

**ILLINOIS COMMERCE COMMISSION**

**Docket No. 14-0741**

**Exhibit No. 8.0**

**Rebuttal Testimony of**

**Justin Kersey**

**on behalf of**

**UTILITY SERVICES OF ILLINOIS, INC.**

**PREPARED REBUTTAL TESTIMONY  
OF JUSTIN KERSEY  
ON BEHALF OF  
UTILITY SERVICES OF ILLINOIS, INC.**

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.**

2 A: My name is Justin Kersey. I am the Financial Planning & Analysis Manager of  
3 Utility Services of Illinois, Inc. (“USI” or “Company”). My business address is 2335  
4 Sanders Road, Northbrook, IL 60062.

5

6 **Q: MR. KERSEY, HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS**  
7 **PROCEEDING?**

8 A: Yes, I have.

9

10 **Q: WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

11 A: The purpose of my rebuttal testimony is to respond to various recommendations and  
12 adjustments proposed in the direct testimony of the Illinois Commerce Commission  
13 (“ICC”) Staff and Attorney General (“AG”) witnesses.

14

15 **Q: WOULD YOU PLEASE BEGIN WITH THE ADJUSTMENTS PROPOSED BY**  
16 **STAFF THAT YOU WILL BE ADDRESSING.**

17 A: Yes.

18

19 STAFF - BONUS DEPRECIATION

20 **Q: DO YOU AGREE WITH STAFF'S ADJUSTMENT TO ADIT FOR 2014 BONUS**  
21 **DEPRECIATION?**

22 A: Yes, in part. The Company has elected to use 2014 bonus depreciation in calculating  
23 accumulated deferred income taxes ("ADIT") for ratemaking purposes. However, the  
24 Company believes bonus depreciation and ADIT needs to be updated to include any change  
25 in 2014 Utility Plant in Service ("UPIS"). Additionally, the Company will update the 2014  
26 bonus depreciation using a state income tax rate of 7.75%, opposed to the 9.50% which  
27 was used in the Company's response to Staff DR RWB 6.05 Supplemental.

28

29 **Q: WHAT IS YOUR PROPOSED ADJUSTMENT TO ADIT?**

30 A: My proposed adjustment to ADIT is a reduction to pro forma future test year ADIT in the  
31 amount of \$801,101. This is the difference between the Company's original pro forma  
32 future test year ADIT (USI Exhibit 2.1) of \$3,954,725 and the Company's rebuttal pro  
33 forma future test year (USI Exhibit 7.0) of \$4,755,826. The supporting work papers are  
34 included in USI Schedule 8.1. Therefore, there are two variances between Staff's Direct  
35 Testimony position and the Company's Rebuttal Testimony, which are comprised of the  
36 update to include plant discussed in USI Exhibit 5.01 (Supplemental Direct Testimony of  
37 Bruce T. Haas) and the change in the Illinois income tax rate.

38

39 STAFF - FUEL EXPENSE

40 **Q: DO YOU AGREE WITH STAFF'S ADJUSTMENT TO FUEL EXPENSE?**

41 A: Yes, in part. The Company believes updating its price forecast to incorporate the recent  
42 decline in fuel prices is appropriate. However, the Company disagrees with Staff's

43 adjustment to remove the 2% variance factor. USI compared its historical average fuel  
44 price per gallon to the historical national average fuel price per gallon, per the U.S. Energy  
45 Information Administration, which demonstrated a 2% variance. The 2% variance factor  
46 has remained steady for the Company's fleet of vehicles since 2011 through September  
47 2014, and should not be dismissed on the basis that the Midwest region (Staff Exhibit 2.0  
48 at 4): "did not verify the basis for USI's increase of 2% over the national average price per  
49 gallon."

50 Staff eliminated the variance that compared actual costs incurred for USI to the National  
51 average based the variance comparing the national average to the Midwest average. The  
52 Company does not dispute that there might be a variance between those data points, but  
53 the Company's analysis compares its actual results to the same government provided  
54 results, which is a more reliable approach. The data USI used to calculate the 2% variance  
55 factor is populated from USI's historical fuel costs and is included within Schedule 8.2.  
56 Staff did not present evidence as to why the Midwest region is an appropriate proxy for  
57 USI's variance factor. The Company specific variance is a more appropriate proxy, as the  
58 sample is isolated to USI's fleet of vehicles and service areas as opposed to the entire  
59 Midwest region.

60

61 **Q: WHAT ARE YOUR PROPOSED ADJUSTMENTS TO FUEL EXPENSE?**

62 A: My adjustments are included within Schedule 8.2 and include the addition of the 2%  
63 variance factor, as well an updated national average forecasted fuel price/gallon as the U.S  
64 Department of Energy has updated its forecasted fuel price/gallon since the submission of  
65 Staff's testimony.

66

67 **Q: WOULD YOU NOW PLEASE TURN TO EACH ADJUSTMENT PROPOSED BY**  
68 **THE AG THAT YOU WILL BE ADDRESSING?**

69 A: Yes.

70

71 AG - UNCOLLECTIBLES

72 **Q: DO YOU AGREE WITH AG'S WITNESS MR RADIGAN'S ADJUSTMENT TO**  
73 **REDUCE UNCOLLECTIBLE EXPENSE?**

74 A: No, I do not. Mr. Radigan neglected to include other expense components in his calculation  
75 of the absolute level of bad debt expense. These other expense components are agency  
76 expense and uncollectible accounts accrual. The three expense accounts which aggregate  
77 to total bad debt expense are as follows: Agency Expense, Uncollectible Accounts, and  
78 Uncollectible Accounts Accrual. The following table shows the actual levels of  
79 uncollectible/bad debt expenses from the years 2009-2013.

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Average</b>
Agency Expense	(1,699)	1,088	1,487	1,499	1,522	779
Uncollectable Accounts	50,606	31,230	35,318	20,688	46,162	36,801
Uncollectable Accounts Accrual	40,594	12,266	13,397	38,940	20,947	25,229
<b>TOTAL EXPENSE</b>	<b>\$ 89,501</b>	<b>\$ 44,584</b>	<b>\$ 50,202</b>	<b>\$ 61,127</b>	<b>\$ 68,631</b>	<b>\$ 62,809</b>
Total Expense as a % of Revenue	2.10%	1.01%	0.93%	0.93%	1.03%	1.20%

80

81 As evidenced from the table above, including all uncollectible accounts to calculate an  
82 absolute level of bad debt expense yields a “% of Revenue” result in-line with the  
83 Company’s original proposal of 1.08%.

84

85 **Q: WHY IS IT NECESSARY TO INCLUDE ALL THREE ACCOUNTS?**

86 A: It is necessary to include all three accounts when determining the Company's uncollectable  
87 rate. Those three accounts aggregate to "Uncollectable Accounts" (USI Exhibit 2.1, Schedule  
88 B, Line 7), and are not included elsewhere for recovery. It is necessary to include "Agency  
89 Expense" as those are costs associated with contracting collection agencies in an attempt to  
90 collect on bad debts. It is necessary to include "Uncollectable Accounts" as those cost are  
91 the direct write-off of customers' account balances after service is stopped. It is also  
92 necessary to include "Uncollectable Accounts Accrual" as those costs are reserving for the  
93 write-off of customers' account balances prior to stopping service. This accrual is determined  
94 by estimating a portion of customers' aging account balances, the longer the customers'  
95 balances remain uncollected, the larger the accrual will become, as the likelihood of the direct  
96 write-off will increase. Once a customer's service is stopped, their account balance will be  
97 written off and the accrual will subsequently reverse.

98

99 AG - FUEL EXPENSE

100 **Q: DO YOU AGREE WITH MR. RADIGAN'S ADJUSTMENT TO FUEL EXPENSE?**

101 A: No, I do not. Mr. Radigan neglects to include analysis supporting his adjustment and  
102 instead relies on anecdotal evidence. The Company does not dispute that when the AG  
103 submitted their direct testimony, "gasoline in Northern Illinois can be purchased for about  
104 \$2.40 per gallon." However, the Company opposes adjusting its forecasted price of  
105 gasoline simply because some form of gasoline could have been purchased somewhere in  
106 Northern Illinois for about \$2.40 per gallon. Mr. Lubertoizzi's rebuttal testimony addresses  
107 this issue in more detail.

108

109 AG - INSURANCE EXPENSE

110 **Q: DO YOU AGREE WITH MR. RADIGAN'S ADJUSTMENT TO INSURANCE**  
111 **EXPENSE?**

112 A: No, I do not. Mr. Radigan's adjustment lacks an understanding of how USI's insurance  
113 expense is derived.

114 The Company has submitted the following forecast guideline for its insurance expense  
115 (USI Exhibit 3.1 at 4): "Insurance costs are forecasted at WSC and allocated to operating  
116 companies... Insurance costs are projected to decrease roughly 2.2% between FY 2014 and  
117 FY 2015." Put another way, WSC has forecasted insurance costs to decrease roughly 2.2%  
118 between Fiscal Year (FY) 2014 and FY 2015.

119

120 **Q: IF WSC IS FORECASTING A DECREASE IN INSURANCE EXPENSE**  
121 **BETWEEN FY 2014 AND FY 2015, WHY DOES USI NOT REALIZE A SIMILIAR**  
122 **DECREASE IN INSURACE EXPENSE?**

123 Total allocated costs to USI do not decrease between FY 2014 and FY 2015 because of  
124 incremental allocations related to the acquisition of USI's Oakwood system. As the parties  
125 in this docket is aware WSC allocates costs via customer equivalents. Adjusting insurance  
126 expenses based using USI's 2013-2014 average insurance expense, as proposed by Mr.  
127 Radigan, is not reasonable for following reasons:

128 1. 2013-2014 allocated costs do not reflect Utilities, Inc.'s or USI's current customer base,  
129 and is therefore a poor gauge of USI's anticipated costs for FY 2015.

130 2. 2013-2014 costs do not reflect the anticipated level of insurance expense to be incurred  
131 at WSC. A more detailed analysis has been performed at WSC to determine forecasted  
132 FY 2015 costs, which includes reviewing and analyzing current and projected  
133 insurance policies.

134

135 AG - SALARIES AND WAGES EXPENSE

136 **Q: DO YOU AGREE WITH MR. RADIGAN'S ADJUSTMENT TO SALARIES AND**  
137 **WAGES EXPENSE?**

138 A: No, I do not. Again, Mr. Radigan fails to demonstrate an understanding of how USI's costs  
139 are derived. Although the AG's witness did prepare some analysis for his salaries and  
140 wages adjustment, his analysis fails to incorporate:

- 141 1. Additional staffing related to the acquisition of USI's Oakwood system.
- 142 2. Incremental allocations related to the acquisition of USI's Oakwood system.
- 143 3. Annual, 3% base pay increases.
- 144 4. Filling of vacant positions.

145

146 **Q: HAS THE COMPANY PROVIDED A DETAILED ANALYSIS OF CURRENT AND**  
147 **ANTICIPATED STAFFING LEVELS?**

148 A: Yes, the Company provided very detailed schedules of current and anticipated staffing  
149 levels in response to Staff data requests ("DR") throughout the course of discovery. The  
150 Company's responses were submitted to the AG in response to Staff DRs [MHE-4.03,  
151 MHE-8.01, MHE-4.03 Supplemental, MHE-6.01/2, MHE-12,01 Supplemental, MHE-  
152 12.02 Supplemental] on the following dates; 1/09/2015, 1/21/2015, 1/28/2015, 2/13/2015.

153 The responses include explanations for the increases in salary and wages expense as well  
154 as detailed projections of salary expense for each employee in USI's forecast.

155

156 AG - SALES/CONSUMPTION (REGRESSION ANALYSIS)

157 **Q: DO YOU AGREE WITH MR. RADIGAN'S ADJUSTMENT TO REVENUES**  
158 **REGARDING THE CONSUMPTION REGRESSION ANALYSIS?**

159 A: No, I do not. The Company disagrees with Mr. Radigan's rationale for removing the 2.65%  
160 reduction in consumption.

161 The AG's witness does "not think the Company has shown that its assumption of annual  
162 sales decline of 2.65% is known and measurable or just and reasonable." However, the  
163 Company has provided analysis, with supporting data, using six years of historical  
164 consumption and billing data to reasonably measure USI's annual consumption decline.  
165 The Company's analysis has been provided within responses to Staff DR MHE 4.03, AG  
166 DR 3.2 and Galena Territory Association DR 1.1.

167 Further, the AG's witness states: "USI developed its forecast through a regression analysis",  
168 and then proceeds to cite the source of said analysis. The same response claims, "Other  
169 than a declaration that conservation is occurring, the Company has performed no analysis."  
170 The contradictory nature of the Mr. Radigan's response to this topic is just one of the  
171 reasons his recommendation lacks merit.

172

173 **Q: DO YOU AGREE WITH MR. RADIGAN'S THEORY REGARDING RAINFALL**  
174 **AND WATER USE?**

175 A: No, although the Company agrees there is some correlation between rainfall and  
176 consumption, the AG's witness has failed to provide any analysis to support their theory.  
177 Mr. Radigan asserts: "water usage per customer is dependent on many factors, including  
178 the number of bathrooms, presence of a dishwasher, number of persons in residence,  
179 presence of a pool, etc. One of the largest drivers of water use is rainfall because there is  
180 no need to water one's lawn if it is raining frequently." However, the Mr. Radigan provides  
181 no analysis and bases his argument on conjecture.

182 The witness attempted to illustrate some correlation between Galena, Illinois rainfall and  
183 USI sales. However, the argument again, has no merit for the following reasons:

- 184 1. The witness is comparing Galena, Illinois rainfall to USI sales. This is an apple-to-  
185 oranges comparison and had analysis been done, the results would have been  
186 misleading. The results would have represented USI sales dependence on Galena,  
187 Illinois rainfall, while the witness is suggesting USI sales would be dependent on USI  
188 rainfall.
- 189 2. The witness assumes Galena, Illinois rainfall is the driver behind any change in USI  
190 consumption. However, this is again misleading, as the witness would need to take  
191 other variables such as temperature, into consideration.
- 192 3. The witness states, "As can be seen, in 2010 through 2012, rainfall levels were above  
193 average, corresponding to low levels of sales." However, not only is 2012 the peak in  
194 sales, but 2010 and 2011 do not appear to be low when compared to any period.
- 195 4. The witness has done nothing to demonstrate correlation or causation. The witness  
196 could have demonstrated correlation by running statistical models similar to what has  
197 been presented in USI Exhibit 8.0, Schedule 8.3. In order to demonstrate causation, at

198 a minimum, the witness would need to include other variables, such as temperature,  
199 within their statistical model. One cannot reasonably conclude rainfall is driving sales  
200 without ruling other variables, such as temperature, out.

201

202 **Q: IS THERE A CORRELATION BETWEEN WEATHER AND WATER USE?**

203 A: Yes, there is. The Company has found an average positive correlation between  
204 consumption and temperature of .60 and an average positive correlation between  
205 consumption and rainfall of .25.

206

207 **Q: PLEASE DISCUSS YOUR FINDINGS REGARDING CONSUMPTION AND**  
208 **WEATHER CORRELATIONS?**

209 A: Correlation is the term used to describe the strength and direction between two variables.  
210 Therefore, consumption and temperature (.60) have a much stronger correlation than  
211 consumption and rainfall (.25). However, both temperature and rainfall correlations are  
212 greater than zero and are thus positively correlated with consumption.

213

214 **Q: HOW CAN CONSUMPTION AND RAINFALL SHARE A POSITIVE**  
215 **CORRELATION?**

216 Consumption and rainfall appear positively correlated because I have not adjusted for any  
217 seasonality within my analysis. So, it appears as though consumption and rainfall, although  
218 a weak correlation, would move in the same direction with one another.

219 However, in performing analysis to determine the impact weather has on consumption, one  
220 would want to consider adjusting their analysis for seasonality. In analyzing the summer  
221 months alone, one would conclude consumption and rainfall are negatively correlated.  
222 However, Mr. Radigan neglected to include any analysis along these lines within his  
223 testimony and has instead made inaccurate and misleading statements regarding the  
224 correlation and causation between rainfall and consumption.

225

226 **Q: WHY DIDN'T THE COMPANY NORMALIZE FOR WEATHER WHEN**  
227 **DETERMINING USI'S 2.65% ANNUAL CONSUMPTION DECLINE?**

228 A: Normalizing for weather would serve no purpose in analyzing USI's consumption trend  
229 over the six years. The reason being, weather normalizes itself over time. Normalizing for  
230 all the rainfall and temperature departures from the norm, over the six year period, would  
231 get one right back to where they began. Using the "actual and normal rainfall" chart for  
232 Galena, Illinois (AG Exhibit 1.0 at 9) as a guide. If one was to normalize each data point  
233 in an "Actual" data series which departs from a "Normal" data series, they would have two  
234 "Normal" series of data. This is because the normalized data is already a product of the  
235 actual data; therefore, both data sets would have the same total value of weather. So, the  
236 AG's witness is correct in stating, "the Company's analysis simply shows sales without  
237 reference to weather," as the Company recognizes that such an analysis would not achieve  
238 the results the AG's witness is suggesting it would.

239 Further, if one were to make a consumption adjustment for any weather irregularities, it  
240 would only be appropriate for a specific point in time (e.g., an historical test year) in an  
241 effort to normalize that specific point in time.

242 To be clear, the Company's proposal is an adjustment to reduce consumption to account  
243 for declining usage. The Company's proposal was not and is not a weather adjustment.

244

245 **Q: HAVE YOU MADE ALL OF THE PRIOR ADJUSTMENTS THAT YOU**  
246 **DISCUSSED?**

247 A: Yes, all of the adjustments discussed above are included in attachments to USI Exhibit 8.0  
248 and reflected in USI Exhibit 7.0.

249

250 **Q: DOES THIS CONCLUDE YOUR PREPARED REBUTTAL TESTIMONY?**

251 A: Yes, it does.

Utility Services of Illinois, Inc.  
 Adjustment for ADIT  
 For the Test Year Ending December 31, 2015  
 Total Combined Operations

Line No.	Description	Combined Amount (\$)	Water Amount (\$)	Sewer Amount (\$)	Source
	(a)	(b)	(c)	(d)	(e)
1	Proforma Future Test Year ADIT with 2014 bonus depreciation - Company's rebuttal	(4,755,826)	(3,781,323)	(974,503)	USI Ex. 8.0, Sch 8.1, p/2, Ln 11
2	Proforma Future Test Year ADIT without 2014 bonus deprecaition	(3,954,725)	(3,132,804)	(821,921)	USI Ex. 2.1, Sch C, Col G
3	Company Adjustment - Proforma Future Test Year ADIT	<u>(801,101)</u>	<u>(648,519)</u>	<u>(152,582)</u>	Line 1 less Line 2
4					
5	Federal Income Tax Exp. Impact with 2014 bonus depreciation - Company's rebuttal <sup>1</sup>	47,655	37,890	9,765	USI Ex. 8.0, Sch 8.1, p/2, Ln 16
6	Federal Income Tax Exp. Impact Calculated without 2014 bonus depreciation <sup>1</sup>	<u>40,442</u>	<u>32,037</u>	<u>8,405</u>	USI Ex. 8.0, Sch 8.1, p/2, Ln 6
7	Company Adjustment - Federal Income Tax Expense	<u>7,213</u>	<u>5,854</u>	<u>1,360</u>	Line 5 less Line 6
8					
9	State Income Tax Exp. Impact Calculated with 2014 bonus depreciation - Company's rebuttal <sup>1</sup>	11,775	9,362	2,413	USI Ex. 8.0, Sch 8.1, p/2, Ln 15
10	State Income Tax Exp. Impact Calculated without bonus depreciation <sup>1</sup>	<u>12,486</u>	<u>9,891</u>	<u>2,595</u>	USI Ex. 8.0, Sch 8.1, p/2, Ln 5
11	Company Adjustment - State Income Tax Expense	<u>(711)</u>	<u>(529)</u>	<u>(182)</u>	Line 9 less Line 10
12					
13					
14					

<sup>1</sup> This is specijally the Income Tax impact related to ADIT, as calculated in USI Schedule 8.1 page 2.

Utility Services of Illinois, Inc.  
 Adjustment for ADIT  
 For the Test Year Ending December 31, 2015  
 Total Combined Operations

Line No.	Assumptions		Description	Combined Amount (\$)	Water Amount (\$)	Sewer Amount (\$)	Source
	(a)	(b)					
1	<b>Original Proposal</b>		ADIT	(3,954,725)	(3,132,804)	(821,921)	USI Ex. 2.1, Sch C, Col G
2	State Tax Rate	9.50%					
3	Federal Tax Rate	34.00%	Interest Expense	(131,433)	(104,117)	(27,316)	Line 1 * Line 5, Col B * Line 6, Col B
4							
5	Cost of Debt	6.23%	State Income Tax	12,486	9,891	2,595	-Line 3 * Line 2, Col B
6	Debt Weight	53.31%	Federal Income Tax	40,442	32,037	8,405	(-Line 3 - Line 5) * Line 3, Col B
7			Income Taxes	<u>52,928</u>	<u>41,928</u>	<u>11,000</u>	Line 5 + Line 6
8							
9							
10							
11	<b>Rebuttal</b>		ADIT	(4,755,826)	(3,781,323)	(974,503)	
12	State Tax Rate	7.75%					
13	Federal Tax Rate	34.00%	Interest Expense	(151,938)	(120,805)	(31,133)	Line 11 * Line 15, Col B * Line 16, Col B
14							
15	Cost of Debt	6.66%	State Income Tax	11,775	9,362	2,413	-Line 13 * Line 12, Col B
16	Debt Weight	47.96%	Federal Income Tax	47,655	37,890	9,765	(-Line 13 - Line 15) * Line 13, Col B
17			Income Taxes	<u>59,431</u>	<u>47,253</u>	<u>12,178</u>	Line 15 + Line 16

**Utility Services of Illinois, Inc.**  
**Adjustment for ADIT**  
 For the Test Year Ending December 31, 2015  
 Total Combined Operations

Line No.	Description	6/30/2014 Per Books (\$)	Pro Forma Adjustments (\$)	12/31/2014 Pro Forma (\$)	Pro Forma Adjustments (\$)	12/31/2015 Pro Forma (\$)	Pro Forma Future Test Year (\$)	Source
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	<b>Original Proposal</b>							
2								
3	ADIT Balance	(3,990,180)	27,590	(3,962,590)	15,730	(3,946,860)	(3,954,725)	USI Ex. 2.1, Sch C, Col G
4								
5	Water ADIT Balance	(3,161,506)	22,335	(3,139,171)	12,734	(3,126,437)	(3,132,804)	USI Ex. 2.1, Sch C, Col G
6	Sewer ADIT Balance	(828,674)	5,255	(823,419)	2,996	(820,423)	(821,921)	USI Ex. 2.1, Sch C, Col G
7								
8								
9	<b>Proposal w/ Bonus Depreciation (Staff's Testimony)</b>							
10								
11	ADIT Balance	(3,990,180)	(693,051)	(4,683,231)	45,756	(4,637,475)	(4,660,353)	RWB 6.05 Supplemental
12								
13	Water ADIT Balance	(3,161,506)	(561,049)	(3,722,555)	37,041	(3,685,514)	(3,704,035)	RWB 6.05 Supplemental
14	Sewer ADIT Balance	(828,674)	(132,002)	(960,676)	8,715	(951,961)	(956,319)	RWB 6.05 Supplemental
15								
16								
17	<b>Rebuttal w/ Bonus Depreciation @ 7.75% State Tax Rate and Project 2014124</b>							
18								
19	ADIT Balance	(3,990,180)	(787,740)	(4,777,920)	44,189	(4,733,731)	(4,755,826)	
20								
21	Water ADIT Balance	(3,161,506)	(637,703)	(3,799,209)	35,773	(3,763,437)	(3,781,323)	
22	Sewer ADIT Balance	(828,674)	(150,037)	(978,711)	8,416	(970,295)	(974,503)	
23								
24								
25	<b>Source:</b>							
26	Col B: USI Ex. 2.1, Sch C, Col G							
27	Col C: USI Ex. 8.0, Sch 8.1, p/4, Col D							
28	Col D: Col B + Col C							
29	Col E: USI Ex. 8.0, Sch 8.1, p/4, Col E							
30	Col F: Col D + Col E							
31	Col G: Col D + (Col E * 50%)							

Utility Services of Illinois, Inc.  
 Adjustment for ADIT  
 For the Test Year Ending December 31, 2015  
 Total Combined Operations

Line No.	Assumptions		Description	Period Change (\$)		Source
	(a)	(b)		(d)	(e)	
1	<b>Original Proposal</b>			<b>2014</b>	<b>2015</b>	
2	State Tax Rate	9.50%	Book Depreciation	1,172,349	1,239,711	RWB 6.05 Supplemental
3	Federal Tax Rate	34.00%	Tax Depreciation	(1,103,835)	(1,200,651)	RWB 6.05 Supplemental
4			Net Book Tax Depreciation	68,513	39,060	Line 2 + Line 3
5	W ERC Weight	80.95%				
6	S ERC Weight	19.05%				
7			State	(6,509)	(3,711)	Line 4 * Line 2, Col B
8			Federal	(21,081)	(12,019)	(Line 4 + Line 7) * Line 3, Col B
9			ADIT Adjustment	(27,590)	(15,730)	Line 7 + Line 8
10						
11			Water ADIT Adjustment	(22,335)	(12,734)	Line 9 * Line 5, Col B
12			Sewer ADIT Adjustment	(5,255)	(2,996)	Line 9 * Line 6, Col B
13						
14	<b>Proposal w/ Bonus Depreciation (Staff's Testimony)</b>			<b>2014</b>	<b>2015</b>	
15	State Tax Rate	9.50%	Book Depreciation	1,172,349	1,239,711	RWB 6.05 Supplemental
16	Federal Tax Rate	34.00%	Tax Depreciation	(2,893,358)	(1,126,088)	RWB 6.05 Supplemental
17			Net Book Tax Depreciation	(1,721,010)	113,623	Line 15 + Line 16
18	W ERC Weight	80.95%				
19	S ERC Weight	19.05%				
20			State	163,496	(10,794)	Line 17 * Line 15, Col B
21			Federal	529,555	(34,962)	(Line 17 + Line 20) * Line 16, Col B
22			ADIT Adjustment	693,051	(45,756)	Line 20 + Line 21
23						
24			Water ADIT Adjustment	561,049	(37,041)	Line 22 * Line 18, Col B
25			Sewer ADIT Adjustment	132,002	(8,715)	Line 22 * Line 19, Col B
26						
27	<b>Rebuttal w/ Bonus Depreciation @ 7.75% State Tax Rate and Project 2014124</b>			<b>2014</b>	<b>2015</b>	
28	State Tax Rate	7.75%	Book Depreciation	1,183,389	1,250,752	Line 15 + USI Ex. 8.0, Sch 8.1, p/5, Col B
29	Federal Tax Rate	34.00%	Tax Depreciation	(3,197,297)	(1,137,778)	Line 16 + USI Ex. 8.0, Sch 8.1, p/5, Col B
30			Net Book Tax Depreciation	(2,013,908)	112,974	Line 28 + Line 29
31	W ERC Weight	80.95%				
32	S ERC Weight	19.05%				
33			State	156,078	(8,755)	Line 30 * Line 28, Col B
34			Federal	631,662	(35,434)	(Line 30 + Line 33) * Line 29, Col B
35			ADIT Adjustment	787,740	(44,189)	Line 33 + Line 34
36						
37			Water ADIT Adjustment	637,703	(35,773)	Line 35 * Line 31, Col B
38			Sewer ADIT Adjustment	150,037	(8,416)	Line 35 * Line 32, Col B

**Utility Services of Illinois, Inc.**  
**Adjustment for ADIT**  
 For the Test Year Ending December 31, 2015  
 Total Combined Operations

Line No.	Description	Amount (\$)	Project 2014124	Object Account	D&A Rate	Source
	(a)	(b)	(c)	(d)	(e)	(f)
1			\$ 584,498	1125	1.9%	
2						
3						
4	2014 Book Depreciation	\$ 11,041				Line 1, Col C * Line 1, Col E
5						
6	2014 Bonus Depreciation	\$ 292,249				Line 1, Col C * 50%
7	2014 Depreciation after Bonus D	\$ 11,690				(Line 1, Col C - Line 6) * 4%
8	2014 Tax Depreciation	\$ 303,939				Line 6 + Line 7
9						
10	2015 Book Depreciation	\$ 11,041				Line 1, Col C * Line 1, Col E
11						
12	2015 Bonus Depreciation	\$ -				
13	2015 Depreciation after Bonus D	\$ 11,690				Line 7
14	2015 Tax Depreciation	\$ 11,690				Line 12 + Line 13

**Utility Services of Illinois, Inc.**  
**Company's Rebuttal Fuel Expense**  
**For the Test Year Ending December 31, 2015**  
**Total Combined Operations**

Line No.	Month (a)	Forecast Fuel Price/Gallon (b)	Source (c)
1	July 2014	\$ 3.61	EIA Short-Term Energy Outlook, March 2015
2	August 2014	\$ 3.49	
3	September 2014	\$ 3.41	
4	October 2014	\$ 3.17	
5	November 2014	\$ 2.91	
6	December 2014	\$ 2.54	
7	January 2015	\$ 2.12	
8	February 2015	\$ 2.22	
9	March 2015	\$ 2.44	
10	April 2015	\$ 2.44	
11	May 2015	\$ 2.46	
12	June 2015	\$ 2.42	
13	July 2015	\$ 2.40	
14	August 2015	\$ 2.43	
15	September 2015	\$ 2.45	
16	October 2015	\$ 2.42	
17	November 2015	\$ 2.41	
18	December 2015	\$ 2.42	
19			
20	18-month Average	\$ 2.65	Average of Lines 1-18
21			
22	USI's Variance Factor	2.00%	Staff Ex. 2.0, Attachment B, p/3
23			
24	USI's Forecasted Price/Gallon	\$ 2.71	Line 20 * (1 + Line 22)
25			
26	Forecasted Annual Gallons	31,842	Staff Ex. 2.0, Schedule 2.01, p/3
27			
28	Forecasted Fuel Expense	<u>\$ 86,172</u>	Line 24 * Line 26

**Utility Services of Illinois, Inc.**  
**Water Consumption - Weather Correlations**  
 August 2008 - July 2014

Line No.	Consumption - Temperature Correlation	Consumption - Rain Correlation	Source	
	(a)	(b)	(c)	
1	110	0.80	0.26	
2	111	0.52	0.29	
3	112	0.39	0.25	
4	113	0.27	0.09	
5	114	0.40	0.06	
6	117	0.57	0.29	
7	118	0.53	0.23	
8	119	0.76	0.17	
9	120	0.55	0.23	
10	121	0.65	0.28	
11	122	0.78	0.09	
12	123	0.60	0.47	
13	124	0.56	0.26	
14	125	0.72	0.25	
15	126	0.53	0.31	
16	127	0.49	0.29	
17	128	0.65	0.30	
18	129	0.57	0.22	
19	131	0.76	0.22	
20	133	0.78	0.27	
21	134	0.64	0.36	
22	Average	0.60	0.25	Average of Lines 1-21
23	Min	0.27	0.06	Minimum of Lines 1-21
24	Max	0.80	0.47	Maximum of Lines 1-21