STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

CEDAR BLUFF UTILITIES, INC.	)	Docket No. 03-0398
	)	
APPLE CANYON UTILITY COMPANY	)	Docket No. 03-0399
	)	
CHARMAR WATER COMPANY,	)	Docket No. 03-0400
	)	
CHERRY HILL WATER COMPANY	)	Docket No. 03-0401
	)	
NORTHERN HILLS WATER & SEWER COMPANY	)	Docket No. 03-0402
	)	
	)	
Proposed General Increase in Rates	)	*Consolidated*
	)	

BRIEF ON EXCEPTIONS OF UTILITIES, INC.

I. INTRODUCTION

Utilities, Inc. ("UI"), on behalf of its five subsidiaries, Cedar Bluff Utilities, Inc., Apple Canyon Utility Company, Charmar Water Company, Cherry Hill Water Company, and Northern Hills Water & Sewer Company (together, the "Companies"), hereby submits this Brief on Exceptions with regards to the Administrative Law Judge's Proposed Order ("ALJPO") issued in this consolidated proceeding on February 5, 2004. The Companies take exception to the ALJPO only with respect to one aspect of the ALJPO's findings on continuing property records ("CPRs"). Replacement language is set forth in Appendix A.

II. DISCUSSION

While UI does not contest the ALJPO's ultimate determination with regards to implementing a new CPR system, UI takes exception to the ALJPO's findings on the costs of complying with these new CPR requirements. The ALJPO should acknowledge

that UI will have to incur significant additional expenses in order to comply with the CPR requirements.

UI's Director of Regulatory Accounting, Mr. Steven M. Lubertozzi, provided an extensive description of the burdens new CPR requirements would impose on UI, including the various tasks that would require new staff. (UI Ex. 1-SR (Lubertozzi Surrebuttal) at 5-6; Tr. at 41-42). Mr. Lubertozzi also explained that UI's existing staff is working at capacity. (*Id.*) Based on this, Mr. Lubertozzi concluded that UI will need additional accounting staff to implement a new CPR system. (UI Ex. 1-SR (Lubertozzi Surrebuttal) at 5). Mr. Lubertozzi's testimony on this subject was admitted without objection. In addition, Staff has admitted that it would be a "large project" for UI to come into compliance with these new CPR requirements. (Tr. at 85).

However, the ALJPO finds that the evidence submitted by Mr. Lubertozzi on the question of cost of compliance with new CPR requirements, and in particular on the need for additional staff, "lacks the foundation necessary to give it weight." (ALJPO at 19). UI objects to this conclusion insofar as it suggests that there is no evidence that UI will need to incur additional compliance costs or hire additional staff to meet the new CPR requirements. In fact, UI will incur compliance costs and will need additional staff.

Staff's testimony did not challenge UI's determination that it would need additional staff, but rather said only that Staff was not in a position to evaluate UI's staffing needs. (Tr. at 84-87). Since Mr. Lubertozzi, as Director of Regulatory Accounting for UI, is in a position to evaluate UI's compliance costs and accounting staff needs, his conclusion that complying with Staff's recommended CPR system would be burdensome and that UI would need additional staff because existing staff was at

capacity should be accorded some weight by the ALJPO. Therefore, UI proposes that the ALJPO be modified to clarify that UI will indeed need to incur additional staffing expenses to comply with the Commission's CPR rules.

III. CONCLUSION

UI requests that the Commission amend the ALJPO's findings with regards to the costs of implementing a continuing property records system and adopt the replacement language in Appendix A.

Respectfully submitted,

UTILITIES, INC.

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APPENDIX A

PROPOSED REPLACEMENT LANGUAGE

Section I. Continuing Property Records

In Section VIII.A, "Continuing Property Records," replace the subheading "Analysis and Conclusions" (ALJPO pp. 18-19) in its entirety with:

Analysis and Conclusions

The Final Order in *Apple Canyon Utility Co.* specifically states:

> 2. Continuing Property Records. Staff and Petitioners have agreed that, as of December 31, 1994, continuing property records will be maintained by Petitioners using the 'Will County Water Company continuing property records' as a model. Petitioners shall notify Staff when the continuing property records have been implemented in order for Staff to review the system. Additionally, Staff shall file a report with the Commission as to the successful implementation of the property record program within 15 months of the entry of the Order in this Docket . . . .
>
> [P]ursuant to Staff's extensive audits and reviews of accounting procedures, bookkeeping and other procedures of WSC and Petitioners, agreement has been reached by Staff and Petitioners on the various accounting, bookkeeping and other procedural issues described in points 1 through 12 on pages 4 through 7 herein, and the resolution of those issues as described in points 1 through 13 herein should be accepted by the Commission. . . .

(*Apple Canyon Utility Co.,* 1995 Ill. PUC Lexis 203, at *16, *8). The language cited above establishes that the in *Apple Canyon,* this Commission did not merely "accept" an agreement to maintain continuing property records; this Commission *required* the UI Companies that were the subject of that Docket to maintain continuing property records. Additionally, the previous Commission Orders the Companies cite in support of its argument that it should not be required to maintain continuing property records were superceded by more recent Orders, like the one cited above.

The Companies have shown that implementing a new CPR system will result in significant compliance costs, and Staff has conceded that at least initially, it will be a large project for UI to implement a new CPR system in accordance with the Commission's rules. However, while UI will incur additional costs to maintain continuing property records, that work, in years, to come, will undoubtedly reap benefits for the Companies.

Therefore, the Companies shall establish and maintain continuing property records in compliance with the Commission's rules; these Companies must also file a report, within twelve months from the final order in the proceeding, with the Manager of the Commission's Accounting Department. Such report shall evince the successful implementation of the continuing property record program, as is set forth above.

Section 2. Miscellaneous Correction

In Section V, the heading for item "Adjustment for New IEPA Fee" (ALJPO p. 7) should read:

F. Adjustment to IEPA Fee