

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

AQUA ILLINOIS, INC.)	
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Petition for Issuance of Certificate of Public)	Docket No. 06-_____
Convenience and Necessity to Operate Water and)	
Sewer Distribution Systems; and for approval of)	
accounting entries, depreciation rates, water and)	
sewer rates and tariff pages)	

PETITION

Aqua Illinois, Inc. ("Aqua" or the "Company"), hereby requests, pursuant to Section 8-406 of the Illinois Public Utilities Act (the "Act"), 220 ILCS 5/8-406, that the Illinois Commerce Commission ("Commission") enter an order issuing a Certificate of Public Convenience and Necessity ("Certificate"), which authorizes Aqua to construct, operate and maintain water and sewer distribution systems, and in connection therewith, transact a public utility business in ten parcels in Lake County, Illinois (the "Hawthorn Expansion Areas"), that are adjacent to Aqua's Hawthorn Woods service area ("Hawthorn Area") and Kemper Lakes service area ("Kemper Area"). Aqua also requests approval of accounting entries to record the net original cost of the water and sewer facilities used to provide service in the Hawthorn Expansion Areas, and approval of depreciation rates. In addition, Aqua requests approval of rates for water and sewer service in the Hawthorn Expansion Areas, and of the filing of new tariff pages which extend the application of the tariffs for the Hawthorn Area to two parcels in the Hawthorn Expansion Areas. In support of its Petition, Aqua states as follows:

BACKGROUND

1. Aqua provides water and sewer public utility service to the public in certain areas of Kankakee, Vermilion, Champaign, Will, Boone, Knox, Lake and Lee Counties in the State of Illinois. Aqua is a public utility within the meaning of the Act. 220 ILCS 5/3-105.

2. The Hawthorn Expansion Areas consist of the following ten parcels: (1) Winchester; (2) High Pointe Estates; (3) Fiore; (4) Towne; (5) Countryside Meadows; (6) Kemper 6; (7) Kemper 7; (8) Owl Haven; (9) Stonewood Glen; and (10) Individual Residential (2 lots), as shown on attached Exhibit "A". Parcels 1 through 9 are legally described on attached Exhibit "B". The Hawthorn Expansion Areas presently consist of approximately 554 acres, which are being developed for primarily residential housing with some commercial lots. There are currently 470 proposed lots to be developed (this number is subject to change following the subdivision plan review by the Villages of Hawthorn Woods or Kildeer). Aqua has been requested to provide water and sewer service to members of the public in eight of the ten parcels in the Hawthorn Expansion Areas: Winchester, High Pointe Estates, Fiore, Towne, Countryside Meadows, Owl Haven, Stonewood Glen, and Individual Residential ("Water and Sewer Parcels"). Aqua has been requested to provide water service only to members of the public in the remaining two parcels: Kemper 6 and Kemper 7 ("Kemper 6 & 7 Parcels").

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

3. The Hawthorn Expansion Areas are being developed for primarily residential housing, with some commercial development, by certain developers (the "Developers"). The occupants of this residential and commercial property will require public water and/or sewer service. In this proceeding, Aqua seeks a Certificate authorizing it to provide public water service within the Hawthorn Expansion Areas and public sewer service within the Water and Sewer Parcels. The Hawthorn Expansion Areas are contiguous to the Hawthorn Area and/or the

Kemper Area. The Commission entered an Order granting Aqua a Certificate to provide water and wastewater service within the Hawthorn Area in Dockets 03-0455 and 03-0550 (consol.) and a Certificate to provide water service within the Kemper Area in Docket 06-0043.

4. The Developers of the Hawthorn Expansion Areas have requested that Aqua extend water and/or sewer service from existing mains that serve the Hawthorn Area and the Kemper Area. At present, there is no public water service provided in the Hawthorn Expansion Areas and no public sewer service provided in the Water and Sewer Parcels. Neither the Village of Hawthorn Woods ("Village"), nor any other municipal corporation, nor any other entity is willing or able to provide water service to the Hawthorn Expansion Areas or sewer service to the Water and Sewer Parcels. As required by 83 Illinois Administrative Code § 200.150(b), a copy of this Petition will be served on each municipality located partly or wholly within the Hawthorn Expansion Areas, or with a corporate boundary that is within one and one-half miles of the Hawthorn Expansion Areas. A list of such municipalities is included on the service list accompanying this Petition.

5. Construction of the proposed main extensions is necessary to provide adequate, reliable and efficient water and sewer service for customers within the Hawthorn Expansion Areas. Aqua will take steps to assure that the construction process and supervision thereof will be adequate and efficient, and that the cost it will incur for these facilities is the least-cost means of providing the required water and/or sewer service.

6. Aqua has the technical, financial and managerial ability to construct, operate and maintain public sewer collection and water distribution systems for the Hawthorn Expansion Areas, without adverse financial consequences for existing customers. The provision of public water and/or sewer service in the Hawthorn Expansion Areas will impose no financial burden on

either Aqua or its existing customers. Also, existing customers would experience benefits from growth of the Aqua system as common costs are spread over a larger customer base.

**WATER AND WASTEWATER FACILITIES FOR THE
HAWTHORN EXPANSION AREAS**

7. The facilities necessary to extend water and/or sewer service to customers in the Hawthorn Expansion Areas (the "Extension Mains") will consist of water and wastewater mains necessary to meet the service requirements.

8. The Extension Mains will be constructed pursuant to Aqua's Rules, Regulations and Conditions of Service (Water), Section 29 (ILL. C.C. No. 47, Sec. 1, Original Sheet Nos. 32-33), and Aqua's Rules, Regulations and Conditions of Service (Sewer), Section XI (ILL. C. C. No. 48, Sec. 1, Original Sheet Nos. 28-30), regarding main extensions ("Standard Main Extension Rules"), or under terms otherwise approved by the Commission. In accordance with the Standard Main Extension Rules, the cost of the Extension Mains will be paid by applicants for the extensions, and Aqua will pay the applicants 1 ½ times estimated annual revenue from the Original Prospective Customers (as defined in the Standard Main Extension Rules) at the time title to the Extension Mains is transferred.

9. In acquiring rights-of-way from private land owners, Aqua will follow the provisions of Part 300 of the Commission's Rules (83 Ill. Admin. Code, Part 300). At present, however, a need for acquisition of rights-of-way from private landowners is not anticipated.

ACCOUNTING ENTRIES

10. In accordance with Commission policy and the Uniform System of Accounts (83 Ill. Admin. Code, Part 605, Accounting Instruction 17), Aqua proposes to record the original cost of the Extension Mains for the Hawthorn Expansion Areas in the applicable Utility Plant In Service accounts (Account 331). The Company proposes to record the Developers' costs of

construction as a contribution in Account 252 - Contributions in Aid of Construction. At the time title to the Extension Mains are transferred to Aqua, Aqua will debit Account 252 in the amount of 1 ½ times estimated annual revenue from the Original Prospective Customers, representing its payment to the Developer under the Standard Main Extension Rules.

11. As part of the testimony to be filed in this case, Aqua will provide a schedule of proposed accounting entries.

DEPRECIATION RATES

12. For the Hawthorn Expansion Areas, Aqua proposes to use the depreciation rates for the Hawthorn and Kemper Areas, as now in effect or as subsequently revised

APPLICATION OF RATES

13. Aqua proposes that the charges for water service in the Hawthorn Expansion Areas be the same as the approved rates for the Hawthorn and Kemper Areas, as now in effect or as subsequently revised.

14. Aqua proposes that the charges for sewer service in the Water and Sewer Parcels be the same as the approved rates for the Hawthorn Area, as now in effect or as subsequently revised.

15. In addition, all other applicable water and wastewater charges for the Hawthorn Area would apply to service within the Hawthorn Expansion Areas, including, but not limited to, public and private fire protection charges, returned check charges, late-payment fees and State and municipal add-on taxes or fees.

16. Aqua proposes to file revised tariff pages for the Hawthorn Area, which includes the Hawthorn Expansion Areas, that are substantially in the form of attached Exhibit "C." The tariff pages are identical to the tariff pages currently in effect for the Hawthorn Area, with the following changes. First, the area the tariff applies to has been changed, where applicable, to

include the "Village of Hawthorn Woods" and "Kemper 6 & 7 Parcels" in order to apply to the Kemper 6 & 7 Parcels, which are outside the corporate limits of the Village (the remaining eight parcels in the Hawthorn Expansion Areas will be annexed to the Village). Second, pursuant to an agreement between the Village and the developer of the Kemper 6 & 7 Parcels ("Agreement"), certain fees, permits, or authorizations may be required to be paid to and/or received by the Village prior to customers in the Kemper 6 & 7 Parcels requesting water service from Aqua. The proposed tariff make reference to the fees, permits, or authorizations to avoid a situation in which Aqua would be obligated to connect customers but unable to do so because the developer of the Kemper 6 & 7 Parcels had not complied with the Agreement.

WHEREFORE, Aqua Illinois, Inc. requests that the Commission enter an Order: (1) issuing a Certificate of Public Convenience of Necessity, which authorizes the Company to construct, operate and maintain water and sewer systems within the Hawthorn Expansion Areas and to transact in connection therewith a public utility business; (2) approving the accounting entries proposed herein to record the appropriate original cost of water and sewer facilities; (3) approving the proposed water and sewer depreciation rates; (4) approving the rates proposed for water and sewer service; (5) approving the filing of tariff sheets substantially in the form of Exhibit "C"; and (6) granting such other relief as is necessary and consistent with the above.

Dated: December 19, 2006

Respectfully submitted,
AQUA ILLINOIS, INC.

By: /s/ Albert D. Sturtevant
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