

Apple Canyon Utility Company
Statement of Operating Income with Adjustments
For the Test Year Ending December 31, 2011

Line		Company Rebuttal Pro Forma Present	Staff Rebuttal Adjustments	Staff Rebuttal Pro Forma Present	Company Rebuttal Proposed Increase	Staff Gross Revenue Conversion Factor	Proposed Rates With Staff Adjustments	Adjustment To Proposed	Staff Pro Forma Proposed
No.	Description	(Co. Sch. 2.1 AC)	(Appendix A, p.2)	(Cols. b+c)	(Co. Sch. 2.1 AC, Cols. e+f+h)		(Cols. d+e+f)	Increase	(Cols. g+h)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Water Service Revenues	\$ 451,123	\$ -	\$ 451,123	\$ 100,329	\$ -	\$ 551,452	\$ (31,344)	\$ 520,108
2	Miscellaneous Revenues	14,512	-	14,512	-	-	14,512	-	14,512
3	Total Operating Revenue	465,635	-	465,635	100,329	\$ -	565,964	(31,344)	534,620
4	Uncollectible Accounts	11,511	-	11,511	2,480	-	13,991	(775)	13,216
5	Maintenance Expenses	146,036	(19,860)	126,176	-	-	126,176	-	126,176
6	General Expenses	180,947	260	181,207	-	-	181,207	-	181,207
7	Depreciation	120,382	(11,347)	109,035	-	-	109,035	-	109,035
8	Amortization of CIAC	(19,981)	-	(19,981)	-	-	(19,981)	-	(19,981)
9	Taxes Other Than Income	20,156	-	20,156	-	-	20,156	-	20,156
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	459,051	(30,947)	428,104	2,480	-	430,584	(775)	429,809
17	State Income Tax	(2,387)	2,929	542	9,296	-	9,838	(2,904)	6,934
18	Federal Income Tax	(7,731)	9,487	1,756	30,108	-	31,864	(9,406)	22,458
19	Deferred Taxes and ITCs Net	(108)	-	(108)	-	-	(108)	-	(108)
20	Total Operating Expenses	448,825	(18,531)	430,294	41,884	-	472,178	(13,085)	459,093
21	NET OPERATING INCOME	\$ 16,810	\$ 18,531	\$ 35,341	\$ 58,445	\$ -	\$ 93,786	\$ (18,259)	\$ 75,527
22	Staff Rate Base (Appendix A, p. 3)								\$ 950,027
23	Staff Overall Rate of Return (ICC Staff Exhibit 5.0, Schedule 5.1)								7.95%
24	Revenue Change (Col. (i) Line 3 minus Col. (d), Line 3)								\$ 68,985
25	Percentage Revenue Change (Col. (i), Line 24 divided by Col. (d), Line 3)								14.82%

Apple Canyon Utility Company
Adjustments to Operating Income
For the Test Year Ending December 31, 2011

Line No.	Description	Interest Synchronization (Appendix A, p. 6)	Leak and Boundary Surveys (St. Ex. 8.0, Sch. 8.02)	Vehicle Depreciation (St. Ex. 8.0, Sch. 8.03)	Computers Depreciation (St. Ex. 8.0, Sch. 8.04)	Appeals Costs (St. Ex. 9.0, Sch. 9.01 AC)	Rate Case Expense (Co. Ex. 3.0, Sch. 3.1 AC, p.11)	(Source)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Water Service Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenues	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Maintenance Expenses	-	-	-	-	(19,860)	-	-	(19,860)
6	General Expenses	-	-	-	-	-	260	-	260
7	Depreciation	-	(505)	(852)	(9,990)	-	-	-	(11,347)
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	-	(505)	(852)	(9,990)	(19,860)	260	-	(30,947)
17	State Income Tax	(11)	48	81	949	1,887	(25)	-	2,929
18	Federal Income Tax	(35)	155	262	3,074	6,111	(80)	-	9,487
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	(46)	(302)	(509)	(5,967)	(11,862)	155	-	(18,531)
21	NET OPERATING INCOME	\$ 46	\$ 302	\$ 509	\$ 5,967	\$ 11,862	\$ (155)	\$ -	\$ 18,531

Apple Canyon Utility Company
Rate Base
For the Test Year Ending December 31, 2011

Line No.	Description	Company Rebuttal Pro Forma Rate Base (Co. Sch. 2.1 AC)	Staff Rebuttal Adjustments (Appendix A, p. 4)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 2,990,404	\$ (14,650)	\$ 2,975,754
2	Less: Accumulated Depreciation	(1,115,733)	7,097	(1,108,636)
3	-	-	-	-
4	Net Plant	1,874,671	(7,553)	1,867,118
5	Additions to Rate Base			
6	Cash Working Capital	43,005	(2,450)	40,555
7	Deferred Charges	-	-	-
8	-	-	-	-
9	-	-	-	-
10	-	-	-	-
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(377,284)	-	(377,284)
18	Advances in Aid of Construction	(450,000)	-	(450,000)
19	Accumulated Deferred Income Taxes	(142,443)	13,427	(129,016)
20	Customer Deposits	(1,346)	-	(1,346)
21	-	-	-	-
22	-	-	-	-
23	Rate Base	<u>\$ 946,603</u>	<u>\$ 3,424</u>	<u>\$ 950,027</u>

Apple Canyon Utility Company
Adjustments to Rate Base
For the Test Year Ending December 31, 2011

Line No.	Description	Leak and Boundary Surveys (St. Ex. 8.0, Sch. 8.02)	Vehicle Depreciation (St. Ex. 8.0, Sch. 8.03)	Computers Depreciation (St. Ex. 8.0, Sch. 8.04)	ADIT (St. Ex. 8.0, Sch. 8.05)	Working Capital (Appendix A, Page 8)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Gross Plant in Service	\$ (14,650)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (14,650)
2	Less: Accumulated Depreciation	1,263	852	4,982	-	-	-	-	7,097
3		-	-	-	-	-	-	-	-
4	Net Plant	(13,387)	852	4,982	-	-	-	-	(7,553)
5	Additions to Rate Base	-	-	-	-	-	-	-	-
6	Cash Working Capital	-	-	-	-	(2,450)	-	-	(2,450)
7	Deferred Charges	-	-	-	-	-	-	-	-
8		-	-	-	-	-	-	-	-
9		-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Advances in Aid of Construction	-	-	-	-	-	-	-	-
19	Accumulated Deferred Income Taxes	-	-	-	13,427	-	-	-	13,427
20	Customer Deposits	-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-
22		-	-	-	-	-	-	-	-
23	Rate Base	\$ (13,387)	\$ 852	\$ 4,982	\$ 13,427	\$ (2,450)	\$ -	\$ -	\$ 3,424

Apple Canyon Utility Company
Revenue Effect of Adjustments
For the Test Year Ending December 31, 2011

Line No.	Description (a)	Per Company (b)	Staff Adjustments (c)	Per Staff (d)
1	Present Revenues	\$ 465,635 ⁽¹⁾		\$ 465,635 ⁽²⁾
2	Proposed Increase	<u>100,329 ⁽³⁾</u>	<u>(31,344) ⁽⁴⁾</u>	<u>68,985 ⁽⁵⁾</u>
3	Proposed Revenues	<u>\$ 565,964</u>	<u>\$ (31,344)</u>	<u>\$ 534,620</u>
4	% Increase	21.55%		14.82%
5	Staff Adjustments:			
6	Appeals Costs		(20,363)	
7	Computers Depreciation		(10,243)	
8	ADIT		1,521	
9	Leak and Boundary Surveys		(1,517)	
10	Vehicle Depreciation		(874)	
11	Computers Depreciation		565	
12	Leak and Boundary Surveys		(518)	
13	Working Capital		(278)	
14	Rate Case Expense		266	
15	Vehicle Depreciation		97	
16	Interest Synchronization		-	
17	Rate of Return (Applied to Company Rate Base)		-	
18	Gross Revenue Conversion Factor		-	
19	Rounding		-	
20	Total Revenue Effect of Staff Adjustments		<u>\$ (31,344)</u>	

Sources:

- (1) Appendix A, p.1, column (b), line 3
- (2) Appendix A, p.1, column (d), line 3
- (3) Appendix A, p.1, column (e), line 3
- (4) Appendix A, p.1, columns (f) + (h), line 3
- (5) Appendix A, p.1, column (i), line 24

Apple Canyon Utility Company
Interest Synchronization Adjustment
For the Test Year Ending December 31, 2011

Line No.	Description (a)	Amount (b)
1	Rate Base	\$ 950,027 (1)
2	Weighted Cost of Debt	3.35% (2)
3	Synchronized Interest Per Staff	31,826
4	Company Interest Expense	<u>31,711 (3)</u>
5	Increase (Decrease) in Interest Expense	<u>115</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ (11)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ (35)</u>

(1) Source: Appendix A, p.3, Column (d).

(2) Source: ICC Staff Exhibit 5.0, Schedule 5.1.

(3) Source: Company Exhibit 2.0 Schedule 2.1 AC, p. 7.

Apple Canyon Utility Company
Gross Revenue Conversion Factor
For the Test Year Ending December 31, 2011

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	2.4721%	<u>0.024721</u>	
3	State Taxable Income		0.975279	1.000000
4	State Income Tax	9.5000%	<u>0.092652</u>	<u>0.095000</u>
5	Federal Taxable Income		0.882627	0.905000
6	Federal Income Tax	34.0000%	<u>0.300093</u>	<u>0.307700</u>
7	Operating Income		<u>0.582534</u>	<u>0.597300</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.716638</u>	<u>1.674201</u>

Apple Canyon Utility Company
Adjustment to Working Capital
For the Test Year Ending December 31, 2011

Line No.	Description (a)	Apple Canyon (b)
1	Maintenance Expenses	126,176
2	General Expenses	181,207
3	Taxes Other Than Income	20,156
4	Real Estate Taxes	<u>(3,098)</u>
5	Total	<u>324,441</u>
6	Working Capital per Staff	<u>\$ 40,555</u>
7	Working Capital per Company	<u>\$ 43,005</u>
8	Staff Proposed Adjustment to Working Capital	<u>\$ (2,450)</u>

Lines 1- 3: Appendix A, Page 1

Line 4: Company response to ST-1 2012 RC template, Linked TB

Line 5: Total of lines 1 - 4

Line 6: Line 5 divided by 8

Line 7: Company Ex. 2.0, Schedule 2.1 AC, Line 6

Line 8: Line 6 minus Line 7