

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

New Landing Utility, Inc. :
: :
: 04-0610
Proposed general increase in water :
and sewer rates. :

**PRETRIAL MEMORANDUM
OF THE STAFF OF THE ILLINOIS COMMERCE COMMISSION**

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**PRETRIAL MEMORANDUM OF STAFF
OF THE ILLINOIS COMMERCE COMMISSION**

Pursuant to the February 24, 2005 Administrative Law Judge’s Notice, Staff of the Illinois Commerce Commission (“Staff”), by and through its attorneys, hereby submits its Pretrial Memorandum in this investigation of New Landing Utility, Inc.’s (“NLU” or the “Company”) proposed general increase in water and sewer rates.

I. STATEMENT OF CONTESTED AND UNCONTESTED FACTS

In this docket the Illinois Commerce Commission (“Commission”) is investigating NLU’s request for a general rate increase for its service area. Because this is a general rate case, there is no concise list of facts or assertions at issue as there would be in a complaint case. Indeed, every number or amount contained in the Company’s 83 Ill. Adm. Code 285 filing is potentially a contested fact. Staff’s primary role is to review the Company’s filing and advise the Commission with respect to those issues it is able to identify. Although Staff conducts a thorough and complete review, Staff is not -- as a practical matter -- able to review each and every fact or identify each and every possible issue. Further, Staff’s testimony is typically, if not exclusively, expert testimony.

Although Staff relies on discovery responses, field audits and other information to identify factual inaccuracies in a utility's filing and presents facts obtained through discovery or other means to support necessary adjustments, Staff does not typically present fact witnesses and typically does not possess knowledge that would allow it to state or form an opinion on whether a fact identified by a utility is correct or not. Given that discovery through depositions is not typically utilized in Commission proceedings, Staff is often unable to test or explore factual assertions until cross-examination at hearings. Thus, contested facts sometimes develop or are discovered at hearings, and Staff fully reserves its right to raise disputed facts in that manner. Even if Staff does not contest a particular fact, that does not prevent other parties or the Commission from either contesting such fact or asserting or finding that the utility has not met its burden of proof with respect to such fact. Accordingly, subject to the qualifications and limitations stated above, Staff submits that the contested and uncontested facts are those reflected below in Staff's statement of contested and uncontested issues.

II. STATEMENT AS TO STIPULATIONS TO BE PRESENTED AT TRIAL

There are no stipulations at this time between Staff and the Company that will be presented at the evidentiary hearing in this proceeding.

III. RATE BASE

A. Uncontested Issues

None

B. Contested Issues

1. Utility Plant**a. Staff's Proposed Adjustment**

Staff witness Thomas L. Griffin proposed adjustments to the Company's Utility Plant (ICC Staff Exhibit 2.0-R, pp. 4-5, lines 70-93 and Schedules 2.01-W and 2.01-S.)

b. Staff's Recommended Disposition

Mr. Griffin started with the Utility Plant balances approved in the Company's last rate order, Docket Nos. 79-0673/79-0675 Cons., and added plant additions for which the Company was able to provide documentation. The result was a reduction of the Company's Water Utility Plant of \$177,476 and a reduction of the Company's Sewer Utility Plant of \$37,961. Included in the Utility Plant adjustments was a reallocation of land between water and sewer based on total utility plant (ICC Staff Exhibit 2.0-R, p. 6, lines 101-106).

Mr. Griffin also recommended that the Company institute a continuing property records system within three months of an Order in this case. (ICC Staff Exhibit 2.0-R, p. 8, lines 140-147)

c. Revenue Requirement Impact

A decrease of approximately \$17,851 for water and \$3,818 for sewer

2. Accumulated Depreciation**a. Staff's Proposed Adjustment**

Staff witness Thomas L. Griffin made adjustments to Accumulated Depreciation.

b. Staff's Recommended Disposition

Mr. Griffin made adjustments to Accumulated Depreciation which were associated to his adjustments to Utility Plant (ICC Staff Exhibit 2.0-R, p. 5, lines 95-96,

Schedules 2.02 W-rev and 2.02-S-rev)

c. Revenue Requirement Impact

An increase of approximately \$8,954 for water and \$1,895 for sewer

3. Contributions in Aid of Construction and Advances for Construction

a. Staff's Proposed Adjustment

Staff witness Thomas L. Griffin made adjustments to Contributions in Aid of Construction. He also reclassified old Advances for Construction To Contributions in Aid of Construction.

b. Staff's Recommended Disposition

Mr. Griffin made adjustments to Contributions in Aid of Construction which were associated to his adjustments to Utility Plant (ICC Staff Exhibit 2.0-R, pp. 5-6, lines 96-99, Schedules 2.03 W-rev and 2.03-S). He also reclassified old Advances for Construction to Contributions in Aid of Construction. (ICC Staff Exhibit 2.0-R, Schedules 2.04 –W and 2.04-S)

c. Revenue Requirement Impact

A net increase of \$12,689 for water and \$10,563 for sewer

4. Materials and Supplies

a. Staff's Proposed Adjustment

Staff witness Thomas L. Griffin eliminated the Company's Materials and Supplies Inventory from rate base

b. Staff's Recommended Disposition

Mr. Griffin made this adjustment because, as confirmed by the Company President, Gene L. Armstrong, the inventory consists entirely of non used and useful scrap. (ICC Staff Exhibit 2.0-R,p.8, lines 148-156 and Schedules 2.05-W and 2.05-S)

c. Revenue Requirement Impact

A decrease of \$366 for water and \$366 for sewer

5. Cash Working Capital**a. Staff's Proposed Adjustment**

Staff witness Thomas L. Griffin proposed an adjustment to the Company's water and sewer rate bases to provide for cash working capital.

b. Staff's Recommended Disposition

Mr. Griffin made this adjustment, which was needed to meet the Company's current cash obligations. (ICC Staff Exhibit 2.0-R, p. 9, lines 157-164 and Schedules 2.06-W and 2.06-S)

c. Revenue Requirement Impact

An increase of \$729 for water and \$712 for sewer

IV. OPERATING REVENUES, EXPENSES AND INCOME**A. Uncontested Issues**

In his Supplemental Direct Testimony, Company witness Armstrong proposed that the Company intends to renovate the water storage tank and presented a final contract entered into by the Company with Utility Service Company, Inc. for the water storage tank's repair and maintenance. Staff witness Marr stated that it appears

reasonable to renovate the water storage tank instead of replacing the tank with a new tank. (ICC Staff Exhibit 9.0, pp. 4-5)

B. Contested Issues

1. Utility Service Co. Contract

a. Staff's Proposed Adjustment

Staff witness Thomas L. Griffin made an adjustment to account for a contract with Utility Service Co. for water tank repair and maintenance work.

b. Staff's Recommended Disposition

In a document entitled "Supplements to the Direct Testimony of Gene Armstrong", the Company introduced a Water Tank Maintenance Contract ("Contract") dated February 10, 2005 between the Company and Utility Service Company Inc. (NLU Exhibit WTC-F) Staff Witness Thomas L. Griffin introduced Supplemental Direct Testimony to address the Contract. (Staff Exhibit 7.0 and Schedule 7.01-W) Mr. Griffin proposed an adjustment to increase repair and maintenance expense by \$8,895. This represents the 2005 payment due under the contract, amortized over 10 years, which has been the Commission's practice for maintenance work done on water tanks. Mr. Griffin did not allow any costs beyond those due in 2005 because they fell outside the Commission rules for pro forma adjustments. (83 Ill. Adm. Code 287.40). He testified that the Company would have to file future rate cases if the wished to attempt to recover those costs.

c. Revenue Requirement Impact

An increase of \$8,895 for sewer

2. Materials and Supplies Expense

a. Staff's Proposed Adjustment

Staff witness Thomas L. Griffin proposed an adjustment to Materials and Supplies Expense to correct a coding error. (ICC Staff Exhibit 2.0-R, p. 9, lines 166-169, and Schedules 2.07-W and 2.07-S)

b. Staff's Recommended Disposition

Staff recommends that the Commission approve Staff's proposed adjustment decreasing Materials and Supplies Expense by \$985 for Water and \$985 for Sewer.

c. Revenue Requirement Impact

A decrease by \$985 for Water and \$985 for Sewer

3. Chemicals

a. Staff's Proposed Adjustment

Staff witness Thomas L. Griffin proposed an adjustment to Chemical expense.

b. Staff's Recommended Disposition

Mr. Griffin made this adjustment to calculate a reasonable level of chemical expense for the test year. First, he reallocated Chemical expense between water and sewer for the years 2002 and 2003. Second, he then took a three-year average of chemical expense and used that amount for rate making purposes.

In addition, Mr. Griffin recommended that the Company employ an accrual accounting system for chemicals. Finally, since the Company in 2002 and 2003 allocated all chemical expense to water, Mr. Griffin recommended that the Company

properly allocate chemicals between water and sewer in the future. (ICC Staff Exhibit 2.0-R, pp. 9-11, lines 170-199 and Schedules 2.08-W and 2.08-S).

c. Revenue Requirement Impact

A decrease of \$5,058 for water and an increase of \$2,291 for sewer

4. Contract Services-Accounting

a. Staff's Proposed Adjustment

Staff witness Thomas L. Griffin proposed adjustments to Contract Services-Accounting.

b. Staff's Recommended Disposition

Mr. Griffin proposed adjustments to eliminated expenses from an accounting firm, which included costs for services performed over several years, and replaced it with a level of cost sufficient for the preparation of tax returns and miscellaneous accounting services. (ICC Staff Exhibit 2.0-R, p. 11, lines 200-213 and Schedules 2.09-W and 2.09-S)

c. Revenue Requirement Impact

A decrease of \$1,194 for water and for sewer

5. Contract Services-Legal

a. Staff's Proposed Adjustment

Staff witness Thomas L. Griffin proposed adjustments to Contract Services-Legal.

b. Staff's Recommended Disposition

First, he eliminated all legal expenses incurred from Mr. Armstrong's law firm since, as an affiliated interest, Mr. Armstrong did not obtain the Commission approval to enter into an agreement with an affiliated interest as required in Section 7-101(3) of the Public Utilities Act. Second, Mr. Griffin amortized the remaining legal expenses over 5 years so that the expense, which related to legal proceedings brought by the Environmental Protection Agency. Otherwise, such expenses would be recovered from ratepayers each year the new rates are in effect. (ICC Staff Exhibit 2.0-R, pp. 11-12, lines 214-231 and Schedules 2.10-W and 210.-S)

c. Revenue Requirement Impact

A decrease of \$160,664 for water and a decrease of \$22,276 for sewer

6. Contract Services-Management**a. Staff's Proposed Adjustment**

Staff Witness Thomas L. Griffin proposed an adjustment to eliminate expenses for Contract Services-Management.

b. Staff's Recommended Disposition

Mr. Griffin proposed to eliminate the management services are performed by DAME Co., an affiliated interest. The Company did not obtain Commission approval to enter into an agreement with an affiliated interest as required in Section 7-101(3) of the Public Utilities Act. (ICC Staff Exhibit 2.0-R, pp. 12-13, lines 232-239 and Schedules 2.11-W and 2.11-S)

c. Revenue Requirement Impact

A decrease of \$3,300 for water and for sewer

7. Contract Services-Other**a. Staff's Proposed Adjustment**

Staff Witness Thomas L. Griffin proposed an adjustment to Contract Services-Other for water repair and maintenance expense.

b. Staff's Recommended Disposition

Mr. Griffin used a 4-year average for rate making purposes so as to estimate a normal year's level of expense. (ICC Staff Exhibit 2.0-R, p. 13, lines 240-250 and Schedule 2.10-W)

c. Revenue Requirement Impact

An increase of \$579 for water

8. Rents**a. Staff's Proposed Adjustment**

Staff Witness Thomas L. Griffin proposed an adjustment to eliminate Rent expense.

b. Staff's Recommended Disposition

Mr. Griffin eliminated rents are paid to CAM Properties, an affiliated interest. The Company did not obtain Commission approval to enter into an agreement with an affiliated interest as required in Section 7-101(3) of the Public Utilities Act. (ICC Staff Exhibit 2.0-R, pp. 13-14, lines 251-259 and Schedules 2.12-W and 2.12-S)

c. Revenue Requirement Impact

A decrease of \$1,800 for water and for sewer

9. Regulatory Expense

a. Staff's Proposed Adjustment

Staff Witness Thomas L. Griffin proposed adjustment to Regulatory Expense.

b. Staff's Recommended Disposition

First, Mr. Griffin added the cost of attorneys' fees for this rate case that were billed as of the time of his testimony. He amortized the fees over 5 years for rate making purposes. Second, he eliminated a \$93 late fee paid to the EPA. (ICC Staff Exhibit 2.0-R, p. 14, lines 260-271 and Schedules 2.13-W and 2.13-S)

c. Revenue Requirement Impact

An increase of \$150 for water and \$57 for sewer

10. Depreciation Expense

a. Staff's Proposed Adjustment

Staff witness Thomas L. Griffin made adjustments to Depreciation Expense

b. Staff's Recommended Disposition

Mr. Griffin made adjustments to Depreciation Expenses which were associated to his adjustments to Utility Plant (ICC Staff Exhibit 2.0-R, p. 6, lines 99-100, and Schedule 2.14-W and 2.14-S).

c. Revenue Requirement Impact

A decrease of \$6,494 for water and a decrease of \$2,278 for sewer

V. CAPITAL STRUCTURE AND COST OF CAPITAL

A. Uncontested Issues

All capital structure and cost of capital issues are contested.

B. Contested Issues

1. Cost of Capital

The Company requests a 10.30% rate of return, which is based on historical returns of stocks, bonds and U.S. Treasury bills during the 1980-1999 measurement period. (Armstrong Direct, p. 18.) Staff witness Rochelle Phipps estimates the Company's overall cost of capital is 8.38%. (ICC Staff Exhibit 3.0, p. 27 and Schedule 3.01.) Staff and the Company disagree on capital structure, the cost for long-term debt and the cost for common equity.

2. Capital Structure

Staff witness Phipps proposes using a capital structure for a hypothetical water utility comprising 56% long-term debt and 44% common equity to estimate NLU's cost of capital. (ICC Staff Exhibit 3.0, pp. 24-25 and Schedule 3.01.) NLU's actual capital structure includes a negative equity balance. When multiplied by the cost of common equity, the negative common equity balance produces a negative return requirement. That result is nonsensical given investors require positive returns to compensate them for the risk of their investment. NLU has not proposed an alternative to using its actual capital structure for ratemaking purposes, yet NLU has not accepted Staff witness Phipps' proposed capital structure. (ICC Staff Exhibit 3.0, pp. 22-25.)

3. Cost of Long-Term Debt

Staff estimates NLU's cost of long-term debt is 5.25%, which equals the current prime interest rate. NLU estimates its cost of long-term debt is 11.35%, which reflects historical prime interest rates during the 1981-2002 measurement period, plus two percentage points. Staff objects to NLU's proposed debt cost because it relies on

untimely, obsolete interest rate data and adds a default penalty that is inconsistent with Staff's proposed capital structure. (ICC Staff Exhibit 3.0, pp. 25-27.) Further, since NLU failed to get Commission authorization to transfer its outstanding indebtedness or have its term extended as the Commission ordered in Docket Nos. 79-0673/79-0675 Consolidated, Staff asserts that debt is void pursuant to 220 ILCS 5/6-104.

4. Cost of Common Equity

Staff witness Phipps estimates the investor-required rate of return on common equity for NLU is 12.36%. (ICC Staff Exhibit 3.0, p. 20.) She measured the investor-required rate of return on common equity for NLU with DCF and CAPM analyses, which she applied to both a sample of water companies and a sample of public utilities. Staff witness Phipps estimated the investor-required rate of return on common equity by: 1) averaging the DCF-derived estimates of the required rate of return on common equity for both samples, 2) averaging the CAPM-derived estimates of the required rate of return on common equity for both samples, and 3) adding 246 basis points for liquidity costs, which arise from the probability and financial consequences of an investor's inability to sell an asset at the desired time, at a predictable price. The security prices of small standalone companies such as NLU typically reflect significant liquidity costs, which are largely due to the lack of a liquid market for their securities. (ICC Staff Exhibit 3.0, pp. 20-22.) In contrast, NLU did not provide a cost of equity analysis.

5. Impact on Rates

When applied to Staff's pro forma proposed rate base of \$344,930, Staff's proposed 8.38% cost of capital for NLU results in net operating income of \$28,905 for NLU's water operations. (ICC Staff Ex. 6.0, Sch. 6.01-W, p. 1, line 26.) In contrast,

NLU's 10.3% proposed rate of return on rate base (Direct Testimony of Gene L. Armstrong, p. 17) results in net operating income of \$35,528 for NLU's water operations (*i.e.*, 10.3% of \$344,930).

When applied to Staff's pro forma proposed rate base of \$252,248, Staff's proposed 8.38% cost of capital for NLU results in net operating income of \$21,138 for NLU's sewer operations. (ICC Staff Ex. 6.0, Sch. 6.01-S, p. 1, line 26.) In contrast, NLU's 10.3% proposed rate of return on rate base (Direct Testimony of Gene L. Armstrong, p. 17) results in net operating income of \$25,982 for NLU's sewer operations (*i.e.*, 10.3% of \$252,248).

VI. RULES, REGULATIONS, AND CONDITIONS OF SERVICE TARIFFS

A. Uncontested Issues

There are no uncontested issues regarding Rules, Regulations, and Conditions of Service tariffs for water and sewer service.

B. Contested Issues

Staff witness William D. Marr recommended various changes to the Company's proposed Rules, Regulations, and Conditions of Service tariffs for water and sewer service. (ICC Staff Exhibit 5.0, pp. 5-17) Mr. Marr also recommended that the Commission order the Company to file revised Rules, Regulations, and Conditions of Service tariffs for water and sewer service, within ten (10) days of the final Order, with an effective date of not less than ten (10) working days after the date of filing, for service rendered on and after their effective date, with individual tariff sheets to be corrected within that time period, if necessary. (ICC Staff Exhibit 5.0, p. 17) Staff witness Marr's proposed changes to the Company's proposed Rules, Regulations, and

Conditions of Service tariffs for water and sewer service will have no impact upon rates being set in this case.

VII. COST OF SERVICE AND RATE DESIGN

A. Uncontested Issues

1. Sewer

a. Billing Units

Staff witness Cheri L. Harden does not object to the Company's proposed sewer billing units. (ICC Staff Exhibit 8.0, Schedule 8.01)

2. Water and Sewer

a. Installation Charge

Staff witness Cheri L. Harden does not object to the Company's proposal to eliminate the \$200 installation charge (NLU Exhibit PN, p. 1), which is paid by all owners making application for water service. (ICC Staff Exhibit 4.0-R, p. 19)

b. Outside Meter Reading Charge

Staff witness Cheri L. Harden does not object to the Company's proposal to eliminate the 33 cent outside meter reading charge (Direct Testimony of Gene L. Armstrong, p. 9), which is paid by customers requesting installation of a remote meter reading device. (ICC Staff Exhibit 4.0-R, p. 20)

c. Reconnection Charge

Staff witness Cheri L. Harden does not object to the Company's proposal to increase the reconnection charge from \$10.00 to \$20.00 (Direct Testimony of Gene L. Armstrong, p. 11). (ICC Staff Exhibit 4.0-R, p. 20)

d. NSF Check Charge

Staff witness Cheri L. Harden does not object to the Company's proposal to establish a NSF check charge of \$10.00 (Direct Testimony of Gene L. Armstrong, p. 12). (ICC Staff Exhibit 4.0-R, p. 21)

B. Contested Issues

1. Water and Sewer

a. Cost of Service Study ("COSS")

In revised direct testimony, Staff witness Cheri L. Harden discussed the purpose of a COSS. The Company did not provide a COSS nor did it provide the detailed cost and plant information that Staff would need in order to generate rates that are considered cost-based. As a result, Staff witness Harden designed rates based on traditional components of a customer and usage charge for New Landing customers. It is more appropriate at this time to move away from the minimum rate in place of usage charges and for all customers to pay the bulk of their rates based upon their water usage with a small customer charge. (ICC Staff Exhibit 4.0-R, pp. 4-6)

b. Availability Charge

The Company proposed increasing the availability charge from \$4.50 to \$13.50 (Direct Testimony of Gene L. Armstrong, p. 9). Staff witness Cheri L. Harden's recommended availability charge is the same as present rates at \$4.50. At this time, Staff is not recommending availability charges be set for water companies. Further, the Company has not provided any information that the cost of providing such service has increased. (ICC Staff Exhibit 4.0-R, p. 8)

c. Rate 3 Side Yard Lot Charge

The Company proposes to establish a Rate 3 for a side yard lot charge (Direct Testimony of Gene L. Armstrong, p. 11). Staff witness Cheri L. Harden does not recommend approval of Rate 3 because it is in violation of Section 9-241 of the Public Utilities Act. The Company did not provide a reasonable foundation to account for the differentiation of rates between the side yard lots and the availability customers. Further, Rate 3, which is a variation of an availability charge, should be disallowed for the same reasons. . (ICC Staff Exhibit 4.0-R, pp. 9 & 17)

2. Water

a. Billing Units

The Company failed to break down its proposed revenue into water usage billing units. Therefore, Staff witness Cheri L. Harden determined the Company's water usage billing units based upon the number of water customers and billing data provided by the Company. Staff witness Harden believes the water billing units are different for the Company and the Staff as shown on ICC Staff Exhibit 8.0, Schedule 8.01. (ICC Staff Exhibit 4.0-R, p. 3)

b. Usage Charge

The Company proposes to maintain the three-tiered blocks for a usage charge of metered water customers (Direct Testimony of Gene L. Armstrong, p. 11). Since all of the Company's customers are residential customers, Staff witness Cheri L. Harden does not recommend a blocked structure for usage charges in this case. Instead, Ms. Harden proposes a single usage block for metered water customers. (ICC Staff Exhibit 4.0-R, p. 11)

c. Minimum Bill/Monthly Customer Charge

The Company proposes to increase the minimum bill from \$10.00 to \$30.00 per month (Direct Testimony of Gene L. Armstrong, p. 5). Staff witness Cheri L. Harden proposes establishing a monthly customer charge to replace the minimum bill that is currently in the tariffs. A monthly customer charge will allow the Company to recover those costs that are independent of water usage (i.e., meter reading, billing and fixed costs on plant and equipment). Any other revenue should be generated through the usage charge. (ICC Staff Exhibit 4.0-R, p. 12)

d. Surcharge

The Company proposes a surcharge to the water bill of \$7.50 per month for 88 customers in the south half of Lost Nation Subdivision (Direct Testimony of Gene L. Armstrong, p. 9) to recover repair costs for the water lines that serve these customers. Staff witness Cheri Harden does not recommend implementation of the surcharge. Since the repair costs for these 88 customers and all Company customers are already included in its expenses, the Company would be collecting money twice from these 88 customers. (ICC Staff Exhibit 4.0-R, p. 13)

3. Sewer

a. Minimum Bill/Flat Charge

The Company proposes to maintain the current rate structure of 120% of the water bill for sewer customers with a minimum bill of \$36 per month (Direct Testimony of Gene L. Armstrong, p. 5). Since the Company's proposal of 120% of the water bill is not a cost-based charge, Staff witness Cheri L. Harden does not agree with the proposal. Instead, Ms. Harden proposes a flat charge for sewer service. (ICC Staff

Exhibit 4.0-R, p. 19)

VIII. ACRONYMS AND TERMS

A. Rate Base

1. GRCF

Gross Revenue Conversion Factor is a calculation that is based on the Federal tax rate, state tax rate, and the Company's uncollectible rate. It is an amount that is applied to the income deficiency to derive the change in the Company's revenue requirement.

2. QIPS

Qualified Infrastructure Plant Surcharge is the surcharge that is authorized by 83 Ill. Adm. Code 656. The surcharge allows water and sewer utilities to earn a return on, and depreciation expense related to, the utility's investment in certain items of plant that qualify under the terms of 83 Ill. Adm. Code 656.40. Section 656.40 specifies certain eligible non-revenue producing plant accounts which were not reflected in the Company's most recent rate proceeding.

B. Operating Revenues, Expenses and Income

1. FICA

The Federal Insurance Contributions Act involves Social Security and Medicare taxes.

2. FUTA

Federal Unemployment Tax Act.

3. SUTA

State Unemployment Tax Act.

C. Capital Structure and Cost of Capital**1. CAPM**

The Capital Asset Pricing Model estimates the investor-required rate of return on securities.

2. DCF

The Discounted Cash Flow estimates the investor-required rate of return on securities.

D. Cost of Service and Rate Design**1. COSS**

A Cost Of Service Study is a study performed to functionalize a utility's revenue requirement into basic categories and to allocate those costs across rate classes to determine each class' cost of service. Rates can then be designed to recover the cost to serve each customer class. In the water industry, embedded cost studies are utilized as the main guide to designing rates unique to each utility.

IX. NEWLY DISCOVERED INFORMATION**A. Financial Information:**

On March 10, 2005, Staff received financial information with respect to New Landing from the Attorney General's Office - Environmental Bureau that has been made part of the public record in *People ex rel Illinois Environmental Protection Agency vs. New Landing Utility, Inc., et al., Case No. 2000 CH 97*. Staff has begun to review such information.

B. Effect on Uncontested/Contested Issues Set Forth in Pretrial Memorandum:

Not having had adequate time to investigate and analyze the new financial information received, Staff has not concluded whether its positions and recommendations as set forth in the Pretrial Memorandum or its prefiled direct testimony remain the same. As a result, Staff positions and recommendations as set forth in testimony and schedules referenced in this PreTrial Memorandum, may change.

X. CONCLUSION

Staff respectfully requests that the Illinois Commerce Commission approve its recommended rate base of \$344,930 for water plant and \$252,248 for sewer plant as found on ICC Staff Exhibit 6.0, Schedules 6.03-W and 6.03-S; cost of capital of 8.38%, as found on ICC Staff Exhibit 3.0, Schedule 3.01 ; revenue requirement of \$137,969 for water and \$116,287 for sewer, as found on ICC Staff Exhibit 6.0, Schedules 6.1-W and 6.1-S; and rate design as found on ICC Staff Exhibit 8.1.

Respectfully submitted,

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March 11, 2005

**Docket No. 04-0610 New Landing Utility, Inc.
Proposed General Increase in Water and Sewer Rates
Table of ICC Staff Proposed Adjustments**

<u>Staff Witness</u>	<u>ICC Staff Exhibit No.</u>	<u>Description of Proposed Adjustment</u>
Griffin	2.0-R, sch. 2.01-W	Utility Plant Adjustment-Water
Griffin	2.0-R, sch. 2.02-W-rev	Accum. Depr. Adjustment-Water
Griffin	2.0-R, sch. 2.03-W-rev	CIAC Addjstment-Water
Griffin	2.0-R, sch. 2.03-W-rev	Accum. Depr. CIAC Adj.-Water
Griffin	2.0-R, sch. 2.04-W	Reclassify Adv. For Const. -Water
Griffin	2.0-R, sch. 2.05-W	Materials and Supplies -Water
Griffin	2.0-R, sch. 2.06-W	Cash Working Capital Adj.-Water
Griffin	2.0-R, sch. 2.07-W	Materials and Supplies Exp. -Water
Griffin	2.0-R, sch. 2.08-W	Chemicals Adjustment-Water
Griffin	2.0-R, sch. 2.09-W	Contract Serv. Adj. -Acctg-Water
Griffin	2.0-R, sch. 2.10-W	Contract Serv. Adj. -Other-Water
Griffin	2.0-R, sch. 2.11-W	Contract Serv. Adj.- Mgmt. Water
Griffin	2.0-R, sch. 2.12-W	Rents Adj. Water
Griffin	2.0-R, sch. 2.13-W	Regulatory Exp. Adj.-Water
Griffin	2.0-R, sch. 2.14-W	Depr. Exp. Adj. -Water
Griffin	2.0-R, sch. 2.01-S	Utility Plant Adjustment-Sewer
Griffin	2.0-R, sch. 2.02-S-rev	Accum. Depr. Adjustment-Sewer
Griffin	2.0-R, sch. 2.03-S	CIAC Addjstment-Sewer
Griffin	2.0-R, sch. 2.04-S	Reclassify Adv. For Const. -Sewer
Griffin	2.0-R, sch. 2.05-S	Materials and Supplies -Sewer
Griffin	2.0-R, sch. 2.06-S	Cash Working Capital Adj.-Sewer
Griffin	2.0-R, sch. 2.07-S	Materials and Supplies Exp. -Sewer
Griffin	2.0-R, sch. 2.09-W	Chemicals Adjustment-Sewer
Griffin	2.0-R, sch. 2.09-W	Contract Serv. Adj. -Acctg-Sewer
Griffin	2.0-R, sch. 2.10-W	Contract Serv. Adj. -Legal-Sewer
Griffin	2.0-R, sch. 2.11-S	Contract Serv. Adj.- Mgmt. Sewer
Griffin	2.0-R, sch. 2.12-S	Rents Adj. -Sewer
Griffin	2.0-R, sch. 2.13-W	Regulatory Exp. Adj.-Sewer
Griffin	2.0-R, sch. 2.14-S	Depr. Exp. Adj. -Sewer
Phipps	3	Cost of Capital

Contested?		Increase/(Decrease)
<u>Y/N</u>	<u>Amount</u>	<u>Requirement</u>
Y	(177,476)	(17,851)
Y	(89,026)	8,954
Y	165,251	(16,621)
Y	(39,091)	3,932
Y	(29,727)	0
Y	(3,637)	(366)
Y	7,244	729
Y	(985)	(985)
Y	(5,058)	(5,058)
Y	(1,194)	(1,194)
Y	(160,085)	(160,085)
Y	(3,300)	(3,300)
Y	(1,800)	(1,800)
Y	150	150
Y	(6,494)	(6,494)
Y	(37,961)	(3,818)
Y	18,840	(1,895)
Y	(53,874)	(5,419)
Y	20,657	0
Y	(3,637)	(366)
Y	7,074	712
Y	(985)	(985)
Y	2,291	2,291
Y	(1,194)	(1,194)
Y	(22,276)	(22,276)
Y	(3,300)	(3,300)
Y	(1,800)	(1,800)
Y	57	57
Y	(2,778)	(2,278)
Y	8.38%	