

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Administrative Law Judge
Christopher P. Pell

ORIGINAL

PENNSYLVANIA PUBLIC UTILITY COMMISSION :

v. :

AUDUBON WATER COMPANY :

Docket No. R-2012-2286118

DIRECT TESTIMONY
OF DENNIS M. KALBARCZYK

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DATE SERVED: April 23, 2012
DATE ADMITTED: June ____, 2012

Audubon Water Company
Statement DMK-1

1 Q. STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Dennis M. Kalbarczyk. My business address is 910 Picketown Road,
3 Harrisburg, Pennsylvania 17112.

4

5 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

6 A. I am the principal in Utility Rate Resources and provide consulting services in the field of
7 public utility regulation and ratemaking.

8

9 Q. STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

10 A. My educational background and experience are set forth in **Appendix A** to this testimony.

11

12 Q. ON WHOSE BEHALF ARE YOU SUBMITTING YOUR TESTIMONY IN THIS
13 PROCEEDING?

14 A. I am appearing on behalf of Audubon Water Company (Audubon or Company). Audubon
15 provides water service to customers in portions of Lower Providence Township and adjacent
16 areas in Montgomery County, Pennsylvania and is regulated by the Pennsylvania Public
17 Utility Commission (PaPUC or Commission) under the Pennsylvania Public Utility Code
18 and regulations promulgated thereto.

19

1 **Q. PROVIDE THE COMPANY'S CORPORATE HISTORY.**

2 A. In August 1954, Audubon was incorporated by letters patent for the sole purpose of
3 furnishing water to the public and was certificated by the PaPUC to provide water service
4 to a residential area known as Audubon Close.

5

6 **Q. SUBSEQUENT TO ITS CERTIFICATION IN 1954, WAS AUDUBON**
7 **CERTIFIED BY THE PaPUC TO RENDER REGULATED WATER SERVICE**
8 **TO ADDITIONAL SERVICE AREAS?**

9 A. Yes. Audubon was certified to serve additional service territory in 1961, 1962, 1965 and
10 2003. In 1988, Audubon merged with and obtained the certificate rights of the
11 VFCC Water Company. Audubon's present certificated territory is defined by the rights
12 obtained in 1988 and 2003.

13

14 **Q. DESCRIBE AUDUBON'S SERVICE TERRITORY.**

15 A. Audubon's service territory is generally described by Perkiomen Creek to the west, the
16 Schuylkill River to the south, Rittenhouse and Egypt Road to the east and to the north a
17 line paralleling Woodland Avenue and continuing west to Perkiomen Creek.

18

1 Q. **HOW MANY CUSTOMERS DOES AUDUBON PRESENTLY SERVE?**

2 A. As of September 30, 2011, the Company provided service to 2,579 residential customers,
3 153 commercial customers, 29 multi-family service connections, 4 public customers and
4 200 public and 99 private fire protection units.

5

6 Q. **STATE THE BASIS OF YOUR INVOLVEMENT IN THIS RATE CASE**
7 **PROCEEDING.**

8 A. The Company requested Utility Rate Resources to prepare a water rate study in support of
9 increased rates to be charged for regulated service to its customers. The results of that study,
10 along with supporting data previously supplied as part of the Company's base rate case
11 filing that is the subject of this proceeding, accompanies my direct testimony as
12 **Audubon Water Company Exhibit No. 1** (Filing). The Office of Consumer Advocate
13 (OCA) filed the only formal complaint to the rate filing. The Commission's Bureau of
14 Investigation and Enforcement (I&E) is also participating in the proceeding.
15 On March 15, 2012, the Commission entered an Order suspending the rate filing for
16 investigation and adjudication until October 27, 2012, unless permitted by Commission
17 Order to become effective at an earlier date. Administrative Law Judge Christopher P. Pell
18 is assigned to hear and to issue a Recommended Decision in this case.

19

1 Q. **WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A. The purpose of my testimony is to present my professional opinion related to the overall
3 revenue requirement and the proposed \$540,686 revenue requirement increase as supported
4 by the rate study. Additionally, I will testify in support of the proposed increase in rates to
5 customers that is necessary to produce the total revenue requirement supported by the rate
6 study.

7

8 Q. **PROVIDE A BRIEF OVERVIEW OF THE DEVELOPMENT OF THE RATE
9 STUDY IN THE INSTANT PROCEEDING.**

10 A. As will be discussed in more detail later in my testimony, the development of the rate study
11 was based upon a review of the Company's operations. This included the development of
12 the pro forma revenue requirement, which was based upon the "utility approach,"
13 *i.e.*, operation and maintenance expenses, depreciation expenses, taxes and net income
14 (rate base x overall rate of return). As part of the rate study, I then prepared a class cost of
15 service study that allocated the revenue requirement or total cost of service to the customer
16 classes based upon the Base-Extra Capacity Method as described in the American Water
17 Works Association Water Rate Manual (M-1) Fifth Edition.

18

1 Q. **WHAT DOES YOUR RATE STUDY AND TESTIMONY INCLUDE?**

2 A. Included in a rate study is the development of the revenue requirement. I will testify in
3 support of the pro forma operation and maintenance expense, general taxes, depreciation
4 and amortization expenses and income tax claims. I will also testify in support of the net
5 income claim to include the rate base and overall rate of return claims. Rate base values
6 consist of three elements: utility plant original cost less book depreciation reserves to reflect
7 a net book value, inventory claim and a Cash Working Capital (CWC) claim based on
8 1/8th or 12.5% of the operation and maintenance expenses. The overall rate of return claim,
9 generally expressed as a percentage, takes into consideration the utility's debt and equity
10 capital structure along with the relevant associated costs for each.

11

12 I will also testify in support of the cost of service study and proposed rate design to produce
13 the revenue requirement as contained in the rate case filing previously identified as
14 Audubon Water Company Exhibit No. 1.

15

16 Q. **HAVE THE COMPANY, I&E AND OCA REACHED ANY AGREEMENTS
17 AND / OR STIPULATIONS IN THE INSTANT PROCEEDING?**

18 A. At this time, discovery is still on-going and no agreements or stipulations were reached at
19 the time my direct testimony was prepared. Should this change, I reserve the right to revise
20 my testimony accordingly to reflect such agreements and / or stipulations, if changes would
21 be necessary or appropriate.

1 Q. **WHAT LEVELS OF INCREASED REVENUES ARE YOU PROPOSING IN THE**
2 **INSTANT PROCEEDING?**

3 A. The proposed as-filed rate study reflects an annualized revenue increase of \$540,686 over its
4 \$2,056,238 of pro forma revenues under existing rates or a 27% increase. Thus, the
5 proposed increase will produce a pro forma going forward annualized revenue stream of
6 \$2,596,924 under the proposed tariff rates. As an additional note, the Company, in response
7 to interrogatories, advised that it would update its overall revenue increase request when
8 appropriate. As detailed later in my testimony, the Company currently proposes to reduce
9 the overall revenue increase by \$22,718, resulting in a \$517,968 adjusted increase (25.2%)
10 or a going forward annualized revenue stream of \$2,574,206. The Company reserves the
11 right to further adjust its overall request when appropriate; however, consistent with
12 Commission requirements, the Company would not request a revenue increase greater than
13 that contained in its as-filed rate case. Since the updated request reflects only minor
14 changes, I believe it would be appropriate to first discuss the revenue increase as-filed and
15 then provide the relative changes in the overall request at the end of my testimony.

16
17 Q. **SUMMARIZE YOUR OPINION WITH REGARD TO THE INSTANT**
18 **PROCEEDING.**

19 A. Based upon my independent review and analysis of the books and operations of the
20 Company for the 12 months ended September 30, 2011, to which pro forma adjustments
21 were made to reflect operations for a pro forma future test year of September 30, 2012, the

1 elements within the rate study, as shown on Schedule H-1 of the Filing, support an increase
2 of \$540,686. As discussed earlier and detailed at the end of my testimony, based upon
3 current information the Company proposes to reduce its overall increase to \$517,968;
4 however, the overall request is subject to change if additional information warrants. Further,
5 in my opinion, the pro forma operating expenses claimed, including the depreciation and
6 amortization expenses and income taxes in the development of the pro forma revenue
7 requirement and resultant revenue increase requested, are reasonable, prudent and necessary
8 for the Company's operations in order for it to continue to provide safe, reliable and
9 adequate service to its customers.

10
11 Similarly, the Company's rate base claim for the pro forma test period reflects those plant
12 asset values net of accumulated reserves for depreciation. The rate base claim also excludes
13 all Customer Advances for Construction (CAC) and Construction Work In Progress
14 (CWIP), which would not qualify for PaPUC traditional ratemaking consideration. The
15 plant assets included, and their related net book values and annual depreciation expenses,
16 reflect those Company facilities that are used and useful in providing service and are
17 required to provide safe, reliable and adequate service to Audubon's customers. Thus, in
18 my opinion, the pro forma rate base values used to derive the Company's net income claim,
19 which are also included in the pro forma revenue requirement and resultant revenue increase
20 requested, *i.e.*, rate base times the overall rate of return calculation, are also reasonable and

1 necessary to maintain the Company's financial viability so it can continue to provide safe,
2 reliable and adequate service.

3
4 **Q. WHAT IS THE IMPACT ON THE OVERALL RATE OF RETURN UNDER**
5 **CURRENT AND PRO FORMA PROPOSED RATES?**

6 A. As shown on Schedule H-1 of the Filing, for the pro forma adjusted period ending
7 September 30, 2012, current rates will provide only \$2,056,238 of revenues less \$2,128,620
8 of O&M expenses and \$166,634 of depreciation and amortization expenses, resulting in a
9 net loss of \$239,015. As shown on Schedule F-1 of the Filing, a net loss of \$239,015 over
10 \$2,546,370 of pro forma rate base will result in a negative 9.38% overall rate of return under
11 current rates.

12
13 **Q. WHAT IS THE IMPACT ON THE RATE OF RETURN UNDER PROPOSED**
14 **RATES?**

15 A. Referring again to Schedule H-1, under proposed rates revenues would increase to
16 \$2,596,924 less \$2,128,620 of O&M expenses, \$166,634 of depreciation and amortization
17 expenses and \$70,970 of income taxes, resulting in \$230,700 of net income. As shown on
18 Schedule F-1, \$230,700 of net income over a rate base value of \$2,546,370 produces a
19 positive 9.06% overall rate of return.

20

1 Q. DESCRIBE THE CONTENTS OF AUDUBON WATER COMPANY
2 EXHIBIT NO. 1.

3 A. Briefly, Audubon Water Company Exhibit No. 1 is the rate study and supporting data
4 required by the PaPUC. As shown in the Exhibit Index, Sections A through N of the Filing
5 contain the detailed data in support of the filing. Immediately following the Index are
6 pages 1 to 4 entitled: Cross Reference To Information Submitted Pursuant To Pa Public
7 Utility Code Regulations. This cross-reference provides brief answers and cross-references
8 to various sections of the Filing as it relates to the PaPUC standard filing requirements under
9 52 Pa. Code § 53.52. In some instances, it was necessary for the Company to go beyond the
10 standard or minimum filing requirements, *e.g.*, a bill frequency analysis, cost of service
11 study, depreciation study and a detailed cost of equity analysis, to support the proposed
12 increase. I would note that, in addition to the rate study, to date the OCA and I&E have
13 propounded approximately 90 interrogatories and requests for documents, many consisting
14 of multi-part questions to which the Company has or is in the process of responding.
15 Section A of the Filing contains general information related to the rate increase request.

16
17 Q. WHAT TYPE OF GENERAL INFORMATION IS CONTAINED IN SECTION A?

18 A. Briefly, Section A.I., Water Rate Study, explains what a rate study is and the general
19 methodologies utilized to prepare such a study. It discusses that a rate study includes a
20 revenue requirement study (*i.e.*, cost to provide service) and a cost of service study --
21 *i.e.*, the allocation of revenue requirement or total cost of service is first allocated based

1 upon the various functional characteristics of providing service and these functional costs
2 are then distributed to each of the customer classes based upon each class' functional
3 characteristics required to render service to determine the relative cost of service for each
4 customer class. Thus, the cost of service study is a useful tool in support of a reasonable
5 rate design to demonstrate that proposed rates and revenues by customer class are within a
6 reasonable range of the relative cost of service for the respective customer classes.
7 Section A.I. also provides a summary explanation of the results of the rate study and the
8 overall revenue increase and impact to customers.

9
10 Section A.II., Statement Of Reasons For Increase, provides a summary explanation of the
11 reasons a rate increase is necessary.

12
13 **Q. WHAT IS THE MAJOR REASON FOR THE INCREASE IN RATES, AS**
14 **EXPLAINED IN SECTION A?**

15 A. The primary reason for the increase in rates is to restore Audubon's rate of return and net
16 operating income to a more reasonable level to recover a return on and a return of the
17 Company's increased investment in water plant that has occurred since its last general rate
18 increase and will continue to occur on a pro forma basis. For example, Schedule E-3 of the
19 Filing, discussed later in my testimony, provides a summary of the various new plant
20 addition projects planned by the Company, which include a new road to a test well site,
21 addition of a new pump station and 60,000 gallon water storage tank at the Valley Forge

1 Mobile Home Park (MHP), a generator for one of its production facilities, upgrades to
2 and / or replacement of water mains, replacement of distribution service connections,
3 installation of fire hydrants and the purchase of a backhoe. The estimated cost for these
4 projects totals \$631,079.

5
6 **Q. BRIEFLY EXPLAIN THE FINANCIAL IMPACT ON THE COMPANY AS IT**
7 **RELATES TO THESE PLANT ITEMS AND THE OVERALL RATE OF RETURN.**

8 A. As shown on Schedule F-1 of the Filing, under pro forma adjusted existing rates there will
9 be a \$239,015 net loss with a pro forma adjusted rate base of \$2,546,370 for a negative
10 9.38% overall rate of return. Schedules F-1 and H-1 of the Filing support an increase of
11 \$540,686 at a 9.06% overall rate of return.

12
13 **Q. WHAT IS CONTAINED IN SECTION A.III. OF THE FILING, CORPORATE**
14 **HISTORY AND SCOPE OF OPERATION?**

15 A. This Section provides a brief corporate history of the Company and explains how the water
16 system is designed to provide service to customers, *i.e.*, source of supply, treatment, water
17 storage and delivery to customers. The Company's corporate history was discussed earlier
18 in my testimony.

19

1 Q. EXPLAIN SECTION B.

2 A. Section B of the Filing contains a copy of the PaPUC mandated notice sent to the
3 Company's customers. This notice explains to customers the total amount of the as-filed
4 \$540,686 or approximately 27% increase over existing rates, along with an explanation of
5 the increase as it relates to the individual customer classes. The notice also explains the
6 rights of the customer as they relate to the instant rate case filing before the PaPUC.

7

8 Q. EXPLAIN THE PRESS RELEASE IN SECTION C OF THE FILING.

9 A. The Press Release in Section C is an actual copy of what was sent to local media
10 organizations briefly explaining the Company's request to the PaPUC to increase rates. The
11 PaPUC's regulation requires the Company to notify the media regarding rate increases.

12

13 Q. PLEASE CONTINUE WITH SECTION D.

14 A. Section D contains the PaPUC proposed tariff rates to customers that must be implemented
15 to produce \$2,596,924 of revenues based upon a \$540,686 increase over \$2,056,238 of
16 current revenues produced under current rates. The development of the rates contained in
17 Tariff Water - Pa. PUC No. 4 is supported by the cost of service study that is more fully
18 detailed in Section K of the Filing and the Rate Design and Proof of Revenue that is set forth
19 in Section M of the Filing.

20

1 Q. EXPLAIN SECTION E.

2 A. The Balance Sheet contained in Section E of the Filing is part of the revenue requirement
3 study. This Section sets forth the current and pro forma assets, liabilities and equity in the
4 Company. Briefly, Schedule E-3 shows that the Company in the future test period will
5 increase its utility plant assets by \$631,079, of which \$511,530 relates to Company financed
6 facilities with the balance (or \$119,549) being financed through contributed capital. These
7 factors are utilized in the development of the net rate base values and overall rate of return
8 more fully detailed in Section F of the Filing, Rate of Return, Pro Forma Plant Values.

9
10 As shown on Schedule E-3, the new or increased plant investment relates to a \$15,000 new
11 road to a test well site, \$95,000 and \$85,000, respectively, for a new pump station and new
12 60,000 gallon water storage tank at the MHP; \$50,000 for a generator to provide back-up
13 power to one of the Company's production facilities; \$104,401 of water main additions;
14 \$24,000 and \$28,000 for new computer equipment and customer billing system,
15 respectively, and, \$115,000 for a backhoe to be used for Company repairs and maintenance.
16 These plant additions will improve system reliability by providing: 1) a new source of
17 supply and storage facility at the MHP; 2) redundant transmission looping to avoid possible
18 outages and increase water deliverability; and, 3) new distribution mains to loop and / or
19 extend distribution services necessary to meet customer demands. Each of the various
20 projects with its corresponding cost is listed on Schedule E-3. Additionally, Schedule E-3
21 identifies those related Contributions in Aid of Construction (CIAC) projects totaling

1 \$119,549 that, consistent with accepted PaPUC ratemaking principles, have been removed
2 from the \$631,079 in total plant additions for purposes of developing the rate base and
3 depreciation expense claims.
4

5 **Q. EXPLAIN SECTION F, PRO FORMA RATE BASE AND RATE OF RETURN.**

6 A. Section F, as explained earlier, is a major component in the revenue requirement study.
7 Briefly, Section F, Schedule F-1, shows that the Company's net rate base, *i.e.*, Plant Asset,
8 Inventory, CWC allowances, less contributed assets on a September 30, 2011 per books
9 basis, reflects a value of \$1,597,635. On a pro forma September 30, 2012 basis, net rate
10 base will reflect a level of \$2,546,370. As discussed earlier, a \$540,686 rate increase would
11 produce a net income of \$230,700 and, when divided by the net rate base of \$2,546,370,
12 would produce a 9.06% overall rate of return. Without rate relief, the Company will
13 experience a \$239,015 net loss that, when divided by the \$2,546,370 pro forma rate base,
14 would result in a negative 9.38% overall rate of return.
15

16 **Q. DO YOU HAVE ANY OTHER COMMENTS WITH REGARD TO RATE BASE**
17 **VALUES?**

18 A. Yes. In the Company's rate case proceeding at Docket No. R-00984425, the Commission
19 approved a settlement agreement in which the parties, including the OCA and I&E's
20 predecessor, the Commission's Office of Trial Staff, agreed to use the \$1,398,626 of net
21 plant in service for the historical year ended March 31, 1998 as a starting point in future

1 rate cases. In short, this means the established original cost values and depreciation rates
2 applied in that settlement are to be continued in subsequent cases, excepting for assets to be
3 removed based upon retirement from service. Thus, the Company's depreciation studies
4 in its last two rate case filings at Docket Nos. R-00027104 and R-00072100, and in the
5 instant filing, continue to use the same original cost values and depreciation rates as set
6 forth in the referenced settlement agreement. In the prior two rate case filings, I advised
7 the OCA and I&E, as is the same in the instant proceeding, that there is a difference
8 between the Company's per books depreciation rates and resultant net book values as
9 compared to the results of the depreciation study as submitted in Section J of the Filing
10 and the net rate base values in Section F so that the calculated rate base values would be
11 consistent with the settlement agreement. In summary, the 1998 settlement agreement
12 provided the basis for the determination of net rate base values in the prior two
13 proceedings upon which rates to customers were determined and this treatment shall
14 continue in this case as well. Further, I have for the most part continued to use similar
15 depreciation lives and rates for assets added after March 31, 1998.

16
17 In my opinion, the Company's rate base claim for the pro forma test period reflects those
18 plant asset values net of accumulated reserves for depreciation and excludes all CAC and
19 CWIP, which would not qualify for PaPUC traditional ratemaking consideration as it relates
20 to the rate base values times the overall rate of return calculation, in support of its net
21 income claim. The plant assets included, and their related net book values and annual

1 depreciation expenses, reflect those facilities that are used and useful in providing service
2 and are required for the Company to continue to provide safe, reliable and adequate service
3 to its customers. Finally, for ratemaking purposes the depreciation study and its related
4 results have been calculated consistent with the settlement agreement at Docket No.
5 R-00984425.

6
7 **Q WHAT IS YOUR RECOMMENDED OVERALL FAIR RATE OF RETURN?**

8 A. I recommend that the Company be allowed the opportunity to earn a 9.06% overall fair
9 rate of return based upon the well-accepted ratemaking principle utilizing a hypothetical
10 capital structure consisting of 45% debt and 55% common equity with a debt cost rate of
11 6.70% and an equity cost rate of 10.98%. The development of the overall rate of return
12 to include the hypothetical structure and the corresponding debt and equity cost rates
13 relied upon to produce each of the respective average weighted cost rates in support of
14 the 9.06% overall rate of return are detailed in Schedule F-3, pages 1 and 2 of the Filing.

15
16 **Q BRIEFLY EXPLAIN WHY YOU HAVE UTILIZED A HYPOTHETICAL**
17 **CAPITAL STRUCTURE?**

18 A. In order for a utility to compete in the capital markets, *i.e.*, obtaining debt financing and a
19 return on equity risk capital, the courts and state regulatory commissions have determined
20 that it should be based on its "cost of capital." A review of Audubon's historical cost of
21 capital as shown on Schedule F-3, page 1 at September 30, 2011 reflects a

1 32% / 68% actual debt to equity capital structure ratio. The relative components of the
2 capital structure can change over time due to actual activity as well as ratemaking
3 decisions, which may not be fully reflected on a per books basis. As noted earlier, the
4 Company's per books depreciation expense is different than that expense on a ratemaking
5 basis consistent with the prior settlement agreement. Thus, it was necessary to adjust
6 equity to reflect these differences, along with a positive increase in net income on a pro
7 forma going forward basis resulting in a 27% / 73% pro forma debt to equity capital
8 structure ratio. In that light, both the per books historical and pro forma future test year
9 data result in a much lower debt capital structure ratio and, conversely, a much higher
10 equity capital structure ratio than is typical within the utility industry, which more closely
11 approximates a 45% / 55% debt to equity structure.

12
13 **Q. HAVE UTILITIES AND COMMISSIONS ADDRESSED SUCH DIFFERENCE**
14 **WHEN THE CAPITAL STRUCTURE IS NOT TYPICAL?**

15 **A.** Yes, regulatory agencies – including the PaPUC – have typically imputed a hypothetical
16 capital structure based on an examination of similar companies and industries.

17

1 Q. **HOW DID YOU DETERMINE THE COST OF DEBT?**

2 A. The determination of the cost of debt is relative easy and, as shown on Schedule F-3,
3 page 1, is based upon the estimated principal balances of the Company's long term debt
4 instruments of which their relative ratio to the total debt is then multiplied by their
5 respective cost of debt rates; the sum of which produced the 6.70% cost of debt rate
6 I referenced earlier in my testimony.

7

8 Q. **HOW DID YOU CALCULATE THE COST OF EQUITY?**

9 A. The cost of equity in theory is a compensation associated with at risk capital to the
10 investor. While most equate this as a return on stock, such as dividends and appreciation
11 of stock values over time, Audubon's stock is not publicly traded. However, Audubon is
12 a for-profit entity which, like any other entity, must have a healthy financial condition to
13 attract capital investment commensurate with its risk of doing business. This would
14 include equity capital as well as obtaining fair rates for cost of debt from lenders. One of
15 the primary tools a lender looks at is an entity's ability to cover interest. In that light,
16 I utilized a 3.0x interest coverage ratio to determine the necessary relative cost of equity.

17

1 Q HAVE YOU PROVIDED THAT CALCULATION IN THE INSTANT RATE
2 CASE FILING?

3 A. Yes. I have detailed this calculation on Schedule F-3, page 2. In short, a 6.70% cost of
4 debt at a 45% debt ratio results in a 3.02% weighted cost of debt that, when multiplied by
5 a 3.0x interest coverage requirement, results in an overall rate of return of 9.06%. Thus,
6 the difference between the 9.06% overall rate of return and the 3.02% weighted cost of
7 debt produces the weighted cost of equity, or in this case 6.04%. To determine the cost
8 of equity, I then divided the 6.04% weighted cost of equity by the 55% equity ratio,
9 which produced the 10.98% cost of equity to be reflected in the Company's claim.

10

11 Q. DO YOU HAVE ANY OTHER COMMENTS WITH REGARD TO COST OF
12 EQUITY?

13 A. Yes. A review of Aqua Pennsylvania, Inc.'s (Aqua) most recent rate filing at Docket
14 No. R-2011-2267958 includes related industry ranges of interest debt coverage
15 requirements that support the reasonableness of the 3.0x coverage rate used in the instant
16 Filing. In fact, Aqua's filing reflected a post- and pre-tax coverage of interest at
17 3.45x and 5.19x, respectively. Further, the 10.98% cost of equity rate reflected in
18 Audubon's Filing is somewhat similar to that of industry standards requested by other
19 regulated utilities whose requested cost of equity rates were greater than the claim
20 reflected here. For example, the Aqua filing referenced above reflected a 53% equity

1 capital structure ratio and a cost of equity of 11.75%. Thus, it is my opinion that the
2 Company's 10.98% cost of equity rate is both reasonable and within the industry norm.

3
4 **Q. WHAT IS CONTAINED IN SECTION G OF THE RATE FILING?**

5 A. Section G, Statement of Revenue & Tariff Increases, sets forth historic and pro forma levels
6 of customers and revenues by class under both current and proposed rates. Schedule G-3
7 reflects customer counts on an historical basis, *i.e.*, September 30, 2010 and 2011, along
8 with pro forma levels as of September 30, 2012. By way of discussion, the Company has
9 realized little, if any, customer growth. For example, customer counts by rate class were as
10 follows as of September 30, 2010 and 2011, respectively: residential at 2,580 and 2,579;
11 commercial at 152 and 153; and, multi-family at 31 and 29. Public and fire protection
12 counts remained unchanged at 4 and 299, respectively for the September 30, 2010 and 2011
13 periods. Based upon historic trends and current economic conditions, the Company's
14 September 30, 2012 pro forma customer count levels project only five new residential
15 customer gains over that of the September 30, 2011 historic period. Based upon similar
16 considerations, pro forma commercial, multi-family customers, *i.e.*, apartment complexes,
17 public and fire protection will remain the same as the September 30, 2011 historic test year.

18

1 Section G also provides the revenues under existing and proposed rates, as well as the
2 proposed increase to all the customer classes based upon respective customer count levels.
3 This Section applies the Company's as-filed \$540,686 rate increase to the customers and the
4 resulting revenue and percentage increase to the various customer classes. See also Cost of
5 Service Study in Section K, Bill Analysis in Section L, and Rate Design / Proof of Revenue
6 in Section M.

7
8 **Q. EXPLAIN SECTION H, OPERATING STATEMENT & ADJUSTMENTS.**

9 A. Schedule H-1 provides a summary statement of the income and expenses by general
10 categories of revenue and expense elements. In brief, on a pro forma basis operating
11 revenues of \$2,056,238 under current rates, less \$2,128,620 of operating deductions and
12 \$166,634 of depreciation and amortization expenses, will produce a \$239,015 net loss and,
13 as discussed earlier, a negative 9.38% overall rate of return under current rates. However, a
14 \$540,686 increase in rates will produce revenues of \$2,596,924 less \$2,128,620 of operating
15 deductions, \$166,634 of depreciation expenses and \$82,107 of income taxes, for a net
16 income level of \$230,700 or a 9.06% overall rate of return when divided by \$2,546,370 of
17 pro forma rate base values. *See* Schedule F-1.

18

1 Q. EXPLAIN THE REMAINING SCHEDULES INCLUDED IN SECTION H?

2 A. Schedule H-1 of the revenue requirement study sets forth a summary income statement that
3 reflects the revenues, operating deductions, depreciation expense and net income on a
4 September 30, 2011 per books basis, pro forma adjustments, and September 30, 2012 pro
5 forma adjusted totals under existing rates, the amount of the proposed rate increase and the
6 pro forma totals under the proposed rates. All pro forma adjustments are fully detailed and
7 explained on Schedule H-2 and Schedule H-3. In some cases, the individual pro forma
8 adjustments may reference additional supporting schedules, which are clearly
9 cross-referenced in Section I of the Filing. Finally, Schedule H-4, while similar in form to
10 Schedule H-1, provides a more detailed income statement by individual accounting
11 descriptions, related cost and appropriate pro forma adjustments, if any, as referenced and
12 detailed on Schedule H-2 and Schedule H-3. In brief, the type of pro forma adjustments
13 reflected on Schedule H-2 includes adjustments to operating revenues due to customer gains
14 or losses. Schedule H-3 sets forth pro forma operating deduction expense adjustments for:
15 1) increases in 2012 payroll rates, health and welfare benefits, *i.e.*, FICA taxes, pensions,
16 health insurance; 2) increased staff and associated benefit costs to provide for one new
17 part-time employee; 3) changes in the pro forma depreciation expense that were not
18 reflected on the books for current and future assets based upon the 1998 settlement
19 agreement discussed earlier; 4) normalized expenses for electric and new cyclical
20 preventative maintenance programs for the Company's facilities; 5) a pro forma normalized
21 rate case expense claim for costs associated with the preparation of the rate case Filing,

1 including costs for a fully litigated rate case proceeding; 6) amortization expenses associated
2 with the painting of two water storage facilities; and, 7) income taxes associated with the pro
3 forma net income claim. Many of these adjustments provide cross-references to detailed
4 supporting calculations contained in Section I of the Filing.

5
6 **Q. BRIEFLY EXPLAIN SECTION J, DEPRECIATION REPORT.**

7 A. Section J of the Filing contains the depreciation report for current assets as of
8 September 30, 2011 by plant account with associated values along with the pro forma plant
9 values as of the future test period ended September 30, 2012. These depreciation reports
10 utilize the methodology agreed upon in the settlement agreement at Docket
11 No. R-00984425. By way of discussion, to provide relevant information for the
12 determination of the pro forma historical and future test year rate base values, the studies are
13 grouped for Original Cost Assets as Schedule J-1-1 and J-2-1 for the historic and future
14 years, respectively. In similar form, the pro forma historic and future test year assets related
15 to CIAC assets are shown on Schedules J-1-2 and J-2-2, respectively, and CAC assets are
16 presented on Schedule J-1-3 and J-2-3, respectively. The results of the pro forma studies are
17 carried forward onto Schedule F-1 and demonstrate that the rate base determination utilizes
18 the appropriate agreed upon results under the prior settlement and that it excludes CIAC and
19 CAC assets from rate base consideration under PaPUC accepted ratemaking policy and
20 procedures.

21

1 In my opinion, the pro forma operating expenses claimed, including the depreciation
2 expenses in the development of the pro forma revenue requirement and the resultant revenue
3 increase requested, are reasonable, prudent and necessary for the Company's operations in
4 order for it to continue to provide safe, reliable and adequate service to its customers.

5
6 **Q. BRIEFLY EXPLAIN THE COST OF SERVICE STUDY REFLECTED IN**
7 **SECTION K OF THE RATE STUDY.**

8 A. As discussed earlier, a cost of service study allocates the total cost of service, or total system
9 revenue requirement, among the classes of customers in accordance with generally accepted
10 procedures to determine the relative cost responsibilities of each class of customer. The cost
11 of service study also provides support for an appropriate rate design to allow for the
12 recovery of the fully allocated jurisdictional revenue requirement based upon some
13 reasonable relationship to the relative cost of service for the customer classes.

14
15 By way of background, the Company submitted a cost of service study in its prior rate
16 case proceeding in support of rate design. In fact, the cost of service study indicated that
17 the public hydrant fire protection customers should not receive any increase in rates since
18 current rates at that time produced sufficient revenues to cover 25% of their relative cost
19 of service as provided for under Pennsylvania statutes. The statutes further provide that
20 the difference is to be included in the fixed customer charge. Since no increase was
21 applied to this class in the prior proceeding, it was more than appropriate to perform a

1 cost of service study in the instant proceeding to determine the now current cost to serve
2 public hydrant fire protection customers along with an appropriate rate design. The
3 Company's cost of service study method was to simply update its prior rate case filing
4 with the current pro forma values and sales levels and to use the same general system and
5 customer class demand factors as that of the prior study. This approach helped to
6 minimize rate case expense while still providing a reasonable basis upon which the result
7 of the study could be relied upon for the determination to increase public and private fire
8 protection rates by 29% in the instant proceeding, while all other customer class rates
9 increased by approximately 27%. The Company submits that its decision to do so was
10 both reasonable and prudent.

11
12 **Q. EXPLAIN SECTION L OF THE FILING.**

13 A. Section L contains a detailed bill analysis of the customer classes on a current and pro forma
14 basis under current rates. This Section provides information related to the number of
15 customers by meter sizes and volumes consumed, along with pro forma adjustments for
16 customer gains in the historic test year and pro forma projected customer gains in the future
17 test year.

18

1 Q. EXPLAIN SECTION M OF THE COMPANY'S RATE STUDY.

2 A. Section M contains the final rate design proposal and proof of revenue supporting
3 schedules that reflect the Company's proposed increase of \$540,686 or 27% increase as
4 supported by the as-filed rate study. Section M also contains an analysis of typical bills
5 by customer class under current and proposed rates with resultant percentage increases
6 for customers by incremental thousand gallon usage levels. By way of discussion, the
7 impact on a typical residential customer is also shown on the Customer Notice,
8 Section B. For example, Schedule M-3 shows that the typical residential customer with a
9 5/8" meter using 6,000 gallons per month under current rates would be charged \$44.35
10 and under proposed rates would be charged \$56.32, an increase of \$11.97 or 27%. Put
11 another way, on a daily basis the customer would pay an increase of \$0.39
12 ($\$11.97 \times 12 / 365$). Somewhat similar, a typical residential customer with a 5/8" meter
13 using 14,000 gallons per quarter under current rates would be charged \$110.73 and under
14 proposed rates would be charged \$140.63, an increase of \$29.90 per quarter or 27%.
15 This represents an increase of \$0.33 per day ($\$22.90 \times 4 / 365$). See Schedule M-4.

16
17 Finally, I would note that Section N of the Filing contains a copy of the Company's most
18 recently filed tax return.

19

1 Q. DO YOU HAVE ANY ADDITIONAL COMMENTS WITH REGARD TO THE
2 COMPANY'S \$540,686 RATE INCREASE REQUEST?

3 A. Yes. During the discovery process, I advised the OCA and I&E that the Company would be
4 updating its rate increase claim based upon those responses. In one response, I explained
5 that the Company, in error, included a \$7,970 utility storage service body unit mounted on
6 one of its older pickups in the Transportation Repairs and Maintenance Expense account
7 rather than as a capital asset. In that same response, I explained the general ratemaking
8 impact, a \$7,970 reduction to the expense account and, conversely, an increase to the plant
9 asset account along with two years of accumulated depreciation for a rate base claim of
10 \$4,782 and a \$1,594 pro forma annual depreciation expense claim based upon a 5 year life.¹
11 In another response, I explained that the Company's accountants inadvertently misclassified
12 \$16,223 of Expense of Officers and the Company, in error, included \$380 of contributions
13 in the Expense of Officers and Employees Account while both items should have been
14 booked below the line, or excluded from rate making consideration, a reduction of \$16,603
15 from the operating expense claim.² As shown on the table below, a \$22,718 reduction to the
16 \$540,686 as-filed requested increase results in an adjusted increase request of \$517,968
17 when all revenue requirement components are accounted for, *i.e.*, operating and depreciation
18 expense adjustments, rate base - cash working capital allowance and net plant asset, net

¹ OCA Set I-8.

² I&E-RE-19-D.

1 income adjustment (rate base times 9.06% overall rate of return) and income taxes (net
2 income times effective tax rate).³

3

DESCRIPTION	ADJUSTMENTS	REV. INC. ADJ.
Operating Expense Adj.		
Trans. Rep. & Maint. Exp.	(\$ 7,970)	
Exp. Of Officers & Employees	(\$16,603)	
Total Operating Expense Adjustment		(\$ 24,573)
Depreciation Expense Adjustment		\$ 1,594
Rate Base Adjustment		
Cash Working Capital Adj. (1/8 of Exp. Adj.	(\$ 3,071)	
Net Plant Increase Adj.	\$ 4,782	
Net Change In Rate Base	\$ 1,711	
Change In Net Income (Net RB x RofR)	9.06%	\$ 155
Add'l Tax On Net Income (NI x 68.331%)		\$ 106
Change In Revenue Increase Request		(\$ 22,718)
As-Filed Revenue Increase Request		\$540,686
Updated Revenue Increase Request		\$517,968

4

5

6 While I did not calculate the change in customer rates, the traditional method would be
7 based upon a proportional reduction to each customer class when only minor adjustments
8 are made. It has been my experience that when major adjustments are made it would be
9 more appropriate to re-evaluate the adjusted revenue requirement based upon updated cost
10 of service study results.

11

³ Schedule I-14.

1 Q. DO YOU HAVE ANY OTHER COMMENTS WITH REGARD TO THE INSTANT
2 FILING?

3 A. Yes, I reserve the right to amend my testimony to reflect changes in the rate case expense
4 claim as it is impossible for the Company to determine at the time of its base rate case filing
5 how much discovery a rate filing will generate or what issues the other parties may raise. In
6 addition, I reserve the right to make any other changes that may, or may not, occur as a
7 result of further discussions, including updated cost information, possible stipulated issues
8 and other various revenue requirement elements that may have an impact on the revenue
9 requirement claim and proposed rate increase claim.

10

11 Q. DOES THAT CONCLUDE YOUR TESTIMONY AT THIS TIME?

12 A. Yes.

APPENDIX A

Dennis M. Kalbarczyk

Educational and Professional Experience

APPENDIX A

Dennis M. Kalbarczyk **Educational and Professional Experience**

I graduated in 1971 with a Bachelor of Science Degree in Accounting from Husson College, Bangor, Maine. In 1969, I received an Associate in Art Degree in Accounting from Strayer College, Washington D.C.

I am the principal in Utility Rate Resources, which was formed in October 1990. Utility Rate Resources also maintains a professional relationship with The Liberty Consulting Group ("Liberty"). Before forming the firm of Utility Rate Resources I was employed by Drazen-Brubaker & Associates, Inc. from March 1988 to September 1990 where I presented testimony and prepared financial statements necessary for Water and Sewer Utility Applications of Certificates of Public Convenience before the Pennsylvania Public Utility Commission (PaPUC). Additionally, I was responsible for the preparation and filing of rate cases, and testified on behalf of utilities under PaPUC regulation.

Prior to March 1988, I was employed by Metropolitan Edison Company (MET-ED), a subsidiary of GPU Energy, formerly General Public Utilities, for three years in their Rate Revenue Requirement Department as a Senior Financial Analyst. My responsibilities included the preparation, review and analysis of financial reports, budgets, and management philosophy of rate and regulatory matters before the PaPUC.

From 1975 through 1985, I was employed by the PaPUC where I actively participated and testified in matters related to the TMI Nuclear Accident replacement power issues before the PaPUC Commissioners; and, before PaPUC Administrative Law Judges (ALJ's) in nearly all the major electric rate cases regarding revenue requirements, and performed audits on electric, gas, and water companies for compliance with Commission regulations in the areas of energy cost, coal and gas contracts, and affiliated service contracts for water companies. I testified before PaPUC ALJ's in Energy Cost Rate, Gas Cost Rate, and Coal Compliance proceedings. I actively participated in developing the Commission's first set of regulations on Fuel Procurement Policy and Procedures, Tariffs and procedures on Energy Cost Rates for electric companies and Gas Cost Rates for gas companies, and designed computerized procedures for electric utilities to report fossil fuel purchases to the PaPUC. From 1972 to 1975 I held progressive degrees of responsibilities with Certified Public Accounting firms performing accounting, auditing and tax preparation duties.

Utility Rate Resources specializes in the area of utility rate and economic consulting as it relates to the financial aspects of public utility rates and regulation i.e., rate case filings, certificates of public convenience, expert testimony, financial applications for funding by the Pennsylvania Infrastructure Investment Authority (PENNVEST). The firm participates in regulatory and legal proceedings concerning investor-owned and municipal utilities, and testifies before governmental agencies and Pennsylvania Courts of Common Pleas; and, has represented utilities as well as consumers of utility services. From 2002 to date, Utility Rate Resources has provided senior level consulting services to Liberty related to an electric reliability audit of distribution delivery service system cost for its inclusion in revenue requirement values in a Delivery Service Tariff proceeding at the Illinois Commerce Commission and a focused audits related to financing, accounting, and related affiliated charges of National Utilities Inc. (Elizabethtown Gas), South Jersey Gas, and New Jersey Natural Gas all of which are under the regulatory review of the New Jersey Board of Public Utilities, respectively. Utility Rate Resources also participated with Liberty in fuel adjustment mechanism proceedings on behalf of the Arizona Corporation Commission and the Nova Scotia Utility and Review Board.

I have prepared rate case filings (RC) to include pro forma Revenue Requirement Study (RR), Cost of Service Study (CoS), Rate Design (RD) and/or supporting documents for Applications of Certificate of Public Convenience (CPC) to include all phases related to financial planning, revenue requirements, cost of service, rate design, and business plans for the following utilities, all of which were before the PaPUC:

<u>Year</u>	<u>Utility</u>	<u>Docket No.</u>	<u>Subject</u>
1988	Meadows Sewer Company	R-881173	RC-RR, RD
1988	LP Water & Sewer Company		
	Water Division	A-211770	CPC – all phases
	Sewer Division	A-230242	CPC – all phases
1989	Honesdale Gas Company	R-891272	RC – RR, CoS, RD
1989	Valley Utilities Company, Inc.	R-891358	RC-RR, RD
1990	Northumberland Utility Inc.		
	Butler Twp. Water Division	R-901668	RC-RR, RD and Pennvest Surcharge
1990	Winona Lakes Utilities, Inc.		
	Water Division	R-901749	RC-RR, RD
	Sewer Division	R-901750	RC-RR, RD
1990	Borough of Ambler	R-901881	RC-RR, RD
1991	Audubon Water Company	R-911896	RC-RR, RD
1992	Village Water Company	A-210110	CPC – all phases
1992	Superior Water Co; New Hanover & Douglas Twps.	A-212955	CPC – all phases
1992	Regal Oaks, Inc.	A-230023	CPC – all phases
1992	LP Water & Sewer Company-Sewer Division	R-922493	RC-RR, CoS, RD
1993	Superior Water Co.; Additional Douglas Twp.	A-212955F0003	CPC – all phases
1993	Borough of Phoenixville	R-932770	RC-RR, RD
1993	Lake Spangenberg Water Co.	R-932658	RC-RR, RD
1993	Evansburg Water Company	R-932930	RC-RR, RD
1994	Spring Grove Water Co.	R-940386	RC-RR, RD
1994	LP Water & Sewer Company-Water Division	R-943021	RC-RR, CoS, RD
1994	Evansburg Water Company	R-943117	RC-RR, RD

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<u>Year</u>	<u>Utility</u>	<u>Docket No.</u>	<u>Subject</u>
1994	Wilbar Realty Inc.-Water Division	R-943121	RC-RR, RD, and Pennvest Surcharge
1994	Audubon Water Company	R-943224	RC-RR, RD
1995	Borough of Ambler	R-953435	RC-RR, CoS, RD
1995	LP Water & Sewer Company-Sewer Division	R-953496	RC-RR, CoS, RD
1996	Spring Run Water Company, Inc. & B & E Water Company, Inc.	A-212845F200CPC	– all phases
1996	Superior Water Company; Skippack Twp.	A-212955F0005	CPC – all phases
1996	Superior Water Company; Worcester Twp.	A-212955F0006	CPC – all phases
1996	Center Square Water Company	R-963707	RC-RR, RD
1997	Patriot Treatment Plant, Inc.	A-230076	CPC – all phases
1997	Superior Water Company; North Coventry	A-212955F0007	CPC – all phases
1997	Superior Water Company; Douglass Twp.	A-212955F0008	CPC – all phases
1998	Borough of Schuylkill Haven - Water Fund	R-00984392	RC-RR, CoS, RD
1998	Audubon Water Company	R-00984425	RC-RR, CoS, RD
1998	Superior Water Company; North Coventry	A-212955F0009	CPC – all phases
1998	City of Lancaster - Water Fund	R-00984567	RC-RR, CoS, RD
1998	Superior Water Company;	A-212955F0010	CPC – all phases
1999	Elephant Walk Water Company	A-210087	CPC – all phases
1999	Elephant Walk Sewer Company	A-230082	CPC – all phases
1999	Superior Water Company	R-00994672	RC-RR, CoS, RD
1999	Mountain Spring Water, Inc.	R-00994914	RC-RR, RD
2000	City of Lancaster – Sewer Fund	R-00005109	RC-RR, CoS, RD
2000	High Meadows Sewer Service, Inc.	R-00005257	RC-RR, RD
2001	City of Lancaster – Water Fund – Rate Case	R-00016114	RC-RR, CoS, RD
	City of Lancaster – Water Fund - Tapping Fee	R-00016297	Tapping Fee
2001	Superior Water Co; Heritage Dev. New Hanover	A-212955F0011	CPC – all phases

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<u>Year</u>	<u>Utility</u>	<u>Docket No.</u>	<u>Subject</u>
2002	Monteforte Enterprises, Inc.	A-230093	CPC – all phases
2002	Audubon Water Company	R-00027104	RC-RR, CoS, RD
2002	Borough of Schuylkill Haven – Water Fund	R-00027552	RC-RR, CoS, RD
2003	Three Lane Utilities, Inc.	A-210116	CPC – all phases
2003	Borough of Ambler Water Department	R-00038103	RC-RR, CoS, RD
2003	Buck Hill Water Company	R-00038471	RC-RR, RD
2003	High Meadows Sewer Service, Inc.	R-00038581	RC-RR, RD
2003	Superior Water Co; Donelly Dev. Douglas Twp.	A-212955F0012	CPC – all phases
2003	Clean Treatment Sewage Company	R-00038688	RC-RR, RD
2004	Superior Water Co; Southview/Lower Pottsgrove Twps	A-212955F0013	CPC – all phases
2004	Glendale Yearound Water Co., Inc.	R-00049408	RC-RR, RD
2004	Buck Hill Water Company	R-00049493	RC-RR, RD
2004	Superior Water Co;RouseChamb/Upper Pottsgrove	A-212955F0014	CPC – all phases
2004	City of Lancaster – Sewer Fund	R-00049862	RC-RR, CoS, RD
2005	Superior Water Company; Ivy Ridge	A-212955F0015	CPC – all phases
2005	Glendale Yearound Sewer Co., Inc.	R-00050607	RC-RR, RD
2005	Superior Water Company; Wash. Twp.	A-212955F0016	CPC – all phases
2005	Meadows Sewer Company	R-00050672	RC-RR, RD
2005	CMV Sewage Company, Inc.,	R-00050677	RC-RR, RD
2005	Superior Water Co.;Colebrookdale/Wash. Twp.	A-212955F0017	CPC – all phases
2005	City of Lancaster – Water Fund	R-00051167	RC-RR, CoS, RD
2006	Superior Water Company; Upper Pottsgrove Twp.	A-212955F0018	CPC – all phases
2006	Superior Water Company; Douglass Twp.	A-212955F0019	CPC – all phases
2006	Timberlee Valley Sanitation Co., Inc.	R-00061691	RC-RR, RD
2006	Borough of Ambler Water Department	R-00062017	RC-RR, CoS, RD
2007	Audubon Water Company	R-00072100	RC-RR, CoS, RD
2007	Glendale Yearound Sewer Company	R-00072364	RC-RR, RD
2008	Warwick Drainage Company, Inc.	R-2008-2020873	RC-RR, RD
2008	Warwick Water Works Inc.	R-2008-2020885	RC-RR, RD

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<u>Year</u>	<u>Utility</u>	<u>Docket No.</u>	<u>Subject</u>
2008	Superior Water Company	R-2008-2039261	RC-RR, RD, RofR
2009	Clean Treatment Sewage Company	R-2009-2121928	RC-RR, RD, RofR
2009	Lancon Water Company, Inc.,	A-2009-2142867	CPC – all phases
2010	Superior Water Company	R-2010-2191376	RC-RR, RD, RofR
2011	Audubon Water Company	R-2012-2286118	RC-RR,CoS,RD

I testified and/or submitted testimony to include matters related to: fuel adjustment mechanism (FAM) for gas and electric utilities; rate case filings (RC) to include such parts as pro forma Revenue Requirement Study (RR), Cost of Service Study (CoS), Rate Design (RD); supporting documents for Applications of Certificate of Public Convenience (CPC) to include all phases related to financial planning, revenue requirements, cost of service, rate design, and business plans; and special matters as indicated in the following cases before the PaPUC:

<u>Year</u>	<u>Utility</u>	<u>Docket No.</u>	<u>Represented</u>	<u>Subject</u>
*	North Penn Gas Company	*	PaPUC	FAM-Gas Cost
*	Class A Pa. Electric Companies	*	PaPUC	FAM-Electic Cost
*	Metropolitan Edison Co.	C-21597	PaPUC	Coal Contracts
1979	Metropolitan Edison Co./ Pennsylvania Electric Co.	I-79040308	PaPUC	TMI Repl.Pwr Cost
1982	Pa. Power & Light Co.	R-822169	PaPUC	RC-RR
1982	Metropolitan Edison Co.	R-822249	PaPUC	RC-RR
1982	Pennsylvania Electric Co.	R-822250	PaPUC	RC-RR
1983	Duquesne Light Co.	R-832337	PaPUC	RC-RR
1983	Penn Power co.	R-832409	PaPUC	RC-RR
1983	Metropolitan Edison Co.	R-832549	PaPUC	RC-RR
1984	Duquesne Light co.	R-842583	PaPUC	RC-RR
1984	Pa. Power & Light Co.	R-842651	PaPUC	RC-RR
1987	Superior Water Co.	A-212955	Superior	CPC-all phases
1988	Meadows Sewer Company	R-881173	Meadows	RC-RR, RD
1989	Media Borough Water Works	R-891258	Townships	RC-RR, RD
1989	Valley Utilities Company Inc.	R-891358	Valley	RC-RR, RD
1989	Birch Acres Water Works	R-891430	BAWW	RC-RR, RD
1990	Northumberland Utilities Co.Inc. Butler Twp Water Division	R-901668	Butler Twp	RC-RR, RD
1990	Winona Lakes Utility Inc. (Water)	R-901749	WLU, Inc.	RC-RR, RD
1990	Winona Lakes Utility Inc. (Sewer)	R-901750	WLU, Inc.	RC-RR, RD
1990	CS Water & Sewer Associates	R-881147	Homeowners	RC-RR, RD
1990	CS Water & Sewer Associates	I-890088	Homeowners	RC-RR, RD

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<u>Year</u>	<u>Utility</u>	<u>Docket No.</u>	<u>Represented</u>	<u>Subject</u>
1991	LP Water & Sewer Co. Water Div.	A-211770	LP-Water	CPC-all phases
	LP Water & Sewer Co.	G-910255	LP-W&S	Affiliated Interest
	LP Water & Sewer Co.	C-913285	LP W&S	Cust. Complaint-Rates
	LP Water & Sewer Co.	C-913304	LP W&S	Cust. Complaint-Rates
	LP Water & Sewer Co.	P-910533	LP W&S	Temporary Rates
1991	Evansburg Water Company	A-210870	Evansburg	CPC-all phases
1991	Media Borough Water Works	R-912150	Townships	RC-RR, CoS, RD
1992	Superior Water Company	A-212955	Superior	CPC-all phases
1992	Pennsylvania Electric Co.	M-920312	Lg. Ind.	FAM-Energy Cost/RD
1992	LP Water & Sewer Company-Sewer Div	R-922493	LP-Sewer	RC-RR, CoS, RD
1993	Borough of Phoenixville	R-932770	Phoenixville	RC-RR, CoS, RD
1993	Lake Spangenberg Water Co.	R-932658	LSW Co.	RC-RR, RD
1994	LP Water & Sewer Company-Water Div	R-943021	LP-Water	RC-RR, CoS, RD
1995	CMV Water Company, Inc.	C-956618	CMV Water	Bill Freq/Rate Design
1995	CMV Sewer Company, Inc.	C-956619	CMV-Sewer	Bill Freq/Rate Design
1995	LP Water & Sewer Company-Water Div	C-956966	LP-Water	Cust Complaint-Rates
1996	Pennsylvania Electric Co.	M-960791	Lg. Ind.	FAM-Elec RD
1997	Superior Water Company	A-212955F007	Superior	CPC-all phases
1998	Manufactures Water Company	R-00984275	Cambria Cogen & EbensburgPwrCo.	RC-RR, CoS, RD
1998	City of Lancaster-Water Fund	R-00984567	CityOfLanc	RC-RR, CoS, RD
1999	Pa. American Water Company	R-00994638	Butler Twp. W&S Auth.	RC-CoS, RD
1999	Superior Water Company	R-00994672	Superior	RC-RR, CoS, RD
2000	City of Lancaster-Sewer Fund	R-00005109	CityOfLanc	RC-RR, CoS, RD
2001	City of Lancaster-Water Fund RC	R-000016114	CityOf Lanc	RC-RR, CoS, RD
	Tapping Fee	R-000016297	CityOf Lanc	Tapping Fee/RD
2002	Delaware Valley Utilities, Inc.	C-00004517	Small Developer	CIAC

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<u>Year</u>	<u>Utility</u>	<u>Docket No.</u>	<u>Represented</u>	<u>Subject</u>
2005	Three Lane Utilities, Inc.	A-210116	TLU	CPC-all phases
2005	City of Lancaster – Sewer Fund	R-00049862	CityOfLanc	RC-RR, CoS, RD
2005	CMV Sewage Company, Inc.,	R-00050677	CMV	RC-RR, RD
2005	City of Lancaster – Water Fund	R-00051167	CityOfLanc	RC-RR, CoS, RD
2007	Three Lane Utilities, Inc.	C-	TLU	Rev. Neutral Rates
2008	City of Bethlehem-Bureau of Water	R-00072492	Lower Saucon Auth.	RD
2008	Clean Treatment Sewage, Co.,	C-200781897	CTSC	Cust. Compl. RD
2008	CMV Sewage Company	A-230056F2002	CMV	Abandonment of Service
2008	Superior Water Company	R-2008-2039261	Superior	RC-RR, RD, RofR
2009	Clean Treatment Sewage Company	R-2009-2121928	CTSC	RC-RR, RD, RofR
2010	City of Bethlehem-Bureau of Water	R-00072492 (Remand)	Lower Saucon Auth.	RD
2011	CMV Sewage Company, Inc.,	R-2011-2218562	CMV	RC-RR, RD, RofR
2011	Clean Treatment Sewage, Co.,	I-2009-2109324	CTSC	Section 529 Proceeding

* Actual docket numbers cannot be ascertained; time frame is approximately 1978.

Municipal and Authority Clients

Borough of Phoenixville
Borough of Ambler
Borough of Schuylkill Haven
City of Lancaster
Maidencreek Township Authority
Borough of Red Lion
Lower Macungie Township
Sandy Township
City of Lebanon Authority
Borough of Duncannon
Dallas Area Municipal Authority
Ridgway Township Municipal Authority
Dauphin County

Audit Engagements

Utility Rate Resources maintains a professional relationship with The Liberty Consulting Group (“Liberty”) and provided senior level consulting services to Liberty in the following audits:

2002

Electric reliability audit of Commonwealth Edison Company’s distribution delivery system for its inclusion in revenue requirement values in a Delivery Service Tariff preceding before the Illinois Commerce Commission at Docket Number 01-0664 Audit. Task Area Leader and Senior Consultant in the area of rate-base issues related to capital spending, transmission and distribution revenue requirements.

2003

Focused audit of NUI Corporation and NUI Utilities related to financial performance and affiliated transactions for the New Jersey Board of Public Utilities. Lead consultant for accounting systems, cash management, and accounting for energy and commodity trading. Audit included examination of financial results, sources and uses of funds, accounting systems and controls, credit intertwining, cash commingling, and affiliate transactions among others.

2004

Focused audit of SJI, South Jersey Gas, and affiliates for the New Jersey Board of Public Utilities. Lead consultant for accounting systems, cash management, and accounting for affiliate transactions. Audit included examination of financial results, sources and uses of funds, accounting systems and controls, and affiliate transactions, among others.

2005

Focused review of fuel procurement, affiliate transactions, and automatic adjustment clause implementation of Nova Scotia Power on behalf of the Nova Scotia Utility Authority Review Board at Case No. NSUARB-P-881. Lead rate consultant and witness on assessment of fuel procurement, affiliate transactions, and automatic adjustment clauses including implementation of same.

2006

Focused review of the Arizona Public Service Company (APS) fuel and purchased power costs to be included in the Power Supply Adjustor (PSA) for APS before the Arizona Corporation Commission. Lead consultant on assessment of PSA filings, fuel and purchase power costs included in same and related accounting matters.

2006-2007

Focused audit of NJNG, New Jersey Natural Gas, and affiliates for the New Jersey Board of Public Utilities. Lead consultant for accounting systems, accounting for affiliate, and continuing property record transactions. Audit included examination of financial results, sources and uses of funds, accounting systems and controls, and affiliate transactions, among others.

2008

Development and implementation of formalized automatic adjustment clause methods and procedures of Nova Scotia Power Inc., on behalf of the Nova Scotia Utility And Review Board.

2008

Focused audit Duke Power Indiana and Duke Power Kentucky; merger of Duke Energy Corporation and Cinergy Corp. parent of PSI Energy, Inc., later renamed Duke Energy Indiana for the Indiana Utility Regulatory Commission. Lead consultant for accounting issues related to continuing property record transactions pertaining to the comprehensiveness, accuracy, sufficiency, and compliance with relevant statutory and regulatory requirements for asset transfers within the merger and related affiliated transactions for same.

2009

Focused audit of Long Island Power Authority's ("LIPA") Fuel and Purchased Power Cost Adjustment ("FPPCA") mechanism. Lead consultant in the review of LIPA's FPPCA cost reporting to include review of accounting system controls, financial reporting, and other timely reports related to the determination of the FPPCA charges and ultimate recovery of fuel and purchase power cost through LIPA's FPPCA rate charges under approved tariff's from May 1998 through 2008.

Focused review of Nova Scotia Power, Inc., 2009 Fuel Adjustment Mechanism clause filings on behalf of the Nova Scotia Utility And Review Board.

2010

Focused audit of Nova Scotia Power, Inc., 2009 Fuel Adjustment Mechanism ("FAM") filings on behalf of Nova Scotia Utility And Review Board. Lead consultant in review of NSPI's FAM cost reporting including review of accounting system controls, financial reporting, and other timely reports related to determination of the FAM charges and ultimate recovery of fuel and purchase power cost through NSPI's FAM charges under approved tariff's for the calendar year 2009.

Testimony in Non-PaPUC Proceedings:

In The Court of Common Pleas of Westmoreland County, Pennsylvania:

Allegheny Ludlum Corporation, Plaintiff Alleg. Ludlum Co.

v.

No. 5851 Of 1992

Municipal Authority of Westmoreland County, Defendant

Testified on behalf of Allegheny Ludlum Corporation- Cost of Service and Rate Design

Before the Philadelphia Water Department:

Philadelphia Water Department

Proposed Water & Wastewater Rates FY's 2002-2004

v.

Water Reg. Nos. 81, 82, & 83

Sewer Reg. Nos. 23 and 24

Public Advocate, Commercial Customer Consortium,
Philadelphia Condominium Managers Association, and
Other Citizens of Philadelphia

Testified on behalf of Commercial Customer Consortium (CCC): Building Owners' and Managers' Association (BOMA) of Phila.; Interfaith Coalition on Energy (ICE); and, Apartment Association of Greater Philadelphia (AAGP) Revenue Requirement, Cost of Service, and Rate Design.

Before the Illinois Commerce Commission:

Commonwealth Edison Company

v.

ICC Dkt. No. 01-0664 Audit

Illinois Commerce Commission

In 2002, Utility Rate Resources provided senior level consulting services to Liberty related to an electric reliability audit of Commonwealth Edison Company distribution delivery service system for its inclusion in revenue requirement values in a Delivery Service Tariff proceeding before the ICC at the above docket number.

Testified in support of audit finds.

Before the Missouri Public Service Commission

In the Matter of the General Rate Increase for

Water Service Provided by Missouri-American Water Company

Case No. WR-2003-0500

In 2003 and 2004, Utility Rate Resources provided senior level consulting services to Liberty on behalf of the Empire District Electric Company.

Testified on behalf of the Empire District Electric Company in support cost of service and rate design matters; more specifically industrial interruptible rates.

In The Court of Common Pleas of Lehigh County, Pennsylvania:

Fieldstone Associates, L.P., Plaintiff

vs.

No. 2002 C 2583

Lower Macungie Township, Defendant,

vs.

Lehigh County Authority, Additional Defendant,

Testified on behalf of Lower Macungie Township – Tapping Fee and Usage Fees

In The Court of Common Pleas of Clearfield County, Pennsylvania:

Sandy Township, a municipal corporation, Plaintiff

vs.

No. 2002-978 C.D.

City of DuBois, a municipal corporation, Defendant,

Testified on behalf of Sandy Township – Revenue Requirement And Usage Fees

Before the Nova Scotia Utility And Review Board, Nova Scotia, Canada:

In the Matter of Nova Scotia Power Incorporated

Electric Power – Rate Case

Case No. NSUARB-P-881

In 2005, Utility Rate Resources provided senior level consulting services to Liberty on behalf of the Nova Scotia Utility And Review Board regarding fuel costs and fuel adjustment mechanisms.

Testified on behalf of Nova Scotia Utility And Review Board – Fuel Costs and Fuel Adjustment Mechanism Matters

Before the Philadelphia Water Department:

Philadelphia Water Department

Proposed Water & Wastewater Rates FY's 2005-2008

v.

Water Reg. Nos. 301

Sewer Reg. Nos. 302

Public Advocate, Commercial Customer Consortium,
And Other Citizens of Philadelphia

Testified on behalf of Commercial Customer Consortium (CCC): Building Owners' and Managers' Association (BOMA) of Phila.; Interfaith Coalition on Energy (ICE); Apartment Association Of Greater Philadelphia (AAGP); Jefferson Health System; Philadelphia College of Osteopathic Medicine; Delaware Valley Health Council; Temple University; University of Pennsylvania; St. Joseph's University; University Of Sciences; Trigen-Philadelphia Energy Corp.; Sunoco; Philadelphia Coco-Cola Bottling; and, Pepsi Bottling Group.

Revenue Requirement, Cost of Service, and Rate Design

Before the Philadelphia Water Department:

Philadelphia Water Department
Proposed Water & Wastewater Rates FY's 2009-2012

v.

Water Reg. Nos. 301
Sewer Reg. Nos. 302

Public Advocate, Commercial Customer Consortium,
And Other Citizens of Philadelphia

Testified on behalf of Commercial Customer Consortium (CCC); Building Owners' and Managers' Association (BOMA) of Phila.; Interfaith Coalition on Energy (ICE); Jefferson Health System; Philadelphia College of Osteopathic Medicine; Delaware Valley Health Council; Temple University; University of Pennsylvania; St. Joseph's University; University Of Sciences; Trigen-Philadelphia Energy Corp.

Revenue Requirement, Cost of Service, and Rate Design

In The Court of Common Pleas of Dauphin County, Pennsylvania:

The County Of Dauphin, Plaintiff

v.

No. ____ Of 2008

The Harrisburg Authority, Defendant

Matter Assigned to Court Appointed Arbitrator; Testified on behalf of The County Of Dauphin related to the provision of municipal waste disposal services by Authority at appropriate "tipping fee" rates per a formal Disposal Agreement. Decision entered February 18, 2009.

Before the Nova Scotia Utility And Review Board, Nova Scotia, Canada:

In the Matter of Nova Scotia Power Incorporated

Electric Power – Rate Case

Case No. FAM 2010 P-887

In 2009, Utility Rate Resources provided senior level consulting services to Liberty on behalf of the Nova Scotia Utility And Review Board regarding fuel costs and fuel adjustment mechanisms.

Testified on behalf of Nova Scotia Utility And Review Board – regarding NSPI's 2009 FAM automatic adjustment factor.

Before the Arizona Corporation Commission:

In the Matter of Southwest Transmission Cooperative Inc.'s ("SWTC")

Electric General Rate Increase – Docket No. E-04100A-09-0496

In 2010, Utility Rate Resources provided senior level consulting services to Liberty on behalf of the Arizona Corporation Commission regarding electric base rate filing to include cost of service and rate design matters.

Testified on behalf of Arizona Corporation Commission, Utilities Division on SWTC Cost of Service and Rate Design Matters.

Before the Arizona Corporation Commission:

In the Matter of Arizona Electric Power Cooperative Inc.'s ("AEPCO")

Electric General Rate Increase – Docket No. E-01773A-09-0472

In 2010, Utility Rate Resources provided senior level consulting services to Liberty on behalf of the Arizona Corporation Commission regarding electric base rate filing to include cost of service and rate design matters.

Testified on behalf of Arizona Corporation Commission, Utilities Division on AEPCO Cost of Service and Rate Design Matters.

Before the Nova Scotia Utility And Review Board, Nova Scotia, Canada:

In the Matter of Nova Scotia Power Incorporated

Electric Power – 2012 Rate Case Case No. NSPI – P-892

In 2011, Utility Rate Resources provided senior level consulting services to Liberty on behalf of the Nova Scotia Utility And Review Board regarding a general rate case filing by NSPI.

Testified on behalf of Nova Scotia Utility And Review Board – regarding NSPI's 2012 General Rate Increase operating expense claims, including labor and other related operating expenses.

Professional Organizations:

Member of the American Water Works Association

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Administrative Law Judge
Christopher P. Pell

ORIGINAL

PENNSYLVANIA PUBLIC UTILITY COMMISSION :

v. :

AUDUBON WATER COMPANY :

Docket No. R-2012-2286118

AUDUBON WATER COMPANY EXHIBIT NO. 1

2012 JUL -5 PM 4:25

Audubon Water Company
Statement DMK-1

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

AUDUBON WATER COMPANY

TARIFF WATER – Pa. PUC No. 4

**ISSUED: January 27, 2012
EFFECTIVE: March 27, 2012**

with

**INFORMATION SUBMITTED PURSUANT TO:
TITLE 52 PENNSYLVANIA CODE, SECTION 53.52**

**By
Dennis M. Kalbarczyk
Consultant**

**UTILITY RATE RESOURCES
910 PIKETOWN ROAD
HARRISBURG, PA 17112
(717)-469-7232
utilityrate@comcast.net**

AUDUBON WATER COMPANY

Supporting Data Required by The Pennsylvania Public Utility Commission

<u>Line</u>	<u>Description</u>	<u>Section</u>
1.	General Information	A
2.	Notice of Proposed Rate Changes	B
3.	Press Release	C
4.	Tariff Water – Pa. PUC No. 4	D
5.	Balance Sheet	E
6.	Pro Forma Rate Base & Rate of Return	F
7.	Statement of Revenue & Tariff Increase	G
8.	Operating Statement & Adjustments	H
9.	Supporting Adjustment Schedules	I
10.	Depreciation Report	J
11.	Cost of Service Study	K
12.	Bill Analysis	L
13.	Rate Design and Proof of Revenue	M
14.	Tax Return	N

**CROSS REFERENCE TO INFORMATION SUBMITTED
PURSUANT TO PA PUBLIC UTILITY CODE REGULATIONS**

52 Pa. Code Section 53.52(a)

(1) The Specific Reasons For Each Change.

The proposed tariff makes changes to the rates, which will increase the cost for service to all water customers. See Section A, Part II of the filing for more detailed reasons.

(2) THE TOTAL NUMBER OF CUSTOMERS SERVED BY THE UTILITY.

Refer to Section G, Schedule G-3.

(3) A CALCULATION OF THE NUMBER OF CUSTOMERS, BY TARIFF SUBDIVISION, WHOSE BILLS WILL BE AFFECTED BY THE CHANGE.

Refer to Section G, Schedules G-3, and Section M.

(4) THE EFFECT OF THE CHANGE ON THE UTILITY'S CUSTOMERS.

Refer to Section G, Schedules G-2, and Section M.

(5) THE DIRECT OR INDIRECT EFFECT OF THE PROPOSED CHANGE ON THE UTILITY'S REVENUE AND EXPENSES.

Refer to Section G, Schedules G-1 and G-2, and Section H, Schedules H-1 and H-4.

(6) THE EFFECT OF THE CHANGE ON THE SERVICE RENDERED BY THE UTILITY.

The increase in service rates will allow the Company, among other things, to invest in capital improvements that will provide additional system reliability within the system, upgrades to the Company's computer, information technology and billing systems and to continue preventative maintenance programs.

(7) A LIST OF FACTORS CONSIDERED BY THE UTILITY IN ITS DETERMINATION TO MAKE THE CHANGE.

Not applicable.

(8) STUDIES UNDERTAKEN BY THE UTILITY IN ORDER TO DRAFT ITS PROPOSED CHANGE.

Not applicable.

- (9) CUSTOMER POLLS TAKEN AND OTHER DOCUMENTS WHICH INDICATE CUSTOMER ACCEPTANCE AND DESIRE FOR THE PROPOSED CHANGE. IF THE POLL OR OTHER DOCUMENTS REVEAL DISCERNIBLE PUBLIC OPPOSITION, AN EXPLANATION OF WHY THE CHANGE IS IN THE PUBLIC INTEREST SHALL BE PROVIDED.**

None.

- (10) PLANS THE UTILITY HAS FOR INTRODUCING OR IMPLEMENTING THE CHANGES WITH RESPECT TO ITS RATEPAYERS.**

This rate filing and the rate changes, if granted, will be implemented in accordance with the Public Utility Code and the Commission's Rules and Regulations.

- (11) FCC, FERC OR COMMISSION ORDERS OR RULINGS APPLICABLE TO THE FILING.**

PaPUC Order entered in the Company's rate case proceeding at Docket No. R-00984425 in which the Commission approved a settlement agreement between the parties that agreed to original cost values as of March 31, 1998, and for the use of those values in future rate cases.

52 Pa. Code Section 53.52(b)

(1) THE SPECIFIC REASONS FOR EACH INCREASE OR DECREASE.

The proposed tariff makes changes to the tariff rates, which will increase the cost for service to all customers. See also Section A, Part II of the filing for more detailed reasons.

(2) THE OPERATING INCOME STATEMENT OF THE UTILITY FOR A 12-MONTH PERIOD, THE END OF WHICH MAY NOT BE MORE THAN 180 DAYS PRIOR TO THE FILING.

Refer to Section H, Schedules H-1 and H-4.

(3) A CALCULATION OF THE NUMBER OF CUSTOMERS, BY TARIFF SUBDIVISION, WHOSE BILLS WILL BE INCREASED.

Refer to Section G, Schedules G-3, and Section M.

(4) A CALCULATION OF THE TOTAL INCREASES, IN DOLLARS, BY TARIFF SUBDIVISION, PROJECTED TO AN ANNUAL BASIS.

Refer to Section G, Schedules G-1 and G-2, and Section M.

(5) A CALCULATION OF THE NUMBER OF CUSTOMERS, BY TARIFF SUBDIVISION, WHOSE BILLS WILL BE DECREASED.

No customer rates will decrease if this rate filing is approved, as illustrated in Schedule G-2.

(6) A CALCULATION OF THE TOTAL DECREASES IN DOLLARS, BY TARIFF SUBDIVISION, PROJECTED TO AN ANNUAL BASIS.

No customer rates will decrease if this rate filing is approved, as illustrated in Schedule G-2.

52 Pa. Code Section 53.52(c)

- (1) A STATEMENT SHOWING THE UTILITY'S CALCULATION OF THE RATE OF RETURN OR OPERATING RATIO EARNED IN THE 12-MONTH PERIOD REFERRED TO IN SUBSECTION (B)(2) AND THE ANTICIPATED RATE OF RETURN OR OPERATING RATIO TO BE EARNED WHEN THE TARIFF, REVISION OR SUPPLEMENT BECOMES EFFECTIVE. THE RATE BASE USED IN THIS CALCULATION SHALL BE SUPPORTED BY SUMMARIES OF ORIGINAL COSTS FOR THE RATE OF RETURN CALCULATION.

Refer to Section F, Schedule F-1.

- (2) A DETAILED BALANCE SHEET OF THE UTILITY AS OF THE CLOSE OF THE PERIOD REFERRED TO IN SUBSECTION (B)(2).

Refer to Section E, Schedules E-1 and E-3.

- (3) A SUMMARY, BY DETAILED PLANT ACCOUNTS, OF THE BOOK VALUE OF THE PROPERTY OF THE UTILITY AT THE DATE OF THE BALANCE SHEET REQUIRED BY PARAGRAPH (2).

Refer to Section J.

- (4) A STATEMENT SHOWING THE AMOUNT OF THE DEPRECIATION RESERVE, AT THE DATE OF THE BALANCE SHEET REQUIRED BY PARAGRAPH (2), APPLICABLE TO THE PROPERTY, SUMMARIZED AS REQUIRED BY PARAGRAPH (3).

Refer to Section J.

- (5) A STATEMENT OF OPERATING INCOME, SETTING FORTH THE OPERATING REVENUES AND EXPENSES BY DETAILED ACCOUNTS FOR THE 12-MONTH PERIOD ENDING ON THE DATE OF THE BALANCE SHEET REQUIRED BY PARAGRAPH (2).

Refer to Section H, Schedules H-1, H-4, and H-5.

- (6) A BRIEF DESCRIPTION OF THE MAJOR CHANGE IN THE OPERATING OR FINANCIAL CONDITION OF THE UTILITY OCCURRING BETWEEN THE DATE OF THE BALANCE SHEET REQUIRED BY PARAGRAPH (2) AND THE DATE OF TRANSMITTAL OF THE TARIFF, REVISION OR SUPPLEMENT. AS USED IN THIS PARAGRAPH, A MAJOR CHANGE IS ONE WHICH MATERIALLY ALTERS THE OPERATING OR FINANCIAL CONDITION OF THE UTILITY FROM THAT REFLECTED IN PARAGRAPHS (1) – (5).

None.

AUDUBON WATER COMPANY

SECTION A

GENERAL INFORMATION

I. WATER RATE STUDY

In response to Audubon Water Company's ("Audubon" or "Company") request, we have prepared the following water rate study in support of increased water rates to be charged to customers. As the Public Utility Commission ("PaPUC or Commission") is aware, Title 52 of the Pennsylvania Code requires the Commission to regulate service provided by the Company.

A. Introduction

A water rate study includes a revenue requirement study to determine the total pro forma level of revenue requirement needed to cover the Company's cost of providing service in accordance with generally accepted ratemaking policy and procedures. Further, the water rate study includes a cost of service allocation study, which allocates the total cost of service or revenue requirement among the classes of customers in accordance with generally accepted procedures to determine the relative cost responsibilities of each class of customer. The cost of service study also provides support for an appropriate rate design to provide for the recovery of the total revenue requirement based upon some reasonable relationship to the relative cost of service for each customer class.

B. Background on Revenue Requirement Study

In simple terms, the revenue requirement study could be referred to as an operating budget, which represents the total cost of service that must be derived from rates. There are two widely used methodologies for the development of the revenue requirement, the "cash-needs" approach and the "utility" approach.

1. "Cash-Needs" Approach

The cash-needs approach assumes revenues must be sufficient to cover all cash needs, including debt obligations that will become due in the test period. The basic components considered under the cash-needs revenue requirement approach generally include: operating & maintenance expenses; capital expenditures not financed by debt; and, debt service expenses (principal and interest payments) plus a coverage ratio, *i.e.*, a margin of income over and above the debt service to provide a measure of security to loan holders.

The total revenue requirement under the cash-needs approach could be expressed as the following formula:

$$\text{Rev. Req.} = \text{O\&M} + \text{Non-Debt Capital Projects} + (\text{Debt Service} \times 1.25 \text{ coverage ratio})$$

2. "Utility" Approach

The utility approach is mandated for investor-owned utilities regulated by state agencies. Generally, the revenue requirement includes operating and maintenance expenses the same as under the cash-needs approach. Where the utility approach differs is how capital expenditures and debt service plus coverage ratio are provided for. Briefly, there are two components, depreciation expense and a return on rate base identified as net operating income or profit, which provide for capital expenditures, and debt service and coverage requirements.

Depreciation expense is the annual loss in value of a utility plant facility over its economic useful life. The return on rate base or profit can be somewhat complicated. In general, the amount of return is determined by multiplying an overall rate of return component, usually expressed as a percentage, times a utility's net rate base value.

The overall rate of return component consists of a return for the weighted cost of debt and equity capital used to finance physical facilities to provide water service. For example, a utility with a 55% debt to total capital with a 4% weighted cost of debt would produce a weighted average cost of debt of 2.2% (55% x 4%). Further, assume the remaining 45% equity to total capital would have a market value return of 10% similar to other utilities. The weighted average return on equity would be 4.5% (45% x 10%). Thus, the overall rate of return component would be 6.7% (2.2% Debt + 4.5% Equity) to be multiplied times the net rate base value to determine the return or profit.

Rate base consists of the net book value of the facilities used to provide service (book cost less accumulated depreciation) plus materials and supplies inventory, along with an allowance for cash working capital (CWC). For small water companies and municipalities, the PaPUC has accepted what is referred to as the “45 day rule” for determining a CWC allowance. This methodology recognizes 1/8th (45 days / 360 days) of the total operating and maintenance expenses as the CWC allowance.

The total revenue requirement under the utility approach could be expressed as the following formula:

$$\text{Rev. Req.} = \text{O\&M} + \text{Depreciation Exp.} + (\text{Return} = \text{Rate of Return} \times \text{Rate Base})$$

C. Results of Water Rate Study

In the instant water rate study, we utilized the “utility” approach for the development of the Company’s revenue requirement. Included in the development of the revenue requirement was a review of the books and operations of the Company for the twelve months ended September 30, 2011 to which pro forma adjustments were made to reflect operations for a pro forma future test year for the twelve months ended September 30, 2012. The study included a review of current and pro forma utility plant assets, financing arrangements, customer levels, operating revenues, operating and maintenance expenses, depreciation expense, and levels of net operating income.

The pro forma revenue requirement study supports a proposed total system increase of \$540,686 or 27% over pro forma current operating revenues under existing rates (Schedules G-1, G-2, H-1 and H-3). A cost of service study was prepared in support of an appropriate rate design to provide for the recovery of the total revenue requirement increase based upon some reasonable relationship to the relative cost of service for customers (Section K). The proposed increase, as supported by the study, will produce a pro forma net operating income of \$230,701 for an overall rate of return of 9.06% on the total pro forma rate base (net utility plant, inventory, and cash working capital allowances) of \$2,546,370 (Schedule F-1).

A detailed description of the rate study by section is as follows.

1. Section A, I contains a brief description of the rate study; Section A, II a statement of the reasons for the rate increase; and, Section A, III contains background and system operating information on the Company.
2. Notice of Proposed Rate Changes in Section B of the rate study contains a copy of the PaPUC mandated notice sent to customers served by the Company. This notice explains the total amount of the \$540,686 or 27% increase over existing rates to customers. Additionally, the notice provides a brief overview of the impact of the proposed rates on the typical (average) customer, by customer class. Finally, the notice explains the rights of the customer as it relates to the instant rate case filing before the PaPUC.
3. The Press Release in Section C of the rate study is an actual copy of the notice that was sent to local media organizations and briefly explains the Company's request to increase rates as filed with the PaPUC. The requirement to notify the media regarding rate increases is contained in the PaPUC regulations. The Press Release also explains that the Company's last rate increase was approved by PaPUC Order entered on October 12, 2007.
4. Section D contains the PaPUC proposed tariff rates to customers that need to be implemented to produce the revenue levels and increases explained in Section B of the rate filing. The development of the rate design is based upon a fully allocated cost of service study as contained in Section K of the rate study. More specifically, Section K, Schedules K-10 through K-12 provide supporting information related to the various customer charges, usage rates, and fire protection service rates. The supporting schedule, which demonstrates that the proposed rates will produce the total revenue requirement, is contained in Section M of the rate study.

5. The Balance Sheet contained in Section E of the rate study is part of the revenue requirement study. This section sets forth the current and pro forma assets, liabilities, and equity in the Company. Briefly, this section shows that the Company, in the future test year period, expects to increase its investment in utility plant assets by \$631,079 (Schedule E-3). The major plant asset additions will provide increased system reliability to customers. The factors listed above are utilized in the development of the net rate base values and overall rate of return more fully detailed in Section F - Rate of Return, Pro Forma Plant Values.

6. Section F - Pro Forma Rate Base and Rate of Return, as explained earlier, is a major component in the revenue requirement study. Section F, Schedule F-1 shows that, on a pro forma basis under current rates, the Company would experience a net loss of \$239,015 while net rate base will increase to \$2,546,370 thus producing a negative overall rate of return of 9.387%. If the Company is permitted to increase rates as supported by the rate study, the Company's net operating income would be \$230,701 and would produce an overall rate of return of 9.06% when compared to the \$2,546,370 of net rate base value. Schedule F-2 provides the calculation for the inventory and cash working capital claim, while Schedule F-3 provides the supporting calculation for the rate of return claim.

Finally, Schedule F-1 provides a summary of the plant assets and their relative rate base values as of September 30, 2011 and pro forma as of September 30, 2012. In the Company's rate case proceeding at Docket No. R-00984425, the Commission approved a settlement agreement between the parties that agreed to original cost values as of March 31, 1998 that produced \$1,398,626 of net plant in service for the historical year ended March 31, 1998, and which continues to be the basis or starting point for the net plant in service value in future rate cases. The Company continues to use these original cost values and depreciation lives as provided for under the settlement agreement and PaPUC Order as it pertains to those assets; including CIAC assets. The Company's supporting data is contained in its Depreciation Study as contained in Section J.

7. Section G - Statement of Revenues & Tariff Increases of the rate study sets forth the current and pro forma number of customers and revenues under existing and proposed rates, as well as the proposed increase by customer class. This section incorporates the Company's proposal to increase rates by \$540,686 as supported by the revenue requirement study in Section H. The cost of service study in Section K was utilized as the basis for supporting the reasonableness of the customer charge, volumetric rates, as well as public and private fire protection rates. An analysis of the proposed revenues by customer class to that of the cost of service study is included in Section K of the filing. As noted on Schedule G-2, the Public Fire Protection class will receive an approximate increase of 29%. While the level of increase to public fire protection is slightly higher than other rate classes, the proposed rates represent the class's actual cost of service. The level of rate increase proposed complies with a Pennsylvania statute that requires that public fire hydrant customers be charged only 25% of their relative cost of service, which is more fully detailed in the cost of service study and rate design schedules contained in Section K, Schedule K-1. Schedule G-4 contains a summary of the current and proposed schedule of rates; a more detailed analysis of the number of current and pro forma customers, a proof of revenue schedule under current and proposed rates, and a typical bill analysis under current and proposed rates by customer class, which is contained in Section M.
8. Schedule H-1 shows that the \$2,056,238 of current pro forma revenues and \$2,128,620 of operating expenses, \$155,884 and \$10,750 of depreciation and amortization expenses, respectively, will produce a pro forma net loss of \$239,015 at current rates. As shown on Schedule H-1, a \$540,686 increase in revenues will produce a net operating income level of \$230,701, or a return of 9.06%, as supported by Schedule F-1.
9. More specifically, Section H, at Schedule H-1 of the revenue requirement study sets forth a summary income statement that reflects the per books revenues, operating deductions, depreciation expense, and net income on a September 30, 2011 per books basis, pro forma adjustments, September 30, 2012 pro forma adjusted totals under existing rates, the amount of the proposed rate increase, and the pro forma totals under the proposed rates. All pro forma adjustments are fully detailed and explained

on Schedules H-2 and H-3. In some cases, the individual pro forma adjustments may reference additional supporting schedules, which are clearly cross-referenced to their appropriate schedule in Section I of the rate study. Finally, Schedule H-4, while similar in form to Schedule H-1, provides a more detailed income statement by individual accounting codes, description, related cost, and appropriate pro forma adjustments, if any, as referenced and detailed on Schedules H-2 and H-3. The type of pro forma adjustments reflected on Schedule H-2 includes adjustments to operating revenues due to customer gains or losses. Schedule H-3 sets forth operating expense adjustments to reflect annualized expenses associated with payroll cost increases, including the addition of one new part-time employee; health and welfare benefits associated with the employee levels, increased operating costs, *i.e.*, purchased power, supplies, increased maintenance of the source of supply facilities, new preventive maintenance programs on the Company's distribution system, cost associated with increased office rent, the normalized rate case expense claim for the instant filing, depreciation expense claim, and income taxes. The rate case expense claim reflects the **estimated** cost for preparing the as filed rate study, cost associated with the PaPUC review and discovery period, and necessary services through the litigation period, *i.e.*, prepared testimony, hearings, legal briefs, review of the ALJ's Recommended Decision, filing of exceptions, review of the Commission's final Order, and preparation of the compliance filing. The estimated costs provide for the service of a rate consultant, consulting engineer, a rate of return consultant, and regulatory legal counsel. The Company reserves the right to amend its rate case claim, as necessary, based upon the level of services actually required to support its filing throughout the regulatory rate increase process.

10. Section J of the rate study contains the Company's depreciation studies. The studies include an analysis of the plant assets as of September 30, 2011 and pro forma September 30, 2012. The Company's September 30, 2011 and September 30, 2012 depreciation studies demonstrate that the Company continues to use the same cost, depreciation methodology and resultant net book values as agreed upon for the pre March 31, 1998 assets provided for in the R-00984425 settlement agreement and PaPUC Order. Further, the studies incorporate all plant additions since March 31, 1998 including the pro forma new plant asset additions detailed in Section E, Schedule E-3 at appropriate service lives. Finally, the depreciation studies clearly identify the CIAC and CAC assets, which are appropriately removed from rate base consideration as reflected in Section F, Schedule F-1.
11. The cost of service study is contained in Section K of the rate study. As discussed earlier, a cost of service allocation study allocates the total cost of service or revenue requirement among the classes of customers in accordance with generally accepted procedures to determine the relative cost responsibilities of each class of customer. The cost of service study also provides support for an appropriate rate design to provide for the recovery of the total revenue requirement based upon some reasonable relationship to the relative cost of service for each customer class.
12. Section L of the filing contains a bill analysis of the Company's sales by customer class and meter size for the historical twelve months ended September 30, 2011. In addition, Section L provides a detailed analysis on a pro forma adjusted basis to reflect annualized customer growth during the period ended September 30, 2011 and the Company's proposed customer growth for the pro forma future test year ended September 30, 2012. The pro forma adjusted September 30, 2012 bill analysis provides the detailed supporting customer information as it relates to the number of customers, number of bills, and sales volumes within the first and second blocks for each of the respective customer classes. The resultant revenues under current or existing rates are more fully detailed in Section I, supporting Schedule I-1, pages 1 through 4.

13. Section M of the rate filing contains the Company's rate design under current and proposed rates, and provides a detailed proof of revenue schedule under proposed rates. Section M also contains a detailed analysis of the impact of the proposed rates by customer class, meter size, and usage. Additionally, Section M, Schedule M-2 provides the necessary proof of revenue, which demonstrates that the proposed rates produce the necessary level of revenue and resultant overall annual increase in revenues as supported by the rate study. Schedule M-2 also shows the associated typical customer bill usage levels by rate classes and meter sizes. Schedules M-3 through M-12 provide a relative comparison of current versus proposed rates by meter size and usage levels to include appropriate notations as to the impact on the typical customer usage range. For example, Schedule M-3 shows that the typical residential customer with a 5/8" meter using 6,000 gallons per month under current rates would be charged \$44.35 per month. Under proposed rates the customer's monthly bill would increase to \$56.32, an increase of \$11.97 or 27%. Somewhat similar, a typical residential customer with a 5/8" meter using 14,000 gallons per quarter under current rates would be charged \$110.73 per quarter. Under proposed rates the customer's quarterly bill would increase to \$140.63, an increase of \$29.90 or 27% (Schedule M-4).

14. Section N contains a copy of the Company's most recently filed tax return.

II. STATEMENT OF REASONS FOR INCREASE

The reasons for Audubon Water Company's proposed general rate increase are as follows:

- A. To restore the Company's rate of return and net operating income to a more reasonable level to recover a return on and a return of the Company's increase of investments in water plant that have occurred and will occur on a pro forma basis since its prior rate case filing approved by the PaPUC in 2007. Under pro forma adjusted existing rates, the Company would realize a net loss of \$239,015 or a **negative** overall rate of return of 9.387% on the total pro forma rate base of \$2,546,370. An overall increase of \$540,686, as supported by the rate study, produces a pro forma net operating income of \$230,701 or an overall rate of return of 9.06% on the total pro form rate base of \$2,546,370.

- B. Audubon Water Company has made substantial investment in water utility assets since its rate case filing approved in 2007. In the future test year, the Company expects to place into service a number of new facilities to enhance system reliability. These facilities will include: a new pump station and 60,000 gallon water storage tank, a station generator, transmission and distributions mains to provide for looping and additional system reliability within the system. The Company will also make necessary capital improvements to its computer, information technology and billing systems. Additionally, the Company has incurred and/or will realize increased operating expenses since its prior rate case due to increased Safe Drinking Water Act regulations, as well as other operating costs that have increased over time due to normal operating conditions and/or other regulatory demands to meet customer service requirements.

III. BACKGROUND INFORMATION

A. Corporate History

Audubon Water Company is a Pennsylvania corporation, and has charter power to furnish water to the public within portions of Lower Providence Township, Montgomery County, Pennsylvania. Audubon was incorporated on August 30, 1954 for the sole purpose of supplying water service to customers. Common capital stock of \$10,000 (100 shares) was issued and is still outstanding. In 1988, a merger incorporated Valley Forge Corporate Center Water Company into the Audubon system.

B. Water Company Current and Pro Forma Operations

1. Background

Audubon's source of supply is obtained from wells that are dispersed throughout the Company's territory. The well depths range from 200 ft. to 620 ft. The Company has a total of 17 wells: (i) numbers 1, 2, 5, 6, 9 and 13 to 15 in Audubon; (ii) numbers 1 to 4 in the Valley Forge Corporate Center; (iii) one well in Audubon Park; and (iv) four wells in the Valley Forge Crossing Mobile Home Park. Use of these wells produced an average daily withdrawal in excess of 900,000 gallons of water per day in 2011 but the wells are capable of producing over 3 million gallons of water per day, if needed. The Company's current usable storage capacity consists of five standpipes with a capacity in excess of 1.8 million gallons with a sixth tank planned for construction having a capacity of 60,000 gallons. The new storage tank will be placed into service in the future test year and would bring the Company's storage capacity up to approximately 1.9 million gallons. The Company has two interconnections with Pennsylvania American Water Company for emergency use.

2. Distribution System

As noted earlier, the source of supply system consists of 17 wells. The distribution system, which currently consists of five water storage tanks, will be increased to six water storage tanks. The current transmission/distribution system includes 1,020 linear feet of 4 inch mains, 97,291 linear feet of 6 inch mains, 118,090 linear feet of 8 inch mains, 6,090 linear feet of 10 inch mains, and 7,555 linear feet of 12 inch mains, for a total of 230,046 linear feet of water main. Construction of new facilities is planned and implemented based on the overall recommendation of the Company's water superintendent and consulting engineers. Preventive maintenance programs as well as repairs are done on an ongoing basis by Company employees and outside contractors, if needed, in order to provide safe, reliable, and adequate service to Audubon's customers. A description of the pro forma plant additions and related costs is shown on Schedule E-3.

AUDUBON WATER COMPANY

SECTION B

NOTICE OF PROPOSED RATE CHANGES

NOTICE OF PROPOSED RATE CHANGES

To Our Customers:

Audubon Water Company (AWC or Company) is filing a request with the Pennsylvania Public Utility Commission (PUC) to increase your water rates as of March 27, 2012. This Notice describes the Company's rate request, the PUC's role, and what actions you can take.

AWC has requested an overall rate increase of \$540,686 per year. If the Company's entire request is approved, the total bill for the average residential customer using 6,000 gallons per month would increase from \$44.35 to \$56.32 (by 27%). The total bill for the average 1½" meter commercial customer using 45,000 gallons per month would increase from \$298.15 to \$378.65 (by 27%). Rates for the average 1½" meter multi-family customer using 105,000 gallons per month would increase from \$623.57 to \$791.61 (by 27%). Rates for the average 1½" public customer using 123,000 gallons per month would increase from \$690.72 to \$875.72 (by 27%). The annual private fire hydrant rate would increase from \$786.06/hydrant to \$1,011.90/hydrant (by 29%), while the annual public fire hydrant rate would increase from \$196.35/hydrant to \$252.98/hydrant (by 29%). To find out your customer class or how the requested increase may affect your water bill, contact the Company at 610-630-1200. The rates requested by the Company may be found in Supplement No. 13 to Tariff Water - PA PUC No. 3. You may examine this Tariff Supplement or the material filed with the PUC that explains the requested increase and the reasons for it at the Company's office or at www.puc.state.pa.us.

The state agency that approves rates for public utilities is the PUC. The PUC will examine the requested rate increase and can prevent existing rates from changing until it investigates and/or holds hearings on the request. The Company must prove that the requested rates are reasonable. After examining the evidence, the PUC may grant all, some, or none of the request made or may reduce existing rates.

The PUC may change the amount of the rate increase requested by AWC for each customer class. As a result, the rate charged to you may be different than the rate requested by the Company and shown above.

There are three ways to challenge the Company's request to change its rates:

1. You can file a formal complaint. If you want a hearing before a judge, you must file a formal complaint. By filing a formal complaint, you assure yourself the opportunity to take part in hearings about the rate increase request. All complaints should be filed with the PUC before March 27, 2012. If no formal complaints are filed, the PUC may grant all, some or none of the request without holding a hearing before a judge.
2. You can send a letter telling why you object to the requested rate increase. Sometimes there is information in these letters that makes the PUC aware of problems with the Company's service or management. This information can be helpful when the PUC investigates the rate request. Send your letter or request for a formal complaint form to the PENNSYLVANIA PUBLIC UTILITY COMMISSION, PO BOX 3265, HARRISBURG, PA 17105-3265.
3. You can be a witness at a public input hearing. Public input hearings are held if the PUC opens an investigation of the Company's rate increase request and if there is a large number of customers interested in the case. At these hearings you have the opportunity to present your views in person to the PUC judge hearing the case and the Company's representatives. All testimony given "under oath" becomes part of the official rate case record. These hearings are held in the service area of the Company.

For more information, call the PUC at 1-800-782-1110. You may leave your name and address so you can be notified of any public input hearings that may be scheduled in this case.

AUDUBON WATER COMPANY

AUDUBON WATER COMPANY

SECTION C

PRESS RELEASE

PRESS RELEASE

Audubon Water Company (Company) filed a request on January 27, 2012 with the Pennsylvania Public Utility Commission (PUC) to increase rates for all customers, effective March 27, 2012. The PUC will be investigating the rate filing and the proposed rates prior to the effective date. The Company's last general rate increase was approved by the PaPUC on October 12, 2007.

The Company has requested an overall rate increase of \$540,686 per year, or an increase of approximately 27% over existing rates. If the Company's entire request is approved, the total bill for the average residential customer using 6,000 gallons per month would increase by \$11.97 -- from \$44.35 to \$56.32. The total bill for the average 1½" meter commercial customer using 45,000 gallons per month would increase by \$80.50 -- from \$298.15 to \$378.65. Rates for the average 1½" meter multi-family customer using 105,000 gallons per month would increase by \$168.04 -- from \$623.57 to \$791.61. Rates for the average 1½" public customer using 123,000 gallons per month would increase by \$180.00 -- from \$690.72 to \$875.72. The annual private fire hydrant rate would increase by \$225.84 -- from \$786.06/hydrant to \$1,011.90/hydrant, while the annual public fire hydrant rate would increase by \$56.63 -- from \$196.35/hydrant to \$252.98/hydrant.

The rate increase is required in order to cover increases in the costs of operating the water company, to pay for the construction of new facilities and water plant additions that are necessary to serve customers and to allow the Company to maintain and improve water service reliability. The increase also will allow the Company to more efficiently comply with new and more stringent state and federal environmental requirements.

Customers can contact Audubon at 610-630-1300 to get further information on the proposed increase or to find out what actions they may take.

AUDUBON WATER COMPANY

SECTION D

TARIFF WATER – Pa. PUC No. 4

**AUDUBON WATER COMPANY
AUDUBON, PENNSYLVANIA**

**RATES, RULES AND REGULATIONS
GOVERNING THE DISTRIBUTION OF WATER
IN
PORTIONS OF LOWER PROVIDENCE TOWNSHIP
AND ADJACENT AREAS
MONTGOMERY COUNTY, PENNSYLVANIA**

ISSUED: January 27, 2012

EFFECTIVE: March 27, 2012

By: Martha M. Russell, President
Audubon Water Company
Valley Forge Corporate Center
2650 Eisenhower Avenue
P.O. Box 7337
Audubon, PA 19407

**NOTICE
THIS TARIFF INCREASES EXISTING RATES**

LIST OF CHANGES MADE BY THIS SUPPLEMENT**Increases:**

1. This Tariff Water – Pa. PUC No. 4 increases rates for all customers to produce an annual increase in Company revenues of \$540,686.
2. Rates for residential customers are increased by 27%. Rates for commercial metered customers are increased by 27%. Rates for multi-family customers are increased by 27%. Rates for public customers are increased by 27%. Public fire protection rates are increased by 29%. Private fire protection rates are increased by 29%.

Changes:

The following changes have been made to the text of the Company's currently effective Tariff on file with the Commission:

1. Rates listed on Original Page Nos. 5-7 have been increased.
2. The rate chart previously contained in Part I, Section E, Paragraph 2 was removed because it was a duplication of the rates set forth in Part I, Section D, Paragraph 2.
3. A Fire Flow Testing Charge has been added as Part I, Section L.
4. A definition for "Premises or Property" has been added to Part II.
5. Subparagraph 4(b) has been added to Part III, Section C.
6. The second paragraph of Part III, Section H, Paragraph 4 has been removed.
7. A Backflow Prevention Program has been added as Part VI, Original Pages 45-51.
8. Language, numbering and pagination changes were made to make the Tariff consistent internally and with the sample tariff developed by the Commission and set forth on the website, and to reflect changes made to the Commission's rules and regulations.

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PART I: SCHEDULE OF RATES AND CHARGES**Section A: Rates for Metered Service**

1. Application: To all metered customers.
2. Consumption Charges: All water used in any billing period will be charged at the following rates:

<u>All Residential Volumes</u>		
Rate Per 1,000 Gallons	\$7.0836	(I)
<u>All Remaining Customers – Gallons Per Month</u>		
First 100,000 Gallons/Month	\$7.0836	(I)
Over 100,000 Gallons/Month	\$4.6724	(I)

3. Customer Charge: In addition to the consumption charge, each customer will be assessed a customer service charge based upon the size of the customer's meter as follows:

<u>Meter Size</u>	<u>Per Month</u>	<u>Per Quarter</u>	
5/8 inch	\$13.82	\$41.46	(I)
3/4 inch	\$13.82	\$41.46	(I)
1 inch	\$35.18	\$105.54	(I)
1 1/2 inch	\$59.89		(I)
2 inch	\$95.69		(I)
3 inch	\$179.69		(I)
4 inch	\$299.07		(I)
6 inch	\$598.14		(I)
8 inch	\$957.11		(I)
10 inch	\$1,159.36		(I)
12 inch	\$1,812.63		(I)

(I) Indicates Increase

Section E: Metered Fire Protection Service for Residential Structures

1. Application: To obtain service for automatic fire sprinklers or other automatic fire suppression related devices located inside a residential structure, the customer must install a separate customer service line from the curb to the fire protection system. Each such fire line shall be metered in accordance with the Company's rules and regulations. Both the customer's fire service line and domestic line shall be connected to a single Company service line. To accommodate service to the customer's fire line in addition to the domestic line, the Company will install a larger Company service line than it would otherwise install. The customer will be responsible for paying the Company for the costs of upsizing the Company service line and appurtenances, and for the cost of the fire meter and its installation, together with any and all applicable taxes. Recovery of these costs by the Company shall be achieved through the application of the rate schedule set forth below.

The Company reserves the right to refuse an application for automatic fire service where, in the judgment of the Company, the size and pressure of the street main is not sufficient to render proper service. The customer shall be responsible for the design and sufficiency of the fire protection system (including the installation of a pressure tank and pumps, if required) and shall submit appropriate certification of such to the Company.

The customer shall not use the fire line for domestic service and shall not allow a cross-connection between the domestic and fire systems. The Company shall have the right to require special devices as deemed necessary on residential fire service lines.

2. Rate: A customer charge for metered fire protection service for residential structures will be assessed at the rates set for in Section D, Paragraph 2 of this Part.

Section F: State Tax Surcharge Applicable to All Rates

In addition to the net charges provided for in this Tariff, a surcharge of 0.00% will apply to all service rendered.

The above surcharge will be recomputed, using the elements prescribed by the Commission:

1. Whenever any of the tax rates used in calculation of the surcharge are changed; or
2. Whenever the Company makes effective increases or decreases in rates.

The above recalculations will be submitted to the Commission within ten (10) days after the occurrence of the event or date which occasioned such recomputations. If the recomputed surcharge is less than the one in effect, the Company will, and if the recomputed surcharge is more than the one in effect the Company may, submit with such recomputation a Tariff Supplement to reflect such recomputed surcharge, the effective date of which shall be ten (10) days after filing.

Section G: Returned Check Charge

A charge of \$35.00 will be assessed any time a check which has been presented to the Company for payment of a customer's account is returned by the payer's bank for any reason.

Section H: Service Termination or Resumption Rates

The fee for shut-off or turn-on of service at the curb stop shall be \$50.00.

Section I: Meter Test Rates

Consistent with Commission regulation at 52 Pa. Code §65.8(h), the fee schedule for testing of meters shall be as follows:

1 inch or less	\$10.00
1 1/4 inch - 2 inch	\$20.00

These amounts may vary without revision of this Tariff so as to be consistent with Commission regulations.

Fees for testing meters over 2 inches, or for testing meters so located that testing costs are disproportionate to the stated fees, shall be as established by the Company based upon the actual cost of the test.

Section J: New Service Application Charge

A charge of \$35.00 will be assessed for all applications for new service.

Section K: Water Certification Letter Charge

A charge of \$10.00 will be assessed for water certification letters.

Section L: Fire Flow Testing Charge

A charge of \$300.00 will be assessed for conducting a fire flow test. This charge includes scheduling and labor associated with the flow testing.

PART II: DEFINITIONS

The following words and phrases, when used in this Tariff, shall have the meanings assigned below unless the context clearly indicates otherwise:

1. Annual Line Extension Costs (For Line Extension Purposes): The sum of the Company's additional annual operating and maintenance costs, debt costs and depreciation charges associated with the construction, operation and maintenance of the line extension.
2. Annual Revenue (For Line Extension Purposes): The Company's expected additional annual revenue from the line extension based on the Company's currently effective tariff rates and on the average annual usage of customers similar in nature and size to the bona fide service applicant.
3. Applicant: A person or entity who applies to become a customer of the Company in accordance with the provisions of this Tariff. The applicant must be the owner of the premises to which water service is requested.
4. Bona Fide Service Applicant (For Line Extension Purposes): A person or entity applying for water service to an existing or proposed structure within the Company's certificated service territory for which a valid occupancy or building permit has been issued if the structure is either a primary residence of the applicant or a place of business. An applicant shall not be deemed a bona fide service applicant if:
 - (a) The applicant is requesting water service to a building lot, subdivision or a secondary residence;
 - (b) The request for service is part of a plan for the development of a residential dwelling or subdivision; or
 - (c) The applicant is requesting special utility service.
5. Commission: The Pennsylvania Public Utility Commission.
6. Company: Audubon Water Company, Valley Forge Corporate Center, 2650 Eisenhower Avenue, P.O. Box 7337, Audubon, PA 19407.

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7. Company Service Line: The water line from the distribution facilities of the Company which connects to the customer service line at the hypothetical or actual property line, including the control valve and valve box. The control valve and valve box determine the terminal point for the Company's responsibility for the street service connection.
 8. Cross-Connection: Any pipe, valve, hose or other arrangement or device connecting the pipelines or facilities of the Company, to and with other pipes or fixtures by which any contamination might be admitted or drawn into the distribution system of the Company from lines other than the Company's. All business customers shall install backflow protection devices in accordance with the Company's Backflow Prevention Program set forth in Part VI of this Tariff. All new customers or customers whose residential structure(s) are undergoing construction or reconstruction shall include a backflow protection device that is in compliance with the Backflow Prevention Program. The Company may require existing residential structures to comply with the Backflow Prevention Program to prevent any leakage into the Company's distribution system if, in the Company's sole discretion, such protection is required for protection of the Company's distribution system.
 9. Customer: A person or entity who is the owner of the premises to which water service is requested.
 10. Customer Service Line: The water line extending from the curb, property line or utility connection to a point of consumption.
 11. Debt Costs (For Line Extension Purposes): The Company's additional annual cost of debt associated with financing the line extension investment based on the current debt ratio and weighted long-term debt cost rate for the Company or that of a comparable jurisdictional water utility.

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12. Depreciation Charges (For Line Extension Purposes): The Company's additional annual depreciation charges associated with the specific line extension investment to be made based on the current depreciation accrual rates for the Company or that of a comparable jurisdictional water utility.
 13. Line Extension (For Line Extension Purposes): An addition to the Company's main line which is necessary to serve the premises of a customer.
 14. Main: The pipe of a public utility system, excluding service connections, located in a public highway, street, alley or private right-of-way which pipe is used in transporting water.
 15. Meter: Any device supplied by the Company, except as approved by the Commission, for the purpose of measuring water consumption. Where both a domestic and a fire protection line serve the same premises, each line shall be separately metered.
 16. Nonresidential Service: Water service supplied to a commercial or industrial facility, including a hotel or motel, or to a master-metered mobile home park or multi-tenant apartment building, or to any customer who purchases water from the Company for the purpose of resale.
 17. Operating and Maintenance Costs (For Line Extension Purposes): The Company's average annual operating and maintenance costs associated with serving an additional customer, including customer accounting, billing, collections, water purchased, power purchased, chemicals, and other variable costs based on the current total Company level of such costs, as well as costs particular to the specific needs of that customer, such as line flushing.
 18. Premises or Property: The residential or commercial structure or structures to which water service is provided.
 19. Private Fire Protection Service: Water service provided exclusively for the purpose of fire protection that is available to the customer only and not for use by the general public, and that is provided through automatic sprinkler systems, fire hydrants or similar mechanisms. Where a premises is provided both domestic and private fire protection service, a separate service line shall be installed for each service.

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20. Public Fire Protection Service: Water service provided exclusively to a municipal or governmental entity through outdoor hydrants for the purpose of fire protection for the general public.
21. Public Utility: Persons or corporations owning or operating equipment or facilities in this Commonwealth for diverting, developing, pumping, impounding, distributing or furnishing water to or for the public for compensation.
22. Residential Service: Water service supplied to an individual single-family residential dwelling unit (including a mobile home), or supplied to a commercial establishment if concurrent service is provided to a residential dwelling attached thereto. Utility service provided to a hotel or motel is not considered residential service.
23. Short-Term Supply Shortage: An emergency which causes the total water supply of the Company to be inadequate to meet maximum system demand.
24. Special Utility Service: Residential or commercial service which exceeds that required for ordinary residential or commercial purposes. See additional clarification in Part III, Section G, Paragraph 2(d) of this Tariff.
25. Tariff: All of the service rates, rules and regulations issued by the Company, together with any supplements or revisions thereto, officially approved by the Commission and contained in this document

PART III: RULES AND REGULATIONS**Section A: Applications for Service**

1. **Service Application Required:** The Company may, at its sole discretion, require applications for service to be completed in writing on a form provided by the Company and signed by the owner of the property to which water service is requested. The application for service shall, in general, clearly outline the class, scope and type of use to be made of the service, as well as the purpose for which the service will be used. The application and the provisions of this Tariff shall constitute the contract between the customer and the Company, and each customer, by the taking of water, agrees to be bound thereby.
2. **Change in Ownership or Tenancy:** A new application must be made to and approved by the Company upon any change in the (a) ownership of the property to which water service is provided; (b) identity of a lessee where the lessee is the recipient of the water service provided by the Company; and (c) type of service to be received at the premises. The Company shall have the right to discontinue or otherwise interrupt water service upon three (3) days notice if a new application has not been made and accepted by the Company.
3. **Acceptance of Application:** An application for service shall be considered accepted by the Company only upon oral or written approval by the Company. The Company may, in its sole discretion, provide service to the applicant pending formal review and acceptance of the application.
4. **Use of Service in Accordance with Application:** The use of water service by a customer shall, in general, be in accordance with the class, scope and type of use, and the purpose stated in the customer's application for service. A customer shall not use, or allow use by others, of water service through the customer's facilities except as stated in such application.
5. **Application Forms:** Application forms can be obtained at the Company's local business office, presently located at Valley Forge Corporate Center, 2650 Eisenhower Avenue, P.O. Box 7337, Audubon, PA 19407
6. **Application Fee:** A charge shall apply to all applications for new service.

7. Water Used for Construction Purposes: Where water is required for construction purposes, the applicant shall so indicate. At the Company's discretion, unmetered service may be provided for construction purposes.

8. Temporary Service/Water for Building Purposes/Special Application: A supply of water for building or other special purposes, except on a lot or premise already supplied with water by a meter, must be specially applied for. All applications for water for building purposes, when water is not supplied through a meter at metered rates, must be signed by the owner or his duly authorized agent, and shall be interpreted to mean that the water shall not be used to provide residential or commercial service.

In the case of temporary service for short-term use, the Company may require the customer to pay, in advance, all costs of making the service connection and for its removal after the service has been discontinued, or to pay a fixed amount in advance to cover such expenses. The Company also may require advance payment of charges for use of water. If the service connection is physically removed, the customer shall receive a credit for reasonable salvage value.

Section B: Construction and Maintenance of Facilities

1. Company Facilities: The Company will make all connections to its mains, furnish, install and maintain all service lines from the main to, and including, the curb and box, which shall be placed from one to two feet inside the curb line, all of which service line will be the property of the Company and will be accessible to and under its control, with the exception of public fire hydrants, which may be installed and maintained at the expense of either party, as may be agreed upon.

2. Customer Service Line: The customer service line shall be furnished, installed, maintained and/or replaced, when necessary, by and at the sole expense of the customer. All customer service lines shall be of pipe approved by the Company and shall be kept in good repair at the expense of the customer. The Company reserves the right to determine the size, kind and depth of customer service lines.

3. Separate Trench: The customer service line shall not be laid in the same trench with drain or wastewater pipe, gas pipe, the facilities of any other public utility or of any municipality or municipal authority that provides a public utility service, or within three (3) feet of any open excavation, unless a written exception is granted by the Company.

4. Customer's Responsibilities: All service lines, connections and fixtures furnished by the customer shall be maintained by the customer in good working order. All valves, meters and appliances furnished by the Company and on property owned or leased by the customer shall be protected properly by the customer. All leaks in the customer service line, or any pipe or fixtures in or upon the customer's premises, must be repaired immediately by the customer. On failure of the customer to make such repairs with reasonable dispatch, the Company may turn off the water supplied to the affected premises, and such service shall not be again turned on until all repairs are made and until all proper and necessary expenses incurred in shutting off, and turning on, the water are paid in full.

The Company shall not be responsible for the maintenance of, or for damage done by water escaping from, the customer service line or from any other pipe or fixture on the outlet side of the curb stop. The customer shall, at all times, comply with state and municipal regulations in reference to any pipe or fixture on the outlet side of the curb stop and shall make any changes thereon required on account of change of grade, relocation of mains, or otherwise.

5. Prohibition on Waste of Water: All waste of water is prohibited. A customer shall keep all faucets, valves, hydrants, service lines and hoses in good order and condition at the customer's own expense. Sprinkling of any kind must be done with ordinary spraying nozzles generally in use and acceptable to the Company.

6. Right to Reject: The Company may refuse to connect with any piping system or furnish water through a service already connected if such system or service is not properly installed or maintained. The Company also may refuse to connect if lead based materials, as defined in the Safe Drinking Water Act, have been used in any plumbing beyond the Company's curb control valve. It shall be the customer's responsibility to provide the Company with any such certification which may be required to verify the absence or removal of such materials.

7. Water Use Standards for Certain Plumbing Fixtures: This rule establishes maximum water use criteria for certain plumbing fixtures installed in all new construction or renovation. Such standards have been implemented to achieve maximum efficiency of water use which the Commission has determined is technologically feasible and economically justified.

(a) Maximum permitted water usage levels shall be as follows:

<u>Plumbing Fixture</u>	<u>Maximum Water Use</u>
Showerheads	2.5 gallons/minute @ 80-psi
Faucets	2.2 gallons/minute @ 60-psi
Water Closets	1.6 gallons/flush
Urinals	1.0 gallons/flush

(b) The Company may exempt particular customers, or classes of customers, when it is determined that the water use standards for plumbing fixtures listed above are unreasonable, cannot be accommodated by existing technology or are otherwise inappropriate.

8. Stop and Waste Valves and Check Valves: The Company requires the installation of stop and waste valves and check valves on all new or reconstructed customer service lines. The responsibility for the proper installation and maintenance of such valves shall be the customer's and at the customer's sole expense. The stop and waste valves and check valves shall be located in the service line so as to drain all of the pipes in the building, as well as the meter, and shall be easily accessible to the occupants, for their protection in enabling them to turn off the water in case of leaks, and to drain the pipes to prevent freezing.

9. Backflow Prevention Device: In order to protect the integrity of the Company's water system, each customer shall install a backflow prevention device in accordance with the Company's Backflow Prevention Program, a copy of which can be obtained at the Company's business office. The backflow prevention device shall be of the type approved by the Company and shall be installed, owned and maintained by the customer at the customers' expense. The location of the backflow prevention device shall be approved by the Company. The Company recommends the installation of approved double check valves for service lines providing service to residential units.

10. Pressure: Generally, the Company will maintain service pressures from 25 p.s.i.g. (pounds per square inch gauge) to 125 p.s.i.g. at the main. During periods of peak demand, pressures at the main may range from 20 to 150 p.s.i.g. The Company may furnish service at other pressures where necessary to supply adequate service.

If a customer needs the pressure reduced or increased due to specific needs at the customer's premises or because of specific customer uses of the water service provided, the customer must install and maintain, at the customer's expense, a pressure regulator or valve. The pressure regulator will be installed on the inlet side of the meter.

11. Cross-Connections: No cross-connection shall be installed or continued except upon terms and conditions established in writing by the Company. A cross-connection may be considered to be eliminated if a method of backflow prevention is approved by the Company in writing and implemented by the customer, at the customer's own expense.

12. Individual Service Lines: Except as otherwise expressly authorized by the Company in writing, each individual customer shall be served only through a separate service line connected directly to the Company's distribution main, and that service line shall not serve any other customer or premise. No additional attachment may be made to any customer's service line for any purpose without the express written approval of the Company. A separate service line shall be required for domestic and fire protection service provided to the same premises.

13. Connection to Company Mains: No connection shall be made to the Company's main, nor detachment from it, except under the direction and control of the Company. All such connections shall be the property of the Company and shall be accessible to it and under its control. The Company will furnish, install and maintain all service lines from the main to and including the curb stop and box.

14. Turn-on of Service: Water shall not be turned on at any Company facility by any person who is not an employee or agent of the Company. No customer, unless specifically authorized by the Company in writing to do so, shall open or close any of the Company's stop valves in any public or private line.

15. Company Access: An authorized agent of the Company shall have the right of access, at all reasonable hours, to the premises supplied with water, for the purpose of reading meters, examining pipes and fixtures, observing the manner of water usage and for any other purpose which is proper and necessary in the conduct of the water company business. Such agents shall have credentials denoting their employment by the Company.

16. Winter Construction: The Company shall have no duty or obligation to perform any work or installation in connection with mains and/or facility construction during the months of December, January, February and March in any year. The Company may perform any work or installation during the four (4) months mentioned if, in the Company's sole opinion, conditions are suitable. If, in the Company's sole opinion, conditions are unsuitable, the Company may perform work or installation upon written request from the applicant provided that the person or entity making the request agrees in such written request to pay any additional costs applicable thereto and to hold the Company harmless for any consequences that may result.

Section C: Discontinuance, Termination and Restoration of Service

1. Discontinuance by Customer: Where a customer requests the Company to discontinue service, the following rules shall apply:

(a) A customer who wishes to have service discontinued shall give at least seven (7) days notice to the Company, specifying the date on which service is to be discontinued. In the absence of proper notice, the customer shall be responsible for all service rendered until the time that the Company shall have actual or constructive notice of the customer's intent to discontinue service. The customer shall not turn water on or off at any curb stop, or disconnect or remove the meter, or permit its disconnection or removal, without the prior written consent of the Company. A customer discontinuing service remains a customer for a period of nine (9) months for purposes of paying turn-on fees pursuant to the provisions of this Tariff.

(b) Where a customer requests turn-on of service within six (6) months of disconnection, the customer shall be subject to monthly minimum billing for the period of disconnection. A written request from the customer for turn-on of service shall be mailed to the Company at the address listed in this Tariff. A new application for service shall be required if (a) the request for turn-on of service occurs more than six (6) months after the customer's disconnection, or (b) the new service is at a different service location or of a different class of service.

2. Termination by the Company:

(a) The water may be shut off by the Company, after due notice, to any customer failing to comply with the provisions of this Tariff. Service terminated for non-compliance with this Tariff will not again be turned on until satisfactory assurance is given that these rules and regulations will be complied with, and that all proper and necessary expenses incurred in shutting off, and turning on, the water are paid in full by the customer.

(b) If a bill tendered by the Company is not paid in accordance with the provisions of this Tariff, water service may be terminated by the Company only after compliance with presently effective regulations of the Commission.

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- (c) The Company will notify a customer and terminate service after giving notice as required, for any of the following actions by the customer:
- (i) Non-payment of an undisputed delinquent account;
 - (ii) Failure to comply with the material terms of a payment agreement;
 - (iii) Failure to complete payment of a deposit, provide a guarantee of payment or establish credit;
 - (iv) Failure to permit access to the property served for purposes of installing, inspecting, reading, maintaining or removing meters or other facilities or equipment owned by the Company that is used to provide water service;
 - (v) Willful or negligent waste of water through improper or imperfect pipes or fixtures, or for failure to repair leaks in pipes or fixtures;
 - (vi) Installing or maintaining cross-connections or any unauthorized connection;
 - (vii) Receipt by the Company of an order or notice from the Department of Environmental Protection, a health agency, local plumbing inspector or other similar authority, to terminate service to the property served on the grounds of violation of any law or ordinance, or upon notice to the Company from any such authority that it has ordered an existing violation on the property to be corrected and that such order has not been complied with;
 - (viii) Making an application for service that contains material misrepresentations;
 - (ix) Tampering with any service line, valve, curb stop, meter or meter setting or other Company owned facilities or equipment used to provide service;
 - (x) Theft of service, which may include taking service without having made a proper application for service as required by this Tariff; or
 - (xi) Material violation of any provisions of this Tariff.

(d) Notice of Termination of Service: Prior to terminating service under subsection (c):

(i) The Company will provide written notice of the termination to the customer at least ten (10) days prior to the date of the proposed termination. The termination notice will remain effective for sixty (60) days.

(ii) The Company will attempt to contact the customer or a responsible adult at the premises, either in person or by telephone, to provide notice of the proposed termination at least three (3) days prior to the scheduled termination. Telephone contact will include attempted calls made to the residence at various times of the day on two (2) separate days between the hours of 7 a.m. and 9 p.m.

(iii) During the months of December through March, unless personal contact has been made with the customer or responsible adult by visiting the residence, the Company will, within forty-eight (48) hours of the scheduled date of termination, post a notice of the proposed termination at the service location.

(iv) The Company will attempt to make personal contact with the customer or responsible adult at the time service is terminated. Termination of service will not be delayed for failure to make personal contact.

(e) Grounds for Immediate Termination:

(i) The Company may immediately terminate service for any of the following actions by the customer:

- (A) Unauthorized use of the service delivered on or about the affected dwelling;
- (B) Theft of service, which shall include taking service without having made a proper application for service, or through activation of a bypass device that allows water to be used without being metered;
- (C) Fraud or material misrepresentation of the customer's identity for the purpose of obtaining service;
- (D) Tampering with meters or other public utility equipment; or
- (E) Violating tariff provisions on file with the Commission so as to endanger the safety of a person or the integrity of the public utility's delivery system.

(ii) Upon termination, the Company will make a good faith attempt to provide a post-termination notice to the customer or a responsible person at the affected premises. In the case of a single meter, multi-unit dwelling, the Company will conspicuously post the notice at the dwelling, including in the common areas when possible.

(f) Timing of Termination: The Company may terminate service for the reasons set forth in this Tariff or in the Commission's regulations from Monday through Thursday. The Company will not terminate service on a Friday, Saturday, Sunday or holiday, unless necessary due to an emergency or to prevent a danger to a person or the integrity of the Company's facilities.

(g) Medical Certification: The Company will not terminate service to a premises when a licensed physician or nurse practitioner has certified that the customer or a member of the customer's household is seriously ill or afflicted with a medical condition that will be aggravated by cessation of service. The customer must provide the Company with a letter from a licensed physician verifying the medical condition. The medical certification procedure will be implemented in accordance with Commission regulations.

(h) Dishonorable Tender of Payment After Receiving Termination Notice: After the Company has provided the required written and telephone contact, service may be terminated without additional notice if a customer:

- (i) Tenders payment that is subsequently dishonored; or
- (ii) Tenders payment with an access device that is unauthorized, revoked or canceled.

4. Payment to Restore Service:

(a) The Company may require a customer whose service was shut off for nonpayment of outstanding bills to pay the full amount owed before water service will be restored to the customer's premises. The Company also may require the customer to pay a reconnect fee and/or a deposit in addition to the amount of the outstanding charges.

(b) Whenever service is discontinued or terminated pursuant to the provisions of this Tariff, service shall be turned on by the Company only upon the payment by the customer of a turn-on charge and the resolution of the problem that gave rise to the termination of service.

Section D: Meters

1. Meters Owned by the Company: All meters shall be owned, installed and maintained by the Company and shall be accessible to and subject to its control.
2. Requirement for Metered Service: All service provided by the Company shall be metered, except as authorized by this Tariff.
3. Location of Meters: Meters shall be placed in a structure provided with a suitable cover and lock and key, which structure shall be located at the hypothetical or actual property line, control valve or valve box of the premises to which water service is provided. The meter will be set after the customer has had the plumbing arranged to receive the meter. All meter locations shall be approved by the Company before installed so as to measure all water being supplied to the customer's premise. Protection for the meter shall be provided by the customer, at the customer's expense.

In cases where it is not practical to place the meter at the location described above, the Company may approve another suitable location for placement of the customer meter. Relocation of meters for the customer's convenience shall be approved in the Company's sole discretion and shall be made at the customer's expense.

4. Meters for Private Fire Protection Service: Meters for fire service will be furnished and maintained by the Company; however, the cost of the meter will be the responsibility of the customer. For automatic sprinklers or other automatic fire service devices located inside a nonresidential structure, a separate service line will be required to be used exclusively for the fire service. Each customer service line shall be metered separately and shall be subject to the charges shown in the rate schedules contained in Part I of this Tariff.

The Company reserves the right to refuse an application for metered fire service where, in the judgment of the Company, the size and pressure of the street main is not sufficient to render proper service. The customer shall be responsible for the design and sufficiency of the fire protection system (including the installation of a pressure tank and pumps, if required) and shall submit appropriate certification of such to the Company. The customer shall not use the fire line for domestic service and shall not allow a cross-connection between the domestic and fire services. The Company shall have the right to require special devices as deemed necessary on customer fire service lines. Meters will be located as specified by the Company on the property of the customer. Pits or vaults are required and they shall be constructed and maintained at the expense of the customer in accordance with the Company's specifications.

5. Meters for Use With Steam or Hot Water Under Pressure: In all cases where steam or hot water under pressure is used, a swing check valve must be placed, at the expense of the customer, directly ahead of the meter and before any outlets from the customer service line, to prevent injury to the meter.

6. Maintenance of Meters: Meters shall be maintained by the Company as far as ordinary wear and tear is concerned, but the customer shall be responsible to the Company for any injury to, or loss of, any meter arising out of, or caused by, the customer's negligence or carelessness, or that of his servants, employees, members of his household, or any person upon his premises under, or by, his consent or sufferance. The customer shall permit no one, except an agent of the Company, to remove, inspect or tamper with the Company's meter or other property of the Company on the customer's premises.

7. Meter Reading and Testing: The quantity of water recorded by the meter will be conclusive on both the customer and the Company, except when the meter has been found to be registering inaccurately, or has ceased to register. In either case, the meter will be repaired by the Company and water consumption will be estimated, based upon average usage for a corresponding period.

In the case of a disputed account involving the accuracy of a meter, such meter will be tested in conformity with the regulations of the Commission. In the event the meter so tested is found to have an error in registration in excess of that permitted by the Commission's regulations, the bills will be increased or decreased, as provided by the Commission regulation at 52 Pa. Code §65.9.

8. Access for Automated Meter Reading Devices: Upon reasonable notice, the customer shall permit the Company access and space for the purpose of installing and utilizing a telemetering or other automated meter reading device. Where applicable, the customer must provide the Company with the telephone number of the line to which the equipment will be connected and immediately advise the Company of any changes in the telephone number. Where the use of the customer's facilities results in a utility charge, the Company will compensate the customer.

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9. Damage to Meters: Where damage to a meter results from the negligent or willful act of the customer, or that of his servants, employees, members of his household, or any person upon his premises under, or by, his consent or sufferance, and the customer was previously notified of the obligation to protect the meter, the actual cost of removing, replacing, repairing or testing a damaged meter shall be paid by the customer.
10. Notification to Company of Non-Working or Damaged Meter: The customer shall notify the Company of a non-working or damaged meter as soon as the customer has notice of either condition.
11. Fees for Meter Tests: Fees for testing meters shall be as specified under Part I, Section I of this Tariff. Testing fees shall be refunded pursuant to Commission regulation at 52 Pa. Code § 65.8(g) where the meter is found not operating within the allowable accuracy range specified at 52 Pa. Code § 65.8(a).

Section E: Billing and Collection

1. Issuance of Bills: Bills for water service will be rendered monthly, on a cycle basis for the preceding period of consumption. Meters will normally be read during the last week of the month in which a cycle ends. The Company will bill each customer within fifteen (15) days of the last day of each billing period.
2. Billing Due Date: The due date for payment of a bill for nonresidential service shall be no less than fifteen (15) days from the date of transmittal. The due date for payment of a bill for residential service shall be no less than twenty (20) days from the date of transmittal. If the last day for payment falls on a Saturday, Sunday or bank holiday, or on any day when the offices of the Company are not open to the general public, the due date shall be extended to the next business day. Payments mailed will be deemed to have been made on the date evidenced by the United States Post Office mark. The Company may not impose a late payment charge unless payment is received more than five (5) days after the stated due date. The presentation, or non-presentation, of a bill shall not be held to be a waiver of any of the above rules.
3. Late Payment Charge: All amounts not paid when due shall accrue a late payment charge at the rate not to exceed one and one-half percent (1.50%) per billing period, not to exceed eighteen percent (18%) per year.
4. Discontinuance of Service or Change in Billing Address: When the customer desires to have his service contract terminated or his water service discontinued, or changes the billing address for service provided, the customer shall notify the Company to that effect in writing. Where a customer fails to notify the Company of a termination or discontinuance of service or of a change in billing address, the customer shall remain responsible to remit payment for services rendered by the Company by the billing due date.
5. Application of Payment: Utility bills rendered by the Company shall include only the amount due for water service. Where a customer remittance to the Company includes payment for any non-utility services, proceeds will be applied first to pay all outstanding regulated utility charges.

6. Return Check Charges: The customer will be responsible for the payment of a charge for each time a check presented to the Company for payment on that customer's bill is returned by the payer's bank for any reason including, but not limited to, insufficient funds, account closed, payment stopped, two signatures required, post-dated, stale date, account garnished, or unauthorized signature. This charge is in addition to any charge which may be assessed against the customer by the bank.

7. Disputed Bills: In the event of a dispute between the customer and the Company with respect to any bill, the Company will promptly make such investigation as may be required by the particular case and report the result to the customer. The customer is not obligated to pay the disputed amount during the pendency of the Company's investigation. When the Company has made a report to the customer sustaining the bill as rendered, the customer shall have fifteen (15) days from the date of such report in which to pay the bill. If the Company determines that the bill originally rendered is incorrect, the Company will issue a corrected bill with a new due date for payment. Any amounts received by the Company in excess of the amount determined to be due by the Company's investigation of the dispute shall be refunded to the customer with interest computed at one and one-half percent (1.50%) per month.

Section F: Deposits1. Residential Customers:

(a) New Applicants: The Company will provide service without requiring a deposit unless the applicant was terminated for non-payment within the prior twelve (12) months or has an unpaid balance for prior service from the Company. The amount of the deposit will not be greater than an estimated average bill for one (1) billing period plus the estimated bill for one (1) additional month's service.

(b) Existing Customers: If a customer has paid late on two (2) consecutive occasions or a total of three (3) times within the prior 12-month period, the Company may send a letter informing the customer that a deposit may be required if another late payment is received within the next twelve (12) months. An existing customer may be required to pay a deposit as a condition to having service restored after termination for non-payment or for failure to comply with a payment agreement. The amount of the deposit will not be greater than an estimated average bill for one (1) billing period plus the estimated bill for one (1) additional month's service.

(c) Deposit Refunds and Interest: A deposit will be refunded if service is discontinued and the final bill is paid, or if the customer has paid the bills for the prior 12-month period without having been late on more than two (2) occasions and is not currently delinquent. Deposits from residential customers shall bear simple interest at the rate of the average of one-year Treasury Bills for September, October and November of the previous year, payable annually without deductions for taxes thereon unless otherwise required by law. The applicable interest rate shall become effective on January 1 of each year.

2. Nonresidential Customers:

(a) New Applicants: A deposit may be required from any new applicant who does not have a prior satisfactory credit history with the Company. The amount of the deposit will not be greater than an estimated average bill for one (1) billing period plus the estimated bill for one (1) additional month's service.

(b) Existing Customers: Deposit requirements for existing nonresidential customers shall be the same as those established for residential customers.

(c) Deposit Refunds and Interest: A deposit will be refunded if the customer pays all bills on time over a twelve (12) month period or if service is disconnected and the final bill has been paid. There will be no interest paid on deposits for nonresidential accounts.

Section G: Line Extensions

Whenever a developer, owner or occupant of a property within the Company's service territory requests the Company to extend service to such property, the Company will extend service under the following conditions:

1. Requests by Bona Fide Service Applicant:

(a) At the time any request is made to the Company for a main extension, the Company may request a site plan for the lot(s) to which service is to be provided. If such a request is made by the Company, the site plan must be provided within the time specified by the Company, which shall not be less than fourteen (14) days.

(b) The Company will extend existing distribution mains for each bona fide service applicant making application in accordance with the provisions of this Tariff for water service for a period of one (1) year or more. Such extensions will be made in accordance with the provisions of this Tariff.

(c) When an extension for a bona fide service applicant is required, or requested, such extension will be made consistent with the following directives:

(i) Line extensions to bona fide service applicants shall be funded without customer advance where the annual revenue from the line extension will equal or exceed the Company's annual line extension costs.

(ii) If the annual revenue from the line extension will not equal or exceed the Company's annual line extension costs, a bona fide service applicant may be required to provide a customer advance to the Company's cost of construction for the line extension. The Company's investment for the line extension shall be the portion of the total construction costs which generate annual line extension costs equal to annual revenue from the line extension. The customer advance amount shall be determined by subtracting the Company's investment for the line extension from the total construction costs.

(iii) The Company's investment for the line extension shall be based on the following formula, where X equals the Company's investment attributed to each bona fide applicant:

X	=	[AR - OM] divided by [I + D]
AR	=	the Company's annual revenue
OM	=	the Company's operating and maintenance costs
I	=	the Company's current debt ratio multiplied by the Company's weighted long-term debt cost rate
D	=	the Company's current depreciation accrual rate

2. Customer Advance Financing, Refunds and Facilities on Private Property:

(a) When a customer advance is required of a bona fide service applicant and an additional customer or customers attach service lines to the line extension within ten (10) years, the Company shall refund a portion of the advance to the customer. Deposits made for additional facilities other than the line extension, such as booster pumps, storage tanks and the like, are contributions in aid of construction and need not be refunded.

(b) The Company will refund to the original bona fide service applicant, during a period of ten (10) years from the date of the extension deposit, a per-customer amount for each additional bona fide service applicant from whom a street service connection shall be directly attached to such main extension, as distinguished from extensions or branches thereof. Provided, however, that the total amount refunded shall not exceed the original deposit, without interest, and provided that all or any part of the deposit not refunded within said ten (10) year period shall become the property of the Company and shall be treated as contributions in aid of construction for ratemaking purposes. The per customer refund amount shall equal the Company's investment attributed to each bona fide service applicant as calculated in the formula contained in Paragraph 1(c)(iii) of this Section.

(c) The Company shall require a customer to pay, in advance, a reasonable charge for service lines and equipment installed on private property for the exclusive use of the customer.

(d) “Special utility service” shall mean residential or commercial service which exceeds that required for ordinary residential purposes. Paragraph 1(c) of this Section does not apply to special utility service. By way of illustration and not limitation, special utility service shall include: the installation of facilities such as oversized mains, booster pumps and storage tanks as necessary to provide adequate flows or to meet specific pressure criteria, or service to large water consuming commercial and industrial facilities. An otherwise bona fide service applicant requesting service which includes a “special utility service” component is entitled to bona fide applicant status, including the corresponding Company contribution toward the costs of the line extension which does not meet the “special utility service” criteria.

3. Requirement for Extension Deposit Agreement: Where extension of facilities is not fully funded by the Company pursuant to the provisions of this Tariff, the execution by the applicant of an Extension Deposit Agreement for customer contribution or advance shall be a condition of extending the facilities. Upon notice that the Company is prepared and able to go forward with the work, the applicant will deposit with the Company the amount specified in the Extension Deposit Agreement.

4. Size of Line: The Company shall have the exclusive right to determine the type and size of lines to be installed and the other facilities required to render adequate service. However, where the Company decides to install a pipe larger than necessary to render extension of adequate service to the applicant, estimated or actual cost figures in the Extension Deposit Agreement shall include only the material and installation cost for a pipe the size of which is necessary to provide adequate service to the applicant. Any incremental costs of a larger pipe will be the responsibility of the Company. All estimated or actual cost figures referred to in the Extension Deposit Agreement shall include a reasonable allowance for overhead costs and taxes as appropriate. The minimum pipe size for main extensions will be six (6) inches, pursuant to Commission regulation at 52 Pa. Code § 65.17(b)

5. Length of Extension: In determining the necessary length of an extension, the terminal point of such extension shall be at that point in the curb line which is equidistant from the side property lines of the last lot for which water service is requested. A Company service connection will be provided only for customer service lines (a) from the curb to the premises to be served, and (b) that extend at right angles from the curb line in a straight line to the premises to be served.

Should it be necessary, in the Company's sole opinion, to extend beyond the last lot in any street to connect to an existing main to provide more adequate and reasonable service, this additional extension shall be considered part of the total and orderly system development so long as the last lot in the street is not more than one hundred fifty (150) feet from that existing main, and may be included in the cost of the extension.

6. Cost True-up: At the conclusion of the line extension project, there shall be a reconciliation of the actual costs incurred to the amount of the extension deposit that has been paid by the applicant. If the actual cost exceeds the deposit, the applicant shall be responsible for payment to the Company of the difference. If the deposit exceeds the actual cost, the Company shall refund the difference.

7. Economic Development Main Extension Policy: The Company may negotiate and enter into customized extension deposit agreements for the purpose of promoting economic development or enhancing the efficiency and operation of the waterworks system. These agreements may include special provisions that differ from the standard terms of the extension deposit agreements.

Section H: Fire Protection Service

1. Private Fire Protection Service: Where private fire protection service connections are to be made to the Company's system, the Company shall have the right to approve the plans for such installation prior to approval of the application for service. The Company shall make any connection to the distribution system that is required, and the customer shall pay to the Company the actual cost for making such connection.

The Company may allow a compound-type meter for installation in the private fire line if, in the Company's sole discretion, such a meter is deemed necessary. Waiver of the requirement for installation of a separate meter at the time the connection is made shall not prohibit the Company from requiring a meter installation at a future date.

Any meter required will be supplied and installed by the Company, with the cost for the meter, together with labor and materials for installation, to be borne by the customer. Where a private fire connection is approved by the Company, no other connection for domestic, commercial or industrial use shall be made to the fire connection line.

2. Public Fire Protection: Where public fire protection is offered, service will be available when hydrants are installed and when the municipal entity for which the service will be provided makes application to the Company for that service.

3. Installation of Fire Hydrants: The Company shall approve the installation of any fire hydrants. All fire hydrants shall be located by the Company with due consideration given to local fire fighting authorities and to requirements of insurance underwriters. Developers and private fire protection customers shall be responsible for all costs of purchase and installation of fire hydrants in the same manner as installation of water main extensions. The hydrants will be installed by the Company and shall be the property of the Company.

4. Use of Fire Hydrants: All persons are forbidden to open any fire hydrant or to use any water therefrom for sprinkling streets, for construction or for any purpose without permission in writing from the Company, except in case of fire and by fire companies to test hydrants. Such tests shall be made directly under the supervision of an authorized agent of the Company. Any water used for firefighting, for testing fire hydrants or for determining fire flow shall be billed in accordance with the regular schedule of metered rates, with proper allowance for water consumed.

Section I: Service Continuity

1. Regularity of Service: The Company may, at any time, shut off water in the mains in case of accident or emergencies or for the purpose of making connections, alterations, repairs or changes, or for other reasons, and may restrict the use of water by customers to reserve a sufficient supply for public fire service or other emergencies whenever the public welfare so requires. The Company will, pursuant to Commission regulation at 52 Pa. Code § 67.1 and as circumstances permit, use all reasonable and practicable measures to give advance notification to customers to be affected by service interruptions.

2. Liability for Service Interruptions:

(a) Limitation of Damages: The Company's liability to a customer for any loss or damage due to any interruption in supply, any excess or deficiency in the pressure, volume or supply of water, poor quality of water or other causes beyond its control due to any cause other than willful misconduct or negligence by the Company, its employees or agents shall be limited to an amount equal to no more than the customer charge or minimum bill for the period in question. The Company will undertake to use reasonable care and diligence in order to prevent and avoid interruptions and fluctuations in service, but cannot and does not guarantee that such will not occur.

(b) Responsibility for Customer Facilities: The Company shall not be liable for any loss or damage caused by reason of any break, leak or other defect in a customer's own service pipe, line, fixtures or other installations, except where the damage is a result of the negligence or willful misconduct of the Company, its employees or agents.

Section J - Waivers

The Company may, at its sole discretion, waive any of the provisions contained in this Tariff that operate for the benefit of the Company; provided, that no such waiver will be valid unless in writing and signed by an authorized representative of the Company, and provided that no waiver will be allowed where the waiver would constitute a violation of the Public Utility Code, the regulations of the Commission or of any other applicable statute, law or regulation. No agent or employee of the Company shall have the right, or authority, to bind the Company to any promise, agreement or representation, contrary to the letter, or intent, of the provisions of this Tariff.

Section K - Amendment of Commission Regulations

The Company reserves the right to alter, or amend, the provisions of this Tariff as provided by law. Whenever Commission regulations in Title 52 of the Pennsylvania Code are duly amended in such a way as would produce a difference between them and this Tariff, this Tariff is deemed to be amended so as to be consistent with the amendments to the regulations, except that if application of the amendment to Title 52 is discretionary, this Tariff will remain unchanged.

PART IV: WATER CONSERVATION CONTINGENCY PLAN

1. Restriction of Nonessential Uses: As provided in Commission regulation at 52 Pa. Code § 65.11, if the Company is experiencing or projecting a short-term supply shortage, the Company may request voluntary conservation by both residential and nonresidential customers and may impose mandatory conservation measures to reduce or eliminate nonessential uses of water. As defined at 52 Pa. Code § 65.1, nonessential uses of water include, at a minimum, the following:

- (a) Watering of lawns, gardens, landscape areas, trees, shrubs or other outdoor vegetation except with a hand-held hose equipped with an automatic shut-off nozzle.
- (b) Non-commercial washing of vehicles or other equipment except with a hand-held hose equipped with an automatic shut-off nozzle.
- (c) Washing streets, driveways, parking lots, tennis courts, commercial and residential building exteriors, sidewalks, patios or other outdoor surfaces.
- (d) Ornamental water uses, including fountains, artificial waterfalls, reflecting pools and the like.
- (e) Filling or topping-off of swimming or wading pools except for public or private pools serving twenty-five (25) or more dwelling units and health care facility pools used for patient care or rehabilitation.
- (f) The operation of water-cooled comfort air conditioning not equipped with a cooling tower or other evaporative system.
- (g) Flushing wastewater lines or manholes.
- (h) Irrigation at commercial farms and nurseries other than as minimally necessary to preserve livestock, crops and plants.
- (i) The use of water from fire hydrants for construction purposes or fire drills.

2. Implementation of Voluntary Restrictions: Prior to implementation of mandatory restrictions under Paragraph 3 of this Part, the Company shall first request voluntary customer conservation. Notice of voluntary conservation restrictions shall be sent to all customers or be provided by local radio, television or newspaper advertisements within the Company's service territory. Written notice of request for voluntary restrictions shall also be provided to the Commission.

3. Imposition of Mandatory Restrictions: If voluntary cooperation does not achieve satisfactory results, mandatory restrictions will be imposed upon notice to customers and the Commission as provided in Paragraph 2 of this Part. If any customer refuses to comply with such mandatory measures, the Company may either adjust the outside water valve connection in a manner which will restrict water flow by up to one-half (1/2), or otherwise restrict flow such as by the insertion of a plug device.

Prior to the imposition of any flow restriction, the Company must make a bona fide attempt to deliver notice of the proposed flow restriction to a responsible adult at the affected premises and fully explain the reason for the restriction and the means by which the customer may eliminate the grounds for such flow restriction. Less restrictive means may be imposed to secure compliance with mandatory use restrictions.

Complete service termination may be imposed by the Commission after an expedited administrative proceeding has been held to provide the affected customer with an opportunity to be heard.

4. Pennsylvania Emergency Management Agency (PEMA) Responsibilities: In addition to the provisions set forth in this Tariff, the Pennsylvania Emergency Management Agency, authorized to promulgate, adopt and enforce a Water Rationing Plan by virtue of the Emergency Management Services Code, 35 Pa. C.S. §§ 1701 *et seq.*, may impose restrictions pursuant to a Drought Emergency Proclamation by the Governor of the Commonwealth of Pennsylvania. Where inconsistent with Company-imposed restrictions pursuant to this Tariff, PEMA restrictions shall control.

In the event of a drought emergency as defined by proclamation or executive order, the Company is authorized to collect fines set forth in its Local Water Rationing Plan as filed with and approved by PEMA.

5. Termination of Use Restrictions: Conservation measures imposed pursuant to this Tariff shall be terminated at such time as the supply shortage is eliminated, with appropriate notice provided to affected customers.

PART V: DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC)

In addition to the net charges provided for in this Tariff, a surcharge of 0.00% will apply to all services, excluding public fire hydrants, rendered on or after May 5, 2007.

1. General Description:

(a) Purpose: To recover the fixed costs (depreciation and pre-tax return) of certain non-revenue producing, non-expense reducing distribution system improvement projects completed and placed in service and to be recorded in the individual accounts, as noted below, between base rate cases and to provide the Company with the resources to accelerate the replacement of aging water distribution infrastructure, to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act and to develop and implement solutions to regional water supply problems. The costs of extending facilities to serve new customers are not recoverable through the DSIC. Also, Company projects receiving PENNVEST funding are not DSIC-eligible property.

(b) Eligible Property: The DSIC-eligible property will consist of the following:

(i) Services (account 323), meters (account 324) and hydrants (account 325) installed as in-kind replacements for customers;

(ii) Mains and valves (account 322) installed as replacements for existing facilities that have worn out and/or are in a deteriorated condition;

(iii) Capitalized expenses related to repairs to existing facilities that are in a deteriorated condition or upgraded to maintain or improve distribution system reliability;

(iv) To meet Commission regulations at 52 Pa. Code Chapter 52;

(v) Main extensions (account 322) installed to eliminate dead ends and to implement solutions to regional water supply problems that have been documented as presenting a significant health and safety concern for customers currently receiving service from the Company or an acquired water company;

(vi) Main cleaning and relining (account 322) projects; and

(vii) Unreimbursed funds related to capital projects to relocate Company facilities due to highway relocations.

(c) Effective Date: The DSIC will become effective for bills rendered on and after October 16, 2007

2. Computation of the DSIC:

(a) Calculation: The initial charge shall be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rate base as of the date of the initial charge filing. Thereafter, the DSIC will be updated on a semi-annual basis to include eligible plant additions placed in service during the six (6) month period ending one (1) month prior to the effective date of each DSIC update. Thus, changes in the DSIC rate will occur as follows:

<u>Effective Date of Change</u>	<u>Date to Which DSIC Eligible Plant Addition Reflected</u>
August 1	June 30
February 1	December 31

The fixed costs of eligible distribution system improvement projects will consist of depreciation and pre-tax return, calculated as follows:

(b) Depreciation: The depreciation expense will be calculated by applying to the original cost of DSIC-eligible property the annual accrual rates employed in the Company's last base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded.

(c) Pre-Tax Return: The pre-tax return will be calculated using the state and federal income tax rates, the Company's actual capital structure and actual cost rates for long term debt and preferred stock as of the last day of the six (6) month period ending one (1) month prior to the effective date of the DSIC and subsequent updates. The cost of equity will be the equity return approved in the Company's most recent fully litigated base rate case for which a final order was entered not more than two (2) years prior to the effective date of the DSIC. If more than two (2) years shall have elapsed between the entry of such a final order and the effective date of the DSIC, then the equity return rate used in the calculation will be the equity return rate calculated by the Commission Staff in the latest Quarterly Report on the Earnings of Jurisdictional Utilities released by the Commission.

(d) DSIC Surcharge Amount: The charge will be expressed as a percentage carried to two (2) decimal places and will be applied to the total amount billed to each customer under the Company's otherwise applicable rates and charges, excluding amounts billed for public fire protection service and the State Tax Adjustment Surcharge (STAS). To calculate the DSIC, one-half (1/2) of the annual fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by the Company's projected revenue for sales of water for the semi-annual period during which the charge will be collected, exclusive of revenues from public fire protection service and the STAS.

(e) Formula: The formula for calculation of the DSIC surcharge is as follows:

$$\text{DSIC} = \frac{(\text{DSI} \times \text{PTRR}) + \text{Dep} + e}{\text{PQR}}$$

Where:

DSI = The original cost of eligible distribution system improvement projects net of accrued depreciation.

PTRR = The pre-tax return rate applicable to eligible distribution system improvement projects.

Dep = Depreciation expense related to eligible distribution system improvement projects.

e = The amount calculated under the annual reconciliation feature as described below.

PQR = Projected semi-annual revenue including any revenue from acquired companies that are now being charged the rates of the Company.

(f) Semi-Annual Updates: Supporting data for each semi-annual update will be filed with the Commission and served upon the Bureau of Investigation and Enforcement and the Office of Consumer Advocate at least ten (10) days prior to the effective date of the update.

3. Safeguards:

(a) Cap: The DSIC will be capped at 5.00% of the amount billed to customers under otherwise applicable rates and charges.

(b) Audit/Reconciliation: The DSIC will be subject to audit at intervals determined by the Commission. It will also be subject to annual reconciliation based on a reconciliation period consisting of the twelve (12) months ending December 31 of each year. The revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307(e) of the Public Utility Code, over a one (1) year period commencing on April 1 of each year. If DSIC revenues exceed DSIC-eligible costs, such overcollections will be refunded with interest. Interest on the overcollections will be calculated at the residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. §§ 101 *et seq.*) and will be refunded in the same manner as an overcollection.

(c) New Base Rates: The charge will be reset at zero as of the effective date of new base rates that provide for prospective recovery of the annual costs that had theretofore been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions, which have not previously been reflected in the Company's rate base, would be reflected in the semi-annual updates of the DSIC.

(d) Earning Reports: The charge will also be reset at zero if in any period data filed with the Commission in the Company's then most recent Annual or Quarterly Earnings Reports shows that the Company will earn a rate of return that would exceed the allowable rate of return used to calculate its fixed costs under the DSCI as described in the Pre-tax Return section.

(e) Customer Notice: Customers shall be notified of changes in the DSIC by including appropriate information on the first bill they receive following any change. An explanatory note shall also be included on the first bill.

PART VI: BACKFLOW PREVENTION PROGRAM

1. **Purpose:** The purpose of maintaining a Backflow Prevention Program is to protect the public drinking water supply by preventing any and all possible contamination originating on a customer premises or in a customer service line from entering and degrading the water supply in the Company's distribution system.

2. **Cross-Connection Prohibited:** It shall be the responsibility of the customer to eliminate cross-connections and to provide backflow protection devices to prevent contamination of the Company's distribution system from both backsiphonage and backpressure. A cross-connection shall be considered to be eliminated only if the method of backflow prevention is approved in writing by the Company.

3. **Definitions.**
 - (a) **Alarm Check:** A specially designed device to signal an alarm and/or to summon the fire department, etc. when a sprinkler head flows water. This is not an approved backflow prevention device.

 - (b) **Closed System:** Any system, supplied directly by the Company that includes only automatic sprinkler or other automatic fire service devices. A closed system does not include private fire hydrants, reservoirs, or holding tanks of any size or construction.

 - (c) **Directional Check:** A specially designed device to provide directional flow only. This is not an approved backflow prevention device.

 - (d) **Double Check Detector Assembly (DCDA):** A specially designed device to prevent backflow of polluted water from a fire protection system into the potable water supply/system; to detect unauthorized use of water; and, to provide directional flow. This is an approved backflow prevention device for Closed Systems, depending upon the fire system classification.

 - (e) **Open System:** Any system, supplied directly by the Company that includes only automatic sprinkler or other automatic fire service devices. An open system may include private fire hydrants, reservoirs or holding tanks or construction.

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- (f) Private Metered Fire Hydrant: Any metered hydrant owned and maintained by the customer.
- (g) Reduced Pressure Principal Assembly (RP): A specially designed device to prevent backflow of contaminated water from a fire protection system into a potable water supply/system and to provide directional flow. This is an approved backflow prevention device for Open Systems, depending upon the fire system classification.
- (h) Reduced Pressure Principal Detector Assembly (RPDA): A specially designed device to prevent backflow of contaminated water from a fire protection system into a potable water supply system; to detect unauthorized use of water; to detect leaks into the fire protection system; and, to provide directional flow. This is an approved backflow prevention device for Closed Systems, depending upon the fire system classification.
- (i) Single Detector Check: A specially designed device to detect unauthorized use of water for other than fire service; to detect leaks in fire protection systems; and, with by-pass check, to provide directional flow. This is not an approved backflow prevention device.
- (j) Special Devices: Devices that are owned and maintained by the customer on the customer's plumbing system at the requirement of the Company. Special Devices include, but are not limited to, backflow prevention device, check valve, control valve and pressure reducing valve.
- (k) Sprinkler System: Includes express riser pipes that convey water to the laterals that supply sprinkler heads

4. Customer's Responsibility:

(a) The cost of installation, material, and maintenance of the backflow prevention device shall be paid for by the customer. Thereafter, it is the responsibility of the customer to have an annual test of the device performed by an inspector who is a qualified backflow prevention device tester.

(b) It is the customer's responsibility, at the customer's sole cost, to insure adequate design, installation, maintenance and operation of the premises piping system, including the backflow prevention device(s).

(c) All customer service lines must be evaluated by the Company before installation of a backflow prevention device. The device must receive final inspection and acceptance in writing from the Company prior to having the water turned on or restored.

(d) Only properly installed "Approved" backflow prevention devices with the appropriate hazard protection rating will be accepted by the Company.

5. Location:

(a) Residential Customers:

(i) Reconstructed or Renovated Premises – In the reconstruction or renovation of any structure to which the Company provides water service, the customer shall furnish, install, and maintain a Company approved backflow prevention, cross-connection control, or other special device as part of the renovation or reconstruction project. The furnishing, installation, and maintenance of the device shall be done at the customer's sole expense, in accordance with Company specifications and at a location and in the manner approved by the Company.

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- (ii) Premises Not Reconstructed or Renovated: If the Company determines, in its sole discretion, that a cross-connection or other threat of contamination to its water system exists, the customer shall furnish, install, and maintain a Company approved backflow prevention, cross-connection control, or other special device. The furnishing, installation, and maintenance of the device shall be done at the customer's sole expense, in accordance with Company specifications and at a location and in the manner approved by the Company.
- (iii) Irrigations Systems: Residential accounts having a lawn irrigation system are required to install a reduced pressure zone backflow prevention device on the line that services this part of the customer's system. Reduced pressure zone devices are to be tested annually, by the customer and at the customer's expense.
- (b) Nonresidential Customers: On service pipes for nonresidential customer services, a double check valve or backflow prevention device shall be furnished, installed and maintained by the customer. The type and location of the device shall be approved by the Company.
- (c) Fire Protection:
- (i) Service pipes used for fire protection must be in addition to and shall have a double check valve and backflow prevention device furnished, installed and maintained by the customer, at the customer's sole cost.
- (ii) Residential accounts having a fire sprinkler system will be required to install a reduced pressure zone backflow prevention device on the line which services this part of the customer's system. Reduced pressure zone devices are to be tested annually, by the customer and at the customer's expense.

(iii) Nonresidential customers with private fire protection systems installed shall certify to the Company, annually and in writing, that its cross-connection control and backflow prevention devices have been maintained and are in working order. This is to include a test performed by an inspector who is a qualified backflow prevention device tester.

(iv) Private and public fire service systems are subject to Company inspection at reasonable times.

(v) If the Company receives a request to use fire hydrants for purposes other than the extinguishment of fires, such use will be granted only if an approved backflow prevention device is attached to the hydrant. Said device shall be furnished by the customer. The decision to grant such a request shall be in the Company's sole discretion.

6. Fire System Classifications:

(a) Class 1: Direct connection with Company mains. No pumps, tanks or reservoirs; no physical connection from other supplies; no antifreeze or other additives of any kind; and, all sprinkler drains discharge to atmosphere, dry wells or other safe outlets.

(b) Class 2: Same as Class 1 except that a booster pump has been installed on the supply line.

(c) Class 3: Direct connection with Company mains. No pumps, tanks or reservoirs; no physical connection from other supplies; no antifreeze or other additives of any kind; all sprinkler drains discharge to atmosphere, dry wells or other safe outlets; elevated storage tanks; fire pumps taking suction from above-ground covered reservoirs or tanks; and, pressure tanks. All storage facilities shall be connected only to the Company's water system and the water in tanks shall be maintained in a potable condition, unless otherwise agreed to in writing by the Company.

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- (d) Class 4: Direct connection with Company mains. No pumps, tanks or reservoirs; no physical connection from other supplies; no antifreeze or other additives of any kind; all sprinkler drains discharge to atmosphere, dry wells or other safe outlets; elevated storage tanks; fire pumps taking suction from above-ground covered reservoirs or tanks; and, pressure tanks. May include an auxiliary water supply dedicated to fire department use or an auxiliary water supply available to the premises located within 1,700 feet of the pumper connection. All storage facilities shall be connected only to the Company's water system and the water in tanks shall be maintained in a potable condition, unless otherwise agreed to in writing by the Company.
- (e) Class 5: Direct connection with Company mains and interconnected with auxiliary supplies, such as: pumps taking suction from reservoirs exposed to contamination, or rivers or ponds, driven wells, mills or other industrial systems; or where antifreeze or other additives are used.
- (f) Class 6: Direct connection with Company mains only, with or without gravity storage or pump suction tanks, and/or interconnections with industrial systems
7. Company Inspection: The Company shall have the right, upon reasonable notice and at reasonable times, to conduct surveys and inspections of water use and practices at a customer's premises to determine the backflow prevention, cross-connection control or other special device appropriate for customer's connection. A yearly administrative fee of \$5.00 will be required per return certification.

8. Right of Company to Terminate Water Service: The Company shall have the right to terminate water service to any customer, after reasonable or required notice, under any of the following circumstances:

- (a) Violation by a customer or occupant of the backflow prevention and cross-connection provisions of this Tariff.
- (b) Failure to have the annual test of the backflow prevention device performed.
- (c) Receipt by the Company of an order from the Pennsylvania Department of Protection, local or state health authorities, plumbing inspectors or another similar agencies or individuals to discontinue service to the premises on the grounds of violation of any federal, state or local law, ordinance, rule or regulation or of this Tariff regarding cross-connections, or because of danger to health because of the existence of cross-connections, or upon notice to the Company from any federal state or local agency with proper jurisdiction that such agency has ordered a cross-connection existing on the premises to be discontinued and that such order has not been complied with.

9. Annual Testing of Fire Systems Required:

- (a) All backflow prevention devices installed on private or public fire systems are required to be tested annually with the test results forwarded to the Company. Any test of a fire system must be approved by the Company.
- (b) In the case of an actual flow test, Company personnel will require a description of the time and manner of the conducted test prior to the time of the testing. Company personnel must be present for all flow testing.
- (c) Any test of local fire hydrants will be conducted by the Company with engineering equipment (*i.e.*, pressure gauges, flow supplies, etc.) and operated by the customer requesting the test.

AUDUBON WATER COMPANY

SECTION E

BALANCE SHEET

AUDUBON WATER COMPANY

Balance Sheet
September 30, 2011

ASSETS

<u>Utility Plant - In - Service</u>		
Utility Plant at Original Cost	\$ 8,579,544	
Accumulated Depreciation	(4,168,621)	
Total Net Utility Plant Cost	\$ 4,410,923	
CWIP-Non CIAC	-	
CWIP-CIAC	124,597	
Total Net Plant Assets		\$ 4,535,520
<u>Current Assets</u>		
Cash	\$ 514,734	
Accounts Receivable	162,049	
Materials and Supplies	65,000	
Prepaid Expenses	-	
Total Current Assets		\$ 741,784
<u>Other Assets</u>		
Net Deferred Amortizations		\$ 15,600
TOTAL ASSETS		<u>\$ 5,292,904</u>

LIABILITIES AND EQUITY

<u>Long Term Debt</u>		
Notes Payable	\$ 299,139	
Other Misc. Loans (Vehicles)	112,080	
Loans From Stockholder	-	
Total Long Term Debt		\$ 411,219
<u>Current Liabilities</u>		
Accounts Payable	\$ 88,478	
Accrued Interest	-	
Payroll withholdings	9,959	
Total Current Liabilities		\$ 98,436
<u>Deferred Credits</u>		
CIAC Tax	\$ 255,499	
Deferred Income Taxes	642,889	
Total Deferred Credits		\$ 898,388
<u>Contributed Facilities</u>		
Customer Advances for Construction (Net of Accum. Depr.)	\$ 10,700	
Contributions in Aid of Construction (Net of Accum. Depr.)	3,093,919	
Contributions in Aid of Construction - Construction Work In Progress	158,412	
Total Net Value of Contributed Facilities		\$ 3,263,030
<u>Equity</u>		
Common Stock	\$ 35,000	
Paid - In - Capital	109,292	
Retained Earnings	477,539	
Total equity		\$ 621,831
TOTAL LIABILITIES AND EQUITY		<u>\$ 5,292,904</u>

AUDUBON WATER COMPANY

Pro Forma Balance Sheet
September 30, 2012ASSETS

<u>Utility Plant - In - Service</u>	
Utility Plant at Original Cost	\$ 9,210,623
Accumulated Depreciation	(4,144,410)
Total Net Utility Plant Cost	\$ 5,066,214
CWIP-Non CIAC	-
CWIP-CIAC	5,018
Total Net Plant Assets	\$ 5,071,231
<u>Current Assets</u>	
Cash	\$ 338,482
Accounts Receivable	162,049
Materials and Supplies	65,000
Prepaid Expenses	-
Total Current Assets	\$ 565,531
<u>Other Assets</u>	
Net Deferred Amortizations	\$ 211,750
TOTAL ASSETS	<u>\$ 5,848,513</u>

LIABILITIES AND EQUITY

<u>Long Term Debt</u>	
Notes Payable	\$ 525,750
Other Misc. Loans (Vehicles)	79,487
Loans From Stockholder	-
Total Long Term Debt	\$ 605,237
<u>Current Liabilities</u>	
Accounts Payable	\$ 88,478
Accrued Interest	-
Payroll withholdings	9,959
Total Current Liabilities	\$ 98,436
<u>Deferred Credits</u>	
CIAC Tax	\$ 255,499
Deferred Income Taxes	642,889
Total Deferred Credits	\$ 898,388
<u>Contributed Facilities</u>	
Customer Advances for Construction (Net of Accum. Depr.)	\$ 9,189
Contributions in Aid of Construction (Net of Accum. Depr.)	2,841,735
Contributions in Aid of Construction - Construction Work In Progress	5,018
Total Net Value of Contributed Facilities	\$ 2,855,942
<u>Equity</u>	
Common Stock	\$ 35,000
Paid - In - Capital	109,292
Retained Earnings	1,246,218
Total equity	\$ 1,390,510
TOTAL LIABILITIES AND EQUITY	<u>\$ 5,848,513</u>

AUDUBON WATER COMPANY

2007 Plant Additions - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code (1)	Date Acquired (2)	Item Description (3)	Original Cost (4)	Life (5)	Depr. Rate % (6)	Remaining Life (7)	Twelve Months Ended Sept. Book Values For the Above Period			Pro Forma Annualized Depreciation (11)
							Annual Depreciation (8)	Accumulated Depreciation (9)	Remaining Basis (10)	
312.13	2012	Springs & Wells New Road to Featherbed Well	\$ 15,000	50	2.00%	49.5	\$ 150	\$ 150	\$ 14,850	\$ 300
312.13	2012		-	50	0.00%	49.5	-	-	-	-
		Total Additions to Springs & Wells	\$ 15,000				\$ 150	\$ 150	\$ 14,850	\$ 300
312.2	2012	New Pump Station at Valley Forge Crossing Mobile Home Park	\$ 95,000	40	2.50%	39.5	\$ 1,188	\$ 1,188	\$ 93,813	\$ 2,375
312.2			-	40	0.00%	0.0	-	-	-	-
		Total Additions Power & Pumping Structure	\$ 95,000				\$ 1,188	\$ 1,188	\$ 93,813	\$ 2,375
312.5	2012	New Water Stg. Tank, 60,000 gallon at Valley Forge Crossing Mobile Home Park	\$ 85,000	40	2.50%	39.5	\$ 1,063	\$ 1,063	\$ 83,938	\$ 2,125
312.5			-	40	0.00%	0.0	-	-	-	-
		Total Additions Distribution Reservoirs & Standpipes	\$ 85,000				\$ 1,063	\$ 1,063	\$ 83,938	\$ 2,125
316	2012	Generator at Well #15	\$ 50,000	15	6.67%	14.5	\$ 1,667	\$ 1,667	\$ 48,333	\$ 3,333
322	2012	Level Rd Loop	\$ 18,500	60	1.67%	59.5	\$ 154	\$ 154	\$ 18,346	\$ 308
322	2012	VFCC Well #2 piping upgrades	30,000	60	1.67%	59.5	250	250	29,750	500
322	2012	AWC Wells #8	 piping upgrades	15,000	60	1.67%	59.5	125	125	14,875	250
322	2012	Featherbed Stg. Tank piping upgrades	21,000	60	1.67%	59.5	175	175	20,825	350
322	2012	Arcola Rd Stg. Tank add piping for add'l high/low zoning	15,000	60	1.67%	59.5	125	125	14,875	250
		Total Mains & Accessories Non-CIAC	\$ 99,500				\$ 829	\$ 829	\$ 98,671	\$ 1,658
322	2012	New Mains (CIAC Project)	\$ 4,901	60	1.67%	59.5	\$ 41	\$ 41	\$ 4,860	\$ 82
322	2012		-	60	0.00%	59.5	-	-	-	-
322	2012		-	60	0.00%	59.5	-	-	-	-
322	2012		-	60	0.00%	59.5	-	-	-	-
		Total Mains & Accessories CIAC	\$ 4,901				\$ 41	\$ 41	\$ 4,860	\$ 82
323	2012	Customer Service Connections	\$ -	60	0.00%	59.5	\$ -	\$ -	\$ -	\$ -
323	2012	Customer Service Connections	-	60	0.00%	59.5	-	-	-	-
		Total Services	\$ -				\$ -	\$ -	\$ -	\$ -
324	2012	New Water Meter Pits (CIAC)	\$ 114,678	25	4.00%	24.5	\$ 2,294	\$ 2,294	\$ 112,384	\$ 4,587
328	2012	Server & Backup Computers, 6-PC's Monitors & Programs	\$ 24,000	5	20.00%	4.5	\$ 2,400	\$ 2,400	\$ 21,600	\$ 4,800
328	2012	New Customer Billing Program	28,000	5	20.00%	4.5	2,800	2,800	25,200	5,600
		Total Additions Office Equipment	\$ 52,000				\$ 5,200	\$ 5,200	\$ 46,800	\$ 10,400
329	2012	Backhoe	\$ 115,000	10	10.00%	9.5	\$ 5,750	\$ 5,750	\$ 109,250	\$ 11,500
		Total 2012	\$ 631,079				\$ 18,180	\$ 18,180	\$ 612,899	\$ 36,360

AUDUBON WATER COMPANY

SECTION F

**PRO FORMA RATE BASE
&
RATE OF RETURN**

AUDUBON WATER COMPANY

Rate Base At Original Cost / Overall Rate of Return

Per Books September 30, 2011 and Pro Forma September 30, 2012

<u>Line</u>	<u>Description</u>	Per Books	Pro Forma	Pro Forma
		<u>9/30/11</u>	<u>Existing Rates</u> <u>9/30/12</u>	<u>Proposed Rates</u> <u>9/30/12</u>
1	Plant-In-Service (See Schedules E-1, E-2, and J-1-1 & J-2-1)	\$ 8,579,544	\$ 9,210,626	\$ 9,210,626
2	Accumulated Provisions For Depreciation (See Schedules E-1, E-2, and J-1-1 & J-2-1)	(4,168,621)	(4,144,410)	(4,144,410)
3	Net Plant-In-Service (See Schedules E-1, E-2, and J-1-1 & J-2-1)	\$ 4,410,923	\$ 5,066,216	\$ 5,066,216
Additions:				
4	Inventory (Schedules E-1 and E-2)	\$ 65,000	\$ 65,000	\$ 65,000
5	Cash Working Capital (See Schedule F-2)	226,330	266,077	266,077
Deductions:				
6	Contributions In Aid Of Const. Net of Accumulated Depreciation (See Schedules E-1, E-2, and J-1-2 & J-2-2)	\$ 3,093,919	\$ 2,841,735	\$ 2,841,735
	Customer Advances for Const. Net of Accumulated Depreciation (See Schedules E-1, E-2, and J-1-3 & J-2-3)	\$ 10,700	\$ 9,189	\$ 9,189
8	Total Rate Base	<u>\$ 1,597,635</u>	<u>\$ 2,546,370</u>	<u>\$ 2,546,370</u>
<u>Rate of Return Per Books 9/30/11</u>				
9	Income Per Books Available For Return	\$ (3,762)		
10	Unadjusted Overall Rate Of Return (L9 / L8)	-0.235%		
<u>Pro Forma Rate of Return Under Existing Rates 9/30/12</u>				
11	Pro Forma Income Under Existing Rates Available For Return		\$ (239,015)	
12	Overall Rate Of Return (L11 / L8)		-9.387%	
<u>Pro Forma Rate Of Return Under Proposed Rates 9/30/12</u>				
13	Pro Forma Income Under Proposed Rates Available For Return			\$ 230,701
14	Overall Rate Of Return (L13/L8, See Also Schedule F-3)			9.06%
15	Stipulated Overall Rate of Return			

AUDUBON WATER COMPANY

Cash Working Capital Calculations
Per Books September 30, 2011 and Pro Forma September 30, 2012

<u>Line</u>	<u>Description</u>	<u>Per-Books 9/30/11</u>	<u>Pro-Forma Existing Rates 9/30/12</u>	<u>Pro-Forma Proposed Rates 9/30/12</u>
1	Operating Deduction (See Schedule H-1)	\$ 1,810,644	\$ 2,128,620	\$ 2,128,620
2	Cash Working Capital Claim (1/8 of Oper. & Maint. Exp.)	\$ 226,330	\$ 266,077	\$ 266,077

AUDUBON WATER COMPANY

Rate Of Return

Hypothetical Capital Structure
Pro Forma Claim September 30, 2012

Description	Ratio (1)	Weighted Cost (2)	Average Weighted Cost (3)
Debt	45%	6.70%	3.02%
Equity	55%	10.98%	6.04%
Total	100%		9.06%

Per Books Capital Structure 9/30/11

Description	Per Books 9/30/11	Ratio	Interest Rates	Weighted Cost
Debt Ratio (1):				
Bank of America Loan 1 (Auth. \$500,000 Issue 12/04 - Mat 12/11)	\$ 21,659	7.24%	5.00%	0.36%
Bank of America Loan 2 (Auth. \$287,300 Issue 6/07 - Mat 6/17)	185,255	61.93%	7.17%	4.44%
Bank of America Loan 3 (Auth. \$50,000 Issue 8/08 - Mat 8/14)	30,610	10.23%	4.73%	0.48%
Bank of America Loan 4 (Auth. \$75,000 Issue 9/10 - Mat 9/15)	61,615	20.60%	5.65%	1.16%
	-	0.00%	0.00%	0.00%
	-	0.00%	0.00%	0.00%
	-	0.00%	0.00%	0.00%
	-	0.00%	0.00%	0.00%
	-	0.00%	0.00%	0.00%
	-	0.00%	0.00%	0.00%
	0		0	0
	0			0
	0			0
	0			0
Total Debt	\$ 299,139	100.00%		6.44%
Debt/Equity Ratio:				
Debt	\$ 299,139	32.48%		6.44%
Equity	621,831	67.52%		
Total	\$ 920,970	100.00%		

Pro Forma Capital Structure 9/30/12

Description	Pro Forma 9/30/12	Ratio	Interest Rates	Weighted Cost
Debt Ratio (1):				
Bank of America Loan 1 (Auth. \$500,000 Issue 12/04 - Mat 12/11)	-	0.00%	5.00%	0.00%
Bank of America Loan 2 (Auth. \$287,300 Issue 6/07 - Mat 6/17)	157,645	29.98%	7.17%	2.15%
Bank of America Loan 3 (Auth. \$50,000 Issue 8/08 - Mat 8/14)	20,593	3.92%	4.73%	0.19%
Bank of America Loan 4 (\$75K, issued 9/10 Maturity 9/15)	47,511	9.04%	5.65%	0.51%
	-	0.00%	0.00%	0.00%
New Loan Financing for 2012 projects	300,000	57.06%	6.75%	3.85%
		0.00%	0.00%	0.00%
		0.00%	0.00%	0.00%
		0.00%	0.00%	0.00%
		0.00%	0	0.00%
		0.00%		0.00%
		0.00%		0.00%
Total Debt	\$ 525,750	100.00%		6.70%
Debt/Equity Ratio:				
Debt	\$ 525,750	27.44%		6.70%
Equity	1,390,510	72.56%		
Total	\$ 1,916,260	100.00%		

AUDUBON WATER COMPANY

Calculation Of Common Equity Cost Rate

Development Of Overall Rate Of Return

Cost Of Debt	6.70%
Debt Ratio	<u>45%</u>
Weighted Cost Of Debt	<u>3.02%</u>
Interest Coverage	<u>3.00</u>
Overall Rate Of Return	<u><u>9.06%</u></u>

Development Of Equity Rate

Overall Rate of Return	9.06%
Less Weighted Cost of Debt	<u>3.02%</u>
Weighted Cost Of Equity	<u>6.04%</u>
Equity Ratio	<u>55%</u>
Cost Of Equity	<u><u>10.98%</u></u>

AUDUBON WATER COMPANY

SECTION G

STATEMENT OF REVENUES AND TARIFF INCREASE

AUDUBON WATER COMPANY

Comparative Statement Of Operating Revenues
Twelve Months Ended September 30, 2011 And Pro Forma September 30, 2012 At Current Rates

Description	9/30/11 Per Books (1)	Pro Forma Adjustments * (2)	September 30, 2012		
			Pro Forma Adjusted Total (3)	Proposed Base Rate Increase (4)	Proposed Adjusted Total (5)
Operating Revenues					
Residential	\$ 1,206,926	\$ (4,476)	\$ 1,202,450	\$ 324,746	\$ 1,527,196
Commercial	262,269	(1,878)	260,391	69,941	330,332
Multi-Family Dwelling	396,423	4,567	400,990	104,551	505,541
Public Authorities	25,411	(0)	25,411	6,750	32,161
Water Sales	\$ 1,891,029	\$ (1,787)	\$ 1,889,242	\$ 505,988	\$ 2,395,230
Private Fire Protection	\$ 91,936	\$ (10,521)	\$ 81,414	\$ 23,391	\$ 104,805
Public Fire Protection	34,377	4,909	39,286	11,307	50,593
Total Fire Protection	\$ 126,313	\$ (5,613)	\$ 120,700	\$ 34,698	\$ 155,398
Sub-Totals	\$ 2,017,341	\$ (7,399)	\$ 2,009,942	\$ 540,686	\$ 2,550,628
Late Payment Charges	4,786	24	4,810	-	4,810
Total Customer Revenues	\$ 2,022,128	\$ (7,375)	\$ 2,014,752	\$ 540,686	\$ 2,555,438
Other Revenues:					
Miscellaneous	41,468	17	41,486	-	41,486
Total Operating Revenues	\$ 2,063,596	\$ (7,358)	\$ 2,056,238	\$ 540,686	\$ 2,596,924

*Refer to Schedules H-1, H-2, H-4 and Supporting Schedule I-1 to I-3 for explanation of adjustments.

AUDUBON WATER COMPANY

Comparative Statement Of Operating Revenues
Calculation Of Proposed Revenues And Percentage Increase By Customer Class

Description	Pro Forma Revenues <u>Existing Rates</u> (1)	Percentage <u>Increase</u> (2)	<u>September 30, 2012</u>	
			<u>Proposed Base Rate Increase</u> (4)	<u>Proposed Adjusted Total</u> (5)
Operating Revenues				
Residential	\$ 1,202,450	27%	\$ 324,746	\$ 1,527,196
Commercial	260,391	27%	69,941	330,332
Multi-Family Dwelling	400,990	26%	104,551	505,541
Public Authorities	25,411	27%	6,750	32,161
Water Sales	<u>\$ 1,889,242</u>	27%	<u>\$ 505,988</u>	<u>\$ 2,395,230</u>
Private Fire Protection	\$ 81,414	29%	\$ 23,391	\$ 104,805
Public Fire Protection	39,286	29%	11,307	50,593
Total Fire Protection	<u>\$ 120,700</u>	29%	<u>\$ 34,698</u>	<u>\$ 155,398</u>
Sub-Totals	<u>\$ 2,009,942</u>	27%	<u>\$ 540,686</u>	<u>\$ 2,550,628</u>
Late Payment Charges	4,810	0%	-	4,810
Total Customer Revenues	<u>\$ 2,014,752</u>	27%	<u>\$ 540,686</u>	<u>\$ 2,555,438</u>
Other Revenues:				
Miscellaneous	41,486	0%	-	41,486
Total Operating Revenues	<u>\$ 2,056,238</u>	26%	<u>\$ 540,686</u>	<u>\$ 2,596,924</u>

*Refer to Schedules H-1, H-2, H-4 and Supporting Schedule I-1 to I-3 for explanation of adjustments.

AUDUBON WATER COMPANY

Number Of Customers Served As Of
September 30, 2010; September 30, 2011; And Pro Forma September 30, 2012

	<u>9/30/10</u>	<u>9/30/11</u>	<u>Pro Forma 9/30/12</u>
<u>Residential</u>			
5/8" & 3/4" Quarterly	1,599	1,596	1,596
1" Quarterly	2	2	2
1" Quarterly	4	4	4
5/8" & 3/4" Monthly	757	757	762
5/8" Monthly Trailer Park	218	220	220
Total Residential	<u>2,580</u>	<u>2,579</u>	<u>2,584</u>
<u>Commercial</u>			
5/8"	62	62	62
3/4"	3	3	3
1"	14	14	14
1 1/2"	28	28	28
2"	32	32	32
3"	5	5	5
4"	2	3	3
6"	5	5	5
8"	1	1	1
10"	-	-	-
Total Commercial	<u>152</u>	<u>153</u>	<u>153</u>
<u>Multi-Family</u>			
1"	1	1	1
1 1/2"	26	22	22
2"	3	3	3
3"	-	2	2
10"	1	1	1
Total Multi-Family	<u>31</u>	<u>29</u>	<u>29</u>
<u>Public</u>			
5/8"	-	-	-
1 1/2"	2	2	2
4"	1	1	1
6"	1	1	1
Total Public	<u>4</u>	<u>4</u>	<u>4</u>
Total Res, Comm, Pub	<u>2,767</u>	<u>2,765</u>	<u>2,770</u>
<u>Fire Protection:</u>			
<u>Private - Billing Units</u>			
1" Sprinkler			
2" Sprinkler			
4" Sprinkler	14	14	14
6" Sprinkler	37	37	37
8" Sprinkler	13	13	13
10" Sprinkler	-	-	-
Hydrants	35	35	36
Total Private Fire Units	<u>99</u>	<u>99</u>	<u>100</u>
Public - Hydrant Units	200	200	200
Total Fire Protection Units	<u>299</u>	<u>299</u>	<u>300</u>
Total Customers / Billing Units	<u>3,066</u>	<u>3,064</u>	<u>3,070</u>

There are no customers whose bill will decrease under proposed rates [Ans. to 52 Pa.Code 53.52 (b)(5)].

AUDUBON WATER COMPANY

Current And Proposed Tariff Rates

	Current Rates		Proposed Rates	
	Quarterly	Monthly	Quarterly	Monthly
Customer Charge Based on Meter Size				
5/8" & 3/4" Meter	\$ 32.64	\$ 10.88	\$ 41.46	\$ 13.82
1" Meter	\$ 83.08	\$ 27.70	\$ 105.54	\$ 35.18
1 1/2" Meter		\$ 47.16		\$ 59.89
2" Meter		\$ 75.35		\$ 95.69
3" Meter		\$ 141.49		\$ 179.69
4" Meter		\$ 235.49		\$ 299.07
6" Meter		\$ 470.98		\$ 598.14
8" Meter		\$ 753.63		\$ 957.11
10" Meter		\$ 912.88		\$ 1,159.36
12" Meter		\$ 1,427.27		\$ 1,812.63
Volumetric Rates per 1,000 gallons				
Residential Customers- all volumes	\$ 5.5776	\$ 5.5776	\$ 7.0836	\$ 7.0836
Non-Residential Customers				
First 300,000 quarterly/100,000 monthly	\$ 5.5776	\$ 5.5776	\$ 7.0836	\$ 7.0836
Over 300,000 quarterly/100,000 monthly	\$ 3.7304	\$ 3.7304	\$ 4.6724	\$ 4.6724
Temporary Rates/Water for Building Purposes				
Single Family Dwelling		\$ 110.62		\$ 140.49
Public Fire Protection				
Hydrants	\$ <u>Monthly</u> 16.37	\$ <u>Annual</u> 196.35	\$ <u>Monthly</u> 21.08	\$ <u>Annual</u> 252.98
Private Fire Protection				
1" Sprinkler		\$ 235.82	\$ 25.30	\$ 303.57
2" Sprinkler		\$ 373.38	\$ 40.06	\$ 480.65
3" Sprinkler		\$ 432.33	\$ 46.38	\$ 556.54
4" Sprinkler		\$ 530.59	\$ 56.92	\$ 683.03
6" Sprinkler		\$ 786.06	\$ 84.33	\$ 1,011.90
8" Sprinkler		\$ 1,277.34	\$ 137.03	\$ 1,644.33
10" Sprinkler			\$ 187.63	\$ 2,251.47
Hydrants	\$ 65.50	\$ 786.06	\$ 84.32	\$ 1,011.90

AUDUBON WATER COMPANY

SECTION H

OPERATING STATEMENT AND ADJUSTMENTS

AUDUBON WATER COMPANY
Statement Of Water Income & Deductions
Twelve Months Ended September 30, 2011 And Pro Forma September 30, 2012

<u>Description</u>	<u>9/30/11</u> <u>Per Books</u> (1)	<u>9/30/12</u> <u>Pro Forma</u> <u>Adjustments</u> (2)	<u>9/30/12</u> <u>Pro Forma</u> <u>Adjusted</u> <u>Total</u> (3)	<u>Proposed</u> <u>Base Rate</u> <u>Increase</u> (4)	<u>9/30/12</u> <u>Proposed</u> <u>Adjusted</u> <u>Total</u> (5)
REVENUES					
Operating Revenues	\$ 2,063,596	\$ (7,358)	\$ 2,056,238	\$ 540,686	\$ 2,596,924
Total Operating Revenues	<u>\$ 2,063,596</u>	<u>\$ (7,358)</u>	<u>\$ 2,056,238</u>	<u>\$ 540,686</u>	<u>\$ 2,596,924</u>
OPERATING DEDUCTIONS					
Source of Supply Expenses	\$ 275,717	\$ 73,893	\$ 349,610		\$ 349,610
Power and Pumping Expenses	246,397	26,912	273,308		273,308
Purification & Laboratory Exp.	91,790	19,117	110,907		110,907
Trans. & Dist Expenses	222,639	48,195	270,835		270,835
Customer Acct. & Coll. Expenses	116,503	5,404	121,907		121,907
Administrative & General Exp.	824,352	144,456	968,807		968,807
Taxes-Other					
PaPUC Assessment	11,171	-	11,171	-	11,171
Public Utility Realty Tax	13,723	-	13,723		13,723
Pa Capital Stock Tax	1,459	-	1,459	-	1,459
Payroll Taxes	6,893	-	6,893		6,893
Total Operating Deductions	<u>\$ 1,810,644</u>	<u>\$ 317,976</u>	<u>\$ 2,128,620</u>	<u>\$ -</u>	<u>\$ 2,128,620</u>
DEPRECIATION & AMORTIZATION					
Depreciation Expense	\$ 161,666	\$ (5,782)	\$ 155,884		\$ 155,884
Amortizations-Prior Rate Case	47,588	(47,588)	-		-
Amortization Expense - Tank Painting	-	10,750	10,750		10,750
Total Deductions	<u>\$ 2,019,897</u>	<u>\$ 275,356</u>	<u>\$ 2,295,253</u>	<u>\$ -</u>	<u>\$ 2,295,253</u>
Net Income Before Taxes	<u>\$ 43,699</u>	<u>\$ (282,714)</u>	<u>\$ (239,015)</u>	<u>\$ 540,686</u>	<u>\$ 301,671</u>
Income Taxes					
Pa. Corp. Income Taxes	\$ 3,278	\$ (3,278)	\$ -	\$ 17,466	\$ 17,466
Fed. Income Taxes	44,183	(44,183)	-	53,504	53,504
Total Income Taxes	<u>\$ 47,461</u>	<u>\$ (47,461)</u>	<u>\$ -</u>	<u>\$ 70,970</u>	<u>\$ 70,970</u>
Net Income After Taxes	<u>\$ (3,762)</u>	<u>\$ (235,253)</u>	<u>\$ (239,015)</u>	<u>\$ 469,716</u>	<u>\$ 230,701</u>

Detail by Subcategory shown on Schedule H-4

AUDUBON WATER COMPANY

Pro Forma Adjustments To Operating Revenues
For the Pro Forma Twelve Months Ended September 30, 2012

1	Pro Forma adjustment to operating revenues based on the sum results of bill analysis for the twelve month period ended 9/30/11; and to reflect the annualized level of revenues for customer gains/losses realized for the twelve months ended 9/30/11, and projected customer growth for the pro forma test year ended 9/30/12.	\$	(4,475.53)
	Residential		(1,877.78)
	Commercial		4,566.80
	Multi-Family		(0.04)
	Public		(10,521.46)
	Private Fire		4,908.78
	Public Fire		<u>4,908.78</u>
	Totals	\$	<u>(7,399.23)</u>
	(See Supporting Schedule I-1)		
2	Pro Forma adjustment to reflect an annualized level of late payment charges associated with customer gains based on projected customer levels for the pro forma test year ended 9/30/12.	\$	23.95
	(See Supporting Schedule I-2)		
3	Pro Forma adjustment to miscellaneous revenues to reflect more current annualized level of income associated with rental of space on water tower to TMobile for the pro forma test year ended 9/30/12.	\$	17.49
	(See Supporting Schedule I-3)		
	Total Operating Revenue Adjustments	\$	<u><u>(7,357.79)</u></u>

AUDUBON WATER COMPANY

Pro Forma Adjustments To Operating Deductions
For the Pro Forma Twelve Months Ended September 30, 2012

	<u>Totals</u>
4 Pro forma adjustments to reflect an annualized going level of wages and salaries as of 9/30/12. In brief, pro forma adjustments reflect changes in wage rates granted on 7/1/11 along with estimated 4% increase on 7/1/12 for most positions, except for President at 2%, along with 1 planned new part time laborer.	
<u>Source of Supply Expenses</u>	
Operation Supervision - Labor	\$ 8,172.05
Operation Labor	11,570.48
<u>Power and Pumping Expenses</u>	
Operation Supervision - Labor	3,405.31
Operation Labor	8,245.21
<u>Purification and Laboratory Expenses</u>	
Operation Supervision - Labor	3,405.31
Purification and Laboratory Labor	1,511.49
<u>Transmission & Distribution Expenses</u>	
Operation Supervision - Labor	3,405.31
T&D Labor	21,703.24
Meters Labor	2,947.61
Services Labor	4,534.46
Hydrants Labor	604.60
Subtotal Oper. & Maint.	<u>\$ 69,505.05</u>
<u>Customers' Accounting & Coll. Exp.</u>	
Supervision	-
Meter Reading and Collecting - Labor	1,781.71
Billing and Accounting - Labor	3,622.22
<u>Administrative and General Expenses</u>	
Salaries Officers and Executives	2,832.40
Other General Office Salaries	1,741.84
Total Pro Forma Wage & Salary Adjustments (See Schedule I-4)	<u>\$ 79,483.22</u>
5 Pro forma adjustment to reflect employer's share of employee payroll taxes associated with going level of 9/30/12 payroll expenses. (See Schedule I-5)	\$ 9,817.33
6 Pro forma adjustment to reflect estimated increase in employee health and welfare benefits associated with going level of 9/30/12. (See Schedule I-6)	\$ 12,671.24
7 Pro forma adjustment to reflect employer's share of 401k pension plan associated with going level of 9/30/12 participating employee levels based upon annualized 9/30/2012 salaries and wages. (See Schedule I-7)	\$ 334.27
8 Pro forma adjustment to reflect a 3% increase in purchased power expense for the future test year period. (See Schedule I-8)	\$ 4,461.25

AUDUBON WATER COMPANY

Pro Forma Adjustments To Operating Deductions
For the Pro Forma Twelve Months Ended September 30, 2012

	Totals
9 Pro forma adjustment to reflect 1st year cost associated with new 5yr T&D preventative maintenance projects.	
Total Pro Forma Additions Maint. Wells & Springs	\$ 54,150.00
Total Pro Forma Additions Maint. Pwr. Pmp Equip.	\$ 10,800.00
Total Pro Forma Additions Maint. Purif. And Lab. Equip.	\$ 14,200.00
Total Pro Forma Additions Maint. Of Mains	\$ 15,000.00
(See Schedule I-9)	
10 Pro forma adjustment to reflect an annualized level of expense for rental and lease expense of office space and office equipment.	\$ 2,058.64
(See Schedule I-10)	
11 Pro forma adjustment to reflect a normalized level of rate case expense associated with a fully litigated rate case proceeding for the instant filing. The projected cost of \$230,000 reflects the cost for preparing the rate study as filed, cost associated with PaPUC review period, and necessary services through litigation period, i.e., prepared testimony, PaPUC hearings, legal briefs, review of ALJ recommended decision, exceptions to ALJ RD, review of Commission final order, and preparation of compliance filing. The estimated cost provide for the service of a rate consultant, consulting engineer, a rate of return consultant, and regulatory legal counsel. The Company reserves the right to amend its rate case claim as necessary based upon the level of services required to support its filing through out the regulatory rate increase process. The \$230,000 rate case expense claim is normalized over a 24 month period.	\$ 115,000.00
(See Schedule I-11)	
Pro forma adjustment to remove prior rate case expense amount reflected in amortization expense account.	\$ (47,588.00)
(See Schedule I-11)	
12 Pro forma adjustment to reflect a normalized level of depreciation expense associated with pro forma utility plant assets in service, net of CIAC and CAC financed facilities.	\$ (5,781.84)
Pro forma adjustment to reflect a annual level of amortization expense associated with water storage tank painting.	\$ 10,750.00
(See Schedule I-12)	
13 Pro forma adjustment to reduce booked State and Federal Corporate Net Income Taxes to zero based on the current pro forma rate study, which shows the Company will be in a net loss situation under existing rates and, thus, would not incur income taxes.	
State Income Taxes	\$ (3,278.00)
Federal Income Taxes	\$ (44,183.00)
(See Schedule I-13)	
14 Pro forma adjustment to reflect State and Federal Corporate Net Income Taxes based on pro forma rate study proposed increase in rates.	
State Income Taxes	\$ 17,465.64
Federal Income Taxes	\$ 53,504.31
(See Schedule I-14 and Updated Schedule I-14)	

AUDUBON WATER COMPANY

Statement of Water Income & Deductions by Uniform System Account Code
Twelve Months Ended September 30, 2010, September 30, 2011 And Pro Forma September 30, 2012

Description	9/30/10	9/30/11	9/30/12	Ref.	9/30/12	Proposed	Proposed
	Per Books	Per Books	Pro Forma		Pro Forma		
	(1)	(2)	(3)	(4)	Total	Increase	Total
					(5)	(6)	(8)
Residential	\$ 1,207,581	\$ 1,208,928	\$ (4,478)	(1)	\$ 1,202,450	\$ 324,748	\$ 1,527,198
Commercial	264,295	262,269	(1,878)	(1)	260,391	69,941	330,332
Multi-Family Dwelling	384,753	396,423	4,567	(1)	400,990	104,551	505,541
Public Authorities	19,500	25,411	(0)	(1)	25,411	6,750	32,161
Private Fire Protection	83,029	91,936	(10,521)	(1)	81,414	23,391	104,805
Public Fire Protection	34,377	34,377	4,909	(1)	39,286	11,307	50,593
Sub-Totals	\$ 1,993,535	\$ 2,017,341	\$ (7,399)		\$ 2,009,942	\$ 540,686	\$ 2,550,628
Late Payment Charges	3,816	4,786	24	(2)	4,810	-	4,810
Misc. Revenues	35,196	41,468	17	(3)	41,486	-	41,486
Total Revenues	\$ 2,032,548	\$ 2,063,596	\$ (7,358)		\$ 2,056,238	\$ 540,686	\$ 2,596,924
Source of Supply Expenses							
Operation Supervision - Labor	\$ 46,673	\$ 48,405	\$ 8,172	(4)	\$ 56,577		\$ 56,577
Operation Labor	66,082	68,535	11,570	(4)	80,105		80,105
Operation Supplies and Expenses	65,114	91,791	-		91,791		91,791
Maintenance Engineering	-	-	-		-		-
Maintenance Wells & Springs	40,125	63,460	54,150	(9)	117,610		117,610
Water Purchased	5,961	3,526	-		3,526		3,526
Total Source of Supply Expenses	\$ 223,955	\$ 275,717	\$ 73,893		\$ 349,610	\$ -	\$ 349,610
Power and Pumping Expenses							
Operation Supervision - Labor	\$ 19,449	\$ 20,170	\$ 3,405	(4)	\$ 23,576		\$ 23,576
Operation Labor	47,090	48,838	8,245	(4)	57,084		57,084
Operation Supplies and Expenses	1,246	420	-		420		420
Maintenance Engineering	-	-	-		-		-
Maint. of Structures & Imp.	9,903	8,198	-		8,198		8,198
Maint. of Power & Pump. Equip.	39,298	20,062	10,800	(9)	30,862		30,862
Power Purchases	147,028	148,708	4,461	(8)	153,169		153,169
Total Power and Pumping Expenses	\$ 264,013	\$ 246,397	\$ 26,912		\$ 273,308	\$ -	\$ 273,308
Purification and Laboratory Expenses							
Operation Supervision - Labor	\$ 19,449	\$ 20,170	\$ 3,405	(4)	\$ 23,576		\$ 23,576
Purification and Laboratory Labor	8,632	8,953	1,511	(4)	10,464		10,464
Operation Supplies and Expenses	43,490	61,624	-		61,624		61,624
Maint. of Purif. Structures	1,850	925	-		925		925
Maint. of Purif. & Lab. Equip.	993	118	14,200	(9)	14,318		14,318
Total Purif. and Lab. Expenses	\$ 74,414	\$ 91,790	\$ 19,117		\$ 110,907	\$ -	\$ 110,907
Transmission & Distribution Expenses							
Operation Supervision - Labor	\$ 19,449	\$ 20,170	\$ 3,405	(4)	\$ 23,576		\$ 23,576
T&D Labor	123,952	128,554	21,703	(4)	150,257		150,257
Meters Labor	17,478	17,459	2,948	(4)	20,407		20,407
Services Labor	25,897	26,859	4,534	(4)	31,393		31,393
Hydrants Labor	3,453	3,581	605	(4)	4,186		4,186
Maintenance Engineering	-	-	-		-		-
Maps & Reports	800	-	-		-		-
Operation Supplies and Expenses	3,462	1,800	-		1,800		1,800
Maint. of Mains	11,608	15,405	15,000	(9)	30,405		30,405
Maint. of Services	9,878	8,811	-		8,811		8,811
Maint. Of Meters	-	-	-		-		-
Maint. Of Hydrants	-	-	-		-		-
Rents	-	-	-		-		-
Trans. & Dist. Expenses	\$ 215,977	\$ 222,639	\$ 48,195		\$ 270,835	\$ -	\$ 270,835

AUDUBON WATER COMPANY

Statement of Water Income & Deductions by Uniform System Account Code
Twelve Months Ended September 30, 2010, September 30, 2011 And Pro Forma September 30, 2012

Description	9/30/10	9/30/11	9/30/12	Ref.	9/30/12	Proposed Base Rate Increase	Ref.	Proposed
	Per Books (1)	Per Books (2)	Pro Forma Adjustments (3)		Adjusted Total (5)			Adjusted Total (8)
Customers' Accounting & Coll. Exp.								
Supervision	\$ -	\$ -	\$ -		\$ -			\$ -
Meter Reading and Collecting - Labor	8,419	9,399	1,782	(4)	11,181			11,181
Billing and Accounting - Labor	86,430	89,794	3,622	(4)	93,416			93,416
Operation Supplies and Expenses	27,585	17,310			17,310			17,310
Uncollectible Accounts	-	-	-		-			-
Total Customers' Accounting & Coll. Exp.	\$ 122,434	\$ 116,503	\$ 5,404		\$ 121,907	\$ -		\$ 121,907
Administrative and General Expenses								
Salaries Officers and Executives	\$ 140,510	\$ 141,630	\$ 2,832	(4)	\$ 144,462			\$ 144,462
Other General Office Salaries	63,460	66,093	1,742	(4)	67,835			67,835
Exp. of Officers & Office Employees	36,098	42,302			42,302			42,302
General Office supplies & Expenses	66,136	61,707	-		61,707			61,707
Special Services	76,768	52,087	-		52,087			52,087
Regulatory Comm. Exp. - Rate Case	-	-	115,000	(11)	115,000			115,000
Insurance	65,236	75,236	-		75,236			75,236
Employee Welfare Exp.	148,422	158,391	12,671	(6)	171,062			171,062
Pensions	15,801	16,183	334	(7)	16,517			16,517
Employee Payroll Taxes	57,856	58,739	9,817	(5)	68,557			68,557
Life Insurance	1,516	1,516	-		1,516			1,516
Minor General Exp.	19,186	16,223	-		16,223			16,223
Repairs of General Property	-	-	-		-			-
Repairs	45,919	47,558	2,059	(10)	49,616			49,616
Trans. Exp-R&M Other	13,357	32,297	-		32,297			32,297
Trans. Exp-Fuel	39,664	54,392	-		54,392			54,392
Total Admin. and General Expenses	\$ 789,928	\$ 824,352	\$ 144,456		\$ 968,807	\$ -		\$ 968,807
Taxes								
Other-PaPUC Assessment	\$ 13,017	\$ 11,171	\$ -		\$ 11,171	\$ -		\$ 11,171
Pa Utility Reality Tax	15,552	13,723	-		13,723			13,723
Pa Capital Stock Tax	2,457	1,459	-		1,459			1,459
Taxes Other	5,295	6,893	-		6,893			6,893
Total Taxes	\$ 36,321	\$ 33,246	\$ -		\$ 33,246	\$ -		\$ 33,246
Depreciation Expense								
Depreciation	\$ 154,623	\$ 161,666	\$ (5,782)	(12)	\$ 155,884			\$ 155,884
Amortizations-Prior Rate Case	53,376	47,588	(47,588)	(11)	-			-
Amortizations - Tank painting			10,750	(11)	10,750			10,750
Total Depreciation/Amortization	\$ 207,999	\$ 209,254	\$ (42,620)		\$ 166,634	\$ -		\$ 166,634
Total Operating Deductions	\$ 1,935,041	\$ 2,019,897	\$ 275,356		\$ 2,295,253	\$ -		\$ 2,295,253
Net Income Before Income Taxes	\$ 97,507	\$ 43,699	\$ (282,714)		\$ (239,015)	\$ 540,686		\$ 301,671
Pa Corp. Income Tax	\$ 50,435	\$ 3,278	\$ (3,278)	(13)	\$ -	\$ 17,466	(14)	\$ 17,466
Fed. Income Tax	(7,280)	44,183	(44,183)	(13)	-	53,504	(14)	53,504
	\$ 43,155	\$ 47,461	\$ (47,461)		\$ -	\$ 70,970		\$ 70,970
Net Income After Taxes	\$ 54,352	\$ (3,762)	\$ (235,253)		\$ (239,015)	\$ 469,716		\$ 230,701

AUDUBON WATER COMPANY

SECTION I

SUPPORTING ADJUSTMENT SCHEDULES

AUDUBON WATER COMPANY

Comparative Statement of Operating Revenues
Twelve Months Ended September 30, 2011 and Pro Forma September 30, 2012 at Current and Proposed Rates

Description	9/30/11 Per Books (1)	See Sch. I-1,p2 Actual TME 9/30/11		See Sch. I-1,p3 Annualized Customer Gains Pro Forma TME 9/30/11		See Sch. I-1,p4 Annualized Customer Gains Pro Forma TME 9/30/12		Net Adjustment (8=2+4+6)
		Pro Forma Adjustments (2=3-1)	Revenues Per Analysis (3)	Pro Forma Adjustments (4=5-3)	Revenues Per Analysis (5)	Pro Forma Adjustments (6=7-5)	Revenues Per Analysis (7)	
Operating Revenues								
Residential	\$ 1,206,926	\$ (7,136)	\$ 1,199,789	\$ -	\$ 1,199,789	\$ 2,661	\$ 1,202,450	\$ (4,476)
Commercial	262,269	(1,878)	260,391	-	260,391	-	260,391	(1,878)
Multi-Family Dwelling	396,423	5,043	401,466	(476)	400,990	-	400,990	4,567
Public Authorities	25,411	(0)	25,411	-	25,411	-	25,411	(0)
Water Sales	\$ 1,891,029	\$ (3,971)	\$ 1,887,058	\$ (476)	\$ 1,886,581	\$ 2,661	\$ 1,889,242	\$ (1,787)
Private Fire Protection	\$ 91,936	\$ (11,307)	\$ 80,628	\$ -	\$ 80,628	\$ 786	\$ 81,414	\$ (10,521)
Public Fire Protection	34,377	4,909	39,286	-	39,286	-	39,286	4,909
Total Fire Protection	\$ 126,313	\$ (6,399)	\$ 119,914	\$ -	\$ 119,914	\$ 786	\$ 120,700	\$ (5,613)
Sub-Totals	\$ 2,017,341	\$ (10,370)	\$ 2,006,972	\$ (476)	\$ 2,006,495	\$ 3,447	\$ 2,009,942	\$ (7,399)
Late Payment Charges	4,786	-	4,786	-	4,786	24	4,810	24
Total Customer Revenues	\$ 2,022,128	\$ (10,370)	\$ 2,011,758	\$ (476)	\$ 2,011,282	\$ 3,471	\$ 2,014,752	\$ (7,375)
Other Revenues:								
Miscellaneous	41,468	-	41,468	-	41,468	17	41,486	17
Total Operating Revenues	\$ 2,063,596	\$ (10,370)	\$ 2,053,226	\$ (476)	\$ 2,052,750	\$ 3,488	\$ 2,056,238	\$ (7,358)

Late Payment Charge Adjustments See Sch. I-2
Miscellaneous Revenues Adjustments See Sch. I-3

AUDUBON WATER COMPANY

Bill Analysis of Revenues by Customer Classes Based Upon Actual No. of Bills and Usage
For the Twelve Months Ended September 30, 2011

Customer Classifications	Actual TME		# Of Bills	Usage Totals			Customer Charge		Volumetric Charge Revenue			Total Charges
	9/30/10 Cust.	9/30/11 Cust.		1st Block	2nd Block	Total	Rates	Revenue	\$ 5.5776 1st Block	\$ 3.7304 2nd Block	Total Usage	
Residential												
5/8" & 3/4" Quarterly	1,599	1,596	6,382	90,511	-	90,511	\$ 32.64	\$ 208,308.48				
1" Quarterly	2	2	8	172	-	172	\$ 83.08	664.64				
1" Monthly	4	4	48	300	-	300	\$ 27.70	1,329.60				
5/8" & 3/4" Monthly	757	757	9,081	56,177	-	56,177	\$ 10.88	98,801.28				
5/8" Monthly Trailer Park	218	220	2,843	6,984	-	6,984	\$ 10.88	30,931.84				
Total Residential	2,580	2,579	18,362	154,144	-	154,144		\$ 340,035.84	\$ 859,753.57	\$ -	\$ 859,753.57	\$ 1,199,789.41
Commercial												
5/8"	62	62	739	2,452	-	2,452	\$ 10.88	\$ 8,040.32				
3/4"	3	3	36	170	-	170	\$ 10.88	391.68				
1"	14	14	168	381	-	381	\$ 27.70	4,653.60				
1 1/2"	28	28	336	3,731	-	3,731	\$ 47.16	15,845.76				
2"	32	32	384	13,114	4,832	17,946	\$ 75.35	28,934.40				
3"	5	5	60	2,446	762	3,208	\$ 141.49	8,489.40				
4"	2	3	37	491	-	491	\$ 235.49	8,713.13				
6"	5	5	60	1	-	1	\$ 470.98	28,258.60				
8"	1	1	12	11	-	11	\$ 753.63	9,043.56				
10"	-	-	-	-	-	-	\$ 912.88	-				
Total Commercial	152	153	1,832	22,797	5,594	28,391		\$ 112,370.65	\$ 127,152.55	\$ 20,867.86	\$ 148,020.40	\$ 260,391.05
Multi-Family												
1"	1	1	12	236	-	236	\$ 27.70	\$ 332.40				
1 1/2"	26	22	268	22,899	5,530	28,429	\$ 47.16	12,638.88				
2"	3	3	36	2,400	23,542	25,942	\$ 75.35	2,712.60				
3"	-	2	22	2,000	2,709	4,709	\$ 141.49	3,112.78				
10"	1	1	12	1,200	24,900	26,100	\$ 912.88	10,954.56				
Total Multi-Family	31	29	350	28,735	56,681	85,416		\$ 29,751.22	\$ 160,272.34	\$ 211,442.80	\$ 371,715.14	\$ 401,466.36
Public												
5/8"	-	-	-	-	-	-	\$ 10.88	\$ -				
1 1/2"	2	2	24	1,247	1,715	2,962	\$ 47.16	1,131.84				
4"	1	1	12	399	-	399	\$ 235.49	2,825.88				
6"	1	1	12	40	-	40	\$ 470.98	5,651.76				
Total Public	4	4	48	1,686	1,715	3,401		\$ 9,609.48	\$ 9,403.83	\$ 6,397.64	\$ 15,801.47	\$ 25,410.95
Total Res, Comm, MF, Pub	2,767	2,765	20,592	207,362	63,990	271,352		\$ 491,767.19	\$ 1,156,582.29	\$ 238,708.30	\$ 1,395,290.59	\$ 1,887,057.78
See Sch. L-1 for Res, Comm, MF, Pub Customers and Usage details												
Fire Protection:												
Private - Billing Units												
4" Sprinkler - Annual	14	14	1				\$ 530.59	\$ 7,428.26				
6" Sprinkler - Annual	37	37	1				\$ 786.06	29,084.22				
8" Sprinkler - Annual	13	13	1				\$ 1,277.34	16,605.42				
10" Sprinkler - Annual												
Hydrants - Mthly	27	27	12				\$ 65.50	21,222.00				
Hydrants - Annual	8	8	1				\$ 786.06	6,288.48				
Total Private Fire Units	99	99						\$ 80,628.38				\$ 80,628.38
Public - Hydrants Units Mthly												
Public - Hydrants Units Mthly	175	175	12				\$ 18.37	\$ 34,377.00				\$ 34,377.00
Public - Hydrants Units Annual	25	25	1				\$ 196.35	4,908.78				4,908.78
Total Public Fire Units	200	200						\$ 39,285.78				\$ 39,285.78
Total Fire Protection Units	299	299						\$ 119,914.16				\$ 119,914.16
Total Customers/Billing Units	3,066	3,064						\$ 611,681.35	\$ 1,156,582.29	\$ 238,708.30	\$ 1,395,290.59	\$ 2,006,971.93

AUDUBON WATER COMPANY

Bill Analysis of Revenues by Customer Based Upon Pro Forma No. of Bills and Usage
For the Pro Forma Twelve Months Ended September 30, 2011

Customer Classifications	Actual		Pro Forma		# Of Bills	Usage Totals			Customer Charge		Volumetric Charge Revenue			Total Charges
	9/30/11	9/30/11	No. Cust.	No. Cust.		1st Block	2nd Block	Total	Rates	Revenue	\$ 5.5776	\$ 3.7304	Total Usage	
Residential														
5/8" & 3/4" Quarterly	1,596	1,596	6,382	90,511	-	90,511	\$ 32.64	\$ 208,308.48						
1" Quarterly	2	2	8	172	-	172	\$ 83.08	664.64						
1" Monthly	4	4	48	300	-	300	\$ 27.70	1,329.60						
5/8" & 3/4" Monthly	757	757	9,081	56,177	-	56,177	\$ 10.88	98,801.28						
5/8" Monthly Trailer Park	220	220	2,843	6,984	-	6,984	\$ 10.88	30,931.84						
Total Residential	2,579	2,579	18,362	154,144	-	154,144		\$ 340,035.84	\$ 859,753.57	\$ -	\$ 859,753.57	\$ 1,199,789.41		
Commercial														
5/8"	62	62	739	2,452	-	2,452	\$ 10.88	\$ 8,040.32						
3/4"	3	3	36	170	-	170	\$ 10.88	391.68						
1"	14	14	168	381	-	381	\$ 27.70	4,653.60						
1 1/2"	28	28	336	3,731	-	3,731	\$ 47.16	15,845.76						
2"	32	32	384	13,114	4,832	17,946	\$ 75.35	28,934.40						
3"	5	5	60	2,446	762	3,208	\$ 141.49	8,489.40						
4"	3	3	37	491	-	491	\$ 235.49	8,713.13						
6"	5	5	60	1	-	1	\$ 470.98	28,258.80						
8"	1	1	12	11	-	11	\$ 753.63	9,043.56						
10"	-	-	-	-	-	-	\$ 912.88	-						
Total Commercial	153	153	1,832	22,797	5,594	28,391		\$ 112,370.65	\$ 127,152.55	\$ 20,867.86	\$ 148,020.40	\$ 260,391.05		
Multi-Family														
1"	1	1	12	236	-	236	\$ 27.70	\$ 332.40						
1 1/2"	22	22	264	22,190	5,478	27,668	\$ 47.16	12,450.24						
2"	3	3	36	2,400	23,542	25,942	\$ 75.35	2,712.60						
3"	2	2	24	2,400	3,070	5,470	\$ 141.49	3,395.76						
10"	1	1	12	1,200	24,900	26,100	\$ 912.88	10,954.56						
Total Multi-Family	29	29	348	28,426	56,990	85,416		\$ 29,845.56	\$ 158,548.86	\$ 212,595.50	\$ 371,144.35	\$ 400,989.91		
Public														
5/8"	-	-	-	-	-	-	\$ 10.88	\$ -						
1 1/2"	2	2	24	1,247	1,715	2,962	\$ 47.16	1,131.84						
4"	1	1	12	399	-	399	\$ 235.49	2,825.88						
6"	1	1	12	40	-	40	\$ 470.98	5,651.76						
Total Public	4	4	48	1,686	1,715	3,401		\$ 9,609.48	\$ 9,403.83	\$ 6,397.64	\$ 15,801.47	\$ 25,410.95		
Total Res, Comm, MF, Pub	2,765	2,765	20,590	207,053	64,299	271,352		\$ 491,861.53	\$ 1,154,858.81	\$ 239,860.99	\$ 1,394,719.80	\$ 1,886,581.33		
See Sch. L-2 for Res, Comm, MF, Pub Customers and Usage details														
Fire Protection:														
Private - Billing Units														
4" Sprinkler - Annual	14	14	1				\$ 530.59	\$ 7,428.26						
6" Sprinkler - Annual	37	37	1				\$ 786.06	29,084.22						
8" Sprinkler - Annual	13	13	1				\$ 1,277.34	16,605.42						
10" Sprinkler - Annual														
Hydrants - Mthly	27	27	12				\$ 65.50	21,222.00						
Hydrants - Annual	8	8	1				\$ 786.06	6,288.48						
Total Private Fire Units	99	99						\$ 80,628.38					\$ 80,628.38	
Public - Hydrants Units Mthly	175	175	12				\$ 16.37	\$ 34,377.00						\$ 34,377.00
Public - Hydrants Units Annual	25	25	1				\$ 196.35	4,908.78						4,908.78
Total Private Fire Units	200	200						\$ 39,285.78					\$ 39,285.78	
Total Fire Protection Units	299	299						\$ 119,914.16					\$ 119,914.16	
Total Customers/Billing Units	3,064	3,064						\$ 611,775.69	\$ 1,154,858.81	\$ 239,860.99	\$ 1,394,719.80	\$ 2,006,495.49		

AUDUBON WATER COMPANY

Bill Analysis of Revenues by Customer Class Based Upon Pro Forma No. of Bills and Usage
For the Pro Forma Twelve Months Ended September 30, 2012

Customer Classifications	Pro Forma TME		# Of Bills	Usage Totals			Customer Charge		Volumetric Charge Revenue			Pro Forma 9/30/2012 Bill Analysis
	9/30/11	9/30/12		1st Block	2nd Block	Total	Rates	Revenue	5.5776 \$ 3.7304		Total Usage	
	Cust.	Cust.							1st Block	2nd Block		
Residential												
5/8" & 3/4" Quarterly	1,596	1,596	6,382	90,511	-	90,511	\$ 32.64	\$ 208,308.48				
1" Quarterly	2	2	8	172	-	172	\$ 83.08	664.64				
1" Monthly	4	4	48	300	-	300	\$ 27.70	1,329.60				
5/8" & 3/4" Monthly	757	762	9,141	56,537	-	56,537	\$ 10.88	99,454.08				
5/8" Monthly Trailer Park	220	220	2,843	6,984	-	6,984	\$ 10.88	30,931.84				
Total Residential	2,579	2,584	18,422	154,504	-	154,504		\$ 340,688.64	\$ 861,761.51	\$ -	\$ 861,761.51	\$ 1,202,450.15
Commercial												
5/8"	62	62	739	2,452	-	2,452	\$ 10.88	\$ 8,040.32				
3/4"	3	3	36	170	-	170	\$ 10.88	391.68				
1"	14	14	168	381	-	381	\$ 27.70	4,653.60				
1 1/2"	28	28	336	3,731	-	3,731	\$ 47.16	15,845.76				
2"	32	32	384	13,114	4,832	17,946	\$ 75.35	28,934.40				
3"	5	5	60	2,446	762	3,208	\$ 141.49	8,489.40				
4"	3	3	37	491	-	491	\$ 235.49	8,713.13				
6"	5	5	60	1	-	1	\$ 470.98	28,258.80				
8"	1	1	12	11	-	11	\$ 753.63	9,043.56				
10"	-	-	-	-	-	-	\$ 912.88	-				
Total Commercial	153	153	1,832	22,797	5,594	28,391		\$ 112,370.65	\$ 127,152.55	\$ 20,867.86	\$ 148,020.40	\$ 260,391.05
Multi-Family												
1"	1	1	12	236	-	236	\$ 27.70	\$ 332.40				
1 1/2"	22	22	264	22,190	5,478	27,668	\$ 47.16	12,450.24				
2"	3	3	36	2,400	23,542	25,942	\$ 75.35	2,712.60				
3"	2	2	24	2,400	3,070	5,470	\$ 141.49	3,395.76				
10"	1	1	12	1,200	24,900	26,100	\$ 912.88	10,954.56				
Total Multi-Family	29	29	348	28,426	56,990	85,416		\$ 29,845.56	\$ 158,548.86	\$ 212,595.50	\$ 371,144.35	\$ 400,989.91
Public												
5/8"	-	-	-	-	-	-	\$ 10.88	\$ -				
1 1/2"	2	2	24	1,247	1,715	2,962	\$ 47.16	1,131.84				
4"	1	1	12	399	-	399	\$ 235.49	2,825.88				
6"	1	1	12	40	-	40	\$ 470.98	5,651.76				
Total Public	4	4	48	1,686	1,715	3,401		\$ 9,609.48	\$ 9,403.83	\$ 6,397.64	\$ 15,801.47	\$ 25,410.95
Total Res, Comm, MF, Pub	2,765	2,770	20,650	207,413	64,299	271,712		\$ 492,514.33	\$ 1,156,866.75	\$ 239,860.99	\$ 1,396,727.74	\$ 1,889,242.07
See Sch. L-3 for Res, Comm, MF, Pub Customers and Usage details												
Fire Protection:												
Private - Billing Units												
4" Sprinkler - Annual	14	14	1				\$ 530.59	\$ 7,428.26				
6" Sprinkler - Annual	37	37	1				\$ 786.06	29,084.22				
8" Sprinkler - Annual	13	13	1				\$ 1,277.34	16,605.42				
10" Sprinkler - Annual												
Hydrants - Mthly	27	28	12				\$ 65.50	22,008.00				
Hydrants - Annual	8	8	1				\$ 786.06	6,288.48				
Total Private Fire Units	99	100						\$ 81,414.38				\$ 81,414.38
Public - Hydrants Units Mthly												
Public - Hydrants Units Mthly	175	175	12				\$ 16.37	\$ 34,377.00				\$ 34,377.00
Public - Hydrants Units Annual	25	25	1				\$ 196.35	4,908.78				4,908.78
Total Private Fire Units	200	200						\$ 39,285.78				\$ 39,285.78
Total Fire Protection Units	299	300						\$ 120,700.16				\$ 120,700.16
Total Customers/Billing Units	3,064	3,070						\$ 613,214.49	\$ 1,156,866.75	\$ 239,860.99	\$ 1,396,727.74	\$ 2,009,942.22

AUDUBON WATER COMPANY

Pro Forma Late Payment Revenue Adjustment

Pro Forma 9/30/11 Adj. New Res.Sales (Sch. I-1,Col. 4)	\$ -
Pro Forma 9/30/12 Adj. New Res.Sales (Sch. I-1,Col. 6)	<u>2,661</u>
Total New Res. Sales	\$ <u>2,661</u>
Estimated Late Payment	<u>5%</u>
Total Add'l Annual Accounts Receivable Arrears	\$ <u>133</u>
Annual Late Payment Interest Rate	<u>18%</u>
Pro Forma Adjustment to Late Payment Fees	<u>\$ <u>24</u></u>

AUDUBON WATER COMPANY

Pro Forma Miscellaneous Revenue Adjustment

	Per Books	Pro Forma	
	<u>9/30/11</u>	<u>Adjustments</u>	<u>9/31/12</u>
Temp. Service Fees/Reimbursements	\$ 2,714.20		\$ 2,714.20
New Service Application Fees	3,357.72		3,357.72
Tower Rental (Tmobile)	15,259.47	17.49	15,276.96
Misc. Revenue	20,137.00		20,137.00
Total Misc. Revenue	<u>\$ 41,468.39</u>	<u>\$ 17.49</u>	<u>\$41,485.88</u>

Tower Rental

Current Monthly Tmobile Fees	\$ 1,273.08
Total Months	12
Total Pro Forma Tower Rental Fees	<u>\$ 15,276.96</u>
Tower Rental TME Per Books 9/30/11	15,259.47
Pro Forma Adjustment	<u>\$ 17.49</u>

AUDUBON WATER COMPANY
Pro Forma Wage and Salary Adjustments

<u>Labor Account Descriptions</u>	Per Books 12 Mths Ended 9/30/2011	Pro Forma Gross-Up Rates *	Pro Forma Adjusted 12 Mths Ended 9/30/2012	Pro Forma Adjustments
<u>Source of Supply Expenses</u>				
Operation Supervision - Labor	\$ 48,405.13	116.883%	\$ 56,577.18	\$ 8,172.05
Operation Labor	68,534.89	116.883%	80,105.37	11,570.48
<u>Power and Pumping Expenses</u>				
Operation Supervision - Labor	20,170.50	116.883%	23,575.81	3,405.31
Operation Labor	48,838.45	116.883%	57,083.65	8,245.21
<u>Purification and Laboratory Expenses</u>				
Operation Supervision - Labor	20,170.50	116.883%	23,575.81	3,405.31
Purification and Laboratory Labor	8,952.92	116.883%	10,464.41	1,511.49
<u>Transmission & Distribution Expenses</u>				
Operation Supervision - Labor	20,170.50	116.883%	23,575.81	3,405.31
T&D Labor	128,553.77	116.883%	150,257.00	21,703.24
Meters Labor	17,459.43	116.883%	20,407.04	2,947.61
Services Labor	26,858.76	116.883%	31,393.22	4,534.46
Hydrants Labor	3,581.17	116.883%	4,185.77	604.60
Subtotal Oper. & Maint.	<u>\$ 411,696.01</u>		<u>\$ 481,201.06</u>	<u>\$ 69,505.05</u>
<u>Customers' Accounting & Coll. Exp.</u>				
Supervision	-			
Meter Reading and Collecting - Labor	9,399.33	118.956%	11,181.04	1,781.71
Billing and Accounting - Labor	89,793.55	104.034%	93,415.77	3,622.22
<u>Administrative and General Expenses</u>				
Salaries Officers and Executives	141,630.00	102.000%	144,462.40	2,832.40
Other General Office Salaries	66,092.73	102.635%	67,834.57	1,741.84
Total Per Books Labor	<u>\$ 718,611.62</u>		<u>\$ 798,094.84</u>	<u>\$ 79,483.22</u>

* See Analysis of Current and Pro Forma Wages and Development of Gross-up Factors on Schedule I-4, page 2.

AUDUBON WATER COMPANY
Analysis of Wages and Salary For Twelve Months Ended 9/30/11 and Pro Forma 9/30/12 with Pro Forma Adjustments

Employee Titles	Twelve Mths. Ended 9/30/11	Cust. Billing		Admin. & General		
		Operations & Maintenance	Meter Reading	Billing & Acct.	Executive Office	General Office
Operations & Maintenance Labor	\$ 411,696.01	\$ 411,696.01	\$ -	\$ -	\$ -	
Administrative Labor	306,915.61	-	9,399.33	89,793.54	141,630.00	
New P/T Laborer	-	-	-	-	-	
Total Per Books 9/30/11	\$ 718,611.62	\$ 411,696.01	\$ 9,399.33	\$ 89,793.54	\$ 141,630.00	\$ 66,092.74

7/1/2011 Wkly Base	O/T	Wkly Base + O/T	Annualized Current Salary	Employee Titles	Pro Forma Twelve Mths. Ended 9/30/12*	7/1/12 % Inc.	Cust. Billing		Admin. & General		
							Operations & Maintenance	Meter Reading	Billing & Acct.	Executive Office	General Office
\$ 7,565.75	\$ 899.51	\$ 8,465.26	\$ 440,193.32	Operations & Maintenance Labor	\$ 457,801.06	4%	\$ 457,801.06	\$ -	\$ -	\$ -	
5,912.10	-	5,912.10	307,429.20	Administrative Labor	316,893.78	3%	-	11,181.04	93,415.77	144,462.40	
450.00	-	450.00	23,400.00	New P/T Laborer	23,400.00	0%	23,400.00	-	-	-	
			\$ 771,022.52	Total Pro Forma 9/30/12	\$ 798,094.84		\$ 481,201.06	\$ 11,181.04	\$ 93,415.77	\$ 144,462.40	\$ 67,834.58

Gross Up Rates (ProForma 9/30/12 / Per Books 9/30/11)

116.883% 118.956% 104.034% 102.000% 102.635%

* Wkly Base + O/T x 52 x 7/1/07 %Increase

AUDUBON WATER COMPANY

Pro Forma Adjustment Employer's Share of FICA/Medicare and Pa. & Fed. Unemployment Taxes

<u>1 Employers Share SocSec/Medicare Taxes:</u>			<u>Tax Rates</u>	<u>Medicare/ Soc. Taxes</u>	<u>Totals</u>
Total Pro Forma 9/30/12 Payroll (Sch I-4, page 1) Subject to Medicare Tax Rate		\$ 798,094.84	1.45%	\$ 11,572.38	
Employee salary/wages Over \$110,000	\$ 144,462				
Soc. Sec. Limitation	<u>110,000</u>				
Adjustment to Total Payroll Subject to Soc. Sec. Tax		(34,462.40)			
Total Payroll Subject to Employer Share Subject to Soc. Sec. Tax Rate		<u>\$ 763,632.44</u>	6.20%	<u>47,345.21</u>	
Total Pro Forma SocSec/Medicare Taxes					\$58,917.59
 <u>2 Employers Share of State and Federal Unemployment Taxes:</u>					
	<u>Salary</u>	<u>Rate</u>	<u>Amt Per/Empl</u>	<u>No. Empl.</u>	<u>Total Unemp. Taxes</u>
Pa. Unemp. Salaries in Excess of \$8,000 Maximum Salary Cap subject to Tax Per Empl.	\$ 8,000	7.3322%	\$ 586.58	15	\$ 8,799
Pa. Unemp. Salaries Under \$8,000 Maximum Salary Cap subject to Tax Per Empl.	\$ -	7.3322%	\$ -	0	0
Fed. Unemp. Salaries in Excess of \$7,000 Maximum Salary Cap subject to Tax Per Empl.	\$ 7,000	0.80%	\$ 56.00	15	<u>840</u>
Total Pro Forma Pa. & Fed. Unemployment Taxes					<u>9,639.00</u>
Total Pro Forma Payroll Taxes					<u>\$68,556.59</u>
 <u>Employer Share of Payroll Taxes Per Books</u>					
Federal Unemp. Taxes					\$ 731.85
Soc. Sec. Taxes					40,393.21
Medicare Taxes					9,947.51
Pa. Unemp. Taxes					<u>7,666.69</u>
Total Payroll Taxes Per Books Twelve Months ended 9/30/11					<u>58,739.26</u>
Pro Forma Payroll Tax Adjustment					<u>\$ 9,817.33</u>

AUDUBON WATER COMPANY

Pro Forma Analysis and Adjustment for Employer Share of Health Benefits

Total Employer Health Benefits per books 9/30/11	\$ 158,390.50
Estimated Percentage Increase for 2012	1.08
Total Pro Forma Employer Health Benefits Claim 2012	<u>\$ 171,061.74</u>
Total Employer Health Benefits per books 9/30/11	158,390.50
Pro Forma Employer Health Benefits Adjustment	<u><u>\$ 12,671.24</u></u>

AUDUBON WATER COMPANY

Pro Forma Employer's Share of 401K Pension Plan Adjustment

Employees participating in 401 K Pension Plan:

<u>Pro Forma Participating Employee Wages (Sch. I-4)</u>	
Operations & Maintenance Labor	\$ 286,413
Administrative Labor	264,152
New P/T Laborer	-
Total payroll applicable to 401 K plan	<u>\$ 550,565</u>
Employer's Contribution Rate	3%
Pro Forma Annualized Employer's share of 401 K plan	\$ 16,517
Per Books 9/30/11	16,183
Pro Forma 401K Pension Adjustment	<u><u>\$ 334</u></u>

AUDUBON WATER COMPANY

Pro Forma Purchase Power Expense Adjustments

Purchase Power Exp Per Books 9/30/11		\$ 148,708
Estimated % Increase	3%	
Pro Forma Adjustment		<u>4,461</u>
Pro Forma Adjusted Purchase Power Expense Claim		<u>\$ 153,169</u>

AUDUBON WATER COMPANY

Pro Forma New Preventative Maintenance Projects**Projects 2012 NEW PM Annu/Cyclical**

R&M Borehole/Wellhead Protection and well production enhancements program 6yr cycle 2 wells per yr at \$21,500 each; 1st yr wells AWC 13 & VFCC 3	\$ 43,000
Dwelrer - 4log monitoring reporting	5,000
R&M Add'l well cleaning & disinfection - 6yr cycle 2 per yr at \$1,200 each	2,400
R&M Add'l Variable Frequency Drives (VFD) cleaning and reset - annual	3,750
 Total Pro Forma Additions Maint. Wells & Springs	 <u>\$ 54,150</u>
 R&M add'l testing & cleaning etc. on backup generators - annual	 \$ 8,000
R&M add'l cleaning part & labor, etc. on heating & elect. Equip at wells - annual	2,800
 Total Pro Forma Additions Maint. Pwr. Pmp Equip.	 <u>\$ 10,800</u>
 R&M to Chlorine Annalizers, incl. parts & labor etc. - annual	 \$ 11,700
R&M to Chart recorders and equip., incl. parts & labor etc. - annual	2,500
 Total Pro Forma Additions Maint. Purif. And Lab. Equip.	 <u>\$ 14,200</u>
 R&M exercise values on mains - repair check valves & assemblies 3 per year	 \$ 15,000
 Total Pro Forma Additions Maint. Of Mains	 <u>\$ 15,000</u>

Audubon Water Company in consultation with its consulting engineer will undertake additional preventive maintenance projects on an annual and/or cyclical basis. The Pro Forma Claim above reflects the 2012 identified projects which will continue on a routine year basis.

AUDUBON WATER COMPANY

Pro Forma Office Rent Expense Adjustments

To reflect an annualized level of expense associated with Office Rental Expense

Monthly Rate As of January 2012	\$ 3,994.86	
Estimated Increase effective May 2012	<u>1.035</u>	
Estimated Monthly Office Rental Expense effective May 2012	\$ 4,134.68	
Number of Months	<u>12</u>	
Pro Forma Annualized Office Rental Expense	\$ 49,616.16	
Per Books 9/30/11	<u>47,557.52</u>	
Pro Forma Adjustment		<u>\$ 2,058.64</u>

AUDUBON WATER COMPANY

Pro Forma Analysis of Rate Case Expense Claim

	<u>Estimated Cost of Rate Case Proceeding</u>		<u>Total</u>
	<u>To File</u>	<u>Review & Litigation</u>	<u>Estimated</u> <u>Cost For</u> <u>Litigated Case</u>
Legal	\$ 15,000	\$ 80,000	\$ 95,000
Consulting	20,000	35,000	55,000
Engineering	2,500	15,000	17,500
Accounting	2,500	15,000	17,500
Rate of Return	-	30,000	30,000
Expenses	5,000	10,000	15,000
Total	<u>\$ 45,000</u>	<u>\$ 185,000</u>	<u>\$ 230,000</u>
Normalization Period in Months			<u>24</u>
Rate per Month			<u>\$ 9,583</u>
Number of Annual Months			<u>12</u>
Pro Forma Annualized Rate Case Expense Claim			<u>\$ 115,000</u>
Rate Case Expenses per books TME 9/30/11*			<u>-</u>
Pro Forma Rate Case Adjustment and Annualized Claim			<u>\$ 115,000</u>
*Prior Rate Case Expense Refelcted In Amortization Expense			<u>\$ 47,588</u>
Pro Forma Adjustment To Eliminate Prior Rate Case Expense Amortization			<u>(47,588)</u>
Pro Forma Amortization Expense Claim			<u>\$ -</u>

AUDUBON WATER COMPANY

Pro Forma Annualization of Depreciation Expense Claim

Pro Forma Depr. Exp. for 2012 Plant Assets (See Sch. J-2-1, Page 1)	\$ 234,053
Pro Forma CIAC Depr. Exp. for 2012 Plant Assets (See Sch. J-2-2, Page 1)	(72,436)
Pro Forma CAC Depr. Exp. for 2012 Plant Assets (See Sch. J-2-3, Page 1)	<u>(178)</u>
Total Pro Forma Depreciation Expense Claim	\$ 161,438
Depreciation Expense Per Books Twelve Months Ended 9/30/11	<u>161,666</u>
Total Pro Forma Depreciation Expense Adjustment	<u><u>\$ (227)</u></u>

Pro Forma Amortization Expense Claim

Arcola Rd Water Storage Tank Painting	\$ 20,000
Featherbed Ln Water Storage Tank Painting	<u>87,500</u>
Total Water Storage Tank Painting	\$ 107,500
Amortization Period in years	<u>10</u>
Pro Forma Claim Amortization for Water Strg Tank Painting	<u><u>\$ 10,750</u></u>

AUDUBON WATER COMPANY

Pro Forma Corporate Income Tax Under Existing Rates

	<u>Per Books</u>	<u>Pro Forma Existing Rates</u>	<u>Adjustment</u>
Pro Forma Before Tax Net Income - per rate filing		\$ (244,570)	
Add Back Depr. Expense On New Truck		11,500	
Other Income		(2,107)	
Interest/Dividend Income		(217)	
Total Adjusted Income		\$ (235,394)	
Deduct Tax Depr.Exp. Allow. New Truck		115,000	
Deduct Net Interest Expense		21,016	
		-	
Pro Forma Before Tax Net Income		\$ (371,409)	
Pa. Taxable Income		\$ -	
Pa Corp. Tax Rate		9.99%	
Pa Corp. Taxes	\$ 3,278	\$ -	\$ (3,278)
Fed. Taxable Income		\$ -	
Pa Corp. Tax Rate		34%	
Fed Corp. Taxes	\$ 44,183	\$ -	\$ (44,183)
Total Taxes	\$ 47,461	\$ -	\$ (47,461)

AUDUBON WATER COMPANY

Pro Forma Corporate Income Tax Claim Under Proposed Rates

Pro Forma Claim After Tax Net Income - per rate filing		\$	230,701
Add Back Depr. Expense On New Truck			11,500
Other Income			(2,107)
Interest/Dividend Income			(217)
Total Adjusted Income		\$	239,877
Deduct Tax Depr. Exp. Allow. New Truck	\$	115,000	115,000
Deduct Net Interest Expense			21,016
			-
Estimated After Tax Net Income		\$	103,862
Tax Rate Gross Up (1)			68.33%
Total estimated corporate income taxes		\$	70,970

Proof

Estimated Income after taxes	\$	103,862	
Total estimated corporate income taxes		70,970	
Pa. Taxable Income	\$	174,831	
Pa Corp. Tax Rate		9.99%	
Pa Corp. Taxes			\$ 17,466
Fed. Taxable Income	\$	157,366	
Pa Corp. Tax Rate		34%	
Fed Corp. Taxes			\$ 53,504
Total Taxes			\$ 70,970
Proof (Est. Taxes - Total Taxes)			\$ (0)

(1) Calculation of Tax Rates/Gross Up Tax Rates:

Applicable Combined Pa & Fed Tax RateFormula $T = PaTaxRate + (1 - PaTaxRate)Fed Tax Rate$

Pa Tax Rate	9.99%
Fed Tax Rate	34%
T (Tax Rate)	40.5934%

Tax Gross up Rate to be applied to each dollar of net income or taxable revenue

Formula for Gross Up Rate	$\frac{1}{1 - Tax Rate}$
Gross Up Rate	1.68331

AUDUBON WATER COMPANY

SECTION J

DEPRECIATION REPORT

AUDUBON WATER COMPANY

**PLANT ASSET VALUES
DEPRECIATION STUDY
TWELVE MONTHS ENDED 9/30/11**

J-1-1 Original Cost

J-1-2 Contributed Assets

J-1-3 CAC Assets

AUDUBON WATER COMPANY

J-1-1 ORIGINAL COST 9/30/11

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
301		Organizational Costs	\$ -	\$ -	-	-	\$ -				\$ -	\$ -	\$ -	\$ -
302		Franchises and consents	-	-	-	-	-				-	-	-	-
303		Misc. Intangible Plant	-	-	-	-	-				-	-	-	-
311.13		Other Source of Supply Land	35,505	-	-	-	35,505				-	-	35,505	-
311.2		Power and Pumping Land	6,000	-	-	-	6,000				-	-	6,000	-
311.5		Distribution Reservoir & Standpip Land	1,013	-	-	-	1,013				-	-	1,013	-
Total		Non-Depreciable Plant	\$ 42,518	\$ -	\$ -	\$ -	\$ 42,518				\$ -	\$ -	\$ 42,518	\$ -
312.1		Source of Supply Structures	40,805	-	-	-	40,805				13	40,760	45	13
312.13		Springs & Wells	727,999	-	-	-	727,999				13,967	353,016	374,983	13,967
312.2		Power and Pumping Structure	58,844	-	-	-	58,844				975	42,506	16,337	975
312.5		Distribution Reservoirs & Standpipes	723,534	-	-	-	723,534				17,630	375,524	348,009	17,630
312.62		Stores, Shop and Garage Buildings	6,725	-	-	-	6,725				53	6,143	581	53
316		Electric Pumping Equipment	271,612	19,014	-	-	290,626				7,424	216,689	73,937	8,058
319		Other Power Pumping Equipment	32,568	-	-	-	32,568				1,762	19,355	13,213	1,762
320		Purification Sytem	559,992	-	-	-	559,992				7,888	510,437	49,555	7,888
322		Mains & Accessories	4,112,844	-	-	-	4,112,844				68,783	1,328,110	2,784,734	68,783
323		Services	286,359	-	-	-	286,359				4,834	95,850	190,509	4,834
324		Meters	807,719	14,203	-	-	821,922				30,254	311,872	510,050	30,538
325		Fire Hydrants	184,584	-	-	-	184,584				4,148	80,334	104,250	4,148
328		Office Furniture & Equipment	73,330	-	-	-	73,330				284	73,330	-	284
329		Transportation Equipment	442,697	-	-	-	442,697				41,487	310,310	132,387	41,487
332		Tools and Work Equipment	125,369	-	-	-	125,369				2,770	121,066	4,303	2,770
333		Communiation Equipment	2,897	-	-	-	2,897				-	2,897	-	-
334		Miscellaneous Equipment	45,935	-	-	-	45,935				-	45,935	-	-
Total		Depreciable Plant	\$ 8,503,813	\$ 33,217	\$ -	\$ -	\$ 8,537,030				\$ 202,470	\$ 3,934,136	\$ 4,602,894	\$ 203,388
Total		Plant	\$ 8,546,330	\$ 33,217	\$ -	\$ -	\$ 8,579,547				\$ 202,470	\$ 3,934,136	\$ 4,645,412	\$ 203,388

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. Book Values For the Above Period		2011 Remaining Basis (13)	Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)		
301	1954	Organizational Costs	\$ -		\$ -	\$ -	\$ -	n/a	n/a	n/a	\$ -	\$ -	\$ -	\$ -
302	1973	Franchises and consents	\$ -		\$ -	\$ -	\$ -	n/a	n/a	n/a	\$ -	\$ -	\$ -	\$ -
303	1979	Misc. intangible Plant	\$ -		\$ -	\$ -	\$ -	n/a	n/a	n/a	\$ -	\$ -	\$ -	\$ -
311.13	1980	Other Source of Supply Land	20,505	-	-	-	20,505	n/a	n/a	n/a	-	-	20,505	-
311.13	1998	Other Source of Supply Land	15,000	-	-	-	15,000	n/a	n/a	n/a	-	-	15,000	-
311.13	Total	Other Source of Supply Land	\$ 35,505	\$ -	\$ -	\$ -	\$ 35,505				\$ -	\$ -	\$ 35,505	\$ -
311.2	1963	Power and Pumping Land	\$ 6,000	\$ -	\$ -	\$ -	\$ 6,000	n/a	n/a	n/a	\$ -	\$ -	\$ 6,000	\$ -
311.5	1976	Distribution Reservoir & Standpip Land	\$ 546	\$ -	\$ -	\$ -	\$ 546	n/a	n/a	n/a	\$ -	\$ -	\$ 546	\$ -
311.5	1978	Distribution Reservoir & Standpip Land	467	-	-	-	467	n/a	n/a	n/a	-	-	467	-
311.5	Total	Distribution Reservoir & Standpip Land	\$ 1,013	\$ -	\$ -	\$ -	\$ 1,013				\$ -	\$ -	\$ 1,013	\$ -

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
312.1	1965	Source of Supply Structures	\$ 39,947	\$ -	\$ -	\$ -	\$ 39,947	30	3.33%	0.0	\$ -	\$ 39,947	\$ -	\$ -
312.1	1979	Source of Supply Structures	476	-	-	-	476	30	3.33%	0.0	-	476	-	-
312.1	1985	Source of Supply Structures	382	-	-	-	382	30	3.33%	3.5	13	337	45	13
312.1		Source of Supply Structures	-	-	-	-	-	30	0.00%	0.0	-	-	-	-
312.1		Source of Supply Structures	-	-	-	-	-	30	0.00%	0.0	-	-	-	-
312.1	Total	Source of Supply Structures	\$ 40,805	\$ -	\$ -	\$ -	\$ 40,805				\$ 13	\$ 40,760	\$ 45	\$ 13

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired	Item Description	Original Cost	Additions	Retirements	Salvage/ Adjust	Adjusted Cost	Life	Depr. Rate %	Remaining Life	Twelve Months Ended Sept. Book Values For the Above Period		2011 Remaining Basis	Pro Forma Annualized Depreciation
											Annual Depreciation	Accumulated Depreciation		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
312.13	1966	Springs & Wells	\$ 67,127	\$ -	\$ -	\$ -	\$ 67,127	30	3.33%	0.0	\$ -	\$ 67,127	\$ -	\$ -
312.13	1973	Springs & Wells	6,465	-	-	-	6,465	30	3.33%	0.0	-	6,465	-	-
312.13	1974	Springs & Wells	1,254	-	-	-	1,254	30	3.33%	0.0	-	1,254	-	-
312.13	1977	Springs & Wells	623	-	-	-	623	30	3.33%	0.0	-	623	-	-
312.13	1978	Springs & Wells	10,160	-	-	-	10,160	30	3.33%	0.0	-	10,160	-	-
312.13	1979	Springs & Wells	25,648	-	-	-	25,648	30	3.33%	0.0	-	25,648	-	-
312.13	1980	Springs & Wells	71,673	-	-	-	71,673	30	3.33%	0.0	-	71,673	-	-
312.13	1981	Springs & Wells	6,939	-	-	-	6,939	30	3.33%	0.5	116	6,939	-	116
312.13	1982	Springs & Wells	4,138	-	-	-	4,138	30	3.33%	0.5	138	4,069	69	138
312.13	1983	Springs & Wells	2,219	-	-	-	2,219	30	3.33%	1.5	74	2,108	111	74
312.13	1984	Springs & Wells	6,717	-	-	-	6,717	30	3.33%	2.5	224	6,157	560	224
312.13	1985	Springs & Wells	7,392	-	-	-	7,392	30	3.33%	3.5	246	6,529	862	246
312.13	1986	Springs & Wells	8,719	-	-	-	8,719	30	3.33%	4.5	291	7,411	1,308	291
312.13	1986	Springs & Wells	10,375	-	-	-	10,375	30	3.33%	4.5	346	8,819	1,556	346
312.13	1987	Springs & Wells	72,521	-	-	-	72,521	30	3.33%	5.5	2,417	59,225	13,296	2,417
312.13	1990	Springs & Wells	1,473	-	-	-	1,473	30	3.33%	8.5	49	1,056	417	49
312.13	1996	Springs & Wells	13,316	-	-	-	13,316	30	3.33%	14.5	444	6,880	6,436	444
312.13	1997	Springs & Wells	55,583	-	-	-	55,583	30	3.33%	15.5	1,853	26,865	28,718	1,853
312.13	1998	Springs & Wells	37,325	-	-	-	37,325	30	3.33%	16.5	1,244	16,796	20,529	1,244
312.13	2006	Springs & Wells 10/15 Worthing	84,300	-	-	-	84,300	50	2.00%	44.5	1,686	9,273	75,027	1,686
312.13	2007	Springs & Wells VFTP & Wren Road upgr	3,400	-	-	-	3,400	15	6.67%	10.5	227	1,020	2,380	227
312.13	2010	Springs & Wells Well #14	230,633	-	-	-	230,633	50	2.00%	48.5	4,613	6,919	223,714	4,613
312.13		Springs & Wells	-	-	-	-	-	50	0.00%	0.0	-	-	-	-
312.13		Springs & Wells	-	-	-	-	-	50	0.00%	0.0	-	-	-	-
312.13	Total	Springs & Wells	\$ 727,999	\$ -	\$ -	\$ -	\$ 727,999				\$ 13,967	\$ 353,016	\$ 374,983	\$ 13,967

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
312.2	1966	Power and Pumping Structure	\$ 19,856	\$ -	\$ -	\$ -	\$ 19,856	40	2.50%	0.0	\$ -	\$ 19,856	\$ -	\$ -
312.2	1972	Power and Pumping Structure	5,235	-	-	-	5,235	40	2.50%	0.5	131	5,169	65	131
312.2	1974	Power and Pumping Structure	2,761	-	-	-	2,761	40	2.50%	2.5	69	2,589	173	69
312.2	1977	Power and Pumping Structure	3,948	-	-	-	3,948	40	2.50%	5.5	99	3,405	543	99
312.2	1978	Power and Pumping Structure	1,782	-	-	-	1,782	40	2.50%	6.5	45	1,493	290	45
312.2	1987	Power and Pumping Structure	3,349	-	-	-	3,349	40	2.50%	15.5	84	2,051	1,298	84
312.2	1997	Power and Pumping Structure	21,912	-	-	-	21,912	40	2.50%	25.5	548	7,943	13,969	548
312.2		Power and Pumping Structure	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
312.2		Power and Pumping Structure	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
312.2	Total	Power and Pumping Structure	\$ 58,844	\$ -	\$ -	\$ -	\$ 58,844				\$ 975	\$ 42,506	\$ 16,337	\$ 975

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011			Pro Forma Annualized Depreciation (14)
											Book Values For the Above Period	Annual Depreciation (11)	Accumulated Depreciation (12)	
312.5	1967	Distribution Reservoirs & Standpipes	\$ 10,333	\$ -	\$ -	\$ -	\$ 10,333	40	2.50%	0.0	\$ -	\$ 10,333	\$ -	\$ -
312.5	1976	Distribution Reservoirs & Standpipes	49,399	-	-	-	49,399	40	2.50%	4.5	1,235	43,842	5,557	1,235
312.5	1977	Distribution Reservoirs & Standpipes	136	-	-	-	136	40	2.50%	5.5	3	117	19	3
312.5	1979	Distribution Reservoirs & Standpipes	6,736	-	-	-	6,736	40	2.50%	7.5	168	5,473	1,263	168
312.5	1981	Distribution Reservoirs & Standpipes	826	-	-	-	826	40	2.50%	9.5	21	630	196	21
312.5	1982	Distribution Reservoirs & Standpipes	157,868	-	-	-	157,868	40	2.50%	10.5	3,947	116,428	41,440	3,947
312.5	1986	Distribution Reservoirs & Standpipes	144,024	-	-	-	144,024	40	2.50%	14.5	3,601	91,816	52,209	3,601
312.5	1987	Distribution Reservoirs & Standpipes	10,606	-	-	-	10,606	40	2.50%	15.5	265	6,496	4,110	265
312.5	1988	Distribution Reservoirs & Standpipes	34,053	-	-	-	34,053	40	2.50%	16.5	851	20,006	14,047	851
312.5	1991	Distribution Reservoirs & Standpipes	2,655	-	-	-	2,655	40	2.50%	19.5	66	1,361	1,294	66
312.5	1996	Distribution Reservoirs & Standpipes	21,000	-	-	-	21,000	40	2.50%	24.5	525	8,138	12,863	525
312.5	2000	Distribution Reservoirs & Standpipes	194,349	-	-	-	194,349	40	2.50%	28.5	4,859	55,875	138,474	4,859
312.5	2002	Distribution Reservoirs & Standpipes	1,800	-	-	-	1,800	40	2.50%	30.5	45	428	1,373	45
312.5	2005	Distribution Reservoirs & Standpipes	89,750	-	-	-	89,750	40	2.50%	33.5	2,244	14,584	75,166	2,244
312.5		Distribution Reservoirs & Standpipes	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
312.5		Distribution Reservoirs & Standpipes	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
312.5	Total	Distribution Reservoirs & Standpipes	\$ 723,534	\$ -	\$ -	\$ -	\$ 723,534				\$ 17,830	\$ 375,524	\$ 348,009	\$ 17,830

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
312.62	1967	Stores, Shop and Garage Buildings	\$ 5,143	\$ -	\$ -	\$ -	\$ 5,143	30	3.33%	0.0	\$ -	\$ 5,143	\$ -	\$ -
312.62	1988	Stores, Shop and Garage Buildings	1,161	-	-	-	1,161	30	3.33%	6.5	39	910	252	39
312.62	2005	Stores, Shop and Garage Buildings	421	-	-	-	421	30	3.33%	23.5	14	91	329	14
312.62		Stores, Shop and Garage Buildings	-	-	-	-	-	30	0.00%	0.0	-	-	-	-
312.62		Stores, Shop and Garage Buildings	-	-	-	-	-	30	0.00%	0.0	-	-	-	-
312.62	Total	Stores, Shop and Garage Buildings	\$ 6,725	\$ -	\$ -	\$ -	\$ 6,725				\$ 53	\$ 6,143	\$ 581	\$ 53

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. Book Values For the Above Period		2011 Remaining Basis (13)	Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)		
316	1963	Electric Pumping Equipment	\$ 33,816	\$ -	\$ -	\$ -	\$ 33,816	10	10.00%	0.0	\$ -	\$ 33,816	\$ -	\$ -
316	1973	Electric Pumping Equipment	9,425	-	-	-	9,425	10	10.00%	0.0	-	9,425	-	-
316	1974	Electric Pumping Equipment	14,009	-	-	-	14,009	10	10.00%	0.0	-	14,009	-	-
316	1976	Electric Pumping Equipment	2,914	-	-	-	2,914	10	10.00%	0.0	-	2,914	-	-
316	1977	Electric Pumping Equipment	10,669	-	-	-	10,669	10	10.00%	0.0	-	10,669	-	-
316	1978	Electric Pumping Equipment	19,466	-	-	-	19,466	10	10.00%	0.0	-	19,466	-	-
316	1979	Electric Pumping Equipment	2,217	-	-	-	2,217	10	10.00%	0.0	-	2,217	-	-
316	1980	Electric Pumping Equipment	97	-	-	-	97	10	10.00%	0.0	-	97	-	-
316	1981	Electric Pumping Equipment	6,701	-	-	-	6,701	10	10.00%	0.0	-	6,701	-	-
316	1984	Electric Pumping Equipment	1,419	-	-	-	1,419	10	10.00%	0.0	-	1,419	-	-
316	1989	Electric Pumping Equipment	517	-	-	-	517	10	10.00%	0.0	-	517	-	-
316	1990	Electric Pumping Equipment	7,455	-	-	-	7,455	10	10.00%	0.0	-	7,455	-	-
316	1991	Electric Pumping Equipment	3,895	-	-	-	3,895	10	10.00%	0.0	-	3,895	-	-
316	1992	Electric Pumping Equipment	7,222	-	-	-	7,222	10	10.00%	0.0	-	7,222	-	-
316	1993	Electric Pumping Equipment	5,904	-	-	-	5,904	10	10.00%	0.0	-	5,904	-	-
316	1995	Electric Pumping Equipment	1,239	-	-	-	1,239	10	10.00%	0.0	-	1,239	-	-
316	1996	Electric Pumping Equipment	13,105	-	-	-	13,105	10	10.00%	0.0	-	13,105	-	-
316	1997	Electric Pumping Equipment	16,692	-	-	-	16,692	10	10.00%	0.0	-	16,692	-	-
316	1998	Electric Pumping Equipment	15,203	-	-	-	15,203	10	10.00%	0.0	-	15,203	-	-
316	2000	Electric Pumping Equipment	1,885	-	-	-	1,885	10	10.00%	0.0	-	1,885	-	-
316	2001	Electric Pumping Equipment	3,332	-	-	-	3,332	10	10.00%	0.5	167	3,332	-	167
316	2002	Electric Pumping Equipment	9,849	-	-	-	9,849	10	10.00%	0.5	985	9,357	492	985
316	2003	Electric Pumping Equipment	22,660	-	-	-	22,660	15	6.67%	6.5	1,511	12,841	9,819	1,511
316	2007	Electric Pumping Equipment-Generator	47,669	-	-	-	47,669	15	6.67%	10.5	3,178	14,301	33,368	3,178
316	2009	Electric Pumping Equipment-VPTP	14,252	-	-	-	14,252	15	6.67%	12.5	950	2,375	11,877	950
316	2011	Electric Pumping Equipment	-	19,014	-	-	19,014	15	6.67%	14.5	634	634	18,380	1,268
316		Electric Pumping Equipment	-	-	-	-	-	15	0.00%	0.0	-	-	-	-
316		Electric Pumping Equipment	-	-	-	-	-	15	0.00%	0.0	-	-	-	-
316	Total	Electric Pumping Equipment	\$ 271,612	\$ 19,014	\$ -	\$ -	\$ 290,626				\$ 7,424	\$ 216,689	\$ 73,937	\$ 8,058

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
319	1972	Other Power Pumping Equipment	\$ 183	\$ -	\$ -	\$ -	\$ 183	10	10.00%	0.0	\$ -	\$ 183	\$ -	\$ -
319	1988	Other Power Pumping Equipment	352	-	-	-	352	10	10.00%	0.0	-	352	-	-
319	1990	Other Power Pumping Equipment	171	-	-	-	171	10	10.00%	0.0	-	171	-	-
319	1998	Other Power Pumping Equipment	1,537	-	-	-	1,537	10	10.00%	0.0	-	1,537	-	-
319	1999	Other Power Pumping Equipment	3,900	-	-	-	3,900	10	10.00%	0.0	-	3,900	-	-
319	2004	Other Power Pumping Equipment	26,425	-	-	-	26,425	15	6.67%	7.5	1,762	13,213	13,213	1,762
319		Other Power Pumping Equipment	-	-	-	-	-	15	0.00%	0.0	-	-	-	-
319		Other Power Pumping Equipment	-	-	-	-	-	15	0.00%	0.0	-	-	-	-
319	Total	Other Power Pumping Equipment	\$ 32,568	\$ -	\$ -	\$ -	\$ 32,568				\$ 1,762	\$ 19,355	\$ 13,213	\$ 1,762

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
320	1968	Purification Sytem	\$ 58,309	\$ -	\$ -	\$ -	\$ 58,309	15	6.67%	0.0	\$ -	\$ 58,309	\$ -	\$ -
320	1973	Purification Sytem	1,136	-	-	-	1,136	15	6.67%	0.0	-	1,136	-	-
320	1978	Purification Sytem	515	-	-	-	515	15	6.67%	0.0	-	515	-	-
320	1979	Purification Sytem	1,133	-	-	-	1,133	15	6.67%	0.0	-	1,133	-	-
320	1980	Purification Sytem	1,409	-	-	-	1,409	15	6.67%	0.0	-	1,409	-	-
320	1981	Purification Sytem	327	-	-	-	327	15	6.67%	0.0	-	327	-	-
320	1985	Purification Sytem	1,865	-	-	-	1,865	15	6.67%	0.0	-	1,865	-	-
320	1986	Purification Sytem	67,713	-	-	-	67,713	15	6.67%	0.0	-	67,713	-	-
320	1988	Purification Sytem	830	-	-	-	830	15	6.67%	0.0	-	830	-	-
320	1989	Purification Sytem	1,050	-	-	-	1,050	15	6.67%	0.0	-	1,050	-	-
320	1989	Purification Sytem	264,491	-	-	-	264,491	15	6.67%	0.0	-	264,491	-	-
320	1989	Purification Sytem	1,074	-	-	-	1,074	15	6.67%	0.0	-	1,074	-	-
320	1990	Purification Sytem	211	-	-	-	211	15	6.67%	0.0	-	211	-	-
320	1991	Purification Sytem	2,178	-	-	-	2,178	15	6.67%	0.0	-	2,178	-	-
320	1996	Purification Sytem	89,850	-	-	-	89,850	20	5.00%	4.5	4,493	69,634	20,216	4,493
320	2000	Purification Sytem	66,295	-	-	-	66,295	20	5.00%	8.5	3,315	38,120	28,175	3,315
320	2006	Purification Sytem	1,605	-	-	-	1,605	20	5.00%	14.5	80	441	1,164	80
320		Purification Sytem	-	-	-	-	-	20	0.00%	0.0	-	-	-	-
320		Purification Sytem	-	-	-	-	-	20	0.00%	0.0	-	-	-	-
320	Total	Purification Sytem	\$ 559,992	\$ -	\$ -	\$ -	\$ 559,992				\$ 7,888	\$ 510,437	\$ 49,555	\$ 7,888

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Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
322	1969	Mains & Accessories	\$ 578,668	\$ -	\$ -	\$ -	\$ 578,668	60	1.67%	17.5	\$ 9,644	\$ 409,890	\$ 168,778	\$ 9,644
322	1973	Mains & Accessories	40,021	-	-	-	40,021	60	1.67%	21.5	667	25,680	14,341	867
322	1974	Mains & Accessories	35,067	-	-	-	35,067	60	1.67%	22.5	584	21,917	13,150	584
322	1975	Mains & Accessories	7,687	-	-	-	7,687	60	1.67%	23.5	128	4,677	3,011	128
322	1976	Mains & Accessories	40,120	-	-	-	40,120	60	1.67%	24.5	669	23,737	16,382	669
322	1977	Mains & Accessories	9,361	-	-	-	9,361	60	1.67%	25.5	156	5,383	3,979	156
322	1978	Mains & Accessories	44,947	-	-	-	44,947	60	1.67%	26.5	749	25,096	19,852	749
322	1979	Mains & Accessories	31,486	-	-	-	31,486	60	1.67%	27.5	525	17,055	14,431	525
322	1980	Mains & Accessories	72,506	-	-	-	72,506	60	1.67%	28.5	1,208	38,066	34,440	1,208
322	1981	Mains & Accessories	121,315	-	-	-	121,315	60	1.67%	29.5	2,022	61,668	59,646	2,022
322	1982	Mains & Accessories	21,403	-	-	-	21,403	60	1.67%	30.5	357	10,523	10,880	357
322	1983	Mains & Accessories	7,284	-	-	-	7,284	60	1.67%	31.5	121	3,460	3,824	121
322	1984	Mains & Accessories	11,530	-	-	-	11,530	60	1.67%	32.5	192	5,284	6,245	192
322	1985	Mains & Accessories	4,827	-	-	-	4,827	60	1.67%	33.5	80	2,132	2,695	80
322	1986	Mains & Accessories	(14,117)	-	-	-	(14,117)		0.00%	0.0	-	(14,117)	-	-
322	1987	Mains & Accessories	6,927	-	-	-	6,927	60	1.67%	35.5	115	2,829	4,099	115
322	1990	Mains & Accessories	616	-	-	-	616	60	1.67%	38.5	10	221	395	10
322	1992	Mains & Accessories	193,349	-	-	-	193,349	60	1.67%	40.5	3,222	62,838	130,511	3,222
322	1993	Mains & Accessories	138,501	-	-	-	138,501	60	1.67%	41.5	2,308	42,704	95,797	2,308
322	1993	Mains & Accessories	315,314	-	-	-	315,314	60	1.67%	41.5	5,255	97,222	218,092	5,255
322	1993	Mains & Accessories	113,132	-	-	-	113,132	60	1.67%	41.5	1,886	34,882	78,250	1,886
322	1994	Mains & Accessories	15,694	-	-	-	15,694	60	1.67%	42.5	262	4,577	11,117	262
322	1995	Mains & Accessories	148,671	-	-	-	148,671	60	1.67%	43.5	2,478	40,885	107,786	2,478
322	1996	Mains & Accessories	32,825	-	-	-	32,825	60	1.67%	44.5	547	8,480	24,345	547
322	1997	Mains & Accessories	402,970	-	-	-	402,970	60	1.67%	45.5	6,716	97,384	305,585	6,716
322	1998	Mains & Accessories	362,740	-	-	-	362,740	60	1.67%	46.5	6,046	81,617	281,124	6,046
322	1999	Mains & Accessories	275,858	-	-	-	275,858	60	1.67%	47.5	4,598	57,470	218,387	4,598
322	2000	Mains & Accessories	210,756	-	-	-	210,756	60	1.67%	48.5	3,513	40,395	170,361	3,513
322	2001	Mains & Accessories	237,924	-	-	-	237,924	60	1.67%	49.5	3,965	41,637	196,288	3,965
322	2002	Mains & Accessories	43,289	-	-	-	43,289	60	1.67%	50.5	721	6,854	36,435	721
322	2003	Mains & Accessories	243,826	-	-	-	243,826	60	1.67%	51.5	4,064	34,542	209,284	4,064
322	2004	Mains & Accessories	76,377	-	-	-	76,377	60	1.67%	52.5	1,273	9,547	66,830	1,273
322	2005	Mains & Accessories	23,907	-	-	-	23,907	60	1.67%	53.5	398	2,590	21,317	398
322	2006	Mains & Accessories	120,084	-	-	-	120,084	60	1.67%	54.5	2,001	11,008	109,076	2,001
322	2007	Mains & Accessories	118,409	-	-	-	118,409	60	1.67%	55.5	1,973	8,881	109,528	1,973
322	2008	Mains & Accessories	18,204	-	-	-	18,204	60	1.67%	56.5	303	1,062	17,142	303
322	2010	Mains & Accessories	1,365	-	-	-	1,365	60	1.67%	58.5	23	34	1,331	23
322		Mains & Accessories	-	-	-	-	-	60	0.00%	0.0	-	-	-	-
322		Mains & Accessories	-	-	-	-	-	0	0.00%	0.0	-	-	-	-
322	Total	Mains & Accessories	\$ 4,112,844	\$ -	\$ -	\$ -	\$ 4,112,844				\$ 68,783	\$ 1,328,110	\$ 2,784,734	\$ 68,783

AUDUBON WATER COMPANY

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Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
323	1972	Services	\$ 4,035	\$ -	\$ -	\$ -	\$ 4,035	60	1.67%	20.5	\$ 67	\$ 2,656	\$ 1,379	\$ 67
323	1973	Services	5,819	-	-	-	5,819	60	1.67%	21.5	97	3,734	2,085	97
323	1974	Services	4,976	-	-	-	4,976	60	1.67%	22.5	83	3,110	1,866	83
323	1976	Services	5,382	-	-	-	5,382	60	1.67%	24.5	90	3,184	2,198	90
323	1977	Services	6,882	-	-	-	6,882	60	1.67%	25.5	115	3,957	2,925	115
323	1978	Services	8,591	-	-	-	8,591	60	1.67%	26.5	143	4,796	3,794	143
323	1979	Services	4,202	-	-	-	4,202	60	1.67%	27.5	70	2,276	1,926	70
323	1980	Services	19,674	-	-	-	19,674	60	1.67%	28.5	328	10,329	9,345	328
323	1981	Services	15,963	-	-	-	15,963	60	1.67%	29.5	266	8,114	7,848	266
323	1982	Services	23,356	-	-	-	23,356	60	1.67%	30.5	389	11,484	11,873	389
323	1983	Services	11,691	-	-	-	11,691	60	1.67%	31.5	195	5,553	6,138	195
323	1984	Services	5,164	-	-	-	5,164	60	1.67%	32.5	86	2,367	2,797	86
323	1985	Services	13,021	-	-	-	13,021	60	1.67%	33.5	217	5,751	7,270	217
323	1986	Services	458	-	-	-	458	60	1.67%	34.5	8	195	263	8
323	1987	Services	(3,705)	-	-	-	(3,705)		0.00%	0.0	-	(3,705)	-	-
323	1989	Services	1,168	-	-	-	1,168	60	1.67%	37.5	19	438	730	19
323	1992	Services	160	-	-	-	160	60	1.67%	40.5	3	52	108	3
323	1993	Services	3,305	-	-	-	3,305	60	1.67%	41.5	55	1,019	2,286	55
323	1999	Services	91,952	-	-	-	91,952	60	1.67%	47.5	1,533	19,157	72,796	1,533
323	2000	Services	50,129	-	-	-	50,129	60	1.67%	48.5	835	9,608	40,521	835
323	2003	Services	2,282	-	-	-	2,282	60	1.67%	51.5	38	323	1,959	38
323	2004	Services	9,981	-	-	-	9,981	60	1.67%	52.5	166	1,248	8,734	166
323	2005	Services	1,872	-	-	-	1,872	60	1.67%	53.5	31	203	1,659	31
323		Services	-	-	-	-	-	60	0.00%	0.0	-	-	-	-
323		Services	-	-	-	-	-	60	0.00%	0.0	-	-	-	-
323	Total	Services	\$ 286,359	\$ -	\$ -	\$ -	\$ 286,359				\$ 4,834	\$ 95,850	\$ 190,509	\$ 4,834

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011			Pro Forma Annualized Depreciation (14)
											Book Values For the Above Period	Annual Depreciation (11)	Accumulated Depreciation (12)	
324	1987 Meters		\$ 206,795	\$ -	\$ -	\$ -	\$ 206,795	30	3.33%	5.5	\$ 6,893	\$ 168,883	\$ 37,912	\$ 6,893
324	1989 Meters		9,622	-	-	-	9,622	30	3.33%	7.5	321	7,217	2,406	321
324	1990 Meters		754	-	-	-	754	30	3.33%	8.5	25	540	214	25
324	1991 Meters		4,942	-	-	-	4,942	30	3.33%	9.5	165	3,377	1,565	165
324	1992 Meters		6,367	-	-	-	6,367	30	3.33%	10.5	212	4,139	2,228	212
324	1993 Meters		9,164	-	-	-	9,164	30	3.33%	11.5	305	5,651	3,513	305
324	1994 Meters		7,169	-	-	-	7,169	30	3.33%	12.5	239	4,182	2,987	239
324	1995 Meters		4,293	-	-	-	4,293	30	3.33%	13.5	143	2,361	1,932	143
324	1996 Meters		6,870	-	-	-	6,870	30	3.33%	14.5	229	3,550	3,321	229
324	1997 Meters		8,176	-	-	-	8,176	30	3.33%	15.5	273	3,952	4,224	273
324	1998 Meters		16,129	-	-	-	16,129	30	3.33%	16.5	538	7,258	8,871	538
324	1999 Meters		24,926	-	-	-	24,926	30	3.33%	17.5	831	10,386	14,540	831
324	2000 Meters		12,667	-	-	-	12,667	30	3.33%	18.5	422	4,856	7,811	422
324	2001 Meters		20,387	-	-	-	20,387	30	3.33%	19.5	680	7,135	13,251	680
324	2002 Meters		12,604	-	-	-	12,604	30	3.33%	20.5	420	3,991	6,613	420
324	2003 Meters		2,752	-	-	-	2,752	25	4.00%	16.5	110	936	1,816	110
324	2004 Meters		6,200	-	-	-	6,200	25	4.00%	17.5	248	1,860	4,340	248
324	2005 Meters		118,657	-	-	-	118,657	25	4.00%	18.5	4,746	30,851	87,807	4,746
324	2006 Meters		34,396	-	-	-	34,396	25	4.00%	19.5	1,376	7,567	26,829	1,376
324	2007 Meters		71,077	-	-	-	71,077	25	4.00%	20.5	2,843	12,794	58,283	2,843
324	2008 Meters		20,468	-	-	-	20,468	25	4.00%	21.5	819	2,866	17,602	819
324	2009 Meters		125,997	-	-	-	125,997	25	4.00%	22.5	5,040	12,600	113,397	5,040
324	2010 Meters		77,307	-	-	-	77,307	25	4.00%	23.5	3,092	4,638	72,669	3,092
324	2011 Meters		-	14,203	-	-	14,203	25	4.00%	24.5	284	284	13,919	568
324	Meters		-	-	-	-	-	25	0.00%	0.0	-	-	-	-
324	Meters		-	-	-	-	-	25	0.00%	0.0	-	-	-	-
324	Total Meters		\$ 807,719	\$ 14,203	\$ -	\$ -	\$ 821,922				\$ 30,254	\$ 311,872	\$ 510,050	\$ 30,538

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period		2011 Remaining Basis (13)	Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)		
325	1968	Fire Hydrants	\$ 18,664	\$ -	\$ -	\$ -	\$ 18,664	40	2.50%	0.0	\$ -	\$ 18,664	\$ -	\$ -
325	1973	Fire Hydrants	3,430	-	-	-	3,430	40	2.50%	1.5	86	3,302	129	86
325	1974	Fire Hydrants	78	-	-	-	78	40	2.50%	2.5	2	73	5	2
325	1975	Fire Hydrants	1,383	-	-	-	1,383	40	2.50%	3.5	35	1,262	121	35
325	1976	Fire Hydrants	822	-	-	-	822	40	2.50%	4.5	21	729	92	21
325	1977	Fire Hydrants	1,089	-	-	-	1,089	40	2.50%	5.5	27	939	150	27
325	1978	Fire Hydrants	6,762	-	-	-	6,762	40	2.50%	6.5	169	5,663	1,099	169
325	1979	Fire Hydrants	2,040	-	-	-	2,040	40	2.50%	7.5	51	1,658	383	51
325	1980	Fire Hydrants	4,261	-	-	-	4,261	40	2.50%	8.5	107	3,356	906	107
325	1991	Fire Hydrants	798	-	-	-	798	40	2.50%	19.5	20	409	389	20
325	1992	Fire Hydrants	2,192	-	-	-	2,192	40	2.50%	20.5	55	1,069	1,123	55
325	1993	Fire Hydrants	3,454	-	-	-	3,454	40	2.50%	21.5	86	1,597	1,857	86
325	1997	Fire Hydrants	4,153	-	-	-	4,153	40	2.50%	25.5	104	1,506	2,648	104
325	1999	Fire Hydrants	94,412	-	-	-	94,412	40	2.50%	27.5	2,360	25,504	64,908	2,360
325	2000	Fire Hydrants	27,044	-	-	-	27,044	40	2.50%	28.5	676	7,775	19,269	676
325	2001	Fire Hydrants	1,429	-	-	-	1,429	40	2.50%	29.5	36	375	1,054	36
325	2002	Fire Hydrants	2,701	-	-	-	2,701	40	2.50%	30.5	68	641	2,060	68
325	2003	Fire Hydrants	3,915	-	-	-	3,915	40	2.50%	31.5	98	832	3,083	98
325	2004	Fire Hydrants	3,220	-	-	-	3,220	40	2.50%	32.5	81	604	2,616	81
325	2006	Fire Hydrants	2,736	-	-	-	2,736	40	2.50%	34.5	68	376	2,360	68
325		Fire Hydrants	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
325		Fire Hydrants	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
325	Total	Fire Hydrants	\$ 184,584	\$ -	\$ -	\$ -	\$ 184,584				\$ 4,148	\$ 80,334	\$ 104,250	\$ 4,148

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. Book Values For the Above Period		2011 Remaining Basis (13)	Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)		
328	1967	Office Furniture & Equipment	\$ 1,378	\$ -	\$ -	\$ -	\$ 1,378	20	5.00%	0.0	\$ -	\$ 1,378	\$ -	\$ -
328	1973	Office Furniture & Equipment	544	-	-	-	544	20	5.00%	0.0	-	544	-	-
328	1974	Office Furniture & Equipment	159	-	-	-	159	20	5.00%	0.0	-	159	-	-
328	1977	Office Furniture & Equipment	143	-	-	-	143	20	5.00%	0.0	-	143	-	-
328	1978	Office Furniture & Equipment	1,217	-	-	-	1,217	20	5.00%	0.0	-	1,217	-	-
328	1979	Office Furniture & Equipment	1,141	-	-	-	1,141	20	5.00%	0.0	-	1,141	-	-
328	1980	Office Furniture & Equipment	470	-	-	-	470	20	5.00%	0.0	-	470	-	-
328	1985	Office Furniture & Equipment	7,330	-	-	-	7,330	20	5.00%	0.0	-	7,330	-	-
328	1986	Office Furniture & Equipment	126	-	-	-	126	20	5.00%	0.0	-	126	-	-
328	1987	Office Furniture & Equipment	17,550	-	-	-	17,550	20	5.00%	0.0	-	17,550	-	-
328	1988	Office Furniture & Equipment	2,175	-	-	-	2,175	7	14.29%	0.0	-	2,175	-	-
328	1989	Office Furniture & Equipment	7,186	-	-	-	7,186	20	5.00%	0.0	-	7,186	-	-
328	1989	Office Furniture & Equipment	6,354	-	-	-	6,354	20	5.00%	0.0	-	6,354	-	-
328	1990	Office Furniture & Equipment	274	-	-	-	274	20	5.00%	0.0	-	274	-	-
328	1991	Office Furniture & Equipment	209	-	-	-	209	20	5.00%	0.5	5	209	-	5
328	1992	Office Furniture & Equipment	3,516	-	-	-	3,516	5	20.00%	0.0	-	3,516	-	-
328	1992	Office Furniture & Equipment	1,977	-	-	-	1,977	5	20.00%	0.0	-	1,977	-	-
328	1992	Office Furniture & Equipment	2,147	-	-	-	2,147	5	20.00%	0.0	-	2,147	-	-
328	1996	Office Furniture & Equipment	1,373	-	-	-	1,373	5	20.00%	0.0	-	1,373	-	-
328	1997	Office Furniture & Equipment	4,295	-	-	-	4,295	5	20.00%	0.0	-	4,295	-	-
328	1999	Office Furniture & Equipment	1,945	-	-	-	1,945	5	20.00%	0.0	-	1,945	-	-
328	2000	Office Furniture & Equipment	1,070	-	-	-	1,070	5	20.00%	0.0	-	1,070	-	-
328	2002	Office Furniture & Equipment	2,585	-	-	-	2,585	3	33.33%	0.0	-	2,585	-	-
328	2003	Office Furniture & Equipment	4,266	-	-	-	4,266	5	20.00%	0.0	-	4,266	-	-
328	2004	Office Furniture & Equipment	776	-	-	-	776	7	14.29%	0.5	55	776	-	55
328	2004	Office Furniture & Equipment	3,125	-	-	-	3,125	7	14.29%	0.5	223	3,125	-	223
328		Office Furniture & Equipment	-	-	-	-	-	7	0.00%	0.0	-	-	-	-
328		Office Furniture & Equipment	-	-	-	-	-	7	0.00%	0.0	-	-	-	-
328	Total	Office Furniture & Equipment	\$ 73,330	\$ -	\$ -	\$ -	\$ 73,330				\$ 284	\$ 73,330	\$ -	\$ 284

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011			Pro Forma Annualized Depreciation (14)
											Book Values For the Above Period	Annual Depreciation (11)	Accumulated Depreciation (12)	
329	1980	Transportation Equipment	\$ 14,621	\$ -	\$ -	\$ -	\$ 14,621	5	20.00%	0.0	\$ -	\$ 14,621	\$ -	\$ -
329	1985	Transportation Equipment	28,585	-	-	-	28,585	5	20.00%	0.0	-	28,585	-	-
329	1986	Transportation Equipment	12,478	-	-	-	12,478	5	20.00%	0.0	-	12,478	-	-
329	1988	Transportation Equipment	10,646	-	-	-	10,646	5	20.00%	0.0	-	10,646	-	-
329	1989	Transportation Equipment	254	-	-	-	254	5	20.00%	0.0	-	254	-	-
329	1990	Transportation Equipment	35,406	-	-	-	35,406	5	20.00%	0.0	-	35,406	-	-
329	1992	Transportation Equipment	(8,517)	-	-	-	(8,517)		0.00%	0.0	-	(8,517)	-	-
329	1992	Transportation Equipment	14,644	-	-	-	14,644	5	20.00%	0.0	-	14,644	-	-
329	1993	Transportation Equipment	20,872	-	-	-	20,872	5	20.00%	0.0	-	20,872	-	-
329	1994	Transportation Equipment	(51,665)	-	-	-	(51,665)		0.00%	0.0	-	(51,665)	-	-
329	1994	Transportation Equipment	22,960	-	-	-	22,960	5	20.00%	0.0	-	22,960	-	-
329	1996	Transportation Equipment	9,481	-	-	-	9,481	5	20.00%	0.0	-	9,481	-	-
329	1997	Transportation Equipment	36,449	-	-	-	36,449	7	14.29%	0.0	-	36,449	-	-
329	2000	Transportation Equipment	58,080	-	-	-	58,080	5	20.00%	0.0	-	58,080	-	-
329	2001	Transportation Equipment	25,356	-	-	-	25,356	7	14.29%	0.0	-	25,356	-	-
329	2004	Transportation Equipment	50,075	-	-	-	50,075	7	14.29%	0.5	3,577	50,075	-	3,577
329	2005	Transportation Equipment	69,133	-	-	-	69,133	7	14.29%	0.5	9,876	64,195	4,938	9,876
329	2006	Transportation Equipment	20,291	-	-	-	20,291	7	14.29%	1.5	2,899	15,943	4,348	2,899
329	2007	Transportation Equipment	5,276	-	-	-	5,276	7	14.29%	2.5	754	3,392	1,884	754
329	2008	Transportation Equipment	23,148	-	-	-	23,148	7	14.29%	3.5	3,307	11,574	11,574	3,307
329	2009	Transportation Equipment	43,861	-	-	-	43,861	7	14.29%	4.5	6,266	15,665	28,196	6,266
329	2009	Transportation Equipment	(51,198)	-	-	-	(51,198)	0	0.00%	0.0	-	(51,198)	-	-
329	2010	Transportation Equipment	103,659	-	-	-	103,659	7	14.29%	5.5	14,808	22,213	81,446	14,808
329	2010	Transportation Equipment	(51,198)	-	-	-	(51,198)	0	0.00%	0.0	-	(51,198)	-	-
329		Transportation Equipment	-	-	-	-	-	7	0.00%	0.0	-	-	-	-
329		Transportation Equipment	-	-	-	-	-	7	0.00%	0.0	-	-	-	-
329		Transportation Equipment	-	-	-	-	-	7	0.00%	0.0	-	-	-	-
329	Total	Transportation Equipment	\$ 442,697	\$ -	\$ -	\$ -	\$ 442,697				\$ 41,487	\$ 310,310	\$ 132,387	\$ 41,487

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/Adjus. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
332	1970	Tools and Work Equipment	\$ 12,078	\$ -	\$ -	\$ -	\$ 12,078	15	6.67%	0.0	\$ -	\$ 12,078	\$ -	\$ -
332	1973	Tools and Work Equipment	208	-	-	-	208	15	6.67%	0.0	-	208	-	-
332	1974	Tools and Work Equipment	584	-	-	-	584	15	6.67%	0.0	-	584	-	-
332	1975	Tools and Work Equipment	170	-	-	-	170	15	6.67%	0.0	-	170	-	-
332	1976	Tools and Work Equipment	37	-	-	-	37	15	6.67%	0.0	-	37	-	-
332	1978	Tools and Work Equipment	527	-	-	-	527	15	6.67%	0.0	-	527	-	-
332	1979	Tools and Work Equipment	975	-	-	-	975	15	6.67%	0.0	-	975	-	-
332	1979	Tools and Work Equipment	31,220	-	-	-	31,220	15	6.67%	0.0	-	31,220	-	-
332	1980	Tools and Work Equipment	150	-	-	-	150	15	6.67%	0.0	-	150	-	-
332	1984	Tools and Work Equipment	890	-	-	-	890	15	6.67%	0.0	-	890	-	-
332	1985	Tools and Work Equipment	8,421	-	-	-	8,421	15	6.67%	0.0	-	8,421	-	-
332	1986	Tools and Work Equipment	1,632	-	-	-	1,632	15	6.67%	0.0	-	1,632	-	-
332	1988	Tools and Work Equipment	790	-	-	-	790	15	6.67%	0.0	-	790	-	-
332	1989	Tools and Work Equipment	1,668	-	-	-	1,668	15	6.67%	0.0	-	1,668	-	-
332	1989	Tools and Work Equipment	316	-	-	-	316	15	6.67%	0.0	-	316	-	-
332	1990	Tools and Work Equipment	861	-	-	-	861	15	6.67%	0.0	-	861	-	-
332	1996	Tools and Work Equipment	46,574	-	-	-	46,574	15	6.67%	0.5	1,552	46,574	-	1,552
332	1997	Tools and Work Equipment	1,000	-	-	-	1,000	15	6.67%	0.5	67	967	33	67
332	1998	Tools and Work Equipment	12,500	-	-	-	12,500	15	6.67%	1.5	833	11,250	1,250	833
332	2006	Tools and Work Equipment	4,768	-	-	-	4,768	15	6.67%	9.5	318	1,748	3,020	318
332		Tools and Work Equipment	-	-	-	-	-	15	0.00%	0.0	-	-	-	-
332		Tools and Work Equipment	-	-	-	-	-	15	0.00%	0.0	-	-	-	-
332	Total	Tools and Work Equipment	\$ 125,369	\$ -	\$ -	\$ -	\$ 125,369				\$ 2,770	\$ 121,066	\$ 4,303	\$ 2,770

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
333	1984	Communiation Equipment	\$ 2,141	\$ -	\$ -	\$ -	\$ 2,141	10	10.00%	0.0	\$ -	\$ 2,141	\$ -	\$ -
333	1985	Communiation Equipment	51	-	-	-	51	10	10.00%	0.0	-	51	-	-
333	1990	Communiation Equipment	705	-	-	-	705	10	10.00%	0.0	-	705	-	-
333		Communiation Equipment	-	-	-	-	-	10	0.00%	0.0	-	-	-	-
333		Communiation Equipment	-	-	-	-	-	10	0.00%	0.0	-	-	-	-
333	Total	Communiation Equipment	\$ 2,897	\$ -	\$ -	\$ -	\$ 2,897				\$ -	\$ 2,897	\$ -	\$ -

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
334	1971	Miscellaneous Equipment:	\$ 105	\$ -	\$ -	\$ -	\$ 105	10	10.00%	0.0	\$ -	\$ 105	\$ -	\$ -
334	1974	Miscellaneous Equipment:	63	-	-	-	63	10	10.00%	0.0	-	63	-	-
334	1976	Miscellaneous Equipment	170	-	-	-	170	10	10.00%	0.0	-	170	-	-
334	1978	Miscellaneous Equipment	3,700	-	-	-	3,700	10	10.00%	0.0	-	3,700	-	-
334	1979	Miscellaneous Equipment:	289	-	-	-	289	10	10.00%	0.0	-	289	-	-
334	1984	Miscellaneous Equipment	329	-	-	-	329	10	10.00%	0.0	-	329	-	-
334	1985	Miscellaneous Equipment	2,350	-	-	-	2,350	10	10.00%	0.0	-	2,350	-	-
334	1987	Miscellaneous Equipment	1,250	-	-	-	1,250	10	10.00%	0.0	-	1,250	-	-
334	1990	Miscellaneous Equipment	450	-	-	-	450	10	10.00%	0.0	-	450	-	-
334	1991	Miscellaneous Equipment:	248	-	-	-	248	10	10.00%	0.0	-	248	-	-
334	1995	Miscellaneous Equipment:	20,000	-	-	-	20,000	10	10.00%	0.0	-	20,000	-	-
334	1997	Miscellaneous Equipment:	7,435	-	-	-	7,435	10	10.00%	0.0	-	7,435	-	-
334	1998	Miscellaneous Equipment:	668	-	-	-	668	10	10.00%	0.0	-	668	-	-
334	2000	Miscellaneous Equipment:	8,879	-	-	-	8,879	10	10.00%	0.0	-	8,879	-	-
334		Miscellaneous Equipment:	-	-	-	-	-	10	0.00%	0.0	-	-	-	-
334		Miscellaneous Equipment:	-	-	-	-	-	10	0.00%	0.0	-	-	-	-
334	Total	Miscellaneous Equipment:	\$ 45,935	\$ -	\$ -	\$ -	\$ 45,935				\$ -	\$ 45,935	\$ -	\$ -

AUDUBON WATER COMPANY

J-1-2 CONTRIBUTED ASSETS 9/30/11

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011			Pro Forma Annualized Depreciation (14)
											Book Values For the Above Period Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
311.13		Other Source of Supply Land	\$ 20,505	-	-	-	\$ 20,505				\$ -	\$ -	\$ 20,505	\$ -
	Total	Non-Depreciable Plant	\$ 20,505	\$ -	\$ -	\$ -	\$ 20,505				\$ -	\$ -	\$ 20,505	\$ -
312.1		Source of Supply Structures	\$ 14,422	-	-	-	\$ 14,422				\$ -	\$ 14,422	\$ -	\$ -
312.13		Springs & Wells	86,962	-	-	-	86,962				126	86,912	50	126
312.2		Power and Pumping Structure	2,229	-	-	-	2,229				56	2,201	28	56
312.5		Distribution Reservoirs & Standpipes	200,678	-	-	-	200,678				4,859	62,204	138,474	4,859
312.62		Stores, Shop and Garage Buildings	1,862	-	-	-	1,862				-	1,862	-	-
316		Electric Pumping Equipment	18,871	-	-	-	18,871				-	18,871	-	-
319		Other Power Pumping Equipment	67	-	-	-	67				-	67	-	-
320		Purification Sytem	42,195	-	-	-	42,195				1,958	25,555	16,640	1,958
322		Mains & Accessories	3,388,490	-	-	-	3,388,490				56,475	919,644	2,468,645	56,475
323		Services	120,356	-	-	-	120,356				2,006	38,699	81,657	2,006
324		Meters	-	-	-	-	-				-	-	-	-
325		Fire Hydrants	100,741	-	-	-	100,741				2,360	35,316	65,425	2,360
332		Tools and Work Equipment	150	-	-	-	150				-	150	-	-
	Total	Depreciable Plant	\$ 3,977,022	\$ -	\$ -	\$ -	\$ 3,977,022				\$ 67,839	\$ 1,205,904	\$ 2,771,118	\$ 67,839
	Total	Plant	\$ 3,997,527	\$ -	\$ -	\$ -	\$ 3,997,527				\$ 67,839	\$ 1,205,904	\$ 2,791,623	\$ 67,839

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
311.13	1980	Other Source of Supply Land	\$ 20,505	\$ -	\$ -	\$ -	\$ 20,505	n/a	n/a	n/a	\$ -	\$ -	\$ 20,505	\$ -
311.13			-	-	-	-	-	n/a	n/a	n/a	-	-	-	-
311.13	Total	Other Source of Supply Land	\$ 20,505	\$ -	\$ -	\$ -	\$ 20,505				\$ -	\$ -	\$ 20,505	\$ -

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
312.1	1965	Source of Supply Structures	\$ 14,422	\$ -	\$ -	\$ -	\$ 14,422	30	3.33%	0.0	\$ -	\$ 14,422	\$ -	\$ -
312.1		Source of Supply Structures	-	-	-	-	-	30	0.00%	0.0	-	-	-	-
312.1		Source of Supply Structures	-	-	-	-	-	30	0.00%	0.0	-	-	-	-
312.1	Total	Source of Supply Structures	<u>\$ 14,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,422</u>				<u>\$ -</u>	<u>\$ 14,422</u>	<u>\$ -</u>	<u>\$ -</u>

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
312.13	1966	Springs & Wells	\$ 7,570	\$ -	\$ -	\$ -	\$ 7,570	30	3.33%	0.0	\$ -	\$ 7,570	\$ -	\$ -
312.13	1979	Springs & Wells	3,359	-	-	-	3,359	30	3.33%	0.0	-	3,359	-	-
312.13	1980	Springs & Wells	70,106	-	-	-	70,106	30	3.33%	0.0	-	70,106	-	-
312.13	1981	Springs & Wells	4,304	-	-	-	4,304	30	3.33%	0.5	72	4,304	-	72
312.13	1982	Springs & Wells	946	-	-	-	946	30	3.33%	0.5	32	930	16	32
312.13	1983	Springs & Wells	677	-	-	-	677	30	3.33%	1.5	23	643	34	23
312.13	Total	Springs & Wells	<u>\$ 86,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,962</u>				<u>\$ 126</u>	<u>\$ 86,912</u>	<u>\$ 50</u>	<u>\$ 126</u>
312.2	1972	Power and Pumping Structure	\$ 2,229	\$ -	\$ -	\$ -	\$ 2,229	40	2.50%	0.5	\$ 56	\$ 2,201	\$ 28	\$ 56
312.2		Power and Pumping Structure	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
312.2	Total	Power and Pumping Structure	<u>\$ 2,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,229</u>				<u>\$ 56</u>	<u>\$ 2,201</u>	<u>\$ 28</u>	<u>\$ 56</u>

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
312.5	1967	Distribution Reservoirs & Standpipes	\$ 6,329	\$ -	\$ -	\$ -	\$ 6,329	40	2.50%	0.0	\$ -	\$ 6,329	\$ -	\$ -
312.5	2000	Distribution Reservoirs & Standpipes	194,349	-	-	-	194,349	40	2.50%	28.5	4,859	55,875	138,474	4,859
312.5		Distribution Reservoirs & Standpipes	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
312.5		Distribution Reservoirs & Standpipes	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
312.5	Total	Distribution Reservoirs & Standpipes	<u>\$ 200,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,678</u>				<u>\$ 4,859</u>	<u>\$ 62,204</u>	<u>\$ 138,474</u>	<u>\$ 4,859</u>

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
312.62	1967	Stores, Shop and Garage Buildings	\$ 1,862	\$ -	\$ -	\$ -	\$ 1,862	30	3.33%	0.0	\$ -	\$ 1,862	\$ -	\$ -
312.62		Stores, Shop and Garage Buildings	-	-	-	-	-	30	0.00%	0.0	-	-	-	-
312.62		Stores, Shop and Garage Buildings	-	-	-	-	-	30	0.00%	0.0	-	-	-	-
312.62	Total	Stores, Shop and Garage Buildings	\$ 1,862	\$ -	\$ -	\$ -	\$ 1,862				\$ -	\$ 1,862	\$ -	\$ -

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
316	1963	Electric Pumping Equipment	\$ 14,817	\$ -	\$ -	\$ -	\$ 14,817	10	10.00%	0.0	\$ -	\$ 14,817	\$ -	\$ -
316	1981	Electric Pumping Equipment	4,054	-	-	-	4,054	10	10.00%	0.0	-	4,054	-	-
316		Electric Pumping Equipment	-	-	-	-	-	15	0.00%	0.0	-	-	-	-
316	Total	Electric Pumping Equipment	<u>\$ 18,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,871</u>				<u>\$ -</u>	<u>\$ 18,871</u>	<u>\$ -</u>	<u>\$ -</u>

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
319	1972	Other Power Pumping Equipment	\$ 67	\$ -	\$ -	\$ -	\$ 67	10	10.00%	0.0	\$ -	\$ 67	\$ -	\$ -
319		Other Power Pumping Equipment	-	-	-	-	-	15	0.00%	0.0	-	-	-	-
319 Total		Other Power Pumping Equipment	\$ 67	\$ -	\$ -	\$ -	\$ 67				\$ -	\$ 67	\$ -	\$ -

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period		Pro Forma Annualized Depreciation (14)	
											Annual Depreciation (11)	Accumulated Depreciation (12)		Remaining Basis (13)
320	1968	Purification Sytem	\$ 1,812	\$ -	\$ -	\$ -	\$ 1,812	15	6.67%	0.0	\$ -	\$ 1,812	\$ -	\$ -
320	1980	Purification Sytem	1,230	-	-	-	1,230	15	6.67%	0.0	-	1,230	-	-
320	2000	Purification Sytem	39,153	-	-	-	39,153	20	5.00%	8.5	1,958	22,513	16,640	1,958
320	Total	Purification Sytem	\$ 42,195	\$ -	\$ -	\$ -	\$ 42,195				\$ 1,958	\$ 25,555	\$ 16,640	\$ 1,958

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011			Pro Forma Annualized Depreciation (14)
											Book Values For the Above Period	Annual Depreciation (11)	Accumulated Depreciation (12)	
322	1969	Mains & Accessories	\$ 165,635	\$ -	\$ -	\$ -	\$ 165,635	60	1.67%	17.5	\$ 2,761	\$ 117,325	\$ 48,310	\$ 2,761
322	1979	Mains & Accessories	3,484	-	-	-	3,484	60	1.67%	27.5	58	1,887	1,597	58
322	1980	Mains & Accessories	33,930	-	-	-	33,930	60	1.67%	28.5	566	17,813	16,117	566
322	1981	Mains & Accessories	98,744	-	-	-	98,744	60	1.67%	29.5	1,646	50,195	48,549	1,646
322	1982	Mains & Accessories	4,747	-	-	-	4,747	60	1.67%	30.5	79	2,334	2,413	79
322	1983	Mains & Accessories	7,020	-	-	-	7,020	60	1.67%	31.5	117	3,335	3,686	117
322	1985	Mains & Accessories	113,945	-	-	-	113,945	60	1.67%	33.5	1,899	50,326	63,619	1,899
322	1985	Mains & Accessories	119,839	-	-	-	119,839	60	1.67%	33.5	1,997	52,929	66,910	1,997
322	1992	Mains & Accessories	193,349	-	-	-	193,349	60	1.67%	40.5	3,222	62,838	130,511	3,222
322	1993	Mains & Accessories	138,501	-	-	-	138,501	60	1.67%	41.5	2,308	42,704	95,797	2,308
322	1993	Mains & Accessories	315,314	-	-	-	315,314	60	1.67%	41.5	5,255	97,222	218,092	5,255
322	1993	Mains & Accessories	113,132	-	-	-	113,132	60	1.67%	41.5	1,886	34,882	78,250	1,886
322	1995	Mains & Accessories	148,671	-	-	-	148,671	60	1.67%	43.5	2,478	40,885	107,786	2,478
322	1996	Mains & Accessories	32,825	-	-	-	32,825	60	1.67%	44.5	547	8,480	24,345	547
322	1997	Mains & Accessories	402,970	-	-	-	402,970	60	1.67%	45.5	6,716	97,384	305,585	6,716
322	1998	Mains & Accessories	389,996	-	-	-	389,996	60	1.67%	46.5	6,500	87,749	302,247	6,500
322	1999	Mains & Accessories	221,290	-	-	-	221,290	60	1.67%	47.5	3,688	46,102	175,188	3,688
322	2000	Mains & Accessories	210,756	-	-	-	210,756	60	1.67%	48.5	3,513	40,395	170,361	3,513
322	2001	Mains & Accessories	196,336	-	-	-	196,336	60	1.67%	49.5	3,272	34,359	161,977	3,272
322	2004	Mains & Accessories	71,147	-	-	-	71,147	60	1.67%	52.5	1,186	8,893	62,254	1,186
322	2005	Mains & Accessories	5,481	-	-	-	5,481	60	1.67%	53.5	91	594	4,887	91
322	2007	Mains & Accessories	167,502	-	-	-	167,502	60	1.67%	55.5	2,792	12,563	154,939	2,792
322	2008	Mains & Accessories	21,861	-	-	-	21,861	60	1.67%	56.5	364	1,275	20,586	364
322	2009	Mains & Accessories	112,527	-	-	-	112,527	60	1.67%	57.5	1,875	4,689	107,838	1,875
322	2010	Mains & Accessories	99,490	-	-	-	99,490	60	1.67%	58.5	1,658	2,487	97,003	1,658
322		Mains & Accessories	-	-	-	-	-	60	0.00%	0.0	-	-	-	-
322		Mains & Accessories	-	-	-	-	-	60	0.00%	0.0	-	-	-	-
322	Total	Mains & Accessories	\$ 3,388,490	\$ -	\$ -	\$ -	\$ 3,388,490				\$ 56,475	\$ 919,644	\$ 2,468,845	\$ 56,475

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
323	1972	Services	\$ 3,090	\$ -	\$ -	\$ -	\$ 3,090	60	1.67%	20.5	\$ 52	\$ 2,034	\$ 1,056	\$ 52
323	1973	Services	929	-	-	-	929	60	1.67%	21.5	15	596	333	15
323	1980	Services	11,865	-	-	-	11,865	60	1.67%	28.5	198	6,229	5,636	198
323	1981	Services	13,605	-	-	-	13,605	60	1.67%	29.5	227	6,916	6,589	227
323	1982	Services	5,508	-	-	-	5,508	60	1.67%	30.5	92	2,708	2,800	92
323	1983	Services	9,267	-	-	-	9,267	60	1.67%	31.5	154	4,402	4,865	154
323	1999	Services	73,763	-	-	-	73,763	60	1.67%	47.5	1,229	15,367	58,396	1,229
323	2000	Services	2,329	-	-	-	2,329	60	1.67%	48.5	39	446	1,882	39
323		Services	-	-	-	-	-	60	0.00%	0.0	-	-	-	-
323		Services	-	-	-	-	-	60	0.00%	0.0	-	-	-	-
323	Total	Services	\$ 120,356	\$ -	\$ -	\$ -	\$ 120,356				\$ 2,006	\$ 38,699	\$ 81,657	\$ 2,006

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
324		Meters	\$ -	\$ -	\$ -	\$ -	\$ -	25	0.00%	0.0	\$ -	\$ -	\$ -	\$ -
324		Meters	-	-	-	-	-	25	0.00%	0.0	-	-	-	-
324		Meters	-	-	-	-	-	25	0.00%	0.0	-	-	-	-
324		Total Meters	\$ -	\$ -	\$ -	\$ -	\$ -				\$ -	\$ -	\$ -	\$ -

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. Book Values For the Above Period		2011 Remaining Basis (13)	Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)		
325	1968	Fire Hydrants	\$ 6,328	\$ -	\$ -	\$ -	\$ 6,328	40	2.50%	0.0	\$ -	\$ 6,328	\$ -	\$ -
325	1999	Fire Hydrants	73,763	-	-	-	73,763	40	2.50%	27.5	1,844	23,051	50,712	1,844
325	2000	Fire Hydrants	20,650	-	-	-	20,650	40	2.50%	28.5	516	5,937	14,713	516
325		Fire Hydrants	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
325		Fire Hydrants	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
325		Fire Hydrants	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
325		Fire Hydrants	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
325	Total	Fire Hydrants	\$ 100,741	\$ -	\$ -	\$ -	\$ 100,741				\$ 2,360	\$ 35,316	\$ 65,425	\$ 2,360

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept.		2011 Remaining Basis (13)	Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)		
332		Tools and Work Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	15	0.00%	0.0	\$ -	\$ -	\$ -	\$ -
332	1980	Tools and Work Equipment	150	-	-	-	150	15	6.67%	0.0	-	150	-	-
332		Tools and Work Equipment	-	-	-	-	-	15	0.00%	0.0	-	-	-	-
332 Total		Tools and Work Equipment	\$ 150	\$ -	\$ -	\$ -	\$ 150				\$ -	\$ 150	\$ -	\$ -

AUDUBON WATER COMPANY

J-1-3 CAC ASSETS 9/30/11

AUDUBON WATER COMPANY

CAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
Total Non-Depreciable Plant			\$ -	\$ -	\$ -	\$ -	\$ -				\$ -	\$ -	\$ -	\$ -
312.1		Source of Supply Structures	\$ -	-	-	-	\$ -				\$ -	\$ -	\$ -	\$ -
312.13		Springs & Wells	-	-	-	-	-				-	-	-	-
312.2		Power and Pumping Structure	-	-	-	-	-				-	-	-	-
312.5		Distribution Reservoirs & Standpipes	-	-	-	-	-				-	-	-	-
312.62		Stores, Shop and Garage Buildings	-	-	-	-	-				-	-	-	-
316		Electric Pumping Equipment	-	-	-	-	-				-	-	-	-
319		Other Power Pumping Equipment	-	-	-	-	-				-	-	-	-
320		Purification Sytem	-	-	-	-	-				-	-	-	-
322		Mains & Accessories	10,700	-	-	-	10,700				178	1,333	9,368	178
323		Services	-	-	-	-	-				-	-	-	-
324		Meters	-	-	-	-	-				-	-	-	-
325		Fire Hydrants	-	-	-	-	-				-	-	-	-
332		Tools and Work Equipment	-	-	-	-	-				-	-	-	-
Total Depreciable Plant			\$ 10,700	\$ -	\$ -	\$ -	\$ 10,700				\$ 178	\$ 1,333	\$ 9,368	\$ 178
Total Plant			\$ 10,700	\$ -	\$ -	\$ -	\$ 10,700				\$ 178	\$ 1,333	\$ 9,368	\$ 178

AUDUBON WATER COMPANY

CAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
322	2000	Mains & Accessories	\$ -	\$ -	\$ -	\$ -	\$ -	60	0.00%	48.5	\$ -	\$ -	\$ -	\$ -
322	2001	Mains & Accessories-Rivercres:	2,600	-	-	-	2,600	60	1.67%	49.5	43	455	2,145	43
322	2005	Mains & Accessories-Eagleville	8,100	-	-	-	8,100	60	1.67%	53.5	135	878	7,223	135
322		Mains & Accessories	-	-	-	-	-	60	0.00%	0.0	-	-	-	-
322	Total	Mains & Accessories	\$ 10,700	\$ -	\$ -	\$ -	\$ 10,700				\$ 178	\$ 1,333	\$ 9,368	\$ 178

AUDUBON WATER COMPANY

CAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2011

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2011 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
323	2000	Services	\$ -	\$ -	\$ -	\$ -	\$ -	60	0.00%	48.5	\$ -	\$ -	\$ -	\$ -
323	2003	Services	-	-	-	-	-	60	0.00%	51.5	-	-	-	-
323	2004	Services	-	-	-	-	-	60	0.00%	52.5	-	-	-	-
323	2005	Services	-	-	-	-	-	60	0.00%	53.5	-	-	-	-
323	Total	Services	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	\$ -	\$ -	\$ -	\$ -

AUDUBON WATER COMPANY

**PLANT ASSET VALUES
DEPRECIATION STUDY
TWELVE MONTHS ENDED 9/30/12**

J-2-1 Original Cost

J-2-2 Contributed Assets

J-2-3 CAC Assets

AUDUBON WATER COMPANY

J-2-1 ORIGINAL COST 9/30/12

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012			Pro Forma Annualized Depreciation (14)
											Book Values For the Above Period	Annual Depreciation (11)	Accumulated Depreciation (12)	
301		Organizational Costs	\$ -	\$ -	-	-	\$ -				\$ -	\$ -	\$ -	\$ -
302		Franchises and consents	-	-	-	-	-				-	-	-	-
303		Misc. Intangible Plant	-	-	-	-	-				-	-	-	-
311.13		Other Source of Supply Land	35,505	-	-	-	35,505				-	-	35,505	-
311.2		Power and Pumping Land	6,000	-	-	-	6,000				-	-	6,000	-
311.5		Distribution Reservoir & Standpip Land	1,013	-	-	-	1,013				-	-	1,013	-
Total		Non-Depreciable Plant	\$ 42,518	\$ -	\$ -	\$ -	\$ 42,518				\$ -	\$ -	\$ 42,518	\$ -
312.1		Source of Supply Structures	40,805	-	-	-	40,805				13	40,773	32	13
312.13		Springs & Wells	727,999	15,000	-	-	742,999				13,932	366,949	376,050	14,082
312.2		Power and Pumping Structure	58,844	95,000	-	-	153,844				2,097	44,603	109,240	3,284
312.5		Distribution Reservoirs & Standpipes	723,534	85,000	-	-	808,534				18,893	394,417	414,117	19,955
312.62		Stores, Shop and Garage Buildings	6,725	-	-	-	6,725				53	6,196	528	53
316		Electric Pumping Equipment	290,626	50,000	-	-	340,626				9,065	225,755	114,871	10,732
319		Other Power Pumping Equipment	32,568	-	-	-	32,568				1,762	21,117	11,451	1,762
320		Purification Sytem	559,992	-	-	-	559,992				7,888	518,325	41,668	7,888
322		Mains & Accessories	4,112,844	104,401	-	-	4,217,246				69,653	1,397,763	2,819,483	70,523
323		Services	286,359	-	-	-	286,359				4,834	100,684	185,675	4,834
324		Meters	821,922	114,678	-	-	936,600				32,831	344,703	591,897	35,125
325		Fire Hydrants	184,584	-	-	-	184,584				4,148	84,482	100,102	4,148
328		Office Furniture & Equipment	73,330	52,000	-	-	125,330				5,200	78,530	46,800	10,400
329		Transportation Equipment	442,697	115,000	-	-	557,697				38,722	349,032	208,665	44,472
332		Tools and Work Equipment	125,369	-	-	-	125,369				1,185	122,250	3,118	1,185
333		Communiation Equipment	2,897	-	-	-	2,897				-	2,897	-	-
334		Miscellaneous Equipment	45,935	-	-	-	45,935				-	45,935	-	-
Total		Depreciable Plant	\$ 8,537,029	\$ 631,079	\$ -	\$ -	\$ 9,168,108				\$ 210,274	\$ 4,144,410	\$ 5,023,698	\$ 228,454
Total		Plant	\$ 8,579,547	\$ 631,079	\$ -	\$ -	\$ 9,210,626				\$ 210,274	\$ 4,144,410	\$ 5,066,216	\$ 228,454

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
301	1954	Organizational Costs	\$ -	\$ -	\$ -	\$ -	\$ -	n/a	n/a	n/a	\$ -	\$ -	\$ -	\$ -
302	1973	Franchises and consents	\$ -	\$ -	\$ -	\$ -	\$ -	n/a	n/a	n/a	\$ -	\$ -	\$ -	\$ -
303	1979	Misc. Intangible Plant	\$ -	\$ -	\$ -	\$ -	\$ -	n/a	n/a	n/a	\$ -	\$ -	\$ -	\$ -
311.13	1980	Other Source of Supply Land	20,505	-	-	-	20,505	n/a	n/a	n/a	-	-	20,505	-
311.13	1998	Other Source of Supply Land	15,000	-	-	-	15,000	n/a	n/a	n/a	-	-	15,000	-
311.13	Total	Other Source of Supply Land	\$ 35,505	\$ -	\$ -	\$ -	\$ 35,505				\$ -	\$ -	\$ 35,505	\$ -
311.2	1963	Power and Pumping Land	\$ 6,000	\$ -	\$ -	\$ -	\$ 6,000	n/a	n/a	n/a	\$ -	\$ -	\$ 6,000	\$ -
311.5	1976	Distribution Reservoir & Standpip Land	\$ 546	\$ -	\$ -	\$ -	\$ 546	n/a	n/a	n/a	\$ -	\$ -	\$ 546	\$ -
311.5	1978	Distribution Reservoir & Standpip Land	467	-	-	-	467	n/a	n/a	n/a	-	-	467	-
311.5	Total	Distribution Reservoir & Standpip Land	\$ 1,013	\$ -	\$ -	\$ -	\$ 1,013				\$ -	\$ -	\$ 1,013	\$ -

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012			Pro Forma Annualized Depreciation (14)
											Book Values For the Above Period Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
312.1	1965	Source of Supply Structures	\$ 39,947	\$ -	\$ -	\$ -	\$ 39,947	30	3.33%	0.0	\$ -	\$ 39,947	\$ -	\$ -
312.1	1979	Source of Supply Structures	476	-	-	-	476	30	3.33%	0.0	-	476	-	-
312.1	1985	Source of Supply Structures	382	-	-	-	382	30	3.33%	2.5	13	350	32	13
312.1		Source of Supply Structures	-	-	-	-	-	30	0.00%	0.0	-	-	-	-
312.1		Source of Supply Structures	-	-	-	-	-	30	0.00%	0.0	-	-	-	-
312.1	Total	Source of Supply Structures	\$ 40,805	\$ -	\$ -	\$ -	\$ 40,805				\$ 13	\$ 40,773	\$ 32	\$ 13

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
312.13	1966	Springs & Wells	\$ 67,127	\$ -	\$ -	\$ -	\$ 67,127	30	3.33%	0.0	\$ -	\$ 67,127	\$ -	\$ -
312.13	1973	Springs & Wells	6,465	-	-	-	6,465	30	3.33%	0.0	-	6,465	-	-
312.13	1974	Springs & Wells	1,254	-	-	-	1,254	30	3.33%	0.0	-	1,254	-	-
312.13	1977	Springs & Wells	623	-	-	-	623	30	3.33%	0.0	-	623	-	-
312.13	1978	Springs & Wells	10,160	-	-	-	10,160	30	3.33%	0.0	-	10,160	-	-
312.13	1979	Springs & Wells	25,648	-	-	-	25,648	30	3.33%	0.0	-	25,648	-	-
312.13	1980	Springs & Wells	71,673	-	-	-	71,673	30	3.33%	0.0	-	71,673	-	-
312.13	1981	Springs & Wells	6,939	-	-	-	6,939	30	3.33%	0.0	-	6,939	-	-
312.13	1982	Springs & Wells	4,138	-	-	-	4,138	30	3.33%	0.5	69	4,138	-	69
312.13	1983	Springs & Wells	2,219	-	-	-	2,219	30	3.33%	0.5	74	2,182	37	74
312.13	1984	Springs & Wells	6,717	-	-	-	6,717	30	3.33%	1.5	224	6,381	336	224
312.13	1985	Springs & Wells	7,392	-	-	-	7,392	30	3.33%	2.5	246	6,776	616	246
312.13	1986	Springs & Wells	8,719	-	-	-	8,719	30	3.33%	3.5	291	7,702	1,017	291
312.13	1986	Springs & Wells	10,375	-	-	-	10,375	30	3.33%	3.5	346	9,164	1,210	346
312.13	1987	Springs & Wells	72,521	-	-	-	72,521	30	3.33%	4.5	2,417	61,643	10,878	2,417
312.13	1990	Springs & Wells	1,473	-	-	-	1,473	30	3.33%	7.5	49	1,105	368	49
312.13	1996	Springs & Wells	13,316	-	-	-	13,316	30	3.33%	13.5	444	7,324	5,992	444
312.13	1997	Springs & Wells	55,583	-	-	-	55,583	30	3.33%	14.5	1,853	28,718	26,865	1,853
312.13	1998	Springs & Wells	37,325	-	-	-	37,325	30	3.33%	15.5	1,244	18,040	19,285	1,244
312.13	2006	Springs & Wells 10/15 Worthing	84,300	-	-	-	84,300	50	2.00%	43.5	1,686	10,959	73,341	1,686
312.13	2007	Springs & Wells VFTP & Wren Road upgr:	3,400	-	-	-	3,400	15	6.67%	9.5	227	1,247	2,153	227
312.13	2010	Springs & Wells Well #14	230,633	-	-	-	230,633	50	2.00%	47.5	4,613	11,532	219,101	4,613
312.13	2012	Springs & Wells New Road to Featherbed	-	15,000	-	-	15,000	50	2.00%	49.5	150	150	14,850	300
312.13	2012		-	-	-	-	-	50	0.00%	49.5	-	-	-	-
312.13		Springs & Wells	-	-	-	-	-	0	0.00%	0.0	-	-	-	-
312.13		Springs & Wells	-	-	-	-	-	0	0.00%	0.0	-	-	-	-
312.13	Total	Springs & Wells	\$ 727,999	\$ 15,000	\$ -	\$ -	\$ 742,999			0.0	\$ 13,932	\$ 366,949	\$ 376,050	\$ 14,082

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
312.2	1966	Power and Pumping Structure	\$ 19,856	\$ -	\$ -	\$ -	\$ 19,856	40	2.50%	0.0	\$ -	\$ 19,856	\$ -	\$ -
312.2	1972	Power and Pumping Structure	5,235	-	-	-	5,235	40	2.50%	0.5	65	5,235	-	65
312.2	1974	Power and Pumping Structure	2,761	-	-	-	2,761	40	2.50%	1.5	69	2,658	104	69
312.2	1977	Power and Pumping Structure	3,948	-	-	-	3,948	40	2.50%	4.5	99	3,504	444	99
312.2	1978	Power and Pumping Structure	1,782	-	-	-	1,782	40	2.50%	5.5	45	1,537	245	45
312.2	1987	Power and Pumping Structure	3,349	-	-	-	3,349	40	2.50%	14.5	84	2,135	1,214	84
312.2	1997	Power and Pumping Structure	21,912	-	-	-	21,912	40	2.50%	24.5	548	8,491	13,421	548
312.2	2012	New Pump Station at Valley Forge Crossi	-	95,000	-	-	95,000	40	2.50%	39.5	1,188	1,188	93,813	2,375
312.2		Power and Pumping Structure	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
312.2	Total	Power and Pumping Structure	\$ 58,844	\$ 95,000	\$ -	\$ -	\$ 153,844				\$ 2,097	\$ 44,603	\$ 109,240	\$ 3,284

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012			Pro Forma Annualized Depreciation (14)
											Book Values For the Above Period	Annual Depreciation (11)	Accumulated Depreciation (12)	
312.5	1967	Distribution Reservoirs & Standpipes	\$ 10,333	\$ -	\$ -	\$ -	\$ 10,333	40	2.50%	0.0	\$ -	\$ 10,333	\$ -	\$ -
312.5	1976	Distribution Reservoirs & Standpipes	49,399	-	-	-	49,399	40	2.50%	3.5	1,235	45,076	4,322	1,235
312.5	1977	Distribution Reservoirs & Standpipes	136	-	-	-	136	40	2.50%	4.5	3	120	15	3
312.5	1979	Distribution Reservoirs & Standpipes	6,736	-	-	-	6,736	40	2.50%	6.5	168	5,641	1,095	168
312.5	1981	Distribution Reservoirs & Standpipes	826	-	-	-	826	40	2.50%	8.5	21	650	176	21
312.5	1982	Distribution Reservoirs & Standpipes	157,868	-	-	-	157,868	40	2.50%	9.5	3,947	120,374	37,494	3,947
312.5	1986	Distribution Reservoirs & Standpipes	144,024	-	-	-	144,024	40	2.50%	13.5	3,601	95,416	48,608	3,601
312.5	1987	Distribution Reservoirs & Standpipes	10,606	-	-	-	10,606	40	2.50%	14.5	265	6,761	3,845	265
312.5	1988	Distribution Reservoirs & Standpipes	34,053	-	-	-	34,053	40	2.50%	15.5	851	20,858	13,196	851
312.5	1991	Distribution Reservoirs & Standpipes	2,655	-	-	-	2,655	40	2.50%	18.5	66	1,427	1,228	66
312.5	1996	Distribution Reservoirs & Standpipes	21,000	-	-	-	21,000	40	2.50%	23.5	525	8,663	12,338	525
312.5	2000	Distribution Reservoirs & Standpipes	194,349	-	-	-	194,349	40	2.50%	27.5	4,859	60,734	133,615	4,859
312.5	2002	Distribution Reservoirs & Standpipes	1,800	-	-	-	1,800	40	2.50%	29.5	45	473	1,328	45
312.5	2005	Distribution Reservoirs & Standpipes	89,750	-	-	-	89,750	40	2.50%	32.5	2,244	16,828	72,922	2,244
312.5	2012	New Water Stg. Tank, 60,000 gallon at Vi	-	85,000	-	-	85,000	40	2.50%	39.5	1,063	1,063	83,938	2,125
312.5		Distribution Reservoirs & Standpipes	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
312.5 Total		Distribution Reservoirs & Standpipes	\$ 723,534	\$ 85,000	\$ -	\$ -	\$ 808,534				\$ 18,893	\$ 394,417	\$ 414,117	\$ 19,955

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
312.62	1967	Stores, Shop and Garage Buildings	\$ 5,143	\$ -	\$ -	\$ -	\$ 5,143	30	3.33%	0.0	\$ -	\$ 5,143	\$ -	\$ -
312.62	1988	Stores, Shop and Garage Buildings	1,161	-	-	-	1,161	30	3.33%	5.5	39	948	213	39
312.62	2005	Stores, Shop and Garage Buildings	421	-	-	-	421	30	3.33%	22.5	14	105	315	14
312.62		Stores, Shop and Garage Buildings	-	-	-	-	-	30	0.00%	0.0	-	-	-	-
312.62		Stores, Shop and Garage Buildings	-	-	-	-	-	30	0.00%	0.0	-	-	-	-
312.62	Total	Stores, Shop and Garage Buildings	\$ 6,725	\$ -	\$ -	\$ -	\$ 6,725				\$ 53	\$ 6,196	\$ 528	\$ 53

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired	Item Description	Original Cost	Additions	Retirements	Salvage/ Adjust.	Adjusted Cost	Life	Depr. Rate %	Remaining Life	Twelve Months Ended Sept. Book Values For the Above Period		2012 Remaining Basis	Pro Forma Annualized Depreciation
											Annual Depreciation	Accumulated Depreciation		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
316	1963	Electric Pumping Equipment	\$ 33,816	\$ -	\$ -	\$ -	\$ 33,816	10	10.00%	0.0	\$ -	\$ 33,816	\$ -	\$ -
316	1973	Electric Pumping Equipment	9,425	-	-	-	9,425	10	10.00%	0.0	-	9,425	-	-
316	1974	Electric Pumping Equipment	14,009	-	-	-	14,009	10	10.00%	0.0	-	14,009	-	-
316	1976	Electric Pumping Equipment	2,914	-	-	-	2,914	10	10.00%	0.0	-	2,914	-	-
316	1977	Electric Pumping Equipment	10,669	-	-	-	10,669	10	10.00%	0.0	-	10,669	-	-
316	1978	Electric Pumping Equipment	19,466	-	-	-	19,466	10	10.00%	0.0	-	19,466	-	-
316	1979	Electric Pumping Equipment	2,217	-	-	-	2,217	10	10.00%	0.0	-	2,217	-	-
316	1980	Electric Pumping Equipment	97	-	-	-	97	10	10.00%	0.0	-	97	-	-
316	1981	Electric Pumping Equipment	6,701	-	-	-	6,701	10	10.00%	0.0	-	6,701	-	-
316	1984	Electric Pumping Equipment	1,419	-	-	-	1,419	10	10.00%	0.0	-	1,419	-	-
316	1989	Electric Pumping Equipment	517	-	-	-	517	10	10.00%	0.0	-	517	-	-
316	1990	Electric Pumping Equipment	7,455	-	-	-	7,455	10	10.00%	0.0	-	7,455	-	-
316	1991	Electric Pumping Equipment	3,895	-	-	-	3,895	10	10.00%	0.0	-	3,895	-	-
316	1992	Electric Pumping Equipment	7,222	-	-	-	7,222	10	10.00%	0.0	-	7,222	-	-
316	1993	Electric Pumping Equipment	5,904	-	-	-	5,904	10	10.00%	0.0	-	5,904	-	-
316	1995	Electric Pumping Equipment	1,239	-	-	-	1,239	10	10.00%	0.0	-	1,239	-	-
316	1996	Electric Pumping Equipment	13,105	-	-	-	13,105	10	10.00%	0.0	-	13,105	-	-
316	1997	Electric Pumping Equipment	16,692	-	-	-	16,692	10	10.00%	0.0	-	16,692	-	-
316	1998	Electric Pumping Equipment	15,203	-	-	-	15,203	10	10.00%	0.0	-	15,203	-	-
316	2000	Electric Pumping Equipment	1,885	-	-	-	1,885	10	10.00%	0.0	-	1,885	-	-
316	2001	Electric Pumping Equipment	3,332	-	-	-	3,332	10	10.00%	0.0	-	3,332	-	-
316	2002	Electric Pumping Equipment	9,849	-	-	-	9,849	10	10.00%	0.5	492	9,849	-	492
316	2003	Electric Pumping Equipment	22,660	-	-	-	22,660	15	6.67%	5.5	1,511	14,351	8,309	1,511
316	2007	Electric Pumping Equipment-Generator	47,669	-	-	-	47,669	15	6.67%	9.5	3,178	17,479	30,190	3,178
316	2009	Electric Pumping Equipment-VIP TP	14,252	-	-	-	14,252	15	6.67%	11.5	950	3,325	10,927	950
316	2011	Electric Pumping Equipment	19,014	-	-	-	19,014	15	6.67%	13.5	1,268	1,901	17,113	1,268
316	2012	Generator at Well #15	-	50,000	-	-	50,000	15	6.67%	14.5	1,667	1,667	48,333	3,333
316		Electric Pumping Equipment	-	-	-	-	-	15	0.00%	0.0	-	-	-	-
316		Electric Pumping Equipment	-	-	-	-	-	15	0.00%	0.0	-	-	-	-
316		Electric Pumping Equipment	-	-	-	-	-	15	0.00%	0.0	-	-	-	-
316	Total	Electric Pumping Equipment	\$ 290,626	\$ 50,000	\$ -	\$ -	\$ 340,626				\$ 9,065	\$ 225,755	\$ 114,871	\$ 10,732

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period		2012 Remaining Basis (13)	Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)		
319	1972	Other Power Pumping Equipment	\$ 183	\$ -	\$ -	\$ -	\$ 183	10	10.00%	0.0	\$ -	\$ 183	\$ -	\$ -
319	1988	Other Power Pumping Equipment	352	-	-	-	352	10	10.00%	0.0	-	352	-	-
319	1990	Other Power Pumping Equipment	171	-	-	-	171	10	10.00%	0.0	-	171	-	-
319	1998	Other Power Pumping Equipment	1,537	-	-	-	1,537	10	10.00%	0.0	-	1,537	-	-
319	1999	Other Power Pumping Equipment	3,900	-	-	-	3,900	10	10.00%	0.0	-	3,900	-	-
319	2004	Other Power Pumping Equipment	26,425	-	-	-	26,425	15	6.67%	6.5	1,762	14,974	11,451	1,762
319		Other Power Pumping Equipment	-	-	-	-	-	15	0.00%	0.0	-	-	-	-
319		Other Power Pumping Equipment	-	-	-	-	-	15	0.00%	0.0	-	-	-	-
319	Total	Other Power Pumping Equipment	\$ 32,568	\$ -	\$ -	\$ -	\$ 32,568				\$ 1,762	\$ 21,117	\$ 11,451	\$ 1,762

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
320	1968	Purification Sytem	\$ 58,309	\$ -	\$ -	\$ -	\$ 58,309	15	6.67%	0.0	\$ -	\$ 58,309	\$ -	\$ -
320	1973	Purification Sytem	1,136	-	-	-	1,136	15	6.67%	0.0	-	1,136	-	-
320	1978	Purification Sytem	515	-	-	-	515	15	6.67%	0.0	-	515	-	-
320	1979	Purification Sytem	1,133	-	-	-	1,133	15	6.67%	0.0	-	1,133	-	-
320	1980	Purification Sytem	1,409	-	-	-	1,409	15	6.67%	0.0	-	1,409	-	-
320	1981	Purification Sytem	327	-	-	-	327	15	6.67%	0.0	-	327	-	-
320	1985	Purification Sytem	1,865	-	-	-	1,865	15	6.67%	0.0	-	1,865	-	-
320	1986	Purification Sytem	67,713	-	-	-	67,713	15	6.67%	0.0	-	67,713	-	-
320	1988	Purification Sytem	830	-	-	-	830	15	6.67%	0.0	-	830	-	-
320	1989	Purification Sytem	1,050	-	-	-	1,050	15	6.67%	0.0	-	1,050	-	-
320	1989	Purification Sytem	264,491	-	-	-	264,491	15	6.67%	0.0	-	264,491	-	-
320	1989	Purification Sytem	1,074	-	-	-	1,074	15	6.67%	0.0	-	1,074	-	-
320	1990	Purification Sytem	211	-	-	-	211	15	6.67%	0.0	-	211	-	-
320	1991	Purification Sytem	2,178	-	-	-	2,178	15	6.67%	0.0	-	2,178	-	-
320	1996	Purification Sytem	89,850	-	-	-	89,850	20	5.00%	3.5	4,493	74,126	15,724	4,493
320	2000	Purification Sytem	66,295	-	-	-	66,295	20	5.00%	7.5	3,315	41,435	24,861	3,315
320	2006	Purification Sytem	1,605	-	-	-	1,605	20	5.00%	13.5	80	522	1,083	80
320		Purification Sytem	-	-	-	-	-	20	0.00%	0.0	-	-	-	-
320		Purification Sytem	-	-	-	-	-	20	0.00%	0.0	-	-	-	-
320	Total	Purification Sytem	\$ 559,992	\$ -	\$ -	\$ -	\$ 559,992				\$ 7,888	\$ 518,325	\$ 41,668	\$ 7,888

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired	Item Description	Original Cost	Additions	Retirements	Salvage/ Adjust.	Adjusted Cost	Life	Depr. Rate %	Remaining Life	Twelve Months Endec Sept. 2012			Pro Forma Annualized Depreciation
											Annual Depreciation	Accumulated Depreciation	Remaining Basis	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
322	1969	Mains & Accessories	\$ 578,668	\$ -	\$ -	\$ -	\$ 578,668	60	1.67%	16.5	\$ 9,644	\$ 419,534	\$ 159,134	\$ 9,644
322	1973	Mains & Accessories	40,021	-	-	-	40,021	60	1.67%	20.5	667	26,347	13,674	667
322	1974	Mains & Accessories	35,067	-	-	-	35,067	60	1.67%	21.5	584	22,502	12,566	584
322	1975	Mains & Accessories	7,687	-	-	-	7,687	60	1.67%	22.5	128	4,805	2,883	128
322	1976	Mains & Accessories	40,120	-	-	-	40,120	60	1.67%	23.5	669	24,406	15,713	669
322	1977	Mains & Accessories	9,361	-	-	-	9,361	60	1.67%	24.5	156	5,539	3,823	156
322	1978	Mains & Accessories	44,947	-	-	-	44,947	60	1.67%	25.5	749	25,845	19,103	749
322	1979	Mains & Accessories	31,486	-	-	-	31,486	60	1.67%	26.5	525	17,580	13,906	525
322	1980	Mains & Accessories	72,506	-	-	-	72,506	60	1.67%	27.5	1,208	39,274	33,232	1,208
322	1981	Mains & Accessories	121,315	-	-	-	121,315	60	1.67%	28.5	2,022	63,690	57,624	2,022
322	1982	Mains & Accessories	21,403	-	-	-	21,403	60	1.67%	29.5	357	10,880	10,523	357
322	1983	Mains & Accessories	7,284	-	-	-	7,284	60	1.67%	30.5	121	3,582	3,703	121
322	1984	Mains & Accessories	11,530	-	-	-	11,530	60	1.67%	31.5	192	5,477	6,053	192
322	1985	Mains & Accessories	4,827	-	-	-	4,827	60	1.67%	32.5	80	2,212	2,614	80
322	1985	Mains & Accessories	(14,117)	-	-	-	(14,117)		0.00%	0.0	-	(14,117)	-	-
322	1987	Mains & Accessories	6,927	-	-	-	6,927	60	1.67%	34.5	115	2,944	3,983	115
322	1990	Mains & Accessories	616	-	-	-	616	60	1.67%	37.5	10	231	385	10
322	1992	Mains & Accessories	193,349	-	-	-	193,349	60	1.67%	39.5	3,222	66,061	127,288	3,222
322	1993	Mains & Accessories	138,501	-	-	-	138,501	60	1.67%	40.5	2,308	45,013	93,488	2,308
322	1993	Mains & Accessories	315,314	-	-	-	315,314	60	1.67%	40.5	5,255	102,477	212,837	5,255
322	1993	Mains & Accessories	113,132	-	-	-	113,132	60	1.67%	40.5	1,886	36,768	76,364	1,886
322	1994	Mains & Accessories	15,694	-	-	-	15,694	60	1.67%	41.5	262	4,839	10,855	262
322	1995	Mains & Accessories	148,671	-	-	-	148,671	60	1.67%	42.5	2,478	43,362	105,309	2,478
322	1996	Mains & Accessories	32,825	-	-	-	32,825	60	1.67%	43.5	547	9,027	23,798	547
322	1997	Mains & Accessories	402,970	-	-	-	402,970	60	1.67%	44.5	6,716	104,101	298,869	6,716
322	1998	Mains & Accessories	362,740	-	-	-	362,740	60	1.67%	45.5	6,046	87,662	275,078	6,046
322	1999	Mains & Accessories	275,858	-	-	-	275,858	60	1.67%	46.5	4,598	62,068	213,790	4,598
322	2000	Mains & Accessories	210,756	-	-	-	210,756	60	1.67%	47.5	3,513	43,907	166,848	3,513
322	2001	Mains & Accessories	237,924	-	-	-	237,924	60	1.67%	48.5	3,965	45,602	192,322	3,965
322	2002	Mains & Accessories	43,289	-	-	-	43,289	60	1.67%	49.5	721	7,576	35,714	721
322	2003	Mains & Accessories	243,826	-	-	-	243,826	60	1.67%	50.5	4,064	38,606	205,220	4,064
322	2004	Mains & Accessories	76,377	-	-	-	76,377	60	1.67%	51.5	1,273	10,820	65,557	1,273
322	2005	Mains & Accessories	23,907	-	-	-	23,907	60	1.67%	52.5	398	2,988	20,919	398
322	2006	Mains & Accessories	120,084	-	-	-	120,084	60	1.67%	53.5	2,001	13,009	107,075	2,001
322	2007	Mains & Accessories	118,409	-	-	-	118,409	60	1.67%	54.5	1,973	10,854	107,555	1,973
322	2008	Mains & Accessories	18,204	-	-	-	18,204	60	1.67%	55.5	303	1,365	16,839	303
322	2010	Mains & Accessories	1,365	-	-	-	1,365	60	1.67%	57.5	23	57	1,308	23
322	2012	New Mains (CIAC Project)	-	4,901	-	-	4,901	60	1.67%	59.5	41	41	4,860	82
322	2012	Level Rd Loop	-	18,500	-	-	18,500	60	1.67%	59.5	154	154	18,346	308
322	2012	VFCC Well #2 piping upgrades	-	30,000	-	-	30,000	60	1.67%	59.5	250	250	29,750	500
322	2012	AWC Wells #6	 piping upgrades	-	15,000	-	-	15,000	60	1.67%	59.5	125	125	14,875	250
322	2012	Featherbed Stg. Tank piping upgrades	-	21,000	-	-	21,000	60	1.67%	59.5	175	175	20,825	350
322	2012	Arcola Rd Stg. Tank add piping for add'l h	-	15,000	-	-	15,000	60	1.67%	59.5	125	125	14,875	250
322		Mains & Accessories						60	0.00%	0.0				
322	Total	Mains & Accessories	\$ 4,112,844	\$ 104,401	\$ -	\$ -	\$ 4,217,246				\$ 69,653	\$ 1,397,763	\$ 2,819,483	\$ 70,523

AUDUBON WATER COMPANY

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Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
323	1972	Services	\$ 4,035	\$ -	\$ -	\$ -	\$ 4,035	60	1.67%	19.5	\$ 67	\$ 2,724	\$ 1,311	\$ 67
323	1973	Services	5,819	-	-	-	5,819	60	1.67%	20.5	97	3,831	1,988	97
323	1974	Services	4,976	-	-	-	4,976	60	1.67%	21.5	83	3,193	1,783	83
323	1976	Services	5,382	-	-	-	5,382	60	1.67%	23.5	90	3,274	2,108	90
323	1977	Services	6,882	-	-	-	6,882	60	1.67%	24.5	115	4,072	2,810	115
323	1978	Services	8,591	-	-	-	8,591	60	1.67%	25.5	143	4,940	3,651	143
323	1979	Services	4,202	-	-	-	4,202	60	1.67%	26.5	70	2,346	1,856	70
323	1980	Services	19,674	-	-	-	19,674	60	1.67%	27.5	328	10,656	9,017	328
323	1981	Services	15,963	-	-	-	15,963	60	1.67%	28.5	266	8,381	7,582	266
323	1982	Services	23,356	-	-	-	23,356	60	1.67%	29.5	389	11,873	11,484	389
323	1983	Services	11,691	-	-	-	11,691	60	1.67%	30.5	195	5,748	5,943	195
323	1984	Services	5,164	-	-	-	5,164	60	1.67%	31.5	86	2,453	2,711	86
323	1985	Services	13,021	-	-	-	13,021	60	1.67%	32.5	217	5,968	7,053	217
323	1986	Services	458	-	-	-	458	60	1.67%	33.5	8	202	256	8
322	1987	Services	(3,705)	-	-	-	(3,705)		0.00%	0.0	-	(3,705)	-	-
323	1989	Services	1,168	-	-	-	1,168	60	1.67%	36.5	19	457	711	19
323	1992	Services	160	-	-	-	160	60	1.67%	39.5	3	55	106	3
323	1993	Services	3,305	-	-	-	3,305	60	1.67%	40.5	55	1,074	2,231	55
323	1999	Services	91,952	-	-	-	91,952	60	1.67%	46.5	1,533	20,689	71,263	1,533
323	2000	Services	50,129	-	-	-	50,129	50	1.67%	47.5	835	10,443	39,685	835
323	2003	Services	2,282	-	-	-	2,282	60	1.67%	50.5	38	361	1,921	38
323	2004	Services	9,981	-	-	-	9,981	60	1.67%	51.5	166	1,414	8,567	166
323	2005	Services	1,872	-	-	-	1,872	60	1.67%	52.5	31	234	1,638	31
323		Services	-	-	-	-	-	60	0.00%	0.0	-	-	-	-
323		Services	-	-	-	-	-	60	0.00%	0.0	-	-	-	-
323	Total	Services	\$ 286,359	\$ -	\$ -	\$ -	\$ 286,359				\$ 4,834	\$ 100,684	\$ 185,675	\$ 4,834

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012			Pro Forma Annualized Depreciation (14)
											Book Values For the Above Period	Annual Depreciation (11)	Accumulated Depreciation (12)	
324	1987	Meters	\$ 206,795	\$ -	\$ -	\$ -	\$ 206,795	30	3.33%	4.5	\$ 6,893	\$ 175,776	\$ 31,019	\$ 6,893
324	1989	Meters	9,622	-	-	-	9,622	30	3.33%	6.5	321	7,537	2,085	321
324	1990	Meters	754	-	-	-	754	30	3.33%	7.5	25	566	189	25
324	1991	Meters	4,942	-	-	-	4,942	30	3.33%	8.5	165	3,542	1,400	165
324	1992	Meters	6,367	-	-	-	6,367	30	3.33%	9.5	212	4,351	2,016	212
324	1993	Meters	9,164	-	-	-	9,164	30	3.33%	10.5	305	5,957	3,207	305
324	1994	Meters	7,169	-	-	-	7,169	30	3.33%	11.5	239	4,421	2,748	239
324	1995	Meters	4,293	-	-	-	4,293	30	3.33%	12.5	143	2,504	1,789	143
324	1996	Meters	6,870	-	-	-	6,870	30	3.33%	13.5	229	3,779	3,092	229
324	1997	Meters	8,176	-	-	-	8,176	30	3.33%	14.5	273	4,224	3,952	273
324	1998	Meters	16,129	-	-	-	16,129	30	3.33%	15.5	538	7,796	8,333	538
324	1999	Meters	24,926	-	-	-	24,926	30	3.33%	16.5	831	11,217	13,709	831
324	2000	Meters	12,667	-	-	-	12,667	30	3.33%	17.5	422	5,278	7,389	422
324	2001	Meters	20,387	-	-	-	20,387	30	3.33%	18.5	680	7,815	12,572	680
324	2002	Meters	12,604	-	-	-	12,604	30	3.33%	19.5	420	4,411	8,193	420
324	2003	Meters	2,752	-	-	-	2,752	25	4.00%	15.5	110	1,046	1,706	110
324	2004	Meters	6,200	-	-	-	6,200	25	4.00%	16.5	248	2,108	4,092	248
324	2005	Meters	118,657	-	-	-	118,657	25	4.00%	17.5	4,746	35,597	83,060	4,746
324	2006	Meters	34,396	-	-	-	34,396	25	4.00%	18.5	1,376	8,943	25,453	1,376
324	2007	Meters	71,077	-	-	-	71,077	25	4.00%	19.5	2,843	15,637	55,440	2,843
324	2008	Meters	20,468	-	-	-	20,468	25	4.00%	20.5	819	3,684	16,784	819
324	2009	Meters	125,997	-	-	-	125,997	25	4.00%	21.5	5,040	17,640	108,357	5,040
324	2010	Meters	77,307	-	-	-	77,307	25	4.00%	22.5	3,092	7,731	69,576	3,092
324	2011	Meters	14,203	-	-	-	14,203	25	4.00%	23.5	568	852	13,351	568
324	2012	Meters/MeterPits	-	114,678	-	-	114,678	25	4.00%	24.5	2,294	2,294	112,384	4,587
324		Meters	-	-	-	-	-	25	0.00%	0.0	-	-	-	-
324	Total	Meters	\$ 821,922	\$ 114,678	\$ -	\$ -	\$ 936,600				\$ 32,831	\$ 344,703	\$ 591,897	\$ 35,125

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
325	1968	Fire Hydrants	\$ 18,664	\$ -	\$ -	\$ -	\$ 18,664	40	2.50%	0.0	\$ -	\$ 18,664	\$ -	\$ -
325	1973	Fire Hydrants	3,430	-	-	-	3,430	40	2.50%	0.5	86	3,387	43	86
325	1974	Fire Hydrants	78	-	-	-	78	40	2.50%	1.5	2	75	3	2
325	1975	Fire Hydrants	1,383	-	-	-	1,383	40	2.50%	2.5	35	1,296	86	35
325	1976	Fire Hydrants	822	-	-	-	822	40	2.50%	3.5	21	750	72	21
325	1977	Fire Hydrants	1,089	-	-	-	1,089	40	2.50%	4.5	27	966	122	27
325	1978	Fire Hydrants	6,762	-	-	-	6,762	40	2.50%	5.5	169	5,833	930	169
325	1979	Fire Hydrants	2,040	-	-	-	2,040	40	2.50%	6.5	51	1,709	332	51
325	1980	Fire Hydrants	4,261	-	-	-	4,261	40	2.50%	7.5	107	3,462	799	107
325	1991	Fire Hydrants	798	-	-	-	798	40	2.50%	18.5	20	429	369	20
325	1992	Fire Hydrants	2,192	-	-	-	2,192	40	2.50%	19.5	55	1,123	1,069	55
325	1993	Fire Hydrants	3,454	-	-	-	3,454	40	2.50%	20.5	86	1,684	1,770	86
325	1997	Fire Hydrants	4,153	-	-	-	4,153	40	2.50%	24.5	104	1,609	2,544	104
325	1999	Fire Hydrants	94,412	-	-	-	94,412	40	2.50%	26.5	2,360	31,864	62,548	2,360
325	2000	Fire Hydrants	27,044	-	-	-	27,044	40	2.50%	27.5	676	8,451	18,593	676
325	2001	Fire Hydrants	1,429	-	-	-	1,429	40	2.50%	28.5	36	411	1,018	36
325	2002	Fire Hydrants	2,701	-	-	-	2,701	40	2.50%	29.5	68	709	1,992	68
325	2003	Fire Hydrants	3,915	-	-	-	3,915	40	2.50%	30.5	98	930	2,985	98
325	2004	Fire Hydrants	3,220	-	-	-	3,220	40	2.50%	31.5	81	684	2,536	81
325	2006	Fire Hydrants	2,736	-	-	-	2,736	40	2.50%	33.5	68	445	2,291	68
325		Fire Hydrants	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
325		Fire Hydrants	-	-	-	-	-	5	0.00%	0.0	-	-	-	-
325	Total	Fire Hydrants	\$ 184,584	\$ -	\$ -	\$ -	\$ 184,584				\$ 4,148	\$ 84,482	\$ 100,102	\$ 4,148

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. Book Values For the Above Period		2012 Remaining Basis (13)	Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)		
328	1967	Office Furniture & Equipment	\$ 1,378	\$ -	\$ -	\$ -	\$ 1,378	20	5.00%	0.0	\$ -	\$ 1,378	\$ -	\$ -
328	1973	Office Furniture & Equipment	544	-	-	-	544	20	5.00%	0.0	-	544	-	-
328	1974	Office Furniture & Equipment	159	-	-	-	159	20	5.00%	0.0	-	159	-	-
328	1977	Office Furniture & Equipment	143	-	-	-	143	20	5.00%	0.0	-	143	-	-
328	1978	Office Furniture & Equipment	1,217	-	-	-	1,217	20	5.00%	0.0	-	1,217	-	-
328	1979	Office Furniture & Equipment	1,141	-	-	-	1,141	20	5.00%	0.0	-	1,141	-	-
328	1980	Office Furniture & Equipment	470	-	-	-	470	20	5.00%	0.0	-	470	-	-
328	1985	Office Furniture & Equipment	7,330	-	-	-	7,330	20	5.00%	0.0	-	7,330	-	-
328	1986	Office Furniture & Equipment	126	-	-	-	126	20	5.00%	0.0	-	126	-	-
328	1987	Office Furniture & Equipment	17,550	-	-	-	17,550	20	5.00%	0.0	-	17,550	-	-
328	1988	Office Furniture & Equipment	2,175	-	-	-	2,175	7	14.29%	0.0	-	2,175	-	-
328	1989	Office Furniture & Equipment	7,186	-	-	-	7,186	20	5.00%	0.0	-	7,186	-	-
328	1989	Office Furniture & Equipment	6,354	-	-	-	6,354	20	5.00%	0.0	-	6,354	-	-
328	1990	Office Furniture & Equipment	274	-	-	-	274	20	5.00%	0.0	-	274	-	-
328	1991	Office Furniture & Equipment	209	-	-	-	209	20	5.00%	0.0	-	209	-	-
328	1992	Office Furniture & Equipment	3,516	-	-	-	3,516	5	20.00%	0.0	-	3,516	-	-
328	1992	Office Furniture & Equipment	1,977	-	-	-	1,977	5	20.00%	0.0	-	1,977	-	-
328	1992	Office Furniture & Equipment	2,147	-	-	-	2,147	5	20.00%	0.0	-	2,147	-	-
328	1996	Office Furniture & Equipment	1,373	-	-	-	1,373	5	20.00%	0.0	-	1,373	-	-
328	1997	Office Furniture & Equipment	4,295	-	-	-	4,295	5	20.00%	0.0	-	4,295	-	-
328	1999	Office Furniture & Equipment	1,945	-	-	-	1,945	5	20.00%	0.0	-	1,945	-	-
328	2000	Office Furniture & Equipment	1,070	-	-	-	1,070	5	20.00%	0.0	-	1,070	-	-
328	2002	Office Furniture & Equipment	2,585	-	-	-	2,585	3	33.33%	0.0	-	2,585	-	-
328	2003	Office Furniture & Equipment	4,266	-	-	-	4,266	5	20.00%	0.0	-	4,266	-	-
328	2004	Office Furniture & Equipment	776	-	-	-	776	7	14.29%	0.0	-	776	-	-
328	2004	Office Furniture & Equipment	3,125	-	-	-	3,125	7	14.29%	0.0	-	3,125	-	-
328	2012	Server & Backup Computers, 6-PC's Mon	-	24,000	-	-	24,000	5	20.00%	4.5	2,400	2,400	21,600	4,800
328	2012	New Customer Billing Program	-	28,000	-	-	28,000	5	20.00%	4.5	2,800	2,800	25,200	5,600
328		Office Furniture & Equipment	-	-	-	-	-	7	0.00%	0.0	-	-	-	-
328		Office Furniture & Equipment	-	-	-	-	-	7	0.00%	0.0	-	-	-	-
328	Total	Office Furniture & Equipment	\$ 73,330	\$ 52,000	\$ -	\$ -	\$ 125,330				\$ 5,200	\$ 78,530	\$ 46,800	\$ 10,400

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012			Pro Forma Annualized Depreciation (14)
											Book Values For the Above Period	Annual Depreciation (11)	Accumulated Depreciation (12)	
329	1980	Transportation Equipment	\$ 14,621	\$ -	\$ -	\$ -	\$ 14,621	5	20.00%	0.0	\$ -	\$ 14,621	\$ -	\$ -
329	1985	Transportation Equipment	28,585	-	-	-	28,585	5	20.00%	0.0	-	28,585	-	-
329	1986	Transportation Equipment	12,478	-	-	-	12,478	5	20.00%	0.0	-	12,478	-	-
329	1988	Transportation Equipment	10,646	-	-	-	10,646	5	20.00%	0.0	-	10,646	-	-
329	1989	Transportation Equipment	254	-	-	-	254	5	20.00%	0.0	-	254	-	-
329	1990	Transportation Equipment	35,406	-	-	-	35,406	5	20.00%	0.0	-	35,406	-	-
329	1992	Transportation Equipment	(8,517)	-	-	-	(8,517)		0.00%	0.0	-	(8,517)	-	-
329	1992	Transportation Equipment	14,644	-	-	-	14,644	5	20.00%	0.0	-	14,644	-	-
329	1993	Transportation Equipment	20,872	-	-	-	20,872	5	20.00%	0.0	-	20,872	-	-
329	1994	Transportation Equipment	(51,665)	-	-	-	(51,665)		0.00%	0.0	-	(51,665)	-	-
329	1994	Transportation Equipment	22,960	-	-	-	22,960	5	20.00%	0.0	-	22,960	-	-
329	1996	Transportation Equipment	9,481	-	-	-	9,481	5	20.00%	0.0	-	9,481	-	-
329	1997	Transportation Equipment	36,449	-	-	-	36,449	7	14.29%	0.0	-	36,449	-	-
329	2000	Transportation Equipment	58,080	-	-	-	58,080	5	20.00%	0.0	-	58,080	-	-
329	2001	Transportation Equipment	25,356	-	-	-	25,356	7	14.29%	0.0	-	25,356	-	-
329	2004	Transportation Equipment	50,075	-	-	-	50,075	7	14.29%	0.0	-	50,075	-	-
329	2005	Transportation Equipment	69,133	-	-	-	69,133	7	14.29%	0.5	4,938	69,133	-	4,938
329	2006	Transportation Equipment	20,291	-	-	-	20,291	7	14.29%	0.5	2,899	18,841	1,449	2,899
329	2007	Transportation Equipment	5,276	-	-	-	5,276	7	14.29%	1.5	754	4,145	1,131	754
329	2008	Transportation Equipment	23,148	-	-	-	23,148	7	14.29%	2.5	3,307	14,881	8,267	3,307
329	2009	Transportation Equipment	43,861	-	-	-	43,861	7	14.29%	3.5	6,266	21,931	21,931	6,266
329	2009	Transportation Equipment	(51,198)	-	-	-	(51,198)	0	0.00%	0.0	-	(51,198)	-	-
329	2010	Transportation Equipment	103,659	-	-	-	103,659	7	14.29%	4.5	14,808	37,021	66,638	14,808
329	2010	Transportation Equipment	(51,198)	-	-	-	(51,198)	0	0.00%	0.0	-	(51,198)	-	-
329	2012	Backhoe	-	115,000	-	-	115,000	10	10.00%	9.5	5,750	5,750	109,250	11,500
329		Transportation Equipment	-	-	-	-	-	7	0.00%	0.0	-	-	-	-
329		Transportation Equipment	-	-	-	-	-	7	0.00%	0.0	-	-	-	-
329	Total	Transportation Equipment	\$ 442,697	\$ 115,000	\$ -	\$ -	\$ 557,697				\$ 38,722	\$ 349,032	\$ 208,665	\$ 44,472

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. Book Values For the Above Period		2012 Remaining Basis (13)	Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)		
332	1970	Tools and Work Equipment	\$ 12,078	\$ -	\$ -	\$ -	\$ 12,078	15	6.67%	0.0	\$ -	\$ 12,078	\$ -	\$ -
332	1973	Tools and Work Equipment	208	-	-	-	208	15	6.67%	0.0	-	208	-	-
332	1974	Tools and Work Equipment	584	-	-	-	584	15	6.67%	0.0	-	584	-	-
332	1975	Tools and Work Equipment	170	-	-	-	170	15	6.67%	0.0	-	170	-	-
332	1976	Tools and Work Equipment	37	-	-	-	37	15	6.67%	0.0	-	37	-	-
332	1978	Tools and Work Equipment	527	-	-	-	527	15	6.67%	0.0	-	527	-	-
332	1979	Tools and Work Equipment	975	-	-	-	975	15	6.67%	0.0	-	975	-	-
332	1979	Tools and Work Equipment	31,220	-	-	-	31,220	15	6.67%	0.0	-	31,220	-	-
332	1980	Tools and Work Equipment	150	-	-	-	150	15	6.67%	0.0	-	150	-	-
332	1984	Tools and Work Equipment	890	-	-	-	890	15	6.67%	0.0	-	890	-	-
332	1985	Tools and Work Equipment	8,421	-	-	-	8,421	15	6.67%	0.0	-	8,421	-	-
332	1986	Tools and Work Equipment	1,632	-	-	-	1,632	15	6.67%	0.0	-	1,632	-	-
332	1988	Tools and Work Equipment	790	-	-	-	790	15	6.67%	0.0	-	790	-	-
332	1989	Tools and Work Equipment	1,668	-	-	-	1,668	15	6.67%	0.0	-	1,668	-	-
332	1989	Tools and Work Equipment	316	-	-	-	316	15	6.67%	0.0	-	316	-	-
332	1990	Tools and Work Equipment	861	-	-	-	861	15	6.67%	0.0	-	861	-	-
332	1996	Tools and Work Equipment	46,574	-	-	-	46,574	15	6.67%	0.0	-	46,574	-	-
332	1997	Tools and Work Equipment	1,000	-	-	-	1,000	15	6.67%	0.5	33	1,000	-	33
332	1998	Tools and Work Equipment	12,500	-	-	-	12,500	15	6.67%	0.5	833	12,084	417	833
332	2006	Tools and Work Equipment	4,768	-	-	-	4,768	15	6.67%	8.5	318	2,066	2,702	318
332		Tools and Work Equipment	-	-	-	-	-	15	0.00%	0.0	-	-	-	-
332		Tools and Work Equipment	-	-	-	-	-	15	0.00%	0.0	-	-	-	-
332	Total	Tools and Work Equipment	\$ 125,369	\$ -	\$ -	\$ -	\$ 125,369				\$ 1,185	\$ 122,250	\$ 3,118	\$ 1,185

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Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period		Pro Forma Annualized Depreciation (14)	
											Annual Depreciation (11)	Accumulated Depreciation (12)		Remaining Basis (13)
333	1984	Communiation Equipment	\$ 2,141	\$ -	\$ -	\$ -	\$ 2,141	10	10.00%	0.0	\$ -	\$ 2,141	\$ -	\$ -
333	1985	Communiation Equipment	51	-	-	-	51	10	10.00%	0.0	-	51	-	-
333	1990	Communiation Equipment	705	-	-	-	705	10	10.00%	0.0	-	705	-	-
333		Communiation Equipment	-	-	-	-	-	10	0.00%	0.0	-	-	-	-
333		Communiation Equipment	-	-	-	-	-	10	0.00%	0.0	-	-	-	-
333	Total	Communiation Equipment	\$ 2,897	\$ -	\$ -	\$ -	\$ 2,897				\$ -	\$ 2,897	\$ -	\$ -

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For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
334	1971	Miscellaneous Equipment	\$ 105	\$ -	\$ -	\$ -	\$ 105	10	10.00%	0.0	\$ -	\$ 105	\$ -	\$ -
334	1974	Miscellaneous Equipment	63	-	-	-	63	10	10.00%	0.0	-	63	-	-
334	1976	Miscellaneous Equipment	170	-	-	-	170	10	10.00%	0.0	-	170	-	-
334	1978	Miscellaneous Equipment	3,700	-	-	-	3,700	10	10.00%	0.0	-	3,700	-	-
334	1979	Miscellaneous Equipment	289	-	-	-	289	10	10.00%	0.0	-	289	-	-
334	1984	Miscellaneous Equipment	329	-	-	-	329	10	10.00%	0.0	-	329	-	-
334	1985	Miscellaneous Equipment	2,350	-	-	-	2,350	10	10.00%	0.0	-	2,350	-	-
334	1987	Miscellaneous Equipment	1,250	-	-	-	1,250	10	10.00%	0.0	-	1,250	-	-
334	1990	Miscellaneous Equipment	450	-	-	-	450	10	10.00%	0.0	-	450	-	-
334	1991	Miscellaneous Equipment	248	-	-	-	248	10	10.00%	0.0	-	248	-	-
334	1995	Miscellaneous Equipment	20,000	-	-	-	20,000	10	10.00%	0.0	-	20,000	-	-
334	1997	Miscellaneous Equipment	7,435	-	-	-	7,435	10	10.00%	0.0	-	7,435	-	-
334	1998	Miscellaneous Equipment	668	-	-	-	668	10	10.00%	0.0	-	668	-	-
334	2000	Miscellaneous Equipment	8,879	-	-	-	8,879	10	10.00%	0.0	-	8,879	-	-
334		Miscellaneous Equipment	-	-	-	-	-	10	0.00%	0.0	-	-	-	-
334		Miscellaneous Equipment	-	-	-	-	-	10	0.00%	0.0	-	-	-	-
334	Total	Miscellaneous Equipment	\$ 45,935	\$ -	\$ -	\$ -	\$ 45,935				\$ -	\$ 45,935	\$ -	\$ -

AUDUBON WATER COMPANY

J-2-2 CONTRIBUTED ASSETS 9/30/12

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
311.13		Other Source of Supply Land	\$ 20,505	-	-	-	\$ 20,505				\$ -	\$ -	\$ 20,505	\$ -
	Total	Non-Depreciable Plant	\$ 20,505	\$ -	\$ -	\$ -	\$ 20,505				\$ -	\$ -	\$ 20,505	\$ -
312.1		Source of Supply Structures	\$ 14,422	-	-	-	\$ 14,422				\$ -	\$ 14,422	\$ -	\$ -
312.13		Springs & Wells	86,962	-	-	-	86,962				38	86,951	11	38
312.2		Power and Pumping Structure	2,229	-	-	-	2,229				28	2,229	-	28
312.5		Distribution Reservoirs & Standpipes	200,678	-	-	-	200,678				4,859	67,063	133,615	4,859
312.62		Stores, Shop and Garage Buildings	1,862	-	-	-	1,862				-	1,862	-	-
316		Electric Pumping Equipment	18,871	-	-	-	18,871				-	18,871	-	-
319		Other Power Pumping Equipment	67	-	-	-	67				-	67	-	-
320		Purification Sytem	42,195	-	-	-	42,195				1,958	27,513	14,682	1,958
322		Mains & Accessores	3,388,490	4,901	-	-	3,393,391				56,516	976,160	2,417,231	56,557
323		Services	120,356	-	-	-	120,356				2,006	40,705	79,651	2,006
324		Meters	-	114,678	-	-	114,678				2,294	2,294	112,384	4,587
325		Fire Hydrants	100,741	-	-	-	100,741				2,360	37,086	63,655	2,360
332		Tools and Work Equipment	150	-	-	-	150				-	150	-	-
	Total	Depreciable Plant	\$ 3,977,022	\$ 119,579	\$ -	\$ -	\$ 4,096,602				\$ 70,058	\$ 1,275,372	\$ 2,821,230	\$ 72,392
	Total	Plant	\$ 3,997,527	\$ 119,579	\$ -	\$ -	\$ 4,117,107				\$ 70,058	\$ 1,275,372	\$ 2,841,735	\$ 72,392

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
311.13	1980	Other Source of Supply Land	\$ 20,505	\$ -	\$ -	\$ -	\$ 20,505	n/a	n/a	n/a	\$ -	\$ -	\$ 20,505	\$ -
311.13			-	-	-	-	-	n/a	n/a	n/a	-	-	-	-
311.13	Total	Other Source of Supply Land	\$ 20,505	\$ -	\$ -	\$ -	\$ 20,505				\$ -	\$ -	\$ 20,505	\$ -

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
312.1	1965	Source of Supply Structures	\$ 14,422	\$ -	\$ -	\$ -	\$ 14,422	30	3.33%	0.0	\$ -	\$ 14,422	\$ -	\$ -
312.1		Source of Supply Structures	-	-	-	-	-	30	0.00%	0.0	-	-	-	-
312.1		Source of Supply Structures	-	-	-	-	-	30	0.00%	0.0	-	-	-	-
312.1	Total	Source of Supply Structures	\$ 14,422	\$ -	\$ -	\$ -	\$ 14,422				\$ -	\$ 14,422	\$ -	\$ -

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
312.13	1966	Springs & Wells	\$ 7,570	\$ -	\$ -	\$ -	\$ 7,570	30	3.33%	0.0	\$ -	\$ 7,570	\$ -	\$ -
312.13	1979	Springs & Wells	3,359	-	-	-	3,359	30	3.33%	0.0	-	3,359	-	-
312.13	1980	Springs & Wells	70,106	-	-	-	70,106	30	3.33%	0.0	-	70,106	-	-
312.13	1981	Springs & Wells	4,304	-	-	-	4,304	30	3.33%	0.0	-	4,304	-	-
312.13	1982	Springs & Wells	946	-	-	-	946	30	3.33%	0.5	16	946	-	16
312.13	1983	Springs & Wells	677	-	-	-	677	30	3.33%	0.5	23	666	11	23
312.13	Total	Springs & Wells	\$ 86,962	\$ -	\$ -	\$ -	\$ 86,962				\$ 38	\$ 86,951	\$ 11	\$ 38

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (5)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
312.2	1972	Power and Pumping Structure	\$ 2,229	\$ -	\$ -	\$ -	\$ 2,229	40	2.50%	0.5	\$ 28	\$ 2,229	\$ -	\$ 28
312.2		Power and Pumping Structure	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
312.2		Total	\$ 2,229	\$ -	\$ -	\$ -	\$ 2,229				\$ 28	\$ 2,229	\$ -	\$ 28

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
312.5	1967	Distribution Reservoirs & Standpipes	\$ 6,329	\$ -	\$ -	\$ -	\$ 6,329	40	2.50%	0.0	\$ -	\$ 6,329	\$ -	\$ -
312.5	2000	Distribution Reservoirs & Standpipes	194,349	-	-	-	194,349	40	2.50%	27.5	4,859	60,734	133,615	4,859
312.5		Distribution Reservoirs & Standpipes	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
312.5		Distribution Reservoirs & Standpipes	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
312.5 Total		Distribution Reservoirs & Standpipes	\$ 200,678	\$ -	\$ -	\$ -	\$ 200,678				\$ 4,859	\$ 67,063	\$ 133,615	\$ 4,859

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
312.62	1967	Stores, Shop and Garage Buildings	\$ 1,862	\$ -	\$ -	\$ -	\$ 1,862	30	3.33%	0.0	\$ -	\$ 1,862	\$ -	\$ -
312.62		Stores, Shop and Garage Buildings	-	-	-	-	-	30	0.00%	0.0	-	-	-	-
312.62		Stores, Shop and Garage Buildings	-	-	-	-	-	30	0.00%	0.0	-	-	-	-
312.62	Total	Stores, Shop and Garage Buildings	\$ 1,862	\$ -	\$ -	\$ -	\$ 1,862				\$ -	\$ 1,862	\$ -	\$ -

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
316	1963	Electric Pumping Equipment	\$ 14,817	\$ -	\$ -	\$ -	\$ 14,817	10	10.00%	0.0	\$ -	\$ 14,817	\$ -	\$ -
316	1981	Electric Pumping Equipment	4,054	-	-	-	4,054	10	10.00%	0.0	-	4,054	-	-
316		Electric Pumping Equipment	-	-	-	-	-	15	0.00%	0.0	-	-	-	-
316	Total	Electric Pumping Equipment	<u>\$ 18,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,871</u>				<u>\$ -</u>	<u>\$ 18,871</u>	<u>\$ -</u>	<u>\$ -</u>

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
319	1972	Other Power Pumping Equipment	\$ 67	\$ -	\$ -	\$ -	\$ 67	10	10.00%	0.0	\$ -	\$ 67	\$ -	\$ -
319		Other Power Pumping Equipment	-	-	-	-	-	15	0.00%	0.0	-	-	-	-
319	Total	Other Power Pumping Equipment	\$ 67	\$ -	\$ -	\$ -	\$ 67				\$ -	\$ 67	\$ -	\$ -

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
320	1968	Purification Sytem	\$ 1,812	\$ -	\$ -	\$ -	\$ 1,812	15	6.67%	0.0	\$ -	\$ 1,812	\$ -	\$ -
320	1980	Purification Sytem	1,230	-	-	-	1,230	15	6.67%	0.0	-	1,230	-	-
320	2000	Purification Sytem	39,153	-	-	-	39,153	20	5.00%	7.5	1,958	24,471	14,682	1,958
320	Total	Purification Sytem	\$ 42,195	\$ -	\$ -	\$ -	\$ 42,195				\$ 1,958	\$ 27,513	\$ 14,682	\$ 1,958

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/Adjust (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
322	1969	Mains & Accessories	\$ 165,635	\$ -	\$ -	\$ -	\$ 165,635	60	1.67%	16.5	\$ 2,761	\$ 120,085	\$ 45,550	\$ 2,761
322	1979	Mains & Accessories	3,484	-	-	-	3,484	60	1.67%	26.5	58	1,945	1,539	58
322	1980	Mains & Accessories	33,930	-	-	-	33,930	60	1.67%	27.5	566	18,379	15,551	566
322	1981	Mains & Accessories	98,744	-	-	-	98,744	60	1.67%	28.5	1,646	51,841	46,903	1,646
322	1982	Mains & Accessories	4,747	-	-	-	4,747	60	1.67%	29.5	79	2,413	2,334	79
322	1983	Mains & Accessories	7,020	-	-	-	7,020	60	1.67%	30.5	117	3,452	3,569	117
322	1985	Mains & Accessories	113,945	-	-	-	113,945	60	1.67%	32.5	1,899	52,225	61,720	1,899
322	1985	Mains & Accessories	119,839	-	-	-	119,839	60	1.67%	32.5	1,997	54,926	64,913	1,997
322	1992	Mains & Accessories	193,349	-	-	-	193,349	60	1.67%	39.5	3,222	66,061	127,288	3,222
322	1993	Mains & Accessories	138,501	-	-	-	138,501	60	1.67%	40.5	2,308	45,013	93,488	2,308
322	1993	Mains & Accessories	315,314	-	-	-	315,314	60	1.67%	40.5	5,255	102,477	212,837	5,255
322	1993	Mains & Accessories	113,132	-	-	-	113,132	60	1.67%	40.5	1,886	36,768	76,364	1,886
322	1995	Mains & Accessories	148,671	-	-	-	148,671	60	1.67%	42.5	2,478	43,362	105,309	2,478
322	1996	Mains & Accessories	32,825	-	-	-	32,825	60	1.67%	43.5	547	9,027	23,798	547
322	1997	Mains & Accessories	402,970	-	-	-	402,970	60	1.67%	44.5	6,716	104,101	298,869	6,716
322	1998	Mains & Accessories	389,996	-	-	-	389,996	60	1.67%	45.5	6,500	94,249	295,747	6,500
322	1999	Mains & Accessories	221,290	-	-	-	221,290	60	1.67%	46.5	3,688	49,790	171,500	3,688
322	2000	Mains & Accessories	210,756	-	-	-	210,756	60	1.67%	47.5	3,513	43,907	166,848	3,513
322	2001	Mains & Accessories	196,336	-	-	-	196,336	60	1.67%	48.5	3,272	37,631	158,705	3,272
322	2004	Mains & Accessories	71,147	-	-	-	71,147	60	1.67%	51.5	1,186	10,079	61,068	1,186
322	2005	Mains & Accessories	5,481	-	-	-	5,481	60	1.67%	52.5	91	685	4,795	91
322	2007	Mains & Accessories	167,502	-	-	-	167,502	60	1.67%	54.5	2,792	15,354	152,147	2,792
322	2008	Mains & Accessories	21,861	-	-	-	21,861	60	1.67%	55.5	364	1,640	20,221	364
322	2009	Mains & Accessories	112,527	-	-	-	112,527	60	1.67%	56.5	1,875	6,564	105,963	1,875
322	2010	Mains & Accessories	99,490	-	-	-	99,490	60	1.67%	57.5	1,658	4,146	95,344	1,658
322	2012	Mains & Accessories	-	4,901	-	-	4,901	60	1.67%	59.5	41	41	4,860	82
322		Mains & Accessories	-	-	-	-	-	60	0.00%	0.0	-	-	-	-
322	Total	Mains & Accessories	\$ 3,388,490	\$ 4,901	\$ -	\$ -	\$ 3,393,391				\$ 56,516	\$ 976,160	\$ 2,417,231	\$ 56,557

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. Cost (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
323	1972	Services	\$ 3,090	\$ -	\$ -	\$ -	\$ 3,090	60	1.67%	19.5	\$ 52	\$ 2,086	\$ 1,004	\$ 52
323	1973	Services	929	-	-	-	929	60	1.67%	20.5	15	612	317	15
323	1980	Services	11,865	-	-	-	11,865	60	1.67%	27.5	198	6,427	5,438	198
323	1981	Services	13,605	-	-	-	13,605	60	1.67%	28.5	227	7,143	6,462	227
323	1982	Services	5,508	-	-	-	5,508	60	1.67%	29.5	92	2,800	2,708	92
323	1983	Services	9,267	-	-	-	9,267	60	1.67%	30.5	154	4,556	4,711	154
323	1999	Services	73,763	-	-	-	73,763	60	1.67%	46.5	1,229	16,597	57,166	1,229
323	2000	Services	2,329	-	-	-	2,329	60	1.67%	47.5	39	485	1,843	39
323		Services	-	-	-	-	-	60	0.00%	0.0	-	-	-	-
323		Services	-	-	-	-	-	60	0.00%	0.0	-	-	-	-
323	Total	Services	\$ 120,356	\$ -	\$ -	\$ -	\$ 120,356				\$ 2,006	\$ 40,705	\$ 79,651	\$ 2,006

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
324	2012	Meters/MeterPits	\$ -	\$ 114,678	\$ -	\$ -	\$ 114,678	25	4.00%	24.5	\$ 2,294	\$ 2,294	\$ 112,384	\$ 4,587
324		Meters	-	-	-	-	-	25	0.00%	0.0	-	-	-	-
324		Meters	-	-	-	-	-	25	0.00%	0.0	-	-	-	-
324	Total	Meters	\$ -	\$ 114,678	\$ -	\$ -	\$ 114,678				\$ 2,294	\$ 2,294	\$ 112,384	\$ 4,587

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
325	1968	Fire Hydrants	\$ 6,328	\$ -	\$ -	\$ -	\$ 6,328	40	2.50%	0.0	\$ -	\$ 6,328	\$ -	\$ -
325	1999	Fire Hydrants	73,763	-	-	-	73,763	40	2.50%	26.8	1,844	24,434	49,329	1,844
325	2000	Fire Hydrants	20,650	-	-	-	20,650	40	2.50%	27.8	516	6,324	14,326	516
325		Fire Hydrants	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
325		Fire Hydrants	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
325		Fire Hydrants	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
325		Fire Hydrants	-	-	-	-	-	40	0.00%	0.0	-	-	-	-
325	Total	Fire Hydrants	\$ 100,741	\$ -	\$ -	\$ -	\$ 100,741				\$ 2,360	\$ 37,086	\$ 63,655	\$ 2,360

AUDUBON WATER COMPANY

CIAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
332		Tools and Work Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	15	0.00%	0.0	\$ -	\$ -	\$ -	\$ -
332	1980	Tools and Work Equipment	150	-	-	-	150	15	6.67%	0.0	-	150	-	-
332		Tools and Work Equipment	-	-	-	-	-	15	0.00%	0.0	-	-	-	-
332	Total	Tools and Work Equipment	\$ 150	\$ -	\$ -	\$ -	\$ 150				\$ -	\$ 150	\$ -	\$ -

AUDUBON WATER COMPANY

J-2-3 CAC ASSETS 9/30/12

AUDUBON WATER COMPANY

CAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept.		2012 Remaining Basis (13)	Pro Forma Annualized Depreciation (14)
										Book Values For the Above Period Annual Depreciation (11)	Accumulated Depreciation (12)		
Total	Non-Depreciable Plant	\$ -	\$ -	\$ -	\$ -	\$ -				\$ -	\$ -	\$ -	\$ -
312.1	Source of Supply Structures	\$ -	-	-	-	\$ -				\$ -	\$ -	\$ -	\$ -
312.13	Springs & Wells	-	-	-	-	-				-	-	-	-
312.2	Power and Pumping Structure	-	-	-	-	-				-	-	-	-
312.5	Distribution Reservoirs & Standpipes	-	-	-	-	-				-	-	-	-
312.62	Stores, Shop and Garage Buildings	-	-	-	-	-				-	-	-	-
316	Electric Pumping Equipment	-	-	-	-	-				-	-	-	-
319	Other Power Pumping Equipment	-	-	-	-	-				-	-	-	-
320	Purification Sytem	-	-	-	-	-				-	-	-	-
322	Mains & Accessories	10,700	-	-	-	10,700				178	1,511	9,189	178
323	Services	-	-	-	-	-				-	-	-	-
324	Meters	-	-	-	-	-				-	-	-	-
325	Fire Hydrants	-	-	-	-	-				-	-	-	-
332	Tools and Work Equipment	-	-	-	-	-				-	-	-	-
Total	Depreciable Plant	\$ 10,700	\$ -	\$ -	\$ -	\$ 10,700				\$ 178	\$ 1,511	\$ 9,189	\$ 178
Total	Plant	\$ 10,700	\$ -	\$ -	\$ -	\$ 10,700				\$ 178	\$ 1,511	\$ 9,189	\$ 178

AUDUBON WATER COMPANY

CAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
										Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
322	2000 Mains & Accessories	\$ -	\$ -	\$ -	\$ -	\$ -	60	0.00%	47.5	\$ -	\$ -	\$ -	\$ -
322	2001 Mains & Accessories-Rivercrest	2,600	-	-	-	2,600	60	1.67%	48.5	43	498	2,102	43
322	2005 Mains & Accessories-Eagleville	8,100	-	-	-	8,100	60	1.67%	52.5	135	1,013	7,088	135
322	Mains & Accessories	-	-	-	-	-	60	0.00%	0.0	-	-	-	-
322	Total	\$ 10,700	\$ -	\$ -	\$ -	\$ 10,700				\$ 178	\$ 1,511	\$ 9,189	\$ 178

AUDUBON WATER COMPANY

CAC - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
										Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
323	2000 Services	\$ -	\$ -	\$ -	\$ -	\$ -	60	0.00%	47.5	\$ -	\$ -	\$ -	\$ -
323	2003 Services	-	-	-	-	-	60	0.00%	50.5	-	-	-	-
323	2004 Services	-	-	-	-	-	60	0.00%	51.5	-	-	-	-
323	2005 Services	-	-	-	-	-	60	0.00%	52.5	-	-	-	-
323	Total Services	\$ -	\$ -	\$ -	\$ -	\$ -				\$ -	\$ -	\$ -	\$ -

AUDUBON WATER COMPANY

SECTION K

COST OF SERVICE STUDY

COST OF SERVICE STUDY

SUMMARY REPORT

AUDUBON WATER COMPANY

Summary Analysis Of Pro Forma Revenue Increase Based Upon Cost Of Service Study And Proposed Rates

	Pro Forma Current Revenues	Per Cost of Service Study			Based Upon Proposed Rates		
		Revenue Increase	Total Revenues	% Increase	Revenue Increase	Total Revenues	% Increase
<u>Customer Classes</u>							
Residential	\$ 1,202,450	\$ 225,064	\$ 1,427,514	18.72%	\$ 324,744	\$ 1,527,194	27.01%
Commercial	260,391	(25,706)	234,686	-9.87%	69,941	330,332	26.86%
Multi-Family	400,990	153,624	554,614	38.31%	104,551	505,541	26.07%
Public	25,411	1,041	26,452	4.10%	6,749	32,160	26.56%
Private Fire Prot.	81,414	23,570	104,984	28.95%	23,391	104,806	28.73%
Public Fire Prot.	39,286	163,093	202,379	415.15%	11,307	50,593	28.78%
Totals	<u>\$ 2,009,942</u>	<u>\$ 540,686</u>	<u>\$ 2,550,628</u>	<u>26.90%</u>	<u>\$ 540,683</u>	<u>\$ 2,550,625</u>	<u>26.90%</u>

	Pro Forma Current Revenues	Per Adjusted Cost of Service Study*			Based Upon Proposed Rates		
		Revenue Increase	Total Revenues	% Increase	Revenue Increase	Total Revenues	% Increase
<u>Customer Classes</u>							
Residential	\$ 1,202,450	\$ 317,921	\$ 1,520,372	26.44%	\$ 324,744	\$ 1,527,194	27.01%
Commercial	260,391	15,935	276,326	6.12%	69,941	330,332	26.86%
Multi-Family	400,990	166,177	567,167	41.44%	104,551	505,541	26.07%
Public	25,411	5,955	31,366	23.43%	6,749	32,160	26.56%
Private Fire Prot.	81,414	23,570	104,984	28.95%	23,391	104,806	28.73%
Public Fire Prot.	39,286	11,128	50,414	28.33%	11,307	50,593	28.78%
Totals	<u>\$ 2,009,942</u>	<u>\$ 540,686</u>	<u>\$ 2,550,628</u>	<u>26.90%</u>	<u>\$ 540,683</u>	<u>\$ 2,550,625</u>	<u>26.90%</u>

*Reallocate Public Fire Protection Shortfall due to Pa Statute Limitation 25% of Cost of Service

Residential	\$ 92,858
Commercial	41,641
Multi-Family	12,553
Public	4,914
Private Fire Prot.	
Public Fire Prot.	(151,965)
Totals	<u>\$ -</u>

AUDUBON WATER COMPANY

Summary Analysis Of Pro Forma Revenues By Customer Class Under Current, Cost of Service and Proposed Rates

	<u>Pro Forma Existing Rates</u>		<u>Pro Forma Cost of Service</u>		<u>Pro Forma Proposed Rates</u>	
	<u>Revenues</u>	<u>% To Total</u>	<u>Revenues</u>	<u>% To Total</u>	<u>Revenues</u>	<u>% To Total</u>
<u>Customer Classes</u>						
Residential	\$ 1,202,450	59.83%	\$ 1,427,514	55.97%	\$ 1,527,194	59.88%
Commercial	260,391	12.96%	234,686	9.20%	330,332	12.95%
Multi-Family	400,990	19.95%	554,614	21.74%	505,541	19.82%
Public	25,411	1.26%	26,452	1.04%	32,160	1.26%
Private Fire Prot.	81,414	4.05%	104,984	4.12%	104,806	4.11%
Public Fire Prot.	39,286	1.95%	202,379	7.93%	50,593	1.98%
Totals	<u>\$ 2,009,942</u>	<u>100.00%</u>	<u>\$ 2,550,628</u>	<u>100.00%</u>	<u>\$ 2,550,625</u>	<u>100.00%</u>

	<u>Pro Forma Existing Rates</u>		<u>Pro Forma Adj. Cost of Service *</u>		<u>Pro Forma Proposed Rates</u>	
	<u>Revenues</u>	<u>% To Total</u>	<u>Revenues</u>	<u>% To Total</u>	<u>Revenues</u>	<u>% To Total</u>
<u>Customer Classes</u>						
Residential	\$ 1,202,450	59.83%	\$ 1,520,372	59.61%	\$ 1,527,194	59.88%
Commercial	260,391	12.96%	276,326	10.83%	330,332	12.95%
Multi-Family	400,990	19.95%	567,167	22.24%	505,541	19.82%
Public	25,411	1.26%	31,366	1.23%	32,160	1.26%
Private Fire Prot.	81,414	4.05%	104,984	4.12%	104,806	4.11%
Public Fire Prot.	39,286	1.95%	50,414	1.98%	50,593	1.98%
Totals	<u>\$ 2,009,942</u>	<u>100.00%</u>	<u>\$ 2,550,628</u>	<u>100.00%</u>	<u>\$ 2,550,625</u>	<u>100.00%</u>

*Reallocate Public Fire Protection Shortfall due to Pa Statute Limitation 25% of Cost of Service

Residential	\$ 92,858
Commercial	41,641
Multi-Family	12,553
Public	4,914
Private Fire Prot.	
Public Fire Prot.	(151,965)
	<u>\$ -</u>

COST OF SERVICE STUDY

**Allocation of Cost of Service to
Functional Cost Categories**

AUDUBON WATER COMPANY

Functional Cost Allocation of Total System Revenue Requirements

Description	Total Cost	Alloc. Code	Base Commodity	Demand		Comm.	Customer		Direct Fire Prot	Proof
				Maximum Day	Maximum Hour		Meters	Service		
RATE BASE: Net Plant, Inv., CWC										
<u>Source of Supply Plant</u>										
Other Source of Supply Land	15,000	A-4	6,857	2,822	5,322	-	-	-	-	-
Source of Supply Structures	32	A-4	15	6	11	-	-	-	-	-
Springs & Wells	376,039	A-4	171,888	70,733	133,419	-	-	-	-	-
<u>Power and Pumping Plant</u>										
Power and Pumping Land	6,000	A-2	4,250	1,750	-	-	-	-	-	-
Power and Pumping Structure	109,240	A-2	77,386	31,855	-	-	-	-	-	-
Electric Pumping Equipment	114,871	A-2	81,375	33,497	-	-	-	-	-	-
Other Power Pumping Equipment	11,451	A-2	8,112	3,339	-	-	-	-	-	-
<u>Purif. & Laboratory Plant</u>										
Purification Sytem	26,986	A-2	19,117	7,869	-	-	-	-	-	-
<u>Trans. & Dist. Plant</u>										
Distribution Reservoir & Standpip Land	1,013	A-3	463	-	550	-	-	-	-	-
Distribution Reservoirs & Standpipes	280,502	A-3	128,189	-	152,313	-	-	-	-	-
Mains & Accessories	393,063	A-4	179,669	73,935	139,459	-	-	-	-	-
Services	106,024	A-6	-	-	-	-	106,024	-	-	-
Meters	479,512	A-7	-	-	-	-	-	479,512	-	-
Fire Hydrants	36,447	A-8	-	-	-	-	-	-	36,447	-
Cumulative Non-Gen Plant Rate Base	\$ 1,956,180		\$ 677,319	\$ 225,804	\$ 431,073	\$ -	\$ 106,024	\$ 479,512	\$ 36,447	-
<u>General Plant</u>										
Stores, Shop and Garage Buildings	528	B-1	183	61	116	-	29	130	10	-
Office Furniture & Equipment	46,800	B-1	16,204	5,402	10,313	-	2,537	11,472	872	-
Transportation Equipment	208,665	B-1	72,250	24,087	45,983	-	11,310	51,150	3,888	-
Tools and Work Equipment	3,118	B-1	1,080	360	687	-	169	764	58	-
Communiation Equipment	-	B-1	-	-	-	-	-	-	-	-
Miscellaneous Equipment	-	B-1	-	-	-	-	-	-	-	-
Total Net Plant Rate Base	\$ 2,215,292		\$ 767,036	\$ 255,714	\$ 488,172	\$ -	\$ 120,068	\$ 543,028	\$ 41,275	-
Inventory	65,000	B-1	22,506	7,503	14,324	-	3,523	15,933	1,211	-
CWC (12.5% of Alloc. Oper Deductions)	266,077		164,694	28,021	22,451	27,668	7,883	13,886	1,475	-
Total Net Rate Base	\$ 2,546,370		\$ 954,236	\$ 291,238	\$ 524,948	\$ 27,668	\$ 131,474	\$ 572,847	\$ 43,961	-

AUDUBON WATER COMPANY

Functional Cost Allocation of Total System Revenue Requirements

Description	Total Cost	Alloc. Code	Base Commodity	Demand		Comm.	Customer Meters	Service	Direct Fire Prot	Proof
				Maximum Day	Maximum Hour					
<u>OPERATING DEDUCTION</u>										
<u>Source of Supply Expenses</u>										
Operation Supervision - Labor	\$ 56,577	A-1	56,577	-	-	-	-	-	-	-
Operation Labor	80,105	A-1	80,105	-	-	-	-	-	-	-
Operation Supplies and Expenses	91,791	A-1	91,791	-	-	-	-	-	-	-
Maintenance Engineering	-	A-1	-	-	-	-	-	-	-	-
Maintenance Wells & Springs	117,610	A-1	117,610	-	-	-	-	-	-	-
Water Purchased	3,526	A-1	3,526	-	-	-	-	-	-	-
Total Source of Supply Expenses	\$ 349,610		\$ 349,610	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
<u>Power and Pumping Expenses</u>										
Operation Supervision - Labor	\$ 23,576	A-2	16,701	6,875	-	-	-	-	-	-
Operation Labor	57,084	A-2	40,438	16,646	-	-	-	-	-	-
Operation Supplies and Expenses	420	A-2	297	122	-	-	-	-	-	-
Maintenance Engineering	-	A-2	-	-	-	-	-	-	-	-
Maint. of Structures & Imp.	8,198	A-2	5,807	2,391	-	-	-	-	-	-
Maint. of Power & Pump. Equip.	30,862	A-2	21,862	8,999	-	-	-	-	-	-
Power Purchases	153,169	A-2	108,505	44,664	-	-	-	-	-	-
Total Power and Pumping Expenses	\$ 273,308		\$ 193,612	\$ 79,697	\$ -	\$ -	\$ -	\$ -	\$ -	-
<u>Purification and Laboratory Expenses</u>										
Operation Supervision - Labor	\$ 23,576	A-1	23,576	-	-	-	-	-	-	-
Purification and Laboratory Labor	10,464	A-1	10,464	-	-	-	-	-	-	-
Operation Supplies and Expenses	61,624	A-1	61,624	-	-	-	-	-	-	-
Maint. of Purif. Structures	925	A-1	925	-	-	-	-	-	-	-
Maint. of Purif. & Lab. Equip.	14,318	A-1	14,318	-	-	-	-	-	-	-
Total Purif. and Lab. Expenses	\$ 110,907		\$ 110,907	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
<u>Transmission & Distribution Expenses</u>										
Operation Supervision - Labor	\$ 23,576	A-4	10,777	4,435	8,365	-	-	-	-	-
T&D Labor	150,257	A-4	68,682	28,263	53,311	-	-	-	-	-
Meters Labor	20,407	A-6	-	-	-	-	20,407	-	-	-
Services Labor	31,393	A-7	-	-	-	-	-	31,393	-	-
Hydrants Labor	4,186	A-8	-	-	-	-	-	-	4,186	-
Maintenance Engineering	-	A-4	-	-	-	-	-	-	-	-
Maps & Reports	-	A-4	-	-	-	-	-	-	-	-
Operation Supplies and Expenses	1,800	A-4	823	339	639	-	-	-	-	-
Maint. of Mains	30,405	A-4	13,898	5,719	10,788	-	-	-	-	-
Maint. of Services	8,811	A-6	-	-	-	-	8,811	-	-	-
Maint. Of Meters	-	A-7	-	-	-	-	-	-	-	-
Maint. Of Hydrants	-	A-8	-	-	-	-	-	-	-	-
Rents	-	A-4	-	-	-	-	-	-	-	-
Total Trans. & Dist. Expenses	\$ 270,835		\$ 94,180	\$ 38,756	\$ 73,102	\$ -	\$ 29,218	\$ 31,393	\$ 4,186	-

AUDUBON WATER COMPANY

Functional Cost Allocation of Total System Revenue Requirements

Description	Total Cost	Alloc. Code	Base Commodity	Demand		Customer			Direct Fire Prot	Proof
				Maximum Day	Maximum Hour	Comm.	Meters	Service		
<u>Customers' Accounting & Coll. Exp.</u>										
Supervision	\$ -	A-5	-	-	-	-	-	-	-	-
Meter Reading and Collecting - Labor	11,181	A-5	-	-	-	11,181	-	-	-	-
Billing and Accounting - Labor	93,416	A-5	-	-	-	93,416	-	-	-	-
Operation Supplies and Expenses	17,310	A-5	-	-	-	17,310	-	-	-	-
Uncollectible Accounts	-	A-5	-	-	-	-	-	-	-	-
Total Customers' Accounting & Coll. Exp.	\$ 121,907		\$ -	\$ -	\$ -	\$ 121,907	\$ -	\$ -	\$ -	-
<u>Administrative and General Expenses</u>										
<u>A&G and Taxes Non-General</u>										
Special Services	\$ 52,087	B-1	18,035	6,012	11,478	-	2,823	12,768	970	-
Insurance	75,236	B-1	26,050	8,685	16,579	-	4,078	18,442	1,402	-
Pa Utility Reality Tax	13,723	B-1	4,752	1,584	3,024	-	744	3,364	256	-
Total A&G and Taxes Non-General	\$ 141,046		\$ 48,836	\$ 16,281	\$ 31,081	\$ -	\$ 7,645	\$ 34,574	\$ 2,628	-
Cumulative Allocated Non-Gen Expenses	\$ 1,267,612		\$ 797,145	\$ 134,733	\$ 104,184	\$ 121,907	\$ 36,862	\$ 65,967	\$ 6,814	-
<u>A&G and Taxes General</u>										
Salaries Officers and Executives	\$ 144,462	B-2	90,846	15,355	11,873	13,893	4,201	7,518	777	-
Other General Office Salaries	67,835	B-2	42,658	7,210	5,575	6,524	1,973	3,530	365	-
Exp. of Officers & Office Employees	42,302	B-2	26,602	4,496	3,477	4,068	1,230	2,201	227	-
General Office Supplies & Expenses	61,707	B-2	38,805	6,559	5,072	5,934	1,794	3,211	332	-
Misc. General Exp.	16,223	B-2	10,202	1,724	1,333	1,560	472	844	87	-
Maint. of General Property	-	B-2	-	-	-	-	-	-	-	-
Rents	49,616	B-2	31,201	5,274	4,078	4,772	1,443	2,582	267	-
Trans. Exp-R&M Other	32,297	B-2	20,310	3,433	2,654	3,106	939	1,681	174	-
Trans. Exp-Fuel	54,392	B-2	34,205	5,781	4,470	5,231	1,582	2,831	292	-
Employee Welfare Exp.	171,062	B-3	94,485	16,886	16,959	26,795	5,697	9,097	1,142	-
Pensions	16,517	B-3	9,123	1,630	1,638	2,587	550	878	110	-
Employee Payroll Taxes	68,557	B-3	37,867	6,767	6,797	10,739	2,283	3,646	458	-
Life Insurance	1,516	B-3	837	150	150	237	50	81	10	-
Cumulative Allocated Gen Expenses	\$ 726,485		\$ 437,141	\$ 75,266	\$ 64,077	\$ 85,446	\$ 22,215	\$ 38,100	\$ 4,240	-
Cumulative Allocated Through Gen Exp.	\$ 1,994,097		\$ 1,234,286	\$ 209,999	\$ 168,261	\$ 207,353	\$ 59,077	\$ 104,067	\$ 11,053	-
<u>Misc. General and Other Taxes</u>										
Other-PaPUC Assessment	\$ 11,171	B-4	6,915	1,176	943	1,162	331	583	62	-
Pa Capital Stock Tax	1,459	B-4	903	154	123	152	43	76	8	-
Taxes Other	6,893	B-4	4,267	726	582	717	204	360	38	-
Regulatory Comm. Exp. - Rate Case	115,000	B-4	71,182	12,111	9,704	11,958	3,407	6,002	637	-
Totals Misc. General and Other Taxes	\$ 134,523		\$ 83,266	\$ 14,167	\$ 11,351	\$ 13,988	\$ 3,985	\$ 7,020	\$ 746	-
Total Allocated Operating Deductions	\$ 2,128,620		\$ 1,317,552	\$ 224,166	\$ 179,612	\$ 221,341	\$ 63,063	\$ 111,088	\$ 11,799	-

AUDUBON WATER COMPANY

Functional Cost Allocation of Total System Revenue Requirements

Description	Total Cost	Alloc. Code	Base Commodity	Demand		Comm.	Customer		Direct Fire Prot	Proof
				Maximum Day	Maximum Hour		Meters	Service		
DEPRECIATION EXPENSES										
<u>Source of Supply Plant</u>										
Source of Supply Structures	13	A-4	6	2	5	-	-	-	-	-
Springs & Wells	14,044	A-4	6,419	2,642	4,983	-	-	-	-	-
<u>Power and Pumping Plant</u>										
Power and Pumping Structure	3,256	A-2	2,307	950	-	-	-	-	-	-
Electric Pumping Equipment	10,732	A-2	7,603	3,129	-	-	-	-	-	-
Other Power Pumping Equipment:	1,762	A-2	1,248	514	-	-	-	-	-	-
<u>Purif. & Laboratory Plant</u>										
Purification System	5,930	A-2	4,201	1,729	-	-	-	-	-	-
<u>Trans. & Dist. Plant</u>										
Distribution Reservoirs & Standpipes	15,096	A-3	6,899	-	8,197	-	-	-	-	-
Mains & Accessories	13,788	A-4	6,302	2,593	4,892	-	-	-	-	-
Services	2,828	A-6	-	-	-	-	2,828	-	-	-
Meters	30,538	A-7	-	-	-	-	-	30,538	-	-
Fire Hydrants	1,788	A-8	-	-	-	-	-	-	1,788	-
Cumulative Non-Gen Plant Depr. Exp.	\$ 99,775		\$ 34,985	\$ 11,559	\$ 18,077	\$ -	\$ 2,828	\$ 30,538	\$ 1,788	-
<u>General Plant</u>										
Stores, Shop and Garage Buildings	53	B-1	18	6	12	-	3	13	1	-
Office Furniture & Equipment	10,400	B-1	3,601	1,200	2,292	-	564	2,549	194	-
Transportation Equipment	44,472	B-1	15,398	5,133	9,800	-	2,410	10,901	829	-
Tools and Work Equipment	1,185	B-1	410	137	261	-	64	290	22	-
Communication Equipment	-	B-1	-	-	-	-	-	-	-	-
Miscellaneous Equipment	-	B-1	-	-	-	-	-	-	-	-
Total Net Plant Depr. Exp.	\$ 155,884		\$ 54,412	\$ 18,036	\$ 30,441	\$ -	\$ 5,870	\$ 44,292	\$ 2,833	-
Amortizations - Tank painting	\$ 10,750	A-3	4,913	-	5,837	-	-	-	-	-

AUDUBON WATER COMPANY

Functional Cost Allocation of Total System Revenue Requirements

Description	Total Cost	Alloc. Code	Base Commodity	Demand		Comm.	Customer		Direct Fire Prot	Proof
				Maximum Day	Maximum Hour		Meters	Service		
TOTAL SYSTEM REVENUE REQUIREMENT										
Total Allocated Operating Deductions	\$ 2,128,620		\$ 1,317,552	\$ 224,166	\$ 179,612	\$ 221,341	\$ 63,063	\$ 111,088	\$ 11,799	-
Total Allocated Depr. & Amort. Expenses	\$ 166,634		\$ 59,325	\$ 18,036	\$ 36,278	\$ -	\$ 5,870	\$ 44,292	\$ 2,833	-
Total Net Rate Base	\$ 2,546,370		\$ 954,236	\$ 291,238	\$ 524,948	\$ 27,668	\$ 131,474	\$ 572,847	\$ 43,961	-
RofR	9.06%		9.06%	9.06%	9.06%	9.06%	9.06%	9.06%	9.06%	-
Total Net Income	\$ 230,701		\$ 86,454	\$ 26,386	\$ 47,560	\$ 2,507	\$ 11,912	\$ 51,900	\$ 3,983	-
Total Taxes	70,970	B-5	26,596	8,117	14,631	771	3,664	15,966	1,225	-
Total Revenue Requirement	\$ 2,596,924		\$ 1,489,926	\$ 276,705	\$ 278,081	\$ 224,619	\$ 84,508	\$ 223,245	\$ 19,840	-
Less:										
Late Payment Fees	(4,810)	B-4	(2,977)	(507)	(406)	(500)	(143)	(251)	(27)	-
Miscellaneous Income	(41,486)	B-4	(25,679)	(4,369)	(3,501)	(4,314)	(1,229)	(2,165)	(230)	-
Other Revenue Credits	(46,296)		(28,656)	(4,875)	(3,906)	(4,814)	(1,372)	(2,416)	(257)	-
Total Revenue Requirement From Sales	\$ 2,550,628		\$ 1,461,270	\$ 271,830	\$ 274,174	\$ 219,805	\$ 83,136	\$ 220,829	\$ 19,584	-

AUDUBON WATER COMPANY

Summary Net Rate Base & Depr. Expense - Original Cost, CIAC, CAC Plant
 For the Pro Forma Twelve Months Ended September 30, 2012

Item Description (2)	Net Remaining			Net Plant-In-Service Rate Base (7)	Depreciation Expense			Net Depreciation Expense (7)
	Original Cost (3)	CIAC Cost (4)	CAC Cost (5)		Original Cost (3)	CIAC Cost (4)	CAC Cost (5)	
Organizational Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Franchises and consents	-	-	-	-	-	-	-	-
Misc. Intangible Plant	-	-	-	-	-	-	-	-
Other Source of Supply Land	35,505	(20,505)	-	15,000	-	-	-	-
Power and Pumping Land	6,000	-	-	6,000	-	-	-	-
Distribution Reservoir & Standpip Land	1,013	-	-	1,013	-	-	-	-
Total Non-Depreciable Plant	\$ 42,518	\$ (20,505)	\$ -	\$ 22,013	\$ -	\$ -	\$ -	\$ -
Source of Supply Structures	\$ 32	\$ -	\$ -	\$ 32	\$ 13	\$ -	\$ -	\$ 13
Springs & Wells	376,050	(11)	-	376,039	14,082	(38)	-	14,044
Power and Pumping Structure	109,240	-	-	109,240	3,284	(28)	-	3,256
Distribution Reservoirs & Standpipes	414,117	(133,615)	-	280,502	19,955	(4,859)	-	15,096
Stores, Shop and Garage Buildings	528	-	-	528	53	-	-	53
Electric Pumping Equipment	114,871	-	-	114,871	10,732	-	-	10,732
Other Power Pumping Equipment	11,451	-	-	11,451	1,762	-	-	1,762
Purification Sytem	41,668	(14,682)	-	26,986	7,888	(1,958)	-	5,930
Mains & Accessories	2,819,483	(2,417,231)	(9,189)	393,063	70,523	(56,557)	(178)	13,788
Services	185,675	(79,651)	-	106,024	4,834	(2,006)	-	2,828
Meters	591,897	(112,384)	-	479,512	35,125	(4,587)	-	30,538
Fire Hydrants	100,102	(63,655)	-	36,447	4,148	(2,360)	-	1,788
Office Furniture & Equipment	46,800	-	-	46,800	10,400	-	-	10,400
Transportation Equipment	208,665	-	-	208,665	44,472	-	-	44,472
Tools and Work Equipment	3,118	-	-	3,118	1,185	-	-	1,185
Communiation Equipment	-	-	-	-	-	-	-	-
Miscellaneous Equipment	-	-	-	-	-	-	-	-
Total Depreciable Plant	\$ 5,023,698	\$ (2,821,230)	\$ (9,189)	\$ 2,193,280	\$ 228,454	\$ (72,392)	\$ (178)	\$ 155,884
Plant	\$ 5,066,216	\$ (2,841,735)	\$ (9,189)	\$ 2,215,292	\$ 228,454	\$ (72,392)	\$ (178)	\$ 155,884

AUDUBON WATER COMPANY

Summary Of Functional Cost Allocation Factors and Development of Allocation Factors Based Upon Cumulative Allocated Costs

Description	Alloc. Code	Base Commodity	Demand		Comm.	Customer		Direct Fire Prot	Proof
			Maximum Day	Maximum Hour		Meters	Service		
<u>Base Cost Allocation</u> Costs that vary with quantity of water used or under average load conditions.	A-1	100.00%							100.00%
<u>Base Cost / Extra-Capacity Max-Day Allocation</u> Costs associated with meeting both average load day and max day use requirements in excess of average load conditions or extra-capacity max day.	A-2	70.84%	29.16%						100.00%
<u>Base Cost / Extra-Capacity Max-Hour Allocation</u> Costs associated with meeting both average load day and max hour use requirements in excess of average load conditions or extra-capacity max hour.	A-3	45.70%		54.30%					100.00%
<u>Base Cost / Extra-Capacity Max-Day & Hour Allocation</u> Costs associated with meeting both average load day and max day & hour use requirements in excess of average load conditions or extra-capacity max-day& hour.	A-4	45.71%	18.81%	35.48%					100.00%
<u>Commercial Costs to Serve Customers - Allocation</u> Costs associated with serving customers irrespective of rate of water use by general type of service rendered.									
Customer Billing & Accounting etc.	A-5				100.00%				100.00%
Water Meters, investment and related O&M	A-6					100.00%			100.00%
Water Service connections, investment & related O&M	A-7						100.00%		100.00%
<u>Direct Identifiable Cost- Allocation</u> Fire Protection Services	A-8							100.00%	100.00%

ALLOCATION FACTORS BASED UPON CUMULATIVE RESULTS OF COST ALLOCATED

	Total Cost									
Cumulative Allocated Non-Gen. Plant	\$ 1,956,180		\$ 677,319	\$ 225,804	\$ 431,073	\$ -	\$ 106,024	\$ 479,512	\$ 36,447	-
Cumulative Allocated Non-Gen. Plant Alloc. Factors	100.00%	B-1	34.62%	11.54%	22.04%	0.00%	5.42%	24.51%	1.86%	-
Cumulative Allocated Non-Gen Expenses	\$ 1,267,612		\$ 797,145	\$ 134,733	\$ 104,184	\$ 121,907	\$ 36,862	\$ 65,967	\$ 6,814	-
Cumulative Allocated Non-Gen Expenses - Alloc. Factors	100.00%	B-2	62.89%	10.63%	8.22%	9.62%	2.91%	5.20%	0.54%	-
Total Allocated Labor	\$ 798,095		\$ 440,825	\$ 78,783	\$ 79,124	\$ 125,013	\$ 26,581	\$ 42,441	\$ 5,327	-
Total Allocated Labor- Benefits Alloc. Factors	100.00%	B-3	55.23%	9.87%	9.91%	15.66%	3.33%	5.32%	0.67%	-
Cumulative Allocated Through Gen Exp.	\$ 1,994,097		\$ 1,234,286	\$ 209,999	\$ 168,261	\$ 207,353	\$ 59,077	\$ 104,067	\$ 11,053	-
Total Cumulative - Misc. Non-Gen. Alloc Factors	100.00%	B-4	61.90%	10.53%	8.44%	10.40%	2.96%	5.22%	0.55%	-
Net Income	\$ 230,701		\$ 86,454	\$ 26,386	\$ 47,560	\$ 2,507	\$ 11,912	\$ 51,900	\$ 3,983	-
Net Income Alloc. Factor	100.00%	B-5	37.47%	11.44%	20.62%	1.09%	5.16%	22.50%	1.73%	-

AUDUBON WATER COMPANY

Supporting Schedule Development of Functional Cost Component Allocation Codes

*(Gallons in 1,000's)

<u>Description</u>	<u>Function</u>	<u>Avg. Use</u>	<u>Allocation</u>	
			<u>%</u>	<u>Code</u>
<u>Base Day Allocation</u>				
Average Day	Base Cost	958,915	100.00%	A-1
<u>Base Day/Max. Day Allocation</u>				
Average Day	Base Cost	958,915	70.84%	A-2
Maximum Day Excess	Max-Day X-Cap	394,752	29.16%	A-2
Total Maximum Day		<u>1,353,667</u>	<u>100.00%</u>	
<u>Base Day/Max. Hour Allocation</u>				
Average Day	Base Cost	958,915	45.70%	A-3
Maximum Hour Excess	Max-Hour X-Cap	1,139,269	54.30%	A-3
Total Maximum Hour		<u>2,098,184</u>	<u>100.00%</u>	
<u>Base Day/Max. Day/Max. Hour Allocation</u>				
Average Day	Base Cost	958,915	45.71%	A-4
Maximum Day Excess	Max-Day X-Cap	394,752	18.81%	A-4
Maximum Hour Excess	Max-Hour X-Cap	744,517	35.48%	A-4
Total Maximum Hour		<u>2,098,184</u>	<u>100.00%</u>	
<u>Commercial</u>				
Commercial Cost Factor	Cust. Cost-Comm.	100	100.000%	A-5
<u>Meters</u>				
Meter Cost Factor	Cust. Cost-Meters	100	100.000%	A-6
<u>Services</u>				
Services Cost Factor	Cust. Cost-Services	100	100.000%	A-7
<u>Fire Protection</u>				
Fire Protection Cost Factor	Fire Protection	100	100.000%	A-8

AUDUBON WATER COMPANY

Development Of Unit Costs Of Service By Functional Costs

Description	Total Cost*	Alloc. Code	1,000 Gallons			Customer Equivalents			Direct Fire Prot	Proof
			Base Commodity	Demand		Bills	Meters	Service		
				Maximum Day	Maximum Hour					
Total System Units (See Sch. K-9)			271,712	921	2,173	20,650	4,237	4,094	1	
O&M Operating Deductions	\$ 2,128,620		\$ 1,317,552	\$ 224,166	\$ 179,612	\$ 221,341	\$ 63,063	\$ 111,088	\$ 11,799	-
Unit cost (per 1,000 gal or per Equiv Unit)			\$ 4.8491	\$ 243.3941	\$ 82.6560	\$ 10.7187	\$ 14.8838	\$ 27.1342	\$ 11,799	
Total Depreciation Expense	\$ 166,634		\$ 59,325	\$ 18,036	\$ 36,278	\$ -	\$ 5,870	\$ 44,292	\$ 2,833	-
Unit cost (per 1,000 gal or per Equiv Unit)			\$ 0.2183	\$ 19.5832	\$ 16.6950	\$ -	\$ 1.3853	\$ 10.8187	\$ 2,833	
Total Net Rate Base	\$ 2,546,370		\$ 954,236	\$ 291,238	\$ 524,948	\$ 27,668	\$ 131,474	\$ 572,847	\$ 43,961	-
Unit cost (per 1,000 gal or per Equiv Unit)			\$ 3.5119	\$ 316.2189	\$ 241.5773	\$ 1.3398	\$ 31.0299	\$ 139.9235	\$ 43,961	
RofR	9.06%		9.06%	9.06%	9.06%	9.06%	9.06%	9.06%	9.06%	
Total Net Income	\$ 230,701		\$ 86,454	\$ 26,386	\$ 47,560	\$ 2,507	\$ 11,912	\$ 51,900	\$ 3,983	-
Unit cost (per 1,000 gal or per Equiv Unit)			\$ 0.3182	\$ 28.6494	\$ 21.8869	\$ 0.1214	\$ 2.8113	\$ 12.6771	\$ 3,983	
Total Taxes	\$ 70,970		\$ 26,596	\$ 8,117	\$ 14,631	\$ 771	\$ 3,664	\$ 15,966	\$ 1,225	-
Unit cost (per 1,000 gal or per Equiv Unit)			\$ 0.0979	\$ 8.8133	\$ 6.7330	\$ 0.0373	\$ 0.8648	\$ 3.8998	\$ 1,225	
Other Revenue Credits	\$ (46,296)		\$ (28,656)	\$ (4,875)	\$ (3,906)	\$ (4,814)	\$ (1,372)	\$ (2,416)	\$ (257)	-
Unit cost (per 1,000 gal or per Equiv Unit)			\$ (0.1055)	\$ (5.2936)	\$ (1.7977)	\$ (0.2331)	\$ (0.3237)	\$ (0.5901)	\$ (257)	
Total Allocated Costs	<u>\$ 2,550,628</u>		<u>\$ 1,461,270</u>	<u>\$ 271,830</u>	<u>\$ 274,174</u>	<u>\$ 219,805</u>	<u>\$ 83,136</u>	<u>\$ 220,829</u>	<u>\$ 19,584</u>	-
Total Unit Cost of Service			\$ 5.3780	\$ 295.1465	\$ 126.1732	\$ 10.6443	\$ 19.6215	\$ 53.9396	\$ 19,584	

* Total Cost Source See Schedule K-3,p5.

COST OF SERVICE STUDY

**Distribution of Functional Cost Categories
To Customer Groups**

AUDUBON WATER COMPANY

Functional Cost Distribution To Customer Classes

Description	Total Cost	Alloc. Code	1,000 Gallons Demand			Customer Equivalents			Direct Fire Prot	Proof
			Base Commodity	Maximum Day	Maximum Hour	Bills	Meters	Service		
Total Unit Cost of Service (See Sch. K-7)			\$ 5.3780	\$ 295.1465	\$ 126.1732	\$ 10.6443	\$ 19.6215	\$ 53.9396	\$ 19,584	
<u>Residential</u>										
Units of Service			154,504	423	677	18,422	2,589	2,585	-	
Allocated Cost of Service	\$ 1,427,514		\$ 830,924	\$ 124,847	\$ 85,419	\$ 196,090	\$ 50,800	\$ 139,434	\$ -	-
<u>Commercial</u>										
Units of Service			28,391	62	71	1,832	1,161	231	-	
Allocated Cost of Service	\$ 234,686		\$ 152,687	\$ 18,299	\$ 8,958	\$ 19,500	\$ 22,781	\$ 12,460	\$ -	-
<u>Multi-Family</u>										
Units of Service			85,416	187	211	348	350	53	-	
Allocated Cost of Service	\$ 554,614		\$ 459,368	\$ 55,192	\$ 26,623	\$ 3,704	\$ 6,868	\$ 2,859	\$ -	-
<u>Public</u>										
Units of Service			3,401	9	14	48	137	10	-	
Allocated Cost of Service	\$ 26,452		\$ 18,291	\$ 2,656	\$ 1,766	\$ 511	\$ 2,688	\$ 539	\$ -	-
<u>Fire Protection</u>										
Units of Service			-	240	1,200	-	-	1,215	1	
Allocated Cost of Service	\$ 307,363		\$ -	\$ 70,835	\$ 151,408	\$ -	\$ -	\$ 65,537	\$ 19,584	-
<u>Totals</u>										
Units of Service			271,712	921	2,173	20,650	4,237	4,094	1	
Allocated Cost of Service	<u>\$ 2,550,628</u>		\$ 1,461,270	\$ 271,830	\$ 274,174	\$ 219,805	\$ 83,136	\$ 220,829	\$ 19,584	-
<u>Fire Protection Breakdown</u>										
Private	\$ 104,984							415		
Public	202,379							800		
Total Fire Protection	<u>\$ 307,363</u>							<u>1,215</u>		

*Customer Class Units - See Sch. K-9

AUDUBON WATER COMPANY

Development of Customer Group Functional Requirements - Base / Max Day/ Max Hour Demand

Customer Class	Base		Maximum Day Capacity			Maximum Hour Capacity		
	Annual Sales 1000 Gallons	Avg. Day 1000 GPD	Factor %	Total 1000 GPD	Extra 1000 GPD	Factor %	Total 1000 GPD	Extra 1000 GPD
Residential	154,504	423	200	846	423	360	1,523	677
Commercial	28,391	78	180	140	62	270	211	71
Multi-Family	85,416	234	180	421	187	270	632	211
Public	3,401	9	200	18	9	360	32	14
Fire Protection	0	0		240	240		1,440	1,200
	0	0		0	0		0	0
	0	0		0	0		0	0
Total System	271,712	744	224	1,665	921	417	3,838	2,173
Allocation Code								

	No. Cust.	Commercial Equivalent *		
		No. Bills	No. Meters	No. Services
Residential	2,584	18,422	2,589	2,585
Commercial	153	1,832	1,161	231
Multi-Family	29	348	350	53
Public	4	48	137	10
Private-Hyd	-	-	-	415
Public-Hyd	-	-	-	800
Totals	2,770	20,650	4,237	4,094

*Equivalent Bills See Sch. K-9,p2; Meters & Services See Sch. K-9,p3.

AUDUBON WATER COMPANY

Development of Equivalent No. Bills by Class and Meter Size

Bill Equivalent	Residential				Commercial				
	Monthly	Quarterly	Annual	Total	Monthly	Quarterly	Annual	Total	
5/8" - 3/4"	1.00	11,984	6,382	0	18,366	775	0	0	775
1"	1.00	48	8	0	56	168	0	0	168
1 1/2"	1.00	0		0	0	336		0	336
2"	1.00	0		0	0	384		0	384
3"	1.00	0		0	0	60		0	60
4"	1.00	0		0	0	37		0	37
6"	1.00	0		0	0	60		0	60
8"	1.00	0		0	0	12		0	12
10"	1.00	0		0	0	0		0	0
12"	1.00	0		0	0	0		0	0
Total		12,032	6,390	0	18,422	1,832	0	0	1,832

Bill Equivalent	Multi-Family				Public			
	Monthly	Quarterly	Annual	Total	Monthly	Quarterly	Annual	Total
5/8" - 3/4"	1.00	0	0	0	0	0	0	0
1"	1.00	12	0	12	0	0	0	0
1 1/2"	1.00	264		264	24		0	24
2"	1.00	36		36	0		0	0
3"	1.00	24		24	0		0	0
4"	1.00	0		0	12		0	12
6"	1.00	0		0	12		0	12
8"	1.00	0		0	0		0	0
10"	1.00	12		12	0		0	0
12"	1.00	0		0	0		0	0
Total		348	0	348	48	0	0	48

Bill Equivalent	Total				
	Monthly	Quarterly	Annual	Total	
5/8" - 3/4"	1.00	12,759	6,382	0	19,141
1"	1.00	228	8	0	236
1 1/2"	1.00	624	0	0	624
2"	1.00	420	0	0	420
3"	1.00	84	0	0	84
4"	1.00	49	0	0	49
6"	1.00	72	0	0	72
8"	1.00	12	0	0	12
10"	1.00	12	0	0	12
12"	1.00	0	0	0	0
Total		14,260	6,390	0	20,650

AUDUBON WATER COMPANY

Development of Equivalent No. Meters by Class and Meter Size

5/8" Dollar Equivalent	Residential		Commercial		Multi-Family		Public		Total		
	No. Of Meters	Equivalent No. Meters	No. Of Meters	Equivalent No. Meters	No. Of Meters	Equivalent No. Meters	No. Of Meters	Equivalent No. Meters	No. Of Meters	Equivalent No. Meters	
5/8" - 3/4"	1.00	2,578	2,578	65	65	0	0	0	0	2,643	2,643
1"	1.80	6	11	14	25	1	2	0	0	21	38
1 1/2"	4.13	0	0	28	116	22	91	2	8	52	215
2"	5.85	0	0	32	187	3	18	0	0	35	205
3"	19.58	0	0	5	98	2	39	0	0	7	137
4"	50.03	0	0	3	150	0	0	1	50	4	200
6"	79.03	0	0	5	395	0	0	1	79	6	474
8"	125.00	0	0	1	125	0	0	0	0	1	125
10"	200.00	0	0	0	0	1	200	0	0	1	200
12"	320.00	0	0	0	0	0	0	0	0	0	0
Total		2,584	2,589	153	1,161	29	350	4	137	2,770	4,237

Development of Equivalent No. Services by Class and Meter Size

5/8" Dollar Equivalent	Residential		Commercial		Multi-Family		Public		Fire Protection		Total		
	No. Of Services	Equivalent No. Service	No. Of Services	Equivalent No. Service	No. Of Services	Equivalent No. Service	No. Of Services	Equivalent No. Service	No. Of Services	Equivalent No. Service	No. Of Services	Equivalent No. Service	
3/4"	1.00	2,578	2,578	65	65	0	0	0	0	0	0	2,643	2,643
1"	1.20	6	7	14	17	1	1	0	0	0	0	21	25
1 1/2"	1.50	0	0	28	42	22	33	2	3	0	0	52	78
2"	1.90	0	0	32	61	3	6	0	0	0	0	35	67
3"	2.20	0	0	5	11	2	4	0	0	0	0	7	15
4"	2.70	0	0	3	8	0	0	1	3	14	38	18	49
6"	4.00	0	0	5	20	0	0	1	4	37	148	43	172
Private Hyd	4.00	0	0	0	0	0	0	0	0	36	144	36	144
Public Hyd	4.00	0	0	0	0	0	0	0	0	200	800	200	800
8"	6.50	0	0	1	7	0	0	0	0	13	85	14	92
10"	8.90	0	0	0	0	1	9	0	0	0	0	1	9
12"	11.40	0	0	0	0	0	0	0	0	0	0	0	0
Total		2,584	2,585	153	231	29	53	4	10	300	1,215	3,070	4,094

COST OF SERVICE STUDY

Development of Customer Rates

AUDUBON WATER COMPANY
Development of Private and Public Fire Protection Rates

Description	Total Cost	Alloc. Code	1,000 Gallons			Customer Equivalents			Direct Fire Prot	Proof
			Base Commodity	Maximum Day	Maximum Hour	Bills	Meters	Service		
Per Cost Allocation Study										
Total Fire Protection	\$ 307,363		\$ -	\$ 70,835	\$ 151,408	\$ -	\$ -	\$ 65,537	\$ 19,584	-
FP Equivalent Units	1,215									
Unit Cost	\$ 252.97									

Cost To Recoup Fire Protection Service Revenue Requirement by Size and Billing Frequency

Meter Size	Cost Per Study		1	4	12
	Equivalent	\$ 252.9739	Annual	Quarterly	Monthly
5/8" - 3/4"	1.00	252.97	252.97	63.24	21.08
1"	1.20	303.57	303.57	75.89	25.30
1 1/2"	1.50	379.46	379.46	94.87	31.62
2"	1.90	480.65	480.65	120.16	40.05
3"	2.20	556.54	556.54	139.14	46.38
4"	2.70	683.03	683.03	170.76	56.92
6"	4.00	1,011.90	1,011.90	252.97	84.32
8"	6.50	1,644.33	1,644.33	411.08	137.03
10"	8.90	2,251.47	2,251.47	562.87	187.62
12"	11.40	2,883.90	2,883.90	720.98	240.33
Total					

Fire Protection Service	No. of Fire Protection Units Billed				Total Base Fire Protection Cust. Charge Revenue						
	Annual	Quarterly	Monthly	Total	Annual	Quarterly	Monthly	Total			
1"	303.57	75.89	25.30	-	\$ -	\$ -	\$ -	\$ -			
2"	480.65	120.16	40.05	-	-	-	-	-			
3"	556.54	139.14	46.38	-	-	-	-	-			
4"	683.03	170.76	56.92	14	-	-	-	9,562			
6"	1,011.90	252.97	84.32	37	14	-	-	37,440			
Private Hyd	1,011.90	252.97	84.32	8	336	-	28,332	36,427			
Public Hyd @ 25%	252.98	63.24	21.08	25	2,100	-	44,268	50,593			
8"	1,644.33	411.08	137.03	13	13	-	-	21,376			
10"	2,251.47	562.87	187.62								
Total Fire Protection Only Charges				97	-	2,436	2,533	\$ 82,799	\$ -	\$ 72,600	\$ 155,398

Total Per Cost Study		307,363
Over/(Under) Study		\$ (151,965)
<u>Shift Shortfall due to Public Fire Protection limitation of 25% of cost of service.</u>		
Shift to Meter Charge	100%	\$ 151,965
Shift to Usage Charge	0%	-
Total Reallocated	100%	\$ 151,965

AUDUBON WATER COMPANY

Development of Customer Charge

Cost To Render Bill by Meter Size and Billing Frequency

Per Cost Allocation Study						
Total Bill Costs	\$	219,805				
Total # Bills		20,650				
Unit Cost	\$	10.6443				
Meter Size	Cost Per Bill		Annual	Quarterly	Monthly	
	Equivalent	\$ 10.6443	1	1	1	
5/8" - 3/4"	1	10.64	10.64	10.64	10.64	
1"	1	10.64	10.64	10.64	10.64	
1 1/2"	1	10.64	10.64	10.64	10.64	
2"	1	10.64	10.64	10.64	10.64	
3"	1	10.64	10.64	10.64	10.64	
4"	1	10.64	10.64	10.64	10.64	
6"	1	10.64	10.64	10.64	10.64	
8"	1	10.64	10.64	10.64	10.64	
10"	1	10.64	10.64	10.64	10.64	
12"	1	10.64	10.64	10.64	10.64	
Total	1	10.64	10.64	10.64	10.64	

Cost To Recoup Meter Revenue Requirement by Meter Size and Billing Frequency

Per Cost Allocation Study (Reallocation of Public Fire Protection From Sch. K-10)					
	Meter	Pub. Fire Shortfall	Total		
Total Costs	\$ 83,136	\$ 151,965	\$ 235,102		
Total # Meter Equiv.	4,237	4,237	4,237		
Unit Cost	\$ 19.6215	\$ 35.8662	\$ 55.4877		
Meter Size	Cost Per Meter		1	4	12
	Equivalent	\$ 55.4877	Annual	Quarterly	Monthly
5/8" - 3/4"	1.00	55.49	55.49	13.87	4.62
1"	1.80	99.88	99.88	24.97	8.32
1 1/2"	4.13	229.16	229.16	57.29	19.10
2"	5.85	324.60	324.60	81.15	27.05
3"	19.58	1,086.45	1,086.45	271.61	90.54
4"	50.03	2,776.05	2,776.05	694.01	231.34
6"	79.03	4,385.20	4,385.20	1,096.30	365.43
8"	125.00	6,935.97	6,935.97	1,733.99	578.00
10"	200.00	11,097.55	11,097.55	2,774.39	924.80
12"	320.00	17,756.07	17,756.07	4,439.02	1,479.67
Total					

Cost To Recoup Service Revenue Requirement by Meter Size and Billing Frequency

Per Cost Allocation Study							
Total Service Costs	\$	220,829					
Total # Service Equiv.		4,094					
Unit Cost	\$	53.9396					
Meter Size	Cost Per Service		1	4	12		
	Equivalent	\$ 53.9396	Annual	Quarterly	Monthly		
5/8" - 3/4"	1.00	53.94	53.94	13.48	4.49		
1"	1.20	64.73	64.73	16.18	5.39		
1 1/2"	1.50	80.91	80.91	20.23	6.74		
2"	1.90	102.49	102.49	25.62	8.54		
3"	2.20	118.67	118.67	29.67	9.89		
4"	2.70	145.64	145.64	36.41	12.14		
6"	4.00	215.76	215.76	53.94	17.98		
8"	6.50	350.61	350.61	87.65	29.22		
10"	8.90	480.06	480.06	120.02	40.01		
12"	11.40	614.91	614.91	153.73	51.24		
Total							
	Customer Items				#Equiv. Meters	Fire Prot. Unit/Realloc. \$ 35.8662	Total Adj. Cust. Items
	Bills	Meters	Service	Total			
Residential	\$ 196,090	\$ 50,800	\$ 139,434	\$ 386,324	2,589	\$ 92,858	\$ 479,181
Commercial	19,500	22,781	12,460	54,741	1,161	41,641	96,382
Multi-Family	3,704	6,868	2,859	13,431	350	12,553	25,984
Public	511	2,688	539	3,738	137	4,914	8,652
Total Allocated	\$ 219,805	\$ 83,136	\$ 155,292	\$ 458,234	4,237	\$ 151,965	\$ 610,199

AUDUBON WATER COMPANY

Development Of Customer Charge

Total Indicated Meter Charge (SUM OF: Bill / Meter / Service from Sch. K-11 p1)

Meter Size				No. of Bills				Total Meter Size Cust. Charge Revenue			
	Annual	Quarterly	Monthly	Annual	Quarterly	Monthly	Total	Annual	Quarterly	Monthly	Total
5/8" - 3/4"	120.07	37.99	19.75	0	6,382	12,759	19,141	\$ -	\$ 242,452	\$ 251,990	\$ 494,442
1"	175.25	51.79	24.35	0	8	228	236	-	414	5,552	5,966
1 1/2"	320.71	88.16	36.48	0	-	624	624	-	-	22,764	22,764
2"	437.73	117.41	46.23	0	-	420	420	-	-	19,417	19,417
3"	1,215.76	311.92	111.07	0	-	84	84	-	-	9,330	9,330
4"	2,932.33	741.06	254.12	0	-	49	49	-	-	12,452	12,452
6"	4,611.60	1,160.88	394.05	0	-	72	72	-	-	28,372	28,372
8"	7,297.22	1,832.28	617.86	0	-	12	12	-	-	7,414	7,414
10"	11,588.25	2,905.05	975.45	0	-	12	12	-	-	11,705	11,705
12"	18,381.62	4,603.39	1,541.55	0	-	-	-	-	-	-	-
Total Meter Charge (Bill / Meter / Service) Revenues				-	6,390	14,260	20,650	\$ -	\$ 242,867	\$ 368,995	\$ 611,862

Total Adjusted Per Cost Study 610,199
Over/(Under) Study \$ 1,663

Analysis of Current vs. Indicated Customer Monthly Charge			
	Current	Indicated	% Inc.
5/8" - 3/4"	\$ 10.88	\$ 19.75	82%

Use Alternative in Lieu of Indicated see below:

	% Inc.
Proposed 5/8" - 3/4" & 1" Cust. Increase at	27.00%
Balance Meter Size At	27.00%

Meter Size				No. of Bills				Total Meter Size Cust. Charge Revenue			
	Annual	Quarterly	Monthly	Annual	Quarterly	Monthly	Total	Annual	Quarterly	Monthly	Total
5/8" - 3/4"	165.84	41.46	13.82	-	6,382	12,759	19,141	\$ -	\$ 264,598	\$ 176,329	\$ 440,927
1"	422.16	105.54	35.18	-	8	228	236	-	844	8,021	8,865
1 1/2"	718.68	179.67	59.89	-	-	624	624	-	-	37,371	37,371
2"	1,148.28	287.07	95.69	-	-	420	420	-	-	40,190	40,190
3"	2,156.28	539.07	179.69	-	-	84	84	-	-	15,094	15,094
4"	3,588.84	897.21	299.07	-	-	49	49	-	-	14,654	14,654
6"	7,177.68	1,794.42	598.14	-	-	72	72	-	-	43,066	43,066
8"	11,485.32	2,871.33	957.11	-	-	12	12	-	-	11,485	11,485
10"	13,912.32	3,478.08	1,159.36	-	-	12	12	-	-	13,912	13,912
12"	21,751.56	5,437.89	1,812.63	-	-	-	-	-	-	-	-
Total Meter Charge (Bill / Meter / Service) Revenues				-	6,390	14,260	20,650	\$ -	\$ 265,442	\$ 360,124	\$ 625,566

Total Adjusted Per Cost Study 610,199
Over/(Under) Study \$ 15,367

AUDUBON WATER COMPANY

Development of Volumetric Usage Rates 1st and 2nd Blocks

Cust. Class	Per Cost of Service Study Before Adjustments				Proposed Usage Rate Proof Of Revenue		
	Base Commodity	Demand		Total Cost	1st Block	2nd Block	Totals
		Maximum Day	Maximum Hour				
Residential	154,504	423	677	154,504	154,504	0	154,504
Indicated 1ST Block Rate -	\$ 830,924	\$ 124,847	\$ 85,419	\$ 1,041,190	\$ 1,094,445	\$ -	\$ 1,094,445
				\$ 6.7389	\$ 7.0836		
Commercial	28,391	62	71	28,391	22,797	5594	28,391
	\$ 152,687	\$ 18,299	\$ 8,958	\$ 179,945	\$ 161,485	\$ 26,137	\$ 187,622
				\$ 6.3381	\$ 7.0836		
Multi-Family	85,416	187	211	85,416	28,426	56990	85,416
	\$ 459,368	\$ 55,192	\$ 26,623	\$ 541,183	\$ 201,358	\$ 266,280	\$ 467,638
				\$ 6.3359	\$ 7.0836		
Public	3,401	9	14	3,401	1,686	1715	3,401
	\$ 18,291	\$ 2,656	\$ 1,766	\$ 22,713	\$ 11,943	\$ 8,013	\$ 19,956
				\$ 6.6784	\$ 7.0836		
Totals				271,712	207,413	64,299	271,712
				\$ 1,785,032	\$ 1,469,231	\$ 300,434	\$ 1,769,661
				\$ 6.5696	\$ 7.0836	\$ 4.6724	

Rate Design Assumptions:

Revenues To be Collected from usage per cost of service study	\$ 1,785,032
Adjustments	
Proposed Cust. Charge Revenue in excess of Cost of Ser. Study	15,367
Adjusted Amount to be recovered from usage rates	\$ 1,769,664
Revenue from 1st block at 207,413 \$ 7.0836	1,469,231
Balance to be recovered from 2nd block	\$ 300,434
2nd block usage	64,299
Proposed Second Block Rate	\$ 4.6724

	1st Block	2nd Block
Current Rate	\$ 5.5776	\$ 3.7304
Gross Up Rate	1.27	1.25
Proposed Rate	\$ 7.0836	\$ 4.6724

Note: Cost of Service Study Residential indicates 26.44% increase after public fire protection reallocation.
 Cust. Charge residential indicated an increase of 82%
 Propose Cust. Chrg. Increase of 27% 1st block at 27% balance 2nd Block 25%
 Net Overall Increase to Residential Class Of 27%

AUDUBON WATER COMPANY

SECTION L

BILL ANALYSIS

AUDUBON WATER COMPANY
 Bill Frequency Analysis A Twelve Months Ended 9/30/11

Schedule L-1
 Page 1 of 3

Class & MeterSize	Customers		Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11	Jul 11	Aug 11	Sep 11	Customers		Usage		Total
	Acct.No	# Beg													# End	# Bills	1st	2nd	
Residential Customers																			
R-Q- 5/8 & 3/4	<u>Meter Bk</u>																		
	1	160			160			160			160			160	160	640			
	Usage				1760			1578			1727			1714			6779		6779
	2	108	108				108			108			108	108	432				
	Usage		1660				1497			1451			1730			6338		6338	
	3	109			109			109			108			109	109	435			
	Usage				1605			1491			1649			1684			6429		6429
	4	234			234			234			234			234	234	936			
	Usage				3432			3184			3717			3853			14186		14186
	5	220	220				219			219			220	220	878				
	Usage		2897				2660			2380			3248			11185		11185	
	6	259	259				259			258			258	258	1034				
	Usage		3847				3566			3257			4302			14972		14972	
	8	83		83				82			83			82	82	330			
	Usage			1179				1069			1026			1262			4536		4536
	9	103		103				101			103			102	102	409			
	Usage			1485				1374			1272			1736			5867		5867
	10	174		174				171			175			175	175	695			
	Usage			2915				2428			2279			3077			10699		10699
	11	149		149				147			149			148	148	593			
	Usage			2428				2170			2192			2730			9520		9520
Totals R-Q 5/8 & 3/4	Custs'	1599	587	509	503	0	586	1004	585	510	502	586	507	503	1596	6382			
	Usage		8404	8007	6797	0	7723	13294	7088	6769	7093	9280	8805	7251			90511	0	90511
R-Q -1	<u>Meter Bk</u>																		
	5	1	1				1			1				1	1	4			
	Usage		16				13			13				26			68		68
R-Q -1	10	1		1				1		1				1	1	4			
	Usage			23				21		32				28			104		104
Totals R-Q-1	Custs'	2	1	1	0	0	1	1	1	1	0	1	1	0	2	8			
	Usage		16	23	0	0	13	21	13	32	0	26	28	0			172		172
Monthly's	<u>Meter Bk</u>																		
R-M- 1	115	4	4	4	4	4	4	4	4	4	4	4	4	4	4	48			
	Usage		35	26	23	25	25	19	24	22	26	28	19	28			300		300
R-M- 5/8 & 3/4	114	326	326	324	326	325	326	325	326	325	323	321	325	324	324	3896			
	Usage		1685	1852	1580	1696	1755	1530	1611	1600	2042	2033	2423	1740			21547		21547
	115	209	209	210	210	211	210	212	212	211	213	213	212	212	212	2535			
	Usage		1243	1239	1027	1105	1145	970	1044	1032	1393	1579	1889	1161			14827		14827
	116	222	222	221	220	220	222	220	221	220	220	221	222	221	221	2650			
	Usage		1863	1546	1078	1173	1235	1097	1134	1104	1747	2813	3328	1685			19803		19803
Totals	Custs'	757	757	755	756	756	758	757	759	756	756	755	759	757	757	9081			
	Usage		4791	4637	3685	3974	4135	3597	3789	3736	5182	6425	7640	4586			56177	0	56177
R-TP-M- 5/8 & 3/4	117	218	218	218	219	219	220	219	219	217	218	219	217	220	220	2843			
	Usage		501	723	570	581	591	513	510	455	530	487	609	532			6602		6602
Usage Adjustments	Usage		14	13	34	12	2	14	51	20	49	42	47	84			382		382
Total Residential	Custs'	2580	1567	1487	1482	979	1569	1985	1568	1488	1480	1565	1488	1484	2579	18362			
	Usage		13761	13429	11109	4592	12489	17458	11475	11034	12880	16288	17148	12481			154144	0	154144

AUDUBON WATER COMPANY
 Bill Frequency Analysis Twelve Months Ended 9/30/11

Class & MeterSize	Customers		Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11	Jul 11	Aug 11	Sep 11	Customers		Usage		Total
	Acct No	# Beg													# End	# Bills	1st	2nd	
Commercial Customers																			
	<u>Meter Bk</u>																		
C-M- 5/8	107	62	62	62	60	62	62	62	61	61	61	62	62	62	62	739			
	Usage		199	193	203	172	219	174	212	194	231	210	220	225			2452	0	2452
C-M- 3/4	107	3	3	3	3	3	3	3	3	3	3	3	3	3	3	36			
	Usage		49	12	4	3	4	4	4	5	4	12	63	6			170	0	170
C-M- 1	107	14	14	14	14	14	14	14	14	14	14	14	14	14	14	168			
	Usage		50	35	24	17	29	21	25	25	34	34	56	31			381	0	381
C-M- 1 1/2	107	28	28	28	28	28	28	28	28	28	28	28	28	28	28	336			
	Usage		373	388	268	236	273	264	271	249	268	321	427	393			3731	0	3731
C-M- 2	107	32	32	32	32	32	32	32	32	32	32	32	32	32	32	384			
	Usage		1511	1231	885	849	1036	930	979	1135	1903	1983	3376	2128			13114	4832	17946
C-M- 3	107	5	5	5	5	5	5	5	5	5	5	5	5	5	5	60			
	Usage		182	196	167	147	149	188	271	262	320	426	471	429			2446	762	3208
C-M- 4	107	2	2	3	2	4	4	4	2	4	3	3	3	3	3	37			
	Usage		52	51	11	45	75	72	14	14	24	51	53	29			491	0	491
C-M- 6	107	5	5	5	5	5	5	5	5	5	5	5	5	5	5	60			
	Usage		0	1	0	0	0	0	0	0	0	0	0	0			1	0	1
C-M- 8	107	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12			
	Usage		0	0	0	0	0	0	0	0	11	0	0	0			11	0	11
C-M- 10	107	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
	Usage		0	0	0	0	0	0	0	0	0	0	0	0			0	0	0
Total Commercial	Custs' Usage	152	152	153	150	154	154	154	151	153	152	153	153	153	153	1832	22797	5594	28391
			2416	2107	1562	1469	1785	1653	1776	1884	2795	3037	4666	3241			28391		
Public Customers																			
	<u>Meter Bk</u>																		
P-M- 1 1/2	107	2	2	2	2	2	2	2	2	2	2	2	2	2	2	24			
	Usage		446	283	65	51	67	70	80	280	512	398	403	307			1247	1715	2962
P-M- 2	107	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
	Usage		0	0	0	0	0	0	0	0	0	0	0	0			0	0	0
P-M- 4	107	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12			
	Usage		31	52	29	22	31	31	36	32	30	12	59	34			399	0	399
P-M- 6	107	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12			
	Usage		30	0	0	0	10	0	0	0	0	0	0	0			40	0	40
Total Public	Custs' Usage	4	4	4	4	4	4	4	4	4	4	4	4	4	4	48	1686	1715	3401
			507	335	94	73	108	101	116	312	542	410	462	341			3401		

AUDUBON WATER COMPANY
 Bill Frequency Analysis / Twelve Months Ended 9/30/11

Class & MeterSize	Customers		Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11	Jul 11	Aug 11	Sep 11	Customers		Usage		Total
	Acct.No	# Beg													# End	# Bills	1st	2nd	
Multi-Family Customers																			
	Meter Bk																		
MF-M- 1	113	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12			
	Usage		13	13	0	1	4	2	1	57	28	37	48	32			236	0	236
MF-M- 1 1/2	113	26	26	22	22	22	22	22	22	22	22	22	22	22	22	268			
	Usage		2568	2622	2218	2053	2616	2115	2288	2240	2494	2241	2626	2348			22899	5530	28429
MF-M- 2	113	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12			
	Usage		186	205	175	170	195	163	190	189	213	180	191	185			1200	1042	2242
MF-M- 2	118	2	2	2	2	2	2	2	2	2	2	2	2	2	2	24			
	Usage		1950	2117	1814	1778	2032	1832	1841	1932	2216	1995	2173	2020			1200	22500	23700
MF-M- 3	113	0	0	2	2	2	2	2	2	2	2	2	2	2	2	22			
	Usage		0	60	491	369	468	397	443	465	539	465	510	502			2000	2709	4709
MF-M- 10	118	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12			
	Usage		2460	1600	1270	1260	1490	1370	1420	1660	2940	4580	4570	1480			1200	24900	26100
MF-M-		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
	Usage		0	0	0	0	0	0	0	0	0	0	0	0			0	0	0
Total Multi-Family	Custs' Usage	31	31	29	29	29	29	29	29	29	29	29	29	29	29	350	28735	56681	85416
			7177	6617	5968	5631	6805	5879	6183	6543	8430	9498	10118	6567			85416		
Grand Total Customers		2767	1754	1673	1665	1166	1756	2172	1752	1674	1665	1751	1674	1670	2765				
Grand Total Usage			23861	22488	18733	11765	21187	25091	19550	19773	24647	29233	32394	22630			271352		

AUDUBON METER COMPANY
 Bill Frequency Analysis Pro Twelve Months Ended 9/30/11

Class & MeterSize	Act. Cust. 9/30/11		Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11	Jul 11	Aug 11	Sep 11	Pro Forma Cust.		Usage		Total	
	Acct.No	# Beg													# End	# Bills	1st	2nd		
Residential Customers																				
R-Q- 5/8 & 3/4	Meter Bk																			
	1	160			160			160			160			160	160	640				
	Usage				1760			1578			1727			1714				6779	6779	
	2	108	108				108		108				108		108	432				
	Usage		1660				1497		1451				1730					6338	6338	
	3	109			109			109				108		109	109	435				
	Usage				1605			1491				1649		1684				6429	6429	
	4	234						234				234		234	234	936				
	Usage				3432			3184				3717		3853				14186	14186	
	5	220	220				219		219				220		220	878				
	Usage		2897				2660		2380				3248					11185	11185	
	6	258	259				259		258				258		258	1034				
	Usage		3847				3566		3257				4302					14972	14972	
	8	82		83				82		83			82		82	330				
	Usage			1179				1069		1026			1262					4536	4536	
	9	102		103				101		103			102		102	409				
	Usage			1485				1374		1272			1736					5867	5867	
	10	175		174				171		175			175		175	695				
	Usage			2915				2428		2279			3077					10699	10699	
	11	148		149				147		149			148		148	593				
	Usage			2428				2170		2192			2730					9520	9520	
Totals R-Q 5/8 & 3/4	Custs'	1596	587	509	503	0	586	1004	585	510	502	586	507	503	1596	6382				
	Usage		8404	8007	6797	0	7723	13294	7088	6769	7093	9280	8805	7251				90511	0	90511
	Meter Bk																			
R-Q -1	5	1	1				1		1				1		1	4				
	Usage		16				13		13				26					68	68	
R-Q -1	10	1		1				1		1			1		1	4				
	Usage			23				21		32			28					104	104	
Totals R-Q-1	Custs'	2	1	1	0	0	1	1	1	1	0	1	1	0	2	8				
	Usage		16	23	0	0	13	21	13	32	0	26	28	0				172	172	
	Meter Bk																			
Monthly's R-M- 1	115	4	4	4	4	4	4	4	4	4	4	4	4	4	4	48				
	Usage		35	26	23	25	25	19	24	22	26	28	19	28				300	300	
R-M- 5/8 & 3/4	114	324	326	324	326	325	326	325	326	325	323	321	325	324	324	3896				
	Usage		1685	1852	1580	1696	1755	1530	1611	1600	2042	2033	2423	1740				21547	21547	
	115	212	209	210	210	211	210	212	212	211	213	213	212	212	212	2535				
	Usage		1243	1239	1027	1105	1145	970	1044	1032	1393	1579	1889	1161				14827	14827	
	116	221	222	221	220	220	222	220	221	220	220	221	222	221	221	2650				
	Usage		1863	1546	1078	1173	1235	1097	1134	1104	1747	2813	3328	1685				19803	19803	
Totals	Custs'	757	757	755	756	756	758	757	759	756	755	755	759	757	757	9081				
	Usage		4791	4637	3685	3974	4135	3597	3789	3736	5182	6425	7640	4586				56177	0	56177
R-TP-M- 5/8 & 3/4	117	220	218	218	219	219	220	219	219	217	218	219	217	220	220	2843				
	Usage		501	723	570	581	591	513	510	455	530	487	609	532				6602	6602	
Usage Adjustments	Usage		14	13	34	12	2	14	51	20	49	42	47	84				382	382	
Total Residential	Custs'	2579	1567	1487	1482	979	1569	1985	1568	1488	1480	1565	1488	1484	2579	18362				
	Usage		13761	13429	11109	4592	12489	17458	11475	11034	12880	16288	17148	12481				154144	0	154144

AUDUBON WATER COMPANY
 Bill Frequency Analysis Pro Twelve Months Ended 9/30/11

Class & Meter Size	Act. Cust. 9/30/11		Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11	Jul 11	Aug 11	Sep 11	Pro Forma Cust.		Usage		Total
	Acct.No	# Beg													# End	# Bills	1st	2nd	
Commercial Customers																			
	<u>Meter Bk</u>																		
C-M- 5/8	107	62	62	62	60	62	62	62	61	61	61	62	62	62	62	739			
	Usage		199	193	203	172	219	174	212	194	231	210	220	225			2452	0	2452
C-M- 3/4	107	3	3	3	3	3	3	3	3	3	3	3	3	3	3	36			
	Usage		49	12	4	3	4	4	4	5	4	12	63	6			170	0	170
C-M- 1	107	14	14	14	14	14	14	14	14	14	14	14	14	14	14	168			
	Usage		50	35	24	17	29	21	25	25	34	34	56	31			381	0	381
C-M- 1 1/2	107	28	28	28	28	28	28	28	28	28	28	28	28	28	28	336			
	Usage		373	388	268	236	273	264	271	249	268	321	427	393			3731	0	3731
C-M- 2	107	32	32	32	32	32	32	32	32	32	32	32	32	32	32	384			
	Usage		1511	1231	885	849	1036	930	979	1135	1903	1983	3376	2128			13114	4832	17946
C-M- 3	107	5	5	5	5	5	5	5	5	5	5	5	5	5	5	60			
	Usage		182	196	167	147	149	188	271	262	320	426	471	429			2446	762	3208
C-M- 4	107	3	2	3	2	4	4	4	2	4	3	3	3	3	3	37			
	Usage		52	51	11	45	75	72	14	14	24	51	53	29			491	0	491
C-M- 6	107	5	5	5	5	5	5	5	5	5	5	5	5	5	5	60			
	Usage		0	1	0	0	0	0	0	0	0	0	0	0			1	0	1
C-M- 8	107	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12			
	Usage		0	0	0	0	0	0	0	0	11	0	0	0			11	0	11
C-M- 10	107	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
	Usage		0	0	0	0	0	0	0	0	0	0	0	0			0	0	0
Total Commercial	Custs'	153	152	153	150	154	154	154	151	153	152	153	153	153	153	1832			
	Usage		2416	2107	1562	1469	1785	1653	1776	1884	2795	3037	4666	3241			22797	5594	28391
																	28391		
Public Customers																			
	<u>Meter Bk</u>																		
P-M- 1 1/2	107	2	2	2	2	2	2	2	2	2	2	2	2	2	2	24			
	Usage		446	283	65	51	67	70	80	280	512	398	403	307			1247	1715	2962
P-M- 2	107	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
	Usage		0	0	0	0	0	0	0	0	0	0	0	0			0	0	0
P-M- 4	107	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12			
	Usage		31	52	29	22	31	31	36	32	30	12	59	34			399	0	399
P-M- 6	107	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12			
	Usage		30	0	0	0	10	0	0	0	0	0	0	0			40	0	40
Total Public	Custs'	4	4	4	4	4	4	4	4	4	4	4	4	4	4	48			
	Usage		507	335	94	73	108	101	116	312	542	410	462	341			1686	1715	3401
																	3401		

AUDUBON WATER COMPANY
 Bill Frequency Analysis Pro Twelve Months Ended 9/30/11

Class & MeterSize	Act. Cust. 9/30/11		Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11	Jul 11	Aug 11	Sep 11	Pro Forma Cust.		Usage		Total	
	Acct.No	# Beg													# End	# Bills	1st	2nd		
Multi-Family Customers																				
	Meter Bk																			
MF-M- 1	113	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12				
	Usage		13	13	0	1	4	2	1	57	28	37	48	32			236	0	236	
MF-M- 1 1/2	113	22	22	22	22	22	22	22	22	22	22	22	22	22	22	264				
	Usage		2165	2264	2218	2053	2616	2115	2288	2240	2494	2241	2626	2348			22190	5478	27668	
MF-M- 2	113	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12				
	Usage		186	205	175	170	195	163	190	189	213	180	191	185			1200	1042	2242	
MF-M- 2	118	2	2	2	2	2	2	2	2	2	2	2	2	2	2	24				
	Usage		1950	2117	1814	1778	2032	1832	1841	1932	2216	1995	2173	2020			1200	22500	23700	
MF-M- 3	113	2	2	2	2	2	2	2	2	2	2	2	2	2	2	24				
	Usage		403	418	491	369	468	397	443	465	539	465	510	502			2400	3070	5470	
MF-M- 10	118	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12				
	Usage		2460	1600	1270	1260	1490	1370	1420	1660	2940	4580	4570	1480			1200	24900	26100	
MF-M-		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
	Usage		0	0	0	0	0	0	0	0	0	0	0	0			0	0	0	
Total Multi-Family	Custs'	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	348	28426	56990	85416
	Usage		7177	6617	5968	5631	6805	5879	6183	6543	8430	9498	10118	6567			85416			
Grand Total Customers		2765	1752	1673	1665	1166	1756	2172	1752	1674	1665	1751	1674	1670	2765					
Grand Total Usage			23861	22488	18733	11765	21187	25091	19550	19773	24647	29233	32394	22630			271352			

AUDUBON WATER COMPANY
 Bill Frequency Analysis Pro Twelve Months Ended 9/30/12

Class & MeterSize	Pro Forma Cust.		Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12	Pro Forma Cust.		Usage		Total
	Acct.No	# Beg													# End	# Bills	1st	2nd	
Residential Customers																			
R-Q- 5/8 & 3/4	Meter Bk																		
	1	160			160			160			160			160	160	640			
	Usage			1760				1578			1727			1714			6779		6779
	2	108	108				108		108			108			108	432			
	Usage		1660				1497		1451			1730					6338		6338
	3	109			109			109				108		109	109	435			
	Usage				1605			1491			1649			1684			6429		6429
	4	234			234			234			234			234	234	936			
	Usage				3432			3184			3717			3853			14186		14186
	5	220	220				219		219			220			220	878			
	Usage		2897				2660		2380			3248					11185		11185
	6	258	259				259		258			258			258	1034			
	Usage		3847				3566		3257			4302					14972		14972
	8	82		83				82		83			82		82	330			
	Usage			1179				1069		1026			1262				4536		4536
	9	102		103				101		103			102		102	409			
	Usage			1485				1374		1272			1736				5867		5867
	10	175		174				171		175			175		175	695			
	Usage			2915				2428		2279			3077				10699		10699
	11	148		149				147		149			148		148	593			
	Usage			2428				2170		2192			2730				9520		9520
Totals R-Q 5/8 & 3/4	Custs'	1596	587	509	503	0	586	1004	585	510	502	586	507	503	1596	6382			
	Usage		8404	8007	6797	0	7723	13294	7088	6769	7093	9280	8805	7251			90511	0	90511
	Meter Bk																		
R-Q -1	5	1	1				1		1			1			1	4			
	Usage		16				13		13			26					68		68
R-Q -1	10	1		1				1		1			1		1	4			
	Usage			23				21		32			28				104		104
Totals R-Q-1	Custs'	2	1	1	0	0	1	1	1	1	0	1	1	0	2	8			
	Usage		16	23	0	0	13	21	13	32	0	26	28	0			172		172
	Meter Bk																		
Monthly's	115	4	4	4	4	4	4	4	4	4	4	4	4	4	4	48			
	Usage		35	26	23	25	25	19	24	22	26	28	19	28			300		300
R-M- 5/8 & 3/4	114	324	326	324	326	325	326	325	326	325	323	321	325	324	324	3896			
	Usage		1685	1852	1580	1696	1755	1530	1611	1600	2042	2033	2423	1740			21547		21547
	115	212	209	210	210	211	210	212	212	211	213	213	212	212	212	2535			
	Usage		1243	1239	1027	1105	1145	970	1044	1032	1393	1579	1889	1161			14827		14827
	116	221	227	226	225	225	227	225	226	225	225	226	227	226	226	2710			
	Usage		1893	1576	1108	1203	1265	1127	1164	1134	1777	2843	3358	1715			20163		20163
Totals	Custs'	757	762	760	761	761	763	762	764	761	761	760	764	762	762	9141			
	Usage		4821	4667	3715	4004	4165	3627	3819	3766	5212	6455	7670	4616			56537	0	56537
R-TP-M- 5/8 & 3/4	117	220	218	218	219	219	220	219	219	217	218	219	217	220	220	2843			
	Usage		501	723	570	581	591	513	510	455	530	487	609	532			6602		6602
Usage Adjustments	Usage		14	13	34	12	2	14	51	20	49	42	47	84			382		382
Total Residential	Custs'	2579	1572	1492	1487	984	1574	1990	1573	1493	1485	1570	1493	1489	2584	18422			
	Usage		13791	13459	11139	4622	12519	17488	11505	11064	12910	16318	17178	12511			154504	0	154504

AUDUBON WATER COMPANY
 Bill Frequency Analysis Period: Twelve Months Ended 9/30/12

Class & Meter Size	Pro Forma Cust.		Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12	Pro Forma Cust.		Usage		Total
	Acct.No	# Beg													# End	# Bills	1st	2nd	
Commercial Customers																			
	<u>Meter Bk</u>																		
C-M- 5/8	107	62	62	62	60	62	62	62	61	61	61	62	62	62	62	739			
	Usage		199	193	203	172	219	174	212	194	231	210	220	225			2452	0	2452
C-M- 3/4	107	3	3	3	3	3	3	3	3	3	3	3	3	3	3	36			
	Usage		49	12	4	3	4	4	4	5	4	12	63	6			170	0	170
C-M- 1	107	14	14	14	14	14	14	14	14	14	14	14	14	14	14	168			
	Usage		50	35	24	17	29	21	25	25	34	34	56	31			381	0	381
C-M- 1 1/2	107	28	28	28	28	28	28	28	28	28	28	28	28	28	28	336			
	Usage		373	388	268	236	273	264	271	249	268	321	427	393			3731	0	3731
C-M- 2	107	32	32	32	32	32	32	32	32	32	32	32	32	32	32	384			
	Usage		1511	1231	885	849	1036	930	979	1135	1903	1983	3376	2128			13114	4832	17946
C-M- 3	107	5	5	5	5	5	5	5	5	5	5	5	5	5	5	60			
	Usage		182	196	167	147	149	188	271	262	320	426	471	429			2446	762	3208
C-M- 4	107	3	2	3	2	4	4	4	2	4	3	3	3	3	3	37			
	Usage		52	51	11	45	75	72	14	14	24	51	53	29			491	0	491
C-M- 6	107	5	5	5	5	5	5	5	5	5	5	5	5	5	5	60			
	Usage		0	1	0	0	0	0	0	0	0	0	0	0			1	0	1
C-M- 8	107	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12			
	Usage		0	0	0	0	0	0	0	0	11	0	0	0			11	0	11
C-M- 10	107	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
	Usage		0	0	0	0	0	0	0	0	0	0	0	0			0	0	0
Total Commercial	Custs' Usage	153	152 2416	153 2107	150 1562	154 1469	154 1785	154 1653	151 1776	153 1884	152 2795	153 3037	153 4666	153 3241	153	1832	22797 28391	5594	28391
Public Customers																			
P-M- 1 1/2	<u>Meter Bk</u>																		
	107	2	2	2	2	2	2	2	2	2	2	2	2	2	2	24			
	Usage		446	283	65	51	67	70	80	280	512	398	403	307			1247	1715	2962
P-M- 2	107	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
	Usage		0	0	0	0	0	0	0	0	0	0	0	0			0	0	0
P-M- 4	107	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12			
	Usage		31	52	29	22	31	31	36	32	30	12	59	34			399	0	399
P-M- 6	107	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12			
	Usage		30	0	0	0	10	0	0	0	0	0	0	0			40	0	40
Total Public	Custs' Usage	4	4 507	4 335	4 94	4 73	4 108	4 101	4 116	4 312	4 542	4 410	4 462	4 341	4	48	1686 3401	1715	3401

AUDUBON WATER COMPANY
 Bill Frequency Analysis Period: Twelve Months Ended 9/30/12

Class & Meter Size	Pro Forma Cust.		Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12	Pro Forma Cust.		Usage		Total
	Acct. No	# Beg													# End	# Bills	1st	2nd	
Multi-Family Customers																			
		<u>Meter Bk</u>																	
MF-M- 1	113	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12			
	Usage		13	13	0	1	4	2	1	57	28	37	48	32			236	0	236
MF-M- 1 1/2	113	22	22	22	22	22	22	22	22	22	22	22	22	22	22	264			
	Usage		2165	2264	2218	2053	2616	2115	2288	2240	2494	2241	2626	2348			22190	5478	27668
MF-M- 2	113	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12			
	Usage		186	205	175	170	195	163	190	189	213	180	191	185			1200	1042	2242
MF-M- 2	118	2	2	2	2	2	2	2	2	2	2	2	2	2	2	24			
	Usage		1950	2117	1814	1778	2032	1832	1841	1932	2216	1995	2173	2020			1200	22500	23700
MF-M- 3	113	2	2	2	2	2	2	2	2	2	2	2	2	2	2	24			
	Usage		403	418	491	369	468	397	443	465	539	465	510	502			2400	3070	5470
MF-M- 10	118	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12			
	Usage		2460	1600	1270	1260	1490	1370	1420	1660	2940	4580	4570	1480			1200	24900	26100
MF-M-		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
	Usage		0	0	0	0	0	0	0	0	0	0	0	0			0	0	0
Total Multi-Family	Custs'	29	29	29	29	29	29	29	29	29	29	29	29	29	29	348	28426	56990	85416
	Usage		7177	6617	5968	5631	6805	5879	6183	6543	8430	9498	10118	6567			85416		
Grand Total Customers		2765	1757	1678	1670	1171	1761	2177	1757	1679	1670	1756	1679	1675	2770				
Grand Total Usage			23891	22518	18763	11795	21217	25121	19580	19803	24677	29263	32424	22660			271712		

AUDUBON WATER COMPANY

SECTION M

**RATE DESIGN
&
PROOF OF REVENUE**

AUDUBON WATER COMPANY

Current And Proposed Tariff Rates

	Current Rates		Proposed Rates	
	Quarterly	Monthly	Quarterly	Monthly
Customer Charge Based on Meter Size				
5/8" & 3/4" Meter	\$ 32.64	\$ 10.88	\$ 41.46	\$ 13.82
1" Meter	\$ 83.08	\$ 27.70	\$ 105.54	\$ 35.18
1 1/2" Meter		\$ 47.16		\$ 59.89
2" Meter		\$ 75.35		\$ 95.69
3" Meter		\$ 141.49		\$ 179.69
4" Meter		\$ 235.49		\$ 299.07
6" Meter		\$ 470.98		\$ 598.14
8" Meter		\$ 753.63		\$ 957.11
10" Meter		\$ 912.88		\$ 1,159.36
12" Meter		\$ 1,427.27		\$ 1,812.63
Volumetric Rates per 1,000 gallons				
Residential Customers- all volumes	\$ 5.5776	\$ 5.5776	\$ 7.0836	\$ 7.0836
Non-Residential Customers				
First 300,000 quarterly/100,000 monthly	\$ 5.5776	\$ 5.5776	\$ 7.0836	\$ 7.0836
Over 300,000 quarterly/100,000 monthly	\$ 3.7304	\$ 3.7304	\$ 4.6724	\$ 4.6724
Temporary Rates/Water for Building Purposes				
Single Family Dwelling		\$ 110.62		\$ 140.49
Public Fire Protection				
Hydrants	\$ <u>Monthly</u> 16.37	\$ <u>Annual</u> 196.35	\$ <u>Monthly</u> 21.08	\$ <u>Annual</u> 252.98
Private Fire Protection				
1" Sprinkler		\$ 235.82	\$ 25.30	\$ 303.57
2" Sprinkler		\$ 373.38	\$ 40.06	\$ 480.65
3" Sprinkler		\$ 432.33	\$ 46.38	\$ 556.54
4" Sprinkler		\$ 530.59	\$ 56.92	\$ 683.03
6" Sprinkler		\$ 786.06	\$ 84.33	\$ 1,011.90
8" Sprinkler		\$ 1,277.34	\$ 137.03	\$ 1,644.33
10" Sprinkler			\$ 187.63	\$ 2,251.47
Hydrants	\$ 65.50	\$ 786.06	\$ 84.32	\$ 1,011.90

AUDUBON WATER COMP

Proof Of Revenues Under Proposed Rates by Customer Class
For the Pro Forma Twelve Months Ended September 30, 2012

Customer Classifications	Pro Forma TME		# Of Bills	Usage Totals			Typical Bill Usage*	Customer Charge			Volumetric Charge Revenue			Pro Forma 9/30/2012 Proposed Charges	Pro Forma 9/30/2012 Current Charges	Pro Forma Base Rate Increase
	9/30/11 No. Cust.	9/30/12 No. Cust.		1st Block	2nd Block	Total		Rates	Revenue	\$ 7.0836 1st Block	\$ 4.6724 2nd Block	Total Usage				
Residential																
5/8" & 3/4" Quarterly	1,596	1,596	6,382	90,511	-	90,511	14	\$ 41.46	\$ 264,598							
1" Quarterly	2	2	8	172	-	172	22	\$ 105.54	844							
1" Monthly	4	4	48	300	-	300	6	\$ 35.18	1,689							
5/8" & 3/4" Monthly	757	762	9,141	56,537	-	56,537	6	\$ 13.82	126,329							
5/8" Monthly Trailer Park	220	220	2,843	6,984	-	6,984	2	\$ 13.82	39,290							
Total Residential	2,579	2,584	18,422	154,504	-	154,504			\$ 432,750	\$ 1,094,445	\$ -	\$ 1,094,445	\$ 1,527,194	\$ 1,202,450	\$ 324,744	
Commercial																
5/8"	62	62	739	2,452	-	2,452	3	\$ 13.82	\$ 10,213							
3/4"	3	3	36	170	-	170	5	\$ 13.82	498							
1"	14	14	168	381	-	381	2	\$ 35.18	5,910							
1 1/2"	28	28	336	3,731	-	3,731	11	\$ 59.89	20,123							
2"	32	32	384	13,114	4,832	17,946	47	\$ 95.69	36,745							
3"	5	5	60	2,446	762	3,208	53	\$ 179.69	10,781							
4"	3	3	37	491	-	491	13	\$ 299.07	11,066							
6"	5	5	60	1	-	1	0	\$ 598.14	35,888							
8"	1	1	12	11	-	11	1	\$ 957.11	11,485							
10"	-	-	-	-	-	-	-	\$ 1,159.36	-							
Total Commercial	153	153	1,832	22,787	5,594	28,391	15		\$ 142,709	\$ 161,485	\$ 26,137	\$ 187,622	\$ 330,332	\$ 260,391	\$ 69,941	
Multi-Family																
1"	1	1	12	236	-	236	20	\$ 35.18	\$ 422							
1 1/2"	22	22	264	22,190	5,478	27,668	105	\$ 59.89	15,811							
2"	3	3	36	2,400	23,542	25,942	721	\$ 95.69	3,445							
3"	2	2	24	2,400	3,070	5,470	228	\$ 179.69	4,313							
10"	1	1	12	1,200	24,900	26,100	2175	\$ 1,159.36	13,912							
Total Multi-Family	29	29	348	28,426	56,990	85,416	245		\$ 37,903	\$ 201,358	\$ 266,280	\$ 467,638	\$ 505,541	\$ 400,990	\$ 104,551	
Public																
5/8"	-	-	-	-	-	-	-	\$ 13.82	\$ -							
1 1/2"	2	2	24	1,247	1,715	2,962	123	\$ 59.89	1,437							
4"	1	1	12	399	-	399	33	\$ 299.07	3,589							
6"	1	1	12	40	-	40	3	\$ 598.14	7,178							
Total Public	4	4	48	1,686	1,715	3,401	71		\$ 12,204	\$ 11,943	\$ 8,013	\$ 19,956	\$ 32,160	\$ 25,411	\$ 6,749	
Total Res, Comm, MF, Pub	2,765	2,770	20,650	207,413	64,299	271,712			\$ 625,566	\$ 1,469,231	\$ 300,431	\$ 1,769,661	\$ 2,395,227	\$ 1,889,242	\$ 505,985	
See Sch. L-3 for Res, Comm, MF, Pub Customers and Usage details * Typical Bill Current/Proposed Rates See Sch.'s M-3																
Fire Protection:																
Private - Billing Units																
4" Sprinkler - Annual	14	14	1					\$ 683.03	9,562							
6" Sprinkler - Annual	37	37	1					\$ 1,011.90	37,440							
8" Sprinkler - Annual	13	13	1					\$ 1,644.33	21,376							
10" Sprinkler - Annual	-	-	-													
Hydrants - Mthly	27	28	12					\$ 84.32	28,332							
Hydrants - Annual	8	8	1					\$ 1,011.90	8,095							
Total Private Fire Units	99	100							\$ 104,806				\$ 104,806	\$ 81,414	\$ 23,391	
Public - Hydrants Units Mthly	175	175	12					\$ 21.08	\$ 44,268				\$ 44,268			
Public - Hydrants Units Annua	25	25	1					\$ 252.98	6,325				\$ 6,325			
Total Private Fire Units	200	200							\$ 50,593				\$ 50,593	\$ 39,286	\$ 11,307	
Total Fire Protection Units	299	300							\$ 155,398				\$ 155,398	\$ 120,700	\$ 34,698	
Total Customers/Billing Units	3,064	3,070							\$ 780,964	\$ 1,469,231	\$ 300,431	\$ 1,769,661	\$ 2,550,625	\$ 2,009,942	\$ 540,683	

AUDUBON WATER COMPANY
 5/8"-3/4" Monthly
Residential Montly Bill Under Present and Proposed Rates

	<u>Usage</u> <u>1,000's</u>	<u>Present</u> <u>Rates</u>	<u>Proposed</u> <u>Rates</u>	<u>Amount</u>	<u>%</u>
Customer Charge					
5/8"-3/4" Monthly		\$ 10.88	\$ 13.82	\$ 2.94	27.02%
Volumetric Rates					
All Residential Usage		\$ 5.5776	\$ 7.0836	\$ 1.5060	27.00%
	0	\$ 10.88	\$ 13.82	\$ 2.94	27.02%
	1	16.46	20.90	4.44	26.97%
	2	22.04	27.99	5.95	27.00%
	3	27.61	35.07	7.46	27.02%
	4	33.19	42.15	8.96	27.00%
	5	38.77	49.24	10.47	27.01%
Typical Res. 5/8" Mthly	6	44.35	56.32	11.97	26.99%
	7	49.92	63.41	13.49	27.02%
	8	55.50	70.49	14.99	27.01%
	9	61.08	77.57	16.49	27.00%
	10	66.66	84.66	18.00	27.00%
	11	72.23	91.74	19.51	27.01%
	12	77.81	98.82	21.01	27.00%
	13	83.39	105.91	22.52	27.01%
	14	88.97	112.99	24.02	27.00%
	15	94.54	120.07	25.53	27.00%
	16	100.12	127.16	27.04	27.01%
	17	105.70	134.24	28.54	27.00%
	18	111.28	141.32	30.04	26.99%
	19	116.85	148.41	31.56	27.01%
	20	122.43	155.49	33.06	27.00%
	21	128.01	162.58	34.57	27.01%
	22	133.59	169.66	36.07	27.00%
	23	139.16	176.74	37.58	27.00%
	24	144.74	183.83	39.09	27.01%
	25	150.32	190.91	40.59	27.00%
	35	206.10	261.75	55.65	27.00%
	45	261.87	332.58	70.71	27.00%
	55	317.65	403.42	85.77	27.00%
	65	373.42	474.25	100.83	27.00%
	75	429.20	545.09	115.89	27.00%
	100	568.64	722.18	153.54	27.00%
	125	708.08	899.27	191.19	27.00%
	150	847.52	1,076.36	228.84	27.00%
	175	986.96	1,253.45	266.49	27.00%
	200	1,126.40	1,430.54	304.14	27.00%
	300	1,684.16	2,138.90	454.74	27.00%

AUDUBON WATER COMPANY
 5/8"-3/4" Quarterly
Residential Quarterly Bill Under Present and Proposed Rates

	<u>Usage</u> <u>1,000's</u>	<u>Present</u> <u>Rates</u>	<u>Proposed</u> <u>Rates</u>	<u>Amount</u>	<u>%</u>
Customer Charge 5/8"-3/4" Quarterly		\$ 32.64	\$ 41.46	\$ 8.82	27.02%
Volumetric Rates All Residential Usage		\$ 5.5776	\$ 7.0836	\$ 1.5060	27.00%
	0	\$ 32.64	\$ 41.46	\$ 8.82	27.02%
	1	38.22	48.54	10.32	27.00%
	2	43.80	55.63	11.83	27.01%
	3	49.37	62.71	13.34	27.02%
	4	54.95	69.79	14.84	27.01%
	5	60.53	76.88	16.35	27.01%
	6	66.11	83.96	17.85	27.00%
	7	71.68	91.05	19.37	27.02%
	8	77.26	98.13	20.87	27.01%
	9	82.84	105.21	22.37	27.00%
	10	88.42	112.30	23.88	27.01%
	11	93.99	119.38	25.39	27.01%
	12	99.57	126.46	26.89	27.01%
	13	105.15	133.55	28.40	27.01%
Typical Res.5/8" Qtly	14	110.73	140.63	29.90	27.00%
	15	116.30	147.71	31.41	27.01%
	16	121.88	154.80	32.92	27.01%
	17	127.46	161.88	34.42	27.00%
	18	133.04	168.96	35.92	27.00%
	19	138.61	176.05	37.44	27.01%
	20	144.19	183.13	38.94	27.01%
	21	149.77	190.22	40.45	27.01%
	22	155.35	197.30	41.95	27.00%
	23	160.92	204.38	43.46	27.01%
	24	166.50	211.47	44.97	27.01%
	25	172.08	218.55	46.47	27.00%
	35	227.86	289.39	61.53	27.00%
	45	283.63	360.22	76.59	27.00%
	55	339.41	431.06	91.65	27.00%
	65	395.18	501.89	106.71	27.00%
	75	450.96	572.73	121.77	27.00%
	100	590.40	749.82	159.42	27.00%
	125	729.84	926.91	197.07	27.00%
	150	869.28	1,104.00	234.72	27.00%
	175	1,008.72	1,281.09	272.37	27.00%
	200	1,148.16	1,458.18	310.02	27.00%
	300	1,705.92	2,166.54	460.62	27.00%

AUDUBON WATER COMPANY

5.8"-3/4"

Commercial/Public Monthly Bill Under Present and Proposed Rates

	<u>Usage</u> <u>1,000's</u>	<u>Present</u> <u>Rates</u>	<u>Proposed</u> <u>Rates</u>	<u>Amount</u>	<u>%</u>
Customer Charge 5.8"-3/4"		\$ 10.88	\$ 13.82	\$ 2.94	27.02%
Volumetric Rates					
First 100,000	100	\$ 5.5776	\$ 7.0836	\$ 1.5060	27.00%
All Over 100,000	100	\$ 3.7304	\$ 4.6724	\$ 0.9420	25.25%
	0	\$ 10.88	\$ 13.82	\$ 2.94	27.02%
	1	16.46	20.90	4.44	26.97%
	2	22.04	27.99	5.95	27.00%
	3	27.61	35.07	7.46	27.02%
	4	33.19	42.15	8.96	27.00%
	5	38.77	49.24	10.47	27.01%
	6	44.35	56.32	11.97	26.99%
	7	49.92	63.41	13.49	27.02%
	8	55.50	70.49	14.99	27.01%
	9	61.08	77.57	16.49	27.00%
	10	66.66	84.66	18.00	27.00%
	11	72.23	91.74	19.51	27.01%
	12	77.81	98.82	21.01	27.00%
	13	83.39	105.91	22.52	27.01%
	14	88.97	112.99	24.02	27.00%
	15	94.54	120.07	25.53	27.00%
	16	100.12	127.16	27.04	27.01%
	17	105.70	134.24	28.54	27.00%
	18	111.28	141.32	30.04	26.99%
	19	116.85	148.41	31.56	27.01%
	20	122.43	155.49	33.06	27.00%
	21	128.01	162.58	34.57	27.01%
	22	133.59	169.66	36.07	27.00%
	23	139.16	176.74	37.58	27.00%
	24	144.74	183.83	39.09	27.01%
	25	150.32	190.91	40.59	27.00%
	35	206.10	261.75	55.65	27.00%
	45	261.87	332.58	70.71	27.00%
	55	317.65	403.42	85.77	27.00%
	65	373.42	474.25	100.83	27.00%
	75	429.20	545.09	115.89	27.00%
	100	568.64	722.18	153.54	27.00%
	125	661.90	838.99	177.09	26.75%
	150	755.16	955.80	200.64	26.57%
	175	848.42	1,072.61	224.19	26.42%
	200	941.68	1,189.42	247.74	26.31%
	300	1,314.72	1,656.66	341.94	26.01%

AUDUBON WATER COMPANY

1"

Commercial/Public Monthly Bill Under Present and Proposed Rates

	<u>Usage</u> <u>1,000's</u>	<u>Present</u> <u>Rates</u>	<u>Proposed</u> <u>Rates</u>	<u>Amount</u>	<u>%</u>
Customer Charge 1"		\$ 27.70	\$ 35.18	\$ 7.48	27.00%
Volumetric Rates					
First 100,000	100	\$ 5.5776	\$ 7.0836	\$ 1.5060	27.00%
All Over 100,000	100	\$ 3.7304	\$ 4.6724	\$ 0.9420	25.25%
	0	\$ 27.70	\$ 35.18	\$ 7.48	27.00%
	1	33.28	42.26	8.98	26.98%
	2	38.86	49.35	10.49	26.99%
	3	44.43	56.43	12.00	27.01%
	4	50.01	63.51	13.50	26.99%
	5	55.59	70.60	15.01	27.00%
	6	61.17	77.68	16.51	26.99%
	7	66.74	84.77	18.03	27.02%
	8	72.32	91.85	19.53	27.00%
	9	77.90	98.93	21.03	27.00%
	10	83.48	106.02	22.54	27.00%
	11	89.05	113.10	24.05	27.01%
	12	94.63	120.18	25.55	27.00%
	13	100.21	127.27	27.06	27.00%
	14	105.79	134.35	28.56	27.00%
	15	111.36	141.43	30.07	27.00%
	16	116.94	148.52	31.58	27.01%
	17	122.52	155.60	33.08	27.00%
	18	128.10	162.68	34.58	26.99%
	19	133.67	169.77	36.10	27.01%
	20	139.25	176.85	37.60	27.00%
	21	144.83	183.94	39.11	27.00%
	22	150.41	191.02	40.61	27.00%
	23	155.98	198.10	42.12	27.00%
	24	161.56	205.19	43.63	27.01%
	25	167.14	212.27	45.13	27.00%
	35	222.92	283.11	60.19	27.00%
	45	278.69	353.94	75.25	27.00%
	55	334.47	424.78	90.31	27.00%
	65	390.24	495.61	105.37	27.00%
	75	446.02	566.45	120.43	27.00%
	100	585.46	743.54	158.08	27.00%
	125	678.72	860.35	181.63	26.76%
	150	771.98	977.16	205.18	26.58%
	175	865.24	1,093.97	228.73	26.44%
	200	958.50	1,210.78	252.28	26.32%
	300	1,331.54	1,678.02	346.48	26.02%

AUDUBON WATER COMPANY

1 1/2"

Commercial/Public Monthly Bill Under Present and Proposed Rates

	<u>Usage</u> <u>1,000's</u>	<u>Present</u> <u>Rates</u>	<u>Proposed</u> <u>Rates</u>	<u>Amount</u>	<u>%</u>
Customer Charge 1 1/2"		\$ 47.16	\$ 59.89	\$ 12.73	26.99%
Volumetric Rates					
First 100,000	100	\$ 5.5776	\$ 7.0836	\$ 1.5060	27.00%
All Over 100,000	100	\$ 3.7304	\$ 4.6724	\$ 0.9420	25.25%
	0	\$ 47.16	\$ 59.89	\$ 12.73	26.99%
	1	52.74	66.97	14.23	26.98%
	2	58.32	74.06	15.74	26.99%
	3	63.89	81.14	17.25	27.00%
	4	69.47	88.22	18.75	26.99%
	5	75.05	95.31	20.26	27.00%
	6	80.63	102.39	21.76	26.99%
	7	86.20	109.48	23.28	27.01%
	8	91.78	116.56	24.78	27.00%
	9	97.36	123.64	26.28	26.99%
	10	102.94	130.73	27.79	27.00%
	11	108.51	137.81	29.30	27.00%
	12	114.09	144.89	30.80	27.00%
	13	119.67	151.98	32.31	27.00%
	14	125.25	159.06	33.81	26.99%
	15	130.82	166.14	35.32	27.00%
	16	136.40	173.23	36.83	27.00%
	17	141.98	180.31	38.33	27.00%
	18	147.56	187.39	39.83	26.99%
	19	153.13	194.48	41.35	27.00%
	20	158.71	201.56	42.85	27.00%
	21	164.29	208.65	44.36	27.00%
	22	169.87	215.73	45.86	27.00%
	23	175.44	222.81	47.37	27.00%
	24	181.02	229.90	48.88	27.00%
	25	186.60	236.98	50.38	27.00%
	35	242.38	307.82	65.44	27.00%
	45	298.15	378.65	80.50	27.00%
	55	353.93	449.49	95.56	27.00%
	65	409.70	520.32	110.62	27.00%
	75	465.48	591.16	125.68	27.00%
	100	604.92	768.25	163.33	27.00%
Typical MF 1 1/2" Mthly	105	623.57	791.61	168.04	26.95%
Typical Public 1 1/2" Mthly	123	690.72	875.72	185.00	26.78%
	125	698.18	885.06	186.88	26.77%
	150	791.44	1,001.87	210.43	26.59%
	175	884.70	1,118.68	233.98	26.45%
	200	977.96	1,235.49	257.53	26.33%
	300	1,351.00	1,702.73	351.73	26.03%

AUDUBON WATER COMPANY

2"

Commercial/Public Monthly Bill Under Present and Proposed Rates

	<u>Usage</u> <u>1,000's</u>	<u>Present</u> <u>Rates</u>	<u>Proposed</u> <u>Rates</u>	<u>Amount</u>	<u>%</u>
Customer Charge 2"		\$ 75.35	\$ 95.69	\$ 20.34	26.99%
Volumetric Rates					
First 100,000	100	\$ 5.5776	\$ 7.0836	\$ 1.5060	27.00%
All Over 100,000	100	\$ 3.7304	\$ 4.6724	\$ 0.9420	25.25%
	0	\$ 75.35	\$ 95.69	\$ 20.34	26.99%
	1	80.93	102.77	21.84	26.99%
	2	86.51	109.86	23.35	26.99%
	3	92.08	116.94	24.86	27.00%
	4	97.66	124.02	26.36	26.99%
	5	103.24	131.11	27.87	27.00%
	6	108.82	138.19	29.37	26.99%
	7	114.39	145.28	30.89	27.00%
	8	119.97	152.36	32.39	27.00%
	9	125.55	159.44	33.89	26.99%
	10	131.13	166.53	35.40	27.00%
	11	136.70	173.61	36.91	27.00%
	12	142.28	180.69	38.41	27.00%
	13	147.86	187.78	39.92	27.00%
	14	153.44	194.86	41.42	26.99%
	15	159.01	201.94	42.93	27.00%
	16	164.59	209.03	44.44	27.00%
	17	170.17	216.11	45.94	27.00%
	18	175.75	223.19	47.44	26.99%
	19	181.32	230.28	48.96	27.00%
	20	186.90	237.36	50.46	27.00%
	21	192.48	244.45	51.97	27.00%
	22	198.06	251.53	53.47	27.00%
	23	203.63	258.61	54.98	27.00%
	24	209.21	265.70	56.49	27.00%
	25	214.79	272.78	57.99	27.00%
	35	270.57	343.62	73.05	27.00%
	45	326.34	414.45	88.11	27.00%
Typical Comm 2"Mthly	47	337.50	428.62	91.12	27.00%
	55	382.12	485.29	103.17	27.00%
	65	437.89	556.12	118.23	27.00%
	75	493.67	626.96	133.29	27.00%
	100	633.11	804.05	170.94	27.00%
	125	726.37	920.86	194.49	26.78%
	150	819.63	1,037.67	218.04	26.60%
	175	912.89	1,154.48	241.59	26.46%
	200	1,006.15	1,271.29	265.14	26.35%
	300	1,379.19	1,738.53	359.34	26.05%

AUDUBON WATER COMPANY

3"

Commercial/Public Monthly Bill Under Present and Proposed Rates

	<u>Usage</u> <u>1,000's</u>	<u>Present</u> <u>Rates</u>	<u>Proposed</u> <u>Rates</u>	<u>Amount</u>	<u>%</u>
Customer Charge 3"		\$ 141.49	\$ 179.69	\$ 38.20	27.00%
Volumetric Rates					
First 100,000	100	\$ 5.5776	\$ 7.0836	\$ 1.5060	27.00%
All Over 100,000	100	\$ 3.7304	\$ 4.6724	\$ 0.9420	25.25%
	0	\$ 141.49	\$ 179.69	\$ 38.20	27.00%
	1	147.07	186.77	39.70	26.99%
	2	152.65	193.86	41.21	27.00%
	3	158.22	200.94	42.72	27.00%
	4	163.80	208.02	44.22	27.00%
	5	169.38	215.11	45.73	27.00%
	6	174.96	222.19	47.23	26.99%
	7	180.53	229.28	48.75	27.00%
	8	186.11	236.36	50.25	27.00%
	9	191.69	243.44	51.75	27.00%
	10	197.27	250.53	53.26	27.00%
	11	202.84	257.61	54.77	27.00%
	12	208.42	264.69	56.27	27.00%
	13	214.00	271.78	57.78	27.00%
	14	219.58	278.86	59.28	27.00%
	15	225.15	285.94	60.79	27.00%
	16	230.73	293.03	62.30	27.00%
	17	236.31	300.11	63.80	27.00%
	18	241.89	307.19	65.30	27.00%
	19	247.46	314.28	66.82	27.00%
	20	253.04	321.36	68.32	27.00%
	21	258.62	328.45	69.83	27.00%
	22	264.20	335.53	71.33	27.00%
	23	269.77	342.61	72.84	27.00%
	24	275.35	349.70	74.35	27.00%
	25	280.93	356.78	75.85	27.00%
	35	336.71	427.62	90.91	27.00%
	45	392.48	498.45	105.97	27.00%
	55	448.26	569.29	121.03	27.00%
	65	504.03	640.12	136.09	27.00%
	75	559.81	710.96	151.15	27.00%
	100	699.25	888.05	188.80	27.00%
	125	792.51	1,004.86	212.35	26.79%
	150	885.77	1,121.67	235.90	26.63%
	175	979.03	1,238.48	259.45	26.50%
	200	1,072.29	1,355.29	283.00	26.39%
	300	1,445.33	1,822.53	377.20	26.10%

AUDUBON WATER COMPANY
4"

Commercial/Public Monthly Bill Under Present and Proposed Rates

	<u>Usage</u> <u>1,000's</u>	<u>Present</u> <u>Rates</u>	<u>Proposed</u> <u>Rates</u>	<u>Amount</u>	<u>%</u>
Customer Charge 4"		\$ 235.49	\$ 299.07	\$ 63.58	27.00%
Volumetric Rates					
First 100,000	100	\$ 5.5776	\$ 7.0836	\$ 1.5060	27.00%
All Over 100,000	100	\$ 3.7304	\$ 4.6724	\$ 0.9420	25.25%
	0	\$ 235.49	\$ 299.07	\$ 63.58	27.00%
	1	241.07	306.15	65.08	27.00%
	2	246.65	313.24	66.59	27.00%
	3	252.22	320.32	68.10	27.00%
	4	257.80	327.40	69.60	27.00%
	5	263.38	334.49	71.11	27.00%
	6	268.96	341.57	72.61	27.00%
	7	274.53	348.66	74.13	27.00%
	8	280.11	355.74	75.63	27.00%
	9	285.69	362.82	77.13	27.00%
	10	291.27	369.91	78.64	27.00%
	11	296.84	376.99	80.15	27.00%
	12	302.42	384.07	81.65	27.00%
	13	308.00	391.16	83.16	27.00%
	14	313.58	398.24	84.66	27.00%
	15	319.15	405.32	86.17	27.00%
	16	324.73	412.41	87.68	27.00%
	17	330.31	419.49	89.18	27.00%
	18	335.89	426.57	90.68	27.00%
	19	341.46	433.66	92.20	27.00%
	20	347.04	440.74	93.70	27.00%
	21	352.62	447.83	95.21	27.00%
	22	358.20	454.91	96.71	27.00%
	23	363.77	461.99	98.22	27.00%
	24	369.35	469.08	99.73	27.00%
	25	374.93	476.16	101.23	27.00%
	35	430.71	547.00	116.29	27.00%
	45	486.48	617.83	131.35	27.00%
	55	542.26	688.67	146.41	27.00%
	65	598.03	759.50	161.47	27.00%
	75	653.81	830.34	176.53	27.00%
	100	793.25	1,007.43	214.18	27.00%
	125	886.51	1,124.24	237.73	26.82%
	150	979.77	1,241.05	261.28	26.67%
	175	1,073.03	1,357.86	284.83	26.54%
	200	1,166.29	1,474.67	308.38	26.44%
	300	1,539.33	1,941.91	402.58	26.15%

AUDUBON WATER COMPANY

6"

Commercial/Public Monthly Bill Under Present and Proposed Rates

	<u>Usage</u> <u>1,000's</u>	<u>Present</u> <u>Rates</u>	<u>Proposed</u> <u>Rates</u>	<u>Amount</u>	<u>%</u>
Customer Charge 6"		\$ 470.98	\$ 598.14	\$ 127.16	27.00%
Volumetric Rates					
First 100,000	100	\$ 5.5776	\$ 7.0836	\$ 1.5060	27.00%
All Over 100,000	100	\$ 3.7304	\$ 4.6724	\$ 0.9420	25.25%
	0	\$ 470.98	\$ 598.14	\$ 127.16	27.00%
	1	476.56	605.22	128.66	27.00%
	2	482.14	612.31	130.17	27.00%
	3	487.71	619.39	131.68	27.00%
	4	493.29	626.47	133.18	27.00%
	5	498.87	633.56	134.69	27.00%
	6	504.45	640.64	136.19	27.00%
	7	510.02	647.73	137.71	27.00%
	8	515.60	654.81	139.21	27.00%
	9	521.18	661.89	140.71	27.00%
	10	526.76	668.98	142.22	27.00%
	11	532.33	676.06	143.73	27.00%
	12	537.91	683.14	145.23	27.00%
	13	543.49	690.23	146.74	27.00%
	14	549.07	697.31	148.24	27.00%
	15	554.64	704.39	149.75	27.00%
	16	560.22	711.48	151.26	27.00%
	17	565.80	718.56	152.76	27.00%
	18	571.38	725.64	154.26	27.00%
	19	576.95	732.73	155.78	27.00%
	20	582.53	739.81	157.28	27.00%
	21	588.11	746.90	158.79	27.00%
	22	593.69	753.98	160.29	27.00%
	23	599.26	761.06	161.80	27.00%
	24	604.84	768.15	163.31	27.00%
	25	610.42	775.23	164.81	27.00%
	35	666.20	846.07	179.87	27.00%
	45	721.97	916.90	194.93	27.00%
	55	777.75	987.74	209.99	27.00%
	65	833.52	1,058.57	225.05	27.00%
	75	889.30	1,129.41	240.11	27.00%
	100	1,028.74	1,306.50	277.76	27.00%
	125	1,122.00	1,423.31	301.31	26.85%
	150	1,215.26	1,540.12	324.86	26.73%
	175	1,308.52	1,656.93	348.41	26.63%
	200	1,401.78	1,773.74	371.96	26.53%
	300	1,774.82	2,240.98	466.16	26.27%

AUDUBON WATER COMPANY

8"

Commercial/Public Monthly Bill Under Present and Proposed Rates

	<u>Usage</u> <u>1,000's</u>	<u>Present</u> <u>Rates</u>	<u>Proposed</u> <u>Rates</u>	<u>Amount</u>	<u>%</u>
Customer Charge 8"		\$ 753.63	\$ 957.11	\$ 203.48	27.00%
Volumetric Rates					
First 100,000	100	\$ 5.5776	\$ 7.0836	\$ 1.5060	27.00%
All Over 100,000	100	\$ 3.7304	\$ 4.6724	\$ 0.9420	25.25%
	0	\$ 753.63	\$ 957.11	\$ 203.48	27.00%
	1	759.21	964.19	204.98	27.00%
	2	764.79	971.28	206.49	27.00%
	3	770.36	978.36	208.00	27.00%
	4	775.94	985.44	209.50	27.00%
	5	781.52	992.53	211.01	27.00%
	6	787.10	999.61	212.51	27.00%
	7	792.67	1,006.70	214.03	27.00%
	8	798.25	1,013.78	215.53	27.00%
	9	803.83	1,020.86	217.03	27.00%
	10	809.41	1,027.95	218.54	27.00%
	11	814.98	1,035.03	220.05	27.00%
	12	820.56	1,042.11	221.55	27.00%
	13	826.14	1,049.20	223.06	27.00%
	14	831.72	1,056.28	224.56	27.00%
	15	837.29	1,063.36	226.07	27.00%
	16	842.87	1,070.45	227.58	27.00%
	17	848.45	1,077.53	229.08	27.00%
	18	854.03	1,084.61	230.58	27.00%
	19	859.60	1,091.70	232.10	27.00%
	20	865.18	1,098.78	233.60	27.00%
	21	870.76	1,105.87	235.11	27.00%
	22	876.34	1,112.95	236.61	27.00%
	23	881.91	1,120.03	238.12	27.00%
	24	887.49	1,127.12	239.63	27.00%
	25	893.07	1,134.20	241.13	27.00%
	35	948.85	1,205.04	256.19	27.00%
	45	1,004.62	1,275.87	271.25	27.00%
	55	1,060.40	1,346.71	286.31	27.00%
	65	1,116.17	1,417.54	301.37	27.00%
	75	1,171.95	1,488.38	316.43	27.00%
	100	1,311.39	1,665.47	354.08	27.00%
	125	1,404.65	1,782.28	377.63	26.88%
	150	1,497.91	1,899.09	401.18	26.78%
	175	1,591.17	2,015.90	424.73	26.69%
	200	1,684.43	2,132.71	448.28	26.61%
	300	2,057.47	2,599.95	542.48	26.37%

AUDUBON WATER COMPANY

SECTION N

TAX RETURN

U.S. Corporation Income Tax Return
 For calendar year 2010 or tax year

OMB No. 1545-0123

2010

beginning _____, ending _____

- A Check if:**
- Unincorporated return (attach Form 951)
 - Nonlife consolidated return
 - Personal holding co. (attach Sch. PH)
 - Personal service corp. (see instructions)
 - Schedule M-3 attached

Name
AUDUBON WATER COMPANY

Number, street, and room or suite no. If a P.O. box, see instructions.
2650 EISENHOWER AVENUE

City or town, state, and ZIP code
NORRISTOWN, PA 19403

B Employer identification number
23-1622441

C Date incorporated
08/30/1954

D Total assets (see instructions)
\$ 2,897,855.

E Check if: (1) Initial return (2) Final return (3) Name change (4) Address change

Income	1 a Gross receipts or sales 2,070,018. b Less returns and allowances	1c	2,070,018.
	2 Cost of goods sold (Schedule A, line 8)	2	
	3 Gross profit. Subtract line 2 from line 1c	3	2,070,018.
	4 Dividends (Schedule C, line 19)	4	298.
	5 Interest SEE STATEMENT 1	5	1,923.
	6 Gross rents	6	
	7 Gross royalties	7	
	8 Capital gain net income (attach Schedule D (Form 1120))	8	
	9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	9	
	10 Other income (attach schedule)	10	
	11 Total income. Add lines 3 through 10	11	2,072,239.

Deductions (See instructions)	12 Compensation of officers (Schedule E, line 4)	12	140,560.
	13 Salaries and wages (less employment credits)	13	565,720.
	14 Repairs and maintenance	14	
	15 Bad debts	15	
	16 Rents	16	46,238.
	17 Taxes and licenses SEE STATEMENT 2	17	95,271.
	18 Interest	18	34,992.
	19 Charitable contributions SEE STATEMENT 3 AND SEE STATEMENT 4	19	19.
	20 Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return (attach Form 4562)	20	321,221.
	21 Depletion	21	
	22 Advertising	22	
	23 Pension, profit-sharing, etc., plans	23	
	24 Employee benefit programs	24	158,595.
	25 Domestic production activities deduction (attach Form 8903)	25	
	26 Other deductions (attach schedule) SEE STATEMENT 5	26	709,452.
	27 Total deductions. Add lines 12 through 26	27	2,072,068.
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11	28	171.
	29 Less: a Net operating loss deduction 29a	29a	
b Special deductions (Schedule C, line 20) 209. 29b	29b	209.	
29c	29c	209.	

Tax, Refundable Credits, and Payments	30 Taxable income. Subtract line 29c from line 28 (see instructions)	30	-38.
	31 Total tax (Schedule J, line 10)	31	0.
	32 a 2009 overpayment credited to 2010 32a	32a	
	b 2010 estimated tax payments 32b 37,320.	32b	37,320.
	c 2010 refund applied for on Form 4466 32c	32c	
	d Bal 32d 37,320.	32d	37,320.
	e Tax deposited with Form 7004 32e	32e	
	f Credits: (1) Form 2439 (2) Form 4136 32f	32f	
	g Refundable credits from Form 3800, line 19c, and Form 8827, line 8c 32g	32g	37,320.
	32h	32h	37,320.
33 Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/>	33		
34 Amount owed. If line 32h is smaller than the total of lines 31 and 33, enter amount owed	34	0.	
35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid	35	37,320.	
36 Enter amount from line 35 you want: Credited to 2011 estimated tax <input type="checkbox"/> Refunded <input checked="" type="checkbox"/>	36	37,320.	

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer _____ Date _____ Title _____

May the IRS discuss this return with the preparer shown below? Yes No

Print/type preparer's name **DONALD J PIERCE CPA** Preparer's signature _____ Date _____ Check if self-employed PTIN **P00635740**

Firm's name **MAILLIE FALCONIERO & COMPANY, LLP** Firm's EIN **23-1518888**

Firm's address **PO BOX 680** Phone no. **(610)935-1420**
OAKS, PA 19456-0680

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
	Cost of labor	3	
	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	

9 a Check all methods used for valuing closing inventory:

(i) Cost

(ii) Lower of cost or market

(iii) Other (Specify method used and attach explanation.)

b Check if there was a writedown of subnormal goods

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? Yes No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? Yes No

If "Yes," attach explanation

Schedule C Dividends and Special Deductions (see instructions)

	(a) Dividends received	(b) %	(c) Special deductions (a) x (b)	
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)	298.	70	209.
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)		80	
3	Dividends on debt-financed stock of domestic and foreign corporations		see instructions	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities		42	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities		48	
	Dividends from less-than-20%-owned foreign corporations and certain FSCs		70	
	Dividends from 20%-or-more-owned foreign corporations and certain FSCs		80	
8	Dividends from wholly owned foreign subsidiaries		100	
9	Total. Add lines 1 through 8			209.
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11	Dividends from affiliated group members		100	
12	Dividends from certain FSCs		100	
13	Dividends from foreign corporations not included on lines 3, 6, 7, 8, 11, or 12			
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)			
15	Foreign dividend gross-up			
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3			
17	Other dividends			
18	Deduction for dividends paid on certain preferred stock of public utilities			
19	Total dividends. Add lines 1 through 17. Enter here and on page 1, line 4	298.		
20	Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b			209.

Schedule E Compensation of Officers (see instructions for page 1, line 12)

Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
MARTHA RUSSELL	1	100	100.00%		140,560.
Total compensation of officers					140,560.
Compensation of officers claimed on Schedule A and elsewhere on return					
4 Subtract line 3 from line 2. Enter the result here and on page 1, line 12					140,560.

Schedule J Tax Computation (see instructions)

1 Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120))	▶ <input type="checkbox"/>			
2 Income tax. Check if a qualified personal service corporation (see instructions)	▶ <input type="checkbox"/>	2		0.
3 Alternative minimum tax (attach Form 4626)		3		
4 Add lines 2 and 3		4		0.
5a Foreign tax credit (attach Form 1118)	5a			
b Credit from Form 8834, line 29	5b			
c General business credit (attach Form 3800)	5c			
d Credit for prior year minimum tax (attach Form 8827)	5d			
e Bond credits from Form 8912	5e			
6 Total credits. Add lines 5a through 5e		6		
7 Subtract line 6 from line 4		7		0.
8 Personal holding company tax (attach Schedule PH (Form 1120))		8		
9 Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Form 8902 <input type="checkbox"/> Other (attach schedule)		9		
10 Total tax. Add lines 7 through 9. Enter here and on page 1, line 31		10		0.

Schedule K Other Information (see instructions)

1 Check accounting method: a <input type="checkbox"/> Cash b <input checked="" type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ▶	Yes	No
2 See the instructions and enter the: a Business activity code no. ▶ 221300 b Business activity ▶ WATER UTILITY c Product or service ▶ WATER SERVICE		
3 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? If "Yes," enter name and EIN of the parent corporation ▶		X
4 At the end of the tax year: a Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part I of Schedule G (Form 1120) (attach Schedule G) Did any individual or estate own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part II of Schedule G (Form 1120) (attach Schedule G)		X
5 At the end of the tax year, did the corporation: a Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation not included on Form 851, Affiliations Schedule? For rules of constructive ownership, see instructions If "Yes," complete (i) through (iv).		X

(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage Owned in Voting Stock

JWA

Schedule K Continued

	Yes	No
b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions If "Yes," complete (i) through (iv).		X

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Country of Organization	(iv) Maximum Percentage Owned in Profit, Loss, or Capital

<p>6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.) If "Yes," file Form 5452, Corporate Report of Nondividend Distributions. If this is a consolidated return, answer here for the parent corporation and on Form 851 for each subsidiary.</p>		X
<p>7 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of the corporation's stock entitled to vote or (b) the total value of all classes of the corporation's stock? For rules of attribution, see section 318. If "Yes," enter: (i) Percentage owned ▶ _____ and (ii) Owner's country ▶ _____ (c) The corporation may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter the number of Forms 5472 attached ▶ _____ Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/> If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.</p>		X
<p>9 Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$ _____</p>		
<p>10 Enter the number of shareholders at the end of the tax year (if 100 or fewer) ▶ <u>1</u></p>		
<p>11 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here <input checked="" type="checkbox"/> If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3) must be attached or the election will not be valid.</p>		X
<p>12 Enter the available NOL carryover from prior tax years (do not reduce it by any deduction on line 29a.) ▶ \$ _____</p>		
<p>13 Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000? If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2 on page 5. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. ▶ \$ _____</p>		X
<p>14 Is the corporation required to file Schedule UTP (Form 1120), Uncertain Tax Position Statement (see instructions)? If "Yes," complete and attach Schedule UTP.</p>		X

JWA

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash		403,977.		494,165.
2a	Trade notes and accounts receivable	154,970.		149,317.	
	Less allowance for bad debts	()	154,970.	()	149,317.
	Inventories		65,000.		65,000.
4	U.S. government obligations				
5	Tax-exempt securities				
6	Other current assets (att. sch.) STMT 6				37,320.
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (att. sch.) STMT 7		20,097.		17,296.
10a	Buildings and other depreciable assets	5,279,601.		5,538,792.	
	b Less accumulated depreciation	(3,322,709.)	1,956,892.	(3,447,852.)	2,090,940.
11a	Depletable assets				
	b Less accumulated depletion	()		()	
12	Land (net of any amortization)		27,518.		27,518.
13a	Intangible assets (amortizable only)				
	b Less accumulated amortization	()		()	
14	Other assets (att. sch.) STMT 8		317,636.		16,299.
15	Total assets		2,946,090.		2,897,855.
Liabilities and Shareholders' Equity					
16	Accounts payable		117,809.		87,466.
17	Mortgages, notes, bonds payable in less than 1 year		138,851.		164,659.
18	Other current liabilities (att. sch.) STMT 9		49,696.		10,439.
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more		382,225.		369,694.
21	Other liabilities (att. sch.) STMT 10		825,113.		724,151.
22	Capital stock: a Preferred stock				
	b Common stock	10,000.	10,000.	10,000.	10,000.
	Additional paid-in capital		1,117,250.		1,105,522.
	Retained earnings - Appropriated (attach schedule)				
25	Retained earnings - Unappropriated		305,146.		425,924.
26	Adjustments to shareholders' equity (attach schedule)				
27	Less cost of treasury stock		()		()
28	Total liabilities and shareholders' equity		2,946,090.		2,897,855.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return

Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more - see instructions

1	Net income (loss) per books	120,778.	7	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax per books	-8,713.		Tax-exempt interest \$	
3	Excess of capital losses over capital gains	3,099.		STMT 12	13,482.
4	Income subject to tax not recorded on books this year (itemize):				13,482.
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
	a Depreciation \$			a Depreciation \$	162,638.
	b Charitable contributions \$	266.		b Charitable contributions \$	
	c Travel and entertainment \$	15,162.			162,638.
	STMT 11	45,699.			
		61,127.	9	Add lines 7 and 8	176,120.
6	Add lines 1 through 5	176,291.	10	Income (page 1, line 28) - line 6 less line 9	171.

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year	305,146.	5	Distributions: a Cash	
2	Net income (loss) per books	120,778.		b Stock	
3	Other increases (itemize):			c Property	
			6	Other decreases (itemize):	
4	Add lines 1, 2, and 3	425,924.	7	Add lines 5 and 6	
			8	Balance at end of year (line 4 less line 7)	425,924.

Depreciation and Amortization
 (Including Information on Listed Property) **OTHER**

2010

Attachment
 Sequence No. 67

▶ See separate instructions. ▶ Attach to your tax return.

(s) shown on return

Business or activity to which this form relates

Identifying number

AUDUBON WATER COMPANY

OTHER DEPRECIATION

23-1622441

Part I Election To Expense Certain Property Under Section 179 Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions)	1	500,000.
2	Total cost of section 179 property placed in service (see instructions)	2	302,146.
3	Threshold cost of section 179 property before reduction in limitation	3	2,000,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	500,000.
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
	WELLS	180,322.	151,300.
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	151,300.
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	151,300.
10	Carryover of disallowed deduction from line 13 of your 2009 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5	11	151,490.
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	151,300.
13	Carryover of disallowed deduction to 2011. Add lines 9 and 10, less line 12	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	12,232.

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2010	17	133,057.
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here		<input type="checkbox"/>

Section B - Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only - see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property		30,533.	7 YRS.	HY	200DB	4,363.
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property		30,387.	25 yrs.	HY	S/L	609.
h Residential rental property	/		27.5 yrs.	MM	S/L	
i Nonresidential real property	/		27.5 yrs.	MM	S/L	
	/		39 yrs.	MM	S/L	
	/			MM	S/L	

Section C - Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

20a	Class life				S/L	
b	12-year		12 yrs.		S/L	
c	40-year	/	40 yrs.	MM	S/L	

Part IV Summary (See instructions.)

21	Listed property. Enter amount from line 28	21	19,660.
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instr. or assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	22	321,221.
23		23	

Part V Listed Property (include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A - Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

Do you have evidence to support the business/investment use claimed? Yes No **24b** If "Yes," is the evidence written? Yes No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use							25	
26 Property used more than 50% in a qualified business use:								
		%						
SEE STATEMENT	13	%					19,660.	
		%						
27 Property used 50% or less in a qualified business use:								
		%			S/L			
		%			S/L			
		%			S/L			
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1							28	19,660.
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1								29

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person.

If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle		(b) Vehicle		(c) Vehicle		(d) Vehicle		(e) Vehicle		(f) Vehicle	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
30 Total business/investment miles driven during the year (do not include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
Total miles driven during the year. Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons.

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use?		

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2010 tax year:					
Amortization of costs that began before your 2010 tax year					43
44 Total. Add amounts in column (f). See the instructions for where to report					44

Sales of Business Property

(Also Involuntary Conversions and Recapture Amounts
 Under Sections 179 and 280F(b)(2))
 Attach to your tax return.

2010

Attachment
 Sequence No. 27

(s) shown on return

Identifying number

AUDUBON WATER COMPANY

23-1622441

1 Enter the gross proceeds from sales or exchanges reported to you for 2010 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions)

1

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft - Most Property Held More Than 1 Year

(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
2						

3 Gain, if any, from Form 4684, line 42

3

4 Section 1231 gain from installment sales from Form 6252, line 26 or 37

4

5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824

5

6 Gain, if any, from line 32, from other than casualty or theft

6

7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows:

7

Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.

Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.

8 Nonrecaptured net section 1231 losses from prior years (see instructions)

8

9 Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If

e 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions)

9

Part II Ordinary Gains and Losses

10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)

11 Loss, if any, from line 7

11

12 Gain, if any, from line 7 or amount from line 8, if applicable

12

13 Gain, if any, from line 31

13

14 Net gain or (loss) from Form 4684, lines 34 and 41a

14

15 Ordinary gain from installment sales from Form 6252, line 25 or 36

15

16 Ordinary gain or (loss) from like-kind exchanges from Form 8824

16

17 Combine lines 10 through 16

17

18 For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:

a If the loss on line 11 includes a loss from Form 4684, line 38, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from "Form 4797, line 18a." See instructions

18a

b Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14

18b

JWA For Paperwork Reduction Act Notice, see separate instructions.

Form 4797 (2010)

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255

19 (a) Description of section 1245, 1250, 1252, 1254, or 1255 property:	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)
A 2006 FORD EXPEDITION	063006	063010
C		
D		

These columns relate to the properties on lines 19A through 19D.		Property A	Property B	Property C	Property D
20	Gross sales price (Note: See line 1 before completing.)	5,781.			
21	Cost or other basis plus expense of sale	50,185.			
22	Depreciation (or depletion) allowed or allowable	44,404.			
23	Adjusted basis. Subtract line 22 from line 21	5,781.			
24	Total gain. Subtract line 23 from line 20	0.			
25	If section 1245 property:				
25a	a Depreciation allowed or allowable from line 22	44,404.			
25b	b Enter the smaller of line 24 or 25a				
26	If section 1250 property: If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291.				
26a	a Additional depreciation after 1975				
26b	b Applicable percentage multiplied by the smaller of line 24 or line 26a				
26c	c Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e				
26d	d Additional depreciation after 1969 and before 1976				
26e	e Enter the smaller of line 26c or 26d				
26f	f Section 291 amount (corporations only)				
26g	g Add lines 26b, 26e, and 26f				
27	If section 1252 property: Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership).				
27a	a Soil, water, and land clearing expenses				
27b	b Line 27a multiplied by applicable percentage				
27c	c Enter the smaller of line 24 or 27b				
28	If section 1254 property:				
28a	a Intangible drilling and development costs, expenditures for development of mines and other natural deposits, mining exploration costs, and depletion				
28b	b Enter the smaller of line 24 or 28a				
29	If section 1255 property:				
29a	a Applicable percentage of payments excluded from income under section 126				
29b	b Enter the smaller of line 24 or 29a				

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

30	Total gains for all properties. Add property columns A through D, line 24	30	
31	Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13	31	
32	Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 37. Enter the portion from other than casualty or theft on Form 4797, line 6	32	

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less (see instructions.)

	(a) Section 179	(b) Section 280F(b)(2)
33	Section 179 expense deduction or depreciation allowable in prior years	
34	Recomputed depreciation (see instructions)	
35	Recapture amount. Subtract line 34 from line 33. See the instructions for where to report	

ALTERNATIVE MINIMUM TAX

Sales of Business Property

(Also Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F(b)(2))

▶ Attach to your tax return.

OMB No. 1545-0184

2010

Attachment Sequence No. 27

Form 4797

Department of the Treasury
Internal Revenue Service (99)

(as shown on return)

Identifying number

AUDUBON WATER COMPANY

23-1622441

1 Enter the gross proceeds from sales or exchanges reported to you for 2010 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions)

1

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft - Most Property Held More Than 1 Year

(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
2006 FORD EXPEDITION	063006	063010	5,781.	16,729.	50,185.	-27,675.

3 Gain, if any, from Form 4684, line 42	3
4 Section 1231 gain from installment sales from Form 6252, line 26 or 37	4
5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824	5
6 Gain, if any, from line 32, from other than casualty or theft	6
7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows:	7 -27,675.
<p>Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.</p> <p>Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.</p>	
8 Nonrecaptured net section 1231 losses from prior years (see instructions)	8
9 Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions)	9

Part II Ordinary Gains and Losses

10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

11 Loss, if any, from line 7	11 (27,675)
12 Gain, if any, from line 7 or amount from line 8, if applicable	12
13 Gain, if any, from line 31	13
14 Net gain or (loss) from Form 4684, lines 34 and 41a	14
15 Ordinary gain from installment sales from Form 6252, line 25 or 36	15
16 Ordinary gain or (loss) from like-kind exchanges from Form 8824	16
17 Combine lines 10 through 16	17 -27,675.
18 For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:	
a If the loss on line 11 includes a loss from Form 4684, line 38, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from "Form 4797, line 18a." See instructions	18a
b Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14	18b

JWA For Paperwork Reduction Act Notice, see separate instructions.

Form 4797 (2010)

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255

19 (a) Description of section 1245, 1250, 1252, 1254, or 1255 property:	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)
A		
1		
C		
D		

These columns relate to the properties on lines 19A through 19D.		Property A	Property B	Property C	Property D
20	Gross sales price (Note: See line 1 before completing.)	20			
21	Cost or other basis plus expense of sale	21			
22	Depreciation (or depletion) allowed or allowable	22			
23	Adjusted basis. Subtract line 22 from line 21	23			
24	Total gain. Subtract line 23 from line 20	24			
25	If section 1245 property:				
a	Depreciation allowed or allowable from line 22	25a			
b	Enter the smaller of line 24 or 25a	25b			
26	If section 1250 property: If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291.				
a	Additional depreciation after 1975	26a			
b	Applicable percentage multiplied by the smaller of line 24 or line 26a	26b			
c	Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e	26c			
d	Additional depreciation after 1969 and before 1976	26d			
e	Enter the smaller of line 26c or 26d	26e			
f	Section 291 amount (corporations only)	26f			
g	Add lines 26b, 26e, and 26f	26g			
	If section 1252 property: Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership).				
a	Soil, water, and land clearing expenses	27a			
b	Line 27a multiplied by applicable percentage	27b			
c	Enter the smaller of line 24 or 27b	27c			
28	If section 1254 property:				
a	Intangible drilling and development costs, expenditures for development of mines and other natural deposits, mining exploration costs, and depletion	28a			
b	Enter the smaller of line 24 or 28a	28b			
29	If section 1255 property:				
a	Applicable percentage of payments excluded from income under section 126	29a			
b	Enter the smaller of line 24 or 29a	29b			

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

30	Total gains for all properties. Add property columns A through D, line 24	30	
31	Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13	31	
32	Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 37. Enter the portion from other than casualty or theft on Form 4797, line 6	32	

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less (see instructions.)

	(a) Section 179	(b) Section 280F(b)(2)
33	Section 179 expense deduction or depreciation allowable in prior years	33
34	Recomputed depreciation (see instructions)	34
35	Recapture amount. Subtract line 34 from line 33. See the instructions for where to report	35

ELECTION TO WAIVE THE NET OPERATING LOSS CARRYBACK PERIOD

AUDUBON WATER COMPANY
2650 EISENHOWER AVENUE
NORRISTOWN, PA 19403

EMPLOYER IDENTIFICATION NUMBER: 23-1622441

FOR THE YEAR ENDING DECEMBER 31, 2010

AUDUBON WATER COMPANY HEREBY ELECTS, PURSUANT TO SEC. 172(B)(3) OF THE INTERNAL REVENUE CODE, TO RELINQUISH THE ENTIRE CARRYBACK PERIOD WITH RESPECT TO THE NET OPERATING LOSS INCURRED FOR THE TAX YEAR ENDED DECEMBER 31, 2010, AND WILL HAVE SUCH LOSS AVAILABLE FOR CARRYFORWARD ONLY.

ELECTION NOT TO CLAIM THE ADDITIONAL FIRST YEAR
DEPRECIATION ALLOWABLE UNDER IRC SEC. 168(K)

AUDUBON WATER COMPANY
2650 EISENHOWER AVENUE
NORRISTOWN, PA 19403

EMPLOYER IDENTIFICATION NUMBER: 23-1622441

FOR THE YEAR ENDING DECEMBER 31, 2010

AUDUBON WATER COMPANY, HEREBY ELECTS, PURSUANT TO IRC SEC.
168(K)(2)(D)(III), NOT TO CLAIM THE ADDITIONAL DEPRECIATION
ALLOWABLE UNDER IRC SEC. 168(K) FOR THE FOLLOWING QUALIFYING
PROPERTY PLACED IN SERVICE DURING THE TAX YEAR ENDING DECEMBER 31,
2010.

ALL PROPERTY IN THE 3 YEAR CLASS.
ALL PROPERTY IN THE 5 YEAR CLASS.
ALL PROPERTY IN THE 7 YEAR CLASS.
ALL PROPERTY IN THE 10 YEAR CLASS.
ALL PROPERTY IN THE 15 YEAR CLASS.
ALL PROPERTY IN THE 20 YEAR CLASS.
ALL PROPERTY IN THE 25 YEAR CLASS.

SEE ATTACHED FORM 4562.

FORM 1120	INTEREST INCOME	STATEMENT	1
DESCRIPTION	US	OTHER	
INTEREST INCOME		1,923.	
TOTAL TO FORM 1120, LINE 5		1,923.	

FORM 1120	TAXES AND LICENSES	STATEMENT	2
DESCRIPTION		AMOUNT	
PAYROLL TAXES		57,679.	
PUC TAX		11,171.	
REALTY TAX		15,552.	
PENNSYLVANIA TAXES - BASED ON INCOME		9,510.	
PENNSYLVANIA TAXES - OTHER		1,359.	
TOTAL TO FORM 1120, LINE 17		95,271.	

CURRENT YEAR CONTRIBUTIONS STATEMENT 3

DESCRIPTION	AMOUNT
CONTRIBUTIONS	285.
TOTAL CURRENT YEAR CONTRIBUTIONS	285.

CONTRIBUTIONS

STATEMENT 4

QUALIFIED CONTRIBUTIONS SUBJECT TO 100% LIMIT

CONTRIBUTION SUBJECT TO LIMITATION:

CARRYOVER OF PRIOR YEARS UNUSED CONTRIBUTIONS

- FOR TAX YEAR 2005
- FOR TAX YEAR 2006
- FOR TAX YEAR 2007
- FOR TAX YEAR 2008
- FOR TAX YEAR 2009

TOTAL CARRYOVER

CURRENT YEAR CONTRIBUTIONS 285

TOTAL CONTRIBUTIONS AVAILABLE 285

TAXABLE INCOME LIMITATION AS ADJUSTED 19

EXCESS CONTRIBUTIONS 266

ALLOWABLE CONTRIBUTIONS DEDUCTION 19

TOTAL CONTRIBUTION DEDUCTION 19

FORM 1120	OTHER DEDUCTIONS	STATEMENT	5
DESCRIPTION		AMOUNT	
COMMUNICATION		49,994.	
EQUIPMENT MAINTENANCE		1,706.	
EQUIPMENT RENTAL		4,702.	
INSURANCE		65,649.	
MAINTENANCE		56,336.	
MEALS AND ENTERTAINMENT		15,162.	
METER READING		2,675.	
MISCELLANEOUS GENERAL EXPENSES		97,119.	
OPERATIONS		23,657.	
OTHER MAINTENANCE		31,225.	
POSTAGE		18,215.	
PROFESSIONAL FEES		52,619.	
PURCHASED POWER		155,378.	
PURCHASED WATER		6,290.	
SUPPLIES		116,658.	
TRAVEL		12,067.	
TOTAL TO FORM 1120, LINE 26		709,452.	

SCHEDULE L	OTHER CURRENT ASSETS	STATEMENT	6
DESCRIPTION		BEGINNING OF TAX YEAR	END OF TAX YEAR
PREPAID EXPENSES			37,320.
TOTAL TO SCHEDULE L, LINE 6			37,320.

SCHEDULE L	OTHER INVESTMENTS	STATEMENT	7
DESCRIPTION		BEGINNING OF TAX YEAR	END OF TAX YEAR
VANGUARD 500 INDEX FUND		20,097.	17,296.
TOTAL TO SCHEDULE L, LINE 9		20,097.	17,296.

SCHEDULE L	OTHER ASSETS	STATEMENT	8
DESCRIPTION		BEGINNING OF TAX YEAR	END OF TAX YEAR
CONSTRUCTION IN PROGRESS		317,636.	16,299.
TOTAL TO SCHEDULE L, LINE 14		317,636.	16,299.

SCHEDULE L	OTHER CURRENT LIABILITIES	STATEMENT	9
DESCRIPTION		BEGINNING OF TAX YEAR	END OF TAX YEAR
PAYROLL TAXES PAYABLE		6,540.	6,749.
ACCRUED TAXES		1,258.	3,690.
INCOME TAXES PAYABLE		40,207.	0.
ACCRUED EXPENSES		1,691.	0.
OTHER PAYABLES			
TOTAL TO SCHEDULE L, LINE 18		49,696.	10,439.

SCHEDULE L	OTHER LIABILITIES	STATEMENT	10
DESCRIPTION		BEGINNING OF TAX YEAR	END OF TAX YEAR
DEFERRED TAX ON EXCESS DEP		598,706.	642,889.
CUSTOMER ADVANCES		226,407.	81,262.
TOTAL TO SCHEDULE L, LINE 21		825,113.	724,151.

SCHEDULE M-1	OTHER EXPENSES RECORDED ON BOOKS NOT DEDUCTED IN THIS RETURN	STATEMENT	11
DESCRIPTION		AMOUNT	
OFFICER LIFE INSURANCE		1,516.	
DEFERRED INCOME TAXES		44,183.	
TOTAL TO SCHEDULE M-1, LINE 5		45,699.	

SCHEDULE M-1 OTHER INCOME RECORDED ON BOOKS STATEMENT 12
 NOT INCLUDED IN THIS RETURN

DESCRIPTION	AMOUNT
GAIN (LOSS) ON SALE OF ASSETS NOT ON RETURN	13,482.
TOTAL TO SCHEDULE M-1, LINE 7	13,482.

FORM 4562, PART V LISTED PROPERTY INFORMATION-MORE THAN 50% STATEMENT 13

(A) DESCRIPTION	(B) DATE	(C) BUS. %	(D) COST	(E) BASIS	(F) LIFE	(G) MTH/CV	(H) DEDUCTION	(I) 179 ELECTED
(J) AUTO NO	(K) TOTAL MILES	(L) BUSINESS MILES	(M) COMMUTING MILES	(N) PERSONAL MILES	(O) WAS VEH. AVAIL.? Y N	(P) > 5% OWNER? Y N	(Q) ANOTHER VEH. AVAILABLE? Y N	
05 FORD F150	09/30/05	100.00	38,863.	38,863.	5.00	200DB-HY X	1,675. X	
2010 CHEVY SUBAN	06/30/10	100.00	48,610.	48,610.	5.00	200DB-HY	9,722.	0.
2010 CHEVY SILVERADO	06/30/10	100.00	41,316.	41,316.	5.00	200DB-HY	8,263.	0.
TOTAL TO FORM 4562, PART V, LINE 26							19,660.	0.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Administrative Law Judge
Christopher P. Pell

ORIGINAL

PENNSYLVANIA PUBLIC UTILITY COMMISSION :

v. :

AUDUBON WATER COMPANY :

Docket No. R-2012-2286118

REBUTTAL TESTIMONY
OF DENNIS M. KALBARCZYK

2012 JUL -6 PM 4:25
SECRETARY OF PUBLIC UTILITY

DATE SERVED: June 7, 2012
DATE ADMITTED: June __, 2012

Audubon Water Company
Statement DMK-1R

1 **Q. STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Dennis M. Kalbarczyk. My business address is 910 Piketown Road,
3 Harrisburg, PA 17112.

4
5 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS PROCEEDING?**

6 A. Yes. I submitted Direct Testimony on behalf of Audubon Water Company (Audubon or
7 Company), which has been identified as Statement DMK-1.

8
9 **Q. WHAT IS THE PURPOSE OF YOUR FURTHER TESTIMONY?**

10 A. I am submitting Rebuttal Testimony in response to the Direct Testimony of the Bureau of
11 Investigation and Enforcement (I&E) witnesses, Ms. Amanda Gordon,¹
12 Ms. Debra Backer² and Mr. Jeremy B. Hubert,³ as well as the Direct Testimony of the
13 Office of Consumer Advocate (OCA) witness, Ms. Marilyn J. Kraus.⁴ Additionally,
14 consistent with my Direct Testimony, I advised that I would continue to update the
15 Company's overall revenue increase request when appropriate. In my Direct Testimony,
16 I advised that the Company proposed to reduce the \$540,686 overall revenue increase by
17 \$22,718, resulting in a \$517,968 adjusted increase (25.2%) or a going forward annualized
18 revenue stream of \$2,574,206. I&E and OCA witnesses have incorporated these changes
19 into their Direct Testimony. My Rebuttal Testimony provides further updates to the

¹ I&E Statement No. 1.

² I&E Statement No. 2.

³ I&E Statement No. 3.

⁴ OCA Statement 1.

1 Company's overall revenue increase request based upon more current information that
2 has become available.

3
4 At the time my Direct Testimony was submitted, I also advised that discovery was
5 on-going and no agreements or stipulations were reached at that time. In that regard, I
6 reserved the right to revise my testimony to reflect such agreements and / or stipulations,
7 if changes would be necessary or appropriate. I continue to reserve that right.

8

9 **ADDITIONAL UPDATES TO THE FILING**

10 **Q. YOU ALSO NOTED THAT YOU HAD SOME ADDITIONAL UPDATES TO THE**
11 **ORIGINAL FILING. CAN YOU PLEASE ELABORATE?**

12 A. Yes. In my response to an interrogatory at OCA Set I-9, I explained that the Company
13 re-evaluated the overall impact of income taxes on the requested revenue increase to
14 include the ratemaking treatment for deferred income taxes. The deferred income taxes
15 on Schedule E-2 of the filing should have reflected an amount of \$647,685 and not the
16 same \$642,889 as shown on Schedule E-1. All of the deferred income taxes are related to
17 tax versus book depreciation. Thus, the Company indicated in its discovery response that
18 it would update its filing to reflect the correct value as a reduction to rate base, which will
19 result in a \$58,680 reduction to its net income claim ($\$647,685 \times 9.06\%$ overall rate of
20 return) along with a \$40,097 reduction to income taxes ($\$58,680 \times 68.331\%$ Income Tax
21 Gross Up Rate) resulting in a \$98,777 reduction to the Company's revenue increase claim

1 (\$58,680 + \$40,097). Ms. Backer referenced this updated information in her Direct
2 Testimony.

3
4 The Company also provided a further update to this same discovery response noting that
5 Schedule I-14 under-calculated income taxes in error because it included two adjustments
6 that should not have been factored into taxable income: an \$11,500 depreciation expense
7 addition and a \$115,000 depreciation expense deduction, or a \$103,500 reduction to
8 taxable income, that should not have been included in the calculation. The elimination of
9 this \$103,500 reduction will result in an increase in the tax claim calculation; thus,
10 a \$70,723 upward adjustment to the revenue increase claim ($\$103,500 \times 68.331\%$ Income
11 Tax Gross Up Rate).

12
13 The \$517,968 updated revenue increase request noted in my Direct Testimony, when
14 reduced by \$98,777 for the associated rate base treatment of deferred income taxes and
15 the \$70,723 increase associated with the calculation of income taxes discussed above,
16 produces an adjusted increase claim of \$489,914. Attached to my Rebuttal Testimony as
17 DMK-1R Exhibit 1, is a copy of the updated response to OCA Set I-9 interrogatory.

18
19 Later in my Rebuttal Testimony, I explain that I&E's \$1,392 downward adjustment to the
20 Company's claimed insurance expense is inappropriate and that the Company's claim
21 must be updated to reflect an additional \$5,768 of insurance expense based upon new
22 policy cost increases effective July 2012.

1 In an effort to minimize controversy, the Company is willing to accept Ms. Kraus's
2 \$6,725 downward adjustment to professional fees and Ms. Backer's \$2,410 downward
3 adjustment to dues and subscriptions.

4
5 The revenue requirement impact on the net downward adjustment to operating expenses
6 of \$3,367 (\$5,768 - \$6,725 - \$2,410) noted above would produce a downward adjustment
7 of \$64 to pretax net income $[(CWC = \$3,367 / 8) \times (PreTax\ RofR = 9.06\% RofR \times$
8 $1.68331\ \text{tax factor})]$; resulting in a further \$3,431 reduction to the requested revenue
9 increase (\$3,367 + \$64) or revised revenue increase of \$486,483 (\$489,914 - \$3,341).

10
11 Attached to my Rebuttal Testimony as DMK-1R Exhibit 2 are the June 7, 2012 updated
12 supporting schedules to the rate case filing, which incorporate all of the changes to the
13 Company's original filing that I have noted above. This exhibit also incorporates the
14 associated changes in operating and depreciation expenses, rate base value changes,
15 including cash working capital claim and recalculates the appropriate net operating
16 income and related net income taxes for the above based upon the Company's
17 recommended overall rate of return. As shown on DMK-1R Exhibit 2, 6/07/12 Updated
18 Schedule H-1, the adjusted revenue requirement study supports an annual revenue
19 increase of \$486,483 as compared to the \$540,686 annual increase requested in the
20 original filing, or a decrease of \$54,203. As shown on DMK-1R Exhibit 2, Schedule G-2
21 the revised annualized revenue increase of \$486,483 over \$2,009,942 of pro forma revenues
22 under existing rates produces a 24.2% increase.

1 Lastly, as I indicated in my direct testimony when calculating the change in rates, the
2 traditional method would be based upon a proportional reduction to each customer class
3 when only minor adjustments are made. Revised 6/07/12 Schedule G-2 also demonstrates
4 that the updated revenue requirement by customer class to the total revenue requirement is
5 within the same range as that proposed in the as-filed case, i.e., percentage ratios in
6 Column 6 to that of Column 7, respectively. Refer to Revised 6/07/12 Schedules G-4 and
7 M-1 for updated rates and Schedule M-2 for the Proof of Revenue analysis.

8
9 **SUMMARY OF I&E AND OCA DIRECT TESTIMONY ISSUES**

10 **Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY OF I&E WITNESSES**
11 **GORDON, BACKER, AND HUBERT AND OCA WITNESS KRAUS?**

12 A. Yes. I&E and OCA witnesses, to varying degrees, propose downward adjustments to the
13 Company's revenue requirement elements. As discussed in my Direct Testimony, the
14 revenue requirement includes a net operating income allowance that is calculated based
15 upon the approved overall rate of return times the allowed rate base value.
16 More specifically, net plant asset values and a cash working capital (CWC) allowance
17 calculated at 12.5% times operating expenses, exclusive of depreciation expense, and
18 associated state and federal income taxes on the allowed net operation. I&E and OCA
19 propose a lower overall rate of return than that claimed by the Company. In general, both
20 recommend downward adjustments to rate base values to exclude proposed new capital
21 project additions and their associated depreciation expense claims.

1 Q. PLEASE CONTINUE.

2 A. OCA also opposes some of the new proposed preventive maintenance project expenses.
3 I&E and OCA oppose the pro forma level of salaries and wages claimed on a going
4 forward basis and recommend alternative wage increases. Further, OCA proposes to
5 reduce payroll taxes and health benefits costs along with a reduction to the office lease
6 expense claim. Both I&E and OCA recommend a lower level of rate case expense
7 allowance. Additionally, I&E proposes reductions to electric, main maintenance costs,
8 subscription fees, bank service charges, and non-health care insurance expense.
9 To varying degrees each proposes downward adjustments to the amortization of storage
10 tower painting expenses. As noted earlier, the Company is accepting OCA's proposed
11 downward adjustment to accounting services and I&E's adjustment for country club dues
12 that were included in the filing. Correspondingly, I&E and OCA would reduce the
13 CWC allowance based upon the 1/8th or 12.5% CWC method for allowance in rate base
14 described in my Direct Testimony. However, I&E, in error, would make an additional
15 CWC reduction for income taxes associated with the change in state and federal income
16 taxes related to the deferred income tax discussion earlier in my testimony.

17
18 My Rebuttal Testimony will explain why the ALJ and ultimately the Commission should
19 reject the adjustments proposed by I&E and OCA, except for those items of expense that
20 I have noted the Company agrees to adjust. Finally, as noted earlier, any proposed
21 reduction that will result in a change in the net income allowance must also be

1 appropriately factored through the Company's associated state and federal income tax
2 claim calculation so as to provide for the necessary after tax net income level allowance.

3
4 **Q. DO YOU HAVE ANY OTHER GENERAL COMMENTS?**

5 A. Yes. Both I&E and OCA, in error, misstate general concepts and Commission policy
6 related to the ratemaking treatment of the Company's proposed capital plant additions
7 and preventive maintenance projects believing it is appropriate to exclude them because
8 the items have either not yet been procured and / or placed into service as of the date of
9 their testimony. As discussed later in my testimony, contrary to I&E and OCA's
10 recommendations in this case, past Commission policy has allowed for the return on and
11 of such rate base facilities reaching out as far as six months after the end of utility's
12 proposed future test year, in this case up to March 31, 2013. Further, it is important to
13 note that the Public Utility Code recently was amended to provide even greater flexibility
14 with regard to the inclusion of such utility valuation in rates, although that change does
15 not apply in this particular case. I am advised by counsel that, prior to the Code
16 amendment, the Commission had the discretion to decide how long beyond the end of the
17 future test year is appropriate. Audubon believes, in view of the new legislation, that the
18 goal to be accomplished would be one that is consistent with the Commission exercising
19 its discretion here, to include going even beyond six months -- since the clear goal to
20 promote is upgrading Pennsylvania infrastructure.

1 **Q. PLEASE EXPLAIN.**

2 A. On February 14, 2012, Act 11 of 2012 (Act 11) was signed into law, which amends
3 Chapters 3, 13 and 33 of Title 66 of the Pennsylvania Consolidated Statutes (Code).
4 In particular, Chapter 3 will allow jurisdictional utilities to make rate case claims based
5 on a fully projected future test year. Previously, a utility could only use a future test year
6 that began the day after its historic test year.⁵ By way of example, Audubon's filing was
7 made on January 27, 2012 and it used an historic test year ended September 30, 2011;
8 thus, the statute in effect at the time of the filing limited the future test year to a period
9 ended September 30, 2012, with suspension rates to become effective no earlier than
10 October 27, 2012, if the case was fully litigated. With the enactment of Act 11, a utility
11 is permitted to use either a future test year or a "fully projected future test year" in rate
12 cases. The fully projected test year is defined as the 12-month period that begins with the
13 first month the new rates are placed into effect, after expiration of the full suspension
14 period. In other words, had Act 11 been in effect at the time of the Company's filing
15 with an October 27, 2012 suspension period, Audubon could have used a fully projected
16 future test year of October 1, 2012 through September 30, 2013. Thus, while past
17 Commission practice allowed for up to six months after the new base rates go into effect
18 for recognition of future test year additions in rates, it is clear the legislative intent of the
19 new Act is to provide for even greater time period recognition.

⁵ 66 Pa.C.S. § 315(e), 52 Pa. Code § 53.56(a).

1 Q. WHAT IS THE COMPANY'S POSITION WITH REGARD TO THE MATTER
2 OF TIMING AS IT RELATES TO THE PROPOSED CAPITAL AND
3 MAINTENANCE PROJECTS?

4 A. The Rebuttal Testimony of Company witness J.H. Russell will provide an update of the
5 status of the projects, which demonstrates the Company's commitment to these capital
6 and preventive maintenance projects. Both Mr. Russell and I also will more fully explain
7 that most of the projects require minimal time periods to complete and implement and
8 that the majority of the capital projects will be operational by or slightly after the end of
9 the September 30, 2012 future test year. For the reasons discussed above and later in my
10 testimony, I recommend that the Commission continue to use its prior practice of
11 reaching out six months past the end of the future test year to include the Company's
12 proposed capital and preventive maintenance projects in the current revenue requirement
13 increase, especially in view of the changes made to the Code by Act 11 that I discussed
14 earlier.

15

16 **OVERALL RATE OF RETURN**

17 Q. BRIEFLY SUMMARIZE YOUR UNDERSTANDING OF THE PROPOSED
18 ADJUSTMENTS THAT I&E AND OCA WITNESSES RECOMMEND TO THE
19 OVERALL RATE OF RETURN.

20 A. As set forth in my Direct Testimony, I recommend that the Company be allowed the
21 opportunity to earn a 9.06% overall fair rate of return based upon the well-accepted
22 ratemaking principle utilizing a hypothetical capital structure consisting of 45% debt and

1 55% common equity with an embedded debt cost rate of 6.70% and an equity cost rate of
 2 10.98% based upon a 3x interest coverage ratio. I used a hypothetical capital structure
 3 because the Company's 27% / 73% pro forma going forward debt to equity capital
 4 structure ratio is somewhat abnormal and would have resulted in a much higher overall
 5 rate of return.

6
 7 Both I&E and OCA accepted the 6.70% cost of debt, OCA accepted my hypothetical
 8 capital structure, while I&E recommends a 50 / 50 debt and equity ratio. I&E and OCA
 9 recommend equity rates of 9.68% and 9.5%, respectively. The table below summarizes
 10 the components that result in Audubon's 9.06%, I&E's 8.19% and OCA's 8.24% overall
 11 rate of return results.

	AWC	OCA	I&E
Cost of Debt Rate	6.70%	6.70%	6.70%
Long-Term Debt Ratio	45.00%	45.00%	50.00%
Weighted Cost of Debt Rate	3.02%	3.02%	3.35%
Cost of Equity Rate	10.98%	9.50%	9.68%
Equity Ratio	55.00%	55.00%	50.00%
Weighted Cost of Equity Rate	6.04%	5.22%	4.84%
Overall Rate of Return	9.06%	8.24%	8.19%
Company Rate of Return		9.06%	9.06%
Difference in ROR Claim		(0.82%)	(0.87%)
AWC Claimed Rate Base		\$2,548,080	\$2,548,080
Net Revenue Requirement Adj.		(\$20,894)	(\$22,168)

12
 13 By way of comment, I&E and OCA criticize my use of an interest coverage ratio in
 14 determining the cost of equity rate in lieu of a detailed rate of return study. I submit that

1 I used a more simplistic approach to balance the interests of both the Company and the
2 customers because it minimizes rate case expense. For example, the cost of a more
3 detailed rate of return study and the necessary support for such a report could range in
4 cost from \$15,000 to \$25,000 or more. As illustrated in the above chart, the magnitude of
5 the revenue requirement impact based upon the I&E and OCA proposals approximates
6 that same cost. This illustration does not, however, mean that I accept their flawed
7 proposals. My testimony below will demonstrate that the Company's moderated overall
8 rate of return request is more reasonable and should be approved by the ALJ and the
9 Commission.

10
11 **Q. HAS THE PaPUC USED A HYPOTHETICAL CAPITAL STRUCTURE RATIO**
12 **IN THE PAST?**

13 A. Yes. The PaPUC has adopted a hypothetical capital structure in a number of water and
14 wastewater rate cases as well as in other utility cases. This approach has been affirmed
15 by the Pennsylvania Commonwealth Court. In *Carnegie Natural Gas Co. v.*
16 *Pennsylvania Public Utility Commission*, 433 A.3d 938, 940 (Pa.Cmwlt. 1981), for
17 example, the Court affirmed the Commission's use of a hypothetical capital structure and
18 held that "[w]here a utility's actual capital structure is too heavily weighted on either the
19 debt or equity side, the commission, which is responsible for determining a capital
20 structure which allocates the cost of debt and equity in their proper proportions must
21 make adjustments to the utility's capital structure." See also, *Pennsylvania Public Utility*
22 *Commission v. Arrowhead Public Service Corporation*, 73 Pa. PUC 22 (1990).

1 The Company's decision to request a 45% debt / 55% equity ratio reflects a moderation
2 of its request to minimize the impact on customers as its pro forma actual 73% equity
3 ratio was considerably higher than the industry norm. While Ms. Gordon's
4 recommendation of a 50% / 50% debt to equity capital structure is based upon a simple
5 average of her five utility barometer group reflected on I&E Exhibit No. 1, Schedule 1,
6 page 2, it is important to note that two of the five companies in the barometer group had
7 equity capital structures within the 55% range. Further, in prior rate proceedings I have
8 seen similar water utility companies with equity capital structures around the 55% range.
9 Additionally, my Direct Testimony noted that Aqua Pennsylvania's most recent filing
10 requested a 53% equity capital structure. Aqua America, Aqua Pennsylvania's parent
11 corporation, is one of the companies used in I&E's barometer group. In my opinion,
12 there is reasonable support for the use of a hypothetical capital structure based upon both
13 prior Commission precedent and on a fairness basis. Should the Commission reject
14 Audubon's cost of debt and equity rates as proposed and accept the lower cost rates
15 proposed by I&E and OCA, I would then recommend that a 47% debt / 53% equity ratio
16 be utilized for purposes of determining the overall rate of return in this case.

17
18 **Q. CAN YOU BRIEFLY DISCUSS I&E'S AND OCA'S COST OF EQUITY STUDY**
19 **APPROACH?**

20 **A.** The OCA did not prepare a cost of equity study in this proceeding. Instead, OCA witness
21 Kraus proposes an 9.50% cost of equity rate calculated by the Commission's Bureau of
22 Technical Utility Services for use by water utilities in calculating their Distribution

1 System Improvement Charges (DSIC). I&E witness Gordon relies upon a Discounted
2 Cash Flow (DCF) analysis, which she indicates uses data for the barometer group of five
3 water distribution companies that produced an expected market cost rate of equity of
4 9.68%. Ms. Gordon provides a relatively classic discussion of the model applications.

5
6 I will direct my attention to some of the components and judgments each of the witnesses
7 made that formed the bases of their decision making process and resulting
8 recommendations with their models and highlight the flaws in their approach and
9 analysis.

10
11 **Q. PLEASE CONTINUE.**

12 A. The OCA proposal to rely on the last approved DSIC equity rate has some shortcomings
13 in the low cost of equity rate proposed. In short, it is important to note that the equity
14 rate used in the ultimate determination of the DSIC surcharge is subject to reconciliation
15 and the intent of the surcharge is to assure that customers pay no more or less than the
16 amount intended to be recovered. While an equity return in a rate case proceeding
17 provides for an opportunity for the utility to earn a return on investment, the equity rate in
18 a DSIC provides for a reasonable guarantee that the surcharge will produce no more or
19 less than the intended return on investment as it is subject to audit and refund. Thus, the
20 resultant equity rate in a DSIC, such as the 9.5% rate recommended by Ms. Kraus, is
21 generally less than that of the 10.98% cost of equity risk capital in a rate case proceeding
22 as I recommend in this case. I submit that Audubon's claim is reasonably similar to that

1 made by other utilities within the industry. While I understand the Commission does not
2 always approve the rates as requested, I suggest that the 10.98% cost of equity rate claim
3 is within the acceptable range.
4

5 **Q. WHAT ARE YOUR CRITICISMS OF THE I&E COST OF EQUITY STUDY?**

6 A. Due to the number of issues I have with I&E's cost of equity study, I will only briefly
7 address some of the major shortfalls I believe exist. The I&E barometer group included
8 five publicly traded water companies' stock prices, dividends and expected growth rates.
9 The size of the companies within the barometer group are all considerably larger than
10 Audubon. I&E witness Gordon recognized that Audubon is not a publicly traded
11 company; however, she gave no weight or consideration to its small size and increased
12 level of financial risk compared to that of the larger companies she analyzed. In short, it
13 would appear that her recommendation as to the appropriate cost of equity rate would be
14 the same for any water company, regardless of size or level of financial risk. In that light,
15 it is important that the Commission consider Audubon's small size and give greater
16 weight to the upper range of any type of cost of equity study analysis to compensate for
17 that risk, rather than the lower or middle ranges as proposed by I&E.

18
19 Under the traditional DCF model analysis, Ms. Gordon developed a recommended
20 dividend yield of 3.41% for her peer group. However, the more controversial component
21 is her recommended growth rates.
22

1 Q. WHAT WERE HER RECOMMENDED GROWTH RATES?

2 A. Ms. Gordon recommended a 6.27% average growth rate for her peer group, based upon a
3 predicted log-linear growth rate analysis for the five company peer group; and, when
4 added to the 3.41% dividend yield, produced a 9.68% cost of equity. She also prepared a
5 five year projected growth rate estimate for the same five companies arriving at a growth
6 rate forecast of 7.74%. However, she gave no weight to her own analysis, believing these
7 growth rates were not indicative of long term expectations because some companies
8 experienced low earnings. In my opinion, Ms. Gordon's position is unreasonable and she
9 should have given some consideration to the five year projected growth rate analysis,
10 which are developed by professional Wall Street analysts and used by investors in the
11 market. The predicted log-linear growth rate analysis was prepared by Ms. Gordon for
12 her own use and is not something that is or should be used by investors in making market
13 decisions. Thus, her 6.27% recommended growth rate is 147 basis points below that of
14 the 7.74% five year estimate forecast for the five company barometer group shown on
15 I&E Exhibit No. 1, Schedule 12, page 2, and Schedule 8, respectively.

16
17 I recommend use of the 7.74% five year forecasted growth rate that, when added to the
18 3.41% dividend yield, would produce an 11.15% cost of equity rate. In the alternative,
19 consideration should be given to both the 7.74% five year forecasted growth rate as well
20 as the 6.27% predicted log-liner growth rates. In other words, each study would be given
21 some weight to develop an average projected growth rate of 7.01%

1 $[(7.74\% + 6.27\%) \div 2]$ that, when added to the 3.41% dividend yield, would produce a
2 10.42% cost of equity.

3
4 Based upon the above analysis, I recommend a cost of equity range between 10.42%
5 and 11.15%. If the Commission also would approve a conservative 0.15% addition to
6 recognize Audubon's small size and financial risk factor, the result would produce a
7 range between 10.67% and 11.30%, or an average equity rate of 10.98%, as the Company
8 requested.

9
10 **Q. CAN YOU PROVIDE ONE EXAMPLE OF THE TYPE OF FINANCIAL RISK A**
11 **SMALL COMPANY LIKE AUDUBON HAS AND / OR MAY EXPERIENCE?**

12 A. Information in Audubon's current rate filing clearly illustrates this financial risk due to its
13 small size. The Company has experienced little or no customer growth in the past years
14 and does not anticipate any substantial growth in the near future. I submit that
15 Audubon's claimed equity rate of 10.98% is appropriate and that, if a rate below that
16 amount is considered, it should be increased upward to include consideration for financial
17 risk.

18
19 **Q. HAS THE COMMISSION REJECTED MS. GORDON'S USE OF A PREDICTED**
20 **LOG-LINEAR GROWTH RATE ANALYSIS IN THE PAST?**

21 A. Yes. In the Aqua Pennsylvania rate case proceeding at Docket No. R-00072711,
22 Ms. Gordon proposed log-linear regression analysis data to determine a representative

1 dividend expected growth rate. The ALJs, and ultimately the Commission, rejected her
2 proposal in lieu of the five year projected growth rates provided by market industry
3 analysis. As noted by the ALJs, they were influenced by evidence that indicated: (1) no
4 analyst that follows the water industry employs Ms. Gordon's log-linear regression
5 analysis to project future growth; and (2) Ms. Gordon's log-linear regression analysis
6 weighs each time period equally and, as such, assumes that today's investors accord the
7 same significance to 2001 financial results as they do 2007 financial results.
8 *Pennsylvania Public Utility Commission v. Aqua Pennsylvania*, Docket No. R-00072711,
9 Order entered July 31, 2008 at 42-23, citing Recommended Decision at 34.

10 Based upon the analysis discussed above, I believe the proposed equity cost rate of
11 10.98%, for an overall rate of return of 9.06%, as submitted in the as-filed claim, is
12 appropriate and reasonable.

13
14 **RATE BASE AND DEPRECIATION EXPENSE**

15 **Q. BRIEFLY DESCRIBE OCA'S PROPOSED RATE BASE AND DEPRECIATION**
16 **EXPENSE ADJUSTMENTS.**

17 **A.** As I indicated earlier, OCA witness Kraus rejects the Company's claim for all of the
18 items summarized on the table below, indicating that bids or proposals have not yet been
19 requested, no amounts have been expended and no starting or in-service date has yet been
20 determined. The table sets forth the estimated original cost values, accumulated

1 depreciation values and net book value or rate base value claim along with the annual
2 level of depreciation expense reflected in the filing.

3

Project Item Desc.	Orig. Cost	Accum. Depr.	Net RB	Depr. Exp.
Road to Featherbed Test Well	\$ 15,000	\$ 150	\$ 14,850	\$ 300
Generator at Well#15	50,000	1,667	48,333	3,333
Level Rd. Loop	18,500	154	18,346	308
Wells #6	 pipe upgrade	15,000	125	14,875	250
Featherbed Tank pipe upgrade	21,000	175	20,825	350
Arcola Rd Tank pipe upgrade	15,000	125	14,875	250
Server & Backup/ PC's, etc.	24,000	2,400	21,600	4,800
Customer Billing Program	28,000	2,800	25,200	5,600
Backhoe	115,000	5,750	109,250	11,500
OCA Adjustment Totals	\$301,500	\$13,346	\$288,154	\$26,691

4

5 **Q. DO YOU AGREE WITH OCA'S PROPOSED RATE BASE ADJUSTMENTS?**

6 A. No. As Mr. Russell explains in his Rebuttal Testimony, while minimal funds have been
7 expended on these projects to date, this does not diminish the Company's commitment to
8 complete the projects in the near future, nor does it diminish the fact that these projects
9 will provide better system reliability and service to customers. Further, most items like
10 the road, the four water main/piping upgrade projects and the purchase of the backhoe
11 require minimal time to complete.

12

13

1 Q. AND WHAT IS YOUR OPINION AND RECOMMENDATION WITH REGARD
2 TO OCA'S PROPOSAL TO ELIMINATE THE COMPUTER SYSTEM
3 UPGRADES AND BILLING SYSTEM?

4 A. Utility Rate Resources has provided services to utilities in the area of computer system
5 upgrades along with the coordination and implementation of new customer billing
6 systems. While we are not performing the exact same services here, I have been actively
7 involved with the Company's IT specialist in reviewing the computer equipment and
8 customer billing system needs. The Company has received two bids for the customer
9 billing system –confidential copies of these proposals were provided to both I&E and
10 OCA in discovery responses; and the bids closely approximate the estimate provided in
11 the rate filing. There was a general consensus between the IT provider, the Company and
12 myself that the computer system and backup server equipment should not be acquired
13 prior to the final decision on the billing system. With regard to IT hardware and
14 software, the cost estimates provided to the Company are within my general experience
15 and that of the IT consultant. The required lead time to install and have the items up and
16 running would be three to four weeks while, based upon my experience, the necessary
17 time to complete the billing system conversion would approximate three months. This
18 provides for one month of data conversion, one month for installation and coordination of
19 the upload of data and training and one month during which the old and new systems
20 would run in parallel to assure that everything is operating effectively before the new
21 system would go live. While confidential requirements limit my response here, I submit
22 that the new billing system, computers and backup server are necessary to provide for

1 and maintain business continuity and emergency preparedness requirements consistent
2 with Commission policy. Further, the orderly progression of the addition of the IT
3 hardware and software items reflects a logical plan with little, if any, impact on the end of
4 the future test year requirements.

5
6 I recommend that the Commission continue to use its prior practice of reaching out six
7 months past the end of the future test year to include the Company's IT projects in the
8 current revenue requirement increase. To do so would be in keeping with current
9 Commission policy and the spirit and intent of the newly enacted Act 11, which is
10 intended to provide for more ratemaking flexibility.

11
12 For all of the reasons discussed above, the OCA's proposed adjustments to remove the
13 capital projects from consideration in this proceeding should be rejected, in lieu of the
14 Company's proposal.

15
16 **Q. DO YOU AGREE WITH I&E'S PROPOSED RATE BASE ADJUSTMENTS?**

17 A. I&E witness Hubert rejects the Company's claim for all of the items summarized on the
18 table below. In part, he believes that, absent a specific in-service date, standard
19 ratemaking requirements necessitate exclusion of the identified items based upon the
20 "used and useful" principal. If permitted, Mr. Hubert contends, the Company would
21 improperly receive a return on and a return of the cost of these projects from customers
22 through rates prior to the plant being used and useful. The table sets forth the estimated

1 original cost values, accumulated depreciation values and net book value or rate base
2 value claim along with the annual level of depreciation expense reflected in the filing.

Project Item Desc.	Orig. Cost	Accum. Depr.	Net RB	Depr. Exp.
Pump St. at Mobile Home Park	\$ 95,000	\$ 1,188	\$ 93,813	\$ 2,375
Stg. Tank at Mobile Home Park	85,000	1,063	83,938	2,125
Server & Backup/ 6PC's,etc.	24,000	2,400	21,600	4,800
Customer Billing Program	28,000	2,800	25,200	5,600
Stg. Tank installed in 2000	194,349	60,734	133,615	4,859
I&E Adjustment Totals	\$426,349	\$68,185	\$358,166	\$19,759

3
4 **Q. WHY DO YOU BELIEVE THE I&E'S PROPOSED RATE BASE**
5 **ADJUSTMENTS ARE INAPPROPRIATE?**

6 A. As noted above, the Rebuttal Testimony of Mr. Russell describes the Company's
7 commitment to the capital projects listed above, including the pump station and storage
8 tank at the Valley Forge Crossing Mobile Home Park, which is needed to provide for
9 system reliability and fire protection requirements. I incorporate here the same response
10 provided above to OCA's recommendation to reject rate base treatment for the computer
11 and billing system requirements. The Company has an orderly and logical plan for
12 completing the plant additions and is making progress with that plan. Like the addition
13 of the IT hardware and software items discussed above, to include the plant additions in
14 rate base would have little, if any, impact on the end of the future test year requirements.
15 Mr. Hubert's view on this is out of step with promoting infrastructure improvement as it
16 creates lags for receiving monies to fund these improvements and therefore a disincentive
17 to modernize systems. That would not be a good policy for this Commission to adopt.

18

1 Further, the I&E's proposal to remove the \$133,615 of net plant value and \$4,859 of
2 annual depreciation expense associated with the Arcola Road storage facility acquired in
3 2000 (shown in the Company's filing at Schedule J-2-1, page 6 of 19) from ratemaking
4 consideration is inaccurate and would result in a double count since the as-filed rate case
5 already excluded this item from ratemaking consideration.
6

7 **Q. WHY WOULD IT BE A DOUBLE COUNT?**

8 A. The 2000 standpipe referred to was a contribution in aid of construction (CIAC) facility
9 provided by a developer. I&E witness Hubert correctly notes that Schedule J-2-1, page 6
10 of 19, of the filing reflects the original cost, accumulated depreciation and \$133,615 of
11 net plant value associated with the standpipe's asset value, which is also incorporated in
12 the values shown on Schedule F-1, lines 1 through 3, of the filing. However, he failed to
13 realize, in error, that a contra adjustment or CIAC reduction for the same values are
14 reflected on Schedule J-2-2, page 6 of 15, of the filing, which is also incorporated as a
15 deduction to rate base for CIAC values on Schedule F-1, line 6. The item that Mr. Hubert
16 proposes to remove was never reflected as a ratemaking item in the as-filed case because
17 it was eliminated as a CIAC deduction from rate base. Inclusion of the same reduction
18 again would result in a double count. I&E's proposal should be rejected.
19
20

1 Q. **WOULD THE ASSOCIATED DEPRECIATION EXPENSE ALSO BE A DOUBLE**
2 **COUNT?**

3 A. Yes. By way of discussion, the first line of Schedule I-12 of the filing reflects the total
4 sum of the depreciation values derived from Section J, Schedules J-2-1, pages 1
5 through 19. The second line of Schedule I-12 reflects the total sum of CIAC depreciation
6 values from Section J, Schedule J-2-2, pages 1 through 15, as a credit adjustment. Thus,
7 annual CIAC assets depreciation has been removed from ratemaking consideration.
8 Inclusion of the same reduction again would result in a double count of the depreciation.
9 I&E's proposal should be rejected.

10

11 Q. **DO YOU HAVE ANY OTHER COMMENTS WITH REGARD TO I&E'S RATE**
12 **BASE ADJUSTMENTS?**

13 A. Yes. Mr. Hubert also incorporates into his recommendations my proposed reduction to
14 rate base for deferred income taxes, which I advised I would incorporate as part of the
15 rate filing update in response to OCA Set I-9. My earlier testimony addresses all of the
16 necessary changes to the rate filing associated with the original and updated response to
17 OCA Set I-9.

18

1 **CASH WORKING CAPITAL RATE BASE ALLOWANCE**

2 **Q. WOULD YOU BRIEFLY ADDRESS CHANGES TO THE CASH WORKING**
3 **CAPITAL ALLOWANCE IN RATE BASE BASED UPON I&E'S AND OCA'S**
4 **PROPOSED ADJUSTMENTS?**

5 A. Yes. The OCA proposes downward adjustments to the CWC allowance, based upon the
6 same 12.5% CWC factor the Company utilized in its filing applied against operation and
7 maintenance expenses only – depreciation and amortization expenses as well as income
8 taxes are not included in CWC. Thus, each OCA operation and maintenance expense
9 adjustment accepted by the Commission would result in a 12.5% reduction to the CWC
10 rate base allowance. While I agree with the consistent application of the accepted
11 ratemaking methodology by the OCA, as mentioned earlier I have agreed to accept only
12 one of the OCA's recommended operating expense adjustments.

13
14 I&E witness Backer, with the exception of one adjustment, utilized the same CWC
15 methodology advanced by the Company and accepted by OCA. However, Ms. Backer,
16 in error, proposes to include the \$40,097 downward adjustment to income taxes due to
17 the reduction in rate base for associated deferred income treatment, which produces a
18 lower level of after tax net income. Ms. Backer's testimony indicates this was an
19 operation and maintenance expense adjustment. Her treatment of this item as an
20 operation and maintenance expense adjustment is inconsistent with well accepted
21 ratemaking principles and should be rejected. Further, the Company followed well
22 accepted ratemaking principles in its as-filed rate case study and did not include income

1 taxes as a CWC claim. If Ms. Backer's flawed adjustment is accepted, then the
2 Company's CWC claim should be increased to reflect all associated income taxes in the
3 CWC allowance.
4

5 **OPERATING AND MAINTENANCE EXPENSES**

6 **Q. DO YOU HAVE ANY GENERAL COMMENTS REGARDING THE PROPOSED**
7 **I&E AND OCA EXPENSE ADJUSTMENTS TO THE COMPANY'S CLAIM?**

8 A. Yes. Traditional ratemaking philosophy employed by the Commission with regard to
9 expense claims is that the claim need not be precise or exact but, rather, that necessary
10 costs be prudent and reasonable. While the Commission may look at historical trends,
11 going forward requirements are the important factors when considering what prudent and
12 reasonable costs should be reflected in rates. As I discussed in connection with the
13 proposed capital projects, the Commission also has used its discretion at times to reach
14 out past the end of the future test to incorporate known and measurable changes related to
15 expenses. I would recommend that the Commission continue to apply such discretion in
16 this case. OCA's proposal to eliminate the four proposed preventive maintenance
17 projects identified on Schedule I-9 of the filing, (*i.e.*, \$54,150 PM - Wells & Springs,
18 \$10,800 PM - Power & Pumping Equipment, \$14,200 PM - Purification and Laboratory
19 Equipment, and \$15,000 PM - Mains to repair check valves and assemblies) because
20 contractors have not been hired, no formal commitments have been entered into and
21 actual costs are not yet known is not the "known and measurable" test relied upon under
22 the ratemaking philosophy described above.

1 Q. BRIEFLY EXPLAIN THE COMPANY'S POSITION WITH REGARD TO
2 THESE PREVENTIVE MAINTENANCE PROJECTS.

3 A. From a ratemaking perspective, the known and measurable test is not solely based upon
4 actual costs incurred or immediate action taken. In the course of determining the cost
5 estimates included in the filing, the Company made estimates based upon experience and
6 informed judgment, to include consultation with its consulting engineer. For example,
7 the \$54,150 of estimated preventive maintenance costs of wells and springs had four
8 specific components. The first addressed repair and maintenance requirements for
9 borehole and wellhead protection and well production enhancement for its 17 wells. The
10 Company proposed a cyclical maintenance project to do two wells on a six year cycle at
11 \$21,500 each, or a claim of \$43,000. Smaller projects (*i.e.*, the four log monitorings at
12 \$5,000, well cleaning and disinfection at \$1,200 for each of the two wells or \$2,400, and
13 the need to clean and test the variable frequency drives at an estimated cost of \$3,750)
14 make up the balance of the preventive maintenance work. While actual costs have not
15 yet been incurred, the Company has the necessary knowledge and experience to identify a
16 reasonable cost estimate to perform the identified tasks, many of which are new DEP
17 requirements. I submit that the ALJ, and ultimately the Commission, should defer to the
18 estimates provided by the Company for the proposed preventive maintenance projects
19 rather than deny all of these project claims based upon a criticism that actual cost
20 information must be provided in order to include these costs in operation and
21 maintenance expenses.

22

1 Q. WHAT ADJUSTMENTS DO I&E AND OCA PROPOSE TO RATE CASE
2 EXPENSE?

3 A. The Company's rate base claim was based upon an estimated cost of \$45,000 to file the
4 case plus \$185,000 for review and litigation, a \$230,000 estimated cost for a fully
5 litigated rate case, normalized over a two year period for a \$115,000 annual rate case
6 expense claim. OCA witness Kraus proposes that the \$230,000 of estimated rate case
7 expense be normalized over five years, a \$46,000 annual rate case expense allowance and
8 a \$69,000 downward adjustment. I&E witness Backer proposes a 53 month
9 normalization period. In addition, she rejects the Company's \$230,000 estimated cost for
10 a fully litigated rate case, revising the cost downward by \$105,000 to \$125,000.
11 Her \$125,000 proposed amount divided by a 53 normalization period times 12 would
12 produce a \$28,302 annual rate case expense allowance, or a downward adjustment of
13 \$86,698 (\$115,000 - \$28,302).

14
15 Q. DO YOU AGREE WITH I&E'S PROPOSED \$125,000 LEVEL OF EXPENSE
16 FOR THE INSTANT RATE CASE PROCEEDING?

17 A. No. First, I cannot reasonably discern how she arrived at the \$125,000 recommended
18 level. For example, she states that her recommendation was based upon using the
19 "Review and Litigation" amounts presented in the filing, less the amounts included for
20 engineering (\$15,000), accounting (\$15,000) and rate of return consulting fees (\$30,000),
21 or a reduction of \$60,000 that would produce an adjusted total of \$125,000 for review
22 and litigation. This flawed approach only recognizes part of the estimated costs for

1 review and litigation and totally ignores the \$45,000 of estimated cost to prepare and file
2 the case. Had Ms. Backer at least included the \$45,000 cost to make the rate case filing,
3 she would have arrived at an estimated cost of \$165,000 to file as well as review and
4 litigation. Ms. Backer also fails to realize that the rate case expense claim must cover all
5 of the estimated costs associated with a fully litigated case, to include all phases of
6 testimony and on the record review before the ALJ, briefs and reply briefs, review of the
7 Recommended Decision, the filing of exceptions and reply exceptions, review of the
8 Commission's final Order and even the need, if appropriate, for a petition for
9 reconsideration or a Commonwealth Court appeal.

10
11 Her \$125,000 recommendation is especially unreasonable given that the Company's last
12 rate case was completed at a cost of \$160,000 in total rate case expenses, even though the
13 case was settled, see I&E Exhibit No. 2, Schedule 2. I submit that her recommended
14 level of \$125,000 in rate case expense should be rejected and that the current \$230,000
15 rate case expense claim is a reasonable estimate as of the time this Rebuttal Testimony
16 was prepared. We will update this number if necessary as the case proceeds.

17
18 **Q. DO YOU AGREE WITH I&E AND OCA'S PROPOSED NORMALIZATION**
19 **PERIODS?**

20 **A.** No. In general, both I&E and OCA rely solely upon the historical intervals between the
21 Company's most recent rate case filings. OCA uses the five year interval from the last
22 rate case to this case while I&E bases its 53 month period on the average interval

1 between the last three rate cases. The flaw in such a simple analysis is that it does not
2 consider that the frequency of rate case filings is sometimes limited by agreements made
3 in prior rate case settlements.

4
5 While the Commission has looked at actual frequency of rate case filings to determine the
6 length of normalization of rate case expense, it has also used its discretion to allow
7 shorter time periods to provide for a reasonable expectation of the recovery of such costs.
8 In fact, I have been involved in a number of cases in which historical frequency may have
9 indicated a five or six year frequency but where the Commission allowed a two or three
10 year period in determining the ratemaking normalization period.

11
12 **Q. WHAT OTHER TYPES OF OCCURANCES AFFECT THE TIMING OF RATE**
13 **CASE FILINGS?**

14 **A.** As discussed later in my testimony, I&E and OCA propose substantial adjustments to the
15 Company's claimed operating expenses, ignoring more recent actual incurred costs,
16 relevant trended increases and the need for more aggressive maintenance work. The I&E
17 and OCA recommendations to use a simple 53 or 60 month average for normalization of
18 rate case expenses will result in a much lower expense allowance and, when combined
19 with recommendations against necessary costs associated with the Company's need to
20 continuously maintain and improve service within the current regulatory environment,
21 will more than likely require more frequent rate case filings. Thus, I recommend that the

1 ALJ, and ultimately the Commission, approve the Company's two year normalization
2 period and reject the I&E and OCA proposals based upon the above rationale.

3
4 **Q. WHAT IS YOUR UNDERSTANDING WITH REGARD TO THE OCA'S**
5 **PROPOSAL TO REDUCE THE COMPANY'S TOTAL WAGE AND SALARY**
6 **EXPENSE CLAIM?**

7 A. The Company's pro forma annualized salary and wage claim first considered the base
8 salary and wages (including over-time) as of July 1, 2011, which was \$747,623 for its
9 current staff along with an estimate of \$23,400 for a new part-time employee, resulting in
10 a July 1, 2011 base salary and wage level of \$771,023. A review of the I&E and OCA
11 Direct Testimony indicates that each recognized the above values as the Company's base
12 starting point.

13
14 The Company's pro forma future test year claim then increased officer and executive
15 salaries by 2% and the base salary for current staff as of July 1, 2011 was increased by
16 4%. The estimated cost of \$23,400 for the new part-time employee remained unchanged.
17 Thus, the Company's total pro forma future test year claim for salary and wages was
18 \$798,095. Confidential information related to the Company's payroll claim was provided
19 to OCA and I&E during discovery.

20
21 OCA witness Kraus correctly notes that my response to I&E-RE-8-D noted that the 4%
22 increase was an overall estimate to provide for both general cost of living increases,

1 *i.e.*, annual wage increase, as well as potential merit increases. She questions the
2 Company's intent as to potential merit increases, the actual level of annual wage
3 increases and the hiring the \$23,400 part-time employee. In that regard, she rejects the
4 new part-time employee, ignores any potential merit increases and proposes a 1.5%
5 annual wage increase to the president and current staff's base salary as of July 1, 2011 to
6 arrive at her \$758,837 pro forma future test year allowance, resulting in a \$39,258
7 downward adjustment.

8
9 **Q. DO YOU AGREE WITH OCA'S RECOMMENDATION, AND IF NOT, PLEASE**
10 **EXPLAIN?**

11 A. No. Ms. Kraus's testimony failed to note that my response to I&E-RE-8-D, item H,
12 (Confidential) clearly indicates that two merit increases were, in fact, granted in
13 February 2012, which would increase the July 1, 2011 base salary by \$4,733. While I
14 disagree with Ms. Kraus's 1.5% proposed annual salary increase, her recommendation
15 must include the additional level of wages along with her recommended 1.5% wage
16 increase proposal, or an adjusted allowance of \$4,804.

17
18 Additionally, Ms. Kraus failed to note that my response to I&E-RE-8-D, item K,
19 explained that the Company for many years has issued incentive payments for
20 recognition of employees' long time commitment and service to the Company. The
21 response provided the incentive amounts granted in 2008 through 2011 and further
22 explained that, in December 2011, the amount totaled \$4,200 and the same amount was

1 detailed on the attachment to that discovery response. This \$4,200 payment, which was
2 made to all staff, must also be included in the overall salary and wage levels, the 1.5%
3 wage increase would not apply to this value. Thus, Ms. Kraus's proposed \$39,258
4 adjustment would be reduced by \$4,804 and \$4,200 for an adjustment amount of
5 \$30,254.

6
7 Lastly, Ms. Kraus failed to recognize the \$23,400 salary for the new part-time employee
8 on the basis that this employee had not yet been hired and no job description existed for
9 the work to be performed. As Mr. Russell states in his Rebuttal Testimony, a new
10 part-time employee was hired on June 5, 2012. Recognition of this hiring further reduces
11 the OCA's net adjustment to \$6,854. However, as discussed later in my Rebuttal
12 Testimony, the Company now approximates its annual wage increase to be 2% for
13 officer/executive salaries and no lower than 2.5% for remaining staff; thus, no downward
14 adjustment is warranted nor is there any need to adjust the Company's payroll tax claim
15 downward by \$3,646 as OCA witness Kraus proposes.

16
17 **Q. DO YOU AGREE WITH I&E'S \$9,090 DOWNWARD ADJUSTMENT TO**
18 **WAGES AND SALARY, AND IF NOT, PLEASE EXPLAIN?**

19 **A.** While I do not endorse the use of the Consumer Price Index (CPI) as the only source for
20 determining an annual wage increase allowance, I would agree that it is one of the useful
21 tools in determining such increases. I&E did not oppose the new part-time employee and

1 recommends a 2.5% wage increase based upon the CPI for general staff and 2% for the
2 president, a \$9,090 overall downward adjustment to the Company's total payroll claim.

3
4 The Company has advised that its wage increase will be no lower than 2.5% for its
5 general staff and 2% for its officer/executive salaries claim. While I&E's \$9,090 net
6 downward adjustment proposal reflects these rates of increase, similar to the OCA they
7 failed to recognize the \$4,733 merit increase and 2.5% increase or adjusted value of
8 \$4,851 and \$4,200 longevity incentive payments to general staff, resulting in a total
9 upward adjustment to I&E's proposal of \$9,051, or a net reduction of only \$38. Given
10 the size of the resulting adjustment, I believe no payroll adjustment is warranted

11
12 **Q. BRIEFLY EXPLAIN YOUR POSITION WITH REGARD TO OCA'S PROPOSED**
13 **\$19,619 DOWNWARD ADJUSTMENT TO THE COMPANY'S HEALTH**
14 **INSURANCE EXPENSE.**

15 A. OCA's testimony indicated that it relied upon the March 2012 invoices provided in
16 response to I&E-RE-10-D in developing a total current annual cost for 2012 employees'
17 health insurance cost. OCA calculated a \$151,443 amount and compared that to the
18 Company's claim and recommended a \$19,619 downward adjustment. However, OCA's
19 \$151,443 amount only reflected cost from two of the Company's insurance providers.
20 OCA, in error, failed to include the Independence Blue Cross and Aetna Insurance
21 monthly charges of \$827.91 and \$667, respectively; a combined monthly cost of
22 \$1,494.91 or annualized costs of \$17,938.92. Thus, OCA's \$19,619 downward

1 adjustment is overstated by \$17,939 and should have been no more than \$1,680, if any.
2 The Company submits that its claim as filed is reasonable and no adjustment is necessary
3 given that health insurance expenses will surely increase in the near term.
4

5 **Q. DO YOU AGREE WITH OCA'S \$11,396 DOWNWARD ADJUSTMENT TO**
6 **OFFICE RENT EXPENSE, AND IF NOT, PLEASE EXPLAIN?**

7 A. No. OCA misunderstands the office lease agreement and believes the base charge
8 includes base rent as well as the cost of related taxes and common area charges. OCA's
9 interpretation is inaccurate. Attached to my Rebuttal Testimony as DMK-1R Exhibit 3 is
10 a copy of the recent monthly payments made by Audubon for office rent, which reflect a
11 breakdown of each of the three components of the monthly office lease payments. The
12 OCA's recommendation should be denied.
13

14 **Q. WHAT IS YOUR UNDERSTANDING WITH REGARD TO I&E'S PROPOSAL**
15 **TO REDUCE THE COMPANY'S ELECTRIC EXPENSE CLAIM BY \$4,461?**

16 A. I&E recommends this reduction because the Company advised that it did not shop for
17 alternative energy providers due to its small size and shopping would take additional
18 time, effort, and expense that could better be used by its staff for other activities. The
19 Company's claim was based upon a 3% increase in purchased power costs, which
20 considered the experienced increase from fiscal year September 30, 2010 to September
21 30, 2011 and the estimated electricity needed for the addition of the new pump station.
22 The Company submits that its claim is reasonable and necessary, and that it was based

1 upon historical trends of costs for power from a regulated utility whose rates are
2 approved by the Commission and, like Audubon, whose rates must be just and
3 reasonable.

4
5 **Q. BRIEFLY EXPLAIN YOUR POSITION WITH REGARD TO I&E'S PROPOSED**
6 **\$2,101 DOWNWARD ADJUSTMENT TO MAINTENANCE OF MAINS**
7 **EXPENSE.**

8 A. I&E rejects the Company's September 30, 2011 base cost of maintenance of mains
9 expense of \$15,405 and proposes a \$2,101 downward adjustment based upon a three year
10 normalization allowance of \$13,304 (September 30, 2009, 2010, and 2011 costs of
11 \$12,899 + \$11,608 + \$15,405 ÷ 3). I&E did not oppose the additional \$15,000 claim for
12 preventive maintenance work on mains. While the Company appreciates the acceptance
13 of the \$15,000 claim for additional preventive maintenance work, it believes that a
14 further reduction to the base maintenance of main work costs would be counter-intuitive
15 to its overall goal to maintain and improve the maintenance of its distribution and
16 transmission mains to increase service reliability for its customers. Assuming such
17 savings would be realized, the Company submits that it could be used to further its
18 increased attention to additional valve repair and replacement work.

19
20

1 Q. **WHAT IS THE COMPANY'S POSITION ON I&E'S PROPOSED REMOVAL OF**
2 **BANK SERVICE CHARGES TOTALING \$4,474?**

3 A. The Company respectfully submits that I&E misunderstood the Company's discovery
4 response. While I&E focused on the comment in the response related to returned checks
5 and the possible revenue requirement and rate implication, the amount for those items is
6 minuscule when compared to the other charges incurred. By way of further explanation,
7 Audubon's business account incurs an ACH charge on every check payment made by a
8 customer for the payment of their utility bill. For example, in April 2012 Audubon's
9 bank service charges totaled \$317.58 that included a charge of \$212.40 for 1,416
10 customer checks at a unit cost of 15¢. The Company only incurred \$12.00 for return
11 check fees and the balance of the charges totaling \$93.18 were related to account
12 maintenance fees and other bank deposit and processing fees. The Company's discovery
13 response was intended to provide a general overview of related transactions given that a
14 month-to-month analysis of each and every transaction would take considerable time and
15 effort. The Company will update its earlier discovery response to provide a Confidential
16 copy of the referenced bank statement.

17
18 Q. **DO YOU HAVE ANY OPINION REGARDING I&E'S PROPOSED REDUCTION**
19 **TO INSURANCE EXPENSE, AND IF SO PLEASE EXPLAIN?**

20 A. I&E proposes a \$1,392 downward adjustment to insurance expense base upon a three
21 year average of historical expenses. The Company rejects this proposal because of more
22 recent information. The Company's general policies have a July 15th effective date; the

1 Company's claim was based upon rates effective July 15, 2011. More recent data just
2 received indicates that the general liability and workers compensation policies effective
3 on July 15, 2011 at a cost of \$53,400 and \$14,693, respectively, will increase to \$58,275
4 and \$15,586, respectively, for the insurance period beginning July 15, 2012. This
5 represents an increase of \$4,875 and \$893, respectively, or a total of \$5,768. Given this
6 new data, rather than reduce costs as proposed by I&E, a \$5,768 upward adjustment to
7 insurance expense is required. A copy of the new insurance data will be provided to I&E
8 and OCA in an updated Confidential discovery response.

9
10 **Q. BRIEFLY EXPLAIN YOUR RECOMMENDATION TO I&E'S ADJUSTMENTS**
11 **TO ELIMINATE THE \$200 EXPENSE ASSOCIATED WITH THE GREATER**
12 **PHILADELPHIA NEWS SUBSCRIPTION AND THE \$299 ASSOCIATED WITH**
13 **MISCELLANEOUS SUBSCRIPTIONS.**

14 **A.** By way of further explanation, the \$200 payment referenced as the Greater Philadelphia
15 News Subscription relates to dues paid to the Greater Philadelphia Chamber of
16 Commerce. The Company's membership is a requirement so it can obtain its health care
17 benefits through the Chamber. The Company also receives newsletters and other
18 information from the Chamber of Commerce as part of its membership. While the
19 Company's response to the I&E discovery question unintentionally led to a
20 misunderstanding of what the \$200 fee covered, the fee is required in order for the
21 Company to receive the discounted health insurance rates provided to Chamber members.
22 The Company's response related to \$299 in miscellaneous subscription fees was not fully

1 researched due the small size of the related fees. The Company submits it would have
2 incurred additional fees from its rate consultant to review and confirm the \$299 cost,
3 which would not be cost beneficial. I&E's proposed adjustments should be rejected.
4

5 **Q. DO YOU HAVE ANY OTHER COMMENTS WITH REGARD TO I&E'S AND**
6 **OCA'S PROPOSED OPERATING EXPENSE ADJUSTMENTS?**

7 A. Yes, as noted earlier, the Company accepts OCA's \$6,725 proposed downward
8 adjustment to professional fees and I&E's \$2,410 downward adjustment to dues.
9

10 **AMORTIZATION EXPENSE**

11 **Q. BRIEFLY EXPLAIN OCA'S AND I&E'S PROPOSED ADJUSTMENTS TO THE**
12 **COMPANY'S AMORTIZATION EXPENSE CLAIM.**

13 A. The Company's filing provided for tank painting of \$20,000 for the Arcola Road water
14 storage tank and \$87,500 for the Featherbed Lane standpipe to be amortized over 10
15 years, *i.e.*, \$2,000 and \$8,750, respectively, for a total annualized claim of \$10,750.
16 I&E witness Backer proposes to eliminate the \$2,000 Arcola Road tank claim because
17 I&E witness Hubert recommended the storage facility be removed from rate base.
18 OCA witness Kraus recommends elimination of both claims because contracts have not
19 been entered into and an estimated date as to when work would commence or be
20 completed have not yet been provided.
21
22

1 Q. DO YOU AGREE WITH THEIR RECOMMENDATIONS?

2 A. No. As noted earlier, the Arcola Road tank is a contributed facility and, thus, was not
3 reflected as a rate base item in the Company's claim. Irrespective of its rate base
4 treatment, it is a necessary facility and, thus, related operation and maintenance work,
5 including the costs related to tank painting are appropriate costs that should be afforded
6 ratemaking treatment. Further, Company witness Russell explains that the Company is
7 moving forward and the work will begin and this facility will be placed in-service in the
8 very near term. Therefore, I&E and OCA's recommendation to remove part or all of the
9 related tank painting amortization expense claims should be rejected.

10

11 Q. DO YOU HAVE ANY OTHER COMMENTS WITH REGARD TO THE
12 INSTANT FILING?

13 A. Yes, I reserve the right to amend my Rebuttal Testimony to reflect any changes that may,
14 or may not, occur as a result of further discussions between the Parties, including updated
15 information, possible stipulated issues and other various revenue requirement elements
16 raised by the I&E and OCA that may have an impact on the revenue requirement claim
17 and proposed rate increase claim.

18

19 Q. DOES THAT CONCLUDE YOUR TESTIMONY AT THIS TIME?

20 A. Yes.

DMK-1R EXHIBIT 1

Audubon Water Company

Docket No. R-2012-2286118

Responses to Interrogatories of
the Office of Consumer Advocate
Set I

OCA Set I-9

Refer to the balance sheets shown on Schedules E-1 and E-2. Both balance sheets show deferred income taxes of \$642,889. Indicate what portion of the deferred tax balance is related to tax versus book depreciation and why such deferred taxes are not reflected in the filing.

RESPONSE:

Dennis M. Kalbarczyk, Consultant, May 18, 2012; Updated May 24, 2012.

The Company has re-evaluated the overall impact of income taxes on the requested revenue increase to include the ratemaking treatment for deferred income taxes. By way of discussion, the deferred income taxes on Schedule E-2 should have reflected an amount of \$647,685 and not the same \$642,889 as shown on Schedule E-1. All of the deferred income taxes are related to tax versus book depreciation. The Company will update its filing accordingly to reflect the correct value as a reduction to rate base, which will result in a \$58,680 reduction to its net income claim ($\$647,685 \times 9.06\%$ overall rate of return) along with a \$40,097 reduction to income taxes ($\$58,680 \times 68.331\%$ Income Tax Gross Up Rate) resulting in a \$98,777 reduction to the Company's revenue increase claim ($\$58,680 + \$40,097$).

The Company also notes that Schedule I-14 in error under calculated income taxes included since it included two adjustments which should not have been factored into taxable income. A \$11,500 depreciation expense addition and a \$115,000 depreciation expense deduction or \$103,500 reduction to taxable income which should not have been included in the calculation. The elimination of this \$103,500 reduction will result in an increase in the tax claim calculation; thus, a \$70,723 upward adjustment to the revenue increase claim ($\$103,500 \times 68.331\%$ Income Tax Gross Up Rate).

DMK-1R EXHIBIT 2

AUDUBON WATER COMPANYPro Forma Balance Sheet
September 30, 2012ASSETSUtility Plant - In - Service

Utility Plant at Original Cost	\$ 9,218,593	
Accumulated Depreciation	(4,147,598)	
Total Net Utility Plant Cost	\$ 5,070,996	
CWIP-Non CIAC	-	
CWIP-CIAC	5,018	
Total Net Plant Assets		\$ 5,076,013

Current Assets

Cash	\$ 273,543	
Accounts Receivable	162,049	
Materials and Supplies	65,000	
Prepaid Expenses	-	
Total Current Assets		\$ 500,592

Other Assets

Net Deferred Amortizations		\$ 211,750
----------------------------	--	------------

TOTAL ASSETS

\$ 5,788,355LIABILITIES AND EQUITYLong Term Debt

Notes Payable	\$ 525,750	
Other Misc. Loans (Vehicles)	79,487	
Loans From Stockholder	-	
Total Long Term Debt		\$ 605,237

Current Liabilities

Accounts Payable	\$ 88,478	
Accrued Interest	-	
Payroll withholdings	9,959	
Total Current Liabilities		\$ 98,436

Deferred Credits

CIAC Tax	\$ 255,499	
Deferred Income Taxes	647,685	
Total Deferred Credits		\$ 903,184

Contributed Facilities

Customer Advances for Construction (Net of Accum. Depr.)	\$ 9,189	
Contributions in Aid of Construction (Net of Accum. Depr.)	2,841,735	
Contributions in Aid of Construction - Construction Work In Progress	5,018	
Total Net Value of Contributed Facilities		\$ 2,855,942

Equity

Common Stock	\$ 35,000	
Paid - In - Capital	109,292	
Retained Earnings	1,181,265	
Total equity		\$ 1,325,557

TOTAL LIABILITIES AND EQUITY

\$ 5,788,355

AUDUBON WATER COMPANY

Plant Additions - Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
 For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired	Item Description	Original Cost	Life	Depr. Rate %	Remaining Life	Twelve Months Ended Sept.		Remaining Basis	Pro Forma Annualized Depreciation
							Book Values For the Above Period Annual Depreciation	Accumulated Depreciation		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
312.13	2012	Springs & Wells New Road to Featherbed Well	\$ 15,000	50	2.00%	49.5	\$ 150	\$ 150	\$ 14,850	\$ 300
312.13	2012		-	50	0.00%	49.5	-	-	-	-
		Total Additions to Springs & Wells	\$ 15,000				\$ 150	\$ 150	\$ 14,850	\$ 300
312.2	2012	New Pump Station at Valley Forge Crossing Mobile Home Park	\$ 95,000	40	2.50%	39.5	\$ 1,188	\$ 1,188	\$ 93,813	\$ 2,375
312.2			-	40	0.00%	0.0	-	-	-	-
		Total Additions Power & Pumping Structure	\$ 95,000				\$ 1,188	\$ 1,188	\$ 93,813	\$ 2,375
312.5	2012	New Water Stg. Tank, 60,000 gallon at Valley Forge Crossing Mobile Home Park	\$ 85,000	40	2.50%	39.5	\$ 1,063	\$ 1,063	\$ 83,938	\$ 2,125
312.5			-	40	0.00%	0.0	-	-	-	-
		Total Additions Distribution Reservoirs & Standpipes	\$ 85,000				\$ 1,063	\$ 1,063	\$ 83,938	\$ 2,125
316	2012	Generator at Well #15	\$ 50,000	15	6.67%	14.5	\$ 1,667	\$ 1,667	\$ 48,333	\$ 3,333
322	2012	Level Rd Loop	\$ 18,500	60	1.67%	59.5	\$ 154	\$ 154	\$ 18,346	\$ 308
322	2012	VFCC Well #2 piping upgrades	30,000	60	1.67%	59.5	250	250	29,750	500
322	2012	AWC Wells #6	 piping upgrades	15,000	60	1.67%	59.5	125	125	14,875	250
322	2012	Featherbed Stg. Tank piping upgrades	21,000	60	1.67%	59.5	175	175	20,825	350
322	2012	Arcola Rd Stg. Tank add piping for add'l high/low zoning	15,000	60	1.67%	59.5	125	125	14,875	250
		Total Mains & Accessories Non-CIAC	\$ 99,500				\$ 829	\$ 829	\$ 98,671	\$ 1,658
322	2012	New Mains (CIAC Project)	\$ 4,901	60	1.67%	59.5	\$ 41	\$ 41	\$ 4,860	\$ 82
322	2012		-	60	0.00%	59.5	-	-	-	-
322	2012		-	60	0.00%	59.5	-	-	-	-
322	2012		-	60	0.00%	59.5	-	-	-	-
		Total Mains & Accessories CIAC	\$ 4,901				\$ 41	\$ 41	\$ 4,860	\$ 82
323	2012	Customer Service Connections	\$ -	60	0.00%	59.5	\$ -	\$ -	\$ -	\$ -
323	2012	Customer Service Connections	-	60	0.00%	59.5	-	-	-	-
		Total Services	\$ -				\$ -	\$ -	\$ -	\$ -
324	2012	New Water Meter Pits (CIAC)	\$ 114,678	25	4.00%	24.5	\$ 2,294	\$ 2,294	\$ 112,384	\$ 4,587
328	2012	Server & Backup Computers, 6-PC's Monitors & Programs	\$ 24,000	5	20.00%	4.5	\$ 2,400	\$ 2,400	\$ 21,600	\$ 4,800
328	2012	New Customer Billing Program	28,000	5	20.00%	4.5	2,800	2,800	25,200	5,600
		Total Additions Office Equipment	\$ 52,000				\$ 5,200	\$ 5,200	\$ 48,800	\$ 10,400
329	2012	Backhoe	\$ 115,000	10	10.00%	9.5	\$ 5,750	\$ 5,750	\$ 109,250	\$ 11,500
329	2010	Stg Service Body(See OCA Set I-8)	7,970	5	20.00%	3.0	1,594	3,188	4,782	1,594
		Updated Total 2012	\$ 639,049				\$ 19,774	\$ 21,368	\$ 617,681	\$ 37,954

AUDUBON WATER COMPANY

Rate Base At Original Cost / Overall Rate of Return

Per Books September 30, 2011 and Pro Forma September 30, 2012

Line	Description	Per Books	Pro Forma	Pro Forma
		9/30/11	Existing Rates 9/30/12	Proposed Rates 9/30/12
1	Plant-In-Service (See Schedules E-1, E-2, and J-1-1 & J-2-1 Revised)	\$ 8,579,544	\$ 9,218,596	\$ 9,218,596
2	Accumulated Provisions For Depreciation (See Schedules E-1, E-2, and J-1-1 & J-2-1 Revised)	(4,168,621)	(4,147,598)	(4,147,598)
3	Net Plant-In-Service (See Schedules E-1, E-2, and J-1-1 & J-2-1 Revised)	\$ 4,410,923	\$ 5,070,998	\$ 5,070,998
Additions:				
4	Inventory (Schedules E-1 and E-2)	\$ 65,000	\$ 65,000	\$ 65,000
5	Cash Working Capital (See Schedule F-2)	226,330	262,585	262,585
Deductions:				
6	Contributions In Aid Of Const. Net of Accumulated Depreciation (See Schedules E-1, E-2, and J-1-2 & J-2-2)	\$ 3,093,919	\$ 2,841,735	\$ 2,841,735
7	Customer Advances for Const. Net of Accumulated Depreciation (See Schedules E-1, E-2, and J-1-3 & J-2-3)	\$ 10,700	\$ 9,189	\$ 9,189
7a	Deferred Income Taxes (Response to OCA Set I-9) See also DMK-1R	\$ 642,889	\$ 647,685	\$ 647,685
8	Updated Total Rate Base	\$ 954,746	\$ 1,899,974	\$ 1,899,974
Updated Rate of Return Per Books 9/30/11				
9	Income Per Books Available For Return	\$ (3,762)		
10	Unadjusted Overall Rate Of Return (L9 / L8)		-0.394%	
Pro Forma Rate of Return Under Existing Rates 9/30/12				
11	Pro Forma Income Under Existing Rates Available For Return		\$ (212,669)	
12	Overall Rate Of Return (L11 / L8)		-11.193%	
Revised Pro Forma Rate Of Return Under Proposed Rates 9/30/12				
13	Pro Forma Income Under Proposed Rates Available For Return			\$ 172,138
14	Overall Rate Of Return (L13/L8, See Also Schedule F-3)			9.06%
15	Stipulated Overall Rate of Return			

AUDUBON WATER COMPANYCash Working Capital Calculations
Per Books September 30, 2011 and Pro Forma September 30, 2012

<u>Line</u>	<u>Description</u>	<u>Per-Books</u> <u>9/30/11</u>	<u>Pro-Forma</u> <u>Existing Rates</u> <u>9/30/12</u>	<u>Pro-Forma</u> <u>Proposed Rates</u> <u>9/30/12</u>
1	Updated Operating Deduction (See Schedule H-1)	\$ 1,810,644	\$ 2,100,680	\$ 2,100,680
2	Updated Cash Working Capital Claim (1/8 of Oper. & Maint. Exp.)	\$ 226,330	\$ 262,585	\$ 262,585

AUDUBON WATER COMPANY

Comparative Statement Of Operating Revenues
Twelve Months Ended September 30, 2011 And Pro Forma September 30, 2012 At Current And Proposed Rates

Description	9/30/11 Per Books (1)	Pro Forma Adjustments * (2)	September 30, 2012		
			Pro Forma Adjusted Total (3)	** Proposed Base Rate Increase (4)	** Proposed Adjusted Total (5)
Operating Revenues					
Residential	\$ 1,206,926	\$ (4,476)	\$ 1,202,450	\$ 294,156	\$ 1,496,606
Commercial	262,269	(1,878)	260,391	62,972	323,363
Multi-Family Dwelling	396,423	4,567	400,990	93,725	494,714
Public Authorities	25,411	(0)	25,411	6,053	31,464
Water Sales	\$ 1,891,029	\$ (1,787)	\$ 1,889,242	\$ 456,905	\$ 2,346,148
Private Fire Protection	\$ 91,936	\$ (10,521)	\$ 81,414	\$ 19,930	\$ 101,344
Public Fire Protection	34,377	4,909	39,286	9,649	48,935
Total Fire Protection	\$ 126,313	\$ (5,613)	\$ 120,700	\$ 29,579	\$ 150,279
Sub-Totals	\$ 2,017,341	\$ (7,399)	\$ 2,009,942	\$ 486,484	\$ 2,496,426
Late Payment Charges	4,786	24	4,810	-	4,810
Total Customer Revenues	\$ 2,022,128	\$ (7,375)	\$ 2,014,752	\$ 486,484	\$ 2,501,237
Other Revenues:					
Miscellaneous	41,468	17	41,486	-	41,486
Total Operating Revenues	\$ 2,063,596	\$ (7,358)	\$ 2,056,238	\$ 486,484	\$ 2,542,722

*Refer to Schedules Revised H-1, H-2, Revised H-4 and Supporting Schedule I-1 to I-3 for explanation of adjustments.

** Revised 6/07/12

AUDUBON WATER COMPANY

Comparative Statement Of Operating Revenues
Calculation Of Proposed Revenues And Percentage Increase By Customer Class

Description	Pro Forma Revenues <u>Existing Rates</u> (1)	** Percentage <u>Increase</u> (2)	<u>September 30, 2012</u>		Updated Rev. % <u>To Total</u> (6)	As-Filed Rev. % <u>To Total</u> (7)
			** Proposed Base Rate <u>Increase</u> (4)	** Proposed Adjusted <u>Total</u> (5)		
Operating Revenues						
Residential	\$ 1,202,450	24.46%	\$ 294,156	\$ 1,496,606	59.95%	59.88%
Commercial	260,391	24.18%	62,972	323,363	12.95%	12.95%
Multi-Family Dwelling	400,990	23.37%	93,725	494,714	19.82%	19.82%
Public Authorities	25,411	23.82%	6,053	31,464	1.26%	1.26%
Water Sales	<u>\$ 1,889,242</u>	<u>24.18%</u>	<u>\$ 456,905</u>	<u>\$ 2,346,148</u>		
Private Fire Protection	\$ 81,414	24.48%	\$ 19,930	\$ 101,344	4.06%	4.11%
Public Fire Protection	39,286	24.56%	9,649	48,935	1.96%	1.98%
Total Fire Protection	<u>\$ 120,700</u>	<u>24.51%</u>	<u>\$ 29,579</u>	<u>\$ 150,279</u>		
Sub-Totals	<u>\$ 2,009,942</u>	<u>24.20%</u>	<u>\$ 486,484</u>	<u>\$ 2,496,426</u>	100.00%	100.00%
Late Payment Charges	4,810	0.00%	-	4,810		
Total Customer Revenues	<u>\$ 2,014,752</u>	<u>24.15%</u>	<u>\$ 486,484</u>	<u>\$ 2,501,237</u>		
Other Revenues:						
Miscellaneous	41,486	0%	-	41,486		
Total Operating Revenues	<u>\$ 2,056,238</u>	<u>24%</u>	<u>\$ 486,484</u>	<u>\$ 2,542,722</u>		

*Refer to Schedules H-1, H-2, H-4 and Supporting Schedule I-1 to I-3 for explanation of adjustments.

** Revised 6/07/12

AUDUBON WATER COMPANY

Current And Proposed Tariff Rates

	Current Rates		Proposed Rates	
	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>
Customer Charge Based on Meter Size				
5/8" & 3/4" Meter	\$ 32.64	\$ 10.88	\$ 40.47	\$ 13.49
1" Meter	\$ 83.08	\$ 27.70	\$ 103.05	\$ 34.35
1 1/2" Meter		\$ 47.16		\$ 58.48
2" Meter		\$ 75.35		\$ 93.43
3" Meter		\$ 141.49		\$ 175.45
4" Meter		\$ 235.49		\$ 292.01
6" Meter		\$ 470.98		\$ 584.02
8" Meter		\$ 753.63		\$ 934.50
10" Meter		\$ 912.88		\$ 1,131.97
12" Meter		\$ 1,427.27		\$ 1,769.81
Volumetric Rates per 1,000 gallons				
Residential Customers- all volumes	\$ 5.5776	\$ 5.5776	\$ 6.9525	\$ 6.9525
Non-Residential Customers				
First 300,000 quarterly/100,000 monthly	\$ 5.5776	\$ 5.5776	\$ 6.9525	\$ 6.9525
Over 300,000 quarterly/100,000 monthly	\$ 3.7304	\$ 3.7304	\$ 4.5635	\$ 4.5635
Temporary Rates/Water for Building Purposes				
Single Family Dwelling		\$ 110.62		\$ 137.68
Public Fire Protection				
Hydrants	\$ <u>Monthly</u> 16.37	\$ <u>Annual</u> 196.35	\$ <u>Monthly</u> 20.39	\$ <u>Annual</u> 244.62
Private Fire Protection				
1" Sprinkler		\$ 235.82	\$ 24.47	\$ 293.54
2" Sprinkler		\$ 373.38	\$ 38.74	\$ 464.77
3" Sprinkler		\$ 432.33	\$ 44.85	\$ 538.15
4" Sprinkler		\$ 530.59	\$ 55.04	\$ 660.46
6" Sprinkler		\$ 786.06	\$ 81.54	\$ 978.46
8" Sprinkler		\$ 1,277.34	\$ 132.50	\$ 1,589.99
10" Sprinkler			\$ 181.43	\$ 2,177.07
Hydrants	\$ 65.50	\$ 786.06	\$ 81.54	\$ 978.46

AUDUBON WATER COMPANY
Statement Of Water Income & Deductions
Twelve Months Ended September 30, 2011 And Pro Forma September 30, 2012

<u>Description</u>	<u>9/30/11</u> <u>Per Books</u> <u>(1)</u>	<u>9/30/12</u> <u>Pro Forma</u> <u>Adjustments</u> <u>(2)</u>	<u>9/30/12</u> <u>Pro Forma</u> <u>Adjusted</u> <u>Total</u> <u>(3)</u>	<u>Proposed</u> <u>Base Rate</u> <u>Increase</u> <u>(4)</u>	<u>9/30/12</u> <u>Proposed</u> <u>Adjusted</u> <u>Total</u> <u>(5)</u>
REVENUES					
Operating Revenues	\$ 2,063,596	\$ (7,358)	\$ 2,056,238	\$ 486,483	\$ 2,542,721
Total Operating Revenues	<u>\$ 2,063,596</u>	<u>\$ (7,358)</u>	<u>\$ 2,056,238</u>	<u>\$ 486,483</u>	<u>\$ 2,542,721</u>
OPERATING DEDUCTIONS					
Source of Supply Expenses	\$ 275,717	\$ 73,893	\$ 349,610		\$ 349,610
Power and Pumping Expenses	246,397	26,912	273,308		273,308
Purification & Laboratory Exp.	91,790	19,117	110,907		110,907
Trans. & Dist Expenses	222,639	48,195	270,835		270,835
Customer Acct. & Coll. Expenses	116,503	5,404	121,907		121,907
Administrative & General Exp.	824,352	116,516	940,867		940,867
Taxes-Other					
PaPUC Assessment	11,171	-	11,171	-	11,171
Public Utility Realty Tax	13,723	-	13,723		13,723
Pa Capital Stock Tax	1,459	-	1,459	-	1,459
Payroll Taxes	6,893	-	6,893		6,893
Total Operating Deductions	<u>\$ 1,810,644</u>	<u>\$ 290,036</u>	<u>\$ 2,100,680</u>	<u>\$ -</u>	<u>\$ 2,100,680</u>
DEPRECIATION & AMORTIZATION					
Depreciation Expense	\$ 161,666	\$ (4,188)	\$ 157,478		\$ 157,478
Amortizations-Prior Rate Case	47,588	(47,588)	-		-
Amortization Expense - Tank Painting	-	10,750	10,750		10,750
Total Deductions	<u>\$ 2,019,897</u>	<u>\$ 249,010</u>	<u>\$ 2,268,907</u>	<u>\$ -</u>	<u>\$ 2,268,907</u>
Net Income Before Taxes	<u>\$ 43,699</u>	<u>\$ (256,368)</u>	<u>\$ (212,669)</u>	<u>\$ 486,483</u>	<u>\$ 273,813</u>
Income Taxes					
Pa. Corp. Income Taxes	\$ 3,278	\$ (3,278)	\$ -	\$ 25,022	\$ 25,022
Fed. Income Taxes	44,183	(44,183)	-	76,653	76,653
Total Income Taxes	<u>\$ 47,461</u>	<u>\$ (47,461)</u>	<u>\$ -</u>	<u>\$ 101,676</u>	<u>\$ 101,676</u>
Net Income After Taxes	<u>\$ (3,762)</u>	<u>\$ (208,907)</u>	<u>\$ (212,669)</u>	<u>\$ 384,807</u>	<u>\$ 172,138</u>

Detail by Subcategory shown on Schedule H-4

AUDUBON WATER COMPANY

Pro Forma Adjustments To Operating Deductions
For the Pro Forma Twelve Months Ended September 30, 2012

	<u>Totals</u>
4 Pro forma adjustments to reflect an annualized going level of wages and salaries as of 9/30/12. In brief, pro forma adjustments reflect changes in wage rates granted on 7/1/11 along with estimated 4% increase on 7/1/12 for most positions, except for President at 2%, along with 1 planned new part time laborer.	
<u>Source of Supply Expenses</u>	
Operation Supervision - Labor	\$ 8,172.05
Operation Labor	11,570.48
<u>Power and Pumping Expenses</u>	
Operation Supervision - Labor	3,405.31
Operation Labor	8,245.21
<u>Purification and Laboratory Expenses</u>	
Operation Supervision - Labor	3,405.31
Purification and Laboratory Labor	1,511.49
<u>Transmission & Distribution Expenses</u>	
Operation Supervision - Labor	3,405.31
T&D Labor	21,703.24
Meters Labor	2,947.61
Services Labor	4,534.46
Hydrants Labor	604.60
Subtotal Oper. & Maint.	<u>\$ 69,505.05</u>
<u>Customers' Accounting & Coll. Exp.</u>	
Supervision	-
Meter Reading and Collecting - Labor	1,781.71
Billing and Accounting - Labor	3,622.22
<u>Administrative and General Expenses</u>	
Salaries Officers and Executives	2,832.40
Other General Office Salaries	1,741.84
Total Pro Forma Wage & Salary Adjustments (See Schedule I-4)	<u>\$ 79,483.22</u>
5 Pro forma adjustment to reflect employer's share of employee payroll taxes associated with going level of 9/30/12 payroll expenses. (See Schedule I-5)	\$ 9,817.33
6 Pro forma adjustment to reflect estimated increase in employee health and welfare benefits associated with going level of 9/30/12. (See Schedule I-6)	\$ 12,671.24
7 Pro forma adjustment to reflect employer's share of 401k pension plan associated with going level of 9/30/12 participating employee levels based upon annualized 9/30/2012 salaries and wages. (See Schedule I-7)	\$ 334.27
8 Pro forma adjustment to reflect a 3% increase in purchased power expense for the future test year period. (See Schedule I-8)	\$ 4,461.25
8a Updated Claim Adj. Accept OCA Adj. Prof. Fees, See DMK-1R	\$ (6,725.00)
8b Updated Claim Adj. Accept I&E Adj. Dues & Sub., See DMK-1R	\$ (2,410.00)
8c Updated Claim Adj. Increase Insurance Exp., See DMK-1R (See DMK-1R)	\$ 5,768.00

AUDUBON WATER COMPANY

**Pro Forma Adjustments To Operating Deductions
For the Pro Forma Twelve Months Ended September 30, 2012**

	<u>Totals</u>
9 Pro forma adjustment to reflect 1st year cost associated with new 5yr T&D preventative maintenance projects.	
Total Pro Forma Additions Maint. Wells & Springs	\$ 54,150.00
Total Pro Forma Additions Maint. Pwr. Pmp Equip.	\$ 10,800.00
Total Pro Forma Additions Maint. Purif. And Lab. Equip.	\$ 14,200.00
Total Pro Forma Additions Maint. Of Mains	\$ 15,000.00
(See Schedule I-9)	
10 Pro forma adjustment to reflect an annualized level of expense for rental and lease expense of office space and office equipment.	\$ 2,058.64
(See Schedule I-10)	
11 Pro forma adjustment to reflect a normalized level of rate case expense associated with a fully litigated rate case proceeding for the instant filing. The projected cost of \$230,000 reflects the cost for preparing the rate study as filed, cost associated with PaPUC review period, and necessary services through litigation period, i.e., prepared testimony, PaPUC hearings, legal briefs, review of ALJ recommended decision, exceptions to ALJ RD, review of Commission final order, and preparation of compliance filing. The estimated cost provide for the service of a rate consultant, consulting engineer, a rate of return consultant, and regulatory legal counsel. The Company reserves the right to amend its rate case claim as necessary based upon the level of services required to support its filing through out the regulatory rate increase process. The \$230,000 rate case expense claim is normalized over a 24 month period.	\$ 115,000.00
(See Schedule I-11)	
Pro forma adjustment to remove prior rate case expense amount reflected in amortization expense account.	\$ (47,588.00)
(See Schedule I-11)	
11a Updated Adj. Trans R&M (Resp. to OCA Set I-8 & DMK-1)	\$ (7,970.00)
11b Updated Adj. Exp. Of Officers&Empl. (Resp. to I&E-RE-19-D,A & DMK-1)	\$ (16,603.00)
12 Pro forma adjustment to reflect a normalized level of depreciation expense associated with pro forma utility plant assets in service, net of CIAC and CAC financed facilities. 6/7/12 Revised	\$ (4,187.84)
Pro forma adjustment to reflect a annual level of amortization expense associated with water storage tank painting.	\$ 10,750.00
(See 6/07/12 Revised Schedule I-12, Resp. to OCA-Set I-8 & DMK-1)	
13 Pro forma adjustment to reduce booked State and Federal Corporate Net Income Taxes to zero based on the current pro forma rate study, which shows the Company will be in a net loss situation under existing rates and, thus, would not incur income taxes.	
State Income Taxes	\$ (3,278.00)
Federal Income Taxes	\$ (44,183.00)
(See Schedule I-13)	
14 Pro forma updated adjustment to reflect State and Federal Corporate Net Income Taxes based on pro forma rate study proposed increase in rates.	
Updated State Income Taxes	\$ 25,022.30
Updated Federal Income Taxes	\$ 76,653.39
(See 6/07/12 Revised Schedule I-14, Updated Resp. to OCA Set I-9 & DMK-1R)	

AUDUBON WATER COMPANY

Statement of Water Income & Deductions by Uniform System Account Code
Twelve Months Ended September 30, 2010, September 30, 2011 And Pro Forma September 30, 2012

Description	9/30/09	9/30/10	9/30/11	9/30/12	Ref.	9/30/12	Proposed	Ref.	Proposed
	Per Books	Per Books	Per Books	Pro Forma		Adjusted	Base Rate		Adjusted
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Residential	\$ 1,187,311	\$ 1,207,581	\$ 1,206,926	\$ (4,476)	(1)	\$ 1,202,450	\$ 294,156		\$ 1,496,606
Commercial	270,090	264,295	262,269	(1,878)	(1)	260,391	62,972		323,363
Multi-Family Dwelling	369,804	384,753	396,423	4,567	(1)	400,990	93,725		494,714
Public Authorities	20,994	19,500	25,411	(0)	(1)	25,411	6,053		31,464
Private Fire Protection	82,964	83,029	91,936	(10,521)	(1)	81,414	19,930		101,344
Public Fire Protection	34,272	34,377	34,377	4,909	(1)	39,286	9,649		48,935
Sub-Totals	\$ 1,965,434	\$ 1,993,535	\$ 2,017,341	\$ (7,399)		\$ 2,009,942	\$ 486,483		\$ 2,496,425
Late Payment Charges	3,772	3,816	4,786	24	(2)	4,810	-		4,810
Misc. Revenues	109,217	35,196	41,468	17	(3)	41,486	-		41,486
Total Revenues	\$ 2,078,423	\$ 2,032,548	\$ 2,063,596	\$ (7,358)		\$ 2,056,238	\$ 486,483		\$ 2,542,721
Source of Supply Expenses									
Operation Supervision - Labor	\$ 43,080	\$ 46,673	\$ 48,405	\$ 8,172	(4)	\$ 56,577			\$ 56,577
Operation Labor	60,996	66,082	68,535	11,570	(4)	80,105			80,105
Operation Supplies and Expenses	34,499	65,114	91,791	-		91,791			91,791
Maintenance Engineering	-	-	-	-		-			-
Maintenance Wells & Springs	9,203	40,125	63,460	54,150	(9)	117,610			117,610
Water Purchased	30,942	5,961	3,526	-		3,526			3,526
Total Source of Supply Expenses	\$ 178,720	\$ 223,955	\$ 275,717	\$ 73,893		\$ 349,610	\$ -		\$ 349,610
Power and Pumping Expenses									
Operation Supervision - Labor	\$ 17,952	\$ 19,449	\$ 20,170	\$ 3,405	(4)	\$ 23,576			\$ 23,576
Operation Labor	43,466	47,090	48,838	8,245	(4)	57,084			57,084
Operation Supplies and Expenses	-	1,246	420	-		420			420
Maintenance Engineering	-	-	-	-		-			-
Maint. of Structures & Imp.	9,715	9,903	8,198	-		8,198			8,198
Maint. of Power & Pump. Equip.	54,632	39,298	20,062	10,800	(9)	30,862			30,862
Power Purchases	139,870	147,028	148,708	4,461	(8)	153,169			153,169
Total Power and Pumping Expenses	\$ 265,634	\$ 264,013	\$ 246,397	\$ 26,912		\$ 273,308	\$ -		\$ 273,308
Purification and Laboratory Expenses									
Operation Supervision - Labor	\$ 17,952	\$ 19,449	\$ 20,170	\$ 3,405	(4)	\$ 23,576			\$ 23,576
Purification and Laboratory Labor	7,968	8,632	8,953	1,511	(4)	10,464			10,464
Operation Supplies and Expenses	57,145	43,490	61,624	-		61,624			61,624
Maint. of Purif. Structures	240	1,850	925	-		925			925
Maint. of Purif. & Lab. Equip.	612	993	118	14,200	(9)	14,318			14,318
Total Purif. and Lab. Expenses	\$ 83,917	\$ 74,414	\$ 91,790	\$ 19,117		\$ 110,907	\$ -		\$ 110,907
Transmission & Distribution Expenses									
Operation Supervision - Labor	\$ 17,952	\$ 19,449	\$ 20,170	\$ 3,405	(4)	\$ 23,576			\$ 23,576
T&D Labor	114,412	123,952	128,554	21,703	(4)	150,257			150,257
Meters Labor	9,778	17,478	17,459	2,948	(4)	20,407			20,407
Services Labor	23,904	25,897	26,859	4,534	(4)	31,393			31,393
Hydrants Labor	3,187	3,453	3,581	605	(4)	4,186			4,186
Maintenance Engineering	-	-	-	-		-			-
Maps & Reports	1,040	800	-	-		-			-
Operation Supplies and Expenses	5,481	3,462	1,800	-		1,800			1,800
Maint. of Mains	12,899	11,608	15,405	15,000	(9)	30,405			30,405
Maint. of Services	9,738	9,878	8,811	-		8,811			8,811
Maint. Of Meters	-	-	-	-		-			-
Maint. Of Hydrants	-	-	-	-		-			-
Permits	-	-	-	-		-			-
Total Trans. & Dist. Expenses	\$ 198,391	\$ 215,977	\$ 222,639	\$ 48,195		\$ 270,835	\$ -		\$ 270,835

AUDUBON WATER COMPANY

Statement of Water Income & Deductions by Uniform System Account Code
Twelve Months Ended September 30, 2010, September 30, 2011 And Pro Forma September 30, 2012

Description	9/30/09	9/30/10	9/30/11	9/30/12	Ref.	9/30/12	Proposed	Proposed
	Per Books	Per Books	Per Books	Pro Forma		Adjusted		
		(1)	(2)	(3)	(4)	(5)	(6)	(8)
Customers' Accounting & Coll. Exp.								
Supervision	\$ -	\$ -	\$ -	\$ -		\$ -		\$ -
Meter Reading and Collecting - Labor	14,126	8,419	9,399	1,782	(4)	11,181		11,181
Billing and Accounting - Labor	89,512	86,430	89,794	3,622	(4)	93,416		93,416
Operation Supplies and Expenses	19,446	27,585	17,310			17,310		17,310
Uncollectible Accounts	-	-	-	-		-		-
Total Customers' Accounting & Coll. Exp.	\$ 123,083	\$ 122,434	\$ 116,503	\$ 5,404		\$ 121,907	\$ -	\$ 121,907
Administrative and General Expenses								
Salaries Officers and Executives	\$ 133,532	\$ 140,510	\$ 141,630	\$ 2,832	(4)	\$ 144,462		\$ 144,462
Other General Office Salaries	60,569	63,460	66,093	1,742	(4)	67,835		67,835
Exp. of Officers & Office Employees	20,974	36,098	42,302	(16,603)	(11b)	25,699		25,699
General Office supplies & Expenses	63,015	66,136	61,707			61,707		61,707
Special Services	70,106	76,768	52,087	(6,725)	(8a)	45,362		45,362
Regulatory Comm. Exp. - Rate Case	-	-	-	115,000	(11)	115,000		115,000
Insurance	81,059	65,236	75,236	5,768	(8c)	81,004		81,004
Employee Welfare Exp.	123,631	148,422	158,391	12,671	(6)	171,062		171,062
Pensions	14,697	15,801	16,183	334	(7)	16,517		16,517
Employee Payroll Taxes	51,918	57,856	58,739	9,817	(5)	68,557		68,557
Life Insurance	1,516	1,516	1,516			1,516		1,516
Misc. General Exp.	16,338	19,186	16,223	(2,410)	(8b)	13,813		13,813
Maint. of General Property	-	-	-	-		-		-
Rents	45,386	45,919	47,558	2,059	(10)	49,616		49,616
Trans. Exp-R&M Other	24,864	13,357	32,297	(7,970)	(11a)	24,327		24,327
Trans. Exp-Fuel	31,582	39,664	54,392			54,392		54,392
Total Admin. and General Expenses	\$ 739,187	\$ 789,928	\$ 824,352	\$ 116,516		\$ 940,867	\$ -	\$ 940,867
Taxes								
Other-PaPUC Assessment	\$ 11,857	\$ 13,017	\$ 11,171	\$ -		\$ 11,171	\$ -	\$ 11,171
Pa Utility Reality Tax	13,157	15,552	13,723	-		13,723		13,723
Pa Capital Stock Tax	13,394	2,457	1,459	-		1,459		1,459
Taxes Other	2,816	5,295	6,893	-		6,893		6,893
Total Taxes	\$ 41,224	\$ 36,321	\$ 33,246	\$ -		\$ 33,246	\$ -	\$ 33,246
Depreciation Expense								
Depreciation	\$ 189,423	\$ 154,623	\$ 161,666	\$ (4,188)	(12)	\$ 157,478		\$ 157,478
Amortizations-Prior Rate Case	37,787	53,376	47,588	(47,588)	(11)	-		-
Amortizations - Tank painting				10,750	(11)	10,750		10,750
Total Depreciation/Amortization	\$ 227,210	\$ 207,999	\$ 209,254	\$ (41,026)		\$ 168,228	\$ -	\$ 168,228
Total Operating Deductions	\$ 1,857,366	\$ 1,935,041	\$ 2,019,897	\$ 249,010		\$ 2,268,907	\$ -	\$ 2,268,907
Net Income Before Income Taxes	\$ 221,057	\$ 97,507	\$ 43,699	\$ (256,368)		\$ (212,669)	\$ 486,483	\$ 273,813
Pa Corp. Income Tax	\$ 64,201	\$ 50,435	\$ 3,278	\$ (3,278)	(13)	\$ -	\$ 25,022	(14) \$ 25,022
Fed. Income Tax	-	(7,280)	44,183	(44,183)	(13)	-	76,653	(14) 76,653
	\$ 64,201	\$ 43,155	\$ 47,461	\$ (47,461)		\$ -	\$ 101,676	\$ 101,676
Net Income After Taxes	\$ 156,856	\$ 54,352	\$ (3,762)	\$ (208,907)		\$ (212,669)	\$ 384,807	\$ 172,138

AUDUBON WATER COMPANYPro Forma Annualization of Depreciation Expense Claim

Pro Forma Depr. Exp. for 2012 Plant Assets (See Rev. Sch. J-2-1, Page 1)	\$ 230,048
Pro Forma CIAC Depr. Exp. for 2012 Plant Assets (See Sch. J-2-2, Page 1)	(72,392)
Pro Forma CAC Depr. Exp. for 2012 Plant Assets (See Sch. J-2-3, Page 1)	<u>(178)</u>
Total Pro Forma Depreciation Expense Claim	\$ 157,478
Depreciation Expense Per Books Twelve Months Ended 9/30/11	<u>161,666</u>
Total Pro Forma Depreciation Expense Adjustment	<u>\$ (4,188)</u>

Pro Forma Amortization Expense Claim

Arcola Rd Water Storage Tank Painting	\$ 20,000
Featherbed Ln Water Storage Tank Painting	<u>87,500</u>
Total Water Storage Tank Painting	\$ 107,500
Amortization Period in years	<u>10</u>
Pro Forma Claim Amortization for Water Strg Tank Painting	<u>\$ 10,750</u>

AUDUBON WATER COMPANY

Pro Forma Corporate Income Tax Claim Under Proposed Rates

Pro Forma Claim After Tax Net Income - per rate filing	\$ 172,138
Eliminate Add Back Depr. Exp. (See Updated OCA Set I-9)	-
Other Income	(2,107)
Interest/Dividend Income	(217)
Total Adjusted Income	<u>\$ 169,814</u>
Eliminate Deduct Tax Depr.Exp. (See Updated OCA Set I-9)	-
Deduct Net Interest Expense	21,016
	-
Estimated After Tax Net Income	<u>\$ 148,798</u>
Tax Rate Gross Up (1)	<u>68.33%</u>
 Total estimated corporate income taxes	 \$ 101,675

Proof

Estimated Income after taxes	\$ 148,798	
Total estimated corporate income taxes	101,675	
Pa. Taxable Income	<u>\$ 250,473</u>	
Pa Corp. Tax Rate	9.99%	
Pa Corp. Taxes		\$ 25,022
 Fed. Taxable Income	 \$ 225,451	
Pa Corp. Tax Rate	34%	
Fed Corp. Taxes		\$ 76,653
Total Taxes		<u>\$ 101,676</u>
Proof (Est. Taxes - Total Taxes)		<u>\$ (0)</u>

(1) Calculation of Tax Rates/Gross Up Tax Rates:

Applicable Combined Pa & Fed Tax Rate

Formula $T = PaTaxRate + (1 - PaTaxRate)Fed Tax Rate$

Pa Tax Rate	9.99%
Fed Tax Rate	34%
 T (Tax Rate)	 40.5934%

Tax Gross up Rate to be applied to each dollar of net income or taxable revenue

Formula for Gross Up Rate	$\frac{1}{1 - Tax Rate}$
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Gross Up Rate	1.68331
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AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012			Pro Forma Annualized Depreciation (14)
											Book Values For the Above Period	Annual Depreciation (11)	Accumulated Depreciation (12)	
301		Organizational Costs	\$ -	\$ -	-	-	\$ -				\$ -	\$ -	\$ -	\$ -
302		Franchises and consents	-	-	-	-	-				-	-	-	-
303		Misc. Intangible Plant	-	-	-	-	-				-	-	-	-
311.13		Other Source of Supply Land	35,505	-	-	-	35,505				-	-	35,505	-
311.2		Power and Pumping Land	6,000	-	-	-	6,000				-	-	6,000	-
311.5		Distribution Reservoir & Standpip Land	1,013	-	-	-	1,013				-	-	1,013	-
Total		Non-Depreciable Plant	\$ 42,518	\$ -	\$ -	\$ -	\$ 42,518				\$ -	\$ -	\$ 42,518	\$ -
312.1		Source of Supply Structures	40,805	-	-	-	40,805				13	40,773	32	13
312.13		Springs & Wells	727,999	15,000	-	-	742,999				13,932	366,949	376,050	14,082
312.2		Power and Pumping Structure	58,844	95,000	-	-	153,844				2,097	44,603	109,240	3,284
312.5		Distribution Reservoirs & Standpipes	723,534	85,000	-	-	808,534				18,893	394,417	414,117	19,955
312.62		Stores, Shop and Garage Buildings	6,725	-	-	-	6,725				53	6,196	528	53
316		Electric Pumping Equipment	290,626	50,000	-	-	340,626				9,065	225,755	114,871	10,732
319		Other Power Pumping Equipment	32,568	-	-	-	32,568				1,762	21,117	11,451	1,762
320		Purification Sytem	559,992	-	-	-	559,992				7,888	518,325	41,668	7,888
322		Mains & Accessories	4,112,844	104,401	-	-	4,217,246				69,653	1,397,763	2,819,483	70,523
323		Services	286,359	-	-	-	286,359				4,834	100,684	185,675	4,834
324		Meters	821,922	114,678	-	-	936,600				32,831	344,703	591,897	35,125
325		Fire Hydrants	184,584	-	-	-	184,584				4,148	84,482	100,102	4,148
328		Office Furniture & Equipment	73,330	52,000	-	-	125,330				5,200	78,530	46,800	10,400
329		Transportation Equipment	442,697	122,970	-	-	565,667				40,316	352,220	213,447	46,066
332		Tools and Work Equipment	125,369	-	-	-	125,369				1,185	122,250	3,118	1,185
333		Communiation Equipment	2,897	-	-	-	2,897				-	2,897	-	-
334		Miscellaneous Equipment	45,935	-	-	-	45,935				-	45,935	-	-
Total		Depreciable Plant	\$ 8,537,029	\$ 639,049	\$ -	\$ -	\$ 9,176,078				\$ 211,868	\$ 4,147,598	\$ 5,028,480	\$ 230,048
Total		Plant	\$ 8,579,547	\$ 639,049	\$ -	\$ -	\$ 9,218,596				\$ 211,868	\$ 4,147,598	\$ 5,070,998	\$ 230,048

AUDUBON WATER COMPANY

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended September 30, 2012

Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage/ Adjust. (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Sept. 2012 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
											Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
329	1980	Transportation Equipment	\$ 14,621	\$ -	\$ -	\$ -	\$ 14,621	5	20.00%	0.0	\$ -	\$ 14,621	\$ -	\$ -
329	1985	Transportation Equipment	28,585	-	-	-	28,585	5	20.00%	0.0	-	28,585	-	-
329	1986	Transportation Equipment	12,478	-	-	-	12,478	5	20.00%	0.0	-	12,478	-	-
329	1988	Transportation Equipment	10,646	-	-	-	10,646	5	20.00%	0.0	-	10,646	-	-
329	1989	Transportation Equipment	254	-	-	-	254	5	20.00%	0.0	-	254	-	-
329	1990	Transportation Equipment	35,406	-	-	-	35,406	5	20.00%	0.0	-	35,406	-	-
329	1992	Transportation Equipment	(8,517)	-	-	-	(8,517)		0.00%	0.0	-	(8,517)	-	-
329	1992	Transportation Equipment	14,644	-	-	-	14,644	5	20.00%	0.0	-	14,644	-	-
329	1993	Transportation Equipment	20,872	-	-	-	20,872	5	20.00%	0.0	-	20,872	-	-
329	1994	Transportation Equipment	(51,665)	-	-	-	(51,665)		0.00%	0.0	-	(51,665)	-	-
329	1994	Transportation Equipment	22,960	-	-	-	22,960	5	20.00%	0.0	-	22,960	-	-
329	1996	Transportation Equipment	9,481	-	-	-	9,481	5	20.00%	0.0	-	9,481	-	-
329	1997	Transportation Equipment	36,449	-	-	-	36,449	7	14.29%	0.0	-	36,449	-	-
329	2000	Transportation Equipment	58,080	-	-	-	58,080	5	20.00%	0.0	-	58,080	-	-
329	2001	Transportation Equipment	25,356	-	-	-	25,356	7	14.29%	0.0	-	25,356	-	-
329	2004	Transportation Equipment	50,075	-	-	-	50,075	7	14.29%	0.0	-	50,075	-	-
329	2005	Transportation Equipment	69,133	-	-	-	69,133	7	14.29%	0.5	4,938	69,133	-	4,938
329	2006	Transportation Equipment	20,291	-	-	-	20,291	7	14.29%	0.5	2,899	18,841	1,449	2,899
329	2007	Transportation Equipment	5,276	-	-	-	5,276	7	14.29%	1.5	754	4,145	1,131	754
329	2008	Transportation Equipment	23,148	-	-	-	23,148	7	14.29%	2.5	3,307	14,881	8,267	3,307
329	2009	Transportation Equipment	43,861	-	-	-	43,861	7	14.29%	3.5	6,266	21,931	21,931	6,266
329	2009	Transportation Equipment	(51,198)	-	-	-	(51,198)	0	0.00%	0.0	-	(51,198)	-	-
329	2010	Transportation Equipment	103,659	-	-	-	103,659	7	14.29%	4.5	14,808	37,021	66,638	14,808
329	2010	Transportation Equipment	(51,198)	-	-	-	(51,198)	0	0.00%	0.0	-	(51,198)	-	-
329	2012	Backhoe	-	115,000	-	-	115,000	10	10.00%	9.5	5,750	5,750	109,250	11,500
329	2010	Stg Service Body(See OCA Set I-8)	-	7,970	-	-	7,970	5	20.00%	3.0	1,594	3,188	4,782	1,594
329		Transportation Equipment	-	-	-	-	-	7	0.00%	0.0	-	-	-	-
329	Total	Transportation Equipment	\$ 442,697	\$ 122,970	\$ -	\$ -	\$ 565,667				\$ 40,316	\$ 352,220	\$ 213,447	\$ 46,066

AUDUBON WATER COMPANY

Current And Proposed Tariff Rates

	Current Rates		Proposed Rates	
	Quarterly	Monthly	Quarterly	Monthly
Customer Charge Based on Meter Size				
5/8" & 3/4" Meter	\$ 32.64	\$ 10.88	\$ 40.47	\$ 13.49
1" Meter	\$ 83.08	\$ 27.70	\$ 103.05	\$ 34.35
1 1/2" Meter		\$ 47.16		\$ 58.48
2" Meter		\$ 75.35		\$ 93.43
3" Meter		\$ 141.49		\$ 175.45
4" Meter		\$ 235.49		\$ 292.01
6" Meter		\$ 470.98		\$ 584.02
8" Meter		\$ 753.63		\$ 934.50
10" Meter		\$ 912.88		\$ 1,131.97
12" Meter		\$ 1,427.27		\$ 1,769.81
Volumetric Rates per 1,000 gallons				
Residential Customers- all volumes	\$ 5.5776	\$ 5.5776	\$ 6.9525	\$ 6.9525
Non-Residential Customers				
First 300,000 quarterly/100,000 monthly	\$ 5.5776	\$ 5.5776	\$ 6.9525	\$ 6.9525
Over 300,000 quarterly/100,000 monthly	\$ 3.7304	\$ 3.7304	\$ 4.5635	\$ 4.5635
Temporary Rates/Water for Building Purposes				
Single Family Dwelling		\$ 110.62		\$ 137.68
Public Fire Protection				
Hydrants	\$ <u>Monthly</u> 16.37	\$ <u>Annual</u> 196.35	\$ <u>Monthly</u> 20.39	\$ <u>Annual</u> 244.62
Private Fire Protection				
1" Sprinkler		\$ 235.82	\$ 24.47	\$ 293.54
2" Sprinkler		\$ 373.38	\$ 38.74	\$ 464.77
3" Sprinkler		\$ 432.33	\$ 44.85	\$ 538.15
4" Sprinkler		\$ 530.59	\$ 55.04	\$ 660.46
6" Sprinkler		\$ 786.06	\$ 81.54	\$ 978.46
8" Sprinkler		\$ 1,277.34	\$ 132.50	\$ 1,589.99
10" Sprinkler			\$ 181.43	\$ 2,177.07
Hydrants	\$ 65.50	\$ 786.06	\$ 81.54	\$ 978.46

AUDUBON WATER COMPANY

Proof Of Revenues Under Proposed Rates by Customer Class
For the Pro Forma Twelve Months Ended September 30, 2012

Customer Classifications	Pro Forma TME		# Of Bills	Usage Totals			Typical Bill Usage*	Customer Charge			Volumetric Charge Revenue			Pro Forma 9/30/2012 Proposed Charges	Pro Forma 9/30/2012 Current Charges	Pro Forma Base Rate Increase
	9/30/11	9/30/12		1st Block	2nd Block	Total		Rates	Revenue	1st Block	2nd Block	Total Usage				
	No. Cust.	No. Cust.											Usage			
Residential																
5/8" & 3/4" Quarterly	1,596	1,596	6,382	90,511	-	90,511	14	\$ 40.47	\$ 258,280							
1" Quarterly	2	2	8	172	-	172	22	\$ 103.05	824							
1" Monthly	4	4	48	300	-	300	6	\$ 34.35	1,649							
5/8" & 3/4" Monthly	757	762	9,141	56,537	-	56,537	6	\$ 13.49	123,312							
5/8" Monthly Trailer Park	220	220	2,843	6,984	-	6,984	2	\$ 13.49	38,352							
Total Residential	2,579	2,584	18,422	154,504	-	154,504			\$ 422,417	\$ 1,074,189	\$ -	\$ 1,074,189	\$ 1,496,606	\$ 1,202,450	\$ 294,156	
Commercial																
5/8"	62	62	739	2,452	-	2,452	3	\$ 13.49	\$ 9,969							
3/4"	3	3	36	170	-	170	5	\$ 13.49	486							
1"	14	14	168	381	-	381	2	\$ 34.35	5,771							
1 1/2"	28	28	336	3,731	-	3,731	11	\$ 58.48	19,649							
2"	32	32	384	13,114	4,832	17,946	47	\$ 93.43	35,877							
3"	5	5	60	2,446	762	3,208	53	\$ 175.45	10,527							
4"	3	3	37	491	-	491	13	\$ 292.01	10,804							
6"	5	5	60	1	-	1	0	\$ 584.02	35,041							
8"	1	1	12	11	-	11	1	\$ 934.50	11,214							
10"	-	-	-	-	-	-	-	\$ 1,131.97	-							
Total Commercial	153	153	1,832	22,797	5,594	28,391	15		\$ 139,339	\$ 158,496	\$ 25,528	\$ 184,024	\$ 323,363	\$ 260,391	\$ 62,972	
Multi-Family																
1"	1	1	12	236	-	236	20	\$ 34.35	\$ 412							
1 1/2"	22	22	264	22,190	5,478	27,668	105	\$ 58.48	15,439							
2"	3	3	36	2,400	23,542	25,942	721	\$ 93.43	3,363							
3"	2	2	24	2,400	3,070	5,470	228	\$ 175.45	4,211							
10"	1	1	12	1,200	24,900	26,100	2175	\$ 1,131.97	13,584							
Total Multi-Family	29	29	348	28,426	56,990	85,416	245		\$ 37,009	\$ 197,632	\$ 260,074	\$ 457,706	\$ 494,714	\$ 400,990	\$ 93,725	
Public																
5/8"	-	-	-	-	-	-	-	\$ 13.49	\$ -							
1 1/2"	2	2	24	1,247	1,715	2,962	123	\$ 58.48	1,404							
4"	1	1	12	399	-	399	33	\$ 292.01	3,504							
6"	1	1	12	40	-	40	3	\$ 584.02	7,008							
Total Public	4	4	48	1,686	1,715	3,401	71		\$ 11,916	\$ 11,722	\$ 7,826	\$ 19,548	\$ 31,464	\$ 25,411	\$ 6,053	
Total Res, Comm, MF, Pub	2,765	2,770	20,650	207,413	64,299	271,712			\$ 610,680	\$ 1,442,039	\$ 293,428	\$ 1,735,467	\$ 2,346,148	\$ 1,889,242	\$ 456,905	
See Sch. L-3 for Res, Comm, MF, Pub Customers and Usage details * Typical Bill Current/Proposed Rates See Sch.'s M-3																
Fire Protection:																
Private - Billing Units																
4" Sprinkler - Annual	14	14	1					\$ 660.46	9,246							
6" Sprinkler - Annual	37	37	1					\$ 978.46	36,203							
8" Sprinkler - Annual	13	13	1					\$ 1,589.99	20,670							
10" Sprinkler - Annual	-	-	-													
Hydrants - Mthly	27	28	12					\$ 81.54	27,397							
Hydrants - Annual	8	8	1					\$ 978.46	7,828							
Total Private Fire Units	99	100							\$ 101,344				\$ 101,344	\$ 81,414	\$ 19,930	
Public - Hydrants Units Mthly																
Public - Hydrants Units Mthly	175	175	12					\$ 20.39	\$ 42,819				\$ 42,819			
Public - Hydrants Units Annua	25	25	1					\$ 244.62	6,116				\$ 6,116			
Total Private Fire Units	200	200							\$ 48,935				\$ 48,935	\$ 39,286	\$ 9,649	
Total Fire Protection Units	299	300							\$ 150,279				\$ 150,279	\$ 120,700	\$ 29,579	
Total Customers/Billing Units	3,064	3,070							\$ 760,959	\$ 1,442,039	\$ 293,428	\$ 1,735,467	\$ 2,496,426	\$ 2,009,942	\$ 486,484	

DMK-1R EXHIBIT 3

Pinebrook Building 1
2650 Eisenhower Avenue
Norristown, PA 19403

3/1/2012

ACCOUNT NUMBER

Audubon Water Company
Holly D. Russell
2650 Eisenhower Avenue
Suite 104A
Norristown, PA 19403

CE020497 1

MAKE CHECKS PAYABLE TO: CBRE as Court Appointed Receiv

BALANCE DUE

3,994.86

Date	Code	Description	Charges	Payments	Amount Due
3/1/2012	OPX	OPERATING EXPENSE	554.10	.00	554.10
3/1/2012	RET	REAL ESTATE TAX	361.93	.00	361.93
3/1/2012	RNT	BASE RENT	3,078.83	.00	3,078.83

PAID
CK. NO. 18794
DATE 3/1/12

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Administrative Law Judge
Christopher P. Pell

ORIGINAL

PENNSYLVANIA PUBLIC UTILITY COMMISSION :

v. :

AUDUBON WATER COMPANY :

Docket No. R-2012-2286118

OUTLINE OF REJOINDER TESTIMONY
OF DENNIS M. KALBARCZYK

DATE SERVED: June 18, 2012
DATE ADMITTED: June __, 2012

Audubon Water Company
Statement DMK-1 RJ

1. Rate of Return

- a. OCA witness Kraus's Surrebuttal Testimony at p. 16 notes that OCA did not accept or make a recommendation with regard to the hypothetical capital structure as Mr. Kalbarczyk indicated in his Rebuttal Testimony. Further, she states that Mr. Kalbarczyk implies that the DSIC equity rate will always be lower than a return on equity factor approved in a rate case and she discusses the reconcilable feature of the DSIC rate application. Lastly, she discusses her general experience that the Commission-allowed rate of return is generally lower than that requested by the utility and continues to believe that the 9.5% DSIC rate is appropriate in this proceeding.

I agree that OCA takes no position on the hypothetical capital structure. However, Ms. Kraus misstates my testimony position that the DSIC equity rate will always be lower than that set in a base rate case proceeding. Further, as I will explain, Ms. Kraus's reliance on and recommendation that the 9.5% DSIC equity rate is appropriate in this proceeding has considerable shortfalls. Lastly, I will address general Commission allowed equity rates of return requested by utilities to that granted by the Commission.

- b. I&E witness Gordon's Surrebuttal Testimony makes a number of misstatements by implying that I indicated my interest coverage method for determining an equity rate of return was deficient because I did not perform the same type of equity study analysis as she did. She also disagrees with the Company's 45% debt and 55% equity capital structure, which I indicated is based, in part, on the Commission's acceptance of equity capital structures that closely approximate that of the Company's request. Ms. Gordon objects to increased allowances in equity rates of return related to size and risk of utility operations and she continues to advance the use of the log-linear regression analysis for the determination of her equity rate of return rate.

To contrary, my testimony never asserted that the interest coverage was deficient nor have I indicated that the study approach she recommends is the only one to be utilized by the Commission. I will address my experience as it relates to utility capital structures in prior rate case proceedings, the use of upward adjustments to equity rates for both size and risk, and the deficiencies of her log-linear regression analysis.

2. Current Staff Payroll Expense Matters

- a. OCA now recognizes merit increases granted, but continues to propose a 1.5% overall wage increase to all staff noting one must consider current economic conditions; also denies allowance of longevity payments made in December 2011 as part of the overall payroll claim as uncertain in future. OCA would adjust related payroll taxes as well.

- b. I&E's payroll claim proposal remains unchanged indicating continued use of a 2.5% increase to general staff but would not recognize merit increases and longevity payments - noting that companies must be mindful of increases to payroll and adjust them accordingly.

I will address the Company's continued rationale for inclusion of longevity payments in the test period and the appropriate use of the Company's wage increase request, which does consider economic circumstances.

3. Rate Case Normalization and Expense Claim

- a. OCA/I&E normalized on five year and 53 month period respectively; based upon their perception of the actual timing of the Company's prior rate filings.
- b. OCA/I&E disagree with the Company's position that the Commission has accepted something other than actual timing of prior rate case filings.
- c. I&E recommends \$165,000 in costs for this rate case proceeding, in lieu of the \$230,000 Company claim.

I will address past Commission proceedings in which normalization periods used were, in fact, less than actual timing of prior rate case filing history. I will also address the cost of a fully litigated rate case proceeding.

4. Purchased Power Expense Claim

- a. I&E's position with regard to \$4,461 pro forma additional claim for purchased power expense remains unchanged, indicating it is speculative.
- b. I&E's position is that the Company shop for electric providers.

I will address the need for pro forma increase in purchased power expense claim and I&E's recommendation that Company shop for electric providers.

5. Preventative Maintenance Projects Claim

- a. OCA's original downward adjustment of \$94,150 was reduced to \$89,250. OCA cited a contractual agreement of \$4,900 to perform maintenance on generators in lieu of the Company's \$8,000 claim.

I will recommend full inclusion of the Company's as-filed request based upon Mr. Russell's Rebuttal Testimony.

6. Amortization of Tank Painting.

- a. I&E recommends against inclusion of \$2,000 amortization expense for painting the Arcola Road storage tank.
- b. OCA would deny inclusion of \$2,000 and \$8,750 amortization expense for the Arcola Road and the Featherbed Lane tank painting projects. OCA continues to misstate Commission ratemaking policy and procedures for the inclusion of such projects in rates during a general rate case proceeding.

I will discuss the ratemaking policy and procedures accepted by the Commission and recommend inclusion of both projects in overall revenue requirement claim.

7. Pro Forma Claimed Rate Base Additions

- a. OCA and I&E recommend against inclusion of necessary computer system upgrades, *i.e.*, Server & Backup server along with 6 new computer workstations, as well as a new Customer Billing Program.
- b. OCA and I&E also disagree with the Company's position and discussion regarding Commission acceptance of planned capital projects prior to their actual completion and inclusion in rates, to also include the timing of such projects as it relates to cash flow requirements.

I will address the need for and cost related to the computer system upgrades and billing system. I will also address the ratemaking policy and procedures accepted by the Commission and recommend inclusion of both in overall revenue requirement claim, as well as cash flow planning.

8. Income Taxes

- a. OCA briefly notes that its overall revenue increase proposal is based upon the combined effective federal and state income tax rate calculated by the Company on its updated Schedule I-14.

In that regard, the Company submits that the final determination of federal and state income taxes in this proceeding should be consistent with the method and formulas set forth on updated Schedule I-14.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Administrative Law Judge
Christopher P. Pell

ORIGINAL

PENNSYLVANIA PUBLIC UTILITY COMMISSION :
: v. : Docket No. R-2012-2286118
: :
AUDUBON WATER COMPANY :

REBUTTAL TESTIMONY OF
J. H. RUSSELL
AUDUBON WATER COMPANY

RECEIVED
2012 JUL -6 PM 4:25
REGISTRATION DIVISION

DATE SERVED: June 7, 2012
DATE ADMITTED: June __, 2012

Audubon Water Company
Statement JHR-1R

1 **Q. STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is J. H. Russell. My business address is 2650 Eisenhower Avenue, Norristown,
3 Pennsylvania 19407.

4
5 **Q. WHAT IS YOUR POSITION AT AUDUBON WATER COMPANY (AUDUBON OR
6 COMPANY)?**

7 A. I am the Company's Chief Financial Officer and Chief Operations Officer.

8
9 **Q. WHAT OTHER POSITIONS HAVE YOU HELD WITH THE COMPANY?**

10 A. I have been a laborer, meter reader, crew boss and Operations Manager for a number of
11 years. In my elevated position as Chief Operations Officer I am still actively involved in the
12 operations of Audubon's water facilities and system.

13
14 **Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL
15 EXPERIENCE.**

16 A. I received my Bachelor of Science degree from the School of Natural Resources, University
17 of Vermont. I have 30 years of experience in the field of water utility construction,
18 maintenance and operations, and I am certified by the Pennsylvania Department of
19 Environmental Protection (DEP) as an operator of water systems.

20

21

1 Q. WHAT RESPONSIBILITIES DO YOU HAVE AS AUDUBON'S CHIEF
2 OPERATIONS OFFICER (COO)?

3 A. As the COO, I am responsible for the overall system operations of the Company,
4 including repair, maintenance and preventive maintenance for Audubon's supply,
5 treatment and distribution facilities. I am in charge of the planning and construction of
6 all capital improvement projects undertaken by the Company. In that capacity,
7 I regularly consult with Audubon's engineer, hydrogeologist and Operations Manager.
8 I also act as a liaison with local businesses and political agencies and I interface with
9 local, state and federal regulators, including the Pennsylvania Public Utility Commission
10 (Commission), the DEP and the Delaware River Basin Commission (DRBC).

11

12 Q. ON WHOSE BEHALF ARE YOU SUBMITTING THIS TESTIMONY?

13 A. I am appearing on behalf of Audubon in order to respond to statements made in the Direct
14 Testimony of Ms. Marilyn Kraus,¹ of the Office of Consumer Advocate (OCA), and the
15 Direct Testimony of Ms. Debra Backer² and Mr. Jeremy Hubert,³ of the Bureau of
16 Investigation and Enforcement (I&E). I will respond to this testimony only as it relates to
17 the status of the plant additions and facility maintenance projects discussed by the witnesses
18 in their Direct Testimony.

19

¹ OCA Statement 1.

² I&E Statement No. 2.

³ I&E Statement No. 3.

1 Q. HAVE YOU PERSONALLY BEEN INVOLVED IN THE ACTIVITIES THAT
2 ARE ONGOING TO COMPLETE THE PLANT ADDITIONS AND
3 PREVENTIVE MAINTENANCE PROJECTS INCLUDED IN THE COMPANY'S
4 RATE FILING?

5 A. Yes. I was and continue to be involved in all phases of the projects. I am involved in the
6 scheduling and obtaining of estimates and contracts for the projects and I inspect each
7 project as it is on-going and upon completion.

8
9 Q. WHAT RECOMMENDATIONS DID MS. KRAUS AND MR. HUBERT MAKE IN
10 THEIR DIRECT TESTIMONY WITH RESPECT TO THE COMPANY'S
11 PROPOSED CAPITAL ADDITIONS?

12 A. Ms. Kraus recommends the Commission disallow recovery of the costs associated with
13 the projects to (1) build a new road to the Featherbed Lane test well; (2) install a
14 generator at Well #15; (3) upgrade and construct mains in the distribution system;
15 (4) purchase and install a new customer billing program, backup server and computers;
16 and (5) purchase a backhoe. Mr. Hubert recommends removal of the costs for the new
17 pump station and water storage facility at the Valley Forge Mobile Home Park (MHP)
18 and, like Ms. Kraus, for the billing and computer equipment. Mr. Hubert also
19 recommends the removal of a water storage facility constructed in 2000. Mr. Kalbarczyk
20 will have some general comments with regard to the above projects and he will also
21 address the proposed adjustments for the billing and computer equipment in his Rebuttal
22 Testimony.

1 **Q. WHAT RATIONALE DID MS. KRAUS AND MR. HUBERT GIVE TO SUPPORT**
2 **THE ADJUSTMENTS THEY PROPOSE?**

3 A. Ms. Kraus recommends the projects be disallowed because, in her opinion, the Company
4 provided no support that the plant additions are or will be used to provide service to
5 Audubon's customers. Specifically, she testifies that "bids or proposals have not yet
6 been requested, no amounts have been expended and no starting or in-service dates have
7 been determined." Mr. Hubert testifies that Audubon has not identified any costs
8 incurred by the Company to date; that no anticipated or expected in-service dates have
9 been identified; that the DEP Permit required to begin the MHP projects has not yet been
10 issued; and, that it is not certain at this time if the new facilities will be used to provide
11 service to Audubon's customers.

12
13 **Q. DO YOU HAVE ANY GENERAL COMMENTS TO MAKE CONCERNING THE**
14 **CAPITAL ADDITIONAL PROJECTS INCLUDED IN THE COMPANY'S RATE**
15 **FILING?**

16 A. Yes. Initially, it is important to understand that the Company must consider a number of
17 factors when trying to schedule capital work. That would include customer requirements,
18 seasonal demands, operation and maintenance scheduling, as well as the coordination
19 with regulatory agency requirements and the availability of contractors. In addition, it
20 should be recognized by the parties and the Commission that these projects, and the
21 preventive maintenance projects, are evolving and the status of a project can change from
22 day to day.

1 Q. PLEASE DISCUSS THE STATUS OF THE CAPITAL ADDITION PROJECTS
2 REFERENCED IN THE DIRECT TESTIMONY OF OCA AND I&E?

3 A. Yes. Audubon has been and continues to do work on the capital addition projects, which
4 we believe will be completed by September 30, 2012. Indeed, Audubon is committed to
5 completing the planned capital projects and getting the facilities on-line and in-service as
6 soon as possible for the benefit of our customers. We are in the process of updating the
7 relevant discovery responses to reflect the more recent work described in this Rebuttal
8 Testimony.

9
10 Q. MS. KRAUS RECOMMENDS THE COMPANY BE DENIED RECOVERY FOR
11 THE COSTS OF THE NEW ROAD AT THE FEATHERBED LANE TEST WELL.
12 WHAT IS THE STATUS OF AND WHAT PROGRESS HAS AUDUBON MADE
13 ON THIS PROJECT?

14 A. Fill material is on site and construction is scheduled to begin in August 2012. This late
15 summer start date helps to avoid the spring rainy season (which could result in time
16 delays and additional costs when working under less than ideal conditions) and the high
17 peak usage needs of the summer months. We received an estimate and a commitment
18 from a contractor to do the needed excavating, have contacted and are expecting an
19 estimate for removal of trees at the road's location, and have pre-ordered ballast for the
20 road base and finish stone for the road's top coat. Once excavation is started, I estimate it
21 will take approximately two weeks to finish the project, with an expected in-service date
22 of about September 15, 2012.

1
2 **Q. OCA WITNESS KRAUS ALSO RECOMMENDS THE COMMISSION**
3 **DISALLOW THE COSTS ASSOCIATED WITH INSTALLATION OF A**
4 **GENERATOR AT WELL #15. PLEASE DISCUSS THE STATUS OF THIS**
5 **PROJECT?**

6 A. This project will be finished and the generator will be in-service before June 30, 2012.
7 The generator was placed and all electrical work was completed on June 1, 2012. Testing
8 is expected to begin on June 11, 2012. Assuming the tests show it is fully operational,
9 the generator will be put in-service before June 30, 2012 or, at the latest, shortly
10 thereafter, and will be available for use when needed as backup power.

11
12 **Q. WHAT ADJUSTMENTS HAS MS. KRAUS RECOMMENDED IN CONNECTION**
13 **WITH THE COMPANY'S CLAIM FOR MAIN PROJECTS?**

14 A. Ms. Kraus recommends that costs associated with four of the main projects included in
15 the Company's rate filing be disallowed. This recommendation affects (1) the looping
16 planned on Level Road; (2) the piping upgrades at AWC Wells #6 and #9; (3) the piping
17 upgrades planned at the Featherbed Lane standpipe; and (4) work needed at the
18 Arcola Road ground storage facility. No adjustment is recommended for the piping
19 upgrades made at the Valley Forge Corporate Center (VFCC) Well #2, as this VFCC
20 project is completed and is in service.

21 **Q. WHAT ADDITIONAL ACTIVITIES HAS THE COMPANY COMPLETED WITH**
22 **REGARD TO THE LEVEL ROAD LOOPING?**

1 As noted earlier, customer service and seasonal demands are a major factor in scheduling
2 some capital project work. In the case of the looping project on Level Road, the project
3 area is located across the street from a school, so construction is scheduled to begin in
4 July 2012 when classes are not in session. Project staging work has already begun;
5 all materials are now on site. Once the project is started it will take two to four weeks to
6 complete; making the expected in-service about August 30, 2012, but definitely before
7 the new school year begins.

8
9 **Q. WHAT ADDITIONAL WORK HAS BEEN DONE AT AWC WELLS #6 AND #9?**

10 A. The Company hired an independent welder who has been configuring and welding much
11 of the new piping offsite so a limited amount of work will need to be done inside the well
12 house. He also prepared the old piping for removal – for example, he removed and
13 replaced the old bolts, which minimizes downtime at the well. The materials needed to
14 complete the project have been received. The wells were temporarily removed from
15 service on June 5, 2012 and I estimate installation of the new piping will take one to two
16 weeks to complete. One of the existing booster pumps will then be replaced with a
17 booster pump purchased for the project and the second booster pump will be removed
18 and rebuilt. Depending on what is involved in rebuilding this booster pump, the expected
19 in-service date should be September 30, 2012 or earlier.

20 **Q. MS. KRAUS RECOMMENDS THAT ADJUSTMENTS BE MADE FOR WORK**
21 **NEEDED TO BE DONE AT THE ARCOLA ROAD AND FEATHERBED LANE**

1 **WATER STORAGE FACILITIES. DO YOU HAVE ANY RESPONSE TO HER**
2 **RECOMMENDATIONS?**

3 A. Yes. At the Arcola Road ground storage facility, we have to install several check valves
4 to differentiate high and low pressure zones in the distribution system. Once this work is
5 completed, the Arcola Road storage facility will be fully integrated into the Company's
6 water system in order to replace storage capacity and to maintain sufficient pressure to
7 provide for fire protection when the Featherbed Lane standpipe is taken off-line for the
8 work that is described later in my Rebuttal Testimony. At this time, we plan to begin
9 work on the Arcola Road storage facility in August 2012 and it should take
10 approximately two to three weeks to complete, with an expected in-service date no later
11 than August 30, 2012.

12
13 At the Featherbed Lane location, some old steel pipe that connects the standpipe to the
14 distribution system needs to be replaced as it has been in service since 1973. However,
15 this is another project that requires consideration and coordination of not only capital
16 work but of scheduled maintenance work as well. This upgrade will be done when the
17 tank is taken off-line for maintenance and painting, which I discuss later in my Rebuttal
18 Testimony. Our current project estimate is \$21,000; however, because we will not know
19 the full nature or extent of the work needed until the existing pipe is uncovered, it would
20 be premature to order materials at this time. The maintenance work on the standpipe is
21 scheduled to begin in September 2012, is expected to take two weeks to complete and the

1 standpipe should be back on line during the future test year, or within the time period
2 allowed by the Commission under present practice and policy.

3
4 **Q. DOES I&E WITNESS HUBERT ALSO RECOMMEND THE COMMISSION**
5 **NOT INCLUDE COSTS FOR THESE CAPITAL IMPROVEMENT PROJECTS**
6 **IN NEW RATES?**

7 A. Mr. Hubert, similar to Ms. Kraus, recommends the Commission adjust the Company's
8 proposed rates to remove costs associated with the billing and computer equipment
9 (which Mr. Kalbarczyk will discuss). He would also remove from rate consideration the
10 costs to construct and install a new pump station and water storage facility at the MHP.
11 He did not recommend the other project cost adjustments made by Ms. Kraus.

12
13 **Q. WHAT BASIS DOES MR. HUBERT GIVE FOR RECOMMENDING**
14 **DISALLOWANCE OF THE MHP CAPITAL ADDITION PROJECTS?**

15 A. Mr. Hubert states that the projects can have no anticipated in-service date because the
16 start of the projects is tied to the issuance of a DEP permit and the Company's DEP
17 application still needs to go through technical review.

18
19 **Q. WOULD YOU CARE TO RESPOND TO MR. HUBERT'S STATEMENTS?**

20 A. Yes. Mr. Hubert's statements regarding the status of the Company's DEP application are
21 incorrect. If you look at Mr. Hubert's I&E Exhibit No. 3, Schedule 2, page 8 of 8, you
22 will see that DEP advised the DRBC that the Audubon project at the MHP "has been

1 approved and a permit will be issued” by DEP once the DRBC has given its approval to
2 the project. As noted in Mr. Hubert’s testimony, for the MHP project to be approved,
3 DEP has to have completed its technical review.
4

5 **Q. WHEN IS THE DRBC EXPECTED TO APPROVE THE MHP PROJECTS?**

6 A. We just recently received notice from the DRBC that the docket is listed for action at the
7 DRBC’s July 11, 2011 meeting. A copy of that correspondence will be provided to OCA
8 and I&E in updated discovery responses. I would add, however, that the only thing the
9 DRBC is approving is the addition of the new MHP well to the Company’s list of water
10 supply sources.
11

12 **Q. ASSUMING THE DRBC ACTS ON AUDUBON’S DOCKET AT ITS**
13 **JULY 11, 2012 MEETING, HAS DEP GIVEN THE COMPANY A SPECIFIC**
14 **DATE WHEN IT WILL ISSUE THE PERMIT REQUIRED TO BEGIN THE MHP**
15 **PROJECTS?**

16 A. DEP has not given us a specific date; however, my communications with the DEP staff
17 indicate the only thing the DEP is waiting for is the DRBC’s July 11, 2012 action.
18

1 Q. TO VARYING DEGREES BOTH OCA AND I&E WITNESSES HAVE
2 RECOMMENDED DISALLOWANCE OF COSTS ASSOCIATED WITH THE
3 PAINTING OF THE FEATHERBED LANE AND ARCOLA ROAD STORAGE
4 FACILITIES. DO YOU AGREE WITH THESE RECOMMENDATIONS?

5 A. No. I&E witness Backer recommends that the costs for painting the Arcola Road ground
6 storage facility be removed because Mr. Hubert indicates the facility is not in-service at
7 this time. I disagree with her. This facility will be in service when the new rates will go
8 in effect, or within periods the Commission allows under present practice or policy.

9
10 OCA witness Kraus recommends the Commission deny the Company's entire claim for
11 storage tank maintenance. Like Audubon's capital additions and preventive maintenance
12 claims, Ms. Kraus states the denial of these costs is appropriate because the Company
13 "has not entered into any contracts for this project and it has not even estimated a date for
14 these projects to commence." In discovery responses, the Company provided both OCA
15 and I&E with copies of Confidential cost proposals for the work to be done, which
16 includes more than simply painting the outside of the facility.

17
18 Q. PLEASE EXPLAIN.

19 A. Over time, the inside of a steel water storage facility can become pitted due to oxidation.
20 To prevent the storage facility from developing leaks or to repair leaks that already exist
21 so the storage facility can continue to be used for service, a complete restoration needs
22 to be done. While the work is generically referred to as "painting," it actually involves

1 the scraping, cleaning and sometimes sandblasting of the inside and outside surfaces of
2 the storage facility, the physical inspection for and the repair of any damage to the
3 facility, and the repainting of the outside of the facility to protect it going forward. The
4 Company needs to completely restore the Featherbed Lane standpipe because it has been
5 in service for over ten years without the type of work I just described.

6
7 **Q. CAN YOU UPDATE THE STATUS OF WHEN THIS WORK IS EXPECTED TO**
8 **TAKE PLACE?**

9 A. As I stated earlier, the restoration of the Featherbed Lane standpipe cannot begin until
10 the Arcola Road storage facility is fully integrated into the Company's distribution
11 system, which is estimated to occur before August 30, 2012. Depending on the weather
12 and system needs, restoration work on the Featherbed Lane standpipe is scheduled to be
13 done over a two-week period in September 2012, so as not to unreasonably reduce
14 system storage capacity during a time of peak usage. Assuming no major repair work is
15 identified when the inside of the standpipe is inspected, the standpipe should be back
16 in-service on or about September 30, 2012, or shortly thereafter. Hence, Ms. Backer's
17 claim that these costs should be rejected due to the facility being not in service should be
18 rejected.

19

1 Q. MS. KRAUS RECOMMENDS THAT THE COMMISSION REMOVE THE COST
2 FOR THE COMPANY TO PURCHASE A NEW BACKHOE FROM THIS
3 PROCEEDING. WOULD YOU RESPOND?

4 A. Yes. The Company will likely purchase a backhoe at or near the time the Commission
5 enters a final Order deciding the new rates given in this case, even though having this
6 equipment now would be helpful in some of the proposed facility projects. The plant
7 addition projects, however, are of a higher priority and Audubon does not have the
8 revenues to support purchasing a backhoe now.

9
10 Q. HOW LONG WOULD IT TAKE AUDUBON TO GET A NEW BACKHOE?

11 A. About one month. The Company has decided on the type of backhoe it wants to purchase
12 and, in my experience, most vendors have this smaller type of equipment on site or can
13 get the equipment without much wait time.

14
15 Q. MS. KRAUS ALSO RECOMMENDS THAT COSTS FOR THE PART-TIME
16 LABORER BE REMOVED FROM THIS CASE. PLEASE RESPOND TO HER
17 RECOMMENDATION.

18 A. My understanding of Ms. Kraus's Direct Testimony is that she made her recommendation
19 because the part-time employee was not yet hired and there was no job description for the
20 work that employee would do at the time she prepared her Direct Testimony. The
21 Company hired an individual on June 5, 2012 to fill the part-time laborer position. The

1 job description for this employee is being provided to OCA and I&E in updated
2 discovery responses.

3
4 The new employee is expected to begin work on June 14, 2012 and he is scheduled to
5 work about 20 hours per week. If needed, he also is available to work more hours when
6 larger water system projects are being completed, if an emergency occurs or to fill in
7 when one of the Company's full-time staff is on vacation.

8
9 **Q. ARE YOU FAMILIAR WITH THE RECOMMENDATIONS MADE BY**
10 **MS. KRAUS WITH REGARD TO THE COMPANY'S PROPOSED**
11 **PREVENTIVE MAINTENANCE PROJECTS?**

12 A. Yes. Ms. Kraus proposes that the costs for four projects -- "wellhead maintenance,
13 maintenance of generators, maintenance of chlorine analyzers and recording equipment,
14 and exercising of valves" -- be denied because "no costs have actually been incurred, no
15 bids, proposals, etc. have been procured, no contractors have been hired and no
16 support ... has been provided ... for the estimated expenses" for these maintenance
17 projects."

18
19 **Q. DO YOU AGREE WITH HER RECOMMENDATION?**

20 A. No. First, these projects are necessary to protect and maintain the condition and
21 reliability of the Company's water system. Second, as I stated earlier, these projects are

1 evolving and moving forward contrary to her general rejection of these claims on the
2 basis that the Company has provided no support for the projects.

3

4 **Q. WHAT IS THE PRESENT STATUS OF THE PREVENTIVE MAINTENANCE**
5 **PROJECTS TO WHICH MS. KRAUS OBJECTS?**

6 A. We received a Confidential estimate for the preventive wellhead maintenance and are
7 currently negotiating a contract. The first maintenance under the contract is scheduled
8 to begin on September 10, 2012.

9

10 We hired a vendor who was on site recently to visually inspect all of the Company's
11 generators and who has already done some minor work that was needed on an
12 emergency basis. Under our agreement, the vendor is expected to begin complete
13 inspections of the Company generators in September 2012.

14

15 **Q. PLEASE CONTINUE.**

16 A. In connection with the chlorine analyzers and recording equipment now required by
17 DEP, we have an electrician who has provided services for the Company on an on-call
18 basis for many years and who has agreed to do the additional electrical work needed on
19 this equipment. In addition to past services, he also will annually inspect the chlorine
20 analyzers and recording equipment to maintain them in operational order. We pay this
21 individual on an hourly basis at his current rate when work is done. Unless his services

1 are needed before then, the first annual inspection of the generators will occur in
2 September 2012.

3
4 **Q. HAS THERE BEEN ANY PROGRESS IN CONNECTION WITH THE**
5 **PROGRAM FOR PREVENTIVE MAINTENANCE OF THE DISTRIBUTION**
6 **SYSTEM VALVES?**

7 A. Nothing has been reduced to paper yet but the Company expects to be able to begin this
8 preventive maintenance program in September 2012.

9
10 **Q. DO YOU HAVE ANY OTHER COMMENTS TO MAKE IN RESPONSE TO THE**
11 **TESTIMONY OF MS. KRAUS CONCERNING THE PREVENTIVE**
12 **MAINTENANCE PROJECTS?**

13 A. Yes. I want to clear up a possible misinterpretation of the settlement the parties agreed to in
14 Audubon's last rate case at Docket No. R-00072100 (2007 Settlement). Ms. Kraus states in
15 her Direct Testimony that another reason to reject the Company's claim for preventive
16 maintenance projects in this case is that the expenditures incurred by Audubon in order to
17 receive the Phase Two rate increase agreed to in the 2007 Settlement "included a project that
18 was not identified in the 2007 rate filing ... [and that] the projects that were identified by the
19 Company in the 2007 rate filing as necessary ongoing maintenance were not all performed."
20 Although I am sure it was not intentional, I feel Ms. Kraus's statements may leave the
21 impression that Audubon somehow did not comply with the terms of the 2007 Settlement or
22 attempted to collect funds from ratepayers to which it was not entitled. That is not true.

1 **Q. PLEASE CONTINUE.**

2 A. The terms of the 2007 Settlement required Audubon to spend \$50,000 in T&D maintenance
3 projects as a condition for implementation of the Phase Two rate increase. A list of projects
4 that were contained in the Company's original rate filing was attached to the
5 2007 Settlement agreement as projects proposed to be completed in compliance with this
6 settlement term. The settlement agreement, however, allowed Audubon to substitute a
7 project for one appearing on the list if the Company considered the substituted project "to
8 be of a more immediate need..." and neither the OCA nor the Office of Trial Staff (OTS)
9 (now I&E) objected to the substitution. Ms. Kraus recognizes this provision of the
10 2007 Settlement in her testimony. The agreement did not, however, require Audubon to
11 perform all of the projects listed in the Company's rate filing in order to receive the
12 Phase Two rate increase; rather, the Company had to spend at least \$50,000 on T&D
13 maintenance projects to be entitled to this increase.⁴

14
15 **Q. DID AUDUBON COMPLY WITH THE 2007 SETTLEMENT PROVISIONS**
16 **WITH REGARD TO SUBSTITUTING THE PROJECT THAT MS. KRAUS**
17 **STATES WAS NOT ON THE LIST?**

18 A. Yes. Notice was given to both OCA and OTS describing the proposed "new" project and
19 describing the reasons for the substitution. Neither party objected to the substitution
20 within the required 30-day period, nor did they raise any objection when the Phase Two

⁴ *Pennsylvania Public Utility Commission v. Audubon Water Company*, Docket No. R-00072100, Order entered October 12, 2007, Ordering Paragraphs 4-10, Joint Petition for Full Settlement of Rate Proceeding, Paragraphs 19(f)-(j).

1 rate increase went into effect, even though they were provided with a copy of the
2 Company's filing.

3

4 **Q. DID AUDUBON COMPLETE T&D PROJECTS THAT TOTALED AT LEAST**
5 **\$50,000 AS REQUIRED BY THE 2007 SETTLEMENT?**

6 A. Yes. As noted by Ms. Kraus in her Direct Testimony, the Company actually completed
7 projects that totaled \$66,000 in expenditures. Each project completed was specifically
8 described and identified, together with the associated costs, in correspondence provided
9 to the parties per the terms of the 2007 Settlement.

10

11 **Q. DID YOU PERSONALLY SUPERVISE THE PROJECTS COMPLETED TO**
12 **SATISFY THE 2007 SETTLEMENT?**

13 A. Yes. I also prepared the narrative summary and list of projects and costs that Ms. Kraus
14 refers to in her testimony and that I discussed above.

15

16 **Q. DOES THAT CONCLUDE YOUR TESTIMONY AT THIS TIME?**

17 A. At this time, yes. I reserve the right to provide additional testimony in response to issues
18 raised by the other parties if that becomes necessary at a later time.