

THE COLUMBIA WATER COMPANY

Supporting Data
for
Supplement No. 60 to
Tariff Water - Pa. P.U.C. No. 7
Docket No. R-

By

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Principal

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April 2013

April 15, 2013

Mr. Donald H. Nikolaus, President
THE COLUMBIA WATER COMPANY
Post Office Box 350
220 Locust Street
Columbia, PA 17512

Dear Mr. Nikolaus:

In accordance with your instructions, we have prepared the following report containing responses to Tariff Regulations of the Pennsylvania Public Utility Commission related to the proposed Supplement No. 60 to Tariff Water - Pa. P.U.C. No. 7 of The Columbia Water Company, to be issued April ~~24~~, 2013.

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Supplement No. 60 to Tariff Water - Pa. P.U.C. No. 7 increases the existing rate schedule. The proposed rate schedule increases existing revenue requirements by approximately 19.2 percent. The Supporting Data for the operating revenues and expenses were obtained from the operating books and records of the company. The adjustments to the operating revenues and expenses as of December 31, 2012 and December 31, 2013 were made to normalize or amortize the operating expenses for the historic and future test year periods.

The proposed increase in annual operating revenues will produce an additional \$773,210. The proposed increase will provide a pro forma return of \$1,298,666 or approximately 9.60 percent on the measures of value of The Columbia Water Company as of December 31, 2013.

The above conclusions are supported by detailed schedules contained in this report.

Respectfully submitted,

AUS Consultants

By: Gary D. Shambaugh

THE COLUMBIA WATER COMPANY

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Section 1

THE COLUMBIA WATER COMPANY

Information to Accompany
Supplement No. 60 to
Tariff Water - Pa. P.U.C. No. 7

PURSUANT TO 52 PA. CODE § 53.52 OF THE
COMMISSION'S TARIFF REGULATIONS

THE COLUMBIA WATER COMPANY

Statement of Reasons for Rate Increase
Answer to 52 Pa. Code § 53.52 (b) (1)

The Columbia Water Company is filing Supplement No. 60 to Tariff Water - Pa. P.U.C. No. 7 on April ²⁵~~24~~, 2013 with a requested effective date of June ²⁴~~23~~, 2013 for the purpose of increasing water service revenue by \$773,210 per annum, based upon future test year operations ended December 31, 2013.

For the twelve months ended December 31, 2012 and December 31, 2013, the future test year period in this filing, utility operations produced a net operating income as follows:

<u>Operations</u>	<u>Net Income</u>	<u>Reference</u>
Per Books	\$768,554	Section 1, Page 1-14
Per Books (Going-level Present Rates)	\$842,091	Section 1, Page 1-14

The current rate filing is necessary to realize a reasonable rate of return on the Company's fixed capital investment and to recover increased operating expenses. Numerous factors were given consideration in establishing the proposed increase, which are categorized and set forth in the following narrative.

Operating Revenues

The operating revenues per books at December 31, 2012 amounted to \$4,238,672. An audit of the number of customers by classification was performed as of December 31, 2012. Per the latest audit and for the purpose of this rate filing, the following number of projected customers at December 31, 2013 by classification will be utilized:

THE COLUMBIA WATER COMPANY

Statement of Reasons for Rate Increase Answer to 52 Pa. Code § 53.52 (b) (1)

<u>Type</u>	<u>Number</u>
Residential	8,343
Commercial	402
Industrial	34
Public	35
Fire Protection	<u>70</u>
TOTAL	8,884

As a result of the customer audit and the customer bill frequency analysis, adjustments were required to the book level of operating revenue as set forth in response to Tariff Regulation (b)(4), Sheet No. 1a to reflect the proper level of annual revenue based upon the number of customers gained or lost during the test year periods at December 31, 2012 and December 31, 2013. These adjustments result in an overall decrease of (\$206,400) in operating revenue producing a going-level operating revenue at present rates of \$4,032,272.

Operating Expenses

An extensive review of the company's current and projected operating expenses was performed. For the twelve months ended December 31, 2012 and December 31, 2013, pro forma utility operations produced operating expense levels as follows:

<u>Operating Expenses</u>	<u>Amount</u>	<u>Reference</u>
Per books	\$1,947,648	Section 1, Page 1-15
Going-level at present rates	\$2,030,398	Section 1, Page 1-15

THE COLUMBIA WATER COMPANY

Statement of Reasons for Rate Increase Answer to 52 Pa. Code § 53.52 (b) (1)

The Company has projected operating costs as reflected in the going-level adjustments contained in response to Tariff Regulation (c)(1), Sheets No. 1b through 1c.

Original Cost - Plant in Service

The original costs of the plant in service at December 31, 2012 were obtained through Pennsylvania Public Utility Commission ("Pa. P.U.C.") Annual Reports and company records that included invoices and tax records. The total plant in service per books at December 31, 2012 is \$34,480,742.

During 2013, the Company anticipates completing construction projects that total \$607,200. Also, the Company will have retirements of \$84,639 and collect \$1,800 in contributions in aid of construction associated with these construction projects. The details for these amounts are contained in Supporting Schedule No. 5. The original cost of the utility plant in service at December 31, 2013 is \$35,003,303 and is contained in Supporting Schedule No. 6 by fixed capital plant account.

Accrued Depreciation

The calculations of annual and accrued depreciation in this report are based upon the Straight Line/Average Service Life Method and applied to the original costs at December 31, 2012 and December 31, 2013. The accrued depreciation at December 31, 2012 and December 31, 2013 amounted to \$9,396,809 and \$10,296,491.

Annual Depreciation Expense

The annual depreciation expense of \$739,260 is based upon the depreciable original cost base at December 31, 2013 excluding contributions in aid of construction.

THE COLUMBIA WATER COMPANY

Statement of Reasons for Rate Increase Answer to 52 Pa. Code § 53.52 (b) (1)

The book annual depreciation expense as of December 31, 2012 amounted to \$1,026,382. A going-level adjustment of (\$287,122) to the booked operating expenses [Tariff Regulation (c)(1) - Sheet 1a] at December 31, 2013 was made to reflect the proper level of annual depreciation expense for the future test year.

Measures of Value

Five (5) elements of rate base were utilized to determine a fair measure of value of the Company for the purpose of base rate revenue as follows:

- I. Depreciated Utility Plant in Service
- II. Materials and Supplies
- III. Cash Working Capital
- IV. Contributions in Aid of Construction (Net)
- V. Deferred Income Taxes (Federal Only)

- I. Depreciated Utility Plant in Service

The depreciated utility plant in service was determined by deducting calculated accrued depreciation from the original cost of the plant in service at December 31, 2013 as follows:

	<u>Original Cost</u>	<u>Reference</u>
Utility Plant in Service	\$35,003,303	Sup. Sch. No. 6
Accrued Depreciation	<u>(10,296,491)</u>	Sup. Sch. No. 6
Depr. Utility Plant in Service	\$25,706,812	

- II. Materials and Supplies

The Company has materials and supplies inventoried for normal operations of the company. A normalized level of \$62,314 was utilized based on a three (3) year

THE COLUMBIA WATER COMPANY

Statement of Reasons for Rate Increase Answer to 52 Pa. Code § 53.52 (b) (1)

average.

III. Cash Working Capital

The amount included in the measure of value for cash working capital was based upon 45 days of pro forma operating and maintenance expenses of \$2,030,398, less uncollectible accounts of \$11,000 and amounts to \$248,967.

IV. Contributions in Aid of Construction (Net)

The Contributions in Aid of Construction at December 31, 2013 is \$10,545,497. The depreciation reserve at December 31, 2013 is \$3,063,274. The Contributions in Aid of Construction (Net) at December 31, 2013 is \$7,482,223.

V. Deferred Income Taxes (Federal Only)

The Company's deferred income taxes (federal only) totals \$4,008,096.

A detailed compilation of the total measures of value and rates of return at December 31, 2013 is contained in response to Tariff Regulation (c)(1) - Sheet No. 2.

Rate of Return

The Company's pro forma capitalization at December 31, 2013 totaling \$11,738,152 is comprised of common equity and debt as follows:

	Pro Forma 12-31-13 <u>Amount Outstanding</u>
Long-Term Debt	\$4,182,747
Common Equity:	
Common Stock	5,040,000
Premium on Stock	20,000
Other Paid-In Capital	12,000

THE COLUMBIA WATER COMPANY

Statement of Reasons for Rate Increase Answer to 52 Pa. Code § 53.52 (b) (1)

Earned Surplus	<u>2,483,405</u>
Total Common Equity	\$7,555,405
Total Capital	<u>\$11,738,152</u>

The pro forma capital structure is based upon the projected actual capital structure ratio of 35.6% debt and 64.4% common equity. Supporting Schedule No. 9 contains the detailed pro forma calculations of the cost of capital and rate of return at December 31, 2013. Based upon these calculations, the Company could have utilized an overall 9.60% rate of return.

Tariff Design

The overall proposed increase in rates is approximately \$773,210 or 19.2%, as follows:

	<u>Amount</u>
Total Proposed Revenue	\$4,805,482
Going-Level Revenue at Present Rates	<u>4,032,272</u>
Total Proposed Increase	\$773,210
Percent Increase	19.2%

A bill frequency analysis at present rates was prepared for the twelve months ended December 31, 2012. Summaries of the detailed calculations of the bill frequency analysis are contained in Section 3, Supporting Schedule No. 1. The results of that analysis were utilized to prepare proofs of revenue at proposed rates that are contained in Supporting Schedule No. 11. The allocation of the proposed revenues of \$773,210 by customer classification is contained in response to Tariff Regulation (b)(4) - Sheet No. 1a.

THE COLUMBIA WATER COMPANY

Statement of Reasons for Rate Increase Answer to 52 Pa. Code § 53.52 (b) (1)

General Comments

The proposed level of annual operating revenues of \$4,805,482 will allow the Company to provide proper maintenance to the system, as well as, recover the increased operating cost of the company. The increased revenue will also provide a pro forma rate of return of \$1,298,666, which will ensure continued safe and adequate service to their customers.

The Columbia Water Company

Operating Revenue for the Twelve Months Ended
December 31, 2012 and December 31, 2013 Under Present Rates

Answer to 52 Pa. Code § 53.52 (b)(2)

Customer Classification	Per Books Year Ended 12/31/12	Year Ended 12/31/13 at Present Rates
Residential	\$2,959,247	\$2,964,602
Commercial	533,690	530,678
Industrial	129,303	129,355
Public	42,741	43,596
Fire Protection	238,700	243,145
DSIC Revenues	47,958	47,958
	-----	-----
Subtotal	\$3,951,639	\$3,959,334
Forfeited Discounts	\$9,345	\$9,345
Miscellaneous Service Revenues	6,435	6,435
Rents from Water Property	57,158	57,158
Other Water Revenue	214,095	0
	-----	-----
Total Operating Revenues	\$4,238,672	\$4,032,272
	=====	=====

The Columbia Water Company

Number of Customers Served at
December 31, 2012 and December 31, 2013 (Projected)
Answer to 52 Pa. Code § 53.52 (b)(3)

<u>Customer Classification</u>	<u>Total Customers 12/31/12</u>	<u>Projected Total Customers 12/31/13</u>
Residential	8,310	8,343
Commercial	399	402
Industrial	34	34
Public	33	35
Fire Protection	70	70
	-----	-----
Total Customers Served	8,846	8,884
	=====	=====

The Columba Water Company

Statement of Operating Revenue Under the Existing Rates for the Twelve Months
 Ended December 31, 2012 and December 31, 2013, and Under the Proposed Rates
 Answer to 52 Pa. Code § 53.52 (b)(4) - Sheet No. 1a

Operating Revenues	Schedule Number	Year Ended 12/31/12 Per Books	Anticipated Revenue at Present Rates		Anticipated Revenue at Proposed Rates	
			Year Ended 12/31/13 Adjustments	Amount	Year Ended 12/31/13 Adjustments	Amount
Residential	(b)(2)	\$2,959,247	\$5,355	\$2,964,602	\$625,587	\$3,590,189
Commercial	(b)(2)	533,690	(3,012)	530,678	112,116	642,794
Industrial	(b)(2)	129,303	52	129,355	27,205	156,560
Public	(b)(2)	42,741	855	43,596	9,210	52,806
Fire Protection	(b)(2)	238,700	4,445	243,145	47,050	290,195
DSIC Revenue	(b)(2)	47,958		47,958	(47,958)	0
Subtotal		\$3,951,639	\$7,695	\$3,959,334	\$773,210	\$4,732,544
Forfeited Discounts	(b)(2)	9,345		9,345		9,345
Miscellaneous Service Revenues	(b)(2)	6,435		6,435		6,435
Rents from Water Property	(b)(2)	57,158		57,158		57,158
Other Water Revenues	(b)(2)	214,095	(214,095)	0		0
Total Operating Revenues		\$4,238,672	(\$206,400)	\$4,032,272	\$773,210	\$4,805,482

Going-Level Adjustments:

1. Adjustment to reflect revenues based on the bill frequency analysis at present rates.

Residential	(3,483)
Commercial	(4,229)
Industrial	52
Public	(107)
Fire Protection	4,445

Refer to Supporting Schedule No. 1 (\$3,322)

2. Adjustment to reflect revenues based on the number of customers for the year ended December 31, 2012.

Residential	(\$1,074)
Commercial	(124)

Refer to (b)(4) - Sheet No. 1b (\$1,198)

3. Adjustment to reflect revenues for projected customers gained during the year ending December 31, 2013.

Residential	\$9,912
Commercial	1,341
Public	962

Refer to (b)(4) - Sheet No. 1c \$12,215

4. Adjustment to reflect the removal of the accretion of the contributions in aid of construction. This amount is for tax purposes and should not have been included for PUC accounting.

(\$214,095)

The Columbia Water Company

Going-Level Adjustment to Reflect the Number of Customers
for the Year Ended December 31, 2012

Answer to 52 Pa. Code § 53.52 (b)(4) - Sheet No. 1b

Classification	No. of Bills	Monthly Bill Amount	Revenue Adjustment
Residential 5/8"	-41	\$25.03	(\$1,026)
Residential 1"	11	\$31.63	348
Residential 2"	-4	\$98.98	(396)

Total Residential			(\$1,074)
Commercial 5/8"	15	\$10.39	\$156
Commercial 3/4"	6	\$33.62	202
Commercial 1"	1	\$37.26	37
Commercial 1 1/2"	-4	\$91.42	(366)
Commercial 2"	-2	\$76.46	(153)

Total Commercial			(\$124)

Total Revenue Adjustment			(\$1,198)
			=====

Monthly bills based on typical consumption.

Residential 5/8"	3,000	\$25.03
Residential 1"	2,000	\$31.63
Residential 2"	6,000	\$98.98
Commercial 5/8"	400	\$10.39
Commercial 3/4"	3,800	\$33.62
Commercial 1"	3,000	\$37.26
Commercial 1 1/2"	9,000	\$91.42
Commercial 2"	2,000	\$76.46

The Columbia Water Company

Going-Level Adjustment to Reflect the Projected Number of Customers
Gained During the Year Ended December 31, 2013
Answer to 52 Pa. Code § 53.52 (b)(4) - Sheet No. 1c

Classification	New Customers	Additional Bills	Monthly Bill Amount	Revenue Gained
Residential 5/8"	33	396	\$25.03	\$9,912
Commercial 1"	3	36	\$37.26	1,341
Public 1"	2	24	\$40.08	962
Total Revenue Gained				----- \$12,215 =====

Monthly bills based on typical consumption.

Residential 5/8"	3,000	\$25.03
Commercial 1"	3,000	\$37.26
Public 1"	3,500	\$40.08

The Columbia Water Company

Calculation of Number of Customers Served at December 31, 2013
Whose Bills will be Decreased Under the Proposed Tariff
Answer to 52 Pa. Code § 53.52 (b)(5)

Proposed Supplement No. 60 to Tariff Water - Pa. P.U.C. No. 7 will not decrease rates by any classification of service. No customers will have decreased bills for similar service or use under the proposed rates.

The Columbia Water Company

Statement of Net Operating Revenue Under the Existing Rates for the Twelve Months
 Ended December 31, 2012 and December 31, 2013, and Under the Proposed Rates
 Answer to 52 Pa. Code § 53.52 (c)(1) - Sheet No. 1a

	Schedule Number	Per Books Year Ended 12/31/12	Anticipated Revenue at Present Rates Year Ended 12/31/13 Adjustments	Amount	Anticipated Revenue at Proposed Rates Year Ended 12/31/13 Adjustment	Amount
Operating Revenues	b(4)-1a	\$4,238,672	(\$206,400)	\$4,032,272	\$773,210	\$4,805,482
<u>Operating Revenue Deductions:</u>						
Operating Expenses	(c)(1) - 1b,c&d	\$1,947,648	\$82,750	\$2,030,398		\$2,030,398
Depreciation	Supporting Sch. Nos. 6&7	1,026,382	(287,122)	739,260		739,260
Amortization Expense - Utility Plant Acquisition Adj.		3,760	11,279	15,039		15,039
Income Taxes:						
State Income Tax	Supporting	73,302	1,884	75,186	76,791	151,977
Federal Income Tax	Sch. Nos. 8&10	244,431	(73,223)	171,208	235,211	406,419
Regulatory Assessments	Supporting Sch. Nos. 8&10	25,306	(1,147)	24,159	4,633	28,792
Payroll Taxes:						
F.I.C.A.	Supporting	70,458	(5,916)	64,542		64,542
Pa. Unemployment	Sch. No. 3	9,229	(66)	9,163		9,163
F.U.T.A.		1,442	(87)	1,355		1,355
Pa. Capital Stock Tax		17,289	(8,289)	9,000		9,000
Public Utility Realty Tax		48,200		48,200		48,200
Property Taxes		2,597		2,597		2,597
State Corporate Loan Tax		74		74		74
Total Operating Revenue Deductions		\$3,470,118	(\$279,937)	\$3,190,181	\$316,635	\$3,506,816
Net Operating Revenues		\$768,554	\$73,537	\$842,091	\$456,575	\$1,298,666

The Columbia Water Company

Statement of Operating Expenses for the Twelve Months
 Ended December 31, 2012 and December 31, 2013
 Answer to 52 Pa. Code § 53.52 (c)(1) - Sheet 1b

Account Description	Per Books Year Ended 12/31/12	----- No.	Going-Level Adjustments ----- Amount	Future Test Year Ended 12/31/13
<u>Salaries and Wages:</u>				
Employees	\$820,483	1	(\$25,597)	\$794,886
Officers, Directors & Majority Stockholders	68,900	1	0	68,900
	\$889,383		(\$25,597)	\$863,786
Total Salaries and Wages				
Employee Pensions & Benefits	\$149,982	4	(\$2,928)	\$147,054
Purchased Power	181,067	4	933	182,000
Chemicals	52,160	4	0	52,160
Materials & Supplies	165,469	4	4,531	170,000
<u>Contractual Services:</u>				
Engineering	\$18,743	4	(\$5,243)	\$13,500
Accounting	28,300	4	0	28,300
Legal	33,897	4	(8,897)	25,000
Management Fees	26,063	4	0	26,063
Testing	17,698	4	1,302	19,000
Other - Maintenance	92,597	4	403	93,000
	\$217,298		(\$12,435)	\$204,863
Total Contractual Services				
Rental of Building/Real Property	\$13,960	4	\$28,409	\$42,369
Transportation Expenses	48,923	4	1,077	50,000
<u>Insurance:</u>				
Vehicle	\$6,863	4	\$37	\$6,900
General Liability	87,712	4	288	88,000
Workman's Compensation	24,083	4	417	24,500
	\$118,658		\$742	\$119,400
Total Insurance				
Reg. Comm. Exp. - Amort. Of Rate Case Costs	\$0	3	\$84,267	\$84,267
Bad Debt Expense	10,436	4	564	11,000
<u>Miscellaneous Expenses:</u>				
Membership Dues	\$9,140	4	\$860	\$10,000
Reg. Fees for Conv. & Meetings of Industry	40	4	516	556
Stockholders Expenses	887	4	113	1,000
Office Expenses & Utilities	17,039	4	961	18,000
Uniforms	1,234	4	16	1,250
Director's Fees & Expenses	62,165	4	335	62,500
Mailing	5,354	4	(4)	5,350
Travel	0	4	105	105
Education	1,458	4	546	2,004
Charitable Contributions	2,995	4	(261)	2,734
	\$100,312		\$3,187	\$103,499
Total Miscellaneous Expenses				
Total Operating & Maintenance Expenses	\$1,947,648		\$82,750	\$2,030,398
	\$1,947,648		\$82,750	\$2,030,398

The Columbia Water Company

Answer to 52 Pa. Code § 53.52 (c)(1) - Sheet 1c

Going-Level Adjustments:

1. An adjustment is required to reflect the 2013 salaries and wages increase and an allocation to an affiliated company. This results in a going-level adjustment of (\$25,597).

Going- Level Adjustment	(\$25,597)
	=====

Refer to Supporting Schedule No. 2.

2. An adjustment is required to reflect the associated F.I.C.A., Pa. Unemployment, and F.U.T.A. taxes. This results in a going-level adjustment of (\$6,069).

F.I.C.A.	(\$5,916)
Pa. Unemployment	(66)
F.U.T.A.	(87)

Going- Level Adjustment	(\$6,069)
	=====

Refer to Supporting Schedule No. 3.

3. The Company estimates that the expenses related to this rate filing will aggregate \$252,800 for a fully-litigated filing. For the purposes of this filing, the Company believes that a normalization period of three [3] years is appropriate and has adopted this period for this rate filing. This results in a going-level adjustment of \$84,267.

Estimated Costs for Rate Case:	
Tariff, Rates & Supporting Data	\$22,500
Company Costs (Printing, Postage, etc.)	3,300
Post Filing Fees	42,000
Legal Services	185,000

Total Rate Case Costs to be Recovered	\$252,800
Divide by:	
Normalization Period	+ 3

Going- Level Adjustment	\$84,267
	=====

4. The Company has an estimate for the 2013 operating expenses. An adjustment is required to reflect these estimates for all expenses not addressed separately in Going-Level Adjustment Nos. 1 through 3 above. This results in a going-level adjustment of \$24,080.

Going- Level Adjustment	\$24,080
	=====

Refer to Supporting Schedule No. 4.

The Columbia Water Company

Statement of Calculation of the Rate of Return Under the Existing Rates for the
Twelve Months Ended December 31, 2013 and Under the Proposed Rates
Answer to 52 Pa. Code § 53.52 (c)(1) - Sheet No. 2

	Supporting Schedule No.	Original Cost 12/31/13
<hr/>		
Total Utility Plant in Service	(c)(3)	\$35,003,303
Less:		
Reserve for Depreciation	6	(10,296,491)

Total Depreciated Utility Plant in Service		\$24,706,812
Add:		
Materials & Supplies		62,314 1)
Cash Working Capital		248,967 2)
Deduct:		
Contributions in Aid of Construction (Net)	7	(7,482,223)
Deferred Income Taxes (Federal Only)		(4,008,096)

Total Measures of Value		\$13,527,774 =====
 <u>Pro Forma Return:</u>		
Present:		
Dollars		\$840,867
Percent		6.22%
Proposed [Indicated]:		
Dollars		\$1,298,666
Percent	9	9.60%

Notes:

1) Based on three year average.

12/31/10	\$51,177
12/31/11	\$61,084
12/31/12	\$74,680
Three Year Average	\$62,314

2) Based on 45 days of pro forma operating and maintenance expenses.

$$45 \times (\$2,030,398 - \$11,000) / 365 = \$248,967$$

The Columbia Water Company

Assets & Other Debits for the Twelve Months Ended
December 31, 2012 and December 31, 2013 (Pro Forma)
Answer to 52 Pa. Code § 53.52 (c)(2) - Sheet No. 1

Account Title	Per Books 12/31/12	Pro Forma 12/31/13
<u>Net Utility Plant:</u>		
Utility Plant in Service	\$34,480,742	\$35,003,303
Construction Work in Progress	3,472,270	10,000,000
Accumulated Depreciation	(9,396,809)	(10,296,491)
Utility Plant Aquisition Adjustment (Net)	221,821	221,821
	-----	-----
Total Net Utility Plant	\$28,778,024	\$34,928,633
<u>Other Property & Investments:</u>		
Non-Utility Property	\$60,189	\$60,189
	-----	-----
Total Other Property & Investments	\$60,189	\$60,189
<u>Current & Accrued Assets:</u>		
Cash & Cash Equivalents	\$450	\$450
Special Deposits - Interest & Dividends	131,645	131,645
Working Funds	10,706	10,706
Customer Accounts Receivable	335,661	335,661
Other Accounts Receivable	8,500	8,500
Plant Materials & Supplies	74,680	62,314
Prepayments	36,209	36,209
	-----	-----
Total Current & Accrued Assets	\$597,851	\$585,485
	-----	-----
Total Assets	\$29,436,064	\$35,574,307
	=====	=====

The Columbia Water Company

Capitalization and Liabilities for the Twelve Months Ended
December 31, 2012 and December 31, 2013 (Pro Forma)
Answer to 52 Pa. Code § 53.52 (c)(2) - Sheet No. 2

<u>Account Title</u>	Per Books 12/31/12	Pro Forma 12/31/13
<u>Capitalization:</u>		
Common Stock Issued	\$5,040,000	\$5,040,000
Premium on Capital Stock	20,000	20,000
Other Paid-In Capital	12,000	12,000
Unappropriated Retained Earnings	2,870,541	2,483,405
	-----	-----
Total Capitalization	\$7,942,541	\$7,555,405
<u>Long Term Debt:</u>		
Long Term Debt:	\$6,383,997	\$14,182,747
	-----	-----
Total Long Term Debt	\$6,383,997	\$14,182,747
<u>Current & Accrued Liabilities:</u>		
Accounts Payable	\$1,503,291	\$803,291
Customers' Deposits - Billing	42,743	42,743
Accrued Taxes, Taxes Other Than Income	5,225	5,225
Accrued Taxes, income Taxes	316,850	316,850
Accrued Interest on Other Liabilities	26,246	26,246
Miscellaneous Current & Accrued Liabilities	202,669	202,669
	-----	-----
Total Current & Accrued Liabilities	\$2,097,024	\$1,397,024
<u>Contributions in Aid of Construction:</u>		
Contributions in Aid of Construction (Net)	\$8,042,958	\$7,482,223
	-----	-----
Total Contributions in Aid of Construction	\$8,042,958	\$7,482,223
<u>Accumulated Deferred Income Taxes</u>		
Liberalized Depreciation - Federal	\$4,003,354	\$4,008,096
Liberalized Depreciation - State	966,190	948,812
	-----	-----
Total Accumulated Deferred Income Taxes	\$4,969,544	\$4,956,908
	-----	-----
Total Capitalization & Liabilities	\$29,436,064	\$35,574,307
	=====	=====

The Columbia Water Company

Original Cost of Utility Plant in Service at
December 31, 2012 and December 31, 2013 (Pro Forma)
Answer to 52 Pa. Code § 53.52 (c)(3)

Acct. No.	Account Title	Per Books 12/31/12	Per Books Adjustment	Adjusted Per Books 12/31/12	2013 Additions (1)	2013 Retirements (1)	Pro Forma 12/31/13
Non-Depreciable Plant:							
301.1	Organization	\$300	\$0	\$300			\$300
302.1	Franchises & Consents	366,160	0	366,160			366,160
303.3	Land & Land Rights - Source of Supply/Pumping	47,561	0	47,561			47,561
303.4	Land & Land Rights - Transmission & Distribution	321,348	20,275	341,623			341,623
303.5	Land & Land Rights - Geberal	4,000	0	4,000			4,000
	Total Non-Depreciable Plant	\$739,369	\$20,275	\$759,644	\$0	\$0	\$759,644
Depreciable Plant:							
304.2	Structures & Impr. - Source of Supply & Pumping	\$685,562	\$576,471	\$1,262,033			\$1,262,033
304.3	Structures & Impr. - Water Treatment	122,843	43,014	165,857			165,857
304.4	Structures & Impr. - Transmission & Distribution	733,238	(731,403)	1,835			1,835
304.5	Structures & Impr. - General	538,372	5,793	544,165	\$7,500		551,665
306.2	Lake, River & Other Intakes	392,875	(2,373)	390,502			390,502
310.2	Power Generation Equipment	35,000	0	35,000			35,000
311.2	Pumping Equipment	688,836	(688,836)	0			0
311.4	Pumping Equipment	245,316		690,647	4,000		939,963
320.3	Water Treatment Equipment	1,899,968	77,459	1,977,427	75,000		2,052,427
330.4	Distribution Reservoirs & Standpipes	4,196,684	161,930	4,358,614			4,358,614
331.4	Transmission & Distribution Mains	17,139,347	(4,248)	17,135,099	448,100	\$73,639	17,509,560
333.4	Services	2,165,931	21,783	2,187,714			2,187,714
334.4	Meter & Meter Installations	2,344,324	(35,445)	2,308,879	19,000	9,000	2,318,879
335.4	Hydrants	933,565	4,073	937,638	17,800	2,000	953,438
339.4	Other Plant & Miscellaneous Equip.	17,300	(17,300)	0			0
340.5	Office Furniture & Equipment	327,369	(142)	327,227	1,800		329,027
341.5	Transportation Equipment	243,267	149,945	393,212	28,000		421,212
342.5	Stores Equipment	164,786	(149,944)	14,842			14,842
343.5	Tools, Shop & Work Equipment	191,934	0	191,934	4,500		196,434
344.5	Laboratory Equipment	47,353	0	47,353			47,353
345.5	Power-Operatd Equipment	202,516	0	202,516			202,516
346.5	Communication Equipment	27,784	142,355	170,139			170,139
347.5	Miscellaneous Equipment	397,203	(264,054)	133,149	1,500		134,649
	Total Depreciable Plant	\$33,741,373	(\$20,275)	\$33,721,098	\$607,200	\$84,639	\$34,243,659
	Total Plant in Service	\$34,480,742	\$0	\$34,480,742	\$607,200	\$84,639	\$35,003,303

Note:

(1) Refer to Supporting Schedule No. 5.

The Columbia Water Company

Reserve for Depreciation of Utility Plant as of
December 31, 2012 and December 31, 2013 (Pro Forma)
Answer to 52 Pa. Code § 53.52 (c)(4)

<u>Account Title</u>	<u>Per Books 12/31/12</u>	<u>Pro Forma 12/31/13</u>
Reserve for Depreciation	\$9,396,809	\$10,296,491

The Columbia Water Company

Statement of Operating Income Setting Forth the Operating Revenues
and Expenses at Present Rates by Detail Accounts for the Twelve Months
Ended December 31, 2012 and December 31, 2013
Answer to 52 Pa. Code § 53.52 (c)(5)

	Per Books Year Ended 12/31/12	Year Ended 12/31/13 Anticipated at Present Rates
Operating Revenue	\$4,238,672	\$4,032,272
<u>Operating Revenue Deductions:</u>		
Operating Expenses	\$1,947,648	\$2,030,398
Depreciation Expense	1,026,382	739,260
Amortization Expense	3,760	15,039
Taxes & Assessments	492,328	405,484
	-----	-----
Total Operating Revenue Deductions	\$3,470,118	\$3,190,181
	-----	-----
Net Operating Income	\$768,554	\$842,091
<u>Non-Operating Income & Expenses:</u>		
Merchandising Sales & Jobbing Work (Net)	\$15,762	\$15,762
Interest & Dividend Income	8	8
Non-Utility Income	4,300	4,300
Miscellaneous Non-Utility Expenses	(20,119)	(20,119)
Interest Expense	(262,672)	(219,064)
	-----	-----
Total Non-Operating Income & Expenses	(\$262,721)	(\$219,113)
	-----	-----
Net Income	\$505,833	\$622,978
	=====	=====

The Columbia Water Company

Statement Detailing Major Changes in the Operating or Financial
Condition Occurring Between December 31, 2012 and April 24, 2013
Answer to 52 Pa. Code § 53.52 (c)(6) 25

There were no major accounting changes between December 31, 2012
and April 24, 2013 which would effect the operating or financial condition of
The Columbia Water Company. 25

Section 2

The Columbia Water Company

Water Sales Revenues Under Present Rates
For the Year Ended December 31, 2012

Customer Type	Per Books Revenue	Bill Analysis Revenue	Difference
Residential	\$2,959,247	\$2,955,764	(\$3,483)
Commercial	533,690	529,461	(4,229)
Industrial	129,303	129,355	52
Public	42,741	42,634	(107)
Fire Protection	238,700	243,145	4,445
DSIC Revenue	47,958	47,958	0
Total Water Sales Revenues	<u>\$3,951,639</u> =====	<u>\$3,948,317</u> =====	<u>(\$3,322)</u> =====

The Columbia Water Company

Water Sales Revenues Under Present Rates
For the Year Ended December 31, 2012

<u>Residential:</u>			
	Number		
Customer Charges:	<u>of Bills</u>	<u>Rate</u>	<u>Revenue</u>
5/8"	98,945	\$8.14	\$805,412.30
3/4"	60	\$12.23	733.80
1"	697	\$20.37	14,197.89
1 1/2"	24	\$40.75	978.00
2"	28	\$65.20	1,825.60
Total Customer Charges			----- \$823,147.59
	Thousand		
Output Charges:	<u>Gallons</u>	<u>Rate</u>	
Step 1	373,404.7	\$5.63	\$2,102,268.46
Step 2	13,985.2	\$2.17	30,347.88
Step 3	0.0	\$1.48	0.00
Total Output Charges			----- \$2,132,616.35
Total Residential Revenue			----- \$2,955,763.94
<u>Commercial:</u>			
	Number		
Customer Charges:	<u>of Bills</u>	<u>Rate</u>	<u>Revenue</u>
5/8"	2,361	\$8.14	\$19,218.54
3/4"	90	\$12.23	1,100.70
1"	635	\$20.37	12,934.95
1 1/2"	592	\$40.75	24,124.00
2"	950	\$65.20	61,940.00
3"	60	\$122.25	7,335.00
4"	72	\$203.75	14,670.00
8"	12	\$652.01	7,824.12
Total Customer Charges			----- \$149,147.31
	Thousand		
Output Charges:	<u>Gallons</u>	<u>Rate</u>	
Step 1	36,452.9	\$5.63	\$205,229.83
Step 2	67,140.9	\$2.17	145,695.75
Step 3	19,857.1	\$1.48	29,388.51
Total Output Charges			----- \$380,314.09
Total Commercial Revenue			----- \$529,461.40

The Columbia Water Company

Water Sales Revenues Under Present Rates
For the Year Ended December 31, 2012

<u>Industrial:</u>	Number		
Customer Charges:	<u>of Bills</u>	<u>Rate</u>	<u>Revenue</u>
5/8"	132	\$8.14	\$1,074.48
1"	84	\$20.37	1,711.08
1 1/2"	24	\$40.75	978.00
2"	84	\$65.20	5,476.80
3"	12	\$122.25	1,467.00
4"	60	\$203.75	12,225.00
6"	12	\$407.51	4,890.12

Total Customer Charges			\$27,822.48
	Thousand		
Output Charges:	<u>Gallons</u>	<u>Rate</u>	
Step 1	2,111.2	\$5.63	\$11,886.06
Step 2	9,589.2	\$2.17	20,808.56
Step 3	46,512.0	\$1.48	68,837.76

Total Output Charges			\$101,532.38

Total Industrial Revenue			\$129,354.86
<u>Public:</u>	Number		
Customer Charges:	<u>of Bills</u>	<u>Rate</u>	<u>Revenue</u>
5/8"	85	\$8.14	\$691.90
1"	86	\$20.37	1,751.82
1 1/2"	80	\$40.75	3,260.00
2"	136	\$65.20	8,867.20
3"	24	\$122.25	2,934.00
4"	12	\$203.75	2,445.00

Total Customer Charges			\$19,949.92
	Thousand		
Output Charges:	<u>Gallons</u>	<u>Rate</u>	
Step 1	2,201.6	\$5.63	\$12,395.01
Step 2	4,593.5	\$2.17	9,967.90
Step 3	217.0	\$1.48	321.16

Total Output Charges			\$22,684.06

Total Public Revenue			\$42,633.98

The Columbia Water Company

Water Sales Revenues Under Present Rates
For the Year Ended December 31, 2012

<u>Fire Protection:</u>	No. of <u>Units</u>	Annual <u>Rate</u>	
Public Fire Hydrants	104	\$200.00	\$20,800.00
Public Fire Hydrants	515	\$301.40	155,221.00
Private Fire Hydrants	43	\$301.40	12,960.20
Private - 2" Connection	11	\$361.76	3,979.36
Private - 4" Connection	4	\$542.68	2,170.72
Private - 6" Connection	30	\$1,085.24	32,557.20
Private - 8" Connection	8	\$1,932.12	15,456.96

Total Fire Protection			\$243,145.44
DSIC Revenues			\$47,958.00

Total Water Sales Revenues			\$3,948,317.62
			=====

The Columbia Water Company

Calculation of 2013 Pro Forma Salaries and Wages

Account Title	2012 Salaries & Wages	2013 Pro Forma Salaries & Wages	2013 Increase
Production	\$293,749	\$292,270	(\$1,479)
Distribution	262,468	259,750	(2,718)
Adminstration	264,266	242,866	(21,400)
Directors	68,900	68,900	0
	-----	-----	-----
Total Salaries & Wages (Expensed)	\$889,383	\$863,786	(\$25,597)
Capitalized & Other - Salaries & Wages	122,641	127,000	4,359
	-----	-----	-----
Total Salaries & Wages	\$1,012,024	\$990,786	(\$21,238)
	=====	=====	=====

The Columbia Water Company

Associated Increases in Employer Paid Taxes
Due to the Salary and Wage Increases

F.I.C.A.:

Based on Pro Forma Salaries & Wages

Social Security ($\$838,986 \times .0620$) \$52,017

Medicare ($\$863,786 \times .0145$) 12,525

Total F.I.C.A. (Going-Level) \$64,542

Less: F.I.C.A. Tax (Per Books) (70,458)

Going-Level Adjustment (\$5,916)

=====

Pa. Unemployment Tax:

Payments for \$8,000 or less

PA Unemployment Tax (Going-Level)
($\$192,319 \times .047646$) \$9,163

Less: PA Unemployment Tax (Per Books) (9,229)

Going-Level Adjustment (\$66)

=====

F.U.T.A.

Payments for \$7,000 or less

F.U.T.A Tax (Going-Level)
($\$169,370 \times .008$) \$1,355

Less: F.U.T.A Tax (Per Books) (1,442)

Going-Level Adjustment (\$87)

=====

The Columbia Water Company

Calculation of Operating Expense Going-Level Adjustment No. 4

Account Description	Per Books Year Ended 12/31/12	Going-Level Year Ended 12/31/13	Increase / Decrease
Employee Pensions & Benefits	\$149,982	\$147,054	(\$2,928)
Purchased Power	181,067	182,000	933
Chemicals	52,160	52,160	0
Materials & Supplies	165,469	170,000	4,531
<u>Contractual Services:</u>			
Engineering	\$18,743	\$13,500	(\$5,243)
Accounting	28,300	28,300	0
Legal	33,897	25,000	(8,897)
Management Fees	26,063	26,063	0
Testing	17,698	19,000	1,302
Other - Maintenance	92,597	93,000	403
Total Contractual Services	\$217,298	\$204,863	(\$12,435)
Rental of Building/Real Property	\$13,960	\$42,369	\$28,409
Transportation Expenses	48,923	50,000	1,077
<u>Insurance:</u>			
Vehicle	\$6,863	\$6,900	\$37
General Liability	87,712	88,000	288
Workman's Compensation	24,083	24,500	417
Total Insurance	\$118,658	\$119,400	\$742
Bad Debt Expense	\$10,436	\$11,000	\$564
<u>Miscellaneous Expenses:</u>			
Membership Dues	\$9,140	\$10,000	\$860
Reg. Fees for Conv. & Meetings of Industry	40	556	516
Stockholders Expenses	887	1,000	113
Office Expenses & Utilities	17,039	18,000	961
Uniforms	1,234	1,250	16
Director's Fees & Expenses	62,165	62,500	335
Mailing	5,354	5,350	(4)
Travel	0	105	105
Education	1,458	2,004	546
Charitable Contributions	2,995	2,734	(261)
Total Miscellaneous Expenses	\$100,312	\$103,499	\$3,187
Total Operating & Maintenance Expenses	\$1,058,265	\$1,082,345	\$24,080

The Columbia Water Company

Additions, Retirements and Contributions in Aid of Construction
from January 1, 2013 to December 31, 2013

Acct. No.	Project Description	Estimated Total Cost of Construction	Estimated Retirements	Estimated Contributions in Aid of Construction
304.5	Office - Exterior Repair	\$7,500		
311.3	Chlorine Feed Pump	\$4,000		
304.3	Chlorine Booster Stations - 2	\$75,000		
331.4	Main Extension - Perth Hills	\$244,700		\$1,800
331.4	Eighth Street Main Replacement	33,400		
331.4	Route 462 - Mountville Bridge Replacement	170,000	\$73,639	
	Total Acct. 331.4	\$448,100	\$73,639	\$1,800
334.4	Meters	\$19,000	\$9,000	
335.4	Fire Hydrants	\$17,800	\$2,000	
340.3	Office Computers - 2	\$1,800		
341.5	Vehicle	\$20,000		
343.5	Metal Locator	\$1,000		
343.5	Pipe Locator	3,500		
	Total Acct. 343.5	\$4,500	\$0	\$0
345.5	Reline Large Dump Truck Bed	\$8,000		
347.5	Garage Door Opener	\$1,500		
	Totals	\$607,200	\$84,639	\$1,800

The Columbia Water Company

Calculation of 2013 Annual Depreciation Expense
and the Depreciation Reserve at December 31, 2013
Total Plant in Service

Acct. No.	Account Detail	Plant in Service 12/31/2012	Plant in Service 12/31/2013	Average	Annual Rate	2013 Annual Depreciation	Depreciation Reserve 12/31/2012	2013 Retirements g)	2013 (h) - (i) + (j)	Depreciation Reserve 12/31/2013 (k)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)		(k)
Depreciable Plant:										
304.2	Pumping Structures & impr.	\$1,262,033	\$1,262,033	\$1,262,033	2.38%	\$30,036	\$375,195	\$0		\$405,231
304.3	Water Treatment Structures & Impr.	165,857	165,857	165,857	0.27%	448	119,019	0		119,467
304.4	Trans. & Distr. Structures & Impr.	1,835	1,835	1,835	3.55%	65	533	0		598
304.5	General Structures & Impr.	544,165	551,665	547,915	2.53%	13,862	289,498	0		303,360
306.2	Lake, River & Other Intakes	390,502	390,502	390,502	1.90%	7,420	100,376	0		107,796
310.4	Power Generation Equipment	35,000	35,000	35,000	3.89%	1,362	11,816	0		13,178
311.4	Pumping Equipment	935,963	939,963	937,963	3.04%	28,514	566,879	0		595,393
320.3	Water Treatment Equipment	1,977,427	2,052,427	2,014,927	2.04%	41,105	1,181,734	0		1,222,839
330.40	Distribution Reservoirs & Standpipes	\$3,751,777	\$3,751,777	\$3,751,777	2.64%	\$99,047	\$1,183,150	\$0		\$1,282,197
330.41	Tank Painting	606,837	606,837	606,837	10.00%	60,684	309,247	0		369,931
	Total Account 330	\$4,358,614	\$4,358,614	\$4,358,614	3.66%	\$159,731	\$1,492,397	\$0		\$1,652,128
331.01	Mains - 4" & Under	\$28,486	\$28,486	\$28,486	4.99%	\$1,421	\$13,120	\$0		\$14,541
331.02	Mains - 6"-8"	846,716	846,716	846,716	2.83%	23,962	236,416	0		260,378
331.11	Mains - CI & DI, 4" & Under	37,457	37,457	37,457	2.00%	749	4,000	0		4,749
331.12	Mains - CI & DI, 6"-8"	5,680,936	6,055,397	5,868,167	1.67%	97,999	633,705	73,639		658,065
331.13	Mains - CI & DI, 10"-16"	8,068,212	8,068,212	8,068,212	1.38%	111,341	814,227	0		925,568
331.22	Mains - Transite, 6"-8"	461	461	461	6.51%	30	383	0		413
331.31	Mains - Steel, 4" & Under	274	274	274	6.57%	18	233	0		251
331.32	Mains - Steel, 6"-8"	4,760	4,760	4,760	3.15%	150	1,546	0		1,696
331.33	Mains - Steel, 10"-16"	101,582	101,582	101,582	1.76%	1,787	15,853	0		17,640
331.51	Mains - Copper & Brass, 4" & Under	10,109	10,109	10,109	12.48%	0	10,109	0		10,109
331.61	Mains - Plastic, 4" & Under	28,922	28,922	28,922	3.25%	940	7,488	0		8,428
331.71	Valves, 4" & Under	22,709	22,709	22,709	10.05%	2,282	13,047	0		15,329
331.72	Valves, 6"-8"	927,694	927,694	927,694	2.95%	27,367	178,022	0		205,389
331.73	Valves, 10"-14"	944,836	944,836	944,836	2.17%	20,503	139,046	0		159,549
331.75	Valves Boxes	233,076	233,076	233,076	3.13%	7,295	49,197	0		56,492
331.76	Blowoffs	34,972	34,972	34,972	4.13%	1,445	11,204	0		12,649
331.77	Reducing Valves	84,269	84,269	84,269	6.62%	5,579	39,806	0		45,385
331.78	Vaults	10,002	10,002	10,002	2.09%	209	1,152	0		1,361
331.80	Special Construction	69,626	69,626	69,626	2.59%	1,803	15,663	0		17,466
	Total Account 331	\$17,135,099	\$17,509,560	\$17,322,330	1.76%	\$304,880	\$2,184,217	\$73,639		\$2,415,458
333.10	Services - 6" - 8"	\$13,997	\$13,997	\$13,997	4.83%	\$676	\$6,846	\$0		\$7,522
333.20	Services - Other	2,173,717	2,173,717	2,173,717	5.24%	113,903	882,987	0		996,890
	Total Account 333	\$2,187,714	\$2,187,714	\$2,187,714	5.24%	\$114,579	\$889,833	\$0		\$1,004,412
334.4	Meters	\$2,308,879	\$2,318,879	\$2,313,879	8.00%	\$185,110	\$959,443	\$9,000		\$1,135,553
335.4	Fire Hydrants	937,638	953,438	945,538	2.15%	20,330	170,646	2,000		188,976
340.10	Office Furniture	\$64,840	\$64,840	\$64,840	7.12%	\$4,617	\$40,838	\$0		\$45,455
340.20	Office Equipment	41,456	41,456	41,456	2.43%	1,007	7,245	0		8,252
340.30	Office Equipment - Computers	220,931	222,731	221,831	8.64%	1,800	220,931	0		222,731
	Total Account 340	\$327,227	\$329,027	\$328,127	2.26%	\$7,424	\$269,014	\$0		\$276,438
341.5	Transportation Equipment	\$393,212	\$421,212	\$407,212	20.00%	\$35,653	\$385,559	\$0		\$421,212
342.5	Stores Equipment	14,842	14,842	14,842	2.86%	424	7,487	0		7,911
343.5	Tools, Shop & Work Equipment	191,934	196,434	194,184	0.98%	1,903	131,944	0		133,847
344.5	Laboratory Equipment	47,353	47,353	47,353	0.80%	379	42,545	0		42,924
345.5	Power Operated Equipment	202,516	202,516	202,516	6.55%	13,265	97,078	0		110,343
346.5	Communication Equipment	170,139	170,139	170,139	5.53%	9,409	86,794	0		96,203
347.5	Miscellaneous Equipment	133,149	134,649	133,899	6.29%	8,422	34,802	0		43,224
	Total Depreciable Plant	\$33,721,098	\$34,243,659	\$33,982,379	2.90%	\$984,321	\$9,396,809	\$84,639		\$10,296,491
Non-Depreciable Plant:										
301.1	Organization	\$300	\$300	\$300						
302.1	Franchises & Consents	366,160	366,160	366,160						
303.2	Power & Pumping Land	47,561	47,561	47,561						
303.4	Trans. & Distr. Land	341,623	341,623	341,623						
303.5	General Land	4,000	4,000	4,000						
	Total Non-Depreciable Plant	\$759,644	\$759,644	\$759,644						
	Total Plant in Service	\$34,480,742	\$35,003,303	\$34,742,023						

The Columbia Water Company

Calculation of Projected 2013 Annual Depreciation Expense
and the Projected Depreciation Reserve at December 31, 2013
Contributions in Aid of Construction

Acct. No.	Account Detail	Plant in Service 12/31/2012	Projected Plant in Service 12/31/2013	Average	Annual Rate	Projected 2013 Annual Depreciation	Depreciation Reserve 12/31/2011	Projected 2013 Retirements	Projected Depreciation Reserve 12/31/2013
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	[(g) + (h) - (i)]
<u>Depreciable Plant:</u>									
304.4	Trans. & Distr. - Structures & Impr.	\$1,835	\$1,835	\$1,835	3.55%	\$65	\$720	\$0	\$785
331.12	Mains - CI & DI, 6"-8"	8,528,492	8,530,292	8,529,392	1.67%	142,441	1,947,895	0	2,090,336
331.13	Mains - CI & DI, 10"-16"	441,092	441,092	441,092	1.38%	6,087	29,768	0	35,855
333.20	Services - Other	1,010,371	1,010,371	1,010,371	5.24%	52,943	513,675	0	566,618
334.4	Meters	400,559	400,559	400,559	10.00%	40,056	278,077	0	318,133
335.4	Fire Hydrants	161,348	161,348	161,348	2.15%	3,469	48,078	0	51,547
Total Depreciable Plant		\$10,543,697	\$10,545,497	\$10,544,597	2.32%	\$245,061	\$2,818,213	\$0	\$3,063,274
		=====	=====	=====					

The Columbia Water Company

Regulatory Assessments

Revenues at Present Rates (Going-Level)		\$4,032,272
Assessment Factors:		
PA. P.U.C.	0.004490328188	\$18,106
Consumer Advocate	0.001382088326	5,573
Small Business Advocate	0.000119072885	480

Regulatory Assessments at Present Rates (Going-Level)		\$24,159
Regulatory Assessments (Per Books)		(25,306)

Regulatory Assessments Adjustment		(\$1,147)
		=====

The Columbia Water Company

Income Tax Calculations
Year Ended December 31, 2013 at Present Rates

	<u>PA</u>	<u>FEDERAL</u>		
OPERATING REVENUES	\$4,032,272	\$4,032,272		
OPERATING EXPENSES	(2,030,398)	(2,030,398)		
DEPRECIATION EXPENSE	(984,321)	(984,321)		
AMORTIZATION EXPENSE	(15,039)	(15,039)		
REGULATORY ASSESSMENTS	(24,159)	(24,159)		
PAYROLL TAXES	(75,060)	(75,060)		
PA CAPITAL STOCK TAX	(9,000)	(9,000)		
PUBLIC UTILITY REALTY TAX	(48,200)	(48,200)		
PROPERTY TAXES	(2,597)	(2,597)		
STATE CORPORATE LOAN TAX	(74)	(74)		
	<u>\$843,424</u>	<u>\$843,424</u>		
SUBTOTAL NET OPERATING INCOME BEFORE INCOME TAXES				
NON-OPERATING INCOME & EXPENSES:				
MERCHANDISING SALES & JOBBING WORK (NET)	15,762	15,762		
INTEREST & DIVIDEND INCOME	8	8		
NON-UTILITY	4,300	4,300		
MISCELLANEOUS NON-UTILITY EXPENSES	(20,119)	(20,119)		
INTEREST EXPENSE	(219,064)	(219,064)		
	<u>\$624,311</u>	<u>\$624,311</u>		
NET INCOME BEFORE INCOME TAXES				
LESS:				
ACCRETION OF DEFERRED CREDIT	(214,095)	(214,095)		
	<u>\$410,216</u>	<u>\$410,216</u>		
LESS:				
DEPRECIATION - EXCESS				
	PA	FED		
TAX	\$641,824	\$829,734		
BOOK	984,321	984,321		
	<u>(\$342,497)</u>	<u>(\$154,587)</u>	<u>342,497</u>	<u>154,587</u>
			\$752,713	\$564,803
	PA CNI		\$75,196	(75,196)
	Fed tax			\$166,466
	PA	FED		
ACCRUAL	\$75,196	\$166,466		
EXPEND	57,818	171,208		
DEFERRED	<u>(\$17,378)</u>	<u>\$4,742</u>		
incr in accum deprec tax	(\$342,497)			
	x.0999			
state tax deferred	<u>(\$34,215)</u>			
add: rate case cost amortization	16,837			
state tax deferred (adjusted)	<u>(\$17,378)</u>			
incr in accum deprec tax		(\$154,587)		
		x.34		
federal tax deferred		<u>(\$52,560)</u>		
add: rate case cost amortization		57,302		
federal tax deferred (adjusted)		<u>\$4,742</u>		
Deferred taxes accum 1/1/13	\$966,190	\$4,003,354	4,969,544	
Deferred Taxes 12/31/13	\$948,812	\$4,008,096	4,956,908	

The Columbia Water Company

Cost of Capital and Fair Rate of Return
Pro Forma at December 31, 2013

<u>Type of Capital:</u>	<u>Ratio 1)</u>	<u>Cost Rate</u>		<u>Weighted Cost Rate</u>
Debt	0.356	5.24%	2)	1.87%
Common Equity	0.644	12.00%	3)	7.73%
	-----			-----
Total Capital	1.000			9.60%
	=====			=====

Notes:

- 1) The pro forma actual capital ratios. Developed on page 2.
- 2) Developed on page 2.
- 3) Required in order for the Company to maintain a financial profile which will enable it to be in the capital attraction posture or credit profile to secure additional financing when required.

The Columbia Water Company

Development of Capital Structure Ratios for Ratemaking Purposes
Pro Forma at December 31, 2013

	Per Books 12/31/12	Pro Forma 12/31/13	Pro Forma Ratios
<u>Long-Term Debt:</u>			
Miscellaneous Long-Term Debt	\$6,383,997	\$4,182,747	
Total Long-Term Debt	\$6,383,997	\$4,182,747	0.356
<u>Common Equity:</u>			
Common Stock Issued	\$5,040,000	\$5,040,000	
Premium on Capital Stock	20,000	20,000	
Additional Paid-In Capital	12,000	12,000	
Retained Earnings	2,870,541	2,483,405	
Total Common Equity	\$7,942,541	\$7,555,405	0.644
Total Capital	\$14,326,538	\$11,738,152	1.000

Embedded Debt Cost
Pro Forma at December 31, 2013

Long-Term Debt:	Amount	Cost Rate	Interest Expense
Wachovia Bank Loan 15-8	\$0	6.0500%	\$1,708
Wells Fargo Line of Credit	349,977	5.0000%	16,332
Wachovia Bank Loan 18-2	375,329	5.5500%	23,202
Wachovia Bank Loan 21-6	0	6.4500%	24,000
Wells Fargo Bank Loan 109	424,399	5.0000%	23,139
Wells Fargo Bank Loan 125	471,000	4.5000%	21,000
Wachovia Bank Loan 30-7	362,337	6.0500%	17,909
Wachovia Bank Loan 32-2	363,000	5.6500%	22,000
Wells Fargo Bank Loan 174	490,077	5.2500%	27,531
Wells Fargo Equipment Finance	86,628	5.2000%	5,243
Wachovia Bank Loan 29-9	0	6.3500%	16,000
New Loan (Refinance WB 29-9)	385,000	4.2500%	10,000
New Loan (Refinance WB 21-6)	395,000	4.5000%	3,800
New Loan	480,000	4.5000%	7,200
Subtotal	\$4,182,747	5.2400%	\$219,064
PennVest Loan	\$10,000,000	2.9310%	
Total Long-Term Debt	\$14,182,747		

The Columbia Water Company

Regulatory Assessments

Revenues at Proposed Rates		\$4,805,482
Assessment Factors:		
PA. P.U.C.	0.004490328188	\$21,578
Consumer Advocate	0.001382088326	6,642
Small Business Advocate	0.000119072885	572

Regulatory Assessments at Proposed Rates		\$28,792
Regulatory Assessments at Present Rates (Going-Level)		(24,159)

Regulatory Assessments Adjustment		\$4,633
		=====

The Columbia Water Company

Income Tax Calculations
Year Ended December 31, 2013 at Proposed Rates

	<u>PA</u>	<u>FEDERAL</u>		
OPERATING REVENUES	\$4,805,482	\$4,805,482		
OPERATING EXPENSES	(2,030,398)	(2,030,398)		
DEPRECIATION EXPENSE	(984,321)	(984,321)		
AMORTIZATION EXPENSE	(15,039)	(15,039)		
REGULATORY ASSESSMENTS	(28,792)	(28,792)		
PAYROLL TAXES	(75,060)	(75,060)		
PA CAPITAL STOCK TAX	(9,000)	(9,000)		
PUBLIC UTILITY REALTY TAX	(48,200)	(48,200)		
PROPERTY TAXES	(2,597)	(2,597)		
STATE CORPORATE LOAN TAX	(74)	(74)		
	<u>\$1,612,001</u>	<u>\$1,612,001</u>		
SUBTOTAL NET OPERATING INCOME BEFORE INCOME TAXES				
NON-OPERATING INCOME & EXPENSES:				
MERCHANDISING SALES & JOBBING WORK (NET)	15,762	15,762		
INTEREST & DIVIDEND INCOME	8	8		
NON-UTILITY	4,300	4,300		
MISCELLANEOUS NON-UTILITY EXPENSES	(20,119)	(20,119)		
INTEREST EXPENSE	(219,064)	(219,064)		
	<u>\$1,392,888</u>	<u>\$1,392,888</u>		
NET INCOME BEFORE INCOME TAXES				
LESS:				
ACCREATION OF DEFERRED CREDIT	(214,095)	(214,095)		
	<u>\$1,178,793</u>	<u>\$1,178,793</u>		
LESS:				
DEPRECIATION - EXCESS				
	PA	FED		
TAX	\$641,824	\$829,734		
BOOK	984,321	984,321		
	<u>(\$342,497)</u>	<u>(\$154,587)</u>	<u>342,497</u>	<u>154,587</u>
			<u>\$1,521,290</u>	<u>\$1,333,380</u>
	PA	FED		
ACCRUAL	\$151,977	\$401,677		
EXPEND	134,599	406,419		
DEFERRED	<u>(\$17,378)</u>	<u>\$4,742</u>		
incr in accum deprec tax	(\$342,497)			
	x.0999			
state tax deferred	<u>(\$34,215)</u>			
add: rate case cost amortization	16,837			
state tax deferred (adjusted)	<u>(\$17,378)</u>			
incr in accum deprec tax		(\$154,587)		
		x.34		
federal tax deferred		<u>(\$52,560)</u>		
add: rate case cost amortization		57,302		
federal tax deferred (adjusted)		<u>\$4,742</u>		
Deferred taxes accum 1/1/13	\$966,190	\$4,003,354	4,969,544	
Deferred Taxes 12/31/13	\$948,812	\$4,008,096	4,956,908	

The Columbia Water Company

Water Sales Revenues Under Proposed Rates

<u>Residential:</u>			
	Number		
Customer Charges:	<u>of Bills</u>	<u>Rate</u>	<u>Revenue</u>
5/8"	99,300	\$9.85	\$978,105.00
3/4"	60	\$14.81	888.60
1"	708	\$24.67	17,466.36
1 1/2"	24	\$49.35	1,184.40
2"	24	\$78.95	1,894.80
Total Customer Charges			----- \$999,539.16
Output Charges:	Thousand <u>Gallons</u>	<u>Rate</u>	
Step 1	374,467.7	\$6.82	\$2,553,869.71
Step 2	13,985.2	\$2.63	36,781.08
Step 3	0.0	\$1.79	0.00
Total Output Charges			----- \$2,590,650.79
Total Residential Revenue			----- \$3,590,189.95
<u>Commercial:</u>			
	Number		
Customer Charges:	<u>of Bills</u>	<u>Rate</u>	<u>Revenue</u>
5/8"	2,376	\$9.85	\$23,403.60
3/4"	96	\$14.81	1,421.76
1"	672	\$24.67	16,578.24
1 1/2"	588	\$49.35	29,017.80
2"	948	\$78.95	74,844.60
3"	60	\$148.01	8,880.60
4"	72	\$246.68	17,760.96
8"	12	\$789.38	9,472.56
Total Customer Charges			----- \$181,380.12
Output Charges:	Thousand <u>Gallons</u>	<u>Rate</u>	
Step 1	36,552.7	\$6.82	\$249,289.41
Step 2	67,140.9	\$2.63	176,580.57
Step 3	19,857.1	\$1.79	35,544.21
Total Output Charges			----- \$461,414.19
Total Commercial Revenue			----- \$642,794.31

The Columbia Water Company

Water Sales Revenues Under Proposed Rates

<u>Industrial:</u>	Number		
Customer Charges:	<u>of Bills</u>	<u>Rate</u>	<u>Revenue</u>
5/8"	132	\$9.85	\$1,300.20
1"	84	\$24.67	2,072.28
1 1/2"	24	\$49.35	1,184.40
2"	84	\$78.95	6,631.80
3"	12	\$148.01	1,776.12
4"	60	\$246.68	14,800.80
6"	12	\$493.36	5,920.32
Total Customer Charges			----- \$33,685.92
	Thousand		
Output Charges:	<u>Gallons</u>	<u>Rate</u>	
Step 1	2,111.2	\$6.82	\$14,398.38
Step 2	9,589.2	\$2.63	25,219.60
Step 3	46,512.0	\$1.79	83,256.48
Total Output Charges			----- \$122,874.46
Total Industrial Revenue			----- \$156,560.38
<u>Public:</u>	Number		
Customer Charges:	<u>of Bills</u>	<u>Rate</u>	<u>Revenue</u>
5/8"	85	\$9.85	\$837.25
1"	110	\$24.67	2,713.70
1 1/2"	80	\$49.35	3,948.00
2"	136	\$78.95	10,737.20
3"	24	\$148.01	3,552.24
4"	12	\$246.68	2,960.16
Total Customer Charges			----- \$24,748.55
	Thousand		
Output Charges:	<u>Gallons</u>	<u>Rate</u>	
Step 1	2,285.6	\$6.82	\$15,587.79
Step 2	4,593.5	\$2.63	12,080.91
Step 3	217.0	\$1.79	388.43
Total Output Charges			----- \$28,057.13
Total Public Revenue			----- \$52,805.68

The Columbia Water Company

Water Sales Revenues Under Proposed Rates

<u>Fire Protection:</u>	No. of <u>Units</u>	Annual <u>Rate</u>	
Public Fire Hydrants	104	\$200.00	\$20,800.00
Public Fire Hydrants	515	\$365.16	188,057.40
Private Fire Hydrants	43	\$365.16	15,701.88
Private - 2" Connection	11	\$438.36	4,821.96
Private - 4" Connection	4	\$657.60	2,630.40
Private - 6" Connection	30	\$1,315.08	39,452.40
Private - 8" Connection	8	\$2,341.32	18,730.56

Total Fire Protection			\$290,194.60
DSIC Revenues			\$0.00
Forfeited Discounts			9,345.00
Misc. Service Revenues			6,435.00
Rents from Water Property			57,158.00

Total Water Sales Revenues			<u>\$4,805,482.92</u>
			=====