

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Aqua Illinois, Inc.)	
)	Docket No. 05-0071
Proposed general increase in water and)	
Sewer rates for the Woodhaven Water)	
Division)	
-----)	
Aqua Illinois, Inc.)	
)	Docket No. 05-0072
Proposed general increase in water rates)	
for the Oak Run Water Division)	

VERIFIED RESPONSES TO
ADMINISTRATIVE LAW JUDGE’S DEFICIENCY RULING

Aqua Illinois, Inc. (“Aqua Illinois”), by and through its attorneys, hereby submits its Verified Responses to the Administrative Law Judge’s Deficiency Ruling on January 26, 2005.

285.325, General Information Requirements

Request: Two copies of the most recent ILCC Form 22 need to be provided in accordance with Section 285.325(a).

Response: Two copies of the most recent ILCC Form 22 are attached.

285.2040, Schedule B-5.2: Property Merged or Acquired from Other Utilities

Request: The information needs to be provided for the total company and for each division seeking rate relief in the subject filings in accordance with Section 285.400(c)(1).

Response: The Company believes Schedule B-5.2 as filed remains correct. No water utility property has been merged or acquired from other utilities since the Company’s last rate case Docket No. 04-0442.

285.2085, Schedule B-9.1: Detailed Listing of Balance Sheet Assets and Liabilities

Request: For each item included in rate base, provide the basis for, or description of, the statement that the item is an “ICC accepted rate base component...” 285.2085(c)(1)

Response: Overheads and Other, Excess Tax Depreciation and Cost of Removal relate to Property, Plant and Equipment – an ICC accepted rate base component per past Rate Orders, including the most recent Docket No. 03-0403.

Tank Painting and Cleaning Intake are together an ICC accepted rate base component described as “Deferred Charges” per past Rate Orders, including the most recent Docket No. 03-0403.

Pension is an ICC accepted rate base component per past Rate Orders, including the most recent Docket No. 03-0403.

Contributions in Aid of Construction is an ICC accepted rate base component per past Rate Orders, including the most recent Docket No. 03-0403.

Customer Advances is an ICC accepted rate base component per past Rate Orders, including the most recent Docket No. 03-0403.

Request: For each asset or liability listed, the work papers supporting the computation of accumulated deferred income taxes for this asset or liability, and the work papers supporting the calculation pertaining to the test year change in the amount of accumulated deferred income taxes attributable to this asset or liability, need to be provided. 285.2085(c)(2) and (3).

Response: The work paper has been provided as Schedule WP-B9.1.

Request: For each corresponding balance sheet asset or liability account that does not exist for a particular component of accumulated deferred income taxes, a description of the events and circumstances that created this particular component of accumulated deferred income taxes needs to be provided. 285.2085(e)

Response: The Company believes the corresponding balance sheet asset or liability account has been provided for each particular component of accumulated deferred income taxes per Schedule B-9.1 with the exception of the following:

FASB 109 Investment Tax Credit, Tax Rate Changes and Flow Through deferred taxes result from required recording of Regulatory Assets and Liabilities;

Prior Year SIT and FIT Return adjustment deferred taxes result from reconciling final Income Tax Returns to amounts previously booked on a preliminary basis; and

Willowbrook Excess Capacity and Tax Credit is being researched. Any additional description of the events and circumstances beyond that provided in deferred tax component name will be provided.

285.3025, Schedule C-4: Comparative Operating Income Statements for Prior Years and the Test Year

Request: Account numbers are not provided for all items. They need to be provided in revised or corrected schedules.

Response: Please see revised Schedule C-4 attached.

Request: For the Woodhaven Sewer Division, certain lines appear to refer to incorrect ICC account numbers. Correct account numbers need to be provided in the revised or corrected schedule.

Response: The Company believes the account numbers shown on Schedule C-4, pages 3 and 4 are correct as originally shown. Please see revised Schedule C-4 attached as noted previously for inclusion of account numbers not originally provided. If, upon review of revised Schedule C-4, it is determined certain lines still appear to refer to incorrect ICC account numbers, the Company respectfully requests that such certain lines be identified.

285.3055, Schedule C-5.4: Interest Synchronization

Request: The workpaper reference in Schedule C-5.4 does not appear to trace to the workpapers, and needs to be corrected or explained.

Response: The workpaper reference in Schedule C-5.4 traces to Schedule WP—C1, Columns F and H, line 38 as indicated.

285.3075, Schedule C-8: Demonstration and Selling, Advertising and Miscellaneous Sales Expenses

Request: For the Woodhaven Sewer Division, the account number on line 1 appears to be incorrect, and needs to be corrected. Also, the reference on that line to “C-1” is unclear, and needs to be clarified.

Response: Please see revised Schedule C-8 attached. Per 285.3075(b)(5), the \$120 shown is the amount of expense from Schedule C-8 included on Schedule C-1 to derive pro forma operating income at present rates.

285.3150, Schedule C-13: Summary of Affiliated Interest Transactions

Request: The information needs to be provided for each division seeking rate relief in the subject filings in accordance with Section 285.3000(b).

Response: The Parent Company bills Total Company Aqua Illinois, not individual divisions. Thus, a Summary of Affiliated Interest Transactions only exists for the Total Company as shown on Schedule C-13.

285.4020, Schedule D-2: Cost of Short-term Debt

Request: Section 285.4020(b)(4) provides that the “Net Amount outstanding” is equal to the greater of: (A) subsection (b)(1) less (subsection (b)(1) divided by subsection (b)(2) multiplied by subsection (b)(3)); or (B) subsection (b)(1) less subsection (b)(3). As filed, Schedules D-2 report zero as the Net Amount outstanding for all months in 2003 through 2005; however, zero does not appear to be the greater value for all months. Schedules that calculate the Net Amount outstanding in the manner described in Section 285.4020(b)(4) need to be provided.

Response: Please see revised Schedule D-2 page 5 of 5 attached.

Request: Also, portions of documents describing the manner by which interest rates on variable and adjustable rate debt issues are set (e.g., loan agreements) and documents supporting all interest rates need to be provided in accordance with Section 285.4020(e)(2) and (3).

Response: Interest rate – related documents are attached as WP D-2, pages 1-44.

285.4070, Schedule D-7: Comparative Financial Data

Request: Workpapers showing the calculation of the ratios described in Section 285.4070(c) need to be provided in accordance with the last sentence in Section 285.4070(a).

Response: Please see attached revised Schedule D-7 page 1 of 2 and revised Schedule WP-D7 page 1 of 1.

285.4080, Schedule D-8: Security Quality Ratings

Request: A copy of the last credit rating analysis or report on the utility and its parent, in the utility’s possession, published by each rating agency engaged by the utility to rate its securities that comprehensively describes the utility’s operations, financial condition and regulatory environment, needs to be provided. 285.4080(c)

Response: Please see attached copy of the last Aqua America, Inc. credit rating.

285.7005, Schedule G-1: Comparison of Prior Forecasts to Actual Data – Prior Three Years

Request: In accordance with Section 285.7005(b)(1), the original, and all amendments, of operating and capital budgets or forecasts for 2004 need to be provided.

Response: Please see revised Schedule WP-G1 page 1 of 2 attached.

285.7070, Schedule G-13: Comparison of Actual Financial Results to the Originally Approved Forecast for Each of the Past Twelve Months and Eight Subsequent Months

Request: Among other things, this section requires the utility to provide a comparison of actual results to the original forecast for each of the past 12 months at the time of filing. The 12-month period prior to the time of filing encompasses December 2003 through November 2004. Hence, a comparison of actual results to the original forecast for each of those 12 months needs to be provided.

Response: Please see revised and Supplemental Schedule G-13 pages attached.

Dated: February 23, 2005

Respectfully submitted,

AQUA ILLINOIS, INC.

By: _____
One of its Attorneys

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CERTIFICATE OF SERVICE

I, Sarah A. Naumer, hereby certify that I caused a copy of the Verified Responses of Aqua Illinois, Inc. to Administrative Law Judge's Deficiency Ruling to be served upon the service lists in Docket Nos. 05-0071 and 05-0072 by electronic mail on February 23, 2005.

Sarah A. Naumer