



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

Line No.	Description	Interest Synchronization (Appendix, Page 8)	(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	-	-	-	-	-	-	-	-
23	Before Income Taxes	-	-	(5,455)	-	-	(1,800)	-	(7,255)
24	State Income Tax	(312)	-	423	-	-	140	-	251
25	Federal Income Tax	(1,299)	-	1,761	-	-	581	-	1,043
26	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
27	Total Operating Expenses	(1,611)	-	(3,271)	-	-	(1,079)	-	(5,961)
28	NET OPERATING INCOME	\$ 1,611	\$ -	\$ 3,271	\$ -	\$ -	\$ 1,079	\$ -	\$ 5,961

**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 (IAWC-Staff Cross Ex. 1.0 p. 19)	Payroll Expense (Per Order)	Income Tax Corrections (IAWC Ex. 4.09SR (Rev))	Capitalized Incentive Compensation (IAWC Ex. 4.12SR)	Deferred Income Tax Expense (IAWC Ex. 4.09SR(Rev))	Total 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	-	-	(19,696)	-	-	-	-	(19,696)
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	-	-	-	-	-	(101)	-	(101)
21	Taxes other than income	(1,800)	-	(267)	-	-	-	-	(2,067)
22	Total Operating Expense	(7,255)	-	(19,963)	-	-	(101)	-	(27,319)
23	Before Income Taxes	(7,255)	-	(19,963)	-	-	(101)	-	(27,319)
24	State Income Tax	251	-	1,547	-	(5,479)	8	-	(3,673)
25	Federal Income Tax	1,043	-	6,446	-	(32,262)	33	-	(24,740)
26	Deferred Taxes and ITCs Net	-	-	-	-	-	-	(50,319)	(50,319)
27	Total Operating Expenses	(5,961)	-	(11,970)	-	(37,741)	(60)	(50,319)	(106,051)
28	NET OPERATING INCOME	\$ 5,961	\$ -	\$ 11,970	\$ -	\$ 37,741	\$ 60	\$ 50,319	\$ 106,051

**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))	Adjustments (Appendix, Page 6)	Per Order Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Utility Plant in Service	\$ 27,234,786	\$ (35,339)	\$ 27,199,447
2	Less: Accum. Depreciation & Amort.	(12,127,427)	3,567	(12,123,860)
3		-	-	-
4	Net Plant	15,107,359	(31,772)	15,075,587
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	(25,000)	69,000
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	Deductions From Rate Base			
16	OPEB Liability	-	(28,664)	(28,664)
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)	(47,494)	(2,132,422)
21	Deferred State Income Tax	(209,044)	(34,346)	(243,390)
22	Investment Tax Credit - pre 1971	(19)	-	(19)
23	Rate Base	<u>\$ 11,382,419</u>	<u>\$ (167,276)</u>	<u>\$ 11,215,143</u>

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

Line No.	Description	Cash Working Capital (Appendix, Page 10)	(Not Applicable)	(Not Applicable)	(Not Applicable)	Capitalized Incentive Compensation (IAWC Ex. 4.12SR)	State ADIT Correction & FIN 48 Removal (IAWC Ex. 4.08SR)	Payroll Expense (IAWC-Staff Cross Ex. 1.00, p. 20)	Subtotal Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ (2,742)	\$ -	\$ (3,225)	\$ (5,967)
2	Less: Accum. Depreciation & Amort.	-	-	-	-	51	-	-	51
3		-	-	-	-	-	-	-	-
4	Net Plant	-	-	-	-	(2,691)	-	(3,225)	(5,916)
5	Additions to Rate Base								
6	Construction Work in Progress	-	-	-	-	-	-	-	-
7	Utility Plant Acquisition Adjustment - DuPage	-	-	-	-	-	-	-	-
8	Cash Working Capital	(25,000)	-	-	-	-	-	-	(25,000)
9	Materials and Supplies	-	-	-	-	-	-	-	-
10	Deferred Charges	-	-	-	-	-	-	-	-
11	FAS 109 Reg. Asset - Net of Liability	-	-	-	-	-	-	-	-
12	ICC Service Company Audit Costs	-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Deductions From Rate Base								
16	OPEB Liability	-	-	-	-	-	-	-	-
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	-	-	-	-	(2)	(47,486)	-	(47,488)
21	Deferred State Income Tax	-	-	-	-	(1)	(34,343)	-	(34,344)
22	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
23	Rate Base	\$ (25,000)	\$ -	\$ -	\$ -	\$ (2,694)	\$ (81,829)	\$ (3,225)	\$ (112,748)

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

Line No.	Description	Subtotal	Capitalized Cost	OPEB Liability	(Source)	(Source)	(Source)	(Source)	Total
		Rate Base Adjustments	Plans Disallowed in Prior Rate Case (St. Sch. 11.09)	(IAWC Ex. 4.04SR (Rev))					Rate Base Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Utility Plant in Service	\$ (5,967)	\$ (29,372)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (35,339)
2	Less: Accum. Depreciation & Amort.	51	3,516	-	-	-	-	-	3,567
3		-	-	-	-	-	-	-	-
4	Net Plant	(5,916)	(25,856)	-	-	-	-	-	(31,772)
5	Additions to Rate Base								-
6	Construction Work in Progress	-	-	-	-	-	-	-	-
7	Utility Plant Acquisition Adjustment - DuPage	-	-	-	-	-	-	-	-
8	Cash Working Capital	(25,000)	-	-	-	-	-	-	(25,000)
9	Materials and Supplies	-	-	-	-	-	-	-	-
10	Deferred Charges	-	-	-	-	-	-	-	-
11	FAS 109 Reg. Asset - Net of Liability	-	-	-	-	-	-	-	-
12	ICC Service Company Audit Costs	-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Deductions From Rate Base								-
16	OPEB Liability	-	-	(28,664)	-	-	-	-	(28,664)
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	(47,488)	(6)	-	-	-	-	-	(47,494)
21	Deferred State Income Tax	(34,344)	(2)	-	-	-	-	-	(34,346)
22	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
23	Rate Base	\$ (112,748)	\$ (25,864)	\$ (28,664)	\$ -	\$ -	\$ -	\$ -	\$ (167,276)

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

Line No.	Description (a)	Per Company (b)	Adjustments (c)	Per Order (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>(387,049) <sup>(4)</sup></u>	<u>(204,720) <sup>(5)</sup></u>
3	Proposed Revenues	<u>\$ 4,644,158</u>	<u>\$ (387,049)</u>	<u>\$ 4,257,109</u>
4	% Increase	4.09%		-4.59%
5	Effect of Each Adjustment:			
6	Rate of Return		(188,683)	
7	Deferred Income Tax Expense		(84,697)	
8	Income Tax Corrections		(63,525)	
9	Incentive Compensation		(20,148)	
10	State ADIT Correction & FIN 48 Removal		(8,260)	
11	Interest Synchronization		(5,636)	
12	Prior Rate Case Expense		(5,506)	
13	Payroll Expense		(326)	
14	OPEB Liability		(2,893)	
15	Cap. Cost of Perf. Plans Disallowed in Prior Case		(2,611)	
16	Invested Capital Tax		(1,816)	
17	Cash Working Capital		(2,523)	
18	Capitalized Incentive Compensation		(373)	
19	(Not Applicable)		-	
20	(Not Applicable)		-	
21	(Not Applicable)		-	
22	(Not Applicable)		-	
23	(Not Applicable)		-	
24	(Not Applicable)		-	
25	(Not Applicable)		-	
26	(Not Applicable)		-	
27	Gross Revenue Conversion Factor		(54)	
28	Rounding		(1)	
29	Total Revenue Effect of Adjustments		<u>\$ (387,052)</u>	

Sources:

- (1) Appendix Page 1, column (b), line 3
- (2) Appendix Page 1, column (d), line 3
- (3) Appendix Page 1, column (e), line 3
- (4) Appendix Page 1, columns (f) + (h), line 3
- (5) Appendix Page 1, 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	\$ 11,215,143 (1)
2	Weighted Cost of Debt	2.59% (2)
3	Synchronized Interest Per Order	290,860
4	Company Interest Expense	<u>286,837</u> (3)
5	Increase (Decrease) in Interest Expense	<u>4,023</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 7.750%	<u>\$ (312)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ (1,299)</u>

(1) Source: Appendix Page 4, Column (d).

(2) Source: Per Order

(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 Order With Bad Debts	Per Order Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.9200%	<u>0.009200</u>	
3	State Taxable Income		0.990800	1.000000
4	State Income Tax	7.7500%	<u>0.076787</u>	<u>0.077500</u>
5	Federal Taxable Income		0.914013	0.922500
6	Federal Income Tax	35.0000%	<u>0.319905</u>	<u>0.322875</u>
7	Operating Income		<u>0.594108</u>	<u>0.599625</u>
8	Gross Revenue Conversion Factor Per Order		<u>1.683196</u>	<u>1.667709</u>

Illinois-American Water Company  
Lincoln  
Cash Working Capital Adjustment  
For the Test Year Ending December 31, 2017

Line No.	Item	Amount <sup>(1)</sup>	Average Daily Amount (C)/365	Expense (Lead)/Lag <sup>(2)</sup>	Cash Requirement (D)*(E)	Source
(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	Revenue	\$ 4,165,733				Appendix, p. 11, line 3
2	Return on Equity	(498,145)				Appendix, p. 11, line 13
3	Non-cash OPEB expenses	-				
4	Uncollectible Accounts	(39,400)				
5	Total Depr/Amortization	<u>(1,018,749)</u>				Appendix, p. 11, line 7
6						
7	Net Revenues/Total Receipts	<u>\$ 2,609,439</u>	\$ 7,149	47.40	\$ 338,870	
8						
9	Salaries and Wages	\$ 525,317	1,439	(11.90)	(17,127)	
10	Purchased Water	-	-	(56.10)	-	Co. Sch. C-2.3
11	Fuel and power	130,147	357	(34.20)	(12,195)	
12	Chemicals	41,538	114	(44.60)	(5,076)	
13	Waste disposal	39,552	108	(57.40)	(6,220)	
14	Service Company Costs	412,006	1,129	7.70	8,692	
15	Group insurance	122,517	336	(9.70)	(3,256)	
16	Pension	43,685	120	(7.80)	(934)	
17	Insurance - other	75,190	206	101.40	20,888	
18	Customer accounting	52,909	145	(47.70)	(6,914)	
19	Rents	3,880	11	11.70	124	
20	General office expense	10,801	30	(45.50)	(1,346)	
21	Maintenance - other	149,403	409	(52.20)	(21,367)	Appendix, p. 11, line 10
22	Miscellaneous	201,462	552	(41.70)	(23,016)	
23		-			-	
24						
25	Total O&M Expenses	<u>\$ 1,808,407</u>			(67,746)	
26						
27	Taxes other than income	268,933	737	(147.50)	(108,678)	
28	Federal Income Tax - Current	180,345	494	(35.50)	(17,540)	
29	State Income Tax - Current	60,895	167	(35.50)	(5,923)	
30	Deferred Income Taxes	-	-	-	-	
31	Interest Expense	<u>290,860</u>	797	(88.20)	<u>(70,285)</u>	Appendix, p. 8, line 3
32						
33	Subtotal Other Expenses	<u>\$ 801,033</u>			(202,426)	
34	Total Outlays	<u>\$ 2,609,440</u>	-			Line 25 + line 33
35	Total Cash Working Capital Requirement				<u>\$ 68,698</u>	Line 7 + Line 25 + Line 33
36						
37	Cash Working Capital per Order (Rounded to nearest \$1,000)	\$ 69,000				Line 35
38	Cash Working Capital per Company	<u>94,000</u>				IAWC Ex. 12.01R, p. 6
39						
40	Adjustment per Order	<u>\$ (25,000)</u>				

Source:

- (1) Appendix, page 1, except where noted.
- (2) IAWC Schedule B-8, except where noted.

Illinois-American Water Company  
Lincoln  
Cash Working Capital Adjustment  
For the Test Year Ending December 31, 2017

Line No. (A)	Item (B)	Amount (C)	Source (D)
1	Total operating revenue	\$ 4,257,109	Appendix, p. 1, line 3, column (i)
2	Surcharge revenue	-	Co. Sch. C-2.3
2a	Less: Deferrred Income Taxes	(91,376)	Appendix, p. 1, line 26, column (i)
3	Total revenue	<u>\$ 4,165,733</u>	Line 1 + Line 2 + Line 2a
4	Depr/amortization per Income Statement	\$ 991,031	Appendix, p. 1, line 20, column (i)
5	Add: Amortization of rate case expense	27,718	Appendix, p. 1, line 13, column (i)
6	Add: Reclassify amortization of tank painting	-	Co. Sch. C-2.4, line 6
7	Total depr/amortization for CWC	<u>\$ 1,018,749</u>	Sum of lines 4 through 6
8	Maintenance-other per Income Statement	\$ 149,403	Appendix, p. 1, line 18, column (i)
9	Less: Reclassify amortization of tank painting	-	Line 6
10	Total Maintenance-other for CWC	<u>\$ 149,403</u>	Line 8 - Line 9
11	Total Rate Base	\$ 11,215,143	Appendix, p. 4, line 23, column (i)
12	Weighted Cost of Equity	4.4417%	Per Order
13	Return on equity deduction from revenue	<u>\$ 498,145</u>	Line 11 * Line 12