

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

AQUA ILLINOIS, INC.)	
f/n/a Consumers Illinois Water Company)	
)	Docket No. 04-0362
)	
Petition for the Issuance of a Certificate of)	
Public Convenience and Necessity to Operate)	
A Water Supply and Distribution System in)	
Champaign County, Illinois; and for the)	
Issuance of an Order Approving Rates,)	
Accounting Entries and Tariff Language.)	

Rebuttal Testimony of

DAVID R. MONIE

President
G.P.M. Associates Inc.

On Behalf of
Aqua Illinois, Inc.

January 7, 2005

1 **WITNESS IDENTIFICATION AND BACKGROUND**

2 **Q. Please state your full name, occupation and business address.**

3 A. My name is David R. Monie. I am President of G.P.M. Associates Inc., a water
4 engineering and management consulting firm located at 1920 Frontage Road, Suite 110,
5 Cherry Hill, NJ 08034.

6 **Q. Are you the same David R. Monie that submitted Direct Testimony in this matter?**

7 A. Yes.

8 **PURPOSE OF TESTIMONY**

9 **Q. What is the purpose of your rebuttal testimony in this proceeding?**

10 A. The purpose of my rebuttal testimony is to comment on and rebut certain portions of the
11 Illinois Commerce Commission ("Commission") Staff witness Ms. Mary Everson's
12 Direct Testimony (ICC Staff exhibit 2.0) and ICC Staff exhibits 2.1 through 2.19 that Ms.
13 Everson sponsored. Specifically, I will address Staff's erroneous proposal to characterize
14 a significant portion of the original cost calculated on my Original Cost Less
15 Depreciation Study (Schedule 1 Revised as attached to Aqua Illinois Ex. 3.0 Revised) as
16 Contributions in Aid of Construction.

17 **CONTRIBUTIONS IN AID OF CONSTRUCTION**

18 **Q. Please describe Staff's asserted basis for its recommendation to characterize**
19 **\$491,538 of the Original Cost of Philo's water system as Contributions in Aid of**
20 **Construction.**

21 A. Ms. Everson on pages 6 and 7 of her Direct Testimony (ICC Staff Exhibit 2.0 lines 132
22 through 144) states that \$491,538 of the original cost of the water system should be

23 considered as Contributions in Aid of Construction (“CIAC”). Ms. Everson bases this
24 adjustment on the Company’s response to WD 1.07, which informed Staff that the
25 Village of Philo’s records indicates the Village had booked \$491,538 worth of CIAC over
26 the course of the water system’s existence but did not maintain records as to what plant
27 was constructed with the CIAC. Staff incorrectly asserts that a portion of the plant in my
28 Original Cost Study equal to the entire \$491,538 constitutes this CIAC.

29 **Q. Is there a serious error in Staff’s reasoning?**

30 A. Yes. I did not include any of the plant constructed from CIAC funding in the Original
31 Cost Study I performed (Schedules 1 through 3 of Aqua Illinois Ex. 3.0 Revised). I
32 stated this fact in my Direct Testimony (Aqua Illinois Ex. 3.0 Revised page 5) before I
33 had any idea Staff would raise such an issue. Further, this fact, i.e., that there was no
34 CIAC accounted for in my Original Cost Study, is clearly confirmed as follows:

- 35 1. Schedule 3 Sheet 1 of 4 of my Original Cost Study has a note prepared by
36 Northern Illinois Water Corp. that expressly states no value of any contributed
37 property was included in the Original Cost calculated on Schedule 3.
- 38 2. It is clear from Schedule 2 that no contributed property was included in this
39 schedule of values. As assumed by Ms. Everson that, while no detailed records of
40 CIAC were kept by the Village of Philo, it is likely any CIAC would include, at
41 least in large part, water mains. The only water mains that are shown on Schedule
42 2 are the original water mains constructed in 1938, a force main (which is now a
43 distribution main) and replacements of water mains beginning in 1974. CIAC is
44 provided for water main extensions to serve new areas, which, while constructed
45 and part of the system, were never included in Schedule 2. In addition, as noted

46 in my Direct Testimony (Aqua Illinois Ex. 3.0 Revised page 5) the base
47 information used in Schedule 2 is the same as Schedule 3.

48 3. All of the financial information set forth on my Schedule 1 was based on
49 Schedules 2 and 3. Because Schedules 2 and 3 do not include CIAC, Schedule 1
50 necessarily does not include property funded by CIAC either.

51 **Q. Is it appropriate to characterize \$491,538 of the original costs included in your study**
52 **as CIAC?**

53 A. No. Since I did not include property funded by CIAC in my study, it is not appropriate,
54 on the most basic level, to characterize any of the property included in my study as
55 CIAC. Accordingly, Staff's proposal to re-characterize any portion of the plant in my
56 Original Cost Study as CIAC should not be adopted.

57 **Q. Is it appropriate to make adjustments to your Original Cost Study to include the**
58 **CIAC?**

59 A. It may be appropriate to make an adjustment, but not in the way Staff proposes.
60 Specifically, the \$491,538 of CIAC along with an estimate of the amortization of the
61 CIAC could be *added* to my study. In doing so, it would be an appropriate estimate to
62 include all of the CIAC in the mains category even though different calculations could be
63 made and some of the CIAC plant could be assumed to be other than mains. I would,
64 however, estimate that the average age of the contributed mains would be approximately
65 20 years such that the appropriate estimate of amortization would be 20% or \$98,308.
66 The resulting adjustment would be to increase the utility plant and mains account by
67 \$491,538 while setting up an offsetting amortization of the CIAC account in the amount
68 of \$98,308.

69 **Q. How would such an adjustment affect the original cost of the system?**

70 A. The Original Cost of the Philo Water Utility Plant would be adjusted or increased to
71 \$1,549,185 (equal to the Original Cost without CIAC calculated in my study of
72 \$1,057,647 plus CIAC of \$491,538).

73 **Q. What would be the overall effect on Rate Base of making this adjustment?**

74 A. There would not be an effect on Rate Base because neither CIAC nor the amortization of
75 CIAC is included in Rate Base. As I demonstrated in my Direct Testimony (Aqua
76 Illinois Ex. 3.0 Revised page 5), my Original Cost Study without CIAC calculated an
77 Original Cost Less Depreciation of \$670,547 (Original Cost of \$1,057,647 minus
78 Depreciation of \$387,100). This same amount would result from an adjustment that adds
79 CIAC to the calculation (Original Cost with CIAC of \$1,549,185 minus net CIAC of
80 \$393,230 [equal to total CIAC of \$491,538 less offsetting amortization of \$98,308]
81 minus Depreciation of \$485,408 [equal to Depreciation of \$387,100 plus CIAC
82 amortization of \$98,308] equals \$670,547). Accordingly, making an appropriate
83 adjustment to reflect CIAC as discussed herein would not have an effect on Rate Base.

84 **Q. Mr. Monie, does this complete your testimony at this time?**

85 A. Yes.