

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

AQUA ILLINOIS, INC. AND)
OAKVIEW AVENUE WATERWORKS, INC.) Docket No. 03-0556
)
Petition For Approval of Proposed Reorganization)

REQUEST FOR VERIFICATION OF REQUIRED PLANT

Aqua Illinois, Inc. (formerly Consumers Illinois Water Company) hereby requests that, pursuant to the Commission's Order in this Docket, and for purposes of implementing the Required Plant Surcharge (Ill.C.C. No. 47, Section 4, Original Sheet Nos. 13 through 15), the Commission's Staff provide verification that the Required Plant, as more fully described below, is in-service and that the cost of the Required Plant is equal to or more than \$300,750.

BACKGROUND

Aqua provides water and sewer public utility service to the public in certain areas of Kankakee, Vermilion, Will, Boone, Knox, Lake and Lee Counties in the State of Illinois. Aqua is a public utility within the meaning of the Act. 220 ILCS 5/3-105.

The Commission, in Docket No. 03-0556, approved an Asset Purchase Agreement under which Aqua (then Consumers Illinois Water Company) acquired the assets of the Oakview Avenue Water Works ("Oakview Avenue"), a small water utility serving approximately 106 customers in an area near the City of Joliet, in Will County, Illinois (the "Oakview Service Area"). The Commission also granted Aqua a Certificate of Public Convenience and Necessity to provide water service to the Oakview Service Area. As discussed in the Order in Docket 03-0556, due to environmental violations and the poor quality of service previously provided by Oakview Avenue, the Staff of the Commission ("Staff"), Illinois Environmental Protection

Agency ("IEPA") and Illinois Office of the Attorney General ("AG") all urged Aqua to acquire Oakview Avenue.

As part of its Order in Docket No. 03-0556 ("Order"), the Commission authorized application in the Oakview Service Area of a flat monthly rate charge of \$18/month (the "Flat Rate Charge"). The Commission also approved the implementation of a Required Plant Surcharge ("RPS") designed to recover costs incurred by Aqua for plant improvements ("Required Plant") needed to provide adequate and reliable water service in the Oakview Service Area. The Required Plant was needed to correct problems, described by the Commission as "dire," arising from the deteriorated condition of the water supply infrastructure in the Oakview Service Area and the resulting poor quality of the water supplied to Oakview Service Area customers.

At the time of Docket 03-0556, Aqua intended to correct the water quality deficiency by constructing as components of the Required Plant mains and facilities needed to improve the water production capacity and reliability of the well then serving the Oakview Service Area. The Required Plant was to include, inter alia, an auxiliary power supply and storage facilities. As the Order indicates, the anticipated and Commission-approved investment in the Required Plant was \$300,750 ("Docket 03-0556 Required Plant Amount").

As a result of additional investigation, however, Aqua determined that, due to contamination of the existing shallow well (by fecal coliform), the existing well could not be utilized and that it was necessary to either: (1) build a new deep well for the area; or (2) purchase water for the Oakview Service Area from the City of Joliet ("Joliet"). Either of these options would have an overall cost (revenue requirement) exceeding that associated with operation of the Required Plant as contemplated at the time of Docket 03-0556. However,

construction of a new deep well would have the higher associated revenue requirement. In addition, due to a risk that a new deep well in the Oakview Service Area also could become contaminated, the IEPA indicated its opposition to construction of a new well. IEPA's preference was the Joliet water purchase option, which also was the least-cost, feasible approach. Therefore, based on the cost analysis and IEPA's position referenced above, Aqua selected the Joliet water purchase option.

The actual cost of the Required Plant constructed by Aqua to connect the Oakview Service Area system to the system of Joliet is \$409,177, more than the Docket 03-0556 Required Plant Amount (\$300,750) that Aqua originally sought to recover under the RPS. However, at this time, Aqua seeks verification and recovery only of the Docket 03-0556 Required Plant Amount (i.e., \$300,750). In addition, in conjunction with the Joliet water purchase option, Aqua is seeking, through its Amended Special Permission Petition in Docket No. 05-0099, approval to reduce the Flat Rate Charge from \$18 per customer/month to \$11.86 per customer/month and recover the cost of the purchased water through a Purchased Water Surcharge Rider.

VERIFICATION OF THE REQUIRED PLANT

In Docket 03-0556, the Commission approved the RPS, under which the Company would recover from Oakview Service Area customers the revenue requirement associated with investment in the Required Plant (return on and return of) until the time of the next rate case for Aqua's University Park-Water Division (during which rate case the Commission indicated in Docket 03-0556 that it would consider whether or not to continue application of the RPS or to instead transfer recovery of the revenue requirement involved to base rates). Aqua filed the RPS as a compliance tariff after entry of the Order in Docket 03-0556 (Ill. C.C. No. 47, Original Sheet Nos. 13-15) ("Tariff").

Pursuant to the Order and Tariff, the RPS charge is initiated at such time as Aqua files with the Chief Clerk of the Commission (with a copy to the Staff) a written request that the installation and cost of the Required Plant (at the Docket 03-0556 Required Plant Amount) be verified. As construction of the Required Plant is now substantially completed (the cost of the completed Required Plant, by category, is included as Exhibit "A"), and Aqua presently provides water service to the Oakview Service Area that is adequate, efficient and reliable, Aqua now seeks verification of the Docket 03-0556 Required Plant Amount so that it may implement the RPS. (Aqua is limiting the amount of plant cost to be recovered under the RPS to the Docket 03-0556 Required Plant Amount (\$300,750), pending Commission approval in a subsequent proceeding for additional recovery. Ultimately, Aqua intends to seek recovery of the full revenue requirement for the actual investment in Required Plant, which has a cost of \$409,177.)

As required by the Order, documentation supporting the total cost of the Docket 03-0556 Required Plant will be provided to Staff. It is our understanding that Staff will review this documentation at Aqua's business office on March 7 or 8, 2005. A spreadsheet showing calculation of the RPS is attached as Exhibit "B." In accordance with the Order and Tariff, within 10 business days after receipt of this filing, the Staff is to provide to the Chief Clerk (with a copy to Aqua), a written verification indicating whether, or to what extent, the plant inputs in the RPS calculation are "Required Plant" as described above; indicating whether, or to what extent, such Required Plant is in service; and indicating whether, or to what extent, the RPS plant cost inputs represent actual costs. After receipt of Staff's Verification, Aqua is to file an Information Sheet specifying the amount of the RPS charge and the effective date.

WHEREFORE, pursuant to the Order and Tariff, Aqua hereby requests that Staff verify that the Required Plant is installed and in-service and thereby allow Aqua to implement the RPS charge.

Respectfully submitted,

AQUA ILLINOIS INC.

Boyd J. Springer

Date: March 4, 2005

Of Counsel:

Boyd J. Springer

Albert D. Sturtevant

JONES DAY

77 W. Wacker, Suite 3500

Chicago, IL 60601-1692

Phone: (312) 782-3939

Fax: (312) 782-8585

E-mail: bjspringer@jonesday.com