

**UTILITIES, INC.  
DIRECT TESTIMONY  
OF  
STEVEN M. LUBERTOZZI**

**(Docket 06-0360)**

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7

8 **WITNESS IDENTIFICATION AND BACKGROUND**

9 **Q 1. Please state your name and business address.**

10 A. Steven M. Lubertozzi. My business address is 2335 Sanders Rd., Northbrook, IL 60062.

11 **Q 2. By whom are you employed?**

12 A. Utilities , Inc. ("UI"). UI is the parent of the five companies involved in this proceeding,  
13 Apple Canyon Utility Company, Cedar Bluff Utilities, Inc., Charmar Water Company,  
14 Cherry Hill Water Company, and Northern Hills Water and Sewer Company (the  
15 "Companies").

16 **Q 3. What is your position with UI?**

17 A. I am the Chief Regulatory Officer for UI and its subsidiaries.

18 **Q 4. Please summarize your educational, professional and business background.**

19 **Q 5.** I am a Certified Public Accountant. I graduated from Indiana University in 1990. I have  
20 been employed by UI since June, 2001. Since that time I have been involved in many  
21 phases of rate-making in several regulatory jurisdictions. I had four years of public  
22 accounting/financial analysis experience prior to joining UI. I am a member of the  
23 American Institute of Certified Public Accountants. I have attended the NARUC Utility  
24 Rate Seminar, and I have testified before utility regulatory commissions in Illinois,

25 Indiana, New Mexico, South Carolina, North Carolina, Maryland, Pennsylvania and  
26 Florida.

27 **Q 6. What are your duties as Chief Regulatory Officer of UI?**

28 A. My duties include: financial analysis of individual subsidiaries of UI, preparation of rate  
29 applications, facilitation of commission audits, and the submission of testimony and  
30 exhibits to support rate applications. In addition, I am responsible for the regulatory  
31 activities of the wholly-owned subsidiaries of UI. Through those operating subsidiaries,  
32 UI serves approximately 300,000 water and wastewater customers.

33 **PURPOSE OF TESTIMONY**

34 **Q 7. What is the purpose of your testimony?**

35 A. The purpose of my testimony is to discuss the implementation of continuing property  
36 records ("CPRs") by UI and to respond to the Direct Testimony of Illinois Commerce  
37 Commission ("Commission") Staff Witness Diana Hathhorn.

38 **BACKGROUND**

39 **Q 8. Please describe the background of this proceeding.**

40 A. The Commission Order issued April 7, 2004 in Docket Nos. 03-0398/03-0399/ 03-  
41 0400/03-0401/03-0402 (Consol.) ("Rate Case Order") ordered the Companies to establish  
42 and maintain CPRs in compliance with the Commission's rules, and to file a report with  
43 the Manager of the Commission's Accounting Department as to the successful  
44 implementation of the CPR program within 12 months after the final order in the  
45 proceeding. After the Rate Case Order, UI created an in-house database system, which  
46 would interface with UI's existing systems, software and hardware and would contain the

47 information required for CPRs. Due to unanticipated delay in data entry and system  
48 limitations, however, UI was unable to meet the April 7, 2005 deadline for CPR  
49 implementation set forth in the Rate Case Order and the required report was not filed by  
50 April 7, 2005. However, UI sought to inform the Commission of its progress in  
51 implementing the CPR requirement after the deadline passed through a series of four  
52 motions, beginning May 27, 2005, seeking an extension of time to comply with the CPR  
53 requirement.

54 **Q 9. Have the Companies implemented a CPR system?**

55 A. Yes. A CPR system is currently in place and functioning for the Companies, and has  
56 been implemented retroactively to 2004. The report I described above regarding the  
57 implementation of the CPR program (attached as UI Exhibit 1.01) was filed on July 13,  
58 2006.

59 **RESPONSE TO STAFF**

60 **Q 10. Have you reviewed the Direct Testimony of Staff Witness Hathhorn?**

61 A. Yes.

62 **Q 11. What is your general response to Ms. Hathhorn's testimony?**

63 A. As I describe in more detail below, UI generally accepts the conclusions and  
64 recommendations made by Ms. Hathhorn.

65 **Q 12. Do you agree with Ms. Hathhorn's recommendation on page 5 that the**  
66 **"Commission find in this docket that the procedure used in the past Rate Cases to**  
67 **disallow rate base additions which had no CPR support be followed in future rate**  
68 **cases"?**

69 A. Yes. UI agrees that, for all of its regulated Illinois subsidiaries, it will not seek rate base  
70 additions that are not supported by CPRs.

71 **Q 13. Ms. Hathhorn also recommends, on page 9, that the Commission impose a civil**  
72 **penalty of \$1,000 on each of the Companies, for a total of \$5,000 for all the**  
73 **Companies. What is your response?**

74 A. While not necessarily expressing agreement with Ms. Hathhorn's characterization of UI's  
75 diligence and good faith with respect to implementing CPRs, for the purposes of  
76 resolving this proceeding, UI agrees pay the civil penalties that she recommends.

77 **Q 14. On page 7, Ms. Hathhorn suggests the Commission should "send a message"**  
78 **regarding CPR requirements to UI as the parent of twenty other Illinois water and**  
79 **sewer utilities. What is your response?**

80 A. UI intends to implement the CPR system described in UI Exhibit 1.01 for all of its  
81 Illinois subsidiaries. UI also agrees that, for all of its regulated Illinois subsidiaries, it  
82 will not seek rate base additions that are not supported by CPRs. I believe this addresses  
83 Ms. Hathhorn's concerns regarding other UI subsidiaries.

84 **Q 15. Does this conclude your Direct Testimony?**

85 A. Yes, it does.