

DIRECT TESTIMONY

of

**Cheri L. Harden
Rate Analyst**

**Rates Department
Financial Analysis Division
Illinois Commerce Commission**

Aqua Illinois, Inc.

**Proposed General Increase for Water and Sewer
Rates for the Woodhaven Division
and
Proposed General Increase for Water
Rates for the Oak Run Division**

Docket Nos. 05-0071/05-0072 (Consolidated)

May 5, 2005

1 **Q. Would you please state your name and business address?**

2 A. Cheri L. Harden, 527 East Capitol Avenue, Springfield, Illinois 62701.

3

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by the Illinois Commerce Commission (“Commission”) as a Rate
6 Analyst in the Rates Department of the Financial Analysis Division. My
7 responsibilities include rate design and cost-of-service analyses for electric, gas
8 and water utilities and the preparation of testimony on rates and rate-related
9 matters.

10

11 **Q. How long have you been employed by the Illinois Commerce Commission?**

12 A. I have been employed by the Commission since September 2000.

13

14 **Q. Will you please briefly state your qualifications?**

15 A. I graduated from the University of Maryland in 1993, with a Bachelor of Science
16 degree in Management Studies.

17

18 Previously, I worked for the Wyoming Public Service Commission for almost
19 seven years. The last two positions I held were as the Consumer Services
20 Coordinator and as a Rate Analyst. I analyzed telecommunications, electric
21 (investor-owned and cooperative), gas, water and pipeline company filings. I
22 reviewed a variety of cases including mergers, tariff revisions, fuel adjustments,

23 certificate applications, complaints, contracts, interconnection agreements and
24 rate cases. I also worked on special projects such as the Universal Service
25 Fund, Annual Reports and Year 2000 Preparedness.

26

27 **Q. Have you testified in other Commission proceedings?**

28 A. Yes, I have testified on many occasions before the Illinois Commerce
29 Commission and the Wyoming Public Service Commission.

30

31 **Q. What area does your testimony address?**

32 A. My testimony will discuss Aqua Illinois, Inc.'s ("Aqua" or "Company") filing for a
33 general increase in water and sewer rates. I will be presenting testimony and
34 schedules concerning cost of service and rate design issues for both of the Aqua
35 service areas that have applied for a rate increase in this consolidated docket,
36 the Woodhaven and Oak Run Divisions.

37

38 I will not be making any recommendations concerning the appropriateness of the
39 revenue requirement proposed by the Company. This will be discussed by Staff
40 witness Bonita A. Pearce in ICC Staff Exhibit 1.0.

41

42 **Q. Are you sponsoring any schedules as part of your testimony?**

43 A. Yes, I am sponsoring Schedules 4.01 (OR) and 4.01 (W). These schedules
44 show the water and sewer rates that I am proposing compared to the present

45 and proposed rates by the Company.

46

47 **Billing Units**

48

49 **Q. What test year is the Company proposing to use in this case?**

50 A. The Company proposes a future test year ending December 31, 2005, for both
51 the Woodhaven and Oak Run Divisions.

52

53 **Q. Do you agree with the billing units proposed by the Company for the Oak
54 Run and Woodhaven Divisions?**

55 A. At this time I still have outstanding data requests with the Company and have
56 not been able to fully review the billing units. I will provide a final review in
57 rebuttal testimony.

58

59 **Q. What billing units have you utilized in your analyses?**

60 A. For my direct testimony regarding the Oak Run Division, I have taken the 2003
61 No. of Bills from Schedule E-4, column G, to develop a present customer count
62 of 589 residential customers and 14 commercial customers complemented by
63 1,996 availability customers. For the proposed 2005 customer count I have
64 utilized 629 residential customers and 14 commercial customers complemented
65 by 1,956 availability customers for both the Company and my proposed rates for
66 the Oak Run Division.

67

68 For my direct testimony regarding the Woodhaven Water Division, I have taken
69 the 2003 No. of Bills from Schedule E-4, Column G, to develop a present
70 customer count of 6,140 domestic campsites, 12 residential and 58 commercial
71 customers. For the proposed 2005 customer count I have utilized 6,178 for
72 domestic campsites as appears to be proposed by the Company in Schedule E-
73 4. I do not have any supporting documentation that the campsites will increase
74 beyond the 6,150 cited in the testimony of Company witness Bunosky (Aqua
75 Exhibit 1.0, p. 13); therefore, I have utilized the customer count of 6,150 for my
76 proposed domestic campsite billing units. I have utilized 12 residential and 58
77 commercial customers in my proposed rates for the remaining water customers
78 in the Woodhaven Water Division.

79
80 For my direct testimony regarding the Woodhaven Sewer Division, I have taken
81 the 2003 No. of Bills from Schedule E-4, Column G, to develop a present
82 customer count of 5,371 residential customers and 58 commercial customers.
83 For the proposed 2005 I have utilized the customer count of 5,411 residential
84 customers and 58 commercial customers in my proposed rates for the
85 Woodhaven Sewer Division.

86
87 The above numbers are reflected on Schedules 4.01 (OR) and 4.01 (W).

88

89 **Cost of Service Study**

90

91 **Q. Did the Company submit a cost of service study?**

92 A. No. The Company did not submit a cost of service study for either the
93 Woodhaven or Oak Run Divisions.

94

95 **Q. Do you believe cost of service studies are necessary for the Woodhaven or**
96 **Oak Run Divisions?**

97 A. No. The Woodhaven Division has residential and small commercial customers
98 of which most are unmetered campsites paying the same single rate. The bulk of
99 the remaining customers are support businesses for the campsites. Since most
100 of the costs can easily be allocated to one customer class (unmetered
101 campsites) and the remaining customers are businesses which support these
102 campsites, I determined that a cost of service study was not necessary and that
103 an across-the-board increase to meet the revenue requirement is sufficient to
104 determine cost responsibility for each customer class.

105

106 For the Oak Run Division, Company witness David R. Monie presented
107 testimony that “[t]he vast majority of customers are similar residential customers
108 or availability customers. Therefore, a traditional cost of service study would not
109 be of benefit.” (Aqua Exhibit 4.0, p. 3) I agree with this position.

110

111 **Rate Design Oak Run Division – Water**

112 **Q. Please explain Oak Run Division’s present rate structure.**

113 A. The Company’s present water rate structure consists of a \$6.90 monthly
114 Availability Charge or a monthly Customer Charge of \$8.67 per customer and a
115 Usage Charge for metered customers of \$5.19 per 1,000 gallons of water used
116 that is billed quarterly for all general water service customers. (Schedule E-2)

117

118 **Q. What is an Availability Charge?**

119 A. “Availability of water” is the service the Company renders when it stands ready to
120 provide domestic water service upon the request of a lot owner (customer).
121 Pending actual tap or other connection into the operating water system, a lot
122 owner pays an Availability Charge when water service is available for use
123 whether or not tap is made to a system main and whether or not there is an
124 actual use or taking of water. The charge continues as long as water is available
125 for use and until a tap is made to a system main, after which a Customer Charge
126 and a Usage Charge apply.

127

128 **Q. Why does the Company have an Availability Charge?**

129 A. The Oak Run Water Tariff Area consists of approximately 2,600 lots of which
130 approximately 600 lots have been built upon to date and take water service
131 directly from the water system. (Aqua Exhibit 1.0, p. 13) Often, no other
132 alternative seems to exist other than to allow a Company to collect Availability

133 Charges so it can produce sufficient revenues to cover the operating expenses
134 from a wider customer base than actual customers who have tapped into the
135 water supply system.

136

137 **Q. Has the Company proposed changing the Availability Charge?**

138 A. Yes. The Company proposes changing the Availability Charge from \$6.90 to
139 \$12.55 per month which is an increase of 81.9%.

140

141 **Q. Do you agree with the Company's recommended Availability Charge?**

142 A. No, at the present time Staff is not recommending Availability Charges be set for
143 water companies. In keeping with this internal policy I would prefer to maintain
144 the current Availability Charge; however, I have recommended an increase to the
145 Availability Charge due to the rate shock that would be apparent if the metered
146 customers were to absorb the entire rate increase. The Company primarily
147 encompasses availability customers within its customer base, which further
148 supports increasing the Availability Charge.

149

150 **Q. What is your recommended charge for availability customers?**

151 A. My Availability Charge can be found on ICC Staff Exhibit 4.0, Schedule
152 4.01(OR).

153

154 **Q. What water rate increase is the Company proposing?**

155 A. "It is proposed to increase both the Customer Charge and the Availability Charge
156 by 81.92%. It is proposed to increase the Consumption Charge by 23.98%."
157 (Aqua Exhibit 4.0, p. 4)

158

159 **Q. Do you agree with the Company's proposal?**

160 A. No. As stated earlier, I do not believe the Availability Charge should increase by
161 the same percentage as the Customer and Consumption Charges. I propose
162 that the Customer and Consumption Charges both increase by equal percentage
163 amounts; however, the Company has referenced relatively high fixed costs as
164 the appropriate reason to increase the Customer Charge by a higher percentage
165 rate. (Aqua Exhibit 4.0, p. 5)

166

167 The Company testifies that the Consumption Charge at \$5.19 per 1,000 gallons
168 is relatively high. The Company reports that this high Consumption Charge has
169 resulted in considerable conservation such that the annual average monthly
170 usage per user connection is only 2,200 gallons. (Aqua Exhibit 4.0, p. 4) In
171 comparison to other Aqua companies, there are four other divisions out of eight
172 that charge less than the \$5.19 Consumption Charge.

173

174 **Q. What Customer Charge are you recommending for the Oak Run Division's**
175 **water customers?**

176 A. Based on the Company's reference to relatively high fixed costs I have increased

177 the Customer Charge by the highest percent. The Customer Charge I am
178 recommending can be found on Schedule 4.01 (OR).

179

180 **Q. What Consumption Charge are you recommending for the Oak Run**
181 **Division's water customers?**

182 A. Although I have raised the Consumption Charge higher than the Company
183 recommended, there are still three divisions within the Aqua companies that have
184 a higher Consumption Charge at this time.

185

186 The Consumption Charge I am recommending can be found on Schedule
187 4.01(OR).

188

189 **Rate Design Woodhaven Division – Water**

190 **Q. Please explain Woodhaven Water Division's present water rate structure.**

191 A. The tariffs currently show a domestic flat rate of \$9.35 per month for each
192 campsite in the area authorized to be served by the Company intended for
193 domestic water use from the service branch installed by the Company on each
194 campsite, whether or not there is an actual use or taking of water. (Schedule E-2)

195

196 The tariffs also reflect a Customer Charge and a Usage Charge for all other
197 customers based on the size of the meter. (Schedule E-2)

198 **Q. What water rate increase is the Company proposing for the Woodhaven**

199 **Water Division?**

200 A. The Company proposes an across-the-board increase. (Aqua Exhibit 1.0, p. 19)

201

202 **Q. What rates are you recommending for Woodhaven's water customers?**

203 A. I am recommending an across-the-board increase to meet the revenue
204 requirement in the Woodhaven Water Division. My proposed Domestic Flat
205 Rate, Customer Charge and Usage Charge can be found on Schedule 4.01 (W).

206

207 **Rate Design Woodhaven Division – Sewer**

208 **Q. Please explain the Woodhaven Sewer Division's present sewer rate**
209 **structure.**

210 A. The tariffs currently show a domestic flat rate of \$10.68 per month for each
211 campsite in the area authorized to be served by the Company for domestic
212 sanitary sewer service discharged into the sewage receptacle installed by the
213 Company on each campsite, whether or not there is an actual discharge of
214 sewage. (Schedule E-2)

215

216 The tariffs also reflect a commercial rate which will be charged for commercial
217 sewer service furnished by the Company that is an amount equal to 130% of the
218 billing for water service furnished during the corresponding billing period.
219 (Schedule E-2)

220

221 **Q. What sewer rate is the Company proposing?**

222 A. The Company proposes an across-the-board increase. (Aqua Exhibit 1.0, p. 20)

223

224 **Q. Do you agree with the Company's proposal of 130% of the water bill for**
225 **sewer customers?**

226 A. No. The Company's proposal of 130% of the water bill is not a cost-based
227 charge. I recommend a flat charge for the sewer service. I set the flat rate the
228 same for both customer groups to recover the revenue requirement provided by
229 Staff witness Pearce in ICC Staff Exhibit 1.0, Schedule 1.01 (WS). My proposed
230 flat rate can be found on Schedule 4.01 (W).

231

232 **Q. Do you have any further recommendations to the Commission?**

233 A. Yes. I recommend that the Commission order the Company to file the rate tariffs
234 for Oak Run and Woodhaven Divisions, within 10 days of the final Order with an
235 effective date of not less than 10 working days after the date of filing, for service
236 rendered on and after their effective date, with individual tariff sheets to be
237 corrected within that time period, if necessary.

238

239 **Q. Does this conclude your direct testimony in this proceeding?**

240 A. Yes.

RATE DESIGN ANALYSIS

WATER	Company Present			Company Proposed			% increase	Staff Proposed			% increase
	Billing Units	Rate	Revenue	Billing Units	Rate	Revenue	over Present	Billing Units	Rate	Revenue	over Present
CUSTOMER CHARGES											
Residential	7,068	\$8.67	\$61,280	7,548	\$15.77	\$119,032	81.9%	7,548	\$14.00	\$105,672	61.5%
Commercial	168	\$8.67	\$1,457	168	\$15.77	\$2,649	81.9%	168	\$14.00	\$2,352	61.5%
SUBTOTAL			\$62,736			\$121,681				\$108,024	
CONSUMPTION CHARGES											
Residential 5/8"		\$5.19	\$0		\$6.434	\$0	24.0%		\$7.31	\$0	40.8%
Residential 5/8" x 3/4	16,116	\$5.19	\$83,642	17,185	\$6.434	\$110,568	24.0%	17,185	\$7.31	\$125,622	40.8%
Residential 3/4"	438	\$5.19	\$2,273	438	\$6.434	\$2,818	24.0%	438	\$7.31	\$3,202	40.8%
Residential 1 1/2" multi	188	\$5.19	\$976	188	\$6.434	\$1,210	24.0%	188	\$7.31	\$1,374	40.8%
Commercial 5/8" x 3/4	628	\$5.19	\$3,259	628	\$6.434	\$4,041	24.0%	628	\$7.31	\$4,591	40.8%
Commercial 3/4"	13	\$5.19	\$67	13	\$6.434	\$84	24.0%	13	\$7.31	\$95	40.8%
Commercial 1"	37	\$5.19	\$192	37	\$6.434	\$238	24.0%	37	\$7.31	\$270	40.8%
Commercial 2"	55	\$5.19	\$285	55	\$6.434	\$354	24.0%	55	\$7.31	\$402	40.8%
SUBTOTAL	17,475		\$90,695	18,544		\$119,312		18,544		\$135,557	
SUBTOTAL FACILITIES & GALLONAGE			\$153,431				\$240,993				\$243,581
Availability Charges	23,952	\$6.90	\$165,269	23,472	\$12.55	\$294,574	81.9%	23,472	\$9.30	\$218,290	32.1%
AVAILABILITY SUBTOTAL			\$165,269			\$294,574					\$218,290
TOTAL OPERATING REVENUE			\$318,700				\$535,567	68.0%			\$461,870

RATE DESIGN ANALYSIS

WATER	Company Present			Company Proposed			% increase	Staff Proposed			% increase
	Billing Units	Rate	Revenue	Billing Units	Rate	Revenue	over Present	Billing Units	Rate	Revenue	over Present
CUSTOMER CHARGES											
Domestic campsites	73,680	\$9.35	\$688,908	74,136	\$16.075	\$1,191,736	71.9%	73,800	\$13.05	\$963,213	39.6%
Residential 5/8" - minimum charge	24	\$8.14	\$195	24	\$14.00	\$336	72.0%	24	\$11.36	\$273	39.6%
Residential 1"	120	\$13.84	\$1,661	120	\$23.80	\$2,856	72.0%	120	\$19.32	\$2,318	39.6%
Commercial 5/8"	204	\$8.14	\$1,661	204	\$14.00	\$2,856	72.0%	204	\$11.36	\$2,318	39.6%
Commercial 3/4"	84	\$9.77	\$821	84	\$16.80	\$1,411	72.0%	84	\$13.64	\$1,146	39.6%
Commercial 1"	60	\$13.84	\$830	60	\$23.80	\$1,428	72.0%	60	\$19.32	\$1,159	39.6%
Commercial 1 1/2"	24	\$25.65	\$616	24	\$44.12	\$1,059	72.0%	24	\$35.80	\$859	39.6%
Commercial 2"	300	\$30.93	\$9,279	300	\$53.20	\$15,960	72.0%	300	\$43.18	\$12,953	39.6%
Commercial 3"	24	\$87.91	\$2,110	24	\$151.20	\$3,629	72.0%	24	\$122.71	\$2,945	39.6%
SUBTOTAL			\$706,080			\$1,221,271	73.0%			\$987,184	
METERED CHARGES											
Residential 5/8"	0	\$4.11	\$0	0	\$7.069	\$0	72.0%	0	\$5.74	\$0	39.6%
Residential 1"	339	\$4.11	\$1,393	339	\$7.069	\$2,396	72.0%	339	\$5.74	\$1,945	39.6%
Commercial 5/8"	448	\$4.11	\$1,841	448	\$7.069	\$3,167	72.0%	448	\$5.74	\$2,570	39.6%
Commercial 3/4"	108	\$4.11	\$444	108	\$7.069	\$763	72.0%	108	\$5.74	\$620	39.6%
Commercial 1"	120	\$4.11	\$493	120	\$7.069	\$848	72.0%	120	\$5.74	\$688	39.6%
Commercial 1 1/2"	236	\$4.11	\$970	236	\$7.069	\$1,668	72.0%	236	\$5.74	\$1,354	39.6%
Commercial 2"	1,922	\$4.11	\$7,899	1,922	\$7.069	\$13,587	72.0%	1,922	\$5.74	\$11,027	39.6%
Commercial 3"	626	\$4.11	\$2,573	626	\$7.069	\$4,425	72.0%	626	\$5.74	\$3,591	39.6%
SUBTOTAL	3,799		\$15,614	3,799		\$26,855	72.0%	3,799		\$21,795	
TOTAL WATER OPERATING REVENUE			\$721,694			\$1,248,126	72.9%			\$1,008,979	

SEWER	Company Present			Company Proposed			% increase	Staff Proposed			% increase
	Billing Units	Sewer rate	Revenue	Billing Units	Sewer rate	Revenue	over Present	Billing Units	Sewer rate	Revenue	over Present
FACILITIES CHARGES											
Campsite	64,452	\$10.68	\$688,347	64,932	\$17.44	\$1,132,414	63.3%	64,932	\$14.74	\$957,098	38.0%
Commercial - 130% of water bill	\$ 29,537	130%	\$38,398	\$ 50,802	130%	\$66,042		696	\$14.74	\$10,259	
TOTAL SEWER OPERATING REVENUE			\$726,745			\$1,198,456	64.9%			\$967,357	