

ILL. C. C. NO. xx
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Canceling xx Revised Sheet No. xx

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CLASSIFICATION OF SERVICE
VOLUME BALANCING ADJUSTMENT RIDER VBA

Applicable to All Residential and Non-Residential Service Classifications, exclusive of Customers on a Competitive Service Tariff

The Volume Balancing Adjustment (VBA), expressed on a cents per 100 gallons basis, stabilizes the revenue requirement approved by the Commission in the Company's most recent rate proceeding. An adjustment shall be calculated for every calendar year beginning with the effective date of this tariff.

The Company shall determine annual adjustments under this rider. The adjustments, as outlined in Section B, shall be filed with the Commission, no later than March 20th of each year, and shall be in effect for the nine-month period commencing the following April 1.

Section A - Definitions

As used in this rider, the terms below are defined to mean:

Actual Revenue (AR) shall mean the actual dollar amount of volumetric revenues billed to customers for the identified Service Classifications, excluding revenues arising from adjustments under this rider and any other rider, which were billed for the applicable Fiscal Year.

Actual Sales (AS) shall mean the actual sales for customers for the identified Service Classifications in 100 gallons in the Fiscal Year.

Effective Period shall mean the period for which the adjustments in Section B are to be billed to customers, and shall be the nine-month period after the Filing Month.

Factor G (G) shall mean the number of 100 gallons delivered to customers by the Company, including the number of 100 gallons for the applicable period.

Filing Month shall mean the month in which an adjustment is determined by the Company and submitted to the Commission.

Fiscal Year shall mean the Fiscal Year of the Company that ended as of the most recent December 31.

Previous Amortization Period shall mean the nine-month reconciliation amortization period that ended as of the most recent Fiscal Year.

Rate Case Revenue (RCR) shall mean the dollar amount of volumetric revenues reflected in the revenue requirements approved by the Commission for the applicable Service Classification in the Company's most recent general rate case. In a month or year in which new rates come into effect, the RCR shall be prorated based upon the number of days in the month or year under the old rates and the number of days in the month or year under the new rates. If the dollar amount of volumetric revenues is expected to change as a result of the Commission's approval of one or more water system acquisitions by the Company, then the RCR will be adjusted to reflected the additional volumetric revenue as determined in the acquisition case. In a month or year in which the Commission approves a water acquisition by the Company, the RCR shall be prorated based upon the number of days in the month or year that do not reflect the volumetric revenues billed to customers in the acquired system(s) and the number of days in the month or year that do reflect the volumetric revenues billed to customers in the acquired system(s).

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Section A - Definitions – continued

Rate Case Sales (RCS) shall mean the forecasted sales for customers for the identified Service Classifications in 100 gallons. In a month or year in which new rates come into effect, the RCS shall be prorated based upon the number of days in the month or year under the old rates and the number of days in the month or year under the new rates. If the sales amount is expected to change as a result of the Commission’s approval of one or more water system acquisitions by the Company, then the RCS will be adjusted to reflected the additional sales as determined in the acquisition case. In a month or year in which the Commission approves a water acquisition by the Company, the RCS shall be prorated based upon the number of days in the month or year that do not reflect the sales in the acquired system(s) and the number of days in the month or year that do reflect the sales in the acquired system(s).

Unit Production Cost (UPC) shall mean the authorized amount of production costs (power, chemical, water waste disposal) divided by the RCS to determine a cost per 100 gallons in the Fiscal Year.

Upcoming Amortization Period shall mean the nine-month reconciliation amortization period commencing on April 1 following the Fiscal Year.

Section B - Determination of Adjustment

There shall be separate per 100 gallon adjustments determined annually for each applicable Rate Zone and such adjustments shall be determined with two separate components, as follows:

$$\frac{(RCR-AR) - UPC (RCS - AS)}{G} + \frac{(RA + O) \times (1 + i)}{G}$$

Where:

- RCR represents the Rate Case volumetric Revenue for the Fiscal Year.
- AR represents the Actual volumetric Revenue for the Fiscal Year.
- UPC represents the average or unit production cost for water for the Fiscal Year.
- RCS represents the Rate Case forecasted Sales in 100 gallons.
- AS represents the Actual Sales in 100 gallons for the Fiscal Year.
- G represents the Factor G for the Effective Period.
- O represents the Ordered adjustment, in dollars (\$), ordered by the Commission that is to be refunded to or collected from customers as a result of the reconciliation established in Section C.
- RA represents the dollar amount due the Company (+RA) or the customers (-RA) arising from adjustments under this rider that were under-billed or over-billed in the Fiscal Year.
- i represents the interest rate established by the Commission under 83 Ill. Adm. Code 280 and in effect when each adjustment under this section is calculated, adjusted for the number of months in the Effective Period.

The adjustment components above shall be summed together for billing purposes. If either component of the adjustments computes to \$0.0001 per 100 gallons or more, any fraction of \$0.0001 in the computed per 100 Gallons adjustment amount shall be dropped if less than \$0.00005 or, if \$0.00005 or more, shall be rounded up to the next full \$0.0001.

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Section C - Reports and Reconciliations

The Company shall file with the Commission on or before March 20 of each year, an information sheet that specifies the annual adjustments to be effective under this rider. The Company shall file any corrections from a timely filed information sheet on or before March 31. Any filing after that date will be accepted only if submitted as a special permission request under the provisions of Section 9-201 (a) of the Public Utilities Act [220 ILCS 5/9-201 (a)]. The Company shall include with its filing a report which shows a determination of the RA to be applicable for the Upcoming Amortization Period. The Company shall also submit a report which provides the Company's rate of return with and without the effect of Rider VBA. At this same time, the Company shall also file a petition with the Commission seeking initiation of an annual reconciliation to determine the accuracy of the statement. If the Commission finds, after hearing, that the actual revenue booked by operation of Rider VBA does not deduct the actual level of prudently incurred production costs for the Reconciliation Year, to the extent that the adjustment has not already been reflected through an adjustment to the RA component of the Rider VBA reconciliation, the Commission may by order require that the rider be adjusted through the O component in the Rider VBA reconciliation formula in Section B of this rider over succeeding Effective Months. The reconciling amount from such proceeding (Factor O) shall be recovered in the manner determined by the Commission in the annual reconciliation proceeding.

Section D - Terms and Conditions

Subject to Terms and Conditions of Service and Riders to Schedule of Rates for Water and Wastewater Services which are applicable to this rider.

Section E – Audit

The Company shall annually conduct an internal audit of the revenue requirements recovered or refunded pursuant to this rider. The internal audit shall determine if: (1) the actual amount of revenues that exceed or fall short of any approved Rate Case Revenue (RCR) collected are correctly reflected in the calculations; 2) the actual amount of sales that exceed or fall short of any approved Rate Case forecasted Sales (RCS) are correctly reflected in the calculations; 3) the revenues are not collected through other approved tariffs; 4) Rider VBA adjustments are being properly billed to customers; and 5) Rider VBA revenues are recorded in the appropriate accounts; and 6) internal controls are effectively preventing the double recovery of costs through the VBA and other approved tariffs. The above list of determinations does not limit the scope of the audit. The Company shall submit the audit report to the AccountingMgr@icc.illinois.gov, no later than May 31 of each year. Such report shall be verified by an officer of the Company.

Section F – Compliance Filing

The Company shall submit as a public document, in any rate case compliance filing or as a compliance filing following the Commission's approval of one or more water system acquisitions by the Company, the Rider VBA RCR, RCS and UPC for each applicable Rate Zone customers as applicable, as adjusted to reflect additional revenue, sales and production costs from any approved water system acquisitions.