

DIRECT TESTIMONY

of

MARY H. EVERSON

Accounting Department
Financial Analysis Division
Public Utilities Bureau
Illinois Commerce Commission

Illinois-American Water Company

Annual Reconciliation of Purchased Water and Purchased Sewer Treatment
Surcharges

Docket No. 05-0176

August 25, 2005

1 Witness Identification

2 Q. Please state your name and business address.

3 A. My name is Mary H. Everson. My business address is 527 East Capitol Avenue,
4 Springfield, Illinois 62701.

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

6 A. I am an Accountant in the Accounting Department of the Financial Analysis
7 Division of the Illinois Commerce Commission ("Commission").

8 Q. Please describe your background and professional affiliations.

9 A. I received a Bachelor of Science in Accounting from Florida Technological
10 University (now known as University of Central Florida). I am a Certified Public
11 Accountant, licensed in the State of Illinois. I joined the staff of the Illinois
12 Commerce Commission ("Staff") in February 1999. Prior to joining Staff, I have
13 been employed in industry as a financial analyst and in government as an
14 internal auditor.

15 Q. Have you previously testified before regulatory bodies?

16 A. Yes, I have testified on several occasions before the Illinois Commerce
17 Commission.

18 Purpose of Testimony

19 Q. What are your responsibilities in this case?

20 A. I have been assigned to this case by the Manager of the Accounting Department
21 of the Illinois Commerce Commission. I am to review Illinois-American Water

22 Company's ("IAWC" or "Company") reconciliation filing, analyze the underlying
23 data and make recommendations as appropriate.

24 Q. What is the purpose of your testimony?

25 A. The purpose of my testimony is to report the results of my review of
26 IAWC's Purchased Water and Purchased Sewer Treatment Surcharges as
27 provided in the Petition and in Exhibit 1.0, titled the Direct Testimony of Gary M.
28 Verdouw.

29 Q. Describe IAWC's water and sewer service areas in which purchased water and
30 sewage treatment services are provided.

31 A. For the reconciliation year, the Company had eleven service areas in the
32 Chicago-Metro division in which a purchased water or sewer treatment surcharge
33 is paid by the customers. These service areas include seven areas of purchased
34 water service and four areas of purchased sewage treatment service.

35 Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 1.0?

36 A. Yes. I am sponsoring the following schedules:

37 Schedules

38 Schedule 1 - Purchased Water Surcharge Reconciliation Summary

39 Schedule 2 - Purchased Water Surcharge Reconciliation by Service Area

40 Schedule 3 – Purchased Sewer Treatment Surcharge Reconciliation
41 Summary

42 Schedule 4 - Purchased Sewer Treatment Surcharge Reconciliation by
43 Service Area

44 I have prepared a separate Schedule 2 for each purchased water service area
45 and a separate Schedule 4 for each sewer treatment service area. The service
46 area designation is shown for example, as Schedule 2 SWS, for the Southwest
47 Suburban service area and Schedule 2 AH for the Alpine Heights service area.
48 For the Chicago Suburban and DuPage County water service areas the charge is
49 composed of both a variable and a fixed component. These schedules are
50 designated as 2 CS-V and 2 CS-F and 2 DC-V and 2 DC-F. The same labeling is
51 used for the sewer service area Schedules 4.

52 Purchased Water Surcharge Reconciliation

53 Q. Explain Schedule 1, Purchased Water Surcharge Reconciliation Summary.

54 A. Schedule 1 summarizes the reconciliations proposed by Staff for each of the
55 seven water service areas in which a water purchase surcharge is administered.
56 Schedule 1 also presents the results from 2004 combined with the unamortized
57 amounts from the 2003 reconciliation plus interest. Due to the mechanism of the
58 clause, the O Factor that is ordered as a result of Staff's review of the Company's
59 reconciliation is not reflected in rates until the following April 1, unless the
60 Company chooses to file a new information sheet changing the rate in the interim
61 period. In this case, IAWC did not file to change the customer rates as a result of
62 the O Factor ordered in Docket No. 04-0258. Therefore, the O Factor ordered in
63 Docket No. 04-0258 was not amortized during 2004 and is shown on Staff's
64 schedules in the Unamortized Balance plus interest from prior periods on line 1
65 of each schedule. The interest on each O Factor is shown on line 2 of each

66 schedule. For the 2004 reconciliation all of the water service areas had
67 unamortized balances carried forward from the 2003 reconciliation.

68 Q. Explain Schedule 2, Purchased Water Surcharge Reconciliation by service area.

69 A. I have prepared a separate Schedule 2 for each purchased water service area.
70 Each Schedule 2 identifies the components of the Company's annual
71 reconciliation, as calculated by Staff, and compares those components against
72 the same elements as calculated by the Company. This schedule nets the
73 Company's calculated R Factor and the Staff's calculated reconciliation of 2004
74 costs and revenues to arrive at an O Factor. Schedule 2 shows that for 2004, the
75 Company has over-collected in the following water service areas: Alpine Heights,
76 Chicago Suburban-Variable and Fixed, DuPage County-Variable and Fixed,
77 Fernway Southwest Suburban, and Waycinden. The only exception is in the
78 Moreland water service area where the Company is under-collected for 2004.
79 Combining the Company's 2004 results with the prior years' unamortized
80 balances results in an over-collection in the Alpine Heights, Chicago Suburban
81 and DuPage County services areas and an under-collection in the Fernway,
82 Moreland, Southwest Suburban and Waycinden service areas.

83 Q. Has the Company reflected these amounts in its rates for 2005?

84 A. Yes, with the exception of adjustments that I am proposing to the Company's
85 reconciliation, the Company has properly reflected its' over and under-collections
86 in its 2005 water surcharge rates.

87 Results of Staff's Review of Water Surcharge Reconciliations

88 Q. Did you make any adjustments to the Company's reconciliation of purchased
89 water costs and water surcharge recoveries?

90 A. Yes. I am proposing adjustments to the reconciliations of DuPage County-Fixed,
91 Southwest Suburban and the Waycinden service areas.

92 Q. Are there any water service areas for which you are not proposing an
93 adjustment?

94 A. Yes. I am not proposing to make any changes to the Company's reconciliation of
95 the Alpine Heights, Chicago Suburban-Variable and Fixed, DuPage County-
96 Variable, Fernway or Moreland water service areas. I found no reason to object
97 to the Company's reconciliation of costs and recoveries for these service areas.

98 Q. Please describe the change you are proposing for the DuPage County service
99 area.

100 A. For the DuPage County service area I am proposing to increase the fixed
101 recoverable water purchase costs by \$1,962. The reason for this adjustment is a
102 correction for a mathematical error in adding the various components of the fixed
103 charge together to determine the total fixed cost amount. No errors were found
104 between the supplier invoices and the supporting worksheets prepared by the
105 Company, but the total on the summary worksheet that was brought forward to
106 page 2 of Exhibit D was incorrect. Schedule 2 DC-F, line 5 shows the correction
107 to adjust the recoverable cost of water purchased. This correction results in an
108 under-collection for this service area. The Company should include this amount

109 plus interest as required by 83 Ill. Adm. Code 655.50(c) in its determination of the
110 2006 water surcharge rate for the fixed component of its DuPage County service
111 area.

112 Q. Please describe the change you are proposing for the Southwest Suburban
113 service area.

114 A. For the Southwest Suburban service area I am proposing to increase revenues
115 by \$246,364. The total revenues appear to be properly recorded in the
116 Company's records but the wrong total is carried forward to the summary
117 worksheet prepared by the Company which is then used to prepare Exhibit D.
118 The total revenues column in the Company's Exhibit D is \$246,364 less than the
119 revenues recorded in the Company's books. This correction results in an over-
120 collection for this service area. The Company should include this amount plus
121 interest as required by 83 Ill. Adm. Code 655.50(c) in its determination of the
122 2006 water surcharge rate for the Southwest Suburban service area.

123 Q. Please describe the change you are proposing for the Waycinden service area.

124 A. For the Waycinden service area I am proposing to decrease costs by \$9,241. A
125 note included with the Company's Exhibit D indicated that at the time of
126 preparing the reconciliation, the actual invoices for November and December
127 were not available and that estimates were used for the reconciliation. I
128 requested the actual invoices from the Company and as a result of reviewing
129 those invoices, the cost amounts in the Company's reconciliation for November
130 and December were not accurate. This adjustment replaces actual invoice

131 amounts for the estimates used in the Company's reconciliation. This correction
132 results in an over-collection for this service area. The Company should include
133 this amount plus interest as required by 83 Ill. Adm. Code 655.50(c) in its
134 determination of the 2006 water surcharge rate for the Waycinden service area.

135 Purchased Sewer Treatment Surcharge Reconciliations

136 Q. Explain Schedule 3, Purchased Sewer Treatment Surcharge Reconciliation
137 Summary.

138 A. Schedule 3 summarizes the reconciliations proposed by Staff for each of the four
139 sewer service areas in which a sewage treatment purchase surcharge is
140 administered. Schedule 3 also reflects the total adjustment to the sewer
141 treatment surcharge proposed by Staff. Schedule 3 also presents the results
142 from 2004 combined with the unamortized amounts from the 2003 reconciliation
143 plus interest. Due to the mechanism of the clause, the O Factor that is ordered
144 as a result of Staff's review of the Company's reconciliation is not reflected in
145 rates until the following April 1, unless the Company chooses to file a new
146 information sheet changing the rate in the interim period. In this case, IAWC did
147 not file to change the customer rates as a result of the O Factor ordered in
148 Docket No. 04-0258. Therefore, the O Factor ordered in Docket No. 04-0258 was
149 not amortized during 2004 and is shown on Staff's schedules as Unamortized
150 Balance plus interest from prior periods on line 1 of each schedule. The interest
151 on any O Factor is shown on line 2 of each schedule. For the 2004 reconciliation

152 all of the sewer surcharge treatment areas had unamortized balances carried
153 forward from the 2003 reconciliation.

154 Q. Explain Schedule 4, Purchased Sewer Treatment Surcharge Reconciliation by
155 Service Area.

156 A. I have prepared a separate Schedule 4 for each sewer service area. Each
157 Schedule 4 identifies the components of the Company's annual reconciliation, as
158 calculated by Staff, and compares those components against the same
159 components as calculated by the Company. This schedule nets the Company's
160 calculated R Factor and the Staff's calculated reconciliation of 2004 cost and
161 revenue to arrive at an O Factor. Schedule 4 shows that for 2004, the Company
162 has under-recovered in each of its sewer service areas. Combining the
163 Company's 2004 results with the prior years' unamortized balances results in an
164 over-collection in the Country Club and Romeoville service areas and an under-
165 collection in the Valley View and Rollins service areas.

166 Q. Has the Company reflected these amounts in its sewer surcharge rates for 2005?

167 A. Yes, with the exception of adjustments that I am proposing to the Company's
168 reconciliation, the Company has properly reflected the over and under-collections
169 in its 2005 sewer surcharge rates.

170 Results of Staff's Review of Sewer Surcharge Reconciliations

171 Q. Did you make any adjustments to any of the Company's sewer treatment costs or
172 recoveries?

173 A. Yes. I am proposing adjustments for the Valley View and Romeoville sewer
174 service areas. I found no reason to object to the Company's reconciliation of
175 costs and recoveries for either the Country Club or Rollins service areas.

176 Q. Please describe the adjustment you are proposing to the Valley View service
177 area.

178 A. For the Valley View service area I am proposing two adjustments to the
179 Company's reconciliation. The first adjustment is to decrease costs by \$8,633.
180 The Company's reconciliation included a note on the supporting schedule to the
181 company's Exhibit D that indicated that the reconciliation was prepared with
182 estimated amounts for November and December since the invoices were not
183 available at the time of filing. I requested the actual invoices from the Company
184 and as a result of reviewing those invoices, the cost amounts in the Company's
185 reconciliation for November and December were not accurate. This adjustment
186 replaces actual invoice amounts for the estimates used in the Company's
187 reconciliation.

188 Q. Please describe your second adjustment to the Valley View service area
189 reconciliation.

190 A. I am also proposing to increase revenues by \$502. The total revenues appear to
191 be properly recorded in the Company's records but the wrong amounts for two
192 months are carried forward to the summary worksheet prepared by the Company
193 which is then used to prepare Exhibit D. The total revenues column in the
194 Company's Exhibit D is \$502 less than revenues recorded in the Company's

195 books for this service area. These two corrections combined result in an over-
196 collection for this service area. The Company should include this amount plus
197 interest as required by 83 Ill. Adm. Code 655.50(c) in its determination of the
198 2006 sewer surcharge rate for the Valley View service area.

199 Q. Please describe the adjustment you are proposing to the Romeoville service area
200 reconciliation.

201 A. For the Romeoville service area I am proposing two adjustments. The first
202 adjustment is to adjust for interest on the Company's 2003 O Factor which the
203 Company did not calculate or include in its sewer surcharge rate for 2005. This
204 calculation and inclusion of the interest in the surcharge rates is required by 83
205 Ill. Adm. Code 655.50(c). The requirement specifies that interest be calculated
206 from the end of the reconciliation year until the adjustment component is
207 refunded or charged. Since the Company did not include the interest in its
208 determination of its 2005 surcharge rate, interest should be included in this
209 reconciliation to correct for that omission. Therefore, I have calculated interest on
210 the 2003 O Factor through 2006 when it should be refunded or charged in
211 accordance with 83 Ill. Adm. Code 655.50(c). My adjustment represents 27
212 months of interest on the 2003 O Factor at the Commission-ordered interest rate
213 for 2005 which is the interest rate currently in effect.

214 Q. Please describe your second adjustment to the Romeoville service area.

215 A. The second adjustment to the Romeoville service area is to increase sewage
216 treatment costs by \$81. During the course of my review I questioned the

217 Company about missing invoices. The Company found the missing invoices and
218 also found additional amounts that had not been included in its original
219 reconciliation. This adjustment corrects for that omission. The combination of
220 these two adjustments results in an over-recovery for the Romeoville service
221 area. The Company should include this amount plus interest as required by 83 Ill.
222 Adm. Code 655.50(c) in its determination of the 2006 sewer surcharge rate for
223 the Romeoville service area.

224 Additional Comment

225 Q. Do you have an additional comment?

226 A. Yes. During the course of my review I realized that the Company did not provide
227 invoices to support its costs for the Southwest Suburban service district. IAWC
228 obtains water for this service area from its affiliate, American Lake Water
229 Company ("ALWC"). Under the terms of the water delivery contract between
230 IAWC and ALWC, ALWC is to provide IAWC with an invoice on a monthly basis
231 for water delivered. I sent a data request to IAWC to request invoices for this
232 reconciliation that should be available per the terms of the water delivery
233 contract. Other Company-provided records were used in this reconciliation to
234 verify the costs in the Southwest Suburban service area, however, this is not in
235 compliance with its water delivery agreement with ALWC. The Company
236 indicated in its response to my data request that it was not the Company's
237 intention to be out of compliance with its affiliate agreement. In addition, the
238 Company has provided assurances that in the future ALWC will provide

239 invoices as required in the water delivery contract and that those invoices will be
240 provided to support the costs included in the Southwest Suburban service area
241 water clause reconciliation.

242 Q. Do you have a recommendation related to your additional comment?

243 A. Yes. I am recommending that the Commission put the IAWC on notice that in
244 subsequent reconciliations, failure to provide invoices as required by the water
245 delivery agreement could result in disallowance of the entire cost of water
246 received from ALWC and in addition, the Company could be required to bring the
247 water delivery agreement in before the Commission for re-approval.

248 Recommendations

249 Q. Do you have any recommendations?

250 A. Yes, I recommend that the Commission adopt the Purchased Water Surcharge
251 Reconciliations as presented on my Schedule 1. I also recommend that the
252 Commission adopt the Purchased Sewer Treatment Surcharge Reconciliations
253 as presented on my Schedule 3. I further recommend that the O Factor in each
254 of the following service areas be refunded to or collected from the ratepayers and
255 should include an interest component in accordance with 83 Ill. Adm. 655.50(c):
256 DuPage County, Southwest Suburban, Waycinden, Valley View and Romeoville.
257 The refund and collection of each of the O factors and interest should be
258 accomplished by its inclusion as part of the water and sewer charge calculated
259 with the first information sheet that the Company files subsequent to the Order in
260 this Docket.

261 Q. Does this question end your direct testimony?

262 A. Yes.

Illinois-American Water Company
 Purchased Water Surcharge Reconciliation Summary
 For the Year Ended December 31, 2004
 Total Company

SUMMARY RECONCILIATION

Line No.	Description	Alpine Heights	Chicago Suburban V & F	Dupage County V & F	Fernway	Moreland	Southwest Suburban	Waycinden	Total (Sum of (B) - (H))*
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Unamortized Balance plus interest from prior periods to be (refunded)/recovered in future periods	\$ 1,576	\$ 164,610	\$ 44,429	\$ 12,257	\$ (238)	\$ 1,162,255	\$ 47,041	\$ 1,431,930
2	2004 Recoverable Purchased Water Cost	54,139	1,655,350	1,768,557	405,854	25,245	9,150,685	598,217	13,658,047
3	2004 Revenue Recovered	58,435	1,794,254	1,875,866	413,368	23,805	9,588,324	608,807	14,362,859
4	2004 (Over) Under-Recovery Balance (Line 2 - Line 3)	\$ (4,296)	\$ (138,904)	\$ (107,309)	\$ (7,514)	\$ 1,440	\$ (437,639)	\$ (10,590)	\$ (704,812)
5	Less 2003 R Factor to be (refunded)/recovered in 2006 rates	\$ -	\$ 58,282	\$ -	\$ -	\$ -	\$ 308,609	\$ 25,802	\$ 392,693
6	Less 2003 R Factor to be (refunded)/recovered in 2007 rates	-	-	-	-	-	308,609	-	308,609
7	Less 2004 R Factor to be (refunded)/recovered in 2005 rates	(2,720)	(32,577)	(64,843)	4,743	1,202	353,762	19,889	279,456
8	2004 O Factor to be (refunded)/recovered in 2006 (Line 1 + Line 4 - Line 5 - Line 6 - Line 7)	\$ -	\$ -	\$ 1,962	\$ -	\$ -	\$ (246,364)	\$ (9,241)	\$ (253,643)

* Column (I) Total 2004 O Factor rounded by \$3 to match Co. amount

Sources:
 ICC Staff Ex. 1.0 Schedules 2

**Illinois-American Water Company
 Purchased Water Surcharge Reconciliation - Alpine Heights
 For the Year Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>	<u>Per Company</u>	<u>Staff Adjustment</u>	<u>Per Staff</u>
	(A)	(B)	(C)	(D)
1	Unamortized Balance plus interest from prior periods to be (refunded)/recovered in future periods	\$ 1,576		\$ 1,576
2	2004 Recoverable Purchased Water Cost	54,139	-	54,139
3	2004 Revenue Recovered	<u>\$ 58,435</u>	<u>\$ -</u>	<u>\$ 58,435</u>
4	2004 (Over) Under-Recovery Balance at December 31, 2004 (Line 3 - Line 4)	(4,296)	-	(4,296)
5	Less 2004 R Factor to be (refunded)/recovered in 2005 rates	<u>(2,720)</u>	<u>-</u>	<u>(2,720)</u>
6	2004 O Factor to be (refunded)/recovered in 2006 (Line 1 + Line 4 - Line 5)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Sources:

- Column (B): Per Company amounts from IAWC Exhibit D
- Column (C): Adjustments to current year reconciliation proposed by Staff
- Column (D): Staff Amount

Illinois-American Water Company
Purchased Water Surcharge Reconciliation - Chicago Suburban
For the Year Ended December 31, 2004
Variable Costs

Line No.	Description	Per Company	Staff Adjustment	Per Staff
	(A)	(B)	(C)	(D)
1	Unamortized Balance plus interest from prior periods to be (refunded)/recovered in future periods	\$ 40,693	\$ -	\$ 40,693
2	2004 Recoverable Purchased Water Cost	901,322	-	901,322
3	2004 Revenue Recovered	<u>995,815</u>	<u>-</u>	<u>995,815</u>
4	2004 (Over) Under-Recovery Balance (Line 5 - Line 6)	\$ (94,494)	\$ -	\$ (94,494)
5	Less 2004 R Factor to be (refunded)/recovered in 2005 rates	<u>(53,801)</u>		<u>(53,801)</u>
6	2004 O Factor to be (refunded)/recovered in 2006 (Line 1 + Line 4 - Line 5)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Sources:

- Column (B): Per Company amounts from IAWC Exhibit D
- Column (C): Adjustments to current year reconciliation proposed by Staff
- Column (D): Staff Amount

**Illinois-American Water Company
 Purchased Water Surcharge Reconciliation - Chicago Suburban
 For the Year Ended December 31, 2004
 Fixed Costs**

Line No.	Description	Per Company	Staff Adjustment	Per Staff
	(A)	(B)	(C)	(D)
1	Unamortized Balance plus interest from prior periods to be (refunded)/recovered in future periods	\$ 123,917	\$ -	\$ 123,917
2	2004 Recoverable Purchased Water Cost	754,028	-	754,028
3	2004 Revenue Recovered	<u>798,439</u>	<u>-</u>	<u>798,439</u>
4	2004 (Over) Under-Recovery Balance (Line 2 - Line 3)	\$ (44,411)	\$ -	\$ (44,411)
5	Less 2003 R Factor to be (refunded)/recovered in 2006 rates	58,282	-	58,282
6	Less 2004 R Factor to be (refunded)/recovered in 2005 rates	<u>21,224</u>	<u>-</u>	<u>21,224</u>
7	2004 O Factor to be (refunded)/recovered in 2006 (Line 1 + Line 4 - Line 5 - Line 6)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Sources:

- Column (B): Per Company amounts from IAWC Exhibit D
- Column (C): Adjustments to current year reconciliation proposed by Staff
- Column (D): Staff Amount

**Illinois-American Water Company
 Purchased Water Surcharge Reconciliation - Dupage County
 For the Year Ended December 31, 2004
 Variable Costs**

<u>Line No.</u>	<u>Description</u>	<u>Per Company</u>	<u>Staff Adjustment</u>	<u>Per Staff*</u>
	(A)	(B)	(C)	(D)
1	Unamortized Balance plus interest from prior periods to be (refunded)/recovered in future periods	\$ 53,403		\$ 53,404
2	2004 Recoverable Purchased Water Cost	1,178,591	-	1,178,591
3	2004 Revenue Recovered	<u>\$ 1,256,976</u>	<u>\$ -</u>	<u>\$ 1,256,976</u>
4	2004 (Over) Under-Recovery Balance (Line 2 - Line 3)	(78,385)	-	(78,385)
5	Less 2004 R Factor to be (refunded)/recovered in 2005 rates	<u>(24,982)</u>		<u>(24,982)</u>
6	2004 O Factor to be (refunded)/recovered in 2006 (Line 1 - Line 4- Line 5)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

* Column D total rounded by \$1 to match Company amount

Sources:
 Column (B): Per Company amounts from IAWC Exhibit D
 Column (C): Adjustments to current year reconciliation proposed by Staff
 Column (D): Staff Amount

**Illinois-American Water Company
 Purchased Water Surcharge Reconciliation - Dupage County
 For the Year Ended December 31, 2004
 Fixed Costs**

<u>Line No.</u>	<u>Description</u>	<u>Per Company</u>	<u>Staff Adjustment</u>	<u>Per Staff</u>
	(A)	(B)	(C)	(D)
1	Unamortized Balance plus interest from prior periods to be (refunded)/recovered in future periods	\$ (8,975)		\$ (8,975)
2	2004 Recoverable Purchased Water Cost	588,004	1,962	589,966
3	2004 Revenue Recovered	<u>\$ 618,890</u>	<u>\$ -</u>	<u>\$ 618,890</u>
4	2004 (Over) Under-Recovery Balance (Line 2 - Line 3)	(30,886)	1,962	(28,924)
5	Less 2004 R Factor to be (refunded)/recovered in 2005 rates	<u>(39,861)</u>		<u>(39,861)</u>
6	2004 O Factor to be (refunded)/recovered in 2006 (Line 1+ Line 4 - Line 5)	<u>\$ -</u>	<u>\$ 1,962</u>	<u>\$ 1,962</u>

Sources:

Column (B): Per Company amounts from IAWC Exhibit D

Column (C): Adjustments to current year reconciliation proposed by Staff

Column (D): Staff Amount

**Illinois-American Water Company
 Purchased Water Surcharge Reconciliation - Fernway
 For the Year Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>	<u>Per Company</u>	<u>Staff Adjustment</u>	<u>Per Staff</u>
	(A)	(B)	(C)	(D)
1	Unamortized Balance plus interest from prior periods to be (refunded)/recovered in future periods	\$ 12,257		\$ 12,257
2	2004 Recoverable Purchased Water Cost	405,854	-	405,854
3	2004 Revenue Recovered	<u>\$ 413,368</u>	<u>\$ -</u>	<u>\$ 413,368</u>
4	2004 (Over) Under-Recovery Balance (Line 2 - Line 3)	(7,514)	-	(7,514)
5	Less 2004 R Factor to be (refunded)/recovered in 2005 rates	<u>4,743</u>		<u>4,743</u>
6	2004 O Factor to be (refunded)/recovered in 2006 (Line 1 + Line 4 - Line 5)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Sources:

- Column (B): Per Company amounts from IAWC Exhibit D
- Column (C): Adjustments to current year reconciliation proposed by Staff
- Column (D): Staff Amount

**Illinois-American Water Company
 Purchased Water Surcharge Reconciliation - Moreland
 For the Year Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>	<u>Per Company</u>	<u>Staff Adjustment</u>	<u>Per Staff</u>
	(A)	(B)	(C)	(D)
1	Unamortized Balance plus interest from prior periods to be (refunded)/recovered in future periods	\$ (238)	\$ -	\$ (238)
2	2004 Recoverable Purchased Water Cost	25,245	-	25,245
3	2004 Revenue Recovered	<u>\$ 23,805</u>	<u>\$ -</u>	<u>\$ 23,805</u>
4	2004 (Over) Under-Recovery Balance (Line 2 - Line 3)	1,440	-	1,440
5	2004 R Factor to be (refunded)/recovered in 2005 rates	<u>1,202</u>	<u>-</u>	<u>1,202</u>
6	2004 O Factor to be (refunded)/recovered in 2006 (Line 1 + Line 4 - Line 5)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Sources:

Column (B): Per Company amounts from IAWC Exhibit D

Column (C): Adjustments to current year reconciliation proposed by Staff

Column (D): Staff Amount

**Illinois-American Water Company
 Purchased Water Surcharge Reconciliation - Southwest Suburban
 For the Year Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>	<u>Per Company</u>	<u>Staff Adjustment</u>	<u>Per Staff</u>
	(A)	(B)	(C)	(D)
1	Unamortized Balance plus interest from prior periods to be (refunded)/recovered in future periods	\$ 1,162,255	\$ -	\$ 1,162,255
2	2004 Recoverable Purchased Water Cost	9,150,685	-	9,150,685
3	2004 Revenue Recovered	<u>\$ 9,341,960</u>	<u>\$ 246,364</u>	<u>\$ 9,588,324</u>
4	2004 (Over) Under-Recovery Balance (Line 2 - Line 3)	(191,275)	(246,364)	(437,639)
5	Less 2003 R Factor to be (refunded)/recovered in 2006 rates	308,609	-	308,609
6	Less 2003 R Factor to be (refunded)/recovered in 2007 rates	308,609	-	308,609
7	Less 2004 R Factor to be (refunded)/recovered in 2005 rates	<u>353,762</u>	-	<u>353,762</u>
8	2004 O Factor to be (refunded)/recovered in 2006 (Line 1 + line 4 -Line 5 - Line 6 - Line 7)	<u>\$ -</u>	<u>\$ (246,364)</u>	<u>\$ (246,364)</u>

Sources:

- Column (B): Per Company amounts from IAWC Exhibit D
- Column (C): Adjustments to current year reconciliation proposed by Staff
- Column (D): Staff Amount

**Illinois-American Water Company
 Purchased Water Surcharge Reconciliation - Waycinden
 For the Year Ended December 31, 2004**

Line No.	Description	Per Company	Staff Adjustment	Per Staff*
	(A)	(B)	(C)	(D)
1	Unamortized Balance plus interest from prior periods to be (refunded)/recovered in future periods	\$ 47,041	\$ -	\$ 47,041
2	2004 Recoverable Purchased Water Cost	607,458	(9,241)	598,217
3	2004 Revenue Recovered	<u>608,807</u>	<u>-</u>	<u>608,807</u>
4	2004 (Over) Under-Recovery Balance (Line 2 - Line 3)	\$ (1,349)	\$ (9,241)	\$ (10,590)
5	Less 2003 R Factor to be recovered in 2006 rates	25,802	-	25,802
6	Less 2004 R Factor to be (refunded)/recovered in 2005 rates	<u>19,889</u>	<u>-</u>	<u>19,889</u>
7	2004 O Factor to be (refunded)/recovered in 2006 (Line 1 + Line 4 - Line 5 - Line 6)	<u>\$ -</u>	<u>\$ (9,241)</u>	<u>\$ (9,241)</u>

* Column D total rounded by \$1 to match Company amount

Sources:

Column (B): Per Company amounts from IAWC Exhibit D

Column (C): Adjustments to current year reconciliation proposed by Staff

Column (D): Staff Amount

Illinois-American Water Company
 Purchased Sewer Treatment Surcharge Reconciliation Summary
 For the Year Ended December 31, 2004

Line No.	Description	Country Club	Valley View	Romeoville	Rollins	Total*
	(A)	(B)	(C)	(D)	(E)	(F)
1	Unamortized Balance plus interest from prior periods to be (refunded)/recovered in future periods	\$ (8,692)	\$ 29,412	\$ (2,324)	\$ (70)	\$ 18,326
2	Interest on 2003 Factor O	-	-	(94)	-	(94)
3	2004 Recoverable Purchased Sewer Treatment Cost	208,026	453,055	24,466	12,150	697,697
4	2004 Revenue Recovered	<u>\$ 203,752</u>	<u>\$ 429,380</u>	<u>\$ 22,486</u>	<u>\$ 7,688</u>	<u>\$ 663,306</u>
5	2004 (Over) Under-Recovery Balance (Line 3 - Line 4)	4,274	23,675	1,980	4,462	34,391
6	Less 2004 Factor R to be (refunded)/recovered in 2005 rates	(4,417)	62,222	(425)	4,393	61,773
7	2004 O Factor to be (refunded)/recovered in 2006 (Line 1 + Line 2 + Line 5 - Line 6)	<u>\$ -</u>	<u>\$ (9,134)</u>	<u>\$ (13)</u>	<u>\$ -</u>	<u>\$ (9,149)</u>

* Column F totals is rounded by \$2 to match Company amount

Sources:
 ICC Staff Ex. 1.0 Schedules 4

**Illinois-American Water Company
 Purchased Sewer Treatment Surcharge Reconciliation - Country Club
 For the Year Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>	<u>Per Company</u>	<u>Adjustment</u>	<u>Per Staff</u>
	(A)	(B)	(C)	(D)
1	Unamortized Balance plus interest from prior periods to be (refunded)/recovered in future periods	\$ (8,692)	\$ -	\$ (8,692)
2	2004 Recoverable Purchased Water Cost	208,026	-	208,026
3	2004 Revenue Recovered	<u>\$ 203,752</u>	<u>\$ -</u>	<u>\$ 203,752</u>
4	2004 (Over) Under-Recovery Balance (Line 2 - Line 3)	4,274	-	4,274
5	Less 2004 R Factor to be recovered in 2005 rates	<u>(4,417)</u>	<u>-</u>	<u>(4,417)</u>
6	2004 O Factor to be (refunded)/recovered in 2006 (Line 1 + Line 4 - Line 5)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Sources:

Column (B): Per Company amounts from IAWC Exhibit D
 Column (C): Adjustments to current year reconciliation proposed by Staff
 Column (D): Staff Amount

**Illinois-American Water Company
 Purchased Sewer Treatment Surcharge Reconciliation-Valley View
 For the Year Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>	<u>Per Company</u>	<u>Staff Adjustment</u>	<u>Per Staff</u>
	(A)	(B)	(C)	(D)
1	Unamortized Balance plus interest from prior periods to be (refunded)/recovered in future periods	\$ 29,412	\$ -	\$ 29,412
2	2004 Recoverable Purchased Water Cost	461,688	(8,633)	453,055
3	2004 Revenue Recovered	<u>\$ 428,878</u>	<u>\$ 502</u>	<u>\$ 429,380</u>
4	2004 (Over) Under-Recovery Balance (Line 2 - Line 3)	32,810	(9,135)	23,675
5	Less 2004 R Factor to be (refunded)/recovered in 2005 rates	<u>62,222</u>		<u>62,222</u>
6	2004 O Factor to be (refunded)/recovered in 2006 (Line 1 + Line 4 - Line 5)	<u>\$ -</u>	<u>\$ (9,135)</u>	<u>\$ (9,135)</u>

Sources:

Column (B): Per Company amounts from IAWC Exhibit D
 Column (C): Adjustments to current year reconciliation proposed by Staff
 Column (D): Staff Amount

**Illinois-American Water Company
 Purchased Sewer Treatment Surcharge Reconciliation - Romeoville
 For the Year Ended December 31, 2004**

Line No.	Description	Per Company	Staff Adjustment	Per Staff
	(A)	(B)	(C)	(D)
1	Unamortized Balance plus interest from prior periods to be (refunded)/recovered in future periods	\$ (2,324)	\$ -	\$ (2,324)
2	Interest on 2003 Factor O	-	(94)	(94)
3	2004 Recoverable Purchased Water Cost	24,385	81	24,466
4	2004 Revenue Recovered	<u>\$ 22,486</u>	<u>\$ -</u>	<u>\$ 22,486</u>
5	2004 (Over) Under-Recovery Balance (Line 3 - Line 4)	1,899	81	1,980
6	Less 2004 R Factor to be recovered in 2005 rates	(425)	-	(425)
7	2004 O Factor to be (refunded)/recovered in 2006 (Line 1 + Line 5 - Line 6)	<u>\$ -</u>	<u>\$ (13)</u>	<u>\$ (13)</u>

Sources:

- Column (B): Per Company amounts from IAWC Exhibit D
- Column (C): Adjustments to current year reconciliation proposed by Staff
- Column (D): Staff Amount

**Illinois-American Water Company
 Purchased Sewer Treatment Surcharge Reconciliation - Romeoville
 For the Year Ended December 31, 2004
 Interest Calculation on 2003 O Factor**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Source</u>
	(A)	(B)	(C)
1	2003 O Factor	\$ (1,676.00)	
2	Commission-approved interest rate	<u>0.025</u>	1
3	2.5% interest for 12 months on \$(1,676)	(41.90)	
4	Divide by 12	(3.49)	
5	Multiply by number of months from end of reconciliation period to refund/charge of customers (1/04 through 3/06)	<u>27</u>	2
6	Total interest on 2003 O Factor	<u><u>(94.28)</u></u>	
	Interest at 2.5% for Jan. '04 through Mar. '05 (15 months x -3.49)	(52.38)	
	Interest at 2.5% for Apr. '05 through Mar. '06 (12 months x -3.49)	<u>(41.90)</u>	
	Total	(94.28)	

Sources:

1. Order, Docket No. 04-075 dated 12-7-04
2. 83 Ill. Adm. Code 655.5(c)

**Illinois-American Water Company
 Purchased Sewer Treatment Surcharge Reconciliation - Rollins
 For the Year Ended December 31, 2004**

Line No.	Description	Per Company	Staff Adjustment	Per Staff
	(A)	(B)	(C)	(D)
1	Unamortized Balance plus interest from prior periods to be (refunded)/recovered in future periods	\$ (70)	\$ -	\$ (70)
2	2004 Recoverable Purchased Water Cost	12,150	-	12,150
3	2004 Revenue Recovered	<u>\$ 7,688</u>	<u>\$ -</u>	<u>\$ 7,688</u>
4	2004 (Over) Under-Recovery Balance (Line 2 - Line 3)	4,462	-	4,462
5	Less 2004 R Factor to be (refunded)/recovered in 2005 rates	<u>4,393</u>	<u>-</u>	<u>4,393</u>
6	2004 O Factor to be (refunded)/recovered in 2006 (Line 1 + Line 5 - Line 6)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Sources:

Column (B): Per Company amounts from IAWC Exhibit D
 Column (C): Adjustments to current year reconciliation proposed by Staff
 Column (D): Staff Amount

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

ILLINOIS-AMERICAN WATER COMPANY

Application for Approval of its Annual Reconciliation
Of Purchased Water and Purchased Sewage
Treatment Surcharges pursuant to 83 Ill. Admin.
Code 655.

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05-0176

NOTICE OF FILING

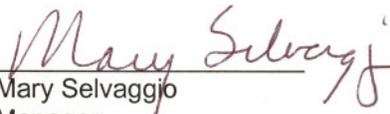
TO ATTACHED SERVICE LIST:

YOU ARE HEREBY NOTIFIED that we have, on this 25th day of August 2005 forwarded to the Chief Clerk of the Illinois Commerce Commission for filing in the above-captioned docket, the Direct Testimony of Mary H. Everson of the Financial Analysis Division, Accounting Department, a copy of which is hereby served upon you.


Mary Selvaggio
Manager
Accounting Department
527 East Capitol Avenue
Springfield, IL 62701

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT copies of the foregoing Notice, together with the documents referred to therein, were served upon the parties on the attached Service List, by messenger, electronic mail, facsimile and/or first-class mail, proper postage prepaid from Springfield, Illinois on this 25th day of August 2005.


Mary Selvaggio
Manager
Accounting Department

ILLINOIS-AMERICAN WATER COMPANY
Docket No. 05-0176
Service List

Frederick L. Ruckman
Illinois-American Water Company
100 North Water Works Drive
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Sue A. Schultz
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Juliano, a professional corporation
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Mary G. Sullivan
Associate Counsel
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PO Box 24040
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ILLINOIS COMMERCE COMMISSION

John D. Albers, Administrative Law Judge
Mary Everson, Case Manager, Accounting Department
Mary Selvaggio, Accounting Department
Tom Smith, Water Department