

Cedar Bluff Utilities, Inc.
Utility Exhibit One
Financial Statements

10/10/2013
10/10/2013
10/10/2013

Apple Canyon Utility Co.

Schedule A

BALANCE SHEET

December 31, 2002

<u>ASSETS</u>		<u>LIABILITIES AND OTHER CREDITS</u>	
Plant In Service-Water	1,965,344	Capital Stock and Retained Earnings	
Accumulated Depreciation-Water	468,146	Common Stock and Paid In Capital	\$ 482,142
Net Utility Plant	\$ <u>1,497,198</u>	Retained Earnings	216,590
		Total	\$ <u>698,733</u>
Construction Work In Process-Water	109,587	Current and Accrued Liabilities	
Current Assets		Accounts Payable-Trade	0
Cash	30	Taxes Accrued	254
Accounts Receivable - Net	41,884	Customer Deposits	0
Other Current Assets	<u>5,001</u>	Customer Deposits - Interest	0
Total	\$ <u>46,915</u>	A/P - Assoc. Companies	(815,359)
TOTAL ASSETS	\$ <u><u>1,653,701</u></u>	Total	\$ <u>(815,105)</u>
		Contributions In Aid of Construction-Water	568,586
		Advances in Aid of Construction-Water	450,000
		Advances from UI	705,168
		Accumulated Deferred Income Tax	
		Unamortized ITC	2,290
		Deferred Tax - Federal	46,868
		Deferred Tax - State	(2,839)
		Total	\$ <u>46,319</u>
		TOTAL LIABILITIES AND OTHER CREDITS	\$ <u><u>1,653,701</u></u>

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	Per Books	Pro Forma Adjustments	Pro Forma Present	Proposed Increase	Pro Forma Proposed
<u>Operating Revenues</u>					
Service Revenues - Water	250,013		250,013	133,575 [a]	383,588
Miscellaneous Revenues	2,288		2,288		2,288
Uncollectible Accounts	(7,079)		(7,079)	(3,782) [b]	(10,861)
Total Operating Revenues	245,223	0	245,223	129,793	375,016
<u>Maintenance Expenses</u>					
Salaries and Wages	50,477	1,514 [c]	51,991		51,991
Purchased Power	17,467		17,467		17,467
Purchased Water	0		0		0
Meter Reading	2,106	4,212 [d]	6,318		6,318
Maintenance and Repair	18,165		18,165		18,165
Maintenance Testing	6,323		6,323		6,323
Chemicals	8,559		8,559		8,559
Transportation	6,272		6,272		6,272
Operating Exp. Charged to Plant	(9,482)		(9,482)		(9,482)
Outside Services - Other	3,230		3,230		3,230
Total	103,118	5,726	108,844	0	108,844
<u>General Expenses</u>					
Salaries and Wages	20,864	626 [c]	21,489		21,489
Office Supplies & Other Office Exp.	7,563	3,477 [e]	11,040		11,040
Regulatory Commission Exp.	0	1,606 [f]	1,606		1,606
Pension & Other Benefits	12,922	8,408 [g]	21,329		21,329
Rent	431		431		431
Insurance	8,467	3,123 [h]	11,590		11,590
Office Utilities	2,877		2,877		2,877
Miscellaneous	2,099		2,099		2,099
WSC Allocation Increase	0	2,809 [i]	2,809		2,809
Total	55,223	20,049	75,271	0	75,271
Depreciation	28,655	16,617 [j]	45,272		45,272
Taxes Other Than Income	14,419	182 [k]	14,602	401 [j]	15,003
Income Taxes - Federal	7,192	(17,270) [l]	(10,078)	44,563 [k]	34,485
Income Taxes - State	724	(2,284) [l]	(1,560)	6,898 [k]	5,338
Amortization of CIAC	(9,992)	114 [m]	(9,878)		(9,878)
Total	40,998	(2,641)	38,358	51,862	90,219
Total Operating Expenses	199,338	23,135	222,473	51,862	274,335
Net Operating Income	\$ 45,884	\$ (23,135)	\$ 22,750	\$ 77,931	\$ 100,681
Interest During Construction	(2,078)	2,078 [n]	0		0
Interest on Debt	18,907	23,405 [o]	42,313		42,313
Net Income	\$ 29,055	\$ (48,618)	\$ (19,563)	\$ 77,931	\$ 58,368

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- [a] Revenues are annualized at proposed rates using the average test year customers.
- [b] Uncollectible Accounts are adjusted based on the percentage of uncollectible accounts to revenues in the test year applied to pro-forma proposed revenues.
- [c] Salaries and Wages are adjusted by a 3% increase to represent anticipated raises that will be initiated by year-end.
- [d] Meter Reading Expense has been adjusted to reflect the increased number of meter readings required if the Company utilizes a monthly billing cycle as compared to a quarterly billing cycle. This adjustment was determined by taking the average of the quarterly bills in the test year and multiplying by 12 months.
- [e] Office Supplies and Other Office Expenses have been increased to account for the increase in bank charges, postage, and office supplies due to a change from a quarterly billing cycle to a monthly billing cycle.
- [f] Regulatory Commission Expense has been adjusted to reflect the cost of the current rate case over 3 years. This adjustment does not include the expense of a cost of capital witness as the Utility does not anticipate using one. However, the Utility reserves the right to use a cost of capital witness and will be requesting actual rate case expense at the time of the hearing in the form of a late filed exhibit.
- [g] Pension and Other Benefits have been adjusted to reflect the rising costs of health insurance and the 3% increase in Salaries and Wages.
- [h] Insurance is adjusted by a 36.88% increase to represent the anticipated increase in costs of Automobile, Workers' Compensation, and Property Insurance.
- [i] An adjustment for an increase in the expenses allocated by Water Service Corp. reflects the increase in Common Expenses and Computer Related Expenses incurred between the test year and the prior year. The Company anticipates a similar increase in allocated expenses at year-end.
- [j] Depreciation Expense has been adjusted to reflect the additional expense incurred to change from the composite method of calculating depreciation to the class-of-asset method. This change in calculation methods is consistent with Commission practice in prior rate proceedings.
- [k] Taxes Other than Income is adjusted for annualized Utility Commission Taxes and Gross Receipts Taxes and for the 3% increase in Payroll Taxes due to the 3% increase in Salaries and Wages.
- [l] Income Taxes are computed on taxable income at current rates.
- [m] Amortization Expense is annualized.
- [n] AFUDC is eliminated for rate making purposes.
- [o] Interest on Debt has been computed using a 45.69%/54.31% debt/equity ratio and a 8.64% cost of debt.

Apple Canyon Utility Co.
Rate Base and Rate of Return
Test Year Ended December 31, 2002

Schedule C

	Per Books	Pro Forma Adjustments	As Adjusted	Proposed Increase	Effect of Proposed Increase
Net Operating Income	\$ 45,884	(23,135)	\$ 22,750	77,931	\$ 100,681
Gross Plant In Service	\$ 1,965,344	(28,411) [a]	1,936,933		\$ 1,936,933
Accumulated Depreciation	(468,146)	6,910 [a]	(461,236)		(461,236)
Net Plant In Service	1,497,198	(21,501)	1,475,697	0	1,475,697
Cash Working Capital	21,595	3,245 [b]	24,840		24,840
Contributions In Aid of Construction	(568,586)		(568,586)		(568,586)
Accumulated Deferred Income Taxes	(44,029)		(44,029)		(44,029)
Customer Deposits	0		0		0
Plant Acquisition Adjustment	0		0		0
Water Service Corporation	45,471		45,471		45,471
Pro Forma Plant	0	138,941 [c]	138,941		138,941
Total Rate Base	\$ 951,650	\$ 120,685	\$ 1,072,334	\$ 0	\$ 1,072,334
Return on Rate Base	4.82%		2.12%		9.39%

[a] Retirements for the well replaced in Pro Forma Plant were calculated utilizing the Handy-Whitman index. The original well was placed into service in 1970. The percentage indicated in the Handy-Whitman index for the year 1970 was 27%. Therefore, the Company multiplied the cost of the new well (\$105,225) by 27% to determine the cost of the retirements. The accumulated depreciation was then calculated based on this retirement amount.

[b] Working Capital is calculated based on pro forma expenses.

[c] Pro Forma Plant is adjusted for planned additional capital investments.

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COMMUNICATIONS SECTION

Apple Canyon Utility Co.

Schedule D

Present Revenues

Test Year Ended December 31, 2002

WATER

<u>Bill code</u>	<u>Gallage</u>	<u>Usage Charge</u>	<u>Units</u>	<u>Quarterly BFC</u>	<u>Revenues</u>
<u>All Subs:</u>					
01101	Residential 5/8"	18,623,257	4.23	2,808	\$ 15.00 120,896
01102	Commercial 5/8"	101,200	4.23	24	\$ 15.00 788
01110	Commercial 1"	295,968	4.23	10	\$ 18.00 1,432
01112	Commercial 1.5"	473,300	4.23	8	\$ 19.50 2,158
01113	Commercial 2"	0	4.23	0	\$ 21.00 -
01114	Commercial 3"	618,000	4.23	4	\$ 22.50 2,704
01104	Availability	0		0	\$ 15.00 -
01004	Availability	0		7,790	\$ 15.00 116,850
01005	Availability	0		0	\$ 15.00 -
Total		<u>618,000</u>		<u>10,644</u>	<u>\$ 244,829</u>

per t/b	\$	250,013
difference \$	\$	(5,185)
difference %		-2.07%

APPROVED AND FORWARDED:

 MAY 10 2003

WATER

<u>Bill code</u>		<u>Gallonage</u>	<u>Usage Charge</u>	<u>Units</u>	<u>Monthly BFC</u>	<u>Revenues</u>
<u>All Subs:</u>						
01101	Residential 5/8"	18,623,257	5.00	8,424	13.50	206,840
01102	Commercial 5/8"	101,200	5.00	72	13.50	1,478
01110	Commercial 1"	295,968	5.00	30	17.50	2,005
01112	Commercial 1.5"	473,300	5.00	24	19.00	2,823
01113	Commercial 2"	0	5.00	0	20.00	-
01114	Commercial 3"	618,000	5.00	12	22.00	3,354
01104	Availability	0		0	7.15	-
01004	Availability	0		23,370	7.15	167,088
01005	Availability	0		0	7.15	-
Total		<u>618,000</u>		<u>31,932</u>		<u>\$ 383,588</u>

Difference	\$	133,575
% Increase		53.43%

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