

**Illinois-American Water Company**  
**Comparisons of Budgeted Non-Payroll Expense to Actual**  
**For the period January 1, 2012 through December 31, 2017**

Docket No. 16-\_\_\_\_\_  
Section 285.7050  
Schedule G-9  
Witness Responsible: Rich Kerckhove  
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Total Company  
Workpaper Reference: \_\_\_\_\_

Line No.	Acct No.	Description	Actual Dec-12	Plan Dec-12	Difference Dec-12	% Change Actual vs Plan	Actual Dec-13	Plan Dec-13	Difference Dec-13	% Change Actual vs Plan	Actual Dec-14	Plan Dec-14	Difference Dec-14	% Change Actual vs Plan
1														
2														
3	604	Employee Pension and Benefits	\$10,738,435	\$10,866,232	(\$127,797)	-1.18%	\$10,260,212	\$11,165,385	(\$905,173)	-8.11%	\$6,774,832	\$8,202,347	(\$1,427,515)	-17.40%
4	610	Purchased Water	22,373,279	17,927,320	4,435,959	24.73%	23,215,861	5,505,854	17,710,008	321.66%	24,926,897	25,674,553	(747,656)	-2.91%
5	615	Purchased Power	6,399,614	6,781,086	(381,472)	-5.63%	5,927,223	6,226,298	(299,075)	-4.80%	6,110,340	6,110,443	(103)	0.00%
6	616	Fuel for Power Production	51,323	0	51,323	100.00%	11,156	0	11,156	100.00%	10,046	0	10,046	100.00%
7	618	Chemicals	8,306,433	7,516,589	789,844	10.51%	7,598,523	7,212,716	385,807	5.35%	5,322,619	7,133,725	(1,811,106)	-25.39%
8	620	Materials and Supplies	300,258	200,077	100,181	50.07%	398,610	177,441	221,169	124.64%	509,894	204,012	305,882	149.93%
9	631	Contractual Services - Engineering	10,919	0	10,919	100.00%	4,945	0	4,945	100.00%	33,313	0	33,313	100.00%
10	632	Contractual Services - Accounting	0	0	0	0.00%	0	0	0	0.00%	35,391	0	35,391	100.00%
11	633	Contractual Services - Legal	370	(1,981,845)	1,982,215	-100.02%	3,269	508,000	(504,731)	-99.36%	185,875	349,992	(164,117)	-46.89%
12	634	Contractual Services - Management Fees	0	0	0	0.00%	0	22,752,212	(22,752,212)	-100.00%	21,850,059	20,420,903	1,429,156	7.00%
13	635	Contractual Services - Testing	0	0	0	0.00%	0	0	0	0.00%	71,918	0	71,918	100.00%
14	636	Contractual Services - Other	1,032,135	0	1,032,135	100.00%	1,367,235	0	1,367,235	100.00%	1,979,796	0	1,979,796	100.00%
15	641	Rental of Building / Real Property	1,007,341	1,043,049	(35,708)	-3.42%	863,578	493,442	370,136	75.01%	384,565	354,065	30,500	8.61%
16	642	Rental of Equipment	470,590	273,557	197,033	72.03%	322,096	267,483	54,613	20.42%	235,301	248,704	(13,403)	-5.39%
17	650	Transportation Expenses	2,187,410	2,374,862	(187,451)	-7.89%	2,350,855	2,717,380	(366,525)	-13.49%	2,312,099	2,197,291	114,808	5.22%
18	656	Insurance - Vehicle	0	103,075	(103,075)	-100.00%	88,208	103,075	(14,867)	-14.42%	113,817	92,618	21,199	22.89%
19	657	Insurance - General Liability	0	971,971	(971,971)	-100.00%	1,828,006	971,971	856,035	88.07%	2,158,612	1,307,028	851,584	65.15%
20	658	Insurance - Workman's Compensation	387,662	1,060,947	(673,284)	-63.46%	966,150	931,854	34,296	3.68%	764,087	1,024,801	(260,714)	-25.44%
21	659	Insurance Other	0	897,790	(897,790)	-100.00%	621,533	897,790	(276,257)	-30.77%	599,821	909,093	(309,272)	-34.02%
22	660	Advertising Expense	66,579	229,371	(162,792)	-70.97%	33,683	65,012	(31,330)	-48.19%	44,848	90,000	(45,152)	-50.17%
23	666	Regulatory Comm - Amort Rate Case Expense	0	920,031	(920,031)	-100.00%	856,202	963,324	(107,122)	-11.12%	856,255	856,256	(1)	0.00%
24	667	Regulatory Commission Expense - Other	0	0	0	0.00%	201,883	0	201,883	100.00%	201,480	201,479	1	0.00%
25	668	Water Resource Conservation Expense	0	0	0	0.00%	0	0	0	0.00%	0	0	0	0.00%
26	670	Bad Debt Expense	0	2,070,463	(2,070,463)	-100.00%	3,684,600	1,935,608	1,748,991	90.36%	4,694,732	1,942,087	2,752,645	141.74%
27	675	Miscellaneous Expenses	6,372,443	7,414,670	(1,042,226)	-14.06%	5,571,408	6,758,004	(1,186,596)	-17.56%	4,659,646	6,308,049	(1,648,403)	-26.13%
28														
29		Total Non-Payroll Expense	\$59,704,791	\$58,679,242	\$1,025,550	1.75%	\$66,175,234	\$69,652,849	(\$3,477,615)	-4.99%	\$84,836,243	\$83,627,446	\$1,208,797	1.45%









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Line No.	NARUC	Explanation
1		
2	604	The favorable variance is due to higher capitalization of \$1.0m (24.7% actual vs. 20.9% budget), position vacancies of \$1.0m, favorable AIP of \$0.1m, partially offset by higher O&M overtime of \$0.8m, and unfavorable severance costs of \$0.2m.
3		
4	610	The lower volume purchased is attributed to 2.7% year over year decline in system delivery in Chicago Metro district due to wet and cool weather in the summer of the current year.
5		
6	616	No amount was budgeted to this NARUC account, all budgeted amounts went to NARUC 615.
7		
8	618	The favorable variance of \$1.8 million is due entirely to recording the credit of prior year Atrazine settlement to chemicals expense.
9		
10	620	Materials and Supplies increase of \$0.3 million is due to chemical inventory of \$0.2m and plant material Inventory of \$0.1m.
11		
12	631 - 636	The favorable variance of \$2.6 million is due to unrealized growth of \$3.0m, lower legal fees of \$0.2m, partially offset by higher other professional services of \$0.6m. The unrealized growth is the O'Fallon acquisition which was budgeted for July, but which did not occur. The largest component of the higher other professional services are third party customer billing costs for the Bolingbrook area of the Chicago district.
13		
14	656 - 659	The unfavorable variance of \$0.3 million is due to unfavorable general liability insurance of \$0.9m, partially offset by favorable property insurance of \$0.3m and favorable worker's compensation insurance of \$0.3m. The unfavorable general liability insurance of \$0.9m is due to quarterly retro insurance adjustments of \$0.4m, proportionate charge for WV event of \$0.3m, and recurring monthly insurance premiums of \$0.2m.
15		
16	670	The unfavorable variance is (\$2.2m). This is driven by adjustment to provisions of \$7.0m offset by a \$4.8m discretionary adjustment booked in Q3 based on the following three factors. First, reserve for accounts that qualify for shut off status was reduced by 30%, \$1.5m. The rationale is based on a study that suggests that 30% of our customers will pay their balances due if they are actually shut off. Secondly, an adjustment was made based on how ECIS vs SAP calculates days outstanding, \$0.6m. ECIS calculates the aging based on invoice date, SAP calculates the aging based on due date. Thirdly, conversion issues related to payment plans account for \$2.6m. Since the above adjustments took the place the overall dollars remaining in the aging buckets was reduced for purposes of calculating the standard reserve amount. This adjustment was booked during Q2 at the consolidated level and is now booked at the State level.
17		
18	675	The unfavorable variance of \$0.6 million is due to higher miscellaneous general of \$0.3m, higher condemnation expense of \$0.3m, higher materials and supplies of \$0.1m, partially offset by lower charitable contributions and community relations of \$0.1m. The unfavorable miscellaneous operations expense is due to a combination of workbasket and other accruals, free water provided under franchise agreements, write-off of cost incurred on terminated capital projects, as well as expenses that should have been recorded elsewhere, primarily maintenance expense. The unfavorable condemnation costs are attributed to legal fees incurred for Chicago area proceedings. The favorable charitable contributions and community relations expense is driven by management's efforts to reduce discretionary spending.
19		