

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

AQUA ILLINOIS, INC	:	
	:	
Petition For Issuance Of A Certificate Of	:	
Public Convenience And Necessity To	:	Docket No. 06-0203
Operate A Water Supply And Distribution	:	
System In Kankakee County, Illinois And For	:	
The Issuance Of An Order Approving Rates,	:	
Accounting Entries and Tariff Language	:	

Direct Testimony of

**THOMAS J. BUNOSKY**

Vice President and Regional Manager  
Aqua Illinois, Inc.

July 26, 2006

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. Thomas J. Bunosky, 1000 South Schuyler Avenue, Kankakee, Illinois, 60901.

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

5 A. I am Vice President and Regional Manager of Aqua Illinois, Inc. (“Aqua” or “the  
6 Company”).

7 **Q. Please state your educational, professional and business background and  
8 experience.**

9 A. I am a graduate of Youngstown State University, Youngstown, Ohio receiving a Bachelor  
10 of Science degree in Civil Engineering. I also am a graduate of Baldwin Wallace  
11 College, Cleveland, Ohio receiving a Masters of Business Administration. My  
12 professional affiliations include the Illinois Section of the American Water Works  
13 Association, in which I currently sit on the Water Utility Council. I am also a member of  
14 the National Water Works Association’s QualServe Program that conducts reviews of  
15 peer utilities.

16 My 25 years of water utility experience includes employment from 1978 to 1990 with  
17 Ohio Water Service Company (Consumers Ohio Water Company). During those years of  
18 employment I held various positions as Staff Engineer, Staff Accountant, Water  
19 Treatment Plant Superintendent, and Assistant District Manager of the operations of the  
20 Struthers, Ohio facilities. From 1990 to 1997, I was employed by Southern California  
21 Water Company in San Dimas, California. Initially, I held the position of Director of  
22 Engineering, Water Resources, and Construction, in which I was responsible for the

23 Company's Capital Improvements for all of the Company's 27 operating districts  
24 throughout the State of California.

25 In 1993, I assumed the position of Vice President of Operations of the Company's water  
26 and electric facilities consisting of 240,000 water customers and 20,000 electric  
27 customers throughout the State of California. These duties included the preparing and  
28 implementation of the yearly and long term capital and operating budgets, the rate  
29 proceedings preparation and testimony before the California Public Utilities Commission,  
30 personnel supervision and the planning and development of short and long term water  
31 resources for each of the Company's 27 operating districts. In 1995, under a  
32 reorganization of the Company's operations following a California Public Utility  
33 Commission Management Audit, I assumed the position of Vice President of the  
34 Company's Region 2 Operations consisting of the water operations in the Los Angeles  
35 and Orange County areas of Southern California composed of 140,000 customers. In  
36 1997, I assumed my current position of Vice President and Regional Manager of AQUA.

37 **Q. What are your responsibilities as Vice President and Regional Manager of AQUA?**

38 A. I have overall responsibility of the day-to-day operations of the Kankakee water,  
39 University Park water and wastewater, the Oakview water, the Willowbrook water and  
40 wastewater, Candlewick water and wastewater, Ivanhoe water and wastewater, Hawthorn  
41 Woods water and wastewater, Woodhaven Lakes water and wastewater, and the Oak Run  
42 water Tariff Areas. I also assist the Company President and other officers in developing  
43 goals and objectives for the Company and in administering policies and procedures as  
44 approved by the Board of Directors of the Company. It is my responsibility to ensure  
45 that these goals and objectives are achieved. I, along with other Company officers,

46 represent the Company before governmental and regulatory agencies, formulate financial  
47 objectives and budgets, and provide the direction necessary to meet those objectives  
48 while remaining within budgetary guidelines. I am part of the management team, which  
49 establishes employee levels, working conditions, and safety requirements within  
50 guidelines established by the Board of Directors and the President of the Company. My  
51 responsibilities include establishing guidelines for negotiation of labor contracts with the  
52 labor union representing employees in the Kankakee Tariff Ares, as well as other special  
53 contracts. I have the responsibilities associated with providing excellent customer  
54 service, and developing and controlling the Company's operating, maintenance and  
55 capital budgets as well as providing direction in the areas of construction, purchases or  
56 other acquisitions, operation, maintenance and protection of all property, facilities and  
57 equipment required to maintain water quality standards and continuity of service.

58 **Q. Have you previously testified in regulatory matters?**

59 A. Yes. I have testified in proceedings before the Public Utilities Commission of Ohio,  
60 California Public Utility Commission and the Illinois Commerce Commission.

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

62 A. My testimony will provide the necessary background and supporting information relative  
63 to the acquisition of the Village of Manteno (the "Village") water system by Aqua in  
64 support of the Petition for Issuance of a Certificate of Public Convenience and Necessity  
65 filed on or about March 17, 2006 (the "Verified Petition") that initiated this docket. In  
66 doing so, I will provide information on the Manteno water system, the difficulties it has  
67 faced in recent years, and Aqua's plans to remedy those issues and improve water service  
68 to the Village on a going-forward basis. In addition, I will discuss the benefits that the

69 acquisition will bring not only to the Village but to Aqua's other surrounding service  
70 territories.

71 **Q. Would you provide an overview of the Company's filing in this matter?**

72 A. Yes. In addition to the Verified Petition filed in this proceeding, the Company filed a  
73 number of attachments to that Verified Petition, as follows:

- 74 • Attachment A: Asset Purchase Agreement
- 75 • Attachment B: Map of Village of Manteno and Kankakee Areas
- 76 • Attachment C: Village of Manteno Legal Descriptions
- 77 • Attachment D: Comparison of Average Water Bills.
- 78 • Attachment E: Accounting Entries to Record Initial Purchase

79 As indicated above, my testimony in this matter will outline the issues that have faced the  
80 Village of Manteno's water system, the acquisition of that water system by Aqua and the  
81 proposed solutions that Aqua will implement to improve water quality and service.

82 **Q. Are you sponsoring any Exhibits in this proceeding?**

83 A. Yes. I sponsor Attachments A, B, C and D to the Verified Petition, which are appended  
84 hereto as Exhibits TJB-1.1, TJB-1.2, TJB-1.3 and TJB-1.4, respectively. In addition, I  
85 sponsor Exhibit TJB-1.5, which is the IEPA compliance letter for the Manteno system,  
86 and TJB-1.6, which is the forecasted operating income statements for the Manteno area.

87 **Q. Were these exhibits prepared by you or under your supervision and direction?**

88 A. Yes, they were.

89 **II. HISTORY OF AQUA ILLINOIS**

90 **Q. Would you give a brief history of AQUA and describe its intercorporate**  
91 **relationships?**

92 A. Certainly. The history of AQUA dates back to 1886 when the Common Council of the  
93 City of Kankakee authorized the formation of a public water supply corporation. The  
94 predecessor to the present corporation, Kankakee Water Company, was formed in 1910.  
95 Aqua is a subsidiary of Aqua America, Inc. ("AQUA AMERICA"). AQUA AMERICA  
96 is a Pennsylvania corporation with offices in Bryn Mawr, Pennsylvania. AQUA  
97 AMERICA provides certain services to AQUA pursuant to the terms of a Services  
98 Agreement approved by the Commission. AQUA AMERICA acquired ownership of  
99 AQUA under an agreement, pursuant to which all of the outstanding common shares of  
100 AQUA were acquired by a wholly owned subsidiary of AQUA AMERICA. At that time,  
101 AQUA's name was Consumers Illinois Water Company and AQUA AMERICA's name  
102 was Philadelphia Suburban Corporation.

103 Until July 7, 1988, AQUA was named Kankakee Water Company. Also prior to July 7,  
104 the then-parent company, Consumers, owned Consumers Illinois Water Company ("Old  
105 CIWC"), a company which provided water and sewer service for University Park,  
106 Illinois. On July 7, 1988, Old CIWC merged into Kankakee Water Company, and the  
107 name of the Company was changed to Consumers Illinois Water Company. The merger  
108 was approved by the Commission in Docket 98-0602, and closed on March 10, 1999. In  
109 2004, the names were changed to Aqua Illinois, Inc. and Aqua America, Inc.

110 In its early years, Kankakee Water Company constructed one of the first water filtration  
111 plants in the Midwest. In 1930, a lime-soda softening facility was constructed. In 1935,

112 the Kankakee State Hospital contracted to take its water supply from the Company, and  
113 the Manteno State Hospital followed suit in 1940 following a typhoid epidemic traced to  
114 one of its wells. In 1949, the Village of Bradley abandoned the well it was using to  
115 provide water to the portion of the Village lying west of the Illinois Central tracks and  
116 contracted with the Company to provide the water supply for this area. In 1958, the  
117 Village of Bourbonnais abandoned its well and entered into an agreement with the  
118 Company to provide the Village's water supply in specified areas. In 1970, the Company  
119 purchased Bourbonnais' water distribution and sewage collection systems and entered  
120 into an agreement to operate and maintain the Village's sewage treatment plant. On  
121 January 8, 1993, however, the Bourbonnais sewage collection system was sold to the  
122 Village of Bourbonnais. Accordingly, the Company no longer provides sewage treatment  
123 service in the Bourbonnais area or in the Kankakee Tariff Area.

124 In 1963, Consumers Water Company of Illinois, Inc. ("Consumers of Illinois"), an  
125 Illinois corporation, was formed as a wholly owned subsidiary of Kankakee Water  
126 Company, then a Maine corporation. It developed certain water systems in the vicinity of  
127 Kankakee Water Company's primary service area. In 1967, Kankakee Water Company  
128 was merged into Consumers of Illinois, and the name of the surviving corporation was  
129 changed to Kankakee Water Company, an Illinois corporation.

130 In 1972, Kankakee Water Company acquired Willowbrook Utility Company which  
131 provided water and sewer utility service for subdivisions in eastern Will County. In  
132 1976, Willowbrook purchased the assets of Township Public Utility Company which was  
133 providing water and sewer service to approximately 150 customers in Dixie Dells

134 Subdivision near the original Willowbrook service area. In 1981, Willowbrook Utility  
135 Company was merged into Kankakee Water Company.

136 In June 1984, Consumers purchased the stock of Park Forest South Utilities, Inc., which  
137 provided water and sewer service in the vicinity of University Park in Will County,  
138 Illinois. The name of that company was changed to Consumers Illinois Water Company  
139 ("Old CIWC").

140 In May 1987, old CIWC purchased the assets of Woodhaven Utilities, Inc., a utility  
141 company in southeastern Lee County providing water and sewer utility service to a  
142 private lake development for camping.

143 In April, 1988, Old CIWC purchased the assets of Candlewick Utilities, Inc., a utility  
144 company providing water and sewer utility service to a residential lake development at  
145 Candlewick Lake in central Boone County. As explained above, Old CIWC was merged  
146 into Kankakee Water Company on July 7, 1988 and the name of the Company was  
147 changed to Consumers Illinois Water Company.

148 On May 31, 1989, CIWC acquired Central Illinois Utility Company which provided  
149 water service in the Oak Run development, a recreational residence community in Knox  
150 County, Illinois.

151 On November 12, 1986, Consumers acquired the common stock of Inter-State Water  
152 Company, which provided water service in Vermilion County, Illinois. On September  
153 21, 1995, Inter-State Water Company was merged into CIWC, with CIWC as the  
154 surviving corporation.

155 In 1998, the Company acquired the Highland Estates water system from the Village of  
156 Aroma Park in Kankakee County, consisting of one well, transmission and distribution  
157 facilities serving 43 customers.

158 In 1999, the Company acquired from the Village of Bradley in Kankakee County its  
159 transmission and distribution facilities serving approximately 1,600 customers that were  
160 already served water by the Company through bulk water sales.

161 In 2001, the Company acquired from the Village of Aroma Park in Kankakee County its  
162 transmission and distribution facilities serving approximately 600 customers that were  
163 already served water by the Company through bulk water sales.

164 In 2002, the Company acquired the water and sewer assets from the Ivanhoe Country  
165 Club in Lake County serving 176 customers with both water and sewer services.

166 In 2002, the Company acquired the water and wastewater assets from the Rest Haven  
167 Illiana Christian Convalescent Home in Will County consisting of the sewer collection  
168 system, two water wells and related distribution system serving 76 customers.

169 In 2003, the Company acquired from the Village of Grant Park in Kankakee County its  
170 transmission and distribution and water treatment and well facilities serving 560  
171 customers.

172 In 2004, the Company acquired from Lake Bayou Inc. the water utility assets of the  
173 Oakview water system serving 106 customers in Joliet Township of Will County at the  
174 request of the Illinois Commerce Commission (“ICC”) and the Illinois Environmental  
175 Protection Agency (“IEPA”).

176 In 2004, the Company entered into an agreement with the Village of Hawthorn Woods  
177 and Toll IL HWCC, L.P. to provide water and wastewater services to a proposed new  
178 development referred to as the Hawthorn Woods Country Club in the Village of  
179 Hawthorn Woods in Lake County. At build out the development will serve 694  
180 customers.

181 In 2004, the Company entered into an agreement with Concord at Ravenna L.L.C. in the  
182 Village of Long Grove in Lake County to provide water services to a proposed new  
183 development referred to as the Ravenna. At build out the new development will serve 133  
184 water customers.

185 In 2005, the Company entered into an agreement to acquire the water and distribution  
186 assets of the Village of Philo in Vermilion County consisting of approximately 560 water  
187 customers.

188 **Q. Will you please describe how Aqua's operations are organized?**

189 A. Aqua is a regional provider of water service, with sixteen Tariff Areas in eight counties  
190 that are defined by the geographic areas that are served, each with separate tariffs  
191 established to charge the respective customers for water and wastewater services  
192 provided.

193 In Kankakee County, the Company has one Tariff Area (Kankakee-Water) that provides  
194 water service to customers in Kankakee County. In Vermilion County, the Company has  
195 one Tariff Area (Vermilion-Water) that provides water service to customers in Vermilion  
196 and Champaign Counties.

197 In Will County, the Company has five Tariff Areas. The first Tariff Area (University  
198 Park-Water) provides water service for the customers located in the Village of University  
199 Park and surrounding unincorporated area. The second Tariff Area (University Park-  
200 Sewer) provides wastewater service for the customers located in the Village of University  
201 Park, the surrounding unincorporated areas, and provides wastewater treatment services  
202 to the Village of Monee through a bulk treatment agreement. The third Tariff Area  
203 (Willowbrook-Water) provides water service to the unincorporated areas in Crete  
204 Township. The fourth Tariff Area (Willowbrook-Sewer) provides wastewater service to  
205 the unincorporated area in Crete Township. The fifth Tariff Area (Oakview – Water)  
206 provides water service for the customers located in the unincorporated area in Joliet  
207 Township.

208 In Lee County, the Company has two Tariff Areas. The first Tariff Area (Woodhaven  
209 Lakes – Water) provides water service to the Woodhaven Lakes Development. The  
210 second Tariff Area (Woodhaven Lakes – Sewer) provides wastewater service to the  
211 Woodhaven Lakes Development. The Woodhaven Lakes Development consists of  
212 recreational camping sites and is located north of the city of Mendota.

213 In Boone County, the Company has two Tariff Areas. The first Tariff Area (Candlewick-  
214 Water) provides water services to the Candlewick Lake Development. The second Tariff  
215 Area (Candlewick-Sewer) provides wastewater services to the Candlewick Lake  
216 Development. The Candlewick Lake Development is located north of the city of  
217 Belvidere.

218 In Knox County, the Company has one Tariff Area (Oak Run-Water) that provides water  
219 to the Oak Run Development east of the city of Galesburg.

220 In Lake County, the Company has five Tariff Areas. The first Tariff Area (Ivanhoe-  
221 Water) provides water services to the Ivanhoe Country Club Development. The second  
222 Tariff Area (Ivanhoe-Sewer) provides wastewater services to the Ivanhoe Country Club  
223 Development. The Ivanhoe Country Club Development is located west of the Village of  
224 Mundelein. The third Tariff Area (Hawthorn Woods – Water) provides water services to  
225 the area within the Village of Hawthorn Woods. The fourth Tariff Area (Hawthorn  
226 Woods – Sewer) provides wastewater services to the area within the Village of Hawthorn  
227 Woods. The fifth Tariff Area (Ravenna-water) provides water services to the area within  
228 the Village of Long Grove.

229 **Q. Please further describe the relationship of Aqua Illinois and Aqua America.**

230 A. As indicated above, Aqua America is the parent company of Aqua Illinois, with corporate  
231 offices located in Bryn Mawr, Pennsylvania. It is the largest U.S. based, publicly traded  
232 water company, serving more than 2.5 million residents in thirteen states. In addition,  
233 Aqua America provides water and wastewater service through operating and maintenance  
234 contracts with municipal authorities and other parties close to Aqua America operating  
235 company service territories.

236 The mission of both Aqua America and the water utility industry in general is to provide  
237 quality and reliable water service at an affordable price for the customer. Aqua America  
238 strives to achieve this mission through effective planning and efficient use of its  
239 resources. In furtherance of Aqua America's mission, Aqua Services, an Aqua America  
240 subsidiary company, provides expert services to Aqua America operating companies in  
241 the areas of Accounting, Administration, Communication, Corporate Secretarial,  
242 Customer Services, Engineering, Financial, Human Resources, Information Systems,

243 Operation, Rates and Regulatory, Risk Management, Water Quality, Legal, Purchasing  
244 and Fleet services.

245 The provision of such services by Aqua Services permits Aqua Illinois, as well as other  
246 state entities and their individual systems, to reduce individual company costs and take  
247 advantage of economies of scale, and ultimately benefits Illinois ratepayers by reducing  
248 and stabilizing each individual Company's costs, or helping to streamline and improve  
249 operations.

250 **III. THE VILLAGE OF MANTENO WATER SYSTEM**

251 **Q. Mr. Bunosky, would you describe the Village of Manteno and its water system?**

252 A. The Village of Manteno, depicted on the map attached hereto as Exhibit TJB-1.2, with  
253 legal descriptions set forth in Exhibit TJB-1.3, is located along Interstate I-57 between  
254 Bradley/Bourbonnais and the proposed new airport that will serve the metropolitan  
255 Chicago area. It is adjacent to the retail service area for Aqua's existing Kankakee  
256 Division. At present, the system serves approximately 3,500 customers.

257 **Q. Please detail the basis for Aqua's acquisition of the Manteno system.**

258 A. The terms of the purchase are set forth in the Asset Purchase Agreement, attached hereto  
259 as Exhibit TJB-1.1. The Village of Manteno water system (the "System"), at present,  
260 derives its supply from a system of six wells. The system has, for several years now,  
261 been faced with the challenge of addressing and remediating fecal coliform  
262 contamination. The Illinois Environmental Protection Agency ("IEPA") cited the Village  
263 for a violation of water quality standards in a Violation Notice dated October 27, 2004.  
264 In response to this violation notice, the Village installed, and IEPA approved, an ultra-

265 violet (UV) treatment system on the affected well(s) as an interim measure. The UV  
266 treatment was not, however, a long-term solution, and the Village faced two options:  
267 construct a treatment plant of their own in order to address the water quality issues on a  
268 long-term basis, or interconnect with Aqua's existing Kankakee system, which is  
269 immediately contiguous to the Village of Manteno.

270 The Village undertook an engineering study of these options in 2004. The engineering  
271 firm of Baxter & Woodman concluded that the best and most cost effective solution  
272 would be to interconnect with Aqua's Kankakee facilities. As a result, in its  
273 "Compliance Commitment Agreement" with IEPA dated December 19, 2005, attached  
274 hereto as Exhibit TJB-1.5, the Village of Manteno requested that Aqua acquire the  
275 System and commence the provision of retail water service to the Village no later than  
276 January 1, 2008. At that point, water from the six wells that had formed the base of  
277 supply for the Manteno System will be discontinued, and the Manteno System will secure  
278 supply through an interconnection with Aqua's existing facilities.

279 **Q. Will any changes be required for Aqua to connect with the System?**

280 A. Yes. Overall, the Manteno System is in very good condition, so no major replacements  
281 or upgrades will be required. However, the shift from the six supply wells currently used  
282 by the System to one interconnection point with the Aqua system will require some  
283 reengineering. Aqua has committed to extending its water mains and making such other  
284 system revisions as are necessary to provide quality water service to the entire Village's  
285 water system.

286 **Q. Will any benefits be realized from the acquisition of the System by Aqua?**

287 A. Absolutely. The residents of the Village will benefit from the provision of quality water  
288 service, and the customer service and support that Aqua's corporate structure and  
289 expertise can offer.

290 Aqua and its larger customer population will also benefit. With the acquisition of the  
291 Manteno System, two elevated storage tanks will be acquired. These two tanks have a  
292 storage capacity of 1,000,000 gallons, which is currently greater than the average daily  
293 use for the Village. Upon interconnection with the Aqua system, these elevated tanks  
294 become available for additional storage, providing an additional storage for peak or  
295 drought periods.

296 Moreover, Aqua is a regional provider of water, with operations in 5 municipalities and  
297 townships in the unincorporated areas of Kankakee County. With a solid track record of  
298 service in Illinois, and the resources of Aqua America available to it, Aqua is not only  
299 capable of efficiently managing and supervising the System, but financing and  
300 constructing any facilities needed to maintain and expand the System to meet the needs of  
301 customers, now and in the future. Such expertise, with the resources to deliver when  
302 needed, inure to the benefit of all customers.

303 Finally, there is a broader environmental benefit. Aqua currently secures its supply from  
304 the Kankakee River, and will continue to do so upon interconnection with the Manteno  
305 system. The draw on the six supply wells for the Manteno system will be discontinued,  
306 thereby reducing the draw on the supporting aquifer, resulting in greater availability of  
307 that aquifer water for the agricultural community and other residences that have private  
308 wells in the area.

309 **Q. Does Aqua have the present and future ability to operate and maintain the Manteno**  
310 **System?**

311 A. Absolutely. Aqua has the technical, financial and managerial ability to operate and  
312 maintain the public water supply and distribution system for Manteno.

313 **Q. Is Aqua capable of financing the acquisition of the Manteno System without adverse**  
314 **financial consequences?**

315 A. Yes. The provision of public water service in Manteno will impose no financial burden  
316 on either Aqua or its existing customers. In fact, existing customers will benefit from the  
317 growth of the Aqua system as common costs are spread over a larger customer base.

318 **IV. EMPLOYMENT IMPACTS**

319 **Q. How does Aqua propose to address the current employees of the Manteno System?**

320 A. As an established, experienced water utility, Aqua realizes the value of experienced  
321 people and local knowledge. In any acquisition situation, Aqua strives to maintain the  
322 workforce in place, so as to insure continuity of service and minimize impacts to people  
323 and the local economy. In this situation, Aqua has already reached out to the two existing  
324 Manteno System employees to determine if they will continue in their positions. To the  
325 extent that those individuals elect to move on, Aqua will secure replacements so as to  
326 insure that operation and maintenance of the System is not compromised.

327 **V. RATES**

328 **Q. Will the acquisition of the system by Aqua have an impact upon the rates of**  
329 **Manteno customers?**

330 A. Yes. Following approval of the acquisition, Aqua proposes that customers in the Village  
331 pay the same rates as customers in Aqua's Kankakee Division. Those rates are currently  
332 the subject of a proceeding at Docket No. 06-0285. The move from current Manteno  
333 system rates to the rates of the Kankakee Division will result, in the short term, in a rate  
334 increase to Manteno system customers, as shown in Attachment TJB-1.4. The  
335 comparison is illustrative only, as the rates for the Kankakee Division are currently the  
336 subject of a proceeding, and no final order has been issued.

337 Over the longer term, the shift to Kankakee rates will result in rate stabilization, since  
338 recovery of the fixed costs necessary to operate the water systems will be spread over a  
339 larger population of customers, thus reducing each customer's pro rata share of costs.

340 The current well water that is delivered to the Manteno Customers is high in iron at 0.5  
341 mg/l and is high in hardness at 500-600 mg/l. With the change to Kankakee River Water,  
342 the expenses of Manteno Customers that use additional home treatment devices or bottle  
343 water can be eliminated thus reducing their overall cost of water, as water from the  
344 Kankakee plant neither requires nor needs additional softening or iron removal.

345 Rate stabilization will also be aided by the Aqua business model, where expert services  
346 are provided to operating companies by a service company employing subject matter  
347 experts who provide services to all Aqua systems. Absent the service company structure,  
348 each individual water company would be required to perform all functions related to  
349 accounting and financial services, administration, communications, engineering, human  
350 resources, information systems, rates, risk management, water quality, purchasing and  
351 legal services, either internally, through a parent or through the use of outside contractors,  
352 with costs of these functions recovered in customer rates. The costs of these services are

353 not insubstantial, but are nevertheless necessary in order for individual operating  
354 companies to function as a self-sustaining entity and provide service meeting regulatory  
355 requirements. The Aqua model, with a centralized service company, creates efficiencies,  
356 lowers costs to individual operating companies and provides access to significant subject  
357 matter expertise that might not otherwise be available or affordable. Hence, the service  
358 company structure likely will result in the achievement of measurable efficiencies over  
359 time.

360 **Q. Would the proposed rates provide an excessive rate of return on Aqua's investment**  
361 **in useful plant?**

362 A. No. Forecasted operating income statements and rate base levels for the periods ended  
363 December 31, 2007 through December 31, 2011, are shown in Exhibit TJB-1.6. The  
364 forecasted levels of revenues shown reflect use of the Company's proposed rates for the  
365 Kankakee Division in Docket No. 06-0285. If the proposed water rates are charged  
366 within the Manteno area, the resulting projected rate of return on rate base for 2007 is  
367 8.21% and for 2011 is 8.46%. Therefore, the proposed rates are not in excess of  
368 reasonable rates.

369 **Q. Does this conclude your direct testimony?**

370 A. Yes, it does.