

Recoverable Qualifying Infrastructure Plant Costs (Section 656.50) & QIP Surcharge Percentage (Section 656.60).  
For the Year 2002

**GROSS REVENUE CONVERSION FACTOR FORMULA**

$$\text{GRCF} = \frac{1}{(1 - \text{PPRT})(1 - \text{SIT})(1 - \text{FIT})}$$

**GRCF** = Gross Revenue Conversion Factor  
**PPRT** = Illinois Personal Property Replacement Tax Rate  
**SIT** = Illinois State Income Tax Rate  
**FIT** = Federal Income Tax Rate

**CALCULATION**

**GRCF** = 1.66  
**PPRT** = 2.50%  
**SIT** = 4.80%  
**FIT** = 35.00%

**PRE-TAX RETURN FORMULA**

$$\text{PTR} = ((\text{WCCE} + \text{WCPE}) \times \text{GRCF}) + \text{WCLTD} + \text{WCSTD}$$

**PTR** = Pre-tax return  
**WCCE** = Weighted cost of common equity per last rate case(Docket No.00-0337,0338,0339).  
**WCPE** = Weighted cost of preferred equity per last rate case(Docket No.00-0337,0338,0339).  
**WCLTD** = Weighted cost of long-term debt per last rate case(Docket No.00-0337,0338,0339).  
**WCSTD** = Weighted cost of short-term debt per last rate case(Docket No.00-0337,0338,0339).

**CALCULATION**

**PTR** = 12.76%  
**WCCE** = 5.21%  
**WCPE** = 0.03%  
**WCLTD** = 3.85%  
**WCSTD** = 0.21%

**QIP SURCHARGE PERCENTAGE FORMULA**

$$\text{S\%} = \frac{(\text{NetQIP} \times \text{PTR}) + \text{NetDep} + (\text{R} \times 1.33) + ((\text{O} + \text{INT}) \times \text{Om})}{\text{PAR}} \times 100\%$$

**S%** = QIP surcharge percentage  
**NetQIP** = Average forecasted QIP investment cost less forecasted QIP accumulated depr.  
**PTR** = Pre-tax return  
**NetDep** = Net depreciation expense related to the average QIP investment.  
**R** = Utility determined reconciliation component calculated for the reconciliation year.  
**O** = Commission-ordered adjustment component.  
**INT** = Calculated interest attributable to the O component.  
**Om** = Commission-ordered O component multiplier timing factor applied to O & INT.  
**PAR** = Projection of total water operating revenues.

**CALCULATION**

**S%** = 1.06%  
**NetQIP** = 882,804  
**PTR** = 12.76%  
**NetDep** = 8,962  
**R** = 0  
**O** = 0  
**INT** = 0  
**Om** = 1.00  
**PAR** = 10,578,708

DEPRECIATION

Acct. #	Description	2001 Ending Balance	2002 Additions	2002 Retirements	2002 Ending Balance	Dep'n Rate	Full Year Dep'n Expense	Half Year Dep'n Expense	Total Dep'n Expense
3010	Organization	6,248.00			6,248.00		-	-	-
3020	Franchises	133,112.00			133,112.00		-	-	-
3030	Land and Land Rights Misc.						-	-	-
3030-110	Water Rights						-	-	-
3030-130	Land & Land Rights - Source of Supply	856,361.00			856,361.00		-	-	-
3030-200	Land & Land Rights - Pumping Plant	26,755.00			26,755.00		-	-	-
3030-300	Land & Land Rights - Treatment Plant						-	-	-
3030-400	Land & Land Rights - Transmission & Distribution	51,831.00			51,831.00		-	-	-
3030-500	Distribution Reservoirs and Standpipes Land						-	-	-
3030-610	Land & Land Rights - General Plant	33,675.00			33,675.00	4.17%	1,404.25	-	1,404.25
3040-200	Structures & Improvements - Pumping Plant	292,820.00			292,820.00	2.27%	6,647.01	-	6,647.01
3040-300	Structures & Improvements - Treatment Plant	11,474,242.00			11,474,242.00	2.78%	318,983.93	-	318,983.93
3040-400	Structures & Improvements - Trans & Dist	402,224.00			402,224.00	4.17%	16,772.74	-	16,772.74
3040-610	Structures & Improvements - General Plant	959,454.00			959,454.00	4.00%	38,378.16	-	38,378.16
3050	Collecting & Impounding Reserves	1,390,653.00			1,390,653.00	1.50%	20,859.80	-	20,859.80
3060	Lakes, Rivers and Other Intakes	732,805.00			732,805.00	1.47%	10,772.23	-	10,772.23
3070	Wells and Springs	162,446.00			162,446.00	1.67%	2,712.85	-	2,712.85
3090	Supply Mains	248,900.00			248,900.00	1.89%	4,704.21	-	4,704.21
3100	Power Generation Equipment	200,623.00			200,623.00	3.33%	6,680.75	-	6,680.75
3110	Pumping Equipment	1,552,089.00			1,552,089.00	3.13%	48,580.39	-	48,580.39
3110-100	Hydraulic Pumping Equip.						-	-	-
3114	T & D Pumping Equip.						-	-	-
3200	Water Treatment Equipment	8,050,307.00			8,050,307.00	3.57%	287,395.96	-	287,395.96
3300	Distribution Reservoirs and Standpipes	1,977,698.00			1,977,698.00	1.67%	33,027.56	-	33,027.56
3310	Mains	14,568,134.00		68,615.00	14,499,519.00	1.89%	275,337.73	(648.41)	274,689.32
	Quip Mains		513,625.00		513,625.00	1.89%	-	4,853.76	4,853.76
3330	Services	5,337,252.00			5,337,252.00	3.33%	177,730.49	-	177,730.49
	Quip Services					3.33%	-	-	-
3340-700	Meters	3,384,468.00		197,906.00	3,186,562.00	6.21%	210,175.46	(6,144.98)	204,030.48
	Quip Meters		315,000.00		315,000.00	6.21%	-	9,780.75	9,780.75
3340-800	Meter Installations	68,985.00			68,985.00	4.44%	3,062.93	-	3,062.93
3350	Hydrants	1,809,192.00		13,469.00	1,795,723.00	3.95%	71,463.08	(266.01)	71,197.07
	Quip Hydrants		70,200.00		70,200.00	3.95%	-	1,386.45	1,386.45
3390	Intang-oth Plant & Misc Equip					5.46%	-	-	-
3394	Other Plant and Miscellaneous					5.46%	-	-	-
3400	Office Furniture and Equipment	1,359,580.00			1,359,580.00	4.74%	64,444.09	-	64,444.09
3410-100	Transportation Equipment	811,130.00			811,130.00	10.77%	87,358.70	-	87,358.70
3420	Stores Equipment	37,155.00			37,155.00	3.28%	1,218.68	-	1,218.68
3430	Tools Shop and Garage Equipment	376,406.00			376,406.00	7.31%	27,515.28	-	27,515.28
3440	Laboratory Equipment	111,461.00			111,461.00	5.00%	5,573.05	-	5,573.05
3450	Power Operated Equipment	139,493.00			139,493.00	5.00%	6,974.65	-	6,974.65
3460	Communication Equipment	123,881.00			123,881.00	12.50%	15,485.13	-	15,485.13
3470	Miscellaneous Equipment	205,576.00			205,576.00	5.46%	11,224.45	-	11,224.45
3480	Other Tangible Plant						-	-	-
Total		56,884,956.00	898,825.00	279,990.00	57,503,791.00		1,754,483.56	8,961.55	1,763,445.11

ACCUMULATED DEPRECIATION

Acct. #	Description	2001 Ending Balance	2002 Depreciation	2002 Retirements	2002 Ending Balance	NetDep
3010	Organization		-	-	-	
3020	Franchises		-	-	-	
3030	Land and Land Rights Misc.		-	-	-	
3030-110	Water Rights		-	-	-	
3030-130	Land & Land Rights - Source of Supply		-	-	-	
3030-200	Land & Land Rights - Pumping Plant		-	-	-	
3030-300	Land & Land Rights - Treatment Plant		-	-	-	
3030-400	Land & Land Rights - Transmission & Distribution		-	-	-	
3030-500	Distribution Reservoirs and Standpipes Land		-	-	-	
3030-610	Land & Land Rights - General Plant		1,404.25	-	1,404.25	
3040-200	Structures & Improvements - Pumping Plant	22,151.00	6,647.01	-	28,798.01	
3040-300	Structures & Improvements - Treatment Plant	589,674.00	318,983.93	-	908,657.93	
3040-400	Structures & Improvements - Trans & Dist	948,841.00	16,772.74	-	965,613.74	
3040-610	Structures & Improvements - General Plant	132,569.00	38,378.16	-	170,947.16	
3050	Collecting & Impounding Reserves	377,317.00	20,859.80	-	398,176.80	
3060	Lakes, Rivers and Other Intakes	58,206.00	10,772.23	-	68,978.23	
3070	Wells and Springs	26,430.00	2,712.85	-	29,142.85	
3090	Supply Mains	31,850.00	4,704.21	-	36,554.21	
3100	Power Generation Equipment	108,420.00	6,680.75	-	115,100.75	
3110	Pumping Equipment	382,948.00	48,580.39	-	431,528.39	
3110-100	Hydraulic Pumping Equip.		-	-	-	
3114	T & D Pumping Equip.		-	-	-	
3200	Water Treatment Equipment	1,876,686.00	287,395.96	-	2,164,081.96	
3300	Distribution Reservoirs and Standpipes	510,310.00	33,027.56	-	543,337.56	898,825 QIP Investment
3310	Mains	5,298,164.00	274,689.32	68,615.00	5,504,238.32	
	Quip Mains		4,853.76	-	4,853.76	(4,853.76) QIP Accum Depr
3330	Services	1,475,469.00	177,730.49	-	1,653,199.49	
	Quip Services		-	-	-	
3340-700	Meters	529,214.00	204,030.48	197,906.00	535,338.48	
	Quip Meters		9,780.75	-	9,780.75	(9,780.75) QIP Accum Depr
3340-800	Meter Installations	2,782.00	3,062.93	-	5,844.93	
3350	Hydrants	410,964.00	71,197.07	13,469.00	468,692.07	
	Quip Hydrants		1,386.45	-	1,386.45	(1,386.45) QIP Accum Depr
3390	Intang-oth Plant & Misc Equip		-	-	-	
3394	Other Plant and Miscellaneous		-	-	-	
3400	Office Furniture and Equipment	282,356.00	64,444.09	-	346,800.09	882,804 = NetQIP
3410-100	Transportation Equipment	301,483.00	87,358.70	-	388,841.70	
3420	Stores Equipment	11,306.00	1,218.68	-	12,524.68	
3430	Tools Shop and Garage Equipment	139,297.00	27,515.28	-	166,812.28	
3440	Laboratory Equipment	62,675.00	5,573.05	-	68,248.05	
3450	Power Operated Equipment	19,147.00	6,974.65	-	26,121.65	
3460	Communication Equipment	118,870.00	15,485.13	-	134,355.13	
3470	Miscellaneous Equipment	16,664.00	11,224.45	-	27,888.45	
3480	Other Tangible Plant		-	-	-	
Total		13,733,793.00	1,763,445.11	279,990.00	15,217,248.11	

**PROJECTS TO BE COMPLETED IN 2002 UNDER QIPS**

<b>YEAR</b>	<b>PROJECT</b>	<b>TOTAL COST</b>	<b>ACC 331 COST</b>	<b>ACC 334 COST</b>	<b>ACC 335 COST</b>
2002	Elm Street Main Replmt.	\$ 96,250	\$ 85,450		\$ 10,800
	Polk Street Main Replmt.	\$ 93,500	\$ 82,700		\$ 10,800
	Third Street Main Replmt.	\$ 16,500	\$ 13,800		\$ 2,700
	Western Avenue Main Repl.	\$ 121,000	\$ 107,500		\$ 13,500
	Murray Clark Road Main Rpl	\$ 137,500	\$ 124,000		\$ 13,500
	Holland Main Replacement	\$ 12,375	\$ 9,675		\$ 2,700
	Russell Main Replacement	\$ 20,900	\$ 18,200		\$ 2,700
	Clay Main Replacement	\$ 19,800	\$ 17,100		\$ 2,700
	Harvey Main Replacement	\$ 33,000	\$ 27,600		\$ 5,400
	Kansas Main Replacement	\$ 33,000	\$ 27,600		\$ 5,400
	Replace Meters	\$ 315,000		\$ 315,000	
<b>SUBTOTAL</b>		<b>\$ 898,825</b>	<b>\$ 513,625</b>	<b>\$ 315,000</b>	<b>\$ 70,200</b>

**2002 PROJECTS OVER \$100,000**

<b><u>Description</u></b>	<b><u>Murray Clark Road</u></b>	<b><u>Western Avenue</u></b>
Current Size	4-inch	3-inch
Low Hydrant Flows	1	0
Main Breaks	0	0
Private Main	0	0
Dead End	Yes	Yes
Complaints	1	2
Need Hydrant	Yes	Yes
Total Points	40	40
Year Installed	1992	1951
Existing Material	PVC	Cast Iron
Length to be Replaced	2,500 Ft.	2,200 Ft.
Proposed Seize	8-inch	8-inch
Estimated Cost/Ft	\$55	\$55
Estimated Cost	\$137,500	\$121,000

**Officer Certification**

I, Michael D. Bratetic, hereby certify that the forecast used in developing the QIF surcharge percentage was prepared in accordance with the Guidelines for Presentation of Projected Financial Information established by the American Institute of Certified Public Accountants, Inc.

I also certify that the accounting treatment applied to the events and transactions in the forecast is the same as the accounting treatment to be applied in recording the events once they occur.

Michael D. Bratetic  
Vice President- Finance  
Consumers Illinois Water Company