 x 1 year
7	2012 Amortization of Rate Case Expense (12 Months)	18,821	Line 3 x 1 year
8	2013 Amortization of Rate Case Expense (8 Months)	12,547	Line 4 x 8 months
9	Total Amortization as of December 31, 2011	54,895	Line 5 + Line 6 + Line 7 + Line 8
10	Unamortized Docket 09-0548 Rate Case Expense as of December 31, 2011	39,212	Line 1 - Line 9

Note A: Order, Docket No. 09-0548/09-0549 (Cons.), September 9, 2010, pp 20-21 (referring to Staff Ex. 8.0C, Sch 8.03AC)

Lake Wildwood Utilities Corporation

Adjustment for Rate Case Expense

For the Test Year Ending December 31, 2011

Line No.	Description		Total Rate Case Expense Per Staff	Total Rate Case Expense Per Company	Staff Proposed Adjustment (b-c)
	(a)		(b)	(c)	(c)
	Rate Case Expense				
1	Legal Fees	[1]	$ -	$ 30,000	
2	Customer Notices		966	1,550	
3	Fed Ex, mailings, postage, and miscellaneous costs		2,000	2,000	
4	Travel		1,200	1,200	
5	WSC Personnel		32,790	71,542	
6	External Consultants (SFIO Consulting)	[2]	-	6,000	
7	Total Cost of Current Case - estimated to Complete (Sum of Lines 1 thru 6)		36,956	112,292	
8	Unamortized Rate Case Expense from prior Rate Case approved 9/09/2010	[3]	37,738	36,229	
9	Total Rate Case Expense (Line 7 + Line 8)		74,694	148,521	
10	Amortization Period		5	5	
11	**Rate Case Expense Amortization per Year (Line 9 / Line 10)**		**$ 14,939**	**$ 29,704**	**$ (14,765)**
	(Adjustment to General Expense)				

Sources:
Column (b) Company Response to Staff Data Request TEE 3.06, RWB 5.01
Column (c) Company wp-d

Notes:
[1] Legal Fees disallowed by Staff as unsupported
[2] External Consultants disallowed by Staff as unsupported
[3] Unamortized prior rate case expense calculated by Staff on Sch. 3.04, p. 2

Lake Wildwood Utilities Corporation

Adjustment for Rate Case Expense

For the Test Year Ending December 31, 2011

Line No.	Description	Unamortized Rate Case Expense Per Staff	Sources
	(a)	(b)	(c)
	Unamortized Rate Case Expense from prior Rate Case approved 9/09/2010		
1	Rate Case Expense approved in Docket No. 09-0549	$ 90,573	See Note A
2	Amortization Period approved in Docket No. 09-0549	5	See Note A
3	Annual Rate Case Expense Amortization approved in 09-0549	18,115	Line 1 / Line 2
4	Monthly Rate Case Expense Amortization	1,510	Line 2 / 12
5	2010 Amortization of Rate Case Expense (3 months)	4,529	Line 4 x 3 months
6	2011 Amortization of Rate Case Expense (12 Months)	18,115	Line 3 x 1 year
7	2012 Amortization of Rate Case Expense (12 Months)	18,115	Line 3 x 1 year
8	2013 Amortization of Rate Case Expense (8 Months)	12,077	Line 4 x 8 months
9	Total Amortization as of December 31, 2011	52,835	Line 5 + Line 6 + Line 7 + Line 8
10	Unamortized Docket 09-0549 Rate Case Expense as of December 31, 2011	37,738	Line 1 - Line 9

Note A: Order, Docket No. 09-0548/09-0549 (Cons.), September 9, 2010, pp 20-21 (referring to Staff Ex. 8.0C, Sch 8.03LW)

Apple Canyon Utility Company

Adjustment for the Cost of Unaccounted-for Water

For the Test Year Ending December 31, 2011

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Total Water Sold (gallons)	19,958,035	2011 Form 22 ILCC, p. 17W
2	Estimate of Water Used for Flushing of the Distribution System (gallons)	665,650	2011 Form 22 ILCC p. 20W
3	Other Accounted-for Water (gallons)	-	2011 Form 22 ILCC p. 20W
4	Total Accounted-for Water (gallons)	20,623,685	Line 1 + Line 2 + Line 3
5	Total Water Pumped (gallons)	53,801,700	2011 Form 22 ILCC p. 20W
6	Unaccounted-for Water (gallons)	33,178,015	Line 5 - Line 4
7	Unaccounted-for Water Percentage	61.7%	Line 6 / Line 5
8	Maximum Unaccounted-for Water Percentage per Tariff	25.0%	Per Tariff Effective March 19, 2007
9	Excess Accounted-for Water Percentage	36.7%	Line 7 - Line 8
	Maintenance Expense Associated with Water Pumped		
10	Chlorine	$ (420)	Apple Canyon Sch. B, Ln 16 (see note [a])
11	Other Chemicals	5,697	Apple Canyon Sch. B, Ln 16 (see note [a])
12	Electricity (Pump)	8,868	Apple Canyon Sch. B, Ln 11
13	Total Maintenance Expense Associated with Water Pumped	$ 14,145	Line 10 + Line 11 + Line 12
14	**Staff Adjustment - Maintenance Expense Associated with Unaccounted-for Water**	**$ (5,187)**	Line 13 x Line 9, but not less than zero

Notes: [a] Apple Canyon Sch. B Ln 16 reports Chemical cost of $5,277. This is the sum of Chlorine cost and Other Treatment Chemicals cost set forth in the Company's trial balance accounts 5480 and 5490.

Lake Wildwood Utilities Corporation

Adjustment for the Cost of Unaccounted-for Water

For the Test Year Ending December 31, 2011

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Total Water Sold (gallons)	11,668,939	2011 Form 22 ILCC, p. 17W
2	Estimate of Water Used for Flushing of the Distribution System (gallons)	-	2011 Form 22 ILCC p. 20W
3	Other Accounted-for Water (gallons)	-	2011 Form 22 ILCC p. 20W
4	Total Accounted-for Water (gallons)	11,668,939	Line 1 + Line 2 + Line 3
5	Total Water Pumped (gallons)	17,549,000	2011 Form 22 ILCC p. 20W
6	Unaccounted-for Water (gallons)	5,880,061	Line 5 - Line 4
7	Unaccounted-for Water Percentage	33.5%	Line 6 / Line 5
8	Maximum Unaccounted-for Water Percentage per Tariff	15.0%	Per Tariff Effective February 12, 2007
9	Excess Accounted-for Water Percentage	18.5%	Line 7 - Line 8
	Maintenance Expense Associated with Water Pumped		
10	Chlorine	$ -	Lake Wildwood Sch. B, Ln 16 (see note [a])
11	Other Chemicals	-	Lake Wildwood Sch. B, Ln 16 (see note [a])
12	Electricity (Pump)	10,100	Lake Wildwood Sch. B, Ln 11
13	Total Maintenance Expense Associated with Water Pumped	$ 10,100	Line 10 + Line 11 + Line 12
14	**Staff Adjustment - Maintenance Expense Associated with Unaccounted-for Water**	**$ (1,869)**	Line 13 x Line 9, but not less than zero

Notes: [a] Lake Wildwood Sch. B reports Chemical cost of $(178). This is the sum of Chlorine cost, Odor Control Chemicals cost, and Other Treatment Chemicals cost set forth in the Company's trial balance accounts 5480, 5485, and 5490. Via proforma adjustment on Sch. B, Ln 16, the Company zeroed-out this "negative" expense.

Apple Canyon Utility Company
Adjustment for Add-On Taxes
For the Test Year Ending December 31, 2011

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Allowable Add-On Taxes per Staff	$ -	
2	Utility/Commission Tax per Company	(103)	Company wp-e, Line 3
3	**Staff Proposed Adjustment to Remove Add-On Taxes (Adjustment to Taxes Other Than Income)**	**$ 103**	Line 1 - Line 2

Lake Wildwood Utilities Corporation
Adjustment for Add-On Taxes
For the Test Year Ending December 31, 2011

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Allowable Add-On Taxes per Staff	$ -	
2	Utility/Commission Tax per Company	37	Company wp-e, Line 3
3	**Staff Proposed Adjustment to Remove Add-On Taxes (Adjustment to Taxes Other Than Income)**	**$ (37)**	Line 1 - Line 2

Apple Canyon Utility Company
Adjustment for New Customer Charge
For the Test Year Ending December 31, 2011

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Additional Revenues for New Customer Charge per Staff	$ 440	Staff Ex. 4.0, p. 25
2	Additional Revenues for New Customer Charge per Company	-	
3	**Staff Proposed Adjustment to Include Revenues for New Customer Charge in Miscellaneous Revenues**	**440**	Line 1 - Line 2
4	**Staff Proposed Adjustment to Remove Revenues for New Customer Charge from Water Service Revenues**	**$ (440)**	Line 3 x (-1)

Lake Wildwood Utilities Corporation
Adjustment for New Customer Charge
For the Test Year Ending December 31, 2011

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Additional Revenues for New Customer Charge per Staff	$ 200	Staff Ex. 4.0, p. 25
2	Additional Revenues for New Customer Charge per Company	-	
3	**Staff Proposed Adjustment to Include Revenues for New Customer Charge in Miscellaneous Revenues**	**200**	Line 1 - Line 2
4	**Staff Proposed Adjustment to Remove Revenues for New Customer Charge from Water Service Revenues**	**$ (200)**	Line 3 x (-1)

Apple Canyon Utility Company

Adjustment for Revenues Associated with HomeServe USA Service Plans

For the Test Year Ending December 31, 2011

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	HomeServe USA Revenue per Staff	$ 436	Co. Supp. Response to Staff DR RWB 3.01
2	HomeServe USA Revenue per Company	-	Co. Supp. Response to Staff DR RWB 3.01; Company Linked TB
3	**Staff Proposed Adjustment to Include HomeServe USA Revenue (Adjustment to Miscellaneous Revenue)**	**$ 436**	Line 1 - Line 2
4	**Staff Proposed Adjustment to Include HomeServe USA Revenue (Adjustment to Water Service Revenue)**	**$ (436)**	Line 3 x (-1)

Lake Wildwood Utilities Corporation

Adjustment for Revenues Associated with HomeServe USA Service Plans

For the Test Year Ending December 31, 2011

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	HomeServe USA Revenue per Staff	$ 343	Co. Supp. Response to Staff DR RWB 3.01
2	HomeServe USA Revenue per Company	-	Co. Supp. Response to Staff DR RWB 3.01; Company Linked TB
3	**Staff Proposed Adjustment to Include HomeServe USA Revenue (Adjustment to Miscellaneous Revenue)**	**$ 343**	Line 1 - Line 2
4	**Staff Proposed Adjustment to Include HomeServe USA Revenue (Adjustment to Water Service Revenue)**	**$ (343)**	Line 3 x (-1)