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BEFORE THE
ILLINOIS COMMERCE COMMISSION

AQUA ILLINOIS, INC.)
) DOCKET NO.
) 06-0203
Petition for issuance of a)
certificate of public convenience)
and necessity to 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.)

Thursday, February 22, 2007

Springfield, Illinois

Met, pursuant to notice, at 10:00 a. m.

BEFORE:

STEPHEN YODER, ALJ

APPEARANCES:

JOHN ROONEY
SONNENSCHNEIN, NATH & ROSENTHAL, LLP
233 S. Wacker Drive
Suite 8000
Chicago, Illinois 60606

(Appearing on behalf of
Petitioner.)

SULLIVAN REPORTING CO. , by
Laurel A. Patkes, CSR #084-001340 & Lori Bernardy,
CSR #084-004126, Reporters.

1 APPEARANCES: (CONT' D.)

2 SANDRA L. HARTMAN
3 % Norman Hartman
4 617 Lakeview Drive
5 Manteno, Illinois 60950

6 (Appearing pro se as
7 intervenor.)

8 JANIS VON QUALEN
9 527 E. Capitol
10 Springfield, Illinois 62701

11 (Appearing on behalf of staff of
12 the Illinois Commerce
13 Commission.)

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WITNESSES

DIRECT

CROSS

TERRY J. RAKOCY
By Mr. Rooney
By Ms. Hartman

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SANDRA L. HARTMAN
By Judge Yoder

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EXHIBITS

IDENTIFIED

ADMITTED

Aqua Exhibit 1.0
Aqua Exhibit 2.0
Aqua Exhibit 2.1, 3.0 & 3.1
Aqua Exhibit 4.0
Aqua Exhibit 5.0
Aqua Exhibit 6.0
Aqua Exhibits 7.0 & 8.0

ICC Staff Exhibits 1.0, 2.0,
3.0(R), 4.0(R), 5.0, 5.1 & 6.0

Intervenor Exhibits 1.0 & 2.0

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1 PROCEEDINGS

2 JUDGE YODER: By the authority vested in me by
3 the Illinois Commerce Commission, I now call Docket
4 06-0203. This is a petition filed by Aqua Illinois,
5 Inc. seeking an issuance of a certificate of public
6 convenience and necessity to operate a water supply
7 and distribution system in Kankakee County, Illinois
8 and for the issuance of an order approving rates,
9 accounting entries, and tariff language.

10 May I have the appearances for the
11 record? And we'll start with Aqua.

12 MR. ROONEY: Thank you, Your Honor.

13 On behalf of Aqua Illinois, John
14 Rooney from the firm Sonnenschein, Nath & Rosenthal,
15 LLP, 233 South Wacker Drive, Suite 8000, Chicago,
16 Illinois 60606.

17 MS. VON QUALEN: Janis Von Qualen on behalf of
18 the staff of the Illinois Commerce Commission, 527
19 East Capitol Avenue, Springfield, Illinois 62701.

20 JUDGE YODER: And, Ms. Hartman, as intervenor,
21 would you state for the record your name, address,
22 and a business or home telephone?

1 MS. HARTMAN: Sandra L. Hartman (H-a-r-t-m-a-n)
2 in care of Norman Hartman, 617 Lakeview Drive,
3 Manteno, Illinois 60950; telephone (815)468-8994.

4 JUDGE YODER: Any other parties wishing to
5 enter their appearance in this docket?

6 Let the record reflect no response.

7 We're here previously scheduled for
8 hearing.

9 Are the parties ready to proceed to
10 hearing on the petition, Mr. Rooney?

11 MR. ROONEY: Aqua is, Your Honor.

12 JUDGE YODER: Ms. Von Qualen?

13 MS. VON QUALEN: Yes.

14 JUDGE YODER: Ms. Hartman, are you ready?

15 MS. HARTMAN: What was that question?

16 JUDGE YODER: Are you ready to proceed to
17 hearing on the petition?

18 MS. HARTMAN: Yes.

19 JUDGE YODER: All right. Mr. Rooney, why don't
20 you go ahead and proceed.

21 MR. ROONEY: Thank you, Your Honor.

22 Aqua Illinois would first like to call

1 as a witness Mr. Terry Rakocy to the witness stand.

2 JUDGE YODER: Mr. Rakocy, would you raise your
3 right hand?

4 (Whereupon the witness was sworn
5 by Judge Yoder.)

6 JUDGE YODER: Go ahead and proceed, Mr. Rooney.

7 MR. ROONEY: Thank you, Your Honor.

8 TERRY J. RAKOCY

9 called as a witness herein, on behalf of the
10 Petitioner, having been first duly sworn on his oath,
11 was examined and testified as follows:

12 DIRECT EXAMINATION

13 BY MR. ROONEY:

14 Q. Mr. Rakocy, could you please state your
15 name and spell your last name for the court reporter,
16 please?

17 A. It's Terry J. Rakocy (R-a-k-o-c-y).

18 Q. And, Mr. Rakocy, by whom are you employed?

19 A. Aqua, Illinois Inc.

20 Q. And in what capacity?

21 A. I'm president.

22 Q. Mr. Rakocy, do you have in front of you a

1 piece of testimony that's been identified as "The
2 Direct Testimony of Thomas J. Bunosky" that's been
3 identified as Aqua Exhibit No. 1?

4 A. Yes, I do.

5 Q. Okay. And, Mr. Rakocy, is it your
6 testimony that you are adopting the testimony of
7 Mr. Bunosky as your own for this proceeding?

8 A. Yes, I am.

9 MR. ROONEY: Your Honor, for identification
10 purposes, this is direct testimony that was filed on
11 July 26, 2006 on e-docket, and attached to that
12 direct testimony are Exhibits 1.1 through 1.6.

13 Q. Now, Mr. Rakocy, do you also have before
14 you a document that's entitled "The Rebuttal
15 Testimony of Thomas J. Bunosky"?

16 A. Yes.

17 Q. And that is marked as Aqua Illinois
18 Exhibit 4.0, is that correct?

19 A. Yes.

20 Q. And is it your testimony today, Mr. Rakocy,
21 that you are adopting that testimony as your own for
22 purposes of this proceeding?

1 A. Yes.

2 MR. ROONEY: And, Your Honor, that testimony
3 was filed on December 20, 2006, and it also includes
4 an Exhibit 4.1 which is attached as a document to the
5 prefiled testimony.

6 Q. Finally, Mr. Rakocy, do you have before
7 you a document that's marked "Surrebuttal Testimony
8 of Terry J. Rakocy"?

9 A. Yes.

10 Q. And that has been identified as
11 Exhibit 6.0?

12 A. Yes.

13 MR. ROONEY: And, Your Honor, that document was
14 filed on e-docket on February 7, 2007, and there's
15 one attachment which was identified as 6.1.

16 Q. Now, Mr. Rakocy, with regard to that
17 particular piece of testimony, that was prepared by
18 you or someone under your direction?

19 A. That's correct.

20 Q. Now, with regard to the questions and
21 answers that are found in the direct, rebuttal, and
22 surrebuttal testimony that you've just identified,

1 would your answers be the same today?

2 A. Yes, they would.

3 Q. Do you have any corrections to any of that
4 testimony that you're aware of?

5 A. I do not.

6 MR. ROONEY: With that, Your Honor, Aqua
7 Illinois would move then for the admission of Aqua
8 Exhibits 1.0, 4.0, 6.0, and their associated
9 attachments and offer Mr. Rakocy for
10 cross-examination.

11 JUDGE YODER: Okay. We'll address admission
12 after any cross-examination.

13 Ms. Von Qualen, did you have any
14 cross-examination of Mr. Rakocy on behalf of staff?

15 MS. VON QUALEN: Staff has no questions for
16 Mr. Rakocy.

17 JUDGE YODER: Okay.

18 Ms. Hartman, this is now your
19 opportunity to ask Mr. Rakocy questions based on his
20 testimony and the testimony of Mr. Bunosky that he
21 has adopted, so if you would go ahead and ask him
22 any.

1 I assume you have some questions for
2 him?

3 MS. HARTMAN: Yes.

4 JUDGE YODER: Okay.

5 MS. HARTMAN: Thank you, Your Honor.

6 CROSS- EXAMINATION

7 BY MS. HARTMAN:

8 Q. In your testimony, it says that Baxter &
9 Woodman concluded -- I'm sorry. I'm nervous.

10 It says the engineering firm of Baxter
11 & Woodman concluded that the best and most
12 cost-effective solution would be to interconnect with
13 Aqua Kankakee facility.

14 Now...

15 JUDGE YODER: Just a second. Could you direct
16 like a page that that's on if you have that too?

17 MS. HARTMAN: Oh, okay. That's Page 13, Line
18 270, 271, and 272.

19 JUDGE YODER: Okay.

20 Q. BY MS. HARTMAN: Now, Baxter & Woodman's
21 letter is dated November 8th, the night before the
22 hearing.

1 Q. Okay. When did limiting our pressure and
2 water supply enter in as a factor in selling or
3 buying water?

4 A. The bulk water discussions were, you know,
5 they had proceeded for a year ahead of that, and we
6 had mentioned that what we had established for bulk
7 water was 1,500 gallons a minute which was the
8 maximum that could be taken on any one day.

9 Q. And why is that? Why do you limit to
10 somebody who's buying in bulk compared to somebody
11 who you own?

12 A. Because under the bulk contract, we could
13 provide the 1,500 gallons a minute with a certain
14 amount of capital investment to provide water.
15 Anything over 1,500 gallons a minute would have
16 created additional capital investment that we were
17 not in a position to make under the proposal for the
18 bulk contract.

19 Q. Okay. Now, in your direct testimony on
20 lines 158 to 162, page 8 I believe it is, you sold
21 water in bulk to Aroma Park in Bradley.

22 Did you limit their supply and

1 pressure?

2 A. We did not limit supply or pressure mainly
3 because the village of Bradley was within the middle
4 of our distribution system, and the ability to
5 provide water did not require any additional capital
6 investment.

7 And the same thing for Aroma Park.
8 It's relatively close to our existing distribution
9 system with large mains to supply water.

10 So there was no limitation placed on
11 those contracts.

12 Q. Okay. Could you please explain why at no
13 time Baxter & Woodman was aware of this pressure and
14 availability, how much would be available and the
15 pressure, how come they had no idea of this until
16 after the studies were done?

17 A. I can't answer that question because our
18 proposal was to the village officials, and Baxter &
19 Woodman was working for the village, not for us, but
20 we did not tell Baxter & Woodman that. We told the
21 village. And what the village communicated, I don't
22 know.

1 Q. Okay. Now, you're saying that it was
2 Baxter and Woodman's recommendation that we sell.
3 Are you saying that?

4 A. In their supplemental letter to the
5 village, that's true.

6 Q. Okay. That was almost a year after we
7 sold.

8 Manteno trustees did not have that
9 recommendation when they voted; correct?

10 A. I don't know that.

11 Q. Well, because it says in this letter, it
12 says that it has just come to light, so this letter
13 appears to have been rounded up for that hearing, is
14 that correct?

15 A. I cannot answer that question. Baxter &
16 Woodman was not working for Aqua. They were working
17 for the village.

18 Q. Okay. Mr. Simms is the superintendent of
19 the Kankakee waste treatment plant, correct? I think
20 it's called KRMA is it now?

21 A. Yes; the Kankakee Regional Metropolitan
22 Agency.

1 Q. What is your relationship with Mr. Bunosky?
2 What was your relationship or communication with him?

3 A. Mr. Simms was hired by KRMA to be the plant
4 manager of the wastewater plant which has no
5 relationship to Aqua which we provide only water in
6 the Kankakee area, but we have meetings with them,
7 with the KRMA board, and, of course, Richard Simms
8 would be at those meetings of the KRMA board.

9 Q. Okay. Now, don't you do the billing for
10 Richard Simms' treatment plant?

11 A. No, we do not. We do billing for the City
12 of Kankakee and for the Village of Bourbonnaise.

13 Q. But it's for the treatment plant, right?
14 It's for the water, I mean sewer.

15 A. The wastewater treatment plant is a
16 stand-alone wastewater treatment plant owned by five
17 member communities, Kankakee, Bourbonnaise, Bradley,
18 Aroma Park, four member communities, and all they do
19 is treat the waste.

20 The City of Kankakee also has a
21 collection system, a wastewater collection system,
22 and that's what we bill. We bill for the customers

1 of the City of Kankakee and, of course, the Village
2 of Bourbonnais as well for the collection system
3 they run, and then the City of Kankakee, the Village
4 of Bradley, contracts with KRMA which is an
5 intergovernmental entity made up of those four member
6 communities.

7 But we don't bill for KRMA. We bill
8 for the City of Kankakee and the Village of Bradley.

9 Q. Right, but your sewer and water work hand
10 in hand together basically.

11 A. Well, for the extent that we do the
12 wastewater billing for the city as well as billing
13 their trash and police charges, we do work with the
14 City of Kankakee.

15 Q. Right. But as far as water problems or
16 sewer problems, broken lines, you guys are combined,
17 you gentlemen are intertwined, right?

18 A. No, we are not. If there's a problem with
19 the water system, whether it be our treatment plant
20 or distribution system, Aqua takes care of the
21 maintenance of that system.

22 Q. Correct.

1 A. If there's a problem with the sewer
2 collection system or the KRMA plant, either the
3 respective city or village takes care of their
4 collection problem, and the KRMA agency takes care of
5 their sewer plant.

6 Q. What I was trying to say is if there's a
7 major water main break like you guys had in Kankakee
8 that disrupted that whole thing, you would be in
9 contact with George Simms about the system being down
10 and everything, correct?

11 A. Well, when we had that major problem, we
12 worked with all of the emergency response agencies
13 within the community which would have been the
14 sheriff department that heads up the emergency
15 response group, the City of Kankakee, the Village of
16 Bradley, the Village of Aroma Park, and the Village
17 of Bourbonnais because they were out of water.

18 There was no need to interact with the
19 KRMA plant because the water was removed from that
20 plant, was being discharged, and, of course, drained
21 the water system, and we, you know, addressed that
22 and returned it to service.

1 But there was no working relationship
2 between the KRMA plant and Aqua, Illinois.

3 Q. Okay. So you meet with him what, you say
4 monthly, at your monthly meetings, is that correct?

5 A. Mr. Bunosky had met with the KRMA board on
6 a number of meetings because those mayors also
7 represent the communities that we serve. We've
8 handled a number of issues there. It's convenient
9 for our people to meet with the mayors at that KRMA
10 board meeting because all the board members of KRMA
11 are the mayors of the communities they serve.

12 Q. But you or Mr. Bunosky never go out to
13 dinner with Simms or lunch or anything like that?

14 A. The only time I have ever been out with
15 Mr. Simms was in Washington, D.C. when we were
16 meeting with a congressman about the third Chicago
17 airport, and other than that, the one lunch we had in
18 D.C., I haven't had a meal with Mr. Simms.

19 Q. What about Mr. Bunosky?

20 A. I can't speak for Mr. Bunosky.

21 MS. HARTMAN: That's one thing I was worried
22 about. I can't get, you know, the honest answer, I

1 mean the full answer, because Mr. Bunosky appears to
2 have done a lot of the footwork on this situation.

3 MR. ROONEY: Quite honestly, Your Honor, up to
4 this point, I've been withholding what I think are
5 objections to a number of questions including the
6 relevance of who's going to lunch where, when, and
7 how.

8 Mr. Rakocy is here to testify as to
9 why the certification is appropriate and to how they
10 arrived at that resolution with the Village of
11 Manteno, City of Manteno, so I think there's
12 absolutely no issue at this point.

13 JUDGE YODER: Well, I don't know that it's an
14 objection; more of an observation, and I'll allow you
15 some leeway, but, you know, we take the case as we
16 find it, and I guess Mr. Bunosky no longer works for
17 Aqua. Mr. Rakocy is going to be unable to testify as
18 to things Mr. Bunosky did, and I guess that's how
19 things are being presented.

20 So if you have questions, if you have
21 additional questions based on the testimony they
22 filed; I mean, any comments you have, you'll be able

1 to speak on your position, and you'll be able to
2 comment in the briefs to be filed after this,
3 anything relevant to whether a certificate should be
4 issued to Aqua going ahead with the purchase of the
5 water system.

6 MS. HARTMAN: Yeah, I do have some for
7 Mr. Rakocy.

8 Q. In your surrebuttal, you attached a letter
9 from the EPA of the condition of the Manteno wells.

10 First of all, I don't know if this is
11 a printing error or what, but on line 76 at page 5,
12 you refer to the report of Baxter & Woodman being
13 2004. Is that correct? They were both -- is that
14 the report you're referring to?

15 The only reports I had is 2005, and
16 you later on talk about the reports of 2005, so is
17 that the same reports?

18 A. I was referencing the original Baxter &
19 Woodman report. I thought it was 2004. That could
20 be a typo issue as you're saying.

21 Q. Okay. You put in here that we tested
22 positive for coliform presence. You talked about how

1 we're still having problems with coliform with the
2 EPA, and so you put in here a letter from December
3 2005 from John Dalessandro.

4 Have you talked to Mr. Dalessandro
5 since then, since you guys -- you do the sampling
6 now, correct?

7 A. That's correct.

8 Q. Have you talked to EPA or Mr. Dalessandro,
9 Have you talked to Mr. Dalessandro at all?

10 A. We have not. We're taking the samples.
11 The samples have been good samples, and we file them
12 on a monthly basis, and there's really no need to
13 talk to the EPA.

14 Q. Okay. Has there been any problem since you
15 guys took over sampling with the coliform?

16 A. There has not. There's been no problems.

17 Q. As a matter of fact, they've been perfectly
18 clean up until February 1st of this year, and then
19 there was one bad sample, correct?

20 A. I'm not sure of when there was a bad
21 sample, but that's probably correct.

22 Q. Okay. So the Manteno system could continue

1 on the wells, couldn't they, at this time?

2 A. They cannot continue on the wells because
3 of the compliance commitment agreement with EPA. The
4 EPA will not accept the current treatment that the
5 village has, which is wells with UV treatment. They
6 have to put in either a surface water treatment or
7 find another source of water.

8 Q. Okay. But by now, I mean, this could last
9 a couple years, correct?

10 A. I can't respond to that. It could. It
11 could last one more day. It's a tentative -- it's an
12 interim solution that EPA has approved pending the
13 ultimate resolution which, according to the
14 compliance agreement I believe, is at the end of this
15 year that they'll have a different source of water
16 and abandon the wells next year.

17 Q. Okay. What is the purpose of abandoning
18 the wells? Why can't they be kept for reserve since
19 we are on the tip of the iceberg, you know, I mean,
20 the...

21 A. The compliance agreement that was agreed to
22 between IEPA and the Village of Manteno specifies

1 that they will find another source of water which
2 happens to be Aqua Illinois, and that they would, by
3 the end of '07, be on this other source of water.

4 That is the compliance agreement
5 today.

6 (Whereupon a recess was taken to
7 accommodate health issues of the
8 intervenor; and also at which
9 time Lori Bernardy is replacing
10 Laurel Patkes as the court
11 reporter.)

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1 (WHEREUPON, the proceedings were
2 hereinafter stenographically
3 reporter by H. Lori Bernardy)

4 JUDGE YODER: Back on the record.

5 Go ahead and continue your
6 cross-examination, Miss Hartman.

7 BY MS. HARTMAN:

8 Q. It's basically on this page. He's stating
9 that several water samples have tested positive for
10 Coliform which is considered an indicator of more
11 serious forms of contamination.

12 You make it sound in here like -- this
13 page sounds like there's still contaminated samples.
14 So this is misleading, correct?

15 MR. ROONEY: Object to the characterization.

16 JUDGE YODER: I'll sustain.

17 You can ask him questions about his
18 testimony. You can make your arguments in your
19 briefs about what your opinion is of his testimony.

20 But this is your opportunity to ask
21 him to either elaborate or explain some of his
22 testimony.

1 BY MS. HARTMAN:

2 Q. At this time there's not a problem with our
3 water system as far as coliform, correct?

4 A. There's not any problem with the water
5 that's getting into the distribution system. That's
6 not to say that there's not the contamination still
7 existing in the wells. That's -- that could be what
8 the UV treatment was there for.

9 Q. Now I'm confused. I don't know whether --
10 if I can ask him questions.

11 In here you state that -- this is the
12 cheapest route for us because of the capital cost of
13 16 million for buying water and 25 million for -- to
14 build our own plant, that it is unaffordable to us.

15 Were you aware -- now, I don't know --
16 that they are offering 25 million dollars low
17 interest loans to water companies that have
18 distribution problems?

19 A. The IEPA does have a loan program, a
20 state-revolving loan program that does when money --
21 it is a loan that has to be paid back.

22 Whether the Village would qualify for

1 the loan, I cannot say.

2 Q. Okay -- okay. What do you use -- how many
3 years at one-half the market interest rate. Do you
4 still feel that would be something untouchable?

5 MR. ROONEY: Judge, I guess I would object,
6 your Honor, to the point that it's asking the Witness
7 to speculate how the City Council of Manteno would
8 evaluate the loan.

9 For purposes of whether or not it's
10 going forward as opposed to -- it calls for
11 speculation.

12 JUDGE YODER: Do yo have any --

13 MS. HARTMAN: We didn't hear him.

14 JUDGE YODER: Okay.

15 MR. ROONEY: Do you want me to restate it?

16 MS. HARTMAN: Yes.

17 MR. ROONEY: I think you're asking -- I
18 objected to the question on the basis of speculation.

19 You're asking the witness to speculate
20 as to how the City would evaluate the loan.

21 And Mr. Rakocy is not here to testify
22 on behalf of the City.

1 MS. HARTMAN: But he's saying that we can't
2 afford the 16 or 25.

3 MR. ROONEY: I'll withdraw the objection to the
4 extent the Witness can or cannot answer.

5 JUDGE YODER: Yes, your question is based on --
6 you're asking Mr. Rakocy his opinion whether the
7 Village would afford a -- I think you said a 25
8 million dollar loan over a 20-year period at one-half
9 the interest market rate; is that your question?

10 MS. HARTMAN: Yeah.

11 JUDGE YODER: Okay.

12 If Mr. Rakocy is able to render an
13 opinion on that, he can answer that. If he can't, he
14 can't.

15 MS. HARTMAN: Okay, I'll move on.

16 JUDGE YODER: Well, let him answer if he can.

17 THE WITNESS: I'm not a financial person, and I
18 didn't help the Village with their financial
19 calculations. So, I really cannot answer that
20 question.

21 MS. HARTMAN: Okay.

22 BY MS. HARTMAN:

1 Q. In your report you speak of -- that your
2 quality of service will not change way the way
3 Manteno has received their service, that it would be
4 better.

5 Did you recently flush the hydrants in
6 Manteno? If not recently, in the last six months -
7 eight months?

8 A. We did it in late August, September and
9 October.

10 Q. And what time of day do you do that?

11 A. It's been done at various times, depending
12 on where the hydrants are for flushing. We prefer to
13 do it during the day, but in the commercial area down
14 at -- the main area of Village, we were doing that at
15 night.

16 Q. Okay, all right.

17 MS. HARTMAN: Now, I can't reply to what we're
18 accustomed to?

19 JUDGE YODER: No.

20 MS. HARTMAN: Okay.

21 JUDGE YODER: This isn't your opportunity to
22 testify. You can ask him if he knows.

1 MS. HARTMAN: Okay.

2 BY MS. HARTMAN:

3 Q. Do you know when we did ours?

4 JUDGE YODER: By "we," do you mean the Village
5 or --

6 MS. HARTMAN: I mean when our employees, the
7 Manteno employees, did theirs.

8 THE WITNESS: All I am aware of is that the
9 Village Administrator said that the Village has in
10 the past flushed its system, and that they wanted us
11 to do it in 2006, which we did.

12 Now how the Village flushed it,
13 whether they did it during the day, at night, you
14 know, at 2 A.M. in the morning, I'm unaware of what
15 their schedule was.

16 MS. HARTMAN: Okay.

17 BY MS. HARTMAN:

18 Q. But wouldn't it be more convenient for the
19 people of the community to do it at night, you know,
20 when people are sleeping?

21 A. It would probably be more convenient, but
22 it would also be more expensive because we'd be

1 paying our employees time and a half to flush during
2 the evening hours as opposed to during the day.

3 And so it's a matter of cost versus
4 inconvenience to the customer.

5 Q. Okay. And you say that -- okay, that it's
6 easier for us to call you -- the more people you
7 have -- you're available to us -- how many hours do
8 you have people answering the phones?

9 A. Answering the phones?

10 Q. On a daily basis to answer people's water
11 questions?

12 A. During the day we have 18 customer service
13 reps answering the phones and two supervisors and a
14 manager at our call center in Kankakee.

15 Q. And that's for how many customers?

16 A. At the current time, that would serve
17 approximately about 80,000 customers. Long term
18 they'll be serving close to 200,000.

19 Q. Okay. And how many miles do you state it
20 is from Manteno -- is between Manteno to your office?

21 A. I think that's in my testimony.

22 Q. Well, if it's in here, never mind. I'll

1 find it. Well, let's forget that question.

2 Do you know how close the Manteno
3 place is to the large corps of senior citizens?

4 A. I'm aware that there are senior citizens
5 within Manteno, but I'm not aware of how big a
6 contingency they are.

7 Q. There's approximately 700 in trailer
8 parks -- in mobile home parks. You're not aware of
9 where that's located at or anything?

10 A. Well, I'm aware that there are a number of
11 trailer parks that we're maintaining the distribution
12 on currently. And we would look to take those over
13 when we acquire the systems.

14 But the makeup of what's inside those
15 trailer parks, I'm unaware of, whether they're senior
16 citizens, young or whatever.

17 MS. HARTMAN: I'm getting confused. I think
18 I'm done then if I'm asking wrong.

19 JUDGE YODER: Well, if --

20 BY MS. HARTMAN:

21 Q. On your rate charges though, what is that
22 initial charge? There is an initial charge, not the

1 hydrant flush.

2 JUDGE YODER: Do you remember what exhibit that
3 is, Miss Hartman, that you're referring to?

4 MS. HARTMAN: It's the first one.

5 THE WITNESS: I believe she's referring to
6 Exhibit 1.4.

7 MS. HARTMAN: Yeah, I believe that's 1.4.
8 Well, it's not here.

9 The monthly customer charge, would you
10 explain what the monthly customer charge, what the
11 purpose of that is?

12 JUDGE YODER: Is that item eight of the
13 exhibit?

14 MS. HARTMAN: Yes.

15 MR. ROONEY: And Number three as well.

16 THE WITNESS: The basis of the customer charge
17 is it covers the fixed charges of the company: meter
18 reading, billing, administrative support, as opposed
19 to the usage charge that pertains to chemical power,
20 treatment of the water, and distribution of the
21 water.

22 BY MS. HARTMAN:

1 Q. Okay. And another thing is in your
2 Surrebuttal, you talk about -- see, when I talk about
3 CEO's and you said that that's my attachment --
4 where's mine, where's mine -- the shareholder one,
5 SLH 3.

6 You state that -- okay. Starting with
7 1.33 on page seven of my Rebuttal - or your
8 Surrebuttal, I'm sorry - you said that this is a
9 parent company. Doesn't your shareholders get
10 dividends?

11 A. Pardon me?

12 Q. Do your shareholders get dividends?

13 A. The share -- yes, they do.

14 Q. So, why do you say that -- you don't get
15 the same dividends as your parent company?

16 You said in here --

17 JUDGE YODER: When you say your "shareholders,"
18 are you referring to shareholders of Aqua Illinois as
19 opposed to Aqua America?

20 MS. HARTMAN: Yes.

21 JUDGE YODER: Are you referring to Aqua
22 Illinois?

1 MS. HARTMAN: Yeah, wait a minute. I'm sorry,
2 I can't find it.

3 I'm sorry, can I have a little break
4 to find what I'm talking about?

5 JUDGE YODER: Sure.

6 (WHEREUPON, a short recess was
7 taken.)

8 MS. Von QUALEN: Ms. Hartman, are you referring
9 to page 8?

10 MS. HARTMAN: Yes. Yes.

11 BY MS. HARTMAN:

12 Q. Where it says, as noted the Commission
13 ensures that Aqua's rates are set to only recover
14 Aqua's prudently incurred costs of providing service
15 and a reasonable return on Aqua's investment.

16 Aqua's parent company is a separate
17 entity and is not subsidized by Aqua's customers.
18 The Commission oversees the relationship between Aqua
19 and its parent company to ensure that no improper
20 subsidizes are transferred.

21 Okay, this does not -- these are not
22 your dividends that's referred to in this paper, in

1 the letter? My SLH 3?

2 A. The dividends that are referred to in the
3 CEO's letter to the shareholders refers to dividends
4 that Aqua America pays to its shareholders.

5 Q. Okay, then, could you please explain why it
6 states in that letter that they acquired Manteno
7 distribution system. Is that -- wouldn't that affect
8 their dividends?

9 A. As referenced on page eight of my
10 Surrebuttal Testimony, that there's a reasonable
11 return on Aqua's investment. That reasonable return
12 is paid as a dividend to our only shareholder which
13 is Aqua America. All the common stock of Aqua
14 Illinois is owned by Aqua America.

15 MS. HARTMAN: That concludes my questioning.

16 JUDGE YODER: Miss Von Qualen, do you have any
17 questions of Mr. Rakocy?

18 MS. Von QUALEN: No, I do not.

19 JUDGE YODER: Mr. Rooney, do you have any --
20 any additional questions? Any Redirect?

21 MR. ROONEY: No Redirect.

22 JUDGE YODER: All right, then, Mr. Rakocy, I

1 have no questions for you. So you may step down.

2 (WHEREUPON, the Witness was

3 excused.)

4 JUDGE YODER: Any additional evidence to
5 present, Mr. Rooney?

6 MR. ROONEY: I guess we have to act on our
7 earlier motion to move in evidence, the three pieces
8 of testimony.

9 JUDGE YODER: Any objection to Aqua Exhibit 1.0
10 with attached exhibits which is the
11 adopted testimony -- the testimony adopted by
12 Mr. Rakocy. I think it was then Aqua Exhibit 4 and
13 Aqua Exhibit 6, Miss Von Qualen?

14 MS. Von QUALEN: Staff has no objection.

15 JUDGE YODER: Ms. Hartman, do you have any
16 objection to those three Exhibits that Mr. Rakocy has
17 testified about being admitted into evidence in this
18 Docket?

19 MS. HARTMAN: No.

20 JUDGE YODER: Okay.

21 Aqua Exhibit 1.0 with attached
22 exhibits, Aqua 4.0 with attached exhibits adopted by

1 Mr. Rakocy, and Aqua Exhibit 6.0 with attached
2 exhibits will be admitted into evidence then in this
3 Docket.

4 (WHEREUPON, Aqua Exhibit Numbers
5 1.0 with attached exhibits, 4.0
6 with attached exhibits, and 6.0
7 with attached exhibits were
8 admitted into the record.)

9 MR. ROONEY: We have had two other witnesses
10 that I'd like to identify their testimony. And first
11 is the Direct Testimony of Paul J. Hanley.

12 It's been identified as Aqua Exhibit
13 2.0. It was filed on e-Docket July 26, 2006. It
14 includes an exhibit that's 2.1 and an appendix A to
15 that exhibit.

16 Mr. Hanley also submitted rebuttal
17 testimony identified as Aqua Exhibit 5.0, and that
18 was filed on December 20, 2006.

19 As we discussed off the record prior
20 to hearing, we will be submitting on e-Docket either
21 this afternoon or first thing tomorrow Mr. Hanley's
22 affidavit which we will identify as Aqua Exhibit 7.0.

1 In addition, we have the Direct
2 Testimony of John F. Guastella identified as Aqua
3 Exhibit 3.0, and Mr. Guastella's Direct Testimony had
4 an attachment identified as 3.1.

5 And we would also be submitting this
6 afternoon or tomorrow morning Mr. Guastella's
7 Affidavit which would be identified as Aqua
8 Exhibit 8.0.

9 And with that, we ask for the
10 admission of those into the evidence.

11 JUDGE YODER: Mr. Von Qualen, any objections to
12 the admission of the testimony and Rebuttal Testimony
13 of Mr. Hanley or the Direct testimony of Mr.
14 Guastella along with their accompanying affidavits?

15 MS. Von QUALEN: Staff has no objection to
16 those.

17 JUDGE YODER: And Staff has no
18 cross-examination?

19 MS. Von QUALEN: That is correct.

20 JUDGE WALLACE: Miss Hartman, you don't have
21 any questions and do you have any objections to the
22 testimony of Mr. Hanley and his rebuttal testimony,

1 Exhibit 5.0 or the Direct Testimony of Mr. Guastella
2 Aqua Exhibit 3.0 with attached Exhibit 3.1 being
3 admitted into evidence by affidavit?

4 MS. HARTMAN: That's fine.

5 JUDGE YODER: Okay.

6 Subject to the affidavits be filed for
7 those two witnesses the Direct of Mr. Hanley, Exhibit
8 2.0 with its attachments 2.1 and an appendix, along
9 with Mr. Hanley's Rebuttal Testimony adopted from
10 5.0, and the Aqua Exhibit 3.0, the Direct of John
11 Guastella along with their affidavits will be
12 admitted into the evidence.

13 MR. ROONEY: Thank you, your Honor.

14 JUDGE YODER: Any other evidence to present?

15 MR. ROONEY: No, your Honor.

16 (WHEREUPON, Aqua Exhibit Numbers
17 2.0, 2.1 and appendix A, 5.0,
18 3.0 with attachment 3.1, 7.0 and
19 8.0 were admitted into the
20 record.)

21 JUDGE YODER: Ms. Von Qualen, is there any
22 evidence to admit on behalf of Staff?

1 MS. Von QUALEN: No, your Honor. It's my
2 understanding that no one has any questions for Staff
3 Witnesses.

4 Therefore, I will move for admittance
5 into the record the evidence of their testimony by
6 affidavit. I have not filed the affidavits yet, but
7 I intend to file them either today or the early part
8 of next week.

9 Therefore, I move for admission into
10 evidence the Direct Testimony of William D. Marr,
11 which is ICC Staff Exhibit 1.0. That was filed on
12 e-Docket on November 15, 2006. And also for the
13 affidavit of Mr. Marr which will be identified as ICC
14 Staff Exhibit 1.1.

15 I also move for admission into
16 evidence of the Direct Testimony of Bonita A. Pearce,
17 which was filed on e-Docket on November 15, 2006 and
18 is identified as ICC Staff Exhibit 2.0. It has
19 attached to it -- it consists of 13 pages of
20 narrative testimony and has attached Schedule 2.1 and
21 attachments A through E.

22 I also move for admission into

1 evidence of the Rebuttal Testimony of Bonita A.
2 Pearce which was filed electronically on January 17,
3 2007. It consists of two pages of narrative
4 testimony and a schedule 5.1.

5 I will also be filing the affidavit of
6 Bonita A. Pearce and that will be identified as ICC
7 Staff Exhibit 5.2.

8 I move for admission into evidence of
9 the Direct Testimony -- I should say Revised Direct
10 Testimony of Rochelle Phipps, which was identified as
11 ICC Staff Exhibit 3.0(R).

12 That revised testimony will be filed
13 at the same time as the affidavits. I have
14 identified one or two typographical errors in the
15 testimony. And when I file the testimony I will
16 identify on the cover sheet what changes were made to
17 the testimony.

18 I also move for admission into the
19 evidence the affidavit of Rochelle Phipps supporting
20 her testimony. The Affidavit will be identified as
21 ICC Staff Exhibit 3.1.

22 And I move for admission into evidence

1 the Revised Direct Testimony of Mike Luth. This will
2 be identified as ICC Staff Exhibit 4.0(R).

3 Again, staff has
4 identified typographical error on the Direct
5 Testimony of Mike Luth, so that I will be filing the
6 Revised Testimony of Michael with his affidavit.

7 The affidavit will be identified as
8 ICC Staff Exhibit 6.1. And I also move for the
9 admission into evidence of the Rebuttal Testimony of
10 Mike Luth which was filed electronically on
11 January 17, 2007, and is identified as ICC Staff
12 Exhibit 6.0.

13 JUDGE YODER: All right, any objection to those
14 Exhibits and Revised Direct Testimonies as
15 Miss Von Qualen has laid them out, Mr. Rooney?

16 MR. ROONEY: Aqua no objection, your Honor.

17 JUDGE YODER: Miss Hartman, do you have any
18 objection to the admission of Staff Exhibits and the
19 Revised Direct Testimonies of two witnesses as
20 Miss Von Qualen has set them out?

21 MS. HARTMAN: No.

22 JUDGE YODER: Subject to the revised

1 Testimonies and the Affidavits being filed, Staff
2 Exhibit 1.0, the Direct Testimony of William Marr
3 with accompanying affidavit, the Direct Testimony
4 Exhibit 2.0 of Bonita Pearce with attached exhibits
5 and attachments, along with the Rebuttal Testimony
6 5.0 of Bonita Pearce with Exhibit 5.1, the Affidavit
7 being into evidence, along with the Revised Direct
8 Testimony of Michelle Phipps to be marked Exhibit
9 3.0(R), and the Revised Direct Testimony of Michael
10 Luth to be marked 4.0(R), and the Rebuttal Testimony
11 of Mike Luth, Exhibit 6.0 each with an accompanying
12 Affidavit to be filed will be admitted into in
13 evidence in this Docket.

14 MS. Von QUALEN: Thank you.

15 (Whereupon ICC Staff Exhibit
16 Numbers 1.0, 2.0 and attachments
17 and exhibits, 5.0, 5.1, 3.0(R),
18 4.0(R) and 6.0 with attachments
19 were admitted into the record.)

20 MS. HARTMAN: Can I ask a question?

21 JUDGE YODER: Go ahead.

22 MS. HARTMAN: Do I have to ask for my --

1 JUDGE YODER: I will ask questions to get yours
2 in.

3 Anything else to present on behalf of
4 Staff?

5 MS. Von QUALEN: No.

6 JUDGE YODER: Okay.

7 Miss Hartman, why don't you raise your
8 right hand.

9 (Whereupon the Witness was sworn
10 by the Administrative Law
11 Judge.)

12 SANDRA L. HARTMAN,
13 having been first duly sworn by the Administrative
14 Law Judge, witnesseth and saith as follows:

15 EXAMINATION

16 BY JUDGE YODER:

17 JUDGE YODER: Miss Hartman, you're the
18 Intervenor in this docket; is that correct?

19 THE WITNESS: Yes.

20 JUDGE YODER: Did you prepare or cause to be
21 prepared and filed documents marked as Direct
22 Testimony of Sandra Hartman filed October 12, 2006.

1 It's marked October 12th, I think it was filed with
2 the Clerk's Office October 13th, which was filed
3 along with Attachments A, B, and C which were filed
4 contemporaneously along with the Rebuttal Testimony
5 of Sandra Hartman which was filed at the Clerk's also
6 on January the 18th, 2007 which consists of Direct
7 Testimony of you along with exhibits SLH 1 which is a
8 report apparently tendered by (inaudible)
9 Engineering, SLH 2, which appears to be a two-page
10 document and SLH 3, which was the press release that
11 you questioned Mr. Rakocy about. Did you cause those
12 documents to be filed in this proceeding?

13 THE WITNESS: Yes.

14 JUDGE YODER: And if you were questioned, put
15 on the stand and asked to testify in this Docket
16 today, would your testimony be the same?

17 THE WITNESS: Yes.

18 JUDGE YODER: And are you asking that those
19 exhibits -- I will mark those as -- the Direct as
20 Intervenor 1.0 and the Rebuttal as Intervenor 2.0,
21 would you be moving of those, that testimony and
22 those exhibits into evidence on this date?

1 MS. HARTMAN: Yes, your Honor.

2 JUDGE YODER: I'll rule on that, subject to
3 cross-examination.

4 Mr. Rooney, do you have any Cross of
5 Ms. Hartman?

6 MR. ROONEY: No questions and no objections.

7 JUDGE YODER: Ms. Von Qualen, do you have any
8 questions of Miss Hartman?

9 MS. Von QUALEN: Staff has no questions and no
10 objection.

11 JUDGE YODER: All right, then, Miss Hartman,
12 your Intervenor Exhibit 1.0 with accompanying
13 Attachments A, B, and C, and Intervenor Exhibit 2.0
14 with Attachments SLH 1, 2, and 3 will be admitted
15 into evidence then in this Docket.

16 (WHEREUPON, Intervenor Exhibit
17 Numbers 1.0 with attachments,
18 2.0 and attachments were
19 admitted into the record.)

20 JUDGE YODER: Do you have any other evidence to
21 present in this Docket today, Miss Hartman?

22 MS. HARTMAN: I had some evidence I brought

1 with me like that loan and that, but can I -- can
2 I -- I mean -- I can't enter it.

3 JUDGE YODER: Well, you can try. You've asked
4 Mr. Rakocy some questions about it. If you wish to
5 present some additional evidence. I mean, that will
6 be subject to challenge because you had the dates for
7 pre-filing the testimony.

8 MS. HARTMAN: Ummm, I would like these two to
9 be entered into evidence.

10 MS. Von QUALEN: Could we look at those?

11 (So complied with request.)

12 JUDGE YODER: Did you have something else you
13 wish to testify about?

14 MS. HARTMAN: Ummm, does it have to be
15 according to our Rebuttal and based on our Rebuttals
16 and our Direct Testimony or can it be new?

17 JUDGE YODER: Well, I won't know until I hear
18 it and then hear any objections, whether it's proper
19 evidence to come in.

20 MS. HARTMAN: I know, I guess not. I guess it
21 would be for Briefs as my opinion or a question,
22 right?

1 JUDGE YODER: Yes. We will have briefing. The
2 parties will brief their positions after we're done
3 today. We will set the briefing schedule. And
4 that's basically the time for the Parties to present
5 their arguments based on the evidence in the Docket.

6 MS. Von QUALEN: About those exhibits, Staff
7 has no objection to those exhibits being entered.

8 MR. ROONEY: I agree, if you want to have those
9 admitted as Cross exhibits.

10 JUDGE YODER: Okay. Since there is no -- I
11 don't know what they are - but since the Parties
12 don't have any objection and they might clarify maybe
13 perhaps some of the questioning.

14 MR. ROONEY: Maybe just for the sake of clarity
15 then, Miss Hartman. One document looks like it's off
16 the web page from the IEPA which is just tests of the
17 public water supply with a loan program.

18 MS. HARTMAN: Right.

19 MR. ROONEY: And then the second document is
20 actually four pages also from the IEPA off their web
21 site which is the TCR sample results for the water
22 system main in Manteno and Kankakee County; is that

1 correct?

2 MS. HARTMAN: Correct.

3 JUDGE YODER: Well, for clarification we'll
4 have those marked as Intervenor Cross Exhibits 1 and
5 2. And with no apparent objection, those will be
6 allowed into evidence.

7 MS. HARTMAN: Could I add something into
8 evidence by saying now of my discussion with the EPA?

9 JUDGE YODER: Well --

10 MS. HARTMAN: Or would that go for Briefs?

11 JUDGE YODER: Well, you can indicate what
12 you're going to testify to and then I'll hear whether
13 there's any objections to it.

14 Are you indicating you wish to testify
15 about a conversation you had with a representative of
16 the Illinois Environmental Protection Agency?

17 MS. HARTMAN: Yes. I'll hold that for my
18 Brief, I guess.

19 MR. ROONEY: Maybe from Aqua's perspective,
20 your Honor, there's probably a problem under either
21 scenario where we would have an objection to it.

22 Obviously, I understand, but clearly

1 this is an opportunity where we wouldn't have any --

2 JUDGE YODER: The difficulty of what you want
3 to testify about is what we would call generally
4 hearsay.

5 If you want to testify to an
6 out-of-court statement you had with some else and
7 that person is not here for Aqua or Staff to
8 cross-examine.

9 MS. HARTMAN: Oh, okay.

10 JUDGE YODER: If you were going to talk about
11 what you and this other person had --

12 MS. HARTMAN: Right.

13 JUDGE YODER: -- (continuing) I would probably
14 have to sustain an objection to that on hearsay
15 grounds.

16 Anything else?

17 MS. HARTMAN: No, your Honor.

18 MS. Von QUALEN: I would also like to say for
19 the Briefs, it should be clear that the Briefs are
20 not for new evidence. The Briefs to argue the
21 evidence that's already in the record.

22 So it would be better not to raise any

1 new facts in the Brief but simply cite the record and
2 make your arguments based upon the testimony that's
3 already been put into the record.

4 MS. HARTMAN: Thank you.

5 JUDGE YODER: You rest then, Miss Hartman?

6 MS. HARTMAN: Yes, your Honor.

7 JUDGE YODER: And I don't think she really had
8 any testimony, so I assume there's no Recross.

9 So unless anyone has anything else, I
10 think we'll have the record marked heard and taken,
11 and then we'll have a discussion probably off the
12 record just to set a briefing schedule.

13 Well, I've have the record marked
14 heard and taken and we'll go off the record to
15 discuss times for people to get their briefs on file.

16 And we should probably make some
17 copies of that of those Cross Exhibits and hand those
18 be around.

19 (Whereupon said document was
20 duly marked for purposes of
21 identification as Intervenor
22 Cross Exhibit 1 and 2, as of

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this date.)

(WHEREUPON, there was then had
an off-the-record discussion.)

JUDGE YODER: Following a discussion off the
record, the Parties have come to an agreement for a
briefing schedule which is agreeable.

As indicated the Parties will file
initial post-hearing briefs by March 22, 2007. Reply
Briefs, post-hearing reply briefs will be filed by
April 5, 2007.

Any Parties that wish to file a
Proposed Order or Proposed Draft Order can file that
by the Reply Brief date of April 5, 2007.

And we've had a discussion with
Miss Hartman about our basic procedures and indicated
that when the Proposed Order goes out, there will be
a two-week period for Parties to file any exceptions
thereto to the Proposed Order.

And none of the Parties really feel
and I do not feel that a Reply Brief exceptions date
needs set. So we will only have one round of
post-order Reply Briefs. And that deadline will be

1 two weeks after the Proposed Order is filed.

2 Any questions, Mr. Rooney?

3 MR. ROONEY: No, your Honor.

4 JUDGE YODER: Ms. Von Qualen?

5 MS. Von QUALEN: No.

6 JUDGE YODER: Any questions based on that?

7 THE WITNESS: I have none.

8 JUDGE YODER: Well, all right then, unless
9 somebody has something, I think we're done for today.

10 So as indicated, the record will be
11 marked heard and taken, and I will await the Parties'
12 Briefs.

13 (Which were all the proceedings
14 had in this cause.)

15 HEARD AND TAKEN

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