

FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Aqua)
Ohio, Inc. For Authority to Increase its Rates) Case No. 09-1044-WW-AIR
and Charges in its Lake Erie Division.)

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**AQUA OHIO, INC.'S OBJECTIONS TO
THE PUBLIC UTILITIES COMMISSION OF OHIO STAFF REPORT OF
INVESTIGATIONS IN THE AQUA OHIO, INC. LAKE ERIE DIVISION RATE CASE**

In accordance with Ohio Revised Code §4909.19 and Ohio Administrative Code 4901-1-28(B), now comes Applicant Aqua Ohio, Inc. ("Aqua Ohio") by and through counsel and hereby raises the following fourteen (14) objections to the Public Utilities Commission of Ohio Staff Report of Investigations ("Staff Report") filed May 21, 2010 in the above captioned case.

OBJECTION NUMBER 1:

Return on Equity.

Aqua Ohio strongly disagrees with the Staff's recommended Return on Equity ranging from 8.89% to 9.9%. To attract capital of any kind on reasonable terms, a utility must first demonstrate the ability to achieve an adequate return on the equity already invested in the enterprise. Aqua Ohio asserts that Staff's recommendation, particularly when considering that rates will be set on a historical test year, is far too low.

For many years, it was assumed that the water business was a relatively risk-free endeavor. Sources of supply were abundant, water quality concerns were few, and capital requirements were minimal and largely attributable to requests for new service. That is no longer the case and it is critically important that the Commission, in setting Aqua Ohio's equity allowance, recognize that

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times have changed dramatically.

The business risk of all water utilities has been strongly influenced by water quality concerns and requirements to invest in new facilities and maintain and upgrade existing facilities in each utility service territory. Where a substantial ongoing capital investment is required to provide the high quality product and service that customers demand, greater financial uncertainty is created.

The Safe Drinking Water Act Amendments of 1996 ("SDWA"), which re-authorized the SDWA for the second time since its original passage in 1974, instituted policies and procedures governing water quality. The current priorities of the EPA include regulations directed at microbials, disinfectants and disinfection byproducts, perchlorate and other emerging contaminants such as lead, copper and radiocuculides. The regulations which emanate from the EPA concerning certain potentially hazardous substances, together with the Federal Clean Water Act and the Resource Conservation and Recovery Act, also increases the risk faced by all water utilities.

Drinking water quality has also received heightened attention due to concern over the integrity of the source of supply, which is often threatened by changing land use requirements and the level of discharged contaminants established by state and federal agencies, and now potential threats from terrorists. In addition, being the sole provider of potable water from an established infrastructure does not insulate Aqua Ohio's operations from risk due to general business conditions, regulatory policy, weather and customer usage habits. High fixed costs make earnings vulnerable to significant variations when usage fluctuates with weather, the economy and customer conservation efforts.

Aqua Ohio also urges the Commission to consider the efficiency, effectiveness and adequacy of service when setting just and reasonable rates. Aqua Ohio continues to ensure that it

provides its customers with the highest quality service at the lowest possible price. Aqua Ohio is in full compliance with all existing Federal and State primary drinking water standards. As a consequence, customer complaints regarding the taste, odor or appearance of the Company's product have been minimal. Aqua Ohio has continually looked for ways to cut or control costs through strategic acquisitions and a studious review of staffing needs and operating procedures. Staff have compared Aqua Ohio costs to other water utility costs and specifically found costs to be substantially lower. *In the Matter of the Application of Ohio American Water Company to Increase Its Rates for Water and Sewer Services Provided to Its Entire Service Areas*, Case No. 09-391-WS-AIR, Opinion and Order at Pages 59 (May 5, 2010). In addition, Aqua Ohio has provided its customers with the highest level of service for many years.

Lastly, Aqua Ohio reinforces that if in fact, Staff's recommendation is adopted by the Commission, this is simply a reflection of Aqua Ohio's opportunity to earn 9.9%. This should be considered along with other recommended Staff adjustments. If the Commission adopts Staff's recommend Return on Equity and Staff's other adjustments, Aqua Ohio will not be able to achieve its awarded Return on Equity on Day 1 of new rates, which is particularly troubling considering that rates are set on a historical test year.

OBJECTION NUMBER 2:

Rate Base.

A. Auburn Lakes Organizational Costs (Legal Fees).

The Staff Report recommends that twenty Nine Thousand One Hundred and Forty Nine Dollars (\$29, 149) in legal fees associated with the Auburn Lakes system acquisition should have been treated as an expense in the year of occurrence rather than a capitalized

cost (Staff Report of Investigation at page 4 and Schedule B-2.1e). However, according to the NARUC Uniform System of Accounts, fees and expenses associated with mergers and acquisitions are placed into account 301 and capitalized (Attached hereto as Exhibit 1 and incorporated herein by reference). It should be noted that Auburn Lakes was not a public utility prior to Aqua Ohio, Inc.'s acquisition and other than these properly capitalized legal fees for the merger and acquisition, Aqua Ohio carries no other costs on its books for organizational costs related to the Auburn Lakes acquisition. These costs should be placed in account number 301 and capitalized.

B. Auburn Lakes Water Mains.

The Company should have placed the Twenty Five Thousand One Hundred and Eighty Two Dollars (\$25,182) for the Auburn Lake Water Mains into account number 343 (T&D Mains) instead of account 301 (Organizational Costs). This sum should be placed in the proper account in Rate Base.

C. Customer Information System (CIS) Modifications.

The Staff excluded CIS modification and enhancement costs from account 303 associated with project number 23090012962. The reason given for exclusion was that these costs relate to "the billing and billing backlog problems associated with Aqua Ohio Case No. 08-1125-WW-UNC." *Id.*, at 4. It should be noted that Aqua Ohio Inc. was ordered to pay and did pay a substantial fine in that case, so that the exclusion of costs associated with compliance with mandated billing requirements is, in essence, a double forfeiture.

Perhaps more importantly, the CIS costs in question are budgeted to collect

customer account data to produce accurate and timely bills. Due to meter change-outs, move-ins, move-outs or special services that are billed, the Information Services Department spends a substantial amount of time and effort collecting and inputting various types of customer data. The “defects” referred to in this project’s description are not related to software specific defects, which are handled as part of maintenance agreements with the various individual software vendors, but are related to addressing data issues to produce accurate bills. These are reasonable and necessary expenses and are properly allowed in rate base.

D. Purification Land.

The Staff report excluded the “purification land” adjacent to the Mentor Water Treatment Facility. *Id.*, at 4. As noted, this land was deemed not “used and useful” in Case No. 07-0564-WW-AIR. However, since October of 2008, Aqua Ohio, Inc. has been utilizing this property for equipment storage, as depicted on Exhibit 2, attached hereto and incorporated herein by reference. Since the property is being utilized in essential Company operations for the benefit of ratepayers, it is properly allowed in rate base.

OBJECTION NUMBER 3:

“Availability for Use” Charges.

On page 26 of the Staff Report, the Staff recommends that the Customer Charge “Availability For Use” (“AFU”) for the Seneca area be retained until Aqua Ohio provides additional information to justify the deletion of the charge. As noted in the Staff Report, the AFU Charge is a charge to property owners who own property adjacent to Aqua Ohio water mains, but are not connected to the system. The Staff Report correctly notes Aqua Ohio cannot shut off the

water supply to the customer to enforce the AFU Charge. Collection of the fee is therefore unusually difficult for Aqua Ohio.

Also, Seneca is now part of a much larger division of Aqua Ohio. Since flat rate charges for both Seneca and Norlick will be the same, and Norlick has no AFU Charge, Aqua believes that it is appropriate to eliminate the AFU charge for Seneca also. This would further Aqua Ohio's goal of moving toward uniform tariff rates for the entire division. The AFU Charge represents a very small percentage of the total revenue of the Lake Erie Division (less than \$19,000 annually, as noted on page 26 of the Staff Report). The elimination of the AFU Charge simply eliminates a charge that is very difficult to administer and enforce, and is not a significant source of revenue. This charge is also not charged to customers outside Seneca. There is no specific provision for recovering revenue "lost" by the elimination of the AFU charge through other rates or charges. Aqua Ohio respectfully maintains that the elimination of the AFU Charge is warranted under the circumstances without the need for additional information or further analysis.

OBJECTION NUMBER 4:

Labor Costs.

A. Incentive Compensation.

The Staff Report excludes incentive compensation in the amount of \$32,306. The basis for Staff's rejection of these operating expenses is that "[s]hareholders should pay for the annual incentive awards during the present recession". The Company disagrees with Staff for a number of reasons.

Aqua Ohio's incentive compensation program aligns customer, employee and shareholder interests and has a positive effect on the Company's operations, aiding both employees and

customers. The Commission has consistently allowed incentive compensation plans to be recovered as a proper operating expense, as long as such plans are not solely directed towards meeting financial goals. See, *In The Matter of The Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Increase Rates for Distribution Service, Modify Certain Accounting Practices, and for Tariff Approvals*, Case No. 07-551-EL-AIR, Opinion and Order at page 17 (January 21, 2009). While Aqua Ohio's understands the difficulties related to a recession, the incentive compensation that has been in place since 1990 is a reasonable balance between attracting and maintain key employees and ratepayer concerns during a recession. As a proper operational expense, these costs should be recovered. If incentive compensation is not recovered, Aqua Ohio will not be given the opportunity to even achieve Staff's recommended return on equity of 9.90% on day one of new rates.

Second, when an employee is interviewed and hired at Aqua Ohio, both the incentive compensation and stock option incentives are discussed as part of the employment package. As other packages, Aqua Ohio's incentive compensation is not automatic. However, this employment package discussion and review is likely no different than any non-regulated industry and each company develops its cost structure based on the total compensation package. Aqua Ohio strives to hire qualified and dedicated employees to ensure safe and reliable water and maintain a financially viable status and having an incentive compensation package is a well founded business practice designed to further enhance employee and total company performance both operationally, reliability and for cost saving purposes. Knowing this, Aqua Ohio must continually balance its employment compensation package as it competes with municipalities and electric/gas companies in order to attract and maintain qualified employees with the goal of providing safe and reliable service at

reasonable rates.

On its own, Aqua Ohio has taken proactive measures to address costs while maintaining a competitive compensation package. In fact, Aqua Ohio does not provide new employees with pension benefits. Rather, new employees are offered a 401K retirement package. In addition, all employees also must pay into their medical benefits. At the same time, these proactive cost saving measures which directly benefit rate payers must be balanced with the need to stay competitive so that Aqua Ohio can attract new employees to ensure a proper transition when confronted with an aging utility workforce. As a result, Aqua Ohio asserts that the incentive compensation is for the benefit of the ratepayer and should be included in this rate case.

B. Stock Options.

The Staff Report excludes stock options and dividend equivalents from labor expense. (See, page 9 of the Staff Report and Schedule C-3.4 at page 84 of the Staff Report.) The Staff Report states that Shareholders should pay for the annual incentive awards during the present recession. The Company respectfully asserts that stock options and dividend equivalents are a vital piece of the Company's overall compensation package and that these types of incentives are a more economically efficient way to attract and reward employees than the historical emphasis on traditional fixed pension benefit plans. Since 2003, Aqua Ohio, Inc. has not offered defined pension benefits to new employees. Emphasizing merit based incentive pay packages benefits ratepayers by attracting, encouraging and rewarding exceptional performance. Stock options and dividend equivalents are an important tool used by the Company to attract and retain highly qualified individuals and should be permitted by the Commission in Labor Expense.

C. Labor Expense

The Staff Report notes that Staff's annualized labor expense reflects actual employee levels and wage rates at the end of the test year. This adjustment removes from the calculation of Wage Adjustment an Engineer's position, which was vacant during the test year. However, eighty percent (80%) of that Engineer's time was capitalized and not an expense. This position is necessary for Aqua's efficient operation. As shown on Exhibit 4 (Aqua's corrected Schedule C3.4) \$23,134 should be added back into the calculation of Wage Adjustment for this vacant engineer's positions.

OBJECTION NUMBER 5:

Pension Expense.

At pages 9 and 10 of the Staff Report, the Staff recommends the annual pension expense that is incremental to the amount currently included in base rates be deferred. The deferral should be recorded as in a unique sub-account of Account 182.3, Other Regulatory Assets, or Account 254, Other Regulatory Liabilities. The deferred balance should not accrue carrying charges and the accounting treatment should be effective January 1, 2009. Aqua should not be able to seek recovery of the pension deferral authorized in this proceeding for a period of five years, in order to give the market time to improve. If, at the end of five years, there continues to be a regulatory asset remaining on Aqua Ohio's books, the Company should be permitted to begin recovery of the underfunded amount in rates beginning with the first rate case following the fifth year after approval. Staff's adjustment is shown on Schedule C-3.5 in the Staff Report.

The Company is concerned that the adjustment recommended by Staff, which allows a \$235,148 annual pension expense, may create a regulatory asset that could become unacceptably

large. The Company does not expect the market to rebound, or pension expenses to diminish significantly within the next five years. The Company agrees with the basic concept of a deferral, but respectfully suggests that an adjustment that reduces pension expense to an annual level lower than \$450,000 may create an unacceptably large regulatory asset.

OBJECTION NUMBER 6:

Employee Health Insurance Expense.

As noted on page 10 of the Staff Report, Aqua Ohio annualized hospitalization expense using estimated employee levels, percent charged to the Lake Erie Division and rates effective January 1, 2009. Staff annualized hospitalization expense using rates effective January 1, 2009. (See, Staff Report Schedule C-3.7.) Aqua Ohio respectfully submits that the correct adjustment should utilize actual employment enrollment numbers in the new plans and actual January 1, 2010 plan rates, which are now available, as indicated on the correspondence dated November 2, 2009 from Michael Long, senior Account Executive at Independence Blue Cross, attached hereto as Exhibit 3 and incorporated herein by reference as if fully set forth.

OBJECTION NUMBER 7:

Uncollectible Expense.

As noted in the Staff Report, Aqua Ohio adjusted the uncollectible accounts expense to reflect a ratio based on twelve months of net write-offs to billed revenues. The Staff Report adjustment utilized a ratio based on a two-year average of net write-offs to billed revenues. (See, Schedule C-3.10 of the Staff Report.) In the previous two rate cases filed for the Lake Erie Division, Staff approved the use of twelve (12) months of net write-offs to billed revenues. The Company submits that a calculation based upon the twelve (12) month average is the correct

calculation.

OBJECTION NUMBER 8:

Depreciation Expense.

This calculation will need to be corrected if rate base items discussed above are corrected.

OBJECTION NUMBER 9:

Property Tax.

This calculation will also need to be corrected if rate base items discussed above are corrected.

OBJECTION NUMBER 10:

Infrastructure Leakage Index.

At page 30 of the Staff Report, Staff notes that the Infrastructure Leakage Index (“ILI”) developed by the American Water Works Association (“AWWA”) and the International Water Association (“IWA”) may function better than the Unaccounted for Water ratio required by the current Rules as a benchmark indication of a system’s performance in minimizing the impact of excessive water losses on water customers. Therefore, Staff encourages water companies to begin to assess the amount of unaccounted for water using the ILI. Staff recommends that the Commission order the Company to meet with Staff within sixty (60) days of the Opinion and Order to discuss ILI calculations and the format developed by Staff for reporting the ILI. Staff further recommends that the first report including 2009 and 2010 data be filed by January 31, 2011. Subsequent reports are thereafter to be submitted by January 31 of the year following reporting year. Id.

However, Staff notes that ILI data is not a substitute for Aqua’s duty to report the UFW

ratio as required under O.A.C. 4901:1-15-20(C)(5). If ILI data functions better than the UFW ratio required by the current rules as a benchmark for measuring excessive water loss, the ILI data should be acceptable as a substitute, rather than a supplement to the UFW ratio. The Commission should not require Aqua Ohio to submit both calculations as the data are largely redundant.

OBJECTION NUMBER 11:

Rate Case Expense.

The Staff Report notes that Aqua Ohio's rate case expense estimate is reasonable, and approves a three year amortization period. The Company had requested a two and a half year amortization period, based upon the historical frequency of rate case filings for the Lake Erie Division. Aqua Ohio's last rate case for the Lake Erie Division was filed in 2007 and the present case was filed in 2009. It is likely that Aqua Ohio will need to file another rate case sometime in 2011. Therefore, Aqua Ohio requests that the amortization period for rate case expense be shortened to two and a half years, to reflect the historical frequency of rate case filings and the probable necessity and timing of future rate proceedings.

OBJECTION NUMBER 12:

Federal Income Tax Rate.

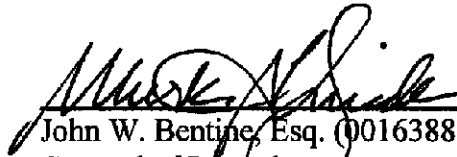
As reflected on Schedules C-3.21 and C-4 to the Staff Report, Staff has calculated the Federal Income Tax rate for the Lake Erie Division as though the Lake Erie Division were a stand alone company, instead of part of a larger corporate entity. As noted on page 14 of the Staff Report, the Lake Erie Division is a wholly owned subsidiary of a large water company, Aqua America, Inc. Since the Lake Erie Division is part of a much larger entity, the consolidated Federal Income Tax rate should be 35%. The correct adjustments are shown on Aqua's proposed Schedule C-3.21 and

C-4, attached hereto and incorporated herein as if fully set forth.

AMENDED SCHEDULES:

Attached hereto as un-numbered Exhibits are a number of amended Schedules reflecting the various positions advocated by Aqua Ohio, Inc.

Respectfully submitted,



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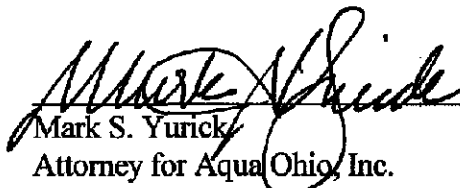
Attorneys for Aqua Ohio, Inc.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing *Aqua Ohio, Inc.'s Objections to The Public Utilities Commission of Ohio Staff Report of Investigations in the Aqua Ohio, Inc. Lake Erie Division Rate Case* has been served upon the following persons, via regular U.S. mail, postage prepaid, this 21st day of June, 2010.

John Jones
Sarah Parrot
Attorney General's Office
Public Utilities Commission of Ohio
180 E. Broad St., 6th Fl.
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idzkowski@occ.state.oh.us


Mark S. Yurick
Attorney for Aqua Ohio, Inc.

UTILITY PLANT ACCOUNTS

1. INTANGIBLE PLANT

301. Organization.

This account shall include all fees paid to federal or state governments for the privilege of incorporation and expenditures incident to organizing the corporation, partnership or other enterprise and putting it into readiness to do business.

ITEMS

1. Cost of obtaining certificates authorizing an enterprise to engage in the public utility business.
2. Fees and expenses for incorporation.
3. Fees and expenses for mergers or consolidations.
4. Office expenses incident to organizing the utility.
5. Stock and minute books and corporate seal.

Note A. — This account shall not include any discounts upon securities issued or assumed; nor shall it include any costs incident to negotiating loans, selling bonds or other evidences of debt, or expenses in connection with the authorization, issuance and sale of capital stock.

Note B. — Exclude from this account and include in the appropriate expense account the cost of preparing and filing papers in connection with the extension of the term of incorporation unless the first organization costs have been written off. Where charges are made to this account for expenses incurred in mergers, consolidations or reorganizations, amounts previously included herein or in similar accounts in the books of the companies concerned shall be excluded from this account.

302. Franchises and Consents.

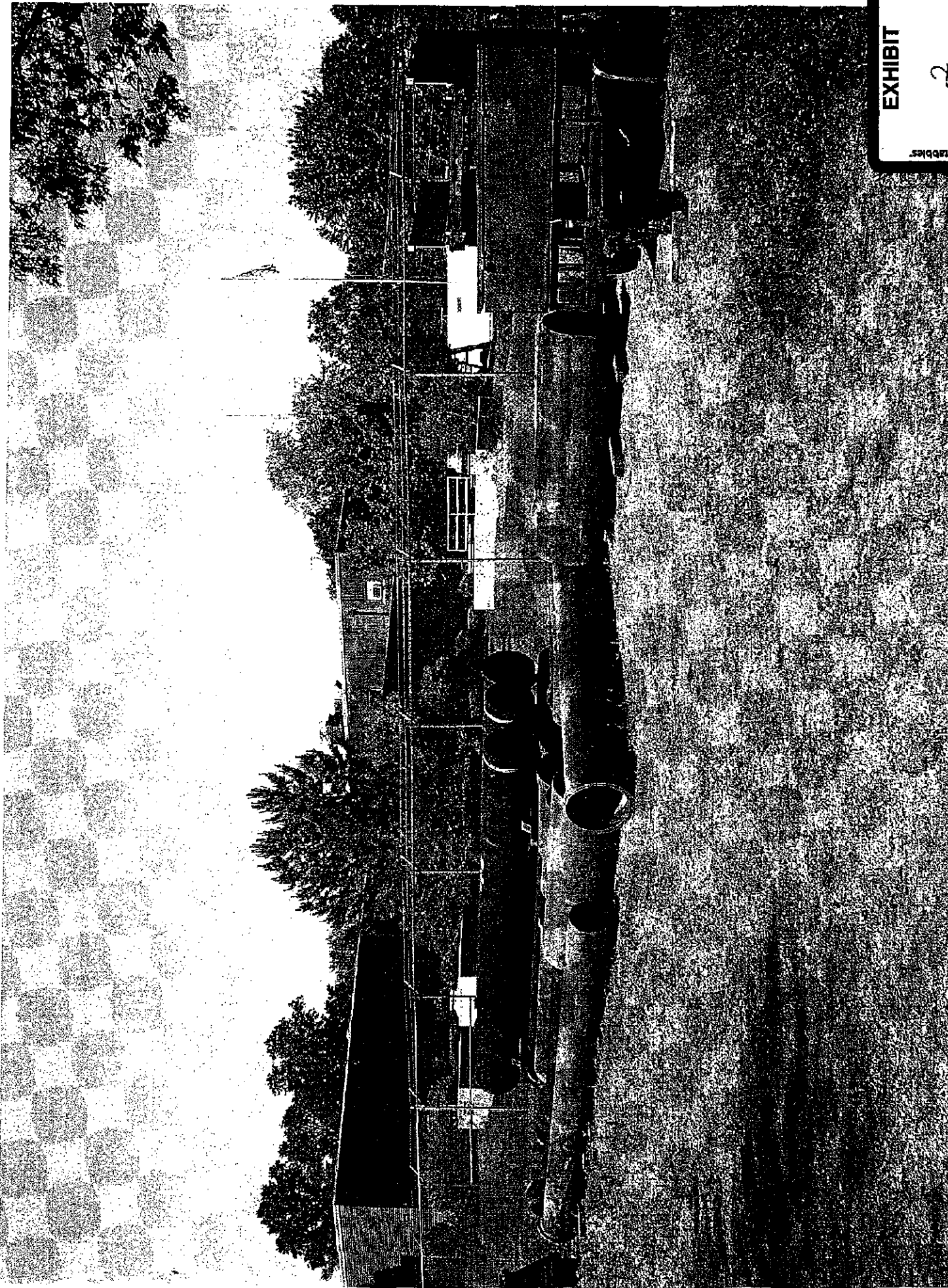
A. This account shall include amounts paid to the federal government, to a state or to a political subdivision thereof in consideration for franchises, consents or certificates, running in perpetuity or for a specified term of more than one year, together with necessary and reasonable expenses incident to procuring such franchises, consents or certificates of permission and approval, including expenses of organizing and merging separate corporations, where statutes require solely for the purpose of acquiring franchises.

B. If a franchise, consent or certificate is acquired by assignment, the charge to this account in respect thereof shall not exceed the amount paid therefor by the utility to the assignor, nor shall it exceed the amount paid by the original grantee, plus the expense of acquisition to such grantee. Any excess of the amount actually paid by the utility over the amount above specified shall be charged to account 426, Miscellaneous Income Deductions.

EXHIBIT

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EXHIBIT

2

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**Independence
Blue Cross**

www.ibx.com

1901 MARKET STREET
PHILADELPHIA, PA 19103-1480

November 2, 2009

Dear Melissa,

Please accept this letter as confirmation that medical coverage for Aqua America employees is currently active with Independence Blue Cross effective January 1, 2010 through December 31, 2010.

They will be eligible for the following benefits and rates:

Core PPO

\$430.65
\$732.10
\$861.28
\$947.42
\$1,291.94

Core Plus PPO

\$467.94
\$795.50
\$935.87
\$1,029.47
\$1,403.82

PPO Universal

\$518.55
\$881.55
\$1,037.12
\$1,140.83
\$1,555.67

PPO Flex PPO

\$434.18
\$738.10
\$868.34
\$955.19
\$1,302.53

Please feel free to call me if you have any questions.

Sincerely,

Michael R. Long

Senior Account Executive

IBC National Accounts Marketing

(215) 241-3429

EXHIBIT

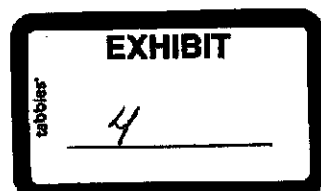
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AQUA OHIO INC LAKE DIVISION
Case No 09-1044-WW-AIR
Calculation of Wage Adjustment

Exhibit C3.4

Lake Erie Division	Staff Report	1,701,159
Incentive comp		15,088
Revised Lake Erie Annualized Payroll		<u>1,716,247</u>
Service Center	Staff Report	1,133,335
Incentive Comp		55,592
Stock Options		192,736
Vacant Engineer whose time is 80% Capital		23,134
Revised Service Center Annualized Payroll		<u>1,404,797</u>



Aqua Ohio, Inc.
Case No. 08-1044-WWW-AIR
Revenue Requirements

	Applicant (a)	Lower Bound	Upper Bound
(1) Rate Base (b)	\$ 41,275,758	\$ 41,369,887	\$ 41,369,887
(2) Adjusted Operating Income (c)	1,830,725	2,374,680	2,374,680
(3) Rate of Return Earned (2) / (1)	4.44%	5.74%	5.74%
(4) Rate of Return Recommended (d)	8.63%	7.62%	8.14%
(5) Required Operating Income (1) x (4)	\$ 3,562,098	\$ 3,152,385	\$ 3,367,509
(6) Income Deficiency (5) - (2)	1,731,373	777,705	992,829
(7) Gross Revenue Conversion Factor (e)	1.6241	1.598053	1.598053
(8) Revenue Increase Required (8) x (7)	2,811,923	1,242,813	1,586,593
(9) Revenue Increase Recommended	2,811,133	1,242,813	1,586,593
(10) Adjusted Operating Revenue (c)	14,760,877	14,797,626	14,797,626
(11) Revenue Requirements (9) + (10)	\$ 17,572,010	\$ 16,040,439	\$ 16,384,219
(12) Increase Over Current Revenue (9) / (10)	19.04%	8.40%	10.72%

- (a) Applicant's Schedule A-1
(b) Staff's Schedule B-1
(c) Staff's Schedule C-2
(d) Refer to Rate of Return Section
(e) Staff's Schedule A-1.1

	Applicant (a)	REVISD Lower Bound	Upper Bound
(1) Rate Base (b)	\$ 41,714,763	\$ 41,714,763	\$ 41,714,763
(2) Adjusted Operating Income (c)	2,035,700	2,035,700	2,035,700
(3) Rate of Return Earned (2) / (1)	4.88%	4.88%	4.88%
(4) Rate of Return Recommended (d)	8.63%	7.62%	8.14%
(5) Required Operating Income (1) x (4)	\$ 3,599,984	\$ 3,178,665	\$ 3,395,582
(6) Income Deficiency (5) - (2)	1,564,284	1,142,965	1,359,882
(7) Gross Revenue Conversion Factor (e)	1.599514	1.599514	1.599514
(8) Revenue Increase Required (6) x (7)	2,502,094	1,828,189	2,175,150
(9) Revenue Increase Recommended	2,502,094	1,828,189	2,175,150
(10) Adjusted Operating Revenue (c)	14,797,626	14,797,626	14,797,626
(11) Revenue Requirements (9) + (10)	\$ 17,299,720	\$ 16,625,815	\$ 16,972,776
(12) Increase Over Current Revenue (9) / (10)	16.91%	12.35%	14.70%

EXHIBIT
AMENDED
SCHEDULES

SCHEDULE A-1.1

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Calculation of Gross Revenue Conversion Factor

		<u>REVISED STAFF REPORT</u>
(1) Gross Revenue	100.000000	100.000000
(2) Uncollectibles (1) x 0.460100% (a)	<u>0.460100 (d)</u>	<u>0.55100</u>
(3) Net Revenue (1) - (2)	99.539900	99.449000
(4) Ohio Gross Receipts Tax (3) x 4.75% (b)	<u>4.727548</u>	<u>4.723231</u>
(5) Income Before Federal Income Taxes (3) - (4)	94.812352	94.725769
(6) Federal Income Taxes (7) x 34% (c)	<u>32.236200</u>	<u>32.206761</u>
(7) Operating Income Percentage (5) - (6)	62.576152	62.519008
(8) Gross Revenue Conversion Factor (1) / (7)	<u>1.598053</u>	<u>1.599514</u>

(a) Staff's C-1.1

(b) Derived From Staff's Schedule C-1.1 as Follows:

(1) Increase in Ohio Gross Receipts Tax	\$ 132,899
(2) Proposed Total Revenue Increase	2,811,133
(3) Uncollectibles	<u>12,934</u>
(4) Net Revenue Increase	\$ 2,798,199
Effective Gross Receipts Tax Rate (1) / (4)	<u>4.75%</u>

(c) Derived From Staff's Schedule C-1.1 as Follows:

(1) Net Revenue Increase (b)	\$ 2,798,199
(2) Increase in Ohio Gross Receipts Tax	<u>132,899</u>
(3) Net Revenue Increase (1) - (2)	2,665,300
(4) Increase in Federal Income Taxes	\$ 906,651
(5) Effective FIT Rate (4) / (3)	<u>34.00%</u>

(d) In Masury case 09-0560 and Lake case 09-1044 Staff used the most current numbers not a two year average

SCHEDULE B-1

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Rate Base Summary
As of Date Certain, March 31, 2009

STAFF REPORT

	Applicant (a)	Staff	
(1) Plant in Service	\$ 90,637,229	\$ 90,227,394	(b)
(2) Depreciation Reserve	<u>19,563,184</u>	<u>19,251,968</u>	(c)
(3) Net Plant in Service (1) - (2)	71,074,045	70,975,426	
(4) Construction Work in Progress			(d)
(5) Working Capital Allowance			(e)
(6) Less: Contributions in Aid of Construction	(26,052,151)	(26,052,151)	(f)
(7) Less: Advances for Construction	(146,698)	(146,698)	(f)
(8) Less: Customers' Advances - Related Facilities	(6,865)	(6,865)	(f)
(9) Less: Other Items	<u>(3,592,573)</u>	<u>(3,399,825)</u>	(g)
(10) Rate Base (3) Thru (9)	<u>\$ 41,275,758</u>	<u>\$ 41,369,887</u>	

- (a) Applicant's Schedule B-1
(b) Staff's Schedule B-2
(c) Staff's Schedule B-3
(d) Staff's Schedule B-4, Subject to 10% Limitation
(e) Staff's Schedule B-5
(f) Applicant's Schedule B-6
(g) Staff's Schedule B-6
(h) See Revised B-2
(i) See Exhibit B-2

	Applicant (a)	Staff	
(1) Plant in Service	\$ 90,585,762	\$ 90,585,762	(b) (h)
(2) Depreciation Reserve	<u>19,265,460</u>	<u>19,265,460</u>	(c) (i)
(3) Net Plant in Service (1) - (2)	71,320,302	71,320,302	
(4) Construction Work in Progress			(d)
(5) Working Capital Allowance			(e)
(6) Less: Contributions in Aid of Construction	(26,052,151)	(26,052,151)	(f)
(7) Less: Advances for Construction	(146,698)	(146,698)	(f)
(8) Less: Customers' Advances - Related Facilities	(6,865)	(6,865)	(f)
(9) Less: Other Items	<u>(3,399,825)</u>	<u>(3,399,825)</u>	(g)
(10) Rate Base (3) Thru (9)	<u>\$ 41,714,763</u>	<u>\$ 41,714,763</u>	

SCHEDULE B-2

Aqua Ohio, Inc.
Case No. 09-1044-VVV-AIR
Jurisdictional Plant in Service Summary

<u>Major Property Groupings</u>	<u>Applicant</u> (a)	<u>Staff</u> (b)	<u>Rate Base</u> <u>Adjustments</u>	<u>Revised</u> <u>(c)</u>
(1) Intangible Plant	\$ 298,124	\$ 268,976	29,148	298,124
(2) Source of Supply Plant	1,618,472	1,618,473		1,618,473
(3) Pumping Plant	3,820,814	3,820,814		3,820,814
(4) Water Treatment Plant	10,579,286	10,387,790	191,496	10,579,286
(5) Transmission & Distribution Plant	67,909,961	67,833,313	25,181	67,858,494
(6) General Plant	<u>3,034,441</u>	<u>3,034,441</u>		<u>3,034,441</u>
(7) Total District (1) thru (6)	87,261,098	86,963,807	245,825	87,209,632
(8) Corporate Office Intangible Plant	2,142,315	2,029,769	112,546	2,142,315
(9) Corporate Office General Plant	<u>1,233,816</u>	<u>1,233,816</u>		<u>1,233,816</u>
(10) Total Corporate Office (8) + (9)	<u>3,376,131</u>	<u>3,263,587</u>	<u>112,546</u>	<u>3,376,133</u>
(11) Total District and Corporate Office (7) + (10)	<u>\$ 90,837,229</u>	<u>\$ 90,227,394</u>	<u>358,371</u>	<u>90,585,765</u>

(a) Applicant's Schedule B-2

(b) Staff's Schedule B-2.1

(c) See Exhibit B-2 & B-2a

AQUA OHIO INC LAKE DIVISION
Case No 09-1044-WW-AIR
Calculation of Rate Base Adjustment

Exhibit B-2

STAFF

Rate Base Staff Report	41,369,887	
Auburn Lake Legal Fees	29,149	(a)
Auburn Lake Mains	25,182	(b)
CIS Modifications	112,545	(c)
Plant Land	191,496	(d)
Sub-Total Property	<u>41,728,259</u>	
Reserve Adjustment	(13,496)	
Adjusted Rate Base	<u><u>41,714,763</u></u>	

APPLICANT

	41,275,758	
Jefferson Tank Land	(51,467)	
Deferred Tax Increase	192,748	
Sub-Total Property	<u>41,417,039</u>	
Reserve Adjustment	297,724	
Adjusted Rate Base	<u><u>41,714,763</u></u>	

- (a) According to NARUC Uniform System of Accounts for account 301 fees and expenses for mergers and consolidations get capitalized to this account (See Attached)
- (b) These costs are for property improvements (See Attached)
- (c) These costs relate to billing enhancements
- (d) Plant land is used and useful see Attached

AQUA OHIO, Inc.
Lake Erie Division
Case No. 09-1044-WW-AIR
Objections to Staff Report
Auburn Lakes Acquisition Support

Exhibit B-2a
TCR
6/3/2010

23015009022 Auburn Lakes System Acquisition

<u>343</u>	T & D Mains	<u>301</u>	Organization	Total Project
6,707.32	105020 Company Payroll			6,707.32
34.80	105030 Accounts Payable	8,939.74		8,974.54
379.94	105040 Inventory			379.94
465.79	105060 General Overheads	584.66		1,050.45
<u>4,281.28</u>	105070 Payroll Overheads			<u>4,281.28</u>
11,869.13	Total Project	9,524.40		21,393.53 *

23015009468 Auburn Lakes Miscellaneous Improvements

<u>332</u>	Treatment Plant Equipment	<u>341</u>	T & D Structures	Total Project
46,452.94	Per Split on Project Completion Report	5,000.01		51,452.95
<u>343</u>	T & D Mains			
a) 13,313.07	From 23015009022			<u>13,313.07</u>
	Total Project			64,766.02 *

Auburn Acquisition and Improvements

<u>301</u>	Organization	9,524.40	
<u>332</u>	Treatment Plant Equipment	46,452.94	
<u>341</u>	T & D Structures	5,000.01	
<u>343</u>	T & D Mains	25,182.20	
		<u>86,159.55</u>	<u>86,159.55 *</u>

23015009022

Correct Activity Number Transactions

(5,054.24)	105020 Company Payroll		
(143.03)	105020 Company Payroll		
(731.73)	105030 Accounts Payable		
(787.89)	105040 Inventory		
(625.34)	105060 General Overheads		
(3,220.23)	105070 Payroll Overheads		
(2,750.61)	105090 Transfer CWIP to Fixed Cap.		
	105090 PAAM GL Asset Addition	13,313.07	
a) <u>(13,313.07)</u>		<u>13,313.07</u>	a)

23015009468

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Calculation of Jurisdictional Plant in Service

Acct. No.	Description	Applicant's Unadjusted (a)	Adjustments (b)	Staff's Adjusted Jurisdictional (c)	Jurisdictional Allocations (d)	Staff's Adjusted Jurisdictional (e)
<u>Intangible Plant:</u>						
301	Organization	\$ 60,534	\$ (48,879)	\$ 11,655	100.00%	\$ 11,655
302	Franchises & Consents	145,695		145,695	100.00%	145,695
303	Misc. Intangible Plant	111,626		111,626	100.00%	111,626
	Total Intangible Plant	317,855	(48,879)	268,976		268,976
<u>Source of Supply Plant:</u>						
310	Land & Land Rights	375,122	(146,442)	231,680	100.00%	231,680
311	Structures & Improvements	69,579		69,579	100.00%	69,579
312	Collecting & Impounding Res.					
313	Lake, River & Other Intakes	1,426,525	(285,465)	1,141,060	100.00%	1,141,060
314	Wells & Springs	40,786	(9,792)	30,994	100.00%	30,994
316	Supply Mains	145,160		145,160	100.00%	145,160
	Total Source of Supply Plant	2,060,172	(441,699)	1,618,473		1,618,473
<u>Pumping Plant:</u>						
320	Land and Land Rights	4,894		4,894	100.00%	4,894
321	Structures & Improvements	688,384		688,384	100.00%	688,384
323	Other Power Prod. Equip.	493,409		493,409	100.00%	493,409
325	Electric Pumping Equip.	2,634,127		2,634,127	100.00%	2,634,127
326	Diesel Pumping Equipment					
328	Other Pumping Equip.					
	Total Pumping Plant	3,820,814		3,820,814		3,820,814
<u>Water Treatment Plant:</u>						
330	Land and Land Rights	270,785	(191,496)	79,289	100.00%	79,289
331	Structures & Improvements	1,621,265		1,621,265	100.00%	1,621,265
332	Water Treatment Equip.	8,687,236		8,687,236	100.00%	8,687,236
	Total Water Treatment Plant	10,579,286	(191,496)	10,387,790		10,387,790
<u>Trans. & Distribution Plant:</u>						
340	Land & Land Rights	409,538	(51,467)	358,071	100.00%	358,071
341	Structures & Improvements	546,325		546,325	100.00%	546,325
342	Distr. Reser. & Standpipes	4,549,717		4,549,717	100.00%	4,549,717
343	Trans. and Distr. Mains	44,730,210	(25,182)	44,705,028	100.00%	44,705,028
345	Services	7,223,727		7,223,727	100.00%	7,223,727
346	Meters	2,989,415		2,989,415	100.00%	2,989,415
347	Meter Installations	2,294,673		2,294,673	100.00%	2,294,673
348	Hydrants	5,166,357		5,166,357	100.00%	5,166,357
	Total Trans. & Dist. Plant	\$ 67,909,962	\$ (76,649)	\$ 67,833,313		\$ 67,833,313

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Calculation of Jurisdictional Plant in Service

Acct. No.	Description	Applicant's Unadjusted (a)	Adjustments (b)	Staff's Adjusted Jurisdictional (c)	Jurisdictional Allocations (d)	Staff's Adjusted Jurisdictional (e)
<u>General Plant:</u>						
389	Land & Land Rights	\$	\$	\$		\$
390	Structures & Improvements					
390.1	Str. & Imp.-Leasehold Impr.	83,439		83,439	100.00%	83,439
391.1	Office Furniture	98,364		98,364	100.00%	98,364
391.2	Data Processing	65,397		65,397	100.00%	65,397
391.3	Computers	203,694		203,694	100.00%	203,694
392	Trans. Equip.- Fully Depre.	133,212		133,212	100.00%	133,212
392.1	Trans. Equip.- Depreciable	669,943		669,943	100.00%	669,943
393	Stores Equipment	5,159		5,159	100.00%	5,159
394	Tools, Shop, & Garage Equip.	305,875		305,875	100.00%	305,875
395	Laboratory Equip.	78,475		78,475	100.00%	78,475
396	Power Operated Equip.	761,438		761,438	100.00%	761,438
397	Communication Equipment	588,579		588,579	100.00%	588,579
398	Miscellaneous Equipment	40,866		40,866	100.00%	40,866
	Total General Plant	3,034,441		3,034,441		3,034,441
	Total District					
	Water Plant In Service	87,722,530	(758,723)	86,963,807		86,963,807
<u>Serv. Center Intan. Plant:</u>						
303	Misc. Intangible Plant	6,387,342	(335,555)	6,051,787	33.54%	2,029,769
	Total Service Center Office					
	Intangible Plant	\$ 6,387,342	\$ (335,555)	\$ 6,051,787		\$ 2,029,769

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Calculation of Jurisdictional Plant in Service

Acct. No.	Description	Applicant's Unadjusted (a)	Adjustments (b)	Staff's Adjusted Jurisdictional (c)	Jurisdictional Allocations (d)	Staff's Adjusted Jurisdictional (e)
<u>Service Center General Plant:</u>						
389	Land & Land Rights	\$ 693,797	\$	\$ 693,797	33.54%	\$ 232,700
390	Structures & Improvements	778,373		778,373	33.54%	261,066
390.1	Structures & Improvements Leasehold Improvements	1,067,802		1,067,802	33.54%	358,141
391.1	Office Furniture & Equip.	198,742		198,742	33.54%	66,668
391.2	Office Furniture & Equip. Data Processing	414,364		414,364	33.54%	138,978
391.3	Office Furniture & Equip. Computers	266,465		266,465	33.54%	89,372
392	Transportation Equipment Fully Depreciated					
392.1	Trans. Equip. - Depreciable					
394	Tools, Shop and Garage	81,054		81,054	33.54%	27,186
395	Laboratory Equipment	55,110		55,110	33.54%	18,484
397	Communication Equipment	112,948		112,948	33.54%	37,883
398	Miscellaneous Equipment	9,987		9,987	33.54%	3,350
<u>Total Service Center Office General Plant</u>		<u>3,678,642</u>		<u>3,678,642</u>		<u>1,233,818</u>
Total Corporate Office		<u>10,065,984</u>	<u>(335,555)</u>	<u>9,730,429</u>		<u>3,263,567</u>
Total District & Corporate Office		\$ <u>97,788,514</u>	\$ <u>(1,094,278)</u>	\$ <u>96,694,236</u>		\$ <u>90,227,394</u>

- (a) Applicant's Schedule B-2.1
(b) Staff's Schedule B-2.1a Thru B-2.1g
(c) Columns (a) + (b)
(d) Applicant's Schedule B-3
(e) Columns (c) x (d)

SCHEDULE B-2.1a

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Account 310 - Land & Land Rights Plant Adjustment

(1) Original Cost of Land - Shepard Hills (a)	\$ 4,050
(2) Prior Case Adjustment (a)	<u>(150,492)</u>
(3) Adjustment (1) - (2)	<u>\$ (146,442)</u>

(a) Prior Case No. 03-2290-WW-AIR,
and Staff's Workpaper WPB-2.1

SCHEDULE B-2.1b

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Green Road Plant Adjustments to Plant In Service

	Green Road Plant Exclusion <u>(a)</u>
<u>Source of Supply Plant:</u>	
(1) Account 313 - Lake, River & Other Intakes	\$ (285,465)
(2) Account 314 - Wells & Springs	<u>(9,792)</u>
(3) Total Source of Supply Plant (1) + (2)	\$ <u>(295,257)</u>

(a) Prior Case No. 95-1076-WW-AIR,
and Staff's Workpaper WPB-2.1

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Reclassification of Account 301 - Organization

(1) Reclassification of Account 301 - Organization to Legal Expenses (a)	\$ <u>(19,730)</u>
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(a) Refer to Text

SCHEDULE B-2.1d

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Purification Land Adjustment - Account 330

(1) Elimination of Purification Land (a)	\$ <u>(191,496)</u>
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(a) Case No. 07-564-WW-AIR

SCHEDULE B-2.1e

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Auburn Lakes Adjustment

(1) Account 301 - Organization (a)	(29,149)
(2) Account 343 - Transmission & Distribution Mains (a)	<u>(25,182)</u>
(3) Total Auburn Lakes System Acquisition Adjustment (1) + (2)	<u>\$ (54,331)</u>

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Service Center - CIS Modifications and Enhancements Adjustment

(1) Service Center Account 303 CIS Modifications and Enhancements Adjustment (a)	\$ <u>(335,555)</u>
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(a) Applicant's Workpaper WPB-2.3q and Staff's Data Request No. 33

SCHEDULE B-2.1g

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Jefferson Elevated Storage Tank Land Adjustment-Account 340

(1) Elimination of Jefferson Second Elevated Storage Tank Land (a)	\$ <u>(51,467)</u>
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(a) Refer to Text

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Calculation of Jurisdictional Depreciation Reserve

Acct. No.	Description	Applicant's Unadjusted (a)	Adjustments (b)	Staff's Adjusted Jurisdictional (c)	Jurisdictional Allocations (d)	Staff's Adjusted Jurisdictional (e)
<u>Intangible Plant:</u>						
301	Organization	\$ 7,800	\$ (1,682)	\$ 6,118	100.00%	\$ 6,118
302	Franchises & Consents	148,876	(4,428)	144,448	100.00%	144,448
303	Misc. Intangible Plant	47,650		47,650	100.00%	47,650
	Total Intangible Plant	204,326	(6,110)	198,216		198,216
<u>Source of Supply Plant:</u>						
310	Land & Land Rights					
311	Structures & Improvements	21,137		21,137	100.00%	21,137
312	Collecting & Impounding Res.					
313	Lake, River & Other Intakes	875,549	(285,465)	590,084	100.00%	590,084
314	Wells & Springs	21,389	(9,792)	11,597	100.00%	11,597
316	Supply Mains	35,275		35,275	100.00%	35,275
	Total Source of Supply Plant	953,350	(295,257)	658,093		658,093
<u>Pumping Plant:</u>						
320	Land and Land Rights					
321	Structures & Improvements	235,946		235,946	100.00%	235,946
323	Other Power Prod. Equip.	149,826		149,826	100.00%	149,826
325	Electric Pumping Equip.	643,230		643,230	100.00%	643,230
326	Diesel Pumping Equipment					
328	Other Pumping Equip.					
	Total Pumping Plant	1,029,002		1,029,002		1,029,002
<u>Water Treatment Plant:</u>						
330	Land and Land Rights					
331	Structures & Improvements	508,726		508,726	100.00%	508,726
332	Water Treatment Equip.	3,784,951		3,784,951	100.00%	3,784,951
	Total Water Treatment Plant	4,293,677		4,293,677		4,293,677
<u>Transmission & Distribution Plant:</u>						
340	Land & Land Rights					
341	Structures & Improvements	100,929		100,929	100.00%	100,929
342	Distr. Reser. & Standpipes	1,242,174		1,242,174	100.00%	1,242,174
343	Trans. and Distr. Mains	3,750,848	(452)	3,750,396	100.00%	3,750,396
345	Services	2,703,948		2,703,948	100.00%	2,703,948
346	Meters	1,353,332		1,353,332	100.00%	1,353,332
347	Meter Installations	223,148		223,148	100.00%	223,148
348	Hydrants	917,170		917,170	100.00%	917,170
	Total Trans. & Distrib. Plant	\$ 10,291,549	\$ (452)	\$ 10,291,097		\$ 10,291,097

Aqua Ohio, Inc.
Case No. 09-1044-WWW-AIR
Calculation of Jurisdictional Depreciation Reserve

Acct. No.	Description	Applicant's Unadjusted (a)	Adjustments (b)	Staff's Adjusted Jurisdictional (c)	Jurisdictional Allocations (d)	Staff's Adjusted Jurisdictional (e)
<u>General Plant:</u>						
389	Land & Land Rights	\$	\$	\$	\$	\$
390	Structures & Improvements					
390	Struc. & Improv. - Lease. Improv.	83,439		83,439	100.00%	83,439
391.1	Office Furniture and Equipment	41,789		41,789	100.00%	41,789
391.2	Off. Furn. and Equip. - D.P.	53,978		53,978	100.00%	53,978
391.3	Off. Furn. and Equip. - Computers.	225,069		225,069	100.00%	225,069
392	Trans. Equip. - Fully Depr.	133,212		133,212	100.00%	133,212
392	Trans. Equip. - Depreciable	259,068		259,068	100.00%	259,068
393	Stores Equipment	7,009		7,009	100.00%	7,009
394	Tools, Shop, & Garage Equip.	126,712		126,712	100.00%	126,712
395	Laboratory Equip.	63,959		63,959	100.00%	63,959
396	Power Operated Equip.	381,063		381,063	100.00%	381,063
397	Communication Equipment	403,727		403,727	100.00%	403,727
398	Miscellaneous Equipment	33,112		33,112	100.00%	33,112
	Total General Plant	1,812,137		1,812,137		1,812,137
	Tot. District Water Depr. Reserve	18,584,041	(301,819)	18,282,222		18,282,222
<u>Service Center Intangible Plant:</u>						
303	Miscellaneous Intangible Plant	1,360,735	(28,025)	1,332,710	33.54%	446,991
	Total Service Center Intangible Plant \$	1,360,735	\$ (28,025)	\$ 1,332,710		\$ 446,991

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Calculation of Jurisdictional Depreciation Reserve

Acct. No.	Description	Applicant's Unadjusted (a)	Adjustments (b)	Staff's Adjusted Jurisdictional (c)	Jurisdictional Allocations (d)	Staff's Adjusted Jurisdictional (e)
<u>Corporate Office General Plant</u>						
389	Land & Land Rights					
390	Structures & Improvements	42,880		42,880	33.54%	14,382
390.1	Struc. & Impr.- Leasehold Impr.	965,464		965,464	33.54%	323,817
391.1	Office Furniture and Eq.	140,406		140,406	33.54%	47,092
391.2	Off. Furn. and Eq.- Data Pro.	57,608		57,608	33.54%	19,322
391.3	Off. Furn. and Eq.- Computers	245,846		245,846	33.54%	82,457
392	Trans.Eq.- Fully Depreciated					
392.1	Trans.Eq. - Depreciable					
394	Tools, Shop, & Garage Equip.	38,037		38,037	33.54%	12,758
395	Laboratory Equip.	48,895		48,895	33.54%	16,399
397	Communication Equipment	15,752		15,752	33.54%	5,283
398	Miscellaneous Equipment	3,713		3,713	33.54%	1,245
Total Service Center General Plant		1,558,601		1,558,601		522,755
Total Service Center		2,919,336	(28,025)	2,891,311		969,746
Total District and Service Center		\$ 21,503,377	\$ (329,844)	\$ 21,173,533		\$ 19,251,968

- (a) Applicant's Schedule B-3
(b) Staff's Schedule B-3.1
(c) Columns (a) + (b)
(d) Applicant's Schedule B-7
(e) Columns (c) x (d)

SCHEDULE B-3.1

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Summary of Staff's Adjustments to Reserve

Acct. No.	Description	Reclassification Reserve (a)	Green Road Plant Exclusion (b)	Reclassification Organization To Legal Expense (c)	Auburn Lakes (d)	Service Center CIS Modification & Enhancements (e)	Total Adjustments (f)
Intangible Plant:							
301	Organization	\$ 4,428		\$ (2,466)	\$ (3,644)	\$	(1,682)
302	Franchises & Consents	(4,428)					(4,428)
Source of Supply Plant:							
310	Land and Land Rights						
313	Lake & Other Intakes		(285,465)				(285,465)
314	Wells and Springs		(9,792)				(9,792)
Transmission & Distribution Plant:							
343	Transmission & Distribution Plant Mains				(452)		(452)
Service Center Intangible Plant:							
303	Misc. Intangible Plant Service Center					(28,025)	(28,025)
Total Adjustments		\$	(295,257)	\$ (2,466)	\$ (4,096)	\$ (28,025)	(329,844)

(a) Staff's Schedule B-3.1a
(b) Staff's Schedule B-3.1b
(c) Staff's Schedule B-3.1c
(d) Staff's Schedule B-3.1d
(e) Staff's Schedule B-3.1e
(f) Columns (a) thru (e)

SCHEDULE B-3.1a

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Reclassification of Reserve Adjustment

	<u>Reclassification Reserve</u> (a)
<u>Intangible Plant:</u>	
(1) Account 301 - Land & Land Rights	\$ (7,800)
(2) Account 301 - Lake, River & Other Intakes	12,228
(3) Account 302 - Franchises & Consents	(148,876)
(4) Account 302 - Franchises & Consents	<u>144,448</u>
(5) Total Adjustment (1) thru (4)	\$ <u>0</u>

SCHEDULE B-3.1b

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Green Road Plant Adjustments to Plant In Service

Green Road
Plant
Exclusion
(a)

Source of Supply Plant:

(1) Account 310 - Land & Land Rights	\$ 0
(2) Account 313 - Lake, River & Other Intakes	(285,465)
(3) Account 314 - Wells & Springs	<u>(9,792)</u>
(4) Total Source of Supply Plant (1) thru (3)	<u>\$ (295,257)</u>

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Reserve Reclassification of Account 301 - Organization to legal Expense Adjustment

(1) Reserve Reclassification of Account 301 - Organization to Legal Expenses (a)	\$ <u>(2,466)</u>
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(a) Staff's Data Request No. 23

SCHEDULE B-3.1d

Aqua Ohio, Inc.
Case No. 09-1044-VVV-AIR
Auburn Lakes Adjustment

(1) Account 301 - Organization (a)	\$ (3,644)
(2) Account 343 - Transmission & Distribution Mains (a)	<u>(452)</u>
(3) Total Auburn Lakes System Acquisition Adjustment (1) + (2)	\$ <u>(4,096)</u>

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Service Center - CIS Modifications and Enhancements Adjustment

(1) Service Center Account 303 CIS Modifications and Enhancements Adjustment (a)	\$ <u>(28,025)</u>
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Aqua Ohio, Inc.
Case No. 09-1044-VW-AIR
Calculation of Jurisdictional Depreciation Expense

Accl. No.	Description	Jurisdictional Plant In Service (a)	Accrual Rate (b)	Jurisdictional Depreciation Expense (c)
<u>Intangible Plant:</u>				
301	Organization	\$ 11,655	(h)	\$ 1,165
302	Franchises & Consents	145,695	(h)	795
303	Misc. Intangible Plant	111,626	(h)	5,391
	Total Intangible Plant	268,976		7,351
<u>Source of Supply Plant:</u>				
310	Land & Land Rights	231,680		
311	Structures & Improvements	69,579	3.00%	2,087
312	Collecting & Impounding Res.		2.10%	
313	Lake, River & Other Intakes	1,141,060	2.49%	28,412
314	Wells & Springs	30,994	4.00%	1,240
316	Supply Mains	145,160	1.50%	2,177
	Total Source of Supply Plant	1,618,473		33,916
<u>Pumping Plant:</u>				
320	Land and Land Rights	4,894		
321	Structures & Improvements	688,384	2.18%	15,007
323	Other Power Prod. Equip.	493,409	3.50%	17,269
325	Electric Pumping Equip.	2,634,127	2.84%	74,809
326	Diesel Pumping Equipment			
328	Other Pumping Equip.			
	Total Pumping Plant	3,820,814		107,085
<u>Water Treatment Plant:</u>				
330	Land and Land Rights	79,289		
331	Structures & Improvements	1,621,265	3.96%	64,202
332	Water Treatment Equip.	8,687,236	2.62%	227,606
	Total Water Treatment Plant	10,387,790		291,808
<u>Transmission & Distribution Plant:</u>				
340	Land & Land Rights	358,071		
341	Structures & Improvements	546,325	2.33%	12,729
342	Distr. Reser. & Standpipes	4,549,717	2.27%	103,279
343	Trans. and Distr. Mains	44,705,028	1.50%	670,575
345	Services	7,223,727	2.50%	180,593
346	Meters	2,989,415	3.52%	105,227
347	Meter Installations	2,294,673	4.35%	99,818
348	Hydrants	5,166,367	1.57%	81,112
	Total Trans. & Distribution Plant	\$ 67,833,313		\$ 1,253,333

Aqua Ohio, Inc.
Case No. 09-1044-WWW-AIR
Calculation of Jurisdictional Depreciation Expense

Acct. No.	Description	Jurisdictional Plant In Service (a)	Accrual Rate (b)	Jurisdictional Depreciation Expense (c)
<u>General Plant:</u>				
389	Land & Land Rights	\$		\$
390	Structures & Improvements		2.10%	
390	Leasehold Improvements	83,439	(d)	
391.1	Office Furniture	98,364	3.59%	3,531
391.2	Off. Furn. & Equip. - Data Processing	65,397	9.12%	5,964
391.3	Off. Mach. & Equip. - Computers	203,694	12.10%	24,647
392	Trans. Equip.- Fully Depre.	133,212	(d)	
392	Trans. Equip.	669,943	10.00%	60,963
393	Stores Equipment	5,159	3.00%	155
394	Tools, Shop, & Garage Equip.	305,875	3.85%	11,776
395	Laboratory Equip.	78,475	3.62%	2,841
396	Power Operated Equip.	761,438	5.36%	40,513
397	Communication Equipment	588,579	6.15%	36,188
398	Miscellaneous Equipment	40,866	5.32%	2,174
	Total General Plant	3,034,441		188,762
	Total Water Plant in Service	\$ 86,963,807		\$ 1,882,255
<u>Serv.Center Intan. Plant:</u>				
303	Misc. Intangible Plant	2,029,769	(h)	206,161
	Total Service Center Office Intangible Plant	2,029,769		206,161
<u>Service Center General Plant:</u>				
389	Land & Land Rights	232,700		
390	Structures & Improvements	261,066	2.10%	5,482
390	Structures & Improvements			
	Leasehold Improvements (e)	358,141	2.86%	1,041
391	Office Furniture & Equip.	66,658	3.59%	2,393
391	Office Furniture & Equip. Data Processing	138,978	9.12%	12,675
391	Office Furniture & Equip. Computers	89,372	12.10%	10,814
392	Transportation Equipment Fully Depreciated		(d)	
392	Trans. Equip. - Depreciable		10.00%	
394	Tools, Shop and Garage	27,186	3.85%	1,047
395	Laboratory Equipment	18,484	3.62%	669
397	Communication Equipment	37,883	6.15%	2,330
398	Miscellaneous Equipment	3,350	5.32%	178
	Total Service Center Office General Plant	1,233,818		36,629
	Total Service Center	3,263,587		242,790
	Total District & Service Center	\$ 90,227,394		\$ 2,125,045

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Calculation of Jurisdictional Depreciation Expense

Acct. No.	Description	Jurisdictional Plant In Service	Accrual Rate (b)	Jurisdictional Depreciation Expense (g)
Less: CIAC (f)				
313	Lake River & Other Intakes	\$ 58,527	2.49%	\$ 1,457
321	Structures & Improvements	112,421	2.18%	2,451
325	Electric Pumping Equipment	190,320	2.84%	5,405
331	Structures & Improvements	179,637	3.98%	7,114
332	Water Treatment Equipment	825,200	2.62%	21,620
340	Land & Land Rights	1,651		
342	Distr. Reser. & Standpipes	251,996	2.27%	5,720
343	Trans. And Distr. Mains	21,643,358	1.50%	324,650
345	Services	785,511	2.50%	19,638
348	Hydrants	2,001,530	1.57%	31,424
390	Structures & Improvements	2,000	2.10%	42
Total CIAC		26,052,151		419,521
Net District & Service Center		\$ 64,175,243		\$ 1,706,524

- (a) Staff's Schedule B-2.1
- (b) Staff's Schedule B-3.3
- (c) Columns (a) x (b)
- (d) Fully Depreciated
- (e) Staff's Data Request No. 16 and Staff's Schedule B-3.3
- (f) Applicant's Schedule B-3.2
- (g) Columns (e) x (b)

(h) Staff's Data Request No. 16 and Staff's Workpaper WPB - 3.1

SCHEDULE B-3.3

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Accrual Rate Comparison

Acct. No.	Description	Current			Staff Proposed		
		Avg Svc Life	Net Salv. %	Accrual Rate % (a)	Avg Svc Life	Net Salv. %	Accrual Rate % (b)
<u>Intangible Plant:</u>							
301	Organization			(c)			(c)
302	Franchises & Consents			(c)			(c)
303	Misc. Intangible Plant			(c)			(c)
<u>Source of Supply Plant:</u>							
311	Structures & Improvements	67	-2	1.52	35	-5	3.00
312	Collecting & Impounding Res.	85	0	1.18			2.10
313	Lake, River & Other Intakes	61	0	1.64			2.49
314	Wells & Springs	21	-15	5.48	30	-20	4.00
316	Supply Mains	75	0	1.33	70	-5	1.50
<u>Pumping Plant:</u>							
321	Structures & Improvements	45	-10	2.44	55	-20	2.18
323	Other Power Prod. Equip.	33	0	3.03	30	-5	3.50
325	Electric Pumping Equip.	32	-5	3.28	37	-5	2.84
326	Diesel Pumping Equipment						
328	Other Pumping Equip.						
<u>Water Treatment Plant:</u>							
331	Structures & Improvements	40	-1	2.53			3.96
332	Water Treatment Equip.	35	-5	3.00	42	-10	2.82
<u>Transmission & Distribution Plant:</u>							
341	Structures & Improvements	40	0	2.50	45	-5	2.33
342	Distr. Reser. & Standpipes	50	-3	2.06	55	-25	2.27
343	Trans. and Distr. Mains	65	-10	1.69	80	-20	1.50
345	Services	40	-50	3.75	60	-50	2.50
346	Meters	18	15	4.72	27	5	3.52
347	Meter Installations	40	-10	2.75	23	0	4.35
348	Hydrants	45	-10	2.44	70	-10	1.57
<u>General Plant:</u>							
390	Structures & Improvements	40	-1	2.53	50	-5	2.10
390	Limited Term Utility Plant				35	0	2.88
391.1	Office Furniture	20	1	4.95			3.59
391.2	Computer Equip. & Software	8	0	12.50			9.12
391.3	Office Machines & Equip.	5	0	20.00			12.10
392	Transportation Equip.(Depreciated)			(d)			(d)
392	Transportation Equip.	7	0	14.29	8	20	10.00
393	Stores Equipment	20	0	5.00			3.00
394	Tools,Shop,& Garage Equip.	16	5	5.94			3.85
395	Laboratory Equip.	17	0	5.88			3.62
396	Power Operated Equip.	10	30	7.00	14	25	5.36
397	Communication Equipment	10	0	10.00			6.15
398	Miscellaneous Equipment	15	0	6.67			5.32

(a) Case No. 93-882-WW-AAM

(b) See Text

(c) Actual

(d) Fully Depreciated

SCHEDULE B-4

Aqua Ohio, Inc.
Case No. 09-1044-VW-AIR
Construction Work In Progress Summary

None

SCHEDULE B-5

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Working Capital Allowance

None

SCHEDULE B-6

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Other Rate Base Items

(1) Customers' Deposits (a)	\$	
(2) Investment Tax Credits (b)		(18,806)
(3) Deferred Income Taxes - Liberalized Depreciation (b)		(7,737,131)
(4) Deferred Income Taxes - Related Facilities (c)		30,916
(5) Deferred Income Taxes - Non-Refundable Related Facilities (c)		135,302
(6) Deferred Income Taxes - Contribution In Aid of Construction (c)		3,997,146
(7) Other Reconciling Items (d)		<u>192,748</u>
(8) Total Other Rate Base Items (1) Thru (7)	\$	<u>(3,399,825)</u>

- (a) Applicant's Schedule B-5.1
- (b) Applicant's Schedule B-6
- (c) Applicant's Schedule WPB-6e
- (d) Staff's Schedule C-4

Aqua Ohio, Inc.
Case No. 09-1044-VWW-AIR
Proforma Operating Income Statement
For The Twelve Months Ending December 31, 2009

	Staff		Applicant	
	Adjusted Revenues &	Proforma Adjustments	Proforma Revenues & Expenses	Proforma Revenues & Expenses
	(a)	(b)	(c)	(d)
<u>Operating Revenues</u>				
Metered Sales	\$ 13,655,923	\$ 2,679,895	\$ 16,335,818	\$ 16,705,400
Unmetered Sales	509,167		509,167	651,080
Other Operating Revenues	632,536	131,238	763,774	215,550
Total Operating Revenues	14,797,626	2,811,133	17,608,759	17,572,010
<u>Operating Expenses</u>				
Operation and Maintenance	6,315,652	12,934	6,328,586	7,088,681
Depreciation and Amortization	1,705,524		1,705,524	1,737,497
Taxes, Other Than Income	3,850,773	132,899	3,983,672	3,943,050
Federal Income Taxes	550,997	906,651	1,457,648	1,241,207
Total Operating Expenses	12,422,946	1,052,484	13,475,430	14,010,435
Net Operating Income	\$ 2,374,680	\$ 1,758,649	\$ 4,133,329	\$ 3,561,575
Rate Base (e)	\$ 41,369,887		\$ 41,369,887	\$ 41,275,758
Rate of Return (f)	5.74%		9.99%	8.63%
(a) Staff's Schedule C-2				
(b) Staff's Schedule C-1.1				
(c) Columns (a) + (b)				
(d) Applicant's Schedule C-1				
(e) Staff's Schedule B-1				
(f) Net Operating Income / Rate Base				

	REVISED			
	Staff			Applicant
	Adjusted Revenues &	Proforma Adjustments	Proforma Revenues & Expenses	Proforma Revenues & Expenses
	(a)	(b)	(c)	(d)
<u>Operating Revenues</u>				
Metered Sales	\$ 13,655,923	\$ 2,371,694	\$ 16,027,617	\$ 16,027,617
Unmetered Sales	509,167		509,167	509,167
Other Operating Revenues	632,536	130,400	762,936	762,936
Total Operating Revenues	14,797,626	2,502,094	17,299,720	17,299,720
<u>Operating Expenses</u>				
Operation and Maintenance	6,669,131	13,786	6,682,917	6,682,917
Depreciation and Amortization	1,737,657		1,737,657	1,737,657
Taxes, Other Than Income	3,968,302	118,181	4,086,483	4,086,483
Federal Income Taxes	387,289	912,268	1,299,557	1,299,557
Total Operating Expenses	12,762,379	1,044,235	13,806,614	13,806,614
Net Operating Income	\$ 2,035,247	\$ 1,457,858	\$ 3,493,106	\$ 3,493,106
Rate Base (e)	\$ 41,714,763		\$ 41,714,763	\$ 41,714,763
Rate of Return (f)	4.88%		8.37%	8.37%

SCHEDULE C-1.1

Aqua Ohio, Inc.
Case No. 09-1044-VVV-AIR
Proforma Adjustments

	Staff Report
(1) Proposed Revenue Increase (a)	\$ 2,679,895
(2) Late Payment Revenue (1) x 0.769889% (b)	<u>131,238</u>
(3) Total Proposed Revenue Increase (1) + (2)	\$ <u>2,811,133</u>
(4) Uncollectible Accounts Expense (3) x 0.460100% (c)	\$ <u>12,934</u>
(5) Ohio Gross Receipts Tax (d)	\$ <u>132,899</u>
(6) Federal Income Tax (e)	\$ <u>906,651</u>
	Revised
(1) Proposed Revenue Increase (a)	\$ 2,371,694
(2) Late Payment Revenue (1) x 0.000000% (b)	\$ <u>130,400</u>
(3) Total Proposed Revenue Increase (1) + (2)	\$ <u>2,502,094</u>
(4) Uncollectible Accounts Expense (3) X .5510%	\$ <u>13,786</u>
(5) Ohio Gross Receipts Tax (d)	\$ <u>118,181</u>
(6) Federal Income Tax (e)	\$ <u>912,268</u>

- (a) Applicant's Schedule E-4
- (b) Staff's Schedule C-3.3
- (c) Staff's Schedule C-3.10
- (d) Staff's Schedule C-3.20b
- (e) Staff's Schedule C-4

SCHEDULE C-2

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Adjusted Test Year Operating Income

	<u>Applicant</u>		<u>Staff</u>	
	<u>Test Year Revenues & Expenses</u>	<u>Adjustments</u>	<u>Adjusted Revenues & Expenses</u>	<u>Adjusted Revenues & Expenses</u>
	(a)	(b)	(c)	(d)
<u>Operating Revenues</u>				
Metered Sales Revenues	\$ 13,789,586	\$ (133,663)	\$ 13,655,923	\$ 13,655,923
Unmetered Sales Revenue	509,440	(273)	509,167	509,167
Other Operating Revenues	462,890	132,897	595,787	532,538
Total Operating Revenues	14,761,916	(1,039)	14,760,877	14,797,626
<u>Operating Expenses</u>				
Purchased Water	291,382		291,382	291,362
Other Operation and Maintenance	6,558,584	223,245	6,781,829	6,024,290
Total Operation and Maintenance	6,849,948	223,245	7,073,191	6,315,652
Depreciation	1,997,358	(259,861)	1,737,497	1,705,524
Taxes, Other Than Income	3,802,462	7,791	3,810,253	3,850,773
Income Taxes	303,508	5,703	309,211	550,997
Total Operating Expenses	12,953,274	(23,122)	12,930,152	12,422,848
Net Operating Income	\$ 1,808,642	\$ 22,083	\$ 1,830,725	\$ 2,374,680

- (a) Applicant's Schedule C-2
(b) Applicant's Schedule C-3
(c) Columns (a) + (b)
(d) Staff's Schedule C-3
(e) Columns (c) + (d)
(f) See Revised C-3

	<u>Applicant</u>		<u>Staff</u>	
	<u>Test Year Revenues & Expenses</u>	<u>Adjustments</u>	<u>Adjusted Revenues & Expenses</u>	<u>Adjusted Revenues & Expenses</u>
	(a)	(b)	(c)	(d)
<u>Operating Revenues</u>				
Metered Sales Revenues	\$ 13,789,586	\$ (133,663)	\$ 13,655,923	\$ 13,655,923
Unmetered Sales Revenue	509,440	(273)	509,167	509,167
Other Operating Revenues	462,890	169,846	632,536	632,536
Total Operating Revenues	14,761,916	35,710	14,797,626	14,797,626
<u>Operating Expenses</u>				
Purchased Water	291,362	(13,618)	277,744	277,744
Other Operation and Maintenance	6,558,584	(167,197)	6,391,387	6,391,387
Total Operation and Maintenance	6,849,948	(180,815) (f)	6,669,131	6,669,131
Depreciation	1,997,358	(259,701)	1,737,657	1,737,657
Taxes, Other Than Income	3,802,462	165,840	3,968,302	3,968,302
Income Taxes	303,508	83,781	387,289	387,289
Total Operating Expenses	12,953,274	(190,895) (f)	12,762,379	12,762,379
Net Operating Income	\$ 1,808,642	\$ 226,605	\$ 2,035,247	\$ 2,035,247

SCHEDULE C-3

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Summary of Staff's Adjustments

	Staff's Adjustments (a)	Applicant's Adjustments (b)	Staff's Incremental Adjustments (c)
<u>Operating Revenues</u>			
C-3.1 Metered Sales	\$ (133,663)	\$ (133,663)	
C-3.2 Unmetered Sales	(273)	(273)	
C-3.3 Other Revenues	169,646	132,897	36,749
Total Revenue Adjustments	\$ 35,710	\$ (1,039)	\$ 36,749
<u>Operating Expenses</u>			
C-3.4 Labor Expense	\$ (55,680)	\$ 50,506	\$ (106,186)
C-3.5 Pension Expense	(231,209)	108,666	(337,874)
C-3.6 Postretirement Expense	(1,583)	(1,583)	
C-3.7 Employee Insurance Expense	(35,231)	42,620	(77,851)
C-3.8 Operating Contract Expense	(64,928)	(15,259)	(49,669)
C-3.9 Miscellaneous Water Treatment Expense	(83,840)		(83,840)
C-3.10 Uncollectible Expense	(4,008)	9,242	(13,248)
C-3.11 Rate Case Expense	15,540	27,000	(11,460)
C-3.12 Tank Painting Expense	41,868	41,868	
Billing Expense		47,797	(47,797)
C-3.13 Purchased Water Expense	(13,618)	(13,618)	
C-3.14 Sludge Hauling Expense	(72,000)	(72,000)	
C-3.15 Natural Gas Expense	(23,890)		(23,890)
C-3.16 Lobbying Expense	(1,593)		(1,593)
C-3.17 Sundry Expense	(4,003)		(4,003)
C-3.18 Cell Phone Expense	(128)		(128)
Total O & M Expenses	(534,301)	223,238	(757,539)
C-3.19 Depreciation & Amortization	(291,834)	(259,861)	(31,973)
C-3.20 Taxes Other Than Income	48,311	7,791	40,520
C-3.21 Federal Income Taxes	247,489	5,703	241,786
Total Expense Adjustments	\$ (530,335)	\$ (23,129)	\$ (507,206)

- (a) Staff's Schedules C-3.1 Through C-3.21
(b) Applicant's Schedule C-3
(c) Columns (a) - (b)

	Staff's Adjustments (a)	Applicant's Adjustments (b)	Staff's Incremental Adjustments (c)
<u>Operating Revenues</u>			
C-3.1 Metered Sales	\$ (133,663)	\$ (133,663)	
C-3.2 Unmetered Sales	(273)	(273)	
C-3.3 Other Revenues	169,646	169,646	
Total Revenue Adjustments	\$ 35,710	\$ 35,710	
<u>Operating Expenses</u>			
C-3.4 Labor Expense	\$ 51,339	\$ 51,339	
C-3.5 Pension Expense	(62,309)	(62,309)	
C-3.6 Postretirement Expense	(1,583)	(1,583)	
C-3.7 Employee Insurance Expense	17,428	17,428	
C-3.8 Operating Contract Expense	(64,928)	(64,928)	
C-3.9 Miscellaneous Water Treatment Expense	(83,840)	(83,840)	
C-3.10 Uncollectible Expense	9,445	9,445	
C-3.11 Rate Case Expense	27,000	27,000	
C-3.12 Tank Painting Expense	41,868	41,868	
Billing Expense			
C-3.13 Purchased Water Expense	(13,618)	(13,618)	
C-3.14 Sludge Hauling Expense	(72,000)	(72,000)	
C-3.15 Natural Gas Expense	(23,890)	(23,890)	
C-3.16 Lobbying Expense	(1,593)	(1,593)	
C-3.17 Sundry Expense	(4,003)	(4,003)	
C-3.18 Cell Phone Expense	(128)	(128)	
Total O & M Expenses	(180,615)	(180,814)	
C-3.19 Depreciation & Amortization	(259,701)	(259,701)	
C-3.20 Taxes Other Than Income	165,840	165,840	
C-3.21 Federal Income Taxes	83,781	83,781	
Total Expense Adjustments	\$ (190,895)	\$ (190,894)	

SCHEDULE C-3.1

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Metered Sales Revenue

(1) Adjusted Water Sales Revenues (a)	\$ 13,655,923
(2) Test Year Unmetered Sales Revenue (b)	<u>13,789,586</u>
(3) Adjustment (1) - (2)	\$ <u>(133,663)</u>

- (a) Applicant's Schedule E-4
(b) Applicant's Schedule C-2.1a

SCHEDULE C-3.2

Aqua Ohio, Inc.
Case No. 09-1044-VW-AIR
Unmetered Sales Revenue

(1) Unmetered Sales Revenues (a)	\$ 509,167
(2) Test Year Unmetered Sales Revenue (b)	<u>509,440</u>
(3) Adjustment (1) - (2)	\$ <u>(273)</u>

- (a) Applicant's Schedule E-4
(b) Applicant's Schedule C-2.1a

SCHEDULE C-3.3

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Other Operating Revenue Adjustment

System Improvement Revenue Adjustment

(1) Base Revenue (a)	\$ 14,165,090
(2) System Improvement Percentage (b)	<u>3.00%</u>
(3) Annualized System Improvement Revenue (1) x (2)	424,953
(4) Test Year System Improvement Charge (c)	<u>275,439</u>
(5) Adjustment (3) - (4)	\$ <u>149,514</u>

Other Miscellaneous Revenue Adjustment

(6) Adjusted Other Miscellaneous Revenue (d)	\$ 94,528
(7) Test Year Other Miscellaneous Revenue (c)	<u>74,669</u>
(8) Adjustment (6) - (7)	\$ <u>19,859</u>

Late Payment Adjustment

(9) Base Revenue (1)	\$ 14,165,090
(10) Annualized System Improvement Revenue (3)	424,953
(11) Adjusted Other Miscellaneous Revenue (6)	<u>94,528</u>
(12) Adjusted Revenue (9) + (10) + (11)	14,684,571
(13) Late Payment Rate (e)	<u>0.769889%</u>
(14) Late Payment Revenue (12) x (13)	113,055
(15) Test Year Late Payment Revenue (c)	<u>112,782</u>
(16) Adjustment (14) - (15)	\$ <u>273</u>
(17) Other Operating Revenue Adjustment (5) + (8) + (16)	\$ <u>169,646</u>

- (a) Applicant's Schedule E-4
- (b) Calculated from Case No. 08-1239-WW-SIC
- (c) Applicant's WPC-2.1a
- (d) Staff Workpaper WPC-3.3a
- (e) Staff Workpaper WPC-3.3b

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Labor Expense Adjustment

	<u>Lake Erie Division</u>	<u>Service Center</u>	<u>Total</u>
(1) Annualized Labor Expense (a)	\$ 1,701,159	\$ 1,133,335	
(2) Lake Erie Division Allocation (b)	<u>100%</u>	<u>34.61%</u>	
(3) Total Labor Annualized Expense (1) x (2)	1,701,159	392,247	
(4) O&M Allocation Percentage (b)	<u>86.60%</u>	<u>100.00%</u>	
(5) Total O&M Labor Expense (3) x (4)	1,473,204	392,247	1,865,451
(6) Test Year Expense (c)	<u>1,451,185</u>	<u>469,946</u>	<u>1,921,131</u>
(7) Labor Expense Adjustment (5) - (6)	<u>\$ 22,019</u>	<u>\$ (77,699)</u>	<u>\$ (55,680)</u>

	<u>REVISED</u>		
	<u>Lake Erie Division</u>	<u>Service Center</u>	<u>Total</u>
(1) Annualized Labor Expense (a)	\$ 1,716,247	\$ 1,404,797 (d)	
(2) Lake Erie Division Allocation (b)	<u>100%</u>	<u>34.61%</u>	
(3) Total Labor Annualized Expense (1) x (2)	1,716,247	486,200	
(4) O&M Allocation Percentage (b)	<u>86.60%</u>	<u>100.00%</u>	
(5) Total O&M Labor Expense (3) x (4)	1,486,270	486,200	1,972,470
(6) Test Year Expense (c)	<u>1,451,185</u>	<u>469,946</u>	<u>1,921,131</u>
(7) Labor Expense Adjustment (5) - (6)	<u>\$ 35,085</u>	<u>\$ 16,254</u>	<u>\$ 51,339</u>

- (a) Derived From Staff's Data Request No. 26
(b) Applicant's Schedule C-3.4
(c) Applicant's Schedule WPC-2.1a and WPC-2.1b
(d) See Exhibit C3.4

SCHEDULE C-3.5

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Pension Expense Adjustment

	<u>Lake Erie Division</u>	<u>Service Center</u>	STAFF REPORT <u>Total</u>
(1) Total Lake Erie Division Pension Expense (a)	\$ 207,542	\$ 45,606	\$ 253,148
(2) O&M Expense Ratio (b)			<u>100.00%</u>
(3) O&M Pension Expense (1) x (2)		\$	253,148
(4) Test Year Pension Expense (c)			<u>484,357</u>
(5) Adjustment (3) - (4)		\$	<u>(231,209)</u>

	<u>Lake Erie Division</u>	<u>Service Center</u>	REVISED <u>Total</u>
(1) Total Lake Erie Division Pension Expense (a)	\$ 345,542	\$ 76,506	\$ 422,048
(2) O&M Expense Ratio (b)			<u>100.00%</u>
(3) O&M Pension Expense (1) x (2)		\$	422,048
(4) Test Year Pension Expense (c)			<u>484,357</u>
(5) Adjustment (3) - (4)		\$	<u>(62,309)</u>

- (a) Derived from Staff Report Case No. 07-564-WW-AIR (Schedule C-3.3)
(b) Applicant's Schedule WPC-3.10
(c) Applicant's Schedule WPC-2.1a and WPC.2.1b

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Post Retirement Expense Adjustment

	<u>Lake Erie Division</u>	<u>Service Center</u>	<u>Total</u>
(1) Postretirement Expense (a)	\$ 83,000	\$ 83,000	
(2) Lake Erie Division / Service Center Allocation (a)	<u>30.93%</u>	<u>15.46%</u>	
(3) Lake Erie Division Postretirement Expense (1) x (2)	\$ 25,672	\$ 12,832	
(4) Lake Erie Division Allocation (a)	<u>94.00%</u>	<u>34.61%</u>	
(5) Total Lake Erie Division Postretirement Expense (3) x (4)	\$ 24,132	\$ 4,441	\$ 28,573
(6) O&M Expense Ratio (a)			<u>100.00%</u>
(7) O&M Postretirement Expense (5) x (6)			\$ 28,573
(8) Test Year Postretirement Expense (b)			<u>30,156</u>
(9) Adjustment (7) - (8)			<u>\$ (1,583)</u>

(a) Applicant's Schedule C-3.9

(b) Applicant's Schedule WPC-2.1a and WPC-2.1b

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Employee Insurance Expense Adjustment

STAFF REPORT

	<u>Lake Erie Division</u>	<u>Service Center</u>	<u>Total</u>
(1) Hospitalization Expense net of Employee Contribution (a)	\$ 287,707	\$ 141,261	
(2) Lake Erie Division Allocation (b)	<u>94.00%</u>	<u>34.61%</u>	
(3) Lake Erie Division Hospitalization Expense (1) x (2)	\$ 270,445	\$ 48,890	\$ 319,335
(4) O&M Expense Ratio (b)			<u>100.00%</u>
(5) O&M Hospitalization Expense (3) x (4)			\$ 319,335
(6) Test Year Hospitalization Expense (c)			<u>354,566</u>
(7) Adjustment (5) - (6)			\$ <u>(35,231)</u>

REVISED

	<u>Lake Erie Division</u>	<u>Service Center</u>	<u>Total</u>
(1) Hospitalization Expense net of Employee Contribution (a) (d)	\$ 335,229	\$ 164,338	
(2) Lake Erie Division Allocation (b)	<u>94.00%</u>	<u>34.61%</u>	
(3) Lake Erie Division Hospitalization Expense (1) x (2)	\$ 315,115	\$ 56,877	\$ 371,992
(4) O&M Expense Ratio (b)			<u>100.00%</u>
(5) O&M Hospitalization Expense (3) x (4)			\$ 371,992
(6) Test Year Hospitalization Expense (c)			<u>354,566</u>
(7) Adjustment (5) - (6)			\$ <u>17,426</u>

- (a) Derived from Staff's Data Request No. 26
(b) Applicant's Schedule C-3.8
(c) Applicant's Schedule WPC-2.1a and b
(d) See Exhibit C 3.7

Exhibit C-3.5										
Division	Medical Premium	Prescript Premium	Vision Premium	Total Healthcare	Dental Premium	Life/LTD Premium	Yearly Premium	Payroll Deduction Health IBC-PRO PT	Payroll Deduction Dental Dental PT	Yearly Deduction (Col LHM x 25)
Ashtabula Utility Serviceman	518.55	82.56	1.52	602.63	37.17	38.87	8,144.04	(55.63)	(3.43)	(1,535.49)
Ashtabula Utility Serviceman	1,037.12	165.12	1.52	1,203.76	64.88	38.13	15,681.24	(111.12)	(5.99)	(3,044.76)
Ashtabula Crew Leader	1,037.12	165.12	1.52	1,203.76	64.88	41.76	15,724.68	(111.12)	(5.99)	(3,044.76)
Ashtabula Distribution Tech	1,037.12	165.12	1.52	1,203.76	64.88	38.69	15,687.96	(111.12)	(5.99)	(3,044.76)
Ashtabula Mechanic	1,037.12	165.12	1.52	1,203.76	64.88	42.51	15,735.80	(111.12)	(5.99)	(3,044.76)
Mentor Water Treat Tech	1,037.12	165.12	1.52	1,203.76	64.88	41.70	15,724.08	(111.12)	(5.99)	(3,044.76)
Mentor Distribution Tech	1,565.87	247.68	1.52	1,804.87	98.27	39.64	23,313.36	(166.60)	(9.07)	(4,567.51)
Mentor Production Mgr	1,037.12	165.12	1.52	1,203.76	64.88	39.46	15,687.20	(111.12)	(5.99)	(3,044.76)
Mentor Water Treat Tech	67.70			57.70			692.40	0.00	0.00	0.00
Mentor Water Treat Tech	518.55	82.56	1.52	602.63	37.17	42.73	8,190.36	(55.63)	(3.43)	(1,535.49)
Mentor Distribution Mgr	1,037.12	165.12	1.52	1,203.76	64.88	65.71	16,012.20	(111.12)	(5.99)	(3,044.76)
Mentor Customer Serv Mgr	1,037.12	165.12	1.52	1,203.76	64.88	67.02	16,027.92	(111.12)	(5.99)	(3,044.76)
Mentor Utility Serviceman	115.38	0.00	0.00	115.38	0.00		1,394.56	0.00	0.00	0.00
Mentor Utility Serviceman	115.38	0.00	0.00	115.38	0.00	39.42	1,857.60	0.00	0.00	0.00
Mentor Crew Leader	1,037.12	165.12	1.52	1,203.76	64.88	41.98	15,727.44	(111.12)	(5.99)	(3,044.76)
Mentor VP-Division Mgr	115.38			115.38		104.74	2,641.44	0.00	0.00	0.00
Mentor Meter Reader	1,037.12	165.12	1.52	1,203.76	64.88	36.49	15,681.56	(111.12)	(5.99)	(3,044.76)
Mentor Distribution Tech	1,037.12	165.12	1.52	1,203.76	64.88	36.64	15,689.36	(111.12)	(5.99)	(3,044.76)
Mentor Admin Asst	1,565.87	247.68	1.52	1,804.87	98.27	36.69	23,277.96	(166.60)	(9.07)	(4,567.51)
Mentor Distribution Mgr	1,565.87	247.68	1.52	1,804.87	98.27	72.70	23,710.08	(166.60)	(9.07)	(4,567.51)
Mentor Meter Reader	1,037.12	165.12	1.52	1,203.76	64.88	35.11	15,645.00	(111.12)	(5.99)	(3,044.76)
Mentor Distribution Tech	115.38			115.38		39.64	1,880.24	0.00	0.00	0.00
Mentor Utility Serviceman	1,037.12	165.12	1.52	1,203.76	64.88	36.42	15,685.72	(111.12)	(5.99)	(3,044.76)
Mentor Water Treat Tech	518.55	82.56	1.52	602.63	37.17	42.73	8,190.36	(55.63)	(3.43)	(1,535.49)
Mentor Utility Serviceman	1,037.12	165.12	1.52	1,203.76	64.88	39.42	15,687.96	(111.12)	(5.99)	(3,044.76)
Mentor Distribution Tech	1,037.12	165.12	1.52	1,203.76	64.88	36.69	15,687.96	(111.12)	(5.99)	(3,044.76)
Mentor Meter Reader	868.34	165.12	1.52	1,034.96	98.27	36.63	14,036.56	(95.54)	(5.99)	(2,639.69)
Mentor Crew Leader	1,037.12	165.12	1.52	1,203.76	64.88	41.98	15,727.44	(111.12)	(5.99)	(3,044.76)
Mentor Water Treat Tech	1,565.87	247.68	1.52	1,804.87	98.27	42.73	23,350.44	(166.60)	(9.07)	(4,567.51)
	26,965.68	4,375.68	38.00	31,379.36	1,772.60	1,303.71	413,469.04	(2,846.63)	(160.55)	(76,238.64)
				(76,238.64)						
				335,230.40						
Service Center	Medical Premium	Prescript Premium	Vision Premium	Total Healthcare	Dental Premium	Life/LTD Premium	Hospitalization Expense	Payroll Deduction Health IBC-PRO PT	Payroll Deduction Dental Dental PT	Yearly Deduction
Serv Ctr VP-Engineering	935.87	165.12	1.52	1,102.51	64.88	104.74	15,265.56	(101.77)	(5.99)	(2,801.76)
Serv Ctr Construction Mgr	935.87	165.12	1.52	1,102.51	64.88	78.88	14,955.00	(101.77)	(5.99)	(2,801.76)
Serv Ctr Designer	467.94	82.56	1.52	552.02	37.17	47.80	7,643.88	(50.96)	(3.43)	(1,414.03)
Serv Ctr Admin Asst	755.50	140.35	1.52	897.37	64.88	35.29	12,450.48	(86.53)	(5.99)	(2,405.43)
Serv Ctr Admin Asst	467.94	82.56	1.52	552.02	37.17	52.21	7,698.80	(50.96)	(3.43)	(1,414.03)
Serv Ctr Asst Controller	935.87	165.12	1.52	1,102.51	64.88	78.16	14,946.80	(101.77)	(5.99)	(2,801.76)
Serv Ctr Chief Fin Officer	1,403.82	247.68	1.52	1,653.02	98.27	110.12	21,336.92	(152.59)	(9.07)	(4,203.07)
Serv Ctr Project Manager	1,403.82	247.68	1.52	1,653.02	98.27	78.20	21,953.88	(152.59)	(9.07)	(4,203.07)
Serv Ctr Designer	115.38			115.38	98.27	35.63	2,994.66	0.00	(9.07)	(235.82)
Serv Ctr Staff Accountant	935.87	165.12	1.52	1,102.51	64.88	68.21	14,827.20	(101.77)	(5.99)	(2,801.76)
Serv Ctr Designer	437.23	82.56	1.52	521.31	37.17	51.57	7,320.60	(48.12)	(5.99)	(1,406.88)
Serv Ctr President	935.87	165.12	1.52	1,102.51	64.88	110.12	15,330.12	(101.77)	(5.99)	(2,801.76)
Serv Ctr Staff Accountant	935.87	165.12	1.52	1,102.51	64.88	68.39	14,828.36	(101.77)	(5.99)	(2,801.76)
Serv Ctr Staff Accountant	1,403.82	247.68	1.52	1,653.02	98.27	71.39	21,872.16	(152.59)	(9.07)	(4,203.07)
Serv Ctr Designer	467.97	82.56	1.52	552.05	37.17	50.33	7,674.60	(50.96)	(3.43)	(1,414.10)
	12,576.64	2,204.35	21.28	14,804.27	985.92	1,041.32	202,096.12	(1,355.90)	(94.49)	(37,710.08)
							(37,710.08)			
							164,386.04			

SCHEDULE C-3.8

Aqua Ohio, Inc.
Case No. 09-1044-VVV-AIR
Operating Contract Expense Adjustment

(1) Lake Erie Division Transportation Expense (a)	\$ 137,215
(2) Operating Contract Percentage (a)	<u>94%</u>
(3) Lake Erie Division Transportation (1) x (2)	128,982
(4) Test Year Expense (b)	<u>170,133</u>
(5) Transportation Adjustment (3) - (4)	(41,151)
(6) Lake Erie Division Workers Compensation Expense (c)	64,255
(7) Operating Contract Percentage (a)	<u>94%</u>
(8) Total Operating Contract Expense (6) x (7)	60,400
(9) Test Year Operating Contract Expense (b)	<u>84,177</u>
(10) Workers Compensation Adjustment (8) - (9)	(23,777)
(11) Total Operating Contract Adjustment (5) + (10)	<u>\$ (64,928)</u>

- (a) Staff's Data Request No. 9
(b) Applicant's Schedule WPC-2.1a
(c) Staff's Data Request No. 6

Aqua Ohio, Inc.
Case No. 09-1044-VWW-AIR
Miscellaneous Water Treatment Expense Adjustment

(1) Adjusted Miscellaneous Treatment Expense (a)	\$ 259,852
(2) Test Year Miscellaneous Treatment Expense (b)	<u>343,692</u>
(3) Adjustment (1) - (2)	\$ <u>(83,840)</u>

- (a) Staff's Data Request Nos. 6 and 29 and Staff's Workpaper WPC-3.9
(b) Applicant's Schedule WPC-2.1a

SCHEDULE C-3.10

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Uncollectible Expense Adjustment

(1) Adjusted Operating Revenue (a)	\$ 14,797,626
(2) Uncollectible Ratio (b)	<u>0.460100%</u>
(3) Adjusted Uncollectible Expense (1) x (2)	68,084
(4) Test Year Uncollectible Expense (c)	<u>72,090</u>
(5) Adjustment (3) - (4)	\$ <u>(4,006)</u>

	REVISED
(1) Adjusted Operating Revenue (a)	\$ 14,797,626
(2) Uncollectible Ratio	(d) <u>0.551000%</u>
(3) Adjusted Uncollectible Expense (1) x (2)	81,535
(4) Test Year Uncollectible Expense (c)	<u>72,090</u>
(5) Adjustment (3) - (4)	\$ <u>9,445</u>

- (a) Staff's Schedule C-2
(b) Staff's Data Request No. 4 and Staff's Workpaper WPC-3.10 (\$126,946 / \$27,590,426)
(c) Applicant's Schedule C-2.1a
(d) **One year average used in Lake 07-0564 & Masury 09-560**

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Rate Case Expense Adjustment

(1) Estimated Rate Case Expense (a)	\$ 172,000
(2) Amortization Period for Rate Case Expense (a)	<u>3</u>
(3) Annual Amortization of Rate Case Expense (1) / (2)	57,333
(4) Test Year Rate Case Expense (b)	<u>41,793</u>
(5) Adjustment (3) - (4)	\$ <u>15,540</u>

	REVISED
(1) Estimated Rate Case Expense (a)	\$ <u>172,000</u>
(2) Amortization Period for Rate Case Expense (a)	<u>2.5</u>
(3) Annual Amortization of Rate Case Expense (1) / (2)	68,800
(4) Test Year Rate Case Expense (b)	<u>41,793</u>
(5) Adjustment (3) - (4)	\$ <u>27,007</u>

(a) Applicant's Schedule C-3.6

(b) Applicant's C-2.1a

(c) Case 07-0564 filed 6-12-2007 and case 09-1044 filed 12-11-2009

SCHEDULE C-3.12

Aqua Ohio, Inc.
Case No. 09-1044-VVV-AIR
Tank Painting Expense Adjustment

(1) Adjusted Tank Painting Expense (a)	\$	297,560
(2) Test Year Expense (b)		<u>255,692</u>
(3) Adjustment (1) - (2)	\$	<u>41,868</u>

(a) Applicant's Schedule C-3.7

(b) Applicant's Schedule C-2.1a , Account 672-2

SCHEDULE C-3.13

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Purchased Water Expense Adjustment

(1) Adjusted Purchased Water Expense (a)	\$ 277,744
(2) Test Year Expense (b)	<u>291,362</u>
(3) Adjustment (1) - (2)	\$ <u>(13,618)</u>

(a) Applicant's Schedule C-3.13
(b) Applicant's Schedule WPC-2.1a

SCHEDULE C-3.14

Aqua Ohio, Inc.
Case No. 09-1044-VVV-AIR
Sludge Hauling Expense Adjustment

(1) Adjusted Sludge Hauling Expense (a)	\$ 45,000
(2) Test Year Sludge Expense (b)	<u>117,000</u>
(3) Adjustment (1) - (2)	\$ <u>(72,000)</u>

- (a) Applicant's Schedule C-3.14
(b) Applicant's Schedule WPC C-2.1a, Account 642-2

Aqua Ohio, Inc.
Case No. 07-0564-WW-AIR
Natural Gas Expense Adjustment

(1) Natural Gas Expense (a)	\$ 52,070
(2) Test Year Natural Gas Expense (b)	<u>75,960</u>
(3) Adjustment (1) - (2)	\$ <u>(23,890)</u>

(a) Staff's Data Request No. 6
(b) Applicant's Schedule WPC-2.1a

SCHEDULE C-3.16

**Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Lobbying Expense Adjustment**

(1) Elimination of Aqua Ohio Dues to NAWC (a)	\$ (27,085)
(2) Lobbying Percentage (a)	<u>17%</u>
(3) Aqua Ohio Lobbying Amount (1) x (2)	(4,604)
(4) Lake Erie Division Allocation (b)	<u>34.61%</u>
(5) Adjustment (3) - (4)	<u>\$ (1,593)</u>

(a) Staff's Data Request No. 25

(b) Applicant's Schedule WPC-3.18a

SCHEDULE C-3.17

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Sundry Expense Adjustment

(1) Elimination of Sundry Expenses (a)	\$ <u>(4,003)</u>
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(a) Staff's Data Request No. 25 and Staff's Workpaper WPC-3.17

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Cell Phone Expense Adjustment

(1) Elimination of Cell Phone Expenses (a) \$ (128)

(a) Staff's Data Request Nos. 30 and 35

Aqua Ohio, Inc.
Case No. 09-1044-VW-AIR
Depreciation and Amortization Expense Adjustment

(1) Adjusted Depreciation Expense (a)	\$ 1,705,524
(2) Test Year Depreciation Expense (b)	<u>1,997,358</u>
(3) Adjustment (1) - (2)	\$ <u>(291,834)</u>

		REVISED
(1) Adjusted Depreciation Expense	(c)	\$ <u>1,737,657</u>
(2) Test Year Depreciation Expense (b)		<u>1,997,358</u>
(3) Adjustment (1) - (2)		\$ <u>(259,701)</u>

- (a) Staff's Schedule B-3.2
(b) Applicant's Schedule C-2
(c) **See Exhibit C-19**

AQUA OHIO INC LAKE DIVISION
Case No 09-1044-VW-AIR
Calculation of Rate Base Adjustment

Exhibit C3.19

	Plant	A/C Rate	Revised Calc.	Staff Report		
Depreciation Staff Report					1,705,524	
Auburn Lakes	29,149	10%	2,915	0	2,915	(a)
Auburn Lakes	25,182	2%	378	0	378	(b)
Transportation Equipment	669,943	10%	66,994	60,963	6,031	(c)
Power Operated Equipmen	761,438	5.36%	40,813	40,513	300	(c)
CIS Modifications	112,545	20%	22,509	-	22,509	(d)
Revised Depreciation Expense					<u><u>1,737,657</u></u>	

(a) According to NARUC Uniform System of Accounts for account 301 fees and expenses for mergers and consolidations get capitalized to this account (See Attached)

(b) These costs are for property improvements (See Attached)

(c) Revised calculation

(d) These costs relate to billing enhancements

SCHEDULE C-3.20

Aqua Ohio, Inc.
Case No. 09-1044-VW-AIR
Summary of Taxes Other Than Income Adjustments

	Schedule Reference	Staff Report	Revised	
(1) Property Taxes	C-3.20a	\$ 2,836,300	2,836,213	(b)
(2) Ohio Gross Receipts Tax	C-3.20b	699,160	616,702	(b)
(3) FICA Taxes	C-3.20c	156,472	156,546	(b)
(4) Federal Unemployment Taxes	C-3.20d	1,639	1,639	
(5) State Unemployment Taxes	C-3.20e	2,371	2,371	
(6) PUCO & OCC Assessments	C-3.20f	22,224	22,224	
(7) EPA Licenses Fee	C-3.20g	32,607	32,607	
(8) Total Taxes Other Than Income Taxes (1) Thru (7)		3,850,773	3,968,302	
(9) Test Year Taxes Other Than Income Tax (a)		3,802,462	3,802,462	
(10) Adjustment (8) - (9)		\$ 48,311	165,840	

(a) Applicant's Schedule C-2.1

(b) See Revised Schedules

SCHEDULE C-3.20a

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Calculation of Property Tax

REVISED STAFF
REPORT

(1) Jurisdictional Plant & Service at 3/31/09 (a)	\$ 87,212,027
(2) Material & Supplies (b)	285,228
(3) Less OWDA Property - Non Taxable (b)	<u>(7,164,558)</u>
(4) Total Property (1) Thru (3)	80,332,697
(5) Assessment Valuation Percentage (c)	<u>36.98%</u>
(6) Assessed Property @ 3/31/09 (4) x (5)	29,690,965
(7) Average Property Tax Rate - Per \$1,000 (c)	<u>98.70</u>
(8) Jurisdictional Property Tax (6) x (7)	\$ 2,930,498
(9) Service Center (Lake portion .3461 * 16,763)	5,802
(10) Total Property Tax	<u>\$ 2,936,300</u>

REVISED

(1) Jurisdictional Plant & Service at 3/31/09	(d) \$ 87,209,632
(2) Material & Supplies (b)	285,228
(3) Less OWDA Property - Non Taxable (b)	<u>(7,164,558)</u>
(4) Total Property (1) Thru (3)	80,330,302
(5) Assessment Valuation Percentage (c)	<u>36.98%</u>
(6) Assessed Property @ 3/31/09 (4) x (5)	29,690,080
(7) Average Property Tax Rate - Per \$1,000 (c)	<u>98.70</u>
(8) Jurisdictional Property Tax (6) x (7)	\$ 2,930,411
(9) Service Center (Lake portion .3461 * 16,763)	5,802
(10) Total Property Tax	<u>\$ 2,936,213</u>

- (a) Staff's Schedule B-2.1
(b) Applicant's Schedule WPC-3.16a
(c) Staff's Data Request No. 34 and Staff's Workpaper WPC-3.20a
(d) See Revised Schedule B-2

Aqua Ohio, Inc.
Case No. 09-1044-WW-AJR
Calculation of Ohio Gross Receipts Taxes

	Adjusted Operating Income	Performa Operating Income
(1) Adjusted Operating Revenue (a)	\$ 14,797,626	\$ 17,608,759
(2) Less: Uncollectible Accounts Expense (1) x 0.460100% (b)	66,084	81,018
(3) Less: Sales to Governmental Facilities (1) x .011430% (c)	1,691	2,013
(4) Less: Statutory Exemption \$25,000 x 34.75% (d)	<u>8,688</u>	<u>8,688</u>
(5) Net Taxable Revenue	14,719,164	17,517,041
(6) Tax Rate	<u>4.75%</u>	<u>4.75%</u>
(7) Ohio Gross Receipts Tax	<u>\$ 699,160</u>	<u>\$ 832,059</u>

	<u>REVISED</u>	
(1) Adjusted Operating Revenue (a)	\$ 14,797,626	\$ 17,299,720
(2) Less: Uncollectible Accounts Expense (1) x 0.460100% (b)	81,535	95,321
(3) Less: Sales to Governmental Facilities (1) x .011430% (c)	1,691	1,977
(4) Less: Statutory Exemption \$25,000 x 34.75% (d)	<u>8,688</u>	<u>8,688</u>
(5) Net Taxable Revenue	14,705,713	17,193,735
(6) Tax Rate	<u>4.75%</u>	<u>4.75%</u>
(7) Ohio Gross Receipts Tax	<u>\$ 698,521</u>	<u>\$ 816,702</u>

- (a) Staff's Schedule C-1
(b) Staff's Schedule C-3.10
(c) Derived from Staff's Data Request 36
(d) Derived from Staff's Data Request 36, (\$14,767,798 / \$42,495,877)

Aqua Ohio, Inc.
Case No. 09-1044-WWW-AIR
Calculation of FICA Taxes

(1) Adjusted O&M Labor Expense (a)	\$ 2,093,407
(2) O&M Wages not Subject to OASDI Taxes (b)	<u>48,014</u>
(3) O&M Wages Subject to OASDI Taxes (1) - (2)	2,045,392
(4) OASDI Taxes (3) x .0620	126,814
(5) Health Insurance Taxes (1) x .0145	<u>29,658</u>
(6) FICA Taxes (4) + (5)	\$ <u>156,472</u>
REVISED	
(1) Adjusted O&M Labor Expense (e)	\$ 2,112,608
(2) O&M Wages not Subject to OASDI Taxes (b)	<u>66,259</u>
(3) O&M Wages Subject to OASDI Taxes (1) - (2)	2,046,349
(4) OASDI Taxes (3) x .0620	126,874
(5) Health Insurance Taxes (1) x .0145	<u>29,672</u>
(6) FICA Taxes (4) + (5)	\$ <u>156,546</u>

	<u>Lake Erie</u>	<u>Corp</u>	<u>Total</u>
Annual Salary (c)	\$ 1,701,159	\$ 1,133,335	
Incentive Compensation	<u>0</u>	<u>0</u>	
Total	1,701,159	1,133,335	
Payroll Subject to Social Security (d)	<u>1,693,197</u>	<u>1,014,527</u>	
Payroll Not Subject to Social Security	7,962	118,808	
Lake Erie Division Allocation Percentage (a)	<u>100.00%</u>	<u>34.61%</u>	
Lake Erie Division Wages	7,962	41,119	
O&M Percentage (a)	<u>86.60%</u>	<u>100.00%</u>	
O&M Wages Not Subject to FICA	\$ <u>6,895</u>	\$ <u>41,119</u>	\$ <u>48,014</u>

- (a) Staff's Schedule C-3.4 (\$1,701,159 + \$392,247)
 (b) Applicant's Schedule WPC-3.18
 (c) Derived from Staff's Schedule C-3.4
 (d) Derived from Staff's Data Request No. 26
 (e) Revised C-3.4 \$1,716,247 + \$396,361

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Calculation of Federal Unemployment Taxes

	<u>Lake Erie Division</u>	<u>Service Center</u>	<u>Total</u>
(1) Number of Employees (a)	30	14	
(2) Taxable Wages (1) x \$7,000	\$ 210,000	\$ 98,000	
(3) Lake Erie Division Allocation (b)	<u>94.00%</u>	<u>34.61%</u>	
(4) Lake Erie Division Taxable Wages (2) x (3)	197,400	33,918	
(5) O&M Allocation Percentage (a)	<u>86.60%</u>	<u>100.00%</u>	
(6) O&M Taxable Wages (4) x (5)	\$ 170,948	\$ 33,918	\$ 204,866
(7) Tax Rate			<u>0.8%</u>
(8) Federal Unemployment Tax (6) x (7)			\$ <u>1,639</u>

- (a) Derived from Staff's Data Request No. 26
(b) Applicant's Schedule WPC-3.18a

Aqua Ohio, Inc.
Case No. 09-1044-VWW-AJR
Calculation of State Unemployment Taxes

	<u>Lake Erie Division</u>	<u>Service Center</u>	<u>Total</u>
(1) Number of Employees (a)	30	14	
(2) Taxable Wages (1) x \$9,000	\$ 270,000	\$ 126,000	
(3) Lake Erie Division Allocation (b)	<u>94.00%</u>	<u>34.61%</u>	
(4) Lake Erie Division Taxable Wages (2) x (3)	\$ 253,800	\$ 43,609	
(5) O&M Allocation Percentage (a)	<u>86.60%</u>	<u>100.00%</u>	
(6) O&M Taxable Wages (4) x (5)	\$ 219,791	\$ 43,609	\$ 263,400
(7) Tax Rate			<u>0.9%</u>
(8) State Unemployment Tax (6) x (7)			\$ <u>2,371</u>

- (a) Staff's Data Request No. 26
(b) Applicant's Schedule WPC-3.18b

Aqua Ohio, Inc.
Case No. 09-1044-VWW-AIR
PUCO & OCC Maintenance Assessment

(1) PUCO Maintenance Assessment (a)	\$ 52,520
(2) OCC Maintenance Assessment (a)	<u>13,504</u>
(3) Total (1) + (2)	66,024
(4) Lake Erie Division Allocation (b)	<u>33.66%</u>
(5) Lake Erie Division Assessment (3) x (4)	\$ <u>22,224</u>

- (a) Latest Known Assessments
(b) Staff's Data Request No. 13

SCHEDULE C-3.20g

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Calculation of EPA License to Operate Fee

(1) 2007 EPA License to Operate Fee (a)

\$ 32,607

(a) Staff's Data Request 17

SCHEDULE C-3.21

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Federal Income Tax Expense Adjustment

(1) Adjusted Federal Income Taxes (a)	\$ 550,997
(2) Test Year Income Taxes (b)	<u>303,508</u>
(3) Adjustment (1) - (2)	<u>\$ 247,489</u>

	REVISED
(1) Adjusted Federal Income Taxes (a)	\$ <u>387,289</u>
(2) Test Year Income Taxes (b)	<u>303,508</u>
(3) Adjustment (1) - (2)	<u>\$ 83,781</u>

- (a) Staff's Schedule C-4
(b) Applicant's Schedule C-2

SCHEDULE C-4

Aqua Ohio, Inc.
Case No. 09-1044-WW-AIR
Calculation of Federal Income Taxes

	Adjusted Operating Income	Proforma Operating Income	<u>REVISED</u>	
(1) Operating Income Before FIT (a)	\$ 2,925,877	\$ 5,590,977	2,422,536	5,022,084
<u>Reconciling Items:</u>				
(2) Interest Charges (b)	(1,257,645)	(1,257,645) (d)	(1,268,129)	(1,268,129)
(3) Book Depreciation (c)	1,705,524	1,705,524	1,737,657	1,737,657
(4) Tax Accelerated Depreciation (d)	3,083,483	3,083,483	3,083,483	3,083,483
(5) Excess of Tax Over Book Depreciation (3) - (4)	(1,377,959)	(1,377,959)	(1,345,826)	(1,345,826)
<u>Other Reconciling Items:</u>				
(6) Pension Expense (e)	253,148	253,148	253,148	253,148
(7) Tank Painting Expense (f)	297,560	297,560	297,560	297,560
(8) Total Other Reconciling Items (6) + (7)	550,708	550,708	550,708	550,708
(9) Total Reconciling Items (2)+(5)+(8)	(2,084,896)	(2,084,896)	(2,063,247)	(2,063,247)
(10) Federal Taxable Income (1) + (9)	840,781	3,506,081	359,289	2,958,817
<u>Federal Income Taxes:</u>				
(11) First \$17,305 x 15%	2,596	2,596	2,596	2,596
(12) Next \$8,653 x 25%	2,163	2,163	2,163	2,163
(13) Next \$8,653 x 34%	2,942	2,942	2,942	2,942
(14) Next \$81,334 x 39%	31,720	31,720	31,720	31,720
(15) Next \$3,345,057 x 34%	246,445	1,137,319	82,737	995,005
(16) Next \$1,730,500 x 35%		15,778		
(17) Next \$1,153,687 x 38%				
(18) Excess of Taxable Income Over \$6,345,187 x 35%		(1)		
(19) Federal Income Taxes - Line (11) Through (18)	285,866	1,192,517	122,158	1,034,426
<u>Deferred Income Taxes:</u>				
(20) Tax Accelerated Depreciation (d)	3,083,483	3,083,483	3,083,483	3,083,483
(21) Tax Straight Line Depreciation (d)	1,676,846	1,876,846	1,676,846	1,676,846
(22) Excess of Tax Accelerated over Tax S/L Deprec. (20) - (21)	1,406,637	1,406,637	1,406,637	1,406,637
(23) Deferred @ 34.00% (g)	478,257	478,257	478,257	478,257
(24) Investment Tax Credit Utilized				
<u>Other Deferred Taxes:</u>				
(25) Amortization of Prior Years ITC (h)	(20,378)	(20,378)	(20,378)	(20,378)
(26) Other Reconciling Items (8) X 36%	(192,748)	(192,748)	(192,748)	(192,748)
(27) Total Other Deferred Taxes (25) + (26)	(213,126)	(213,126)	(213,126)	(213,126)
(28) Total Deferred Taxes (23) + (24) + (27)	266,131	265,131	265,131	265,131
(29) Total Federal Income Taxes (19) + (28)	\$ 550,997	\$ 1,457,648	387,289	1,299,557

- (a) Staff's Schedule C-1
 (b) Staff's Schedule B-1, \$41,369,887 x 0.0304, Weighted Cost of Debt
 (c) Staff's Schedule B-3.2
 (d) Applicant's C-4
 (e) Staff's Schedule C-3.5
 (f) Staff's Schedule C-3.12
 (g) Line 19/ Line 10
 (h) See Revised Schedule B-2 \$41,714,763 * .0304