

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF WATER SERVICE COMPANY OF)
INDIANA FOR AUTHORITY TO INCREASE ITS)
WATER AND SEWER RATES AND CHARGES)
AND FOR APPROVAL OF A NEW SCHEDULE)
OF RATES AND CHARGES APPLICABLE)
THERE TO)

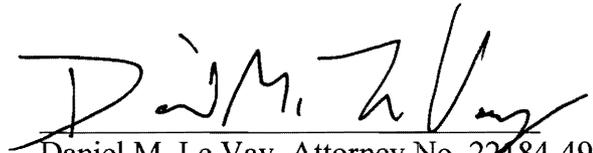
CAUSE NO. 44104

OUCC'S NOTICE OF CORRECTION TO TESTIMONY OF HAROLD H. RICEMAN

The Office of Utility Consumer Counselor ("OUCC") hereby files its Correction to Testimony of Harold H. Riceman – Public's Exhibit 1:

1. On May 23, 2012, the OUCC filed the Testimony of Harold H. Riceman – Public's Exhibit 1, which referenced certain schedules, which were listed on pages 2 and 3 of Mr. Riceman's testimony.
2. However, the listed schedules were inadvertently omitted from the filing.
3. Attached to this notice are the omitted schedules, which the OUCC intends to include in its offering of Mr. Riceman's testimony. The schedules will be included with the Court Reporter's Copy at the final hearing.
4. Prior to this filing, the OUCC supplied Petitioner's counsel with an electronic copy of the omitted schedules.

Respectfully submitted,

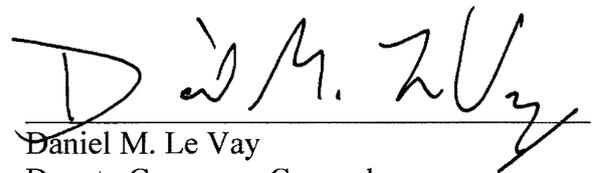


Daniel M. Le Vay, Attorney No. 22184-49
Deputy Consumer Counselor

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing notice and schedules have been served upon the following parties of record in the captioned proceeding by electronic service, on May 24, 2012.

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**WATER SERVICE COMPANY OF INDIANA
CAUSE NO. 44104**

Balance Sheet as of June 30, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>
<u>Assets and Other Debits:</u>			
Fixed Assets:			
Utility Plant In Service	\$ 725,307	\$ 3,077,357	\$ 3,802,664
Less: Accumulated Depreciation	45,739	379,357	425,096
Net Utility Plant In Service	679,568	2,698,000	3,377,568
Acquisition Adjustment	28,087	114,862	142,949
Accum. Amortization of Acquisition Adj.	-	-	-
Construction Work In Progress	-	-	-
Total Utility Plant In Service	<u>707,655</u>	<u>2,812,862</u>	<u>3,520,517</u>
Current and Accrued Assets:			
Cash and Cash Equivalents			-
Accounts Receivable			663,348
Other Current Assets			40,325
Total Current and Accrued Assets	<u>-</u>	<u>-</u>	<u>703,673</u>
Deferred Charges			1,305
Total Assets and Other Debits	<u>\$ 707,655</u>	<u>\$ 2,812,862</u>	<u>\$ 4,225,495</u>

**WATER SERVICE COMPANY OF INDIANA
CAUSE NO. 44104**

Balance Sheet as of June 30, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>
<u>Liabilities and Stockholders Equity:</u>			
Stockholders Equity:			
Common Stock			\$ 3,233,930
Retained Earnings			(232,884)
Total Stockholders Equity			<u>3,001,046</u>
Current and Accrued Liabilities:			
Accounts Payable			8,917
Accounts Payable-Assoc. Companies			942,150
Customer Deposits			3,401
Customer Deposits-Interest			168
Accrued Taxes			8,993
Deferred Revenue			-
Total Current and Accrued Liabilities			<u>963,629</u>
Deferred Credits:			
Unamortized ITC			-
Deferred Tax - Federal			211,717
Deferred Tax - State			45,695
Total Deferred Credits			<u>257,412</u>
Contribution In Aid Of Construction - Water			1,355
Contribution In Aid Of Construction - Sewer			<u>2,053</u>
Total Liabilities and Stockholders Equity			<u>\$ 4,225,495</u>

**WATER SERVICE COMPANY OF INDIANA
CAUSE NO. 44104**

Income Statement For The Year Ended June 30, 2011

<u>Operating Revenues:</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Water/Sewer Revenues Residential	\$ 70,857	\$ 114,086	\$ 184,943
Water/Sewer Revenues Commercial			
Late Fees	-		
Miscellaneous Revenues	573	922	1,495
Total Operating Revenues	71,430	115,008	186,438
<u>Operating Expenses:</u>			
Salaries and Wages	12,621	13,431	26,052
Pension & Other Benefits	2,712	2,886	5,598
Purchased Power	49,771	1,363	51,134
Maintenance & Repair	2,391	16,614	19,005
Maintenance Testing	256	5,435	5,691
Chemicals	3,761	2,173	5,934
Transportation	1,708	1,817	3,525
Operating Expense charged to Plant	(15,289)	(16,270)	(31,559)
Outside Services - Other	664	707	1,371
Office Supplies & Other Office Expenses	4,550	4,842	9,392
Insurance	1,439	1,532	2,971
Office Utilities	2,165	2,303	4,468
Bad Debts	620	999	1,619
Miscellaneous	350	371	721
Total Operations and Maintenance Expenses	67,719	38,203	105,922
Depreciation	16,438	144,947	161,385
Amortization of CIAC	(32)	(48)	(80)
Amortization of PAA	689	2,819	3,508
Taxes Other than Income:	5,528	6,539	12,067
Income Taxes - Federal	(8,888)	(14,311)	(23,199)
Income Taxes - State	3,169	5,102	8,271
Total Operating Expenses	84,623	183,251	267,874
Net Operating Income	(13,193)	(68,243)	(81,436)
Other Deductions:			
Interest on Debt	24,587	103,485	128,072
Net Income	\$ (37,780)	\$ (171,728)	\$ (209,508)

**WATER SERVICE COMPANY OF INDIANA
CAUSE NO. 44104**

Revenue Adjustments

(1)

Water Revenue Normalization - Residential

To adjust revenues to normalize the rates and new customers.

	<u>Number of Customers</u>	<u>Growth</u>	<u>Remaining Billings</u>	<u>Additional Annual Billings</u>	<u>Sales</u>
July '10	164			-	\$ 3,166
Aug	167	3	1	3	2,919
Sept	170	3	2	6	3,707
Oct	167	(3)	3	-9	3,488
Nov	173	6	4	24	3,083
Dec	169	(4)	5	-20	3,015
Jan '11	168	(1)	6	-6	3,742
Feb	164	(4)	7	-28	3,395
Mar	168	4	8	32	3,503
Apr	169	1	9	9	3,078
May	169	-	10	0	3,268
June	171	2	11	22	3,183
	<u>2,019</u>			<u>33</u>	<u>39,547</u>
	(B)				(A)

Average Bill \$ 19.59 (A/B)
Times: Additional Residential Billings 33

Adjustment Increase (Decrease) \$ 646

(2)

Wastewater Revenue Normalization - Residential

To adjust revenues to normalize the rates and new customers.

	<u>Number of Customers</u>	<u>Growth</u>	<u>Remaining Billings</u>	<u>Additional Annual Billings</u>	<u>Sales</u>
July '10	162			-	\$ 3,901
Aug	164	2	1	2	3,725
Sept	170	6	2	12	3,916
Oct	169	(1)	3	-3	4,165
Nov	171	2	4	8	3,622
Dec	172	1	5	5	3,653
Jan '11	175	3	6	18	4,711
Feb	173	(2)	7	-14	4,192
Mar	174	1	8	8	4,272
Apr	175	1	9	9	3,908
May	176	1	10	10	3,783
June	178	2	11	22	3,986
	<u>2,059</u>			<u>77</u>	<u>47,834</u>
	(B)				(A)

Average Bill \$ 23.23 (A/B)
Times: Additional Residential Billings 77

Adjustment Increase (Decrease) \$ 1,789

**WATER SERVICE COMPANY OF INDIANA
CAUSE NO. 44104**

Expense Adjustments

(1)

Salaries and Wages

To increase salaries and wages to include test year time allocated to this rate case and not included in Petitioner's calculation of *pro forma* salaries and wages. This expense was removed from rate case expense and should be recovered based on IWSI's share of annual payroll expenses

	<u>Cap. Salary Rate Case</u>	<u>IWSI Allocation %</u>	<u>IWSI Amount</u>	<u>Water 48.45%</u>	<u>Sewer 51.55%</u>
Operations					
Tapella	\$ 6,548	1.4539%	\$ 95	46	49
Alexander	8,730	4.5364%	396	192	204
Daniel	9,239	0.3356%	31	15	16
Hass	11,550	1.1134%	129	63	66
Other	2,555	4.5364%	116	56	60
Office	6,548	1.4539%	95	46	49
Call Center	3,250	0.1402%	14	7	7
Service Company	60,885	0.1402%	877	425	452
Adjustment Increase (Decrease)			\$ 1,753	\$ 850	\$ 903

(2)

Rate Case Expense

To reflect the rate case expense incurred for this cause.

			<u>Total</u>		
Legal Fees			\$ 45,000		
Consultant - Rate of Return (not used)			-		
Customer Notices					
Postage	190	customer x \$.44	84		
Stock	190	notices x \$.103	20		
Fed Ex, mailings			1,000		
Travel	<u>Personnel</u>	<u>Cost</u>	<u># of trips/nights</u>		
Airfare	2	500	1	1,000	
Hotel/Meals	2	200	1	400	
Rental Car		200	1	200	
Total Rate Case Expense			47,703		
Amortized over 5 years			5		
Pro-forma Proposed Regulatory Commission Expense			\$ 9,541	\$ 4,621	\$ 4,921
Less: Test Year				-	-
Adjustment - Increase (Decrease)				\$ 4,621	\$ 4,921

(3)

Purchased Power Expense

To adjust pro forma allocation of purchased power expense between Water and Sewer per Petitioner response to OUCC Data Request Q3-6.

	<u>Water 48.45%</u>	<u>Sewer 51.55%</u>
Adjustment - Increase (Decrease)	(42,803)	39,061

**WATER SERVICE COMPANY OF INDIANA
CAUSE NO. 44104**

Expense Adjustments

(4)

Periodic Maintenance Expense

To record annualized maintenance expense for wells and pumps.

Well No. 1 - Clean and televise	\$ 15,000	5	\$ 3,000
Well No. 2 - Clean and televise	17,930	5	3,586
Flow Testing	1,800	5	360
	<u>\$ 34,730</u>		<u>\$ 6,946</u>

Adjustment - Increase (Decrease)

Water	Sewer
<u>\$ 6,946</u>	<u>\$ -</u>

(5)

Amortization of PAA

To remove amortization of acquisition adjustment.

Test Year Acquisition Adjustment Amortization

Water	Sewer
<u>\$ (689)</u>	<u>\$ (2,819)</u>

(6)

Depreciation Expense

To update depreciation expense, reflecting additional plant and authorized depreciation rates.

Utility Plant in Service per books - 06/30/11

Less: Land (included in purchase)
Additional Land

Net Depreciable Utility Plant in Service
Times: Composite Depreciation Rate
Pro Forma Depreciation Expense
Less: Test Year Depreciation expense

Adjustment - Increase (Decrease)

Water	Sewer
<u>\$ 633,365</u>	<u>\$ 3,069,064</u>
(1,329)	(5,432)
(133)	-
<u>631,903</u>	<u>3,063,632</u>
2.00%	2.50%
<u>12,638</u>	<u>76,591</u>
<u>16,438</u>	<u>144,947</u>
<u>\$ (3,800)</u>	<u>\$ (68,356)</u>

(7)

Utility Receipts Tax Expense - Present Rate

To adjust operating expense to normalize utility receipts taxes.

Present Rate Operating Revenues
Less: Annual Exemption
Less: Bad Debt Expense

Times: Utility Receipts Tax Rate
Pro forma Utility Receipts Tax expense
Less: Test year Utility Receipts Tax

Adjustment - Increase (Decrease)

Water	Sewer
<u>\$ 73,848</u>	<u>\$ 124,680</u>
485	515
620	999
<u>72,743</u>	<u>123,166</u>
1.40%	1.40%
<u>1,018</u>	<u>1,724</u>
<u>1,048</u>	<u>1,784</u>
<u>\$ (30)</u>	<u>\$ (60)</u>

**WATER SERVICE COMPANY OF INDIANA
CAUSE NO. 44104**

Expense Adjustments

(8)

State Income Tax Expense- Present Rate

To adjust State Income Taxes to Pro-forma Present Rate amount.

	Water Pro-Forma Present Rates	Sewer Pro-Forma Present Rates
Total Revenue	\$ 73,848	\$ 124,680
Operating & Maintenance Expenses	(48,016)	(94,456)
Depreciation & Amortization	(12,606)	(76,543)
Taxes Other Than Income	(4,386)	(5,283)
Net Income	8,840	(51,602)
Less: Synchronized Interest Expense	15,930	84,200
Add: Utility Receipts Taxes (not a deduction for state tax purposes)	1,018	1,724
Taxable Income	(6,072)	(134,078)
State Tax Rate	8.50%	8.50%
Pro-forma State Income Taxes	(516)	(11,397)
Less: Test Year Expense	3,169	5,102
Adjustment - Increase (Decrease)	\$ (3,685)	\$ (16,499)

(9)

Federal Income Tax Expense - Present Rate

To adjust Federal Income Taxes to Pro-forma Present Rate amount.

	Water Pro-Forma Present Rates	Sewer Pro-Forma Present Rates
Taxable Income before taxes	\$ (6,072)	\$ (134,078)
Less: Utilities Receipts Taxes (deductible for federal tax purposes)	1,018	1,724
Less: State Income Tax	(516)	(11,397)
Federal Taxable Income	(6,574)	(124,405)
Federal Tax Rate	30.5050%	30.5050%
Total Federal Taxes	(2,005)	(37,950)
Less: Test Year Expense	(8,888)	(14,311)
Adjustment	6,883	(23,639)

**WATER SERVICE COMPANY OF INDIANA
CAUSE NO. 44104**

Capital Structure

	<u>Percent of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
<u>Utilities, Inc. & Subsidiaries</u>			
Common Equity	50.31%	9.25%	4.6537%
Long Term Debt	49.69%	6.60%	3.2795%
Total	<u>100.00%</u>		<u>7.9332%</u>

Synchronized Interest Calculation - Water

	As Of 6/30/2011
Total Original Cost Rate Base - See Schedule 7W	\$ 485,751
Times: Weighted Cost of Debt	<u>3.2795%</u>
Synchronized Interest Expense - Water	<u>\$ 15,930</u>

Synchronized Interest Calculation - Sewer

	As Of 6/30/2011
Total Original Cost Rate Base - See Schedule 7S	\$ 2,567,437
Times: Weighted Cost of Debt	<u>3.2795%</u>
Synchronized Interest Expense - Sewer	<u>\$ 84,200</u>

**WATER SERVICE COMPANY OF INDIANA
CAUSE NO. 44104**

**Comparison of Petitioner's and OUCC's
Revenue Requirements
Water**

	<u>Per Petitioner</u>	<u>Per OUCC</u>	<u>Sch Ref</u>	<u>OUCC More (less)</u>
Original Cost Rate Base	\$ 568,090	\$ 485,751	7W	\$ (82,339)
Times: Weighted Cost of Capital	8.5319%	7.9332%	8	-0.599%
Net Operating Income Required	48,477	38,555		(9,922)
Less: Adjusted Net Operating Income	(28,233)	10,236	4W	38,469
Additional NOI Required	76,710	28,319		(48,391)
Times: Gross Revenue Conversion Factor	1.695818	1.61278357	1	(0.083034)
Recommended Revenue Increase	<u>\$ 130,087</u>	<u>\$ 45,673</u>		<u>\$ (84,414)</u>
Calculated Percentage Increase	<u>179.11%</u>	<u>62.05%</u>		<u>-117.06%</u>

**WATER SERVICE COMPANY OF INDIANA
CAUSE NO. 44104**

**Gross Revenue Conversion Factor
Water**

<u>Description</u>	<u>Per Petitioner</u>	<u>Per OUCC</u>	
1 Gross Revenue Change	100.000000%	100.000000%	\$ 45,673
2 Bad Debts Charge	0.853700%	0.853700%	390
3 Subtotal	99.146300%	99.146300%	
4 IURC Fee (2012 Fiscal Year Ending - .120313%)	0.1000000%	0.119286%	54
5 Income before State Income Taxes	99.046300%	99.027014%	
6 State Utility Receipts Tax (1.4% of line 3)	1.400000%	1.388048%	634
7 Subtotal	97.646300%	97.638966%	
8 State Income Tax (8.5% of line 5)	8.299936%	8.417296%	3,844
9 Income before Federal Income Taxes	89.346364%	89.221670%	
10 Federal Income Tax (15% of line 9)	30.377764%	27.217070%	12,433
11 Change In Operating Income	58.968600%	62.004600%	\$ 28,318
12 Gross Revenue Conversion Factor	1.6958177	1.61278357	

WATER SERVICE COMPANY OF INDIANA
CAUSE NO. 44104

Reconciliation of Net Operating Income Statement Adjustments
Pro-forma Present Rates
Water

	<u>Per Petitioner</u>	<u>Per OUCC</u>	<u>OUCC More (Less)</u>
Operating Revenues:			
Water Revenues - Residential	\$ 1,772	\$ 2,418	\$ 646
Total Operating Revenue	<u>1,772</u>	<u>2,418</u>	<u>646</u>
Operating Expenses:			
Salaries & Wages	655	1,505	850
Capitalized Labor	10,554	10,554	-
Employee Benefits	94	94	-
Transportation Expense	(620)	(620)	-
Rate Case Expense Amortization	32,541	4,621	(27,920)
Purchased Power	-	(42,803)	(42,803)
Periodic Maintenance Expense	-	6,946	6,946
Depreciation	(1,268)	(3,800)	(2,532)
Amortization of PAA	(371)	(689)	(318)
Amortization of Contributions in Aid of Construction	32	-	(32)
Utility Receipts Tax	-	(30)	(30)
Payroll tax	13	13	-
Income Taxes - Federal	(15,096)	6,883	21,979
Income Taxes - State	(9,722)	(3,685)	6,037
Total Operating Expense	<u>16,812</u>	<u>(21,011)</u>	<u>(37,823)</u>
Total Net Operating Income Adjustments	<u>\$ (15,040)</u>	<u>\$ 23,429</u>	<u>\$ 38,469</u>

WATER SERVICE COMPANY OF INDIANA
CAUSE NO. 44104

Pro-forma Net Operating Income Statement - Water

<u>Description:</u>	<u>Year Ending 6/30/11</u>	<u>Adjustments</u>	<u>Sch. Ref.</u>	<u>Pro-forma Present Rates</u>	<u>Adjustments</u>	<u>Sch. Ref.</u>	<u>Pro-forma Proposed Rates</u>
Operating Revenues:							
Water Revenues	\$ 70,857	\$ 1,772	Pet	\$ 73,275	\$ 45,341	1	118,616
		646	5-1				
Forfeited Discount	536			536	332	1	868
Miscellaneous Revenues	37			37			37
Total Operating Revenues	<u>71,430</u>	<u>2,418</u>		<u>73,848</u>	<u>45,673</u>		<u>119,521</u>
Operations and Maintenance	67,719			48,016			48,406
Salaries & Wages		655	Pet				
Include Capitalized Rate Case Costs		850	6-1				
Operating Expense Charged to Plant		10,554	Pet				
Pension and Other Benefits		94	Pet				
Transportation		(620)	Pet				
Rate Case Expense		4,621	6-2				
Bad Debts Expense					390	1	
Purchased Power		(42,803)	6-3				
Periodic Maintenance Expense		6,946	6-4				
Depreciation Expense	16,438	(3,800)	6-6	12,638			12,638
Amortization of CIAC	(32)			(32)			(32)
Amortization of PAA	689	(689)	6-5	-			-
Taxes Other than Income:							
IURC Fee	129			129	54	1	183
Property Tax	3,239			3,239			3,239
Utility Receipts Tax	1,048	(30)	6-7	1,018	634	1	1,652
Payroll Tax	1,086	13	Pet	1,099			1,099
Franchise Tax	26			26			26
Income Taxes - Federal	(8,888)	6,883	6-9	(2,005)	12,433	1	10,428
Income Taxes - State	3,169	(3,685)	6-8	(516)	3,844	1	3,328
Total Operating Expenses	<u>84,623</u>	<u>(21,011)</u>		<u>63,612</u>	<u>17,355</u>		<u>80,967</u>
Net Operating Income	<u>\$ (13,193)</u>	<u>\$ 23,429</u>		<u>\$ 10,236</u>	<u>\$ 28,318</u>		<u>\$ 38,554</u>

**WATER SERVICE COMPANY OF INDIANA
CAUSE NUMBER 44104**

Calculation of Rate Base

	<u>Per Petitioner</u>	<u>Per OUC</u>	<u>Difference</u>
Utility Plant in Service at 06/30/11	\$ 725,307	\$ 725,307	\$ -
Less: Meter Costs	-	(7,375)	(7,375)
Wells & Springs	-	(32,930)	(32,930)
Pumps	-	(43,844)	(43,844)
Vehicle Allocation Adjustment	(6,919)	(6,919)	-
Computer Allocation Adjustment	(874)	(874)	-
Adjusted Utility Plant in Service	717,514	633,365	(84,149)
Add: Acquisition Adjustment, net of accum. amortization	9,192	9,192	-
Less: Contributions in Aid of Construction, net	1,355	1,355	-
Gross Utility Plant in Service	725,351	641,202	(84,149)
Accumulated Depreciation at 6/30/11	45,739	45,739	-
Less: Accum Depr - Meters (6 years)	-	(885)	(885)
Accum Depr - Wells & Springs (4.5 years)	-	(2,964)	(2,964)
Accum Depr - Pumps (1 year)	-	(877)	(877)
Vehicle Allocation Adjustment	(6,149)	(6,149)	-
Computer Allocation Adjustment	(847)	(847)	-
Total Accumulated Depreciation	38,743	34,017	(4,726)
Net Utility Plant in Service	686,608	607,185	(79,423)
Add: Working Capital (see below)	8,047	5,131	(2,916)
Less: Customer Deposits	1,729	1,729	-
Deferred Income Taxes	124,836	124,836	-
Total Original Cost Rate Base	<u>\$ 568,090</u>	<u>\$ 485,751</u>	<u>\$ (82,339)</u>

Working Capital Calculation

Operation & Maintenance Expense	\$ 110,322	\$ 48,016	\$ (62,306)
Taxes Other than Income	5,541	-	(5,541)
Less: Bad Debts	620	-	(620)
Purchased Power	49,771	6,968	(42,803)
Payroll Taxes	1,099	-	(1,099)
Adjusted Operation & Maintenance Expense	64,373	41,048	(23,325)
Times: 45 Day Factor	0.125	0.125	0.125
Working Capital Requirement	<u>\$ 8,047</u>	<u>\$ 5,131</u>	<u>\$ (2,916)</u>

**WATER SERVICE COMPANY OF INDIANA
CAUSE NO. 44104**

**Comparison of Petitioner's and OUCC's
Revenue Requirements
Sewer**

	Per Petitioner	Per OUCC				Sch Ref	OUCC More/(Less)
		Phase I	Phase II	Phase III	Overall		
Original Cost Rate Base	\$ 2,685,618	\$ 2,567,437	\$ 2,567,437	\$ 2,567,437	\$ 2,567,437	7S	\$ (118,181)
Times: Weighted Cost of Capital	8.5319%	7.9332%	7.9332%	7.9332%	7.9332%	8	-0.599%
Net Operating Income Required	229,126	203,723	203,723	203,723	203,723		(25,403)
Less: Adjusted Net Operating Income	5,950	(3,465)	73,833	151,131	(3,465)	4S	(9,415)
Additional NOI Required	223,176	207,188	129,890	52,592	207,188		(15,988)
Deferred Rate Increase	-	(129,890)	(52,592)	1	-		
Phased in NOI	223,176	77,298	77,298	52,593	207,189		
Times: Gross Revenue Conversion Factor	1.695214	1.61222	1.61222	1.61222	1.612220	1	(0.082994)
Recommended Revenue Increase	\$ 378,332	\$ 124,621	\$ 124,621	\$ 84,792	\$ 334,034		\$ (44,298)
Calculated Percentage Increase	310.19%	100.00%	100.00%	68.04%	268.04%		-42.15%

**WATER SERVICE COMPANY OF INDIANA
CAUSE NO. 44104**

**Gross Revenue Conversion Factor
Sewer**

	<u>Description</u>	<u>Per Petitioner</u>	<u>Per OUC</u>	<u>OUC More/(Less)</u>
1	Gross Revenue Change	100.000000%	100.000000%	\$ 334,034
2	Bad Debts Charge	0.819060%	0.819060%	2,736
3	Subtotal	99.180940%	99.180940%	
4	IURC Fee (2012/2013 Fiscal Year - .120313%)	0.099850%	0.119328%	399
5	Income before State Income Taxes	99.081900%	99.061612%	
8	State Utility Receipts Tax (at 1.4% times line 3)	1.400000%	1.388533%	4,638
9	Subtotal	97.681090%	97.673079%	
10	State Income Tax (8.5% times line 5)	8.302893%	8.420237%	28,126
11	Income before Federal Income Taxes	89.378197%	89.252842%	
12	Federal Income Tax	30.388587%	27.226580%	90,946
13	Change In Operating Income	58.989610%	62.026262%	\$ 207,189
14	Gross Revenue Conversion Factor	1.695214	1.612220	

**WATER SERVICE COMPANY OF INDIANA
CAUSE NO. 44104**

**Reconciliation of Net Operating Income Statement Adjustments
Pro-forma Present Rates
Sewer**

	<u>Per Petitioner</u>	<u>Per OUC</u>	<u>OUC More/(Less)</u>
Operating Revenues:			
Sewer Revenues - Residential	\$ 7,883	\$ 7,883	\$ -
		1,789	1,789
Total Operating Revenue	<u>7,883</u>	<u>9,672</u>	<u>1,789</u>
Operating Expenses:			
Salaries & Wages	697	1,600	903
Redacted Capitalized Labor	11,231	11,231	-
Employee Benefits	100	100	-
Transportation Expense	(660)	(660)	-
Rate Case Expense Amortization	34,629	4,921	(29,708)
Purchased Power	-	39,061	39,061
Depreciation	(70,692)	(68,356)	2,336
Amortization of PAA	705	(2,819)	(3,524)
Amortization of CIAC	48	-	(48)
Utilities Receipts Tax	-	(60)	(60)
Payroll Tax	14	14	-
Income Taxes - Federal	(26,209)	(23,639)	2,570
Income Taxes - State	(16,173)	(16,499)	(326)
Total Operating Expense	<u>(66,310)</u>	<u>(55,106)</u>	<u>11,204</u>
Total Net Operating Income Adjustments	<u>\$ 74,193</u>	<u>\$ 64,778</u>	<u>\$ (9,415)</u>

WATER SERVICE COMPANY OF INDIANA
CAUSE NO. 44104

Pro-forma Net Operating Income Statement - Sewer

	<u>Year Ending 6/30/2011</u>	<u>Adjustments</u>	<u>Sch. Ref.</u>	<u>Pro-forma Present Rates</u>	<u>Adjustments</u>	<u>Sch. Ref.</u>	<u>Pro-forma Proposed Rates</u>
Operating Revenues:							
Sewer Revenues - Residential	\$ 114,086	\$ 7,883	Pet	\$ 123,758	\$ 331,721	1	\$ 455,479
		1,789	5-2				
Forfeited Discounts	863			863	2,313	1	3,176
Miscellaneous Revenues	59			59			59
Total Operating Revenues	<u>115,008</u>	<u>9,672</u>		<u>124,680</u>	<u>334,034</u>		<u>458,714</u>
Operating Expenses:							
Operations and Maintenance	38,203			94,456			97,192
Salaries & Wages		697	Pet				
Include Capitalized Rate Case Costs		903	6-1				
Operating Expense Charged to Plant		11,231	Pet				
Pension and Other Benefits		100	Pet				
Transportation		(660)	Pet				
Rate Case Expense		4,921	6-2				
Bad Debt Expense					2,736		
Purchased Power		39,061	6-3				
Depreciation	144,947	(68,356)	6-6	76,591			76,591
Amortization of CIAC	(48)			(48)			(48)
Amortization of PAA	2,819	(2,819)	6-5	-			-
Taxes other than Income:							
IURC Fee	111			111	399	1	510
Property Tax	3,448			3,448			3,448
Utility Receipts Tax	1,784	(60)	6-7	1,724	4,638	1	6,362
Payroll Tax	1,155	14	Pet	1,169			1,169
Franchise Tax	41			41			41
Income Taxes - Federal	(14,311)	(23,639)	6-9	(37,950)	90,946	1	52,996
Income Taxes - State	5,102	(16,499)	6-8	(11,397)	28,126	1	16,729
Total Operating Expenses	<u>183,251</u>	<u>(55,106)</u>		<u>128,145</u>	<u>126,845</u>		<u>254,990</u>
Net Operating Income	<u>\$ (68,243)</u>	<u>\$ 64,778</u>		<u>\$ (3,465)</u>	<u>\$ 207,189</u>		<u>\$ 203,724</u>

**WATER SERVICE COMPANY OF INDIANA
CAUSE NUMBER 44104**

Calculation of Rate Base

	<u>Per Petitioner</u>	<u>Per OUCC</u>	<u>Difference</u>
Utility Plant in Service at 06/30/11	\$ 3,077,357	\$ 3,077,357	\$ -
Vehicle Allocation Adjustment	(7,363)	(7,363)	-
Computer Allocation Adjustment	(930)	(930)	-
Adjusted Utility Plant in Service	3,069,064	3,069,064	-
Add: Acquisition Adjustment, net	114,157	-	(114,157)
Less: Contributions in Aid of Construction, net	2,053	2,053	-
Gross Utility Plant in Service	<u>3,181,168</u>	<u>3,067,011</u>	<u>(114,157)</u>
Accumulated Depreciation at 6/30/11	379,357	379,357	-
Vehicle Allocation Adjustment	(6,543)	(6,543)	-
Computer Allocation Adjustment	(901)	(901)	-
Total Accumulated Depreciation	<u>371,913</u>	<u>371,913</u>	<u>-</u>
Net Utility Plant in Service	2,809,255	2,695,098	(114,157)
Add: Working Capital (see below)	10,778	6,754	(4,024)
Less: Customer Deposits	1,840	1,840	-
Deferred Income Taxes	132,575	132,575	-
Total Original Cost Rate Base	<u>\$ 2,685,618</u>	<u>\$ 2,567,437</u>	<u>\$ (118,181)</u>

Working Capital Calculation

Operation & Maintenance Expense	\$ 83,202	\$ 94,456	\$ 11,254
Taxes Other than Income	6,553	-	(6,553)
Less: Bad Debts	999	-	(999)
Purchased Power	1,363	40,424	39,061
Payroll Taxes	1,169	-	(1,169)
Adjusted Operation & Maintenance Expense	<u>86,224</u>	<u>54,032</u>	<u>(32,192)</u>
Times: 45 Day Factor	<u>0.125</u>	<u>0.125</u>	<u>0.125</u>
Working Capital Requirement	<u>\$ 10,778</u>	<u>\$ 6,754</u>	<u>\$ (4,024)</u>