

REBUTTAL TESTIMONY

OF

RICHARD W. BRIDAL II  
Accountant  
Accounting Department  
Financial Analysis Division  
Illinois Commerce Commission

Illinois American Water Company

Proposed General Increase in Rates for Water and Sewer Service

Docket No. 16-0093

July 12, 2016

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1 **Witness Identification**

2 **Q. Please state your name and business address.**

3 A. My name is Richard W. Bridal II. My business address is 527 East Capitol  
4 Avenue, Springfield, Illinois 62701.

5 **Q. Are you the same Richard W. Bridal II who previously provided direct**  
6 **testimony in this proceeding?**

7 A. Yes. My direct testimony is ICC Staff Exhibit 1.0.

8 **Q. What is the purpose of your rebuttal testimony?**

9 A. The purpose of my rebuttal testimony is to present Staff's rebuttal revenue  
10 requirement schedules for Illinois American Water Company ("Company" or  
11 "IAWC"). These schedules start with the Company's revised rebuttal testimony,  
12 specifically IAWC Schedules IAWC 4.01R (Rev.) through IAWC 4.05R (Rev.) and  
13 present Staff's adjustments thereto.

14 **Schedule Identification**

15 **Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 9.0?**

16 A. Yes, I prepared the following schedules for the Company, which show data as of,  
17 or for the test year ending on, December 31, 2017:

18 **Revenue Requirement Schedules**

19 Schedule 9.01 – Statement of Operating Income with Adjustments

20 Schedule 9.02 – Adjustments to Operating Income

21 Schedule 9.03 – Rate Base

22 Schedule 9.04 – Adjustments to Rate Base

- 23 Schedule 9.05 – Revenue Effect of Adjustments
- 24 Schedule 9.06 – Interest Synchronization Adjustment
- 25 Schedule 9.07 – Gross Revenue Conversion Factor

26 **Q. Please explain the numbering system for the various schedules.**

27 A. IAWC filed for rate changes for several different rate districts, so each schedule  
28 is comprised of the individual schedules for each rate district. The letters after  
29 the schedule numbers identify the respective rate districts as follows:

- 30 ZN – Zone 1
- 31 CS – Chicago Metro Sewer
- 32 PK – Pekin
- 33 LC - Lincoln

34 Thus, Schedule 1.01 ZN provides information for the Zone 1 rate district. The  
35 rate district designation is a part of each schedule number to facilitate  
36 identification of which rate districts are affected by specific adjustments.

37 **Revenue Requirement Schedules**

38 **Q. Please describe Schedule 9.01 for each rate district, Statement of**  
39 **Operating Income with Adjustments.**

40 A. Schedule 9.01 for each rate district is the same as ICC Staff Exhibit 1.0,  
41 Schedule 1.01 for each rate district, described on pages 3 through 5 of ICC Staff  
42 Exhibit 1.0, except that the schedule incorporates Company revised rebuttal and  
43 Staff rebuttal positions.

44 **Q. Do Staff's revenue requirement schedules reflect the assumption that Rider**  
45 **VBA will be accepted?**

46 A. No, they do not. Staff witness Ms. Kight-Garlich's cost of common equity  
47 recommendation differs if Rider VBA is or is not adopted by the Commission for  
48 IAWC. (Staff Ex. 13.0, 2.) Consequently, Staff witness Mr. Hardas' overall cost  
49 of capital recommendation also differs if Rider VBA is or is not adopted. (Staff  
50 Ex. 12.0, 2.) Since various elements of the revenue requirement may change  
51 between the direct testimony and rebuttal testimony phase, Staff's recommended  
52 revenue requirement for each rate zone is calculated using an overall cost of  
53 capital that does not reflect adoption of Rider VBA.

54 **Q. Please describe Schedule 9.02 for each rate district, Adjustments to**  
55 **Operating Income.**

56 A. Schedule 9.02 for each rate district identifies Staff's proposed adjustments to  
57 Operating Income. The source of each adjustment is shown in the heading of  
58 each column. For comparability between the different rate areas, columns for  
59 every adjustment to Operating Income proposed by Staff witnesses appear on all  
60 Schedules 9.02; however, the column is designated as "(Not Applicable)" for  
61 those rate areas not affected by a given adjustment. The final column of  
62 Schedule 9.02 is carried forward to Schedule 9.01, column (c).

63 **Q. Please describe Schedule 9.03 for each rate district, Rate Base.**

64 A. Schedule 9.03 for each rate district is the same as ICC Staff Exhibit 1.0,  
65 Schedule 1.03 described on page 5 of ICC Staff Exhibit 1.0, except that the  
66 schedule incorporates Company revised rebuttal and Staff rebuttal positions.

67 **Q. Please describe Schedule 9.04 for each rate district, Adjustments to Rate**

68 **Base.**

69 A. Schedule 9.04 for each rate district identifies Staff's proposed adjustments to  
70 Rate Base. The source of each adjustment is shown in the heading of each  
71 column. For comparability between the different rate areas, columns for every  
72 adjustment to Rate Base proposed by Staff witnesses appear on all Schedules  
73 9.04; however, the column is designated as "(Not Applicable)" for those rate  
74 areas not affected by a given adjustment. The final column of Schedule 9.04 is  
75 carried forward to Schedule 9.03, Column (c).

76 **Revenue Effect of Adjustments**

77 **Q. Please describe Schedule 9.05 for each rate district, Revenue Effect of**  
78 **Adjustments.**

79 A. Schedule 9.05 for each rate district identifies the approximate effect of each Staff  
80 adjustment on the Company's proposed Revenue Requirement. Schedule 9.05  
81 for each rate district is not the development of Staff's Revenue Requirement.  
82 Rather, it is an analysis that is intended to assist the Commission in identifying  
83 the relative monetary significance of each Staff adjustment.

84 **Interest Synchronization Adjustment**

85 **Q. Please explain Schedule 9.06 for each rate district, Interest Synchronization**  
86 **Adjustment.**

87 A. Schedule 9.06 for each rate zone uses the same concept as does ICC Staff  
88 Exhibit 1.0, Schedule 1.06. The theory is discussed on ICC Staff Exhibit 1.0,  
89 pages 5-6.

90 **Gross Revenue Conversion Factor**

91 **Q. Please describe Schedule 9.07 for each rate district, Gross Revenue**  
92 **Conversion Factor.**

93 A. Schedule 9.07 for each rate district presents Staff's proposed Gross Revenue  
94 Conversion Factor ("GRCF"). The GRCF is based upon the applicable federal  
95 tax rate, the state income tax rate effective January 1, 2017, and the uncollectible  
96 rate. The GRCF is applied to the operating income deficiency to determine the  
97 total amount of revenue required for the income deficiency and the associated  
98 increase in income tax expense and uncollectible expense. The GRCF is used in  
99 the calculation of the Revenue Requirement in Columns (f) through (h) of  
100 Schedule 9.01 for each rate district.

101 **Conclusion**

102 **Q. Does this question end your prepared direct testimony?**

103 A. Yes.



**Illinois-American Water Company**  
 Zone 1  
**Adjustments to Operating Income**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Interest Synchronization (St. Sch. 9.07)	(Not Applicable)	Prior Rate Case Expense (St. Sch. 11.01)	(Not Applicable)	(Not Applicable)	Invested Capital Tax (St. Sch. 11.04)	(Not Applicable)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Base Rates Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Other Revenue	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Salaries and Wages	-	-	-	-	-	-	-	-
6	Purchased Water	-	-	-	-	-	-	-	-
7	Fuel and Power	-	-	-	-	-	-	-	-
8	Chemicals	-	-	-	-	-	-	-	-
9	Waste Disposal	-	-	-	-	-	-	-	-
10	Service Company Costs	-	-	-	-	-	-	-	-
11	Group Insurance	-	-	-	-	-	-	-	-
12	Pension	-	-	-	-	-	-	-	-
13	Regulatory Expense	-	-	(245,036)	-	-	-	-	(245,036)
14	Insurance - other	-	-	-	-	-	-	-	-
15	Customer Accounting	-	-	-	-	-	-	-	-
16	Rents	-	-	-	-	-	-	-	-
17	General Office Expense	-	-	-	-	-	-	-	-
18	Maintenance - other	-	-	-	-	-	-	-	-
19	Miscellaneous	-	-	-	-	-	-	-	-
20	Depreciation & Amortization	-	-	-	-	-	-	-	-
21	Taxes other than income	-	-	-	-	-	(80,867)	-	(80,867)
22	Total Operating Expense	-	-	-	-	-	-	-	-
23	Before Income Taxes	-	-	(245,036)	-	-	(80,867)	-	(325,903)
24	State Income Tax	(40,062)	-	18,990	-	-	6,267	-	(14,805)
25	Federal Income Tax	(166,902)	-	79,116	-	-	26,110	-	(61,676)
26	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
27	Total Operating Expenses	(206,964)	-	(146,930)	-	-	(48,490)	-	(402,384)
28	NET OPERATING INCOME	\$ 206,964	\$ -	\$ 146,930	\$ -	\$ -	\$ 48,490	\$ -	\$ 402,384

**Illinois-American Water Company**  
 Zone 1  
**Adjustments to Operating Income**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Subtotal Operating Statement Adjustments	(Not Applicable)	Incentive Compensation (St. Sch. 11.07)	Payroll Expense (St. Sch. 11.08)	(Source)	(Source)	(Source)	Subtotal Operating Statement Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Base Rates Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Other Revenue	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Salaries and Wages	-	-	(1,632,176)	(654,248)	-	-	-	(2,286,424)
6	Purchased Water	-	-	-	-	-	-	-	-
7	Fuel and Power	-	-	-	-	-	-	-	-
8	Chemicals	-	-	-	-	-	-	-	-
9	Waste Disposal	-	-	-	-	-	-	-	-
10	Service Company Costs	-	-	-	-	-	-	-	-
11	Group Insurance	-	-	-	-	-	-	-	-
12	Pension	-	-	-	-	-	-	-	-
13	Regulatory Expense	(245,036)	-	-	-	-	-	-	(245,036)
14	Insurance - other	-	-	-	-	-	-	-	-
15	Customer Accounting	-	-	-	-	-	-	-	-
16	Rents	-	-	-	-	-	-	-	-
17	General Office Expense	-	-	-	-	-	-	-	-
18	Maintenance - other	-	-	-	-	-	-	-	-
19	Miscellaneous	-	-	-	-	-	-	-	-
20	Depreciation & Amortization	-	-	(27,328)	-	-	-	-	(27,328)
21	Taxes other than income	(80,867)	-	-	-	-	-	-	(80,867)
22	Total Operating Expense								
23	Before Income Taxes	(325,903)	-	(1,659,504)	(654,248)	-	-	-	(2,639,655)
24	State Income Tax	(14,805)	-	128,612	50,704	-	-	-	164,511
25	Federal Income Tax	(61,676)	-	535,812	211,240	-	-	-	685,376
26	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
27	Total Operating Expenses	(402,384)	-	(995,080)	(392,304)	-	-	-	(1,789,768)
28	NET OPERATING INCOME	\$ 402,384	\$ -	\$ 995,080	\$ 392,304	\$ -	\$ -	\$ -	\$ 1,789,768

**Illinois-American Water Company**  
 Zone 1  
**Rate Base**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Company Pro Forma Rate Base (IAWC Ex. 4.03R(Rev))	Staff Adjustments (St. Ex. 9.0 Sch 9.04 ZN)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Utility Plant in Service	\$ 1,527,609,048	\$ (1,057,507)	\$ 1,526,551,541
2	Less: Accum. Depreciation & Amort.	(494,478,750)	83,081	(494,395,669)
3		-	-	-
4	Net Plant	1,033,130,298	(974,426)	1,032,155,872
5	Additions to Rate Base			
6	Construction Work in Progress	7,055,134	-	7,055,134
7	Utility Plant Acquisition Adjustment - DuPage	35,107	-	35,107
8	Cash Working Capital	2,933,000	(228,000)	2,705,000
9	Materials and Supplies	3,773,605	-	3,773,605
10	Deferred Charges	11,717,412	-	11,717,412
11	FAS 109 Reg. Asset - Net of Liability	(889,187)	-	(889,187)
12	ICC Service Company Audit Costs	97,548	-	97,548
13		-	-	-
14		-	-	-
15		-	-	-
16	Deductions From Rate Base			
17	Customer Advances for Construction	(52,051,759)	-	(52,051,759)
18	Contributions in Aid of Construction	(136,071,437)	-	(136,071,437)
19	Accum. Depr. on Contributed Property	49,690,489	-	49,690,489
20	Budget Payment Plan	(2,186)	-	(2,186)
20	Deferred Federal Income Tax	(117,274,560)	3,467	(117,271,093)
21	Deferred State Income Tax	(11,758,133)	(1,313,174)	(13,071,307)
22	Investment Tax Credit - pre 1971	(855)	-	(855)
23	Rate Base	<u>\$ 790,384,476</u>	<u>\$ (2,512,133)</u>	<u>\$ 787,872,343</u>

**Illinois-American Water Company**  
 Zone 1  
**Adjustments to Rate Base**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Cash Working Capital (St. Sch. 10.01)	(Not Applicable)	(Not Applicable)	(Not Applicable)	Incentive Compensation (St. Sch. 11.07)	State ADIT Correction (St. Sch. 10.02)	Payroll Expense (St. Sch. 11.08)	Subtotal Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ (833,184)	\$ -	\$ (224,323)	\$ (1,057,507)
2	Less: Accum. Depreciation & Amort.	-	-	-	-	83,081	-	-	83,081
3		-	-	-	-	-	-	-	-
4	Net Plant	-	-	-	-	(750,103)	-	(224,323)	(974,426)
5	Additions to Rate Base								-
6	Construction Work in Progress	-	-	-	-	-	-	-	-
7	Utility Plant Acquisition Adjustment - DuPage	-	-	-	-	-	-	-	-
8	Cash Working Capital	(228,000)	-	-	-	-	-	-	(228,000)
9	Materials and Supplies	-	-	-	-	-	-	-	-
10	Deferred Charges	-	-	-	-	-	-	-	-
11	FAS 109 Reg. Asset - Net of Liability	-	-	-	-	-	-	-	-
12	ICC Service Company Audit Costs	-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Customer Advances for Construction	-	-	-	-	-	-	-	-
18	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
19	Accum. Depr. on Contributed Property	-	-	-	-	-	-	-	-
20	Budget Payment Plan	-	-	-	-	-	-	-	-
20	Deferred Federal Income Tax	-	-	-	-	3,467	-	-	3,467
21	Deferred State Income Tax	-	-	-	-	521	(1,313,695)	-	(1,313,174)
22	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
23	Rate Base	\$ (228,000)	\$ -	\$ -	\$ -	\$ (746,115)	\$ (1,313,695)	\$ (224,323)	\$ (2,512,133)



**Illinois-American Water Company**  
 Zone 1  
**Revenue Effect of Adjustments**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Per Company	Staff Adjustments	Per Staff
	(a)	(b)	(c)	(d)
1	Present Revenues	\$ 201,586,647 <sup>(1)</sup>	\$ -	\$ 201,586,647 <sup>(2)</sup>
2	Proposed Increase	<u>39,322,223</u> <sup>(3)</sup>	<u>(21,698,776)</u> <sup>(4)</sup>	<u>17,623,447</u> <sup>(5)</sup>
3	Proposed Revenues	<u>\$ 240,908,870</u>	<u>\$ (21,698,776)</u>	<u>\$ 219,210,094</u>
4	% Increase	19.51%		8.74%
5	Staff Adjustments:			
6	Rate of Return (Applied to Company Rate Base)		(18,404,630)	
7	Incentive Compensation		(1,745,755)	
8	Payroll Expense		(681,671)	
9	Interest Synchronization		(392,383)	
10	Prior Rate Case Expense		(247,387)	
11	State ADIT Correction		(123,836)	
12	Invested Capital Tax		(81,643)	
13	Cash Working Capital		(21,493)	
14	Gross Revenue Conversion Factor		(5)	
15	(Not Applicable)		-	
16	(Not Applicable)		-	
17	(Not Applicable)		-	
18	(Not Applicable)		-	
19	(Not Applicable)		-	
20	(Not Applicable)		-	
21	(Not Applicable)		-	
22	(Not Applicable)		-	
23	(Not Applicable)		-	
24		-	-	
25		-	-	
26	Rounding		<u>27</u>	
27	Total Revenue Effect of Staff Adjustments		<u>\$ (21,698,776)</u>	

Sources:

- (1) ICC Staff Exhibit 9.0, Schedule 9.01 ZN, column (b), line 3
- (2) ICC Staff Exhibit 9.0, Schedule 9.01 ZN, column (d), line 3
- (3) ICC Staff Exhibit 9.0, Schedule 9.01 ZN, column (e), line 3
- (4) ICC Staff Exhibit 9.0, Schedule 9.01 ZN, columns (f) + (h), line 3
- (5) ICC Staff Exhibit 9.0, Schedule 9.01 ZN, column (i), line 31

Illinois-American Water Company  
 Zone 1  
 Interest Synchronization Adjustment  
 For the Test Year Ending December 31, 2017

Line No.	Description (a)	Amount (b)
1	Rate Base	\$ 787,872,343 (1)
2	Weighted Cost of Debt	2.59% (2)
3	Synchronized Interest Per Staff	20,434,612
4	Company Interest Expense	<u>19,917,689 (3)</u>
5	Increase (Decrease) in Interest Expense	<u>516,923</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 7.750%	<u>\$ (40,062)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ (166,902)</u>

(1) Source: ICC Staff Ex.9.0, Schedule 9.03 ZN, Column (d).  
 (2) Source: ICC Staff Exhibit 12.0, Schedule 12.01.  
 (3) Source: IAWC Ex. 4.05R(Rev), p. 2, Ln. 3

Illinois-American Water Company  
 Zone 1  
 Gross Revenue Conversion Factor  
 For the Test Year Ending December 31, 2017

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.9500%	<u>0.009500</u>	
3	State Taxable Income		0.990500	1.000000
4	State Income Tax	7.7500%	<u>0.076764</u>	<u>0.077500</u>
5	Federal Taxable Income		0.913736	0.922500
6	Federal Income Tax	35.0000%	<u>0.319808</u>	<u>0.322875</u>
7	Operating Income		<u>0.593928</u>	<u>0.599625</u>
8	Gross Revenue Conversion Factor Per Staff	(Line 1 / Line 7)	<u>1.683706</u>	<u>1.667709</u>



**Illinois-American Water Company**  
 Chicago Metro - Wastewater  
**Adjustments to Operating Income**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Interest Synchronization (St. Sch. 9.07)	(Not Applicable)	Prior Rate Case Expense (St. Sch. 11.01)	(Not Applicable)	(Not Applicable)	Invested Capital Tax (St. Sch. 11.04)	(Not Applicable)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Tariff Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Other Revenue	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Salaries and Wages	-	-	-	-	-	-	-	-
6	Purchased Water	-	-	-	-	-	-	-	-
7	Fuel and Power	-	-	-	-	-	-	-	-
8	Chemicals	-	-	-	-	-	-	-	-
9	Waste Disposal	-	-	-	-	-	-	-	-
10	Service Company Costs	-	-	-	-	-	-	-	-
11	Group Insurance	-	-	-	-	-	-	-	-
12	Pension	-	-	-	-	-	-	-	-
13	Regulatory Expense	-	-	(29,647)	-	-	-	-	(29,647)
14	Insurance - other	-	-	-	-	-	-	-	-
15	Customer Accounting	-	-	-	-	-	-	-	-
16	Rents	-	-	-	-	-	-	-	-
17	General Office Expense	-	-	-	-	-	-	-	-
18	Maintenance - other	-	-	-	-	-	-	-	-
19	Miscellaneous	-	-	-	-	-	-	-	-
20	Depreciation & Amortization	-	-	-	-	-	-	-	-
21	Taxes other than income	-	-	-	-	-	(9,784)	-	(9,784)
22	Total Operating Expense	-	-	-	-	-	-	-	-
23	Before Income Taxes	-	-	(29,647)	-	-	(9,784)	-	(39,431)
24	State Income Tax	(3,239)	-	2,298	-	-	758	-	(183)
25	Federal Income Tax	(13,496)	-	9,572	-	-	3,159	-	(765)
26	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
27	Total Operating Expenses	(16,735)	-	(17,777)	-	-	(5,867)	-	(40,379)
28	NET OPERATING INCOME	\$ 16,735	\$ -	\$ 17,777	\$ -	\$ -	\$ 5,867	\$ -	\$ 40,379

**Illinois-American Water Company**  
 Chicago Metro - Wastewater  
**Adjustments to Operating Income**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Subtotal Operating Statement Adjustments	(Not Applicable)	Incentive Compensation (St. Sch. 11.07)	Payroll Expense (St. Sch. 11.08)	(Source)	(Source)	(Source)	Subtotal Operating Statement Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Tariff Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Other Revenue	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Salaries and Wages	-	-	(62,695)	(30,857)	-	-	-	(93,552)
6	Purchased Water	-	-	-	-	-	-	-	-
7	Fuel and Power	-	-	-	-	-	-	-	-
8	Chemicals	-	-	-	-	-	-	-	-
9	Waste Disposal	-	-	-	-	-	-	-	-
10	Service Company Costs	-	-	-	-	-	-	-	-
11	Group Insurance	-	-	-	-	-	-	-	-
12	Pension	-	-	-	-	-	-	-	-
13	Regulatory Expense	(29,647)	-	-	-	-	-	-	(29,647)
14	Insurance - other	-	-	-	-	-	-	-	-
15	Customer Accounting	-	-	-	-	-	-	-	-
16	Rents	-	-	-	-	-	-	-	-
17	General Office Expense	-	-	-	-	-	-	-	-
18	Maintenance - other	-	-	-	-	-	-	-	-
19	Miscellaneous	-	-	-	-	-	-	-	-
20	Depreciation & Amortization	-	-	(4,336)	-	-	-	-	(4,336)
21	Taxes other than income	(9,784)	-	-	-	-	-	-	(9,784)
22	Total Operating Expense								
23	Before Income Taxes	(39,431)	-	(67,031)	(30,857)	-	-	-	(137,319)
24	State Income Tax	(183)	-	5,195	2,391	-	-	-	7,403
25	Federal Income Tax	(765)	-	21,643	9,963	-	-	-	30,841
26	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
27	Total Operating Expenses	(40,379)	-	(40,193)	(18,503)	-	-	-	(99,075)
28	NET OPERATING INCOME	\$ 40,379	\$ -	\$ 40,193	\$ 18,503	\$ -	\$ -	\$ -	\$ 99,075

**Illinois-American Water Company**  
 Chicago Metro - Wastewater  
**Rate Base**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Company Pro Forma Rate Base (IAWC Ex. 4.03R(Rev))	Staff Adjustments (St. Ex. 9.0 Sch 9.04 CS)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Utility Plant in Service	\$ 196,371,404	\$ (109,908)	\$ 196,261,496
2	Less: Accum. Depreciation & Amort.	(92,971,135)	13,180	(92,957,955)
3		-	-	-
4	Net Plant	103,400,269	(96,728)	103,303,541
5	Additions to Rate Base			
6	Construction Work in Progress	4,475,445	-	4,475,445
7	Utility Plant Acquisition Adjustment - DuPage	24,927	-	24,927
8	Cash Working Capital	227,000	(4,000)	223,000
9	Materials and Supplies	17,236	-	17,236
10	Deferred Charges	-	-	-
11	FAS 109 Reg. Asset - Net of Liability	(107,587)	-	(107,587)
12	ICC Service Company Audit Costs	7,581	-	7,581
13		-	-	-
14		-	-	-
15		-	-	-
16	Deductions From Rate Base			
17	Customer Advances for Construction	(22,164)	-	(22,164)
18	Contributions in Aid of Construction	(75,016,950)	-	(75,016,950)
19	Accum. Depr. on Contributed Property	49,866,383	-	49,866,383
20	Budget Payment Plan	-	-	-
20	Deferred Federal Income Tax	(15,078,924)	(676)	(15,079,600)
21	Deferred State Income Tax	(1,511,936)	(168,993)	(1,680,929)
22	Investment Tax Credit - pre 1971	(103)	-	(103)
23	Rate Base	<u>\$ 66,281,177</u>	<u>\$ (270,397)</u>	<u>\$ 66,010,780</u>

**Illinois-American Water Company**  
 Chicago Metro - Wastewater  
**Adjustments to Rate Base**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Cash Working Capital (St. Sch. 10.01)	(Not Applicable)	(Not Applicable)	(Not Applicable)	Incentive Compensation (St. Sch. 11.07)	State ADIT Correction (St. Sch. 10.02)	Payroll Expense (St. Sch. 11.08)	Subtotal Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ (100,807)	\$ -	\$ (9,101)	\$ (109,908)
2	Less: Accum. Depreciation & Amort.	-	-	-	-	13,180	-	-	13,180
3		-	-	-	-	-	-	-	-
4	Net Plant	-	-	-	-	(87,627)	-	(9,101)	(96,728)
5	Additions to Rate Base								-
6	Construction Work in Progress	-	-	-	-	-	-	-	-
7	Utility Plant Acquisition Adjustment - DuPage	-	-	-	-	-	-	-	-
8	Cash Working Capital	(4,000)	-	-	-	-	-	-	(4,000)
9	Materials and Supplies	-	-	-	-	-	-	-	-
10	Deferred Charges	-	-	-	-	-	-	-	-
11	FAS 109 Reg. Asset - Net of Liability	-	-	-	-	-	-	-	-
12	ICC Service Company Audit Costs	-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Customer Advances for Construction	-	-	-	-	-	-	-	-
18	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
19	Accum. Depr. on Contributed Property	-	-	-	-	-	-	-	-
20	Budget Payment Plan	-	-	-	-	-	-	-	-
20	Deferred Federal Income Tax	-	-	-	-	(676)	-	-	(676)
21	Deferred State Income Tax	-	-	-	-	(102)	(168,891)	-	(168,993)
22	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
23	Rate Base	\$ (4,000)	\$ -	\$ -	\$ -	\$ (88,405)	\$ (168,891)	\$ (9,101)	\$ (270,397)



**Illinois-American Water Company**  
 Chicago Metro - Wastewater  
**Revenue Effect of Adjustments**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Per Company	Staff Adjustments	Per Staff
	(a)	(b)	(c)	(d)
1	Present Revenues	\$ 13,211,887 <sup>(1)</sup>	\$ -	\$ 13,211,887 <sup>(2)</sup>
2	Proposed Increase	<u>6,956,439 <sup>(3)</sup></u>	<u>(1,740,430) <sup>(4)</sup></u>	<u>5,216,009 <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 20,168,326</u>	<u>\$ (1,740,430)</u>	<u>\$ 18,427,896</u>
4	% Increase	52.65%		39.48%
5	Staff Adjustments:			
6	Rate of Return (Applied to Company Rate Base)		(1,543,403)	
7	Incentive Compensation		(76,007)	
8	Payroll Expense		(32,012)	
9	Interest Synchronization		(32,904)	
10	Prior Rate Case Expense		(29,931)	
11	State ADIT Correction		(15,921)	
12	Invested Capital Tax		(9,878)	
13	Cash Working Capital		(377)	
14	Gross Revenue Conversion Factor		-	
15	(Not Applicable)		-	
16	(Not Applicable)		-	
17	(Not Applicable)		-	
18	(Not Applicable)		-	
19	(Not Applicable)		-	
20	(Not Applicable)		-	
21	(Not Applicable)		-	
22	(Not Applicable)		-	
23	(Not Applicable)		-	
24		-	-	
25		-	-	
26	Rounding		<u>3</u>	
27	Total Revenue Effect of Staff Adjustments		<u>\$ (1,740,430)</u>	

Sources:

- (1) ICC Staff Exhibit 9.0, Schedule 9.01 CS, column (b), line 3
- (2) ICC Staff Exhibit 9.0, Schedule 9.01 CS, column (d), line 3
- (3) ICC Staff Exhibit 9.0, Schedule 9.01 CS, column (e), line 3
- (4) ICC Staff Exhibit 9.0, Schedule 9.01 CS, columns (f) + (h), line 3
- (5) ICC Staff Exhibit 9.0, Schedule 9.01 CS, column (i), line 31

**Illinois-American Water Company**  
 Chicago Metro - Wastewater  
**Interest Synchronization Adjustment**  
 For the Test Year Ending December 31, 2017

Line No.	Description (a)	Amount (b)
1	Rate Base	\$ 66,010,780 (1)
2	Weighted Cost of Debt	2.59% (2)
3	Synchronized Interest Per Staff	1,712,085
4	Company Interest Expense	<u>1,670,286</u> (3)
5	Increase (Decrease) in Interest Expense	<u>41,799</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 7.750%	<u>\$ (3,239)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ (13,496)</u>

(1) Source: ICC Staff Ex.9.0, Schedule 9.03 CS, Column (d).

(2) Source: ICC Staff Exhibit 12.0, Schedule 12.01.

(3) Source: IAWC Ex. 4.05R(Rev), p. 5, Ln. 3

**Illinois-American Water Company**  
 Chicago Metro - Wastewater  
**Gross Revenue Conversion Factor**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.9500%	<u>0.009500</u>	
3	State Taxable Income		0.990500	1.000000
4	State Income Tax	7.7500%	<u>0.076764</u>	<u>0.077500</u>
5	Federal Taxable Income		0.913736	0.922500
6	Federal Income Tax	35.0000%	<u>0.319808</u>	<u>0.322875</u>
7	Operating Income		<u>0.593928</u>	<u>0.599625</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.683706</u>	<u>1.667709</u>



**Illinois-American Water Company**  
 Pekin  
**Adjustments to Operating Income**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Interest Synchronization (St. Sch. 9.07)	(Not Applicable)	Prior Rate Case Expense (St. Sch. 11.01)	(Not Applicable)	(Not Applicable)	Invested Capital Tax (St. Sch. 11.04)	(Not Applicable)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Tariff Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Other Revenue	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Salaries and Wages	-	-	-	-	-	-	-	-
6	Purchased Water	-	-	-	-	-	-	-	-
7	Fuel and Power	-	-	-	-	-	-	-	-
8	Chemicals	-	-	-	-	-	-	-	-
9	Waste Disposal	-	-	-	-	-	-	-	-
10	Service Company Costs	-	-	-	-	-	-	-	-
11	Group Insurance	-	-	-	-	-	-	-	-
12	Pension	-	-	-	-	-	-	-	-
13	Regulatory Expense	-	-	(13,108)	-	-	-	-	(13,108)
14	Insurance - other	-	-	-	-	-	-	-	-
15	Customer Accounting	-	-	-	-	-	-	-	-
16	Rents	-	-	-	-	-	-	-	-
17	General Office Expense	-	-	-	-	-	-	-	-
18	Maintenance - other	-	-	-	-	-	-	-	-
19	Miscellaneous	-	-	-	-	-	-	-	-
20	Depreciation & Amortization	-	-	-	-	-	-	-	-
21	Taxes other than income	-	-	-	-	-	(4,326)	-	(4,326)
22	Total Operating Expense	-	-	(13,108)	-	-	(4,326)	-	(17,434)
23	Before Income Taxes	-	-	(13,108)	-	-	(4,326)	-	(17,434)
24	State Income Tax	(1,033)	-	1,016	-	-	335	-	318
25	Federal Income Tax	(4,304)	-	4,232	-	-	1,397	-	1,325
26	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
27	Total Operating Expenses	(5,337)	-	(7,860)	-	-	(2,594)	-	(15,791)
28	NET OPERATING INCOME	\$ 5,337	\$ -	\$ 7,860	\$ -	\$ -	\$ 2,594	\$ -	\$ 15,791

**Illinois-American Water Company**  
 Pekin  
**Adjustments to Operating Income**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Subtotal Operating Statement Adjustments	(Not Applicable)	Incentive Compensation (St. Sch. 11.07)	Payroll Expense (St. Sch. 11.08)	(Source)	(Source)	(Source)	Subtotal Operating Statement Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Tariff Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Other Revenue	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Salaries and Wages	-	-	(59,216)	(26,498)	-	-	-	(85,714)
6	Purchased Water	-	-	-	-	-	-	-	-
7	Fuel and Power	-	-	-	-	-	-	-	-
8	Chemicals	-	-	-	-	-	-	-	-
9	Waste Disposal	-	-	-	-	-	-	-	-
10	Service Company Costs	-	-	-	-	-	-	-	-
11	Group Insurance	-	-	-	-	-	-	-	-
12	Pension	-	-	-	-	-	-	-	-
13	Regulatory Expense	(13,108)	-	-	-	-	-	-	(13,108)
14	Insurance - other	-	-	-	-	-	-	-	-
15	Customer Accounting	-	-	-	-	-	-	-	-
16	Rents	-	-	-	-	-	-	-	-
17	General Office Expense	-	-	-	-	-	-	-	-
18	Maintenance - other	-	-	-	-	-	-	-	-
19	Miscellaneous	-	-	-	-	-	-	-	-
20	Depreciation & Amortization	-	-	(1,899)	-	-	-	-	(1,899)
21	Taxes other than income	(4,326)	-	-	-	-	-	-	(4,326)
22	Total Operating Expense	(17,434)	-	(61,115)	(26,498)	-	-	-	(105,047)
23	Before Income Taxes	(17,434)	-	(61,115)	(26,498)	-	-	-	(105,047)
24	State Income Tax	318	-	4,736	2,054	-	-	-	7,108
25	Federal Income Tax	1,325	-	19,733	8,556	-	-	-	29,614
26	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
27	Total Operating Expenses	(15,791)	-	(36,646)	(15,888)	-	-	-	(68,325)
28	NET OPERATING INCOME	\$ 15,791	\$ -	\$ 36,646	\$ 15,888	\$ -	\$ -	\$ -	\$ 68,325

**Illinois-American Water Company**  
 Pekin  
**Rate Base**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Company Pro Forma Rate Base (IAWC Ex. 4.03R(Rev))	Staff Adjustments (St. Ex. 9.0 Sch 9.04 PK)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Utility Plant in Service	\$ 47,271,813	\$ (124,539)	\$ 47,147,274
2	Less: Accum. Depreciation & Amort.	(16,704,097)	15,538	(16,688,559)
3		-	-	-
4	Net Plant	30,567,716	(109,001)	30,458,715
5	Additions to Rate Base			
6	Construction Work in Progress	185,789	-	185,789
7	Utility Plant Acquisition Adjustment - DuPage	-	-	-
8	Cash Working Capital	157,000	(12,000)	145,000
9	Materials and Supplies	105,944	-	105,944
10	Deferred Charges	95,738	-	95,738
11	FAS 109 Reg. Asset - Net of Liability	(47,567)	-	(47,567)
12	ICC Service Company Audit Costs	5,822	-	5,822
13		-	-	-
14		-	-	-
15		-	-	-
16	Deductions From Rate Base			
17	Customer Advances for Construction	(1,496,338)	-	(1,496,338)
18	Contributions in Aid of Construction	(2,962,450)	-	(2,962,450)
19	Accum. Depr. on Contributed Property	1,210,111	-	1,210,111
20	Budget Payment Plan	6	-	6
20	Deferred Federal Income Tax	(3,631,363)	(767)	(3,632,130)
21	Deferred State Income Tax	(364,096)	(40,791)	(404,887)
22	Investment Tax Credit - pre 1971	(46)	-	(46)
23	Rate Base	<u>\$ 23,826,266</u>	<u>\$ (162,559)</u>	<u>\$ 23,663,707</u>

**Illinois-American Water Company**  
 Pekin  
**Adjustments to Rate Base**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Cash Working Capital (St. Sch. 10.01)	(Not Applicable)	(Not Applicable)	(Not Applicable)	Incentive Compensation (St. Sch. 11.07)	State ADIT Correction (St. Sch. 10.02)	Payroll Expense (St. Sch. 11.08)	Subtotal Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ (44,569)	\$ -	\$ (9,379)	\$ (53,948)
2	Less: Accum. Depreciation & Amort.	-	-	-	-	5,775	-	-	5,775
3		-	-	-	-	-	-	-	-
4	Net Plant	-	-	-	-	(38,794)	-	(9,379)	(48,173)
5	Additions to Rate Base								-
6	Construction Work in Progress	-	-	-	-	-	-	-	-
7	Utility Plant Acquisition Adjustment - DuPage	-	-	-	-	-	-	-	-
8	Cash Working Capital	(12,000)	-	-	-	-	-	-	(12,000)
9	Materials and Supplies	-	-	-	-	-	-	-	-
10	Deferred Charges	-	-	-	-	-	-	-	-
11	FAS 109 Reg. Asset - Net of Liability	-	-	-	-	-	-	-	-
12	ICC Service Company Audit Costs	-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base								-
17	Customer Advances for Construction	-	-	-	-	-	-	-	-
18	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
19	Accum. Depr. on Contributed Property	-	-	-	-	-	-	-	-
20	Budget Payment Plan	-	-	-	-	-	-	-	-
20	Deferred Federal Income Tax	-	-	-	-	(281)	-	-	(281)
21	Deferred State Income Tax	-	-	-	-	(42)	(40,676)	-	(40,718)
22	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
23	Rate Base	\$ (12,000)	\$ -	\$ -	\$ -	\$ (39,117)	\$ (40,676)	\$ (9,379)	\$ (101,172)



**Illinois-American Water Company**  
 Pekin  
**Revenue Effect of Adjustments**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Per Company	Staff Adjustments	Per Staff
	(a)	(b)	(c)	(d)
1	Present Revenues	\$ 8,211,283 <sup>(1)</sup>	\$ -	\$ 8,211,283 <sup>(2)</sup>
2	Proposed Increase	<u>954,578 <sup>(3)</sup></u>	<u>(688,017) <sup>(4)</sup></u>	<u>266,561 <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 9,165,861</u>	<u>\$ (688,017)</u>	<u>\$ 8,477,844</u>
4	% Increase	11.63%		3.25%
5	Staff Adjustments:			
6	Rate of Return (Applied to Company Rate Base)		(554,810)	
7	Incentive Compensation		(65,388)	
8	Payroll Expense		(27,635)	
9	Prior Rate Case Expense		(13,234)	
10	Interest Synchronization		(11,828)	
11	Capitalized Performance Plans from Prior Case		(5,787)	
12	Invested Capital Tax		(4,368)	
13	State ADIT Correction		(3,834)	
14	Cash Working Capital		(1,131)	
15	Gross Revenue Conversion Factor		(1)	
16	(Not Applicable)		-	
17	(Not Applicable)		-	
18	(Not Applicable)		-	
19	(Not Applicable)		-	
20	(Not Applicable)		-	
21	(Not Applicable)		-	
22	(Not Applicable)		-	
23	(Not Applicable)		-	
24		-	-	
25		-	-	
26	Rounding		<u>(1)</u>	
27	Total Revenue Effect of Staff Adjustments		<u>\$ (688,017)</u>	

Sources:

- (1) ICC Staff Exhibit 9.0, Schedule 9.01 PK, column (b), line 3
- (2) ICC Staff Exhibit 9.0, Schedule 9.01 PK, column (d), line 3
- (3) ICC Staff Exhibit 9.0, Schedule 9.01 PK, column (e), line 3
- (4) ICC Staff Exhibit 9.0, Schedule 9.01 PK, columns (f) + (h), line 3
- (5) ICC Staff Exhibit 9.0, Schedule 9.01 PK, column (i), line 31

**Illinois-American Water Company**  
 Pekin  
**Interest Synchronization Adjustment**  
 For the Test Year Ending December 31, 2017

Line No.	Description (a)	Amount (b)
1	Rate Base	\$ 23,663,707 (1)
2	Weighted Cost of Debt	2.59% (2)
3	Synchronized Interest Per Staff	613,753
4	Company Interest Expense	<u>600,422 (3)</u>
5	Increase (Decrease) in Interest Expense	<u>13,331</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 7.750%	<u>\$ (1,033)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ (4,304)</u>

(1) Source: ICC Staff Ex.9.0, Schedule 9.03 PK, Column (d).

(2) Source: ICC Staff Exhibit 12.0, Schedule 12.01.

(3) Source: IAWC Ex. 4.05R(Rev), p. 3, Ln. 3

Illinois-American Water Company  
 Pekin  
 Gross Revenue Conversion Factor  
 For the Test Year Ending December 31, 2017

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.9500%	<u>0.009500</u>	
3	State Taxable Income		0.990500	1.000000
4	State Income Tax	7.7500%	<u>0.076764</u>	<u>0.077500</u>
5	Federal Taxable Income		0.913736	0.922500
6	Federal Income Tax	35.0000%	<u>0.319808</u>	<u>0.322875</u>
7	Operating Income		<u>0.593928</u>	<u>0.599625</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.683706</u>	<u>1.667709</u>



**Illinois-American Water Company**  
 Lincoln  
**Adjustments to Operating Income**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Interest Synchronization (St. Sch. 9.07)	(Not Applicable)	Prior Rate Case Expense (St. Sch. 11.01)	(Not Applicable)	(Not Applicable)	Invested Capital Tax (St. Sch. 11.04)	(Not Applicable)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Tariff Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Other Revenue	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Salaries and Wages	-	-	-	-	-	-	-	-
6	Purchased Water	-	-	-	-	-	-	-	-
7	Fuel and Power	-	-	-	-	-	-	-	-
8	Chemicals	-	-	-	-	-	-	-	-
9	Waste Disposal	-	-	-	-	-	-	-	-
10	Service Company Costs	-	-	-	-	-	-	-	-
11	Group Insurance	-	-	-	-	-	-	-	-
12	Pension	-	-	-	-	-	-	-	-
13	Regulatory Expense	-	-	(5,455)	-	-	-	-	(5,455)
14	Insurance - other	-	-	-	-	-	-	-	-
15	Customer Accounting	-	-	-	-	-	-	-	-
16	Rents	-	-	-	-	-	-	-	-
17	General Office Expense	-	-	-	-	-	-	-	-
18	Maintenance - other	-	-	-	-	-	-	-	-
19	Miscellaneous	-	-	-	-	-	-	-	-
20	Depreciation & Amortization	-	-	-	-	-	-	-	-
21	Taxes other than income	-	-	-	-	-	(1,800)	-	(1,800)
22	Total Operating Expense	-	-	(5,455)	-	-	(1,800)	-	(7,255)
23	Before Income Taxes	-	-	(5,455)	-	-	(1,800)	-	(7,255)
24	State Income Tax	(492)	-	423	-	-	140	-	71
25	Federal Income Tax	(2,050)	-	1,761	-	-	581	-	292
26	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
27	Total Operating Expenses	(2,542)	-	(3,271)	-	-	(1,079)	-	(6,892)
28	NET OPERATING INCOME	\$ 2,542	\$ -	\$ 3,271	\$ -	\$ -	\$ 1,079	\$ -	\$ 6,892

**Illinois-American Water Company**  
 Lincoln  
**Adjustments to Operating Income**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Subtotal Operating Statement Adjustments	(Not Applicable)	Incentive Compensation (St. Sch. 11.07)	Payroll Expense (St. Sch. 11.08)	(Source)	(Source)	(Source)	Subtotal Operating Statement Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Tariff Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Other Revenue	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Salaries and Wages	-	-	(39,987)	(15,894)	-	-	-	(55,881)
6	Purchased Water	-	-	-	-	-	-	-	-
7	Fuel and Power	-	-	-	-	-	-	-	-
8	Chemicals	-	-	-	-	-	-	-	-
9	Waste Disposal	-	-	-	-	-	-	-	-
10	Service Company Costs	-	-	-	-	-	-	-	-
11	Group Insurance	-	-	-	-	-	-	-	-
12	Pension	-	-	-	-	-	-	-	-
13	Regulatory Expense	(5,455)	-	-	-	-	-	-	(5,455)
14	Insurance - other	-	-	-	-	-	-	-	-
15	Customer Accounting	-	-	-	-	-	-	-	-
16	Rents	-	-	-	-	-	-	-	-
17	General Office Expense	-	-	-	-	-	-	-	-
18	Maintenance - other	-	-	-	-	-	-	-	-
19	Miscellaneous	-	-	-	-	-	-	-	-
20	Depreciation & Amortization	-	-	(685)	-	-	-	-	(685)
21	Taxes other than income	(1,800)	-	-	-	-	-	-	(1,800)
22	Total Operating Expense	(7,255)	-	(40,672)	(15,894)	-	-	-	(63,821)
23	Before Income Taxes	(7,255)	-	(40,672)	(15,894)	-	-	-	(63,821)
24	State Income Tax	71	-	3,152	1,232	-	-	-	4,455
25	Federal Income Tax	292	-	13,132	5,132	-	-	-	18,556
26	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
27	Total Operating Expenses	(6,892)	-	(24,388)	(9,530)	-	-	-	(40,810)
28	NET OPERATING INCOME	\$ 6,892	\$ -	\$ 24,388	\$ 9,530	\$ -	\$ -	\$ -	\$ 40,810

**Illinois-American Water Company**  
 Lincoln  
**Rate Base**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Company Pro Forma Rate Base (IAWC Ex. 4.03R(Rev))	Staff Adjustments (St. Ex. 9.0 Sch 9.04 LC)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Utility Plant in Service	\$ 27,234,786	\$ (51,680)	\$ 27,183,106
2	Less: Accum. Depreciation & Amort.	(12,127,427)	5,600	(12,121,827)
3		-	-	-
4	Net Plant	15,107,359	(46,080)	15,061,279
5	Additions to Rate Base			
6	Construction Work in Progress	91,413	-	91,413
7	Utility Plant Acquisition Adjustment - DuPage	-	-	-
8	Cash Working Capital	94,000	(9,000)	85,000
9	Materials and Supplies	79,640	-	79,640
10	Deferred Charges	245,403	-	245,403
11	FAS 109 Reg. Asset - Net of Liability	(19,793)	-	(19,793)
12	ICC Service Company Audit Costs	2,382	-	2,382
13		-	-	-
14		-	-	-
15		-	-	-
16	Deductions From Rate Base			
17	Customer Advances for Construction	(1,256,969)	-	(1,256,969)
18	Contributions in Aid of Construction	(1,018,633)	-	(1,018,633)
19	Accum. Depr. on Contributed Property	351,453	-	351,453
20	Budget Payment Plan	155	-	155
20	Deferred Federal Income Tax	(2,084,928)	(10)	(2,084,938)
21	Deferred State Income Tax	(209,044)	(23,355)	(232,399)
22	Investment Tax Credit - pre 1971	(19)	-	(19)
23	Rate Base	<u>\$ 11,382,419</u>	<u>\$ (78,445)</u>	<u>\$ 11,303,974</u>

**Illinois-American Water Company**  
 Lincoln  
**Adjustments to Rate Base**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Cash Working Capital (St. Sch. 10.01)	(Not Applicable)	(Not Applicable)	(Not Applicable)	Incentive Compensation (St. Sch. 11.07)	State ADIT Correction (St. Sch. 10.02)	Payroll Expense (St. Sch. 11.08)	Subtotal Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ (18,546)	\$ -	\$ (3,762)	\$ (22,308)
2	Less: Accum. Depreciation & Amort.	-	-	-	-	2,084	-	-	2,084
3		-	-	-	-	-	-	-	-
4	Net Plant	-	-	-	-	(16,462)	-	(3,762)	(20,224)
5	Additions to Rate Base								-
6	Construction Work in Progress	-	-	-	-	-	-	-	-
7	Utility Plant Acquisition Adjustment - DuPage	-	-	-	-	-	-	-	-
8	Cash Working Capital	(9,000)	-	-	-	-	-	-	(9,000)
9	Materials and Supplies	-	-	-	-	-	-	-	-
10	Deferred Charges	-	-	-	-	-	-	-	-
11	FAS 109 Reg. Asset - Net of Liability	-	-	-	-	-	-	-	-
12	ICC Service Company Audit Costs	-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Customer Advances for Construction	-	-	-	-	-	-	-	-
18	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
19	Accum. Depr. on Contributed Property	-	-	-	-	-	-	-	-
20	Budget Payment Plan	-	-	-	-	-	-	-	-
20	Deferred Federal Income Tax	-	-	-	-	(4)	-	-	(4)
21	Deferred State Income Tax	-	-	-	-	1	(23,354)	-	(23,353)
22	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
23	Rate Base	\$ (9,000)	\$ -	\$ -	\$ -	\$ (16,465)	\$ (23,354)	\$ (3,762)	\$ (52,581)



**Illinois-American Water Company**  
 Lincoln  
**Revenue Effect of Adjustments**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Per Company	Staff Adjustments	Per Staff
	(a)	(b)	(c)	(d)
1	Present Revenues	\$ 4,461,829 <sup>(1)</sup>	\$ -	\$ 4,461,829 <sup>(2)</sup>
2	Proposed Increase	<u>182,329 <sup>(3)</sup></u>	<u>(342,524) <sup>(4)</sup></u>	<u>(160,195) <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 4,644,158</u>	<u>\$ (342,524)</u>	<u>\$ 4,301,634</u>
4	% Increase	4.09%		-3.59%
5	Staff Adjustments:			
6	Rate of Return (Applied to Company Rate Base)		(265,047)	
7	Incentive Compensation		(42,614)	
8	Payroll Expense		(16,401)	
9	Prior Rate Case Expense		(5,507)	
10	Interest Synchronization		(5,651)	
11	Capitalized Performance Plans from Prior Case		(2,438)	
12	State ADIT Correction		(2,201)	
13	Invested Capital Tax		(1,817)	
14	Cash Working Capital		(848)	
15	(Not Applicable)		-	
16	(Not Applicable)		-	
17	(Not Applicable)		-	
18	(Not Applicable)		-	
19	(Not Applicable)		-	
20	(Not Applicable)		-	
21	(Not Applicable)		-	
22	(Not Applicable)		-	
23	-		-	
24	-		-	
25	Gross Revenue Conversion Factor		1	
26	Rounding		<u>(1)</u>	
27	Total Revenue Effect of Staff Adjustments		<u>\$ (342,524)</u>	

Sources:

- (1) ICC Staff Exhibit 9.0, Schedule 9.01 LC, column (b), line 3
- (2) ICC Staff Exhibit 9.0, Schedule 9.01 LC, column (d), line 3
- (3) ICC Staff Exhibit 9.0, Schedule 9.01 LC, column (e), line 3
- (4) ICC Staff Exhibit 9.0, Schedule 9.01 LC, columns (f) + (h), line 3
- (5) ICC Staff Exhibit 9.0, Schedule 9.01 LC, column (i), line 31

**Illinois-American Water Company**  
 Lincoln  
**Interest Synchronization Adjustment**  
 For the Test Year Ending December 31, 2017

Line No.	Description (a)	Amount (b)
1	Rate Base	\$ 11,303,974 (1)
2	Weighted Cost of Debt	2.59% (2)
3	Synchronized Interest Per Staff	293,185
4	Company Interest Expense	<u>286,837</u> (3)
5	Increase (Decrease) in Interest Expense	<u>6,348</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 7.750%	<u>\$ (492)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ (2,050)</u>

(1) Source: ICC Staff Ex.9.0, Schedule 9.03 LC, Column (d).

(2) Source: ICC Staff Exhibit 12.0, Schedule 12.01.

(3) Source: IAWC Ex. 4.05R(Rev), p. 4, Ln. 3

**Illinois-American Water Company**  
 Lincoln  
**Gross Revenue Conversion Factor**  
 For the Test Year Ending December 31, 2017

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.9500%	<u>0.009500</u>	
3	State Taxable Income		0.990500	1.000000
4	State Income Tax	7.7500%	<u>0.076764</u>	<u>0.077500</u>
5	Federal Taxable Income		0.913736	0.922500
6	Federal Income Tax	35.0000%	<u>0.319808</u>	<u>0.322875</u>
7	Operating Income		<u>0.593928</u>	<u>0.599625</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.683706</u>	<u>1.667709</u>