

REBUTTAL TESTIMONY

of

BURMA C. JONES

Accounting 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)

July 7, 2005

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1 Witness and Schedule Identification

2 Q. Please state your name and business address.

3

4 A. My name is Burma C. Jones. My business address is 527 East Capitol
5 Avenue, Springfield, Illinois 62701.

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

7

8 A. I am currently employed as an Accountant in the Accounting Department
9 of the Financial Analysis Division of the Illinois Commerce Commission
10 (“Commission”).

11 Q. Are you the same Burma C. Jones who previously filed testimony in this
12 proceeding?

13

14 A. Yes. I filed direct testimony, identified as ICC Staff Exhibit 2.0, on May 5,
15 2005.

16 Q. What is the purpose of your testimony in this proceeding?

17

18 A. The purpose of my rebuttal testimony is threefold: (1) to express my

19 understanding of the Aqua Illinois, Inc. (“Aqua” or “Company”) position
20 regarding the adjustments that I proposed in my direct testimony, (2) to
21 discuss allocation methodology and (3) to propose an adjustment to
22 management expense based on a change in allocation methodology.

23 Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 7.0?

24

25 A. Yes. I prepared the following schedules for the Company, which show
26 data as of, or for the test year ending, December 31, 2005:

27 Schedule 7.01(W.S) Adjustment to Accumulated Deferred Income
28 Taxes

29 Schedule 7.02 Comparison of Allocation Factors

30 Schedule 7.03(WW), (WS) Adjustment to Management Expense

31 Q. Are you including any schedules as part of ICC Staff Exhibit 7.0?

32

33 A. Yes. I am including the following attachments that present information
34 provided by the Company.

35 Attachment A Response to Data Request BAP 25.03

36 Attachment B Response to Data Request WHA 2.02 B

37 Attachment C Response to Data Request WHA 2.03 C

38 Deferred Charges for Tank Painting

39 Q. Did the Company accept your proposed adjustments related to tank
40 painting?

41

42 A. Yes. The Company accepted in total my proposed adjustments to rate
43 base and operating expense for tank painting at the Oak Run Water,
44 Woodhaven Water and Woodhaven Sewer Divisions.

45 Plant in Service - Reverse Osmosis Project

46 Q. Did the Company accept your adjustment to move the cost of a pilot study
47 and the projected cost for engineering plans related to a Reverse Osmosis
48 (“RO”) project under consideration by the Company for its Oak Run
49 Division from plant in service to account 183, Preliminary Survey and
50 Investigation Charges?

51

52 A. My adjustment to reclassify pilot study and engineering plan costs for an
53 RO project are reflected in the revenue requirement for the Oak Run
54 Division that was filed with the rebuttal testimony of Company witness
55 Jack Schreyer. However, the Company appears to agree that my
56 adjustment is appropriate only if the Commission finds that the Company’s
57 proposed three year amortization period of rate case expense is

58 reasonable. The Company believes that a longer amortization period for
59 rate case expense, as proposed by Staff witness Bonita Pearce, reflects
60 Staff's uncertainty on when the RO plant construction will occur.

61 Q. Do you agree with the Company's rationale?

62

63 A. No. My proposed adjustment is not predicated on when the RO plant will
64 be built. It is based on the fact that the plant to which the pilot study and
65 engineering plans pertain does not now exist, nor will it exist by the end of
66 the future test year. According to the Uniform System of Accounts for
67 Water Utilities, Account 183 - Preliminary Survey and Investigation
68 Charges is the appropriate place to record stated costs until construction
69 of the RO plant begins or the Company makes the decision to abandon
70 the project.

71 Accumulated Deferred Income Taxes

72 Q. Does the Company agree with your proposed adjustments to Accumulated
73 Deferred Income Taxes ("ADIT")?

74

75 A. The Company does not contest my adjustments related to deferred taxes,
76 but it does point out a calculation error on ICC Staff Exhibit 2.0, Schedule

77 2.04 (WS), page 1, line 18. I agree that there is a calculation error on
78 Schedule 2.04 (WS), but I do not agree with the correction reflected on
79 Company Schedule 6.1 (WW), page 2, line 22, which was filed with the
80 rebuttal testimony of Company witness Jack Schreyer.

81 Q. Why do you disagree with the Company's correction to your calculation
82 error?

83

84 A. I disagree with the Company's correction because it does not represent an
85 average of the difference between the correct and incorrect amount of
86 deferred income taxes. The calculation error affects deferred income
87 taxes, which is an expense, but the Company's correction to the revenue
88 requirement affects ADIT, which is a rate base component. In order to be
89 consistent with the Company's methodology for calculating rate base
90 balances, the adjustment to ADIT should reflect an average between
91 beginning and ending balances for the future test year.

92 Q. Please describe ICC Staff Exhibit 7.0, Schedule 7.01(WS), Adjustment to
93 Accumulated Deferred Income Taxes.

94

95 A. Schedule 7.01(WS) presents my adjustment to ADIT to properly reflect the

96 average of the Company's correction to the calculation error in deferred
97 income taxes on Staff Schedule 2.04 (WS).

98 Depreciation

99 Q. Does the Company accept your proposed adjustments related to
100 depreciation for the Woodhaven Sewer Division?
101

102 A. My proposed adjustments related to depreciation are reflected in the
103 revenue requirement for the Woodhaven Sewer Division that was filed
104 with the rebuttal testimony of Company witness Jack Schreyer.

105 Q. Do you have any comments regarding depreciation rates?
106

107 A. Yes. Although the Company suggests that I "utilize a more precise rate
108 than 2% for the plant items for which the Company was unable to provide
109 support for specific rates"¹ and testifies that "rates that accurately reflect
110 the depreciable lives of these assetswould be reasonable,"² it has not
111 presented any alternate rates for review.

¹Aqua Ex. 6.0 – First Amended, lines 902 - 903.

²Aqua Ex. 6.0 – First Amended, lines 907 – 909.

112 Retired Utility Plant

113 Q. Did the Company accept your proposed adjustments related to various
114 Utility Plant retirements?

115

116 A. Yes. The Company reflects my proposed adjustments related to various
117 Utility Plant retirements in the revenue requirements filed with the rebuttal
118 testimony of Company witness Jack Schreyer.

119 FAS 87 Pension

120 Q. What is your position regarding the pension related adjustments to rate
121 base and operating expense that the Company proposed in the rebuttal
122 testimony of Company witness Jack Schreyer?

123

124 A. The Company's proposed pension related adjustments reflect updated
125 actuarial information for 2005. Although it is my opinion, as expressed in
126 my response to Company Data Request 1.27, that the effect of
127 recognizing the updated amounts on the revenue requirement of each
128 division is immaterial and no adjustment is warranted, I do not object to
129 the Company's inclusion of the updated amounts in its rebuttal position.

130 Radium Removal Treatment Plant

131 Q. What is your response to the Company's rebuttal adjustments related to
132 an increase in the projected cost of the Radium Removal Treatment Plant
133 for the Woodhaven Water Division?

134

135 A. The Company has provided information to adequately support the
136 operating cost estimate and the increase to the projected cost of the
137 Radium Removal Treatment Plant. Therefore, I do not object to the
138 Company's rebuttal adjustments related to this project.

139 Allocation Methodology

140 Q. Is there another topic in the Company's rebuttal testimony to which you
141 want to respond?

142

143 A. Yes. I want to respond to the issue of a change in corporate allocation
144 methodology raised by Woodhaven Association ("Association") witness
145 Jeffrey S. Hickey in his direct testimony³ and addressed by Company
146 witnesses Thomas J. Bunosky and Jack Schreyer in their rebuttal
147 testimonies.⁴ The Company asserts that its current allocation methodology

³ Woodhaven Association Exhibit WA 1.00, pp. 13-15.

⁴ Aqua Ex. 5.0 – Second Amended, pp. 27-28 and Aqua Ex. 6.0 – First Amended, p. 40.

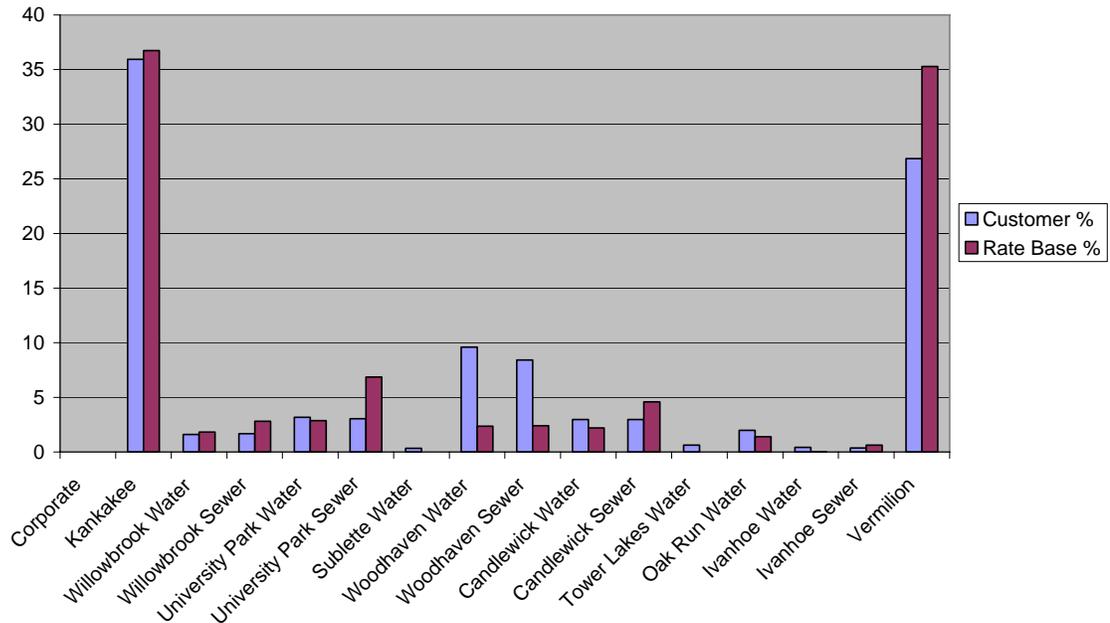
148 based on customer count is more appropriate than allocations based on a
149 rate base percentage, which was previously used to allocate certain
150 expenses.

151 Q. Please describe ICC Staff Exhibit 7.0, Schedule 7.02, Comparison of
152 Allocation Factors.

153 A. Schedule 7.02 presents a bar chart (also included below) that shows the
154 relationship between the respective rate base and customer allocation
155 factors for each division of Aqua. The information in the data table that
156 supports the chart is from the Company's response, labeled WH 001960,
157 to Staff data request BAP 25.03. The response, which is attached as ICC
158 Staff Exhibit 7.0, Attachment A, compares test year contractual service
159 costs allocated by rate base with test year contractual service costs
160 allocated by customer count.

161

**Aqua Illinois, Inc.
 Comparison of Allocation Factors by Division**



162

163 Q. What is the purpose of presenting this chart?

164

165 A. The purpose of the chart is to show the effect of the change in allocation
 166 methodology from percent of total rate base to percent of customers for
 167 those expenses that were previously allocated using a rate base allocation
 168 factor. The Company's responses to Association data request WHA 2.02B
 169 & C, which are attached as ICC Staff 7.0, Attachments B and C, indicate
 170 that in-house management was allocated by rate base percentage through
 171 2003, that customer count has been the basis of contractual services

172 allocations since 2002, and that rate base percentage was the basis for
173 allocating at least some of the prior years' contractual services expenses.

174 Q. What is the specific effect on the Woodhaven divisions of switching from a
175 rate base allocation factor to a customer allocation factor?

176

177 A. For those expenses previously allocated by rate base, the effect is a 305%
178 increase (2.37% to 9.60%)⁵ for the Woodhaven Water Division and a
179 249% increase (2.41% to 8.41%)⁶ for the Woodhaven Sewer Division.
180 Together, the Woodhaven Divisions account for 18% of total Aqua
181 customers, but only 4.8% of total Aqua rate base. The disparity between
182 percent of rate base and percent of customers is more pronounced for the
183 Woodhaven Divisions than for Aqua's other divisions, except for the
184 Ivanhoe Water Division, and it is the reason a change in allocation
185 methodology from rate base to customer count effects a large increase in
186 those expenses to which it is applied.

187 Q. What is the specific effect on the Oak Run Division of switching from a
188 rate base allocation factor to a customer allocation factor?

⁵ ICC Staff Exhibit 7.0, Sch. 7.02, p. 2, col. (b) and (c).

⁶ Id.

189

190 A. The effect is a 41% increase (1.40% to 1.97%)⁷. The increase would be
191 184% (1.40%⁸ to 3.98%⁹) if the Company had not weighted Oak Run
192 availability customers at 1/3 for the purpose of calculating the customer
193 count allocation factor in this proceeding.

194 Q. In his rebuttal testimony, Company witness Jack Schreyer states,
195 “Because Staff did not dispute the customer count allocation methodology
196 utilized in Docket No. 04-0442, Staff should consistently use this approach
197 in the instant proceeding.”¹⁰ Do you agree?

198

199 A. No, I do not agree. Every rate proceeding stands on its own merits and
200 the instant rate proceeding is the first one filed since the allocation
201 change, as identified by the Company, that highlights the adverse effect of
202 the change on certain of the Company’s divisions. In the Company’s two
203 previous rate proceedings, Docket No. 04-0442 for Vermilion and Docket
204 No. 03-0403 for Kankakee, the impact of the change was not as overt
205 because the percent of change was more reasonable – a decrease of

⁷ Id.

⁸ Id.

⁹ 593 user customers + 2,020 availability customers = 2,613 Oak Run customers
64,264 (from WH001960) – 1,266 Oak Run weighted + 2,613 Oak Run unweighted. = 65,611 total cust.
2,613/65,611 = 3.98%

206 24% (35.28% to 26.85%)¹¹ for Vermilion and a decrease of 2% (36.75% to
207 35.93%)¹² for Kankakee.

208 Management Expense

209 Q. Please describe ICC Staff Exhibit 7.0, Schedule 7.03(WW), (WS),
210 Adjustment to Management Expense.

211

212 A. Schedules 7.03(WW), (WS) reflect my adjustments to management
213 expense to mitigate the large adverse impact that the Company's change
214 in allocation methodology had on the Woodhaven Divisions' revenue
215 requirements.

216

217 Q. What allocation methodology is reflected in your adjustments?

218

219 A. I calculated an allocation factor for each Woodhaven Division based on
220 customer count, but with Woodhaven customers weighted at one-half.

221 Q. What is your basis for weighting Woodhaven customers at one-half?

222

(.continued)

¹⁰ Aqua Ex. 6.0 – First Amended, p. 40, lines 858-860.

¹¹ ICC Staff Exhibit 7.0, Sch. 7.02, p. 2, col. (b) and (c).

223 A. This weighting appears reasonable when one considers that Woodhaven
224 is a campground and Woodhaven customers are permitted to use their
225 properties only six months of the year.

226 Q. Has the Company considered weighting Woodhaven customers at less
227 than the current full weighting for the purpose of calculating an allocation
228 factor based on customer count?

229

230 A. The Company has indicated that it would be willing to consider such a
231 proposal in conjunction with a bulk billing agreement with the Woodhaven
232 Association, but I am not aware of the time frame for when this might
233 occur.

234 Q. Did you consider allocation factors other than the one used to calculate
235 your adjustments?

236

237 A. Yes. I considered allocation factors based on weighting Woodhaven
238 customers at 1/3, on percent of rate base, and on the average of percent

(..continued)
¹² Id.

239 of customers plus percent of rate base. The following table shows the
240 management expense associated with each allocation factor.¹³

Allocation Method	Woodhaven Water		Woodhaven Sewer	
	Allocation%	Management\$	Allocation%	Management \$
Customer Count	9.60%	\$238,669	8.41%	\$208,228
Customers Wtd. 1/2	5.27%	\$131,019	4.62%	\$114,389
Customers Wtd. 1/3	3.64%	\$90,495	3.19%	\$78,983
Rate Base	2.37%	\$58,921	2.41%	\$59,671
Avg. of Rate Base % + Customer Count %	5.99%	\$148,795	5.41%	\$133,949

241

242 Q. Why is it appropriate to propose this adjustment when the Company has
243 agreed to limit management expense to the actual amount recorded for
244 2004 instead of the 2005 estimate included in the Company's original
245 filing?¹⁴

246

247 A. According to the Company, customer count has been the basis of
248 contractual services allocations since 2002, with the exception of in-house
249 management which was allocated by rate base percentage through

¹³ ICC Staff Exhibit 7.0, Sch. 7.03(WW), p. 2, col. (c) and (d).

¹⁴ Aqua Ex. 6.0 – First Amended, p. 41, lines 861-866.

250 2003.¹⁵ Presumably, actual 2004 management expense was allocated in
251 the same manner as the 2005 estimate of management expense. Thus,
252 even though the Company has agreed to limit management expense to
253 the actual amount recorded for 2004, the actual 2004 amount is based
254 upon the allocation of total management expense by customer count and
255 also reflects the adverse impact of the change in allocation methodology.

256 Q. Is the Company to infer that it cannot change an established allocation
257 methodology without the Commission's approval?

258

259 A. No. However, consideration should be given to the effect that a change in
260 allocation methodology will have on all of the divisions affected by the
261 change.

262 Conclusion

263 Q. Does this question end your prepared rebuttal testimony?

264

265 A. Yes.

¹⁵ Company response to Woodhaven Association Data Request WHA 2.02 B.

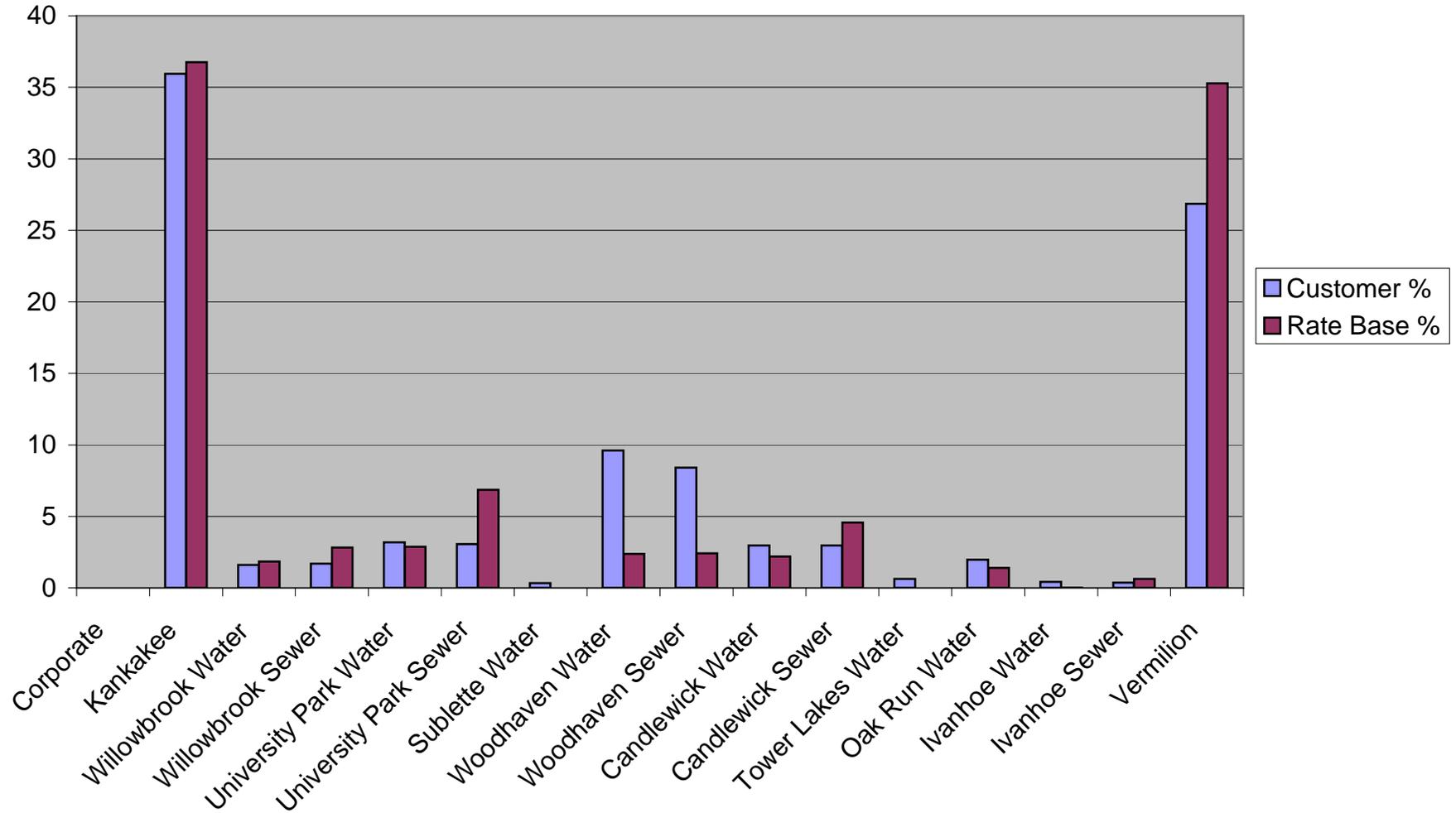
Aqua Illinois, Inc. - Woodhaven Sewer Division
Adjustment to Accumulated Deferred Income Taxes
For the Test Year Ending December 31, 2005

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	(a)	(b)
1	Correction of calculation error per Staff	\$ (389)
2	Correction of calculation error per Company	(778)
3	Staff adjustment to increase ADIT	<u>\$ 389</u>

Source:

Line 1 [0 + (778)]/2
Line 2 Company Schedule 6.1(WW), p. 2, footnote (1).

Aqua Illinois, Inc. Comparison of Allocation Factors by Division



Aqua Illinois, Inc.
Comparison of Allocation Factors by Division
Data Table for Graph
For the Test Year Ending December 31, 2005

Line No.	Aqua Illinois Operating Division (a)	Allocation Factors	
		Customer % (b)	Rate Base % (c)
1	Corporate		
2	Kankakee	35.94	36.75
3	Willowbrook Water	1.61	1.84
4	Willowbrook Sewer	1.69	2.82
5	University Park Water	3.18	2.87
6	University Park Sewer	3.06	6.86
7	Sublette Water	0.33	0
8	Woodhaven Water	9.6	2.37
9	Woodhaven Sewer	8.41	2.41
10	Candlewick Water	2.97	2.2
11	Candlewick Sewer	2.97	4.58
12	Tower Lakes Water	0.62	0
13	Oak Run Water	1.97	1.4
14	Ivanhoe Water	0.43	0.01
15	Ivanhoe Sewer	0.37	0.62
16	Vermilion	26.85	35.28
17		<u>100%</u>	<u>100%</u>

Source

Company response to Staff Data Request BAP 25.03, Bates label WH 001960.

Aqua Illinois, Inc. - Woodhaven Water Division
Adjustment to Management Expense
For the Test Year Ending December 31, 2005

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	(a)	(b)
1	Management expense per Staff	\$ 131,019
2	Management expense per Company	238,669
3	Staff adjustment to decrease operating expense	<u>\$ (107,650)</u>

Source:

Line 1 ICC Staff Exhibit 7.0, Schedule 7.03(WW), p. 2, line 7.
Line 2 \$115,688 + \$122,981 = \$238,669 Per original response (WH000009) and
supplemental response to Staff Data Request JF-1.05.

Aqua Illinois, Inc. - Woodhaven Water Division
Adjustment to Management Expense
For the Test Year Ending December 31, 2005

Line No.	Description (a)	Amount (b)	Allocation Percent (c)	Management Expense (d)
1	Woodhaven Customers			
2	Woodhaven Water	6,169 (1)	9.60%	(1) \$ 238,669 (2)
3	Woodhaven Sewer	5,406 (1)	8.41%	(1) \$ 208,228 (2)
4	Total Aqua	64,264 (1)		
5				
6	Woodhaven Customers Weighted at 1/2			
7	Woodhaven Water	3,085	5.27%	\$ 131,019 (3)
8	Woodhaven Sewer	2,703	4.62%	\$ 114,389 (4)
9	Total Aqua	58,477 (5)		
10				
11	Woodhaven Customers Weighted at 1/3			
12	Woodhaven Water	2,056	3.64%	\$ 90,495 (6)
13	Woodhaven Sewer	1,802	3.19%	\$ 78,983 (7)
14	Total Aqua	56,547 (8)		
15				
16	Rate Base			
17	Woodhaven Water	\$ 2,824,333 (1)	2.37%	(1) \$ 58,921 (9)
18	Woodhaven Sewer	\$ 2,872,923 (1)	2.41%	(1) \$ 59,671 (10)
19	Total Aqua	\$ 119,275,008 (1)		
20				
21	Average of Rate Base % and Customer Count %			
22	Woodhaven Water		5.99%	\$ 148,920 (11)
23	Woodhaven Sewer		5.41%	\$ 133,949 (12)
24	Total Aqua			

Source:

- (1) Aqua response to Staff Data Request BAP 25.03. Bates label WH 001960.
- (2) \$115,688 + \$122,981 = \$238,669 \$100,358 + \$107,870 = \$208,228 Per original responses (WH000009 & WH000010) and supplemental response to Staff Data Request JF-1.05.
- (3) $6,169/2 = 3,085$ $3,085/58,477 = 5.27\%$ $(5.27\%/9.60\%)*\$238,669 = \$131,019$
- (4) $5,406/2 = 2,703$ $2,703/58,477 = 4.62\%$ $(4.62\%/8.41\%)*\$208,228 = \$114,389$
- (5) $64,264 - 6,169 - 5,406 + 3,085 + 2,703 = 58,477$
- (6) $6,169/3 = 2,056$ $2,056/56,547 = 3.64\%$ $(3.64\%/9.60\%)*\$238,669 = \$90,495$
- (7) $5,406/3 = 1,802$ $1,802/56,547 = 3.19\%$ $(3.19\%/8.41\%)*\$208,228 = \$78,983$
- (8) $64,264 - 6,169 - 5,406 + 2,056 + 1,802 = 56,547$
- (9) $(2.37\%/9.60\%)*\$238,669 = \$58,921$
- (10) $(2.41\%/8.41\%)*\$208,228 = \$59,671$
- (11) $(9.60\% + 2.37\%)/2 = 5.99\%$ $(5.99\%/9.60\%)*\$238,669 = \$148,920$
- (12) $(8.41\% + 2.41\%)/2 = 5.41\%$ $(5.41\%/8.41\%)*\$208,228 = \$133,949$

Aqua Illinois, Inc. - Woodhaven Sewer Division
Adjustment to Management Expense
For the Test Year Ending December 31, 2005

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	(a)	(b)
1	Management expense per Staff	\$ 114,389
2	Management expense per Company	208,228
3	Staff adjustment to decrease operating expense	<u>\$ (93,839)</u>

Source:

Line 1 ICC Staff Exhibit 7.0, Schedule 7.03(WW), p. 2, line 8.
Line 2 \$100,358 + \$107,870 = \$208,228 Per original response (WH000010) and
supplemental response to Staff Data Request JF-1.05.

BAP 25.03

AQUA ILLINOIS, INC.

2005 Rate Case Budgeted Contractual Services - Customer Count Percentage

Recalculated at Rate Base Percentage per BAP 25.03

Aqua Illinois Operating Division (A) Corporate	Approx. Rate Base (B)	Rate Base Allocation Factor % (C)	Customers (D)	Customers Allocation Factor % (E)	Contractual - Accounting Account 632		Contractual - Legal Account 633		Contractual - Parent Account 634		Illinois Corporate Account 634	
					Rate Base % (F)	Customer % (G)	Rate Base % (H)	Customer % (I)	Rate Base % (J)	Customer % (K)	Rate Base % (L)	Customer % (M)
Kankakee	43,830,878	36.75%	23,093	35.93%	\$ 53,471	\$ 52,288	\$ 36,376	\$ 35,571	\$ 505,900	\$ 494,705	\$ 576,210	\$ 563,459
Willowbrook: Water	2,189,000	1.84%	1,038	1.62%	2,670	2,350	1,817	1,599	25,266	22,236	28,777	25,327
Sewer	3,367,000	2.82%	1,083	1.69%	4,108	2,452	2,794	1,668	38,862	23,200	44,263	26,425
University Park: Water	3,421,000	2.87%	2,044	3.18%	4,173	4,628	2,839	3,148	39,485	43,787	44,973	49,873
Sewer	8,179,000	6.86%	1,968	3.06%	9,978	4,456	6,788	3,031	94,403	42,159	107,523	48,018
Woodhaven: Wd. Water	2,824,333	2.37%	6,169	9.60%	3,446	13,968	2,344	9,502	32,599	132,154	37,129	150,521
Sublette Water	0	0.00%	210	0.33%	-	475	-	323	-	4,499	-	5,124
Wd. Sewer	2,872,923	2.41%	5,406	8.41%	3,505	12,240	2,384	8,327	33,160	115,809	37,768	131,904
Candlewick: Cw. Water	2,619,000	2.20%	1,908	2.97%	3,195	4,320	2,174	2,939	30,229	40,874	34,430	46,554
Tower Lakes Water	0	0.00%	400	0.62%	-	906	-	616	-	8,569	-	9,760
Cw. Sewer	5,466,000	4.58%	1,907	2.97%	6,668	4,318	4,536	2,937	63,089	40,852	71,857	46,530
Oak-Run	1,670,992	1.40%	1,266	1.97%	2,039	2,867	1,387	1,950	19,287	27,121	21,967	30,890
Ivanhoe Water	13,000	0.01%	280	0.44%	16	634	11	431	150	5,998	171	6,832
Ivanhoe Sewer	743,000	0.62%	237	0.37%	906	537	617	365	8,576	5,077	9,768	5,783
Vermilion	<u>42,078,882</u>	<u>35.28%</u>	<u>17,255</u>	<u>26.85%</u>	<u>51,334</u>	<u>39,069</u>	<u>34,922</u>	<u>26,578</u>	<u>485,678</u>	<u>369,642</u>	<u>553,178</u>	<u>421,015</u>
TOTAL	119,275,008	100%	64,264	100%	\$ 145,509	\$ 145,509	\$ 98,988	\$ 98,988	\$ 1,376,682	\$ 1,376,682	\$ 1,568,014	\$ 1,568,014

ILLINOIS COMMERCE COMMISSION
DOCKET NOS. 05-0071
WOODHAVEN ASSOCIATION REQUEST

Utility Company: Aqua Illinois, Inc.

Date Submitted: April 27, 2005

Submitted By: Jack Schreyer
Manager of Rates

WHA 2.02 In conversation with Tom Bunosky, it is our understanding that Aqua Illinois has changed its [sic] approach or “methodology”, as stated [sic] by Mr. Bunosky, with respect to allocating corporate costs to the Woodhaven divisions.

B. Explain what methods are currently being used to allocate corporate costs. Provide documentation of when this methodology was changed. Explain how the Woodhaven Association was notified of this change and its impact on the Woodhaven consumer’s costs for utility services.

Answer

Objection, compound question, assumes facts not in evidence, overly broad and unduly burdensome, and calls for irrelevant information. The question presumes Aqua had an obligation to inform the Woodhaven Association of a change in allocation methodology. Aqua is unaware of any statute or regulation that requires notice of a change in allocation methodology. Without waiving these objections, Aqua states:

The Company allocates non-specific Total Company Contractual Services (Engineering, Accounting, Legal and Management) based on customer count. With the exception of in-house management which was allocated by rate base percentage through 2003, customer count has been the basis of contractual services allocations since 2002.

ILLINOIS COMMERCE COMMISSION
DOCKET NOS. 05-0071
WOODHAVEN ASSOCIATION REQUEST

Docket Nos. 05-0071/05-0072
(Consolidated)
ICC Staff Exhibit 7.0
Attachment C

Utility Company: Aqua Illinois, Inc.

Date Submitted: April 27, 2005

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Manager of Rates

WHA 2.02 In conversation with Tom Bunosky, it is our understanding that Aqua Illinois has changed its [sic] approach or "methodology", as stated [sic] by Mr. Bunosky, with respect to allocating corporate costs to the Woodhaven divisions.

C. Explain what methods were used previously and explain why the methodology was changed.

Answer

Objection, overly broad and assumes facts not in evidence. Without waiving this objection, Aqua states:

The basis for the prior rate proceedings' allocations is not readily available. While some portion of Accounting Services should have been allocated to Woodhaven through 2001, such was not the case. Rate Base percentage was the basis for allocating at least some of the prior years' contractual services expenses. The utilization of a customer count methodology is viewed as more appropriate for such costs, and is consistent with parent company approach.