

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%** = 1.71%  
**NetQIP** = 97,074  
**PTR** = 12.76%  
**NetDep** = 795  
**R** = 0  
**O** = 0  
**INT** = 0  
**Om** = 1.00  
**PAR** = 722,744

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	4,062.00			4,062.00		-	-	-
3020	Franchises	38,774.00			38,774.00		-	-	-
3030	Land and Land Rights Misc.						-	-	-
3030-110	Water Rights						-	-	-
3030-130	Land & Land Rights - Source of Supply	4,515.00			4,515.00		-	-	-
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	10,261.00			10,261.00		-	-	-
3040-200	Structures & Improvements - Pumping Plant	1,633.00			1,633.00	2.07%	33.80	-	33.80
3040-300	Structures & Improvements - Treatment Plant	48,447.00			48,447.00	2.78%	1,346.83	-	1,346.83
3040-400	Structures & Improvements - Trans & Dist	59,705.00			59,705.00	4.17%	2,489.70	-	2,489.70
3040-610	Structures & Improvements - General Plant	190,292.00			190,292.00	4.00%	7,611.68	-	7,611.68
3050	Collecting & Impounding Reserves					1.50%	-	-	-
3060	Lakes, Rivers and Other Intakes					1.47%	-	-	-
3070	Wells and Springs	278,753.00			278,753.00	1.67%	4,655.18	-	4,655.18
3090	Supply Mains	21,766.00			21,766.00	1.89%	411.38	-	411.38
3100	Power Generation Equipment	94,656.00			94,656.00	3.33%	3,152.04	-	3,152.04
3110	Pumping Equipment	265,029.00			265,029.00	3.13%	8,295.41	-	8,295.41
3110-100	Hydraulic Pumping Equip.						-	-	-
3114	T & D Pumping Equip.						-	-	-
3200	Water Treatment Equipment	257,629.00			257,629.00	3.57%	9,197.36	-	9,197.36
3300	Distribution Reservoirs and Standpipes	206,649.00			206,649.00	1.67%	3,451.04	-	3,451.04
3310	Mains	1,223,476.00		13,920.00	1,209,556.00	1.89%	23,123.70	(131.54)	22,992.15
	Quip Mains		98,000.00		98,000.00	1.89%	-	926.10	926.10
3330	Services	736,113.00			736,113.00	3.33%	24,512.56	-	24,512.56
	Quip Services					3.33%	-	-	-
3340-700	Meters	14,630.00			14,630.00	6.21%	908.52	-	908.52
	Quip Meters					6.21%	-	-	-
3340-800	Meter Installations	5,215.00			5,215.00	4.44%	231.55	-	231.55
3350	Hydrants	63,618.00			63,618.00	3.95%	2,512.91	-	2,512.91
	Quip Hydrants					3.95%	-	-	-
3390	Intang-oth Plant & Misc Equip	2,729.00			2,729.00		-	-	-
3394	Other Plant and Miscellaneous					5.46%	-	-	-
3400	Office Furniture and Equipment	361,298.00			361,298.00	4.74%	17,125.53	-	17,125.53
3410-100	Transportation Equipment	70,485.00			70,485.00	10.77%	7,591.23	-	7,591.23
3420	Stores Equipment					3.28%	-	-	-
3430	Tools Shop and Garage Equipment	34,678.00			34,678.00	7.31%	2,534.96	-	2,534.96
3440	Laboratory Equipment	5,157.00			5,157.00	5.00%	257.85	-	257.85
3450	Power Operated Equipment	126,179.00			126,179.00	5.00%	6,308.95	-	6,308.95
3460	Communication Equipment	95,714.00			95,714.00	12.50%	11,964.25	-	11,964.25
3470	Miscellaneous Equipment	3,121.00			3,121.00	5.46%	170.41	-	170.41
3480	Other Tangible Plant						-	-	-
Total		4,224,584.00	98,000.00	13,920.00	4,308,664.00		137,886.82	794.56	138,681.38

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					
3040-200	Structures & Improvements - Pumping Plant	173.00	33.80		206.80	
3040-300	Structures & Improvements - Treatment Plant	1,293.00	1,346.83		2,639.83	
3040-400	Structures & Improvements - Trans & Dist	24,142.00	2,489.70		26,631.70	
3040-610	Structures & Improvements - General Plant	33,744.00	7,611.68		41,355.68	
3050	Collecting & Impounding Reserves					
3060	Lakes, Rivers and Other Intakes					
3070	Wells and Springs	56,965.00	4,655.18		61,620.18	
3090	Supply Mains	3,096.00	411.38		3,507.38	
3100	Power Generation Equipment	13,915.00	3,152.04		17,067.04	
3110	Pumping Equipment	(26,581.00)	8,295.41		(18,285.59)	
3110-100	Hydraulic Pumping Equip.					
3114	T & D Pumping Equip.					
3200	Water Treatment Equipment	91,629.00	9,197.36		100,826.36	
3300	Distribution Reservoirs and Standpipes	85,686.00	3,451.04		89,137.04	98,000 QIP Investment
3310	Mains	724,126.00	22,992.15	13,920.00	733,198.15	
	Quip Mains		926.10		926.10	(926.10) QIP Accum Depr
3330	Services	342,643.00	24,512.56		367,155.56	
	Quip Services					
3340-700	Meters	4,912.00	908.52		5,820.52	
	Quip Meters					QIP Accum Depr
3340-800	Meter Installations	1,314.00	231.55		1,545.55	
3350	Hydrants	7,364.00	2,512.91		9,876.91	
	Quip Hydrants					QIP Accum Depr
3390	Intang-oth Plant & Misc Equip					
3394	Other Plant and Miscellaneous	132.00			132.00	97,074 = NetQIP
3400	Office Furniture and Equipment	(9,656.00)	17,125.53		7,469.53	
3410-100	Transportation Equipment	(11,298.00)	7,591.23		(3,706.77)	
3420	Stores Equipment	1,182.00			1,182.00	
3430	Tools Shop and Garage Equipment	3,821.00	2,534.96		6,355.96	
3440	Laboratory Equipment	542.00	257.85		799.85	
3450	Power Operated Equipment	6,194.00	6,308.95		12,502.95	
3460	Communication Equipment	20,641.00	11,964.25		32,605.25	
3470	Miscellaneous Equipment	970.00	170.41		1,140.41	
3480	Other Tangible Plant					
Total		1,376,949.00	138,681.38	13,920.00	1,501,710.38	

PROJECTS TO BE COMPLETED IN 2002 UNDER QIPS

<u>Year</u>	<u>Name</u>	<u>Description</u>	<u>Acct #</u>		<u>Cost</u>
2002	Section 6	Replace 1,400 ft. of 10" PVC Meters with 3/4" x 3/4" RF Meters	331	\$	98,000

**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