

REBUTTAL TESTIMONY

of

Cheri L. Harden  
Rate Analyst

Rates Department  
Financial Analysis Division  
Illinois Commerce Commission

Proposed General Increase in Water and Sewer  
Rates for the Hawthorn Woods and Willowbrook Divisions  
and  
Proposed General Increase for Water  
Rates for the Vermilion Division

Docket Nos. 07-0620/07-0621/08-0067 (Cons.)

July 14, 2008

1 **Q. Would you please state your name and business address?**

2 A. My name is Cheri L. Harden. I am employed by the Illinois Commerce  
3 Commission ("ICC" or "Commission"). My business address is 527 East Capitol  
4 Avenue, Springfield, Illinois 62701.

5  
6 **Q. Are you the same Cheri Harden who filed direct testimony in this case?**

7 A. Yes.

8  
9 **Q. What is the purpose of your rebuttal testimony?**

10 A. The purpose of my rebuttal testimony is to respond to the rebuttal testimony of  
11 Aqua Illinois, Inc. ("Aqua" or "Company") witness David Monie in Aqua Ex. 7.0.  
12 In my direct testimony (ICC Staff Ex. 5.0, pp. 6-7), I stressed the importance of a  
13 cost of service study (COSS) as directed by the final order of Aqua's previous  
14 rate case, Docket Nos. 05-0071 and 05-0072. The Company complied with filing  
15 a COSS in response to Data Request CLH 1.01. The Company then filed, on  
16 July 2, 2008, rebuttal testimony, which included the COSS results for Hawthorn  
17 Woods Water and Willowbrook Water Districts. I will be presenting rates based  
18 on the Company's COSS which can be found on ICC Staff Exhibit 9.0, Schedules  
19 9.01HW and 9.02WW.

20  
21 In addition, I discuss compliance with 220 ILCS 5/8-306(h) of the Act, which I  
22 also discussed in my direct testimony.

23

24 **Q. Does Company witness Monie propose rates based on the COSS results?**

25 A. No. The Company continues to indicate that the vast majority of customers in  
26 the smaller divisions are similar in nature and preparing a traditional COSS would  
27 provide little benefit. (Aqua Ex. 7.0, p. 3.) Aqua continues to propose to increase  
28 all existing rates on an across-the-board basis based on the 35% rate increase  
29 cap.

30

31 **Q. Do you agree with the Company's proposal at this time?**

32 A. No, I believe the rates should be based on the COSS as I stated in my direct  
33 testimony, ICC Staff Exhibit No. 5.0 at pages 6 - 7. In addition, in Aqua's  
34 previous rate case, Docket Nos. 05-0071 and 05-0072, the Commission in its  
35 final Order at page 56 stated the following:

36 The Commission recognizes that this case involves relatively small  
37 operating divisions of Aqua with somewhat unusual operating  
38 characteristics, that the conduct of cost of service studies is not  
39 cost free, and that the level of costs incurred to undertake this rate  
40 case is a concern here and could be an issue in future rate cases.  
41 Nevertheless, the Commission is dissatisfied with the cost of  
42 service and rate design presentations in this proceeding and  
43 prefers not being forced to establish just and reasonable rates in  
44 the total absence of cost of service information.

45  
46 Therefore, I am presenting rates based on COSS for the Commission's  
47 information as requested in the previous order.

48

49 **Q. What rates do you propose for Hawthorn Woods water customers based on**  
50 **the COSS?**

51 A. Based on the Company's COSS, the results show that a customer charge of  
52 \$13.50 is appropriate, which is less than the current charge of \$15.00. Rather  
53 than decrease the customer charge for Hawthorn Woods Water District, I  
54 recommend that the customer charge remain at the current rate of \$15.00.

55  
56 The fire protection charge should increase from \$5.00 to \$35.32 based on the  
57 COSS. Full COSS would induce possible rate shock to these customers. The  
58 Company proposed a 35% increase to \$6.75 per month. In Aqua's rebuttal  
59 Schedule 7.2, pp. 1 – 2, it states that as the system grows the indicated fire  
60 protection charges will be reduced. Therefore, I recommend a smaller increase  
61 in the fire protection charge rather than full COSS. I recommend setting the fire  
62 protection charge at \$7.50, which is a 50% increase.

63  
64 Based on my proposal to keep the customer charge at the present rate and  
65 increase the fire protection charge by 50%, the usage charge would also  
66 increase by almost 50% in order to recover the total operating revenue minus  
67 Other Revenue of \$2,098 from Schedule A-3 of the Company's filing. I have also  
68 included the agreed upon rate for Municipalities for Resale Service which does  
69 not have a revenue impact at this time.

70  
71 My proposed rates for Hawthorn Woods Water District are shown on Schedule  
72 9.01 HW.

73

74 **Q. What rates would you propose for Willowbrook water customers based on**  
75 **the COSS?**

76 The Willowbrook COSS shows the 5/8 inch meter customer charge should be set  
77 at \$14.92. The current 5/8 inch meter customer charge is \$5.65. I recommend  
78 the 5/8 inch meter customer charge increase to \$10 which is a 77% increase.  
79 This will move these customers toward COSS but not induce as great a rate  
80 shock as setting the customer charge at \$14.92.

81

82 Fire protection charges in other areas of the Aqua Illinois system range from  
83 \$1.37 to \$43.25 for the 5/8 inch meters. When compared to this range of other  
84 fire protection charges, the current fire protection charge for Willowbrook  
85 customers is below the least amount paid by an Aqua customer at 59 cents for  
86 5/8 inch meter customers and gradually increasing to \$2.93 for other meter sizes.

87 I recommend setting the fire protection charge at \$3.50 for 5/8 inch meter  
88 customers. My proposed rate will move these customers in the direction of the  
89 COSS as well as in range of other Aqua customer fire protection charges.

90

91 The Company currently charges \$3.78 per 1,000 gallons of water used up to  
92 10,000 gallons and \$1.66 for any use over 10,000 gallons. Based on my  
93 proposals for the customer charge and the fire protection charges, the usage  
94 charges would both increase by about 14% each in order to recover the total

95 operating revenue minus Other Revenue of \$5,399 from Schedule A-3 of the  
96 Company's filing.

97  
98 My proposed rates for Willowbrook Water District are shown on Schedule 9.02  
99 WW.

100

101 **Q. Are their other issues you wish to address?**

102 A. Yes. In my direct testimony, I discuss the mandate of Section 220 ILCS 5/8-  
103 306(h) of the Act to establish a sewer rate that applies only to those customers  
104 who use less than 1,000 gallons of water in any billing period. In Data Request  
105 Responses CLH-W-S-4.01 and CLH-HW-S-4.01, the Company has stated that  
106 Aqua has not established a rate that applies only to those customers who use  
107 less than 1,000 gallons of water in any billing period because this situation does  
108 not exist in the Hawthorn Woods and Willowbrook Sewer Divisions. (ICC Staff  
109 Ex. 5.0, p. 12.) The Company does not address this subject in their rebuttal  
110 testimony.

111

112 **Q. What is your recommendation?**

113 A. Based on my counsel's advice, I recommend that the Company propose a  
114 tariffed rate in surrebuttal testimony for both the Hawthorn Woods and  
115 Willowbrook Sewer Divisions. The law does not allow for an exception to be

116 made if certain customers do not exist yet, it simply states that a rate must be  
117 established.

118  
119 Aqua's sewer tariff does not distinguish between collection only customers and  
120 collection and treatment customers. It appears that the law requires that if there  
121 is a distinction between these rates then the Company should have two distinct  
122 rates, one for collection and treatment customers and one for collection only  
123 customers, that meet the standard of the law.

124  
125 A response by Staff or parties to this rate would have to be provided at the  
126 hearing or in briefs since the proceeding has progressed so far without rate  
127 proposals from the Company.

128  
129 I also recommend that in the next rate case filed by Aqua that this rate, and all  
130 proposed rates, be fully analyzed, documented and supported in the initial filing  
131 of the rate case to the Commission.

132

133 **Q. Does this conclude your rebuttal testimony in this proceeding?**

134 A. Yes, it does.

### RATE DESIGN ANALYSIS

<b>WATER</b>	Company Present			Company Proposed			% increase over Present	Staff Proposed			% increase over Present
	Billing Units	Rate	Revenue	Billing Units	Rate	Revenue		Billing Units	Rate	Revenue	
<b>CUSTOMER CHARGE</b>											
	3,335	\$15.00	\$50,025	6,933	\$20.25	\$140,393	35%	6,933	\$15.00	\$103,995	0.0%
SUBTOTAL			\$50,025			\$140,393				\$103,995	
<b>METERED CHARGES</b>											
all water per 1,000 gallons of water used	43,628	\$2.85	\$124,340	83,641	\$3.85	\$322,018	35%	83,641	\$4.24	\$354,638	48.8%
Municipalities for Resale Service	0	\$0.00	\$0	0	\$2.4329	\$0		0	\$2.4329	\$0	
SUBTOTAL			\$124,340			\$322,018				\$354,638	
SUBTOTAL Customer & Usage charges			\$174,365			\$462,411				\$458,633	
<b>Fire Charges</b>											
	3,263	\$5.00	\$16,317	4,153	\$6.75	\$28,033	35%	4,153	\$7.50	\$31,148	50.0%
SUBTOTAL			\$16,317			\$28,033				\$31,148	
<b>TOTAL OPERATING REVENUE</b>											
			\$190,682			\$490,444				\$489,780	

## RATE DESIGN ANALYSIS

<b>WATER</b>	Company Present			Company Proposed			% increase	Staff Proposed			% increase
	Billing Units	Rate	Revenue	Billing Units	Rate	Revenue	over Present	Billing Units	Rate	Revenue	over Present
<b>CUSTOMER CHARGE</b>											
5/8 inch meter	10,395	\$5.65	\$58,732	12,718	\$7.63	\$97,038	35%	12,718	\$10.00	\$127,180	77.0%
3/4 inch meter	511	\$13.00	\$6,643	511	\$17.55	\$8,968	35%	511	\$23.00	\$11,754	76.9%
1 inch meter	1,122	\$16.00	\$17,952	1,122	\$21.60	\$24,235	35%	1,122	\$28.31	\$31,763	76.9%
1 1/2 inch meter	12	\$30.00	\$360	12	\$40.50	\$486	35%	12	\$53.08	\$637	76.9%
2 inch meter	0	\$45.00	\$0	0	\$60.75	\$0	35%	0	\$79.62	\$0	76.9%
3 inch meter	12	\$82.00	\$984	12	\$110.70	\$1,328	35%	12	\$145.09	\$1,741	76.9%
4 inch meter	0	\$134.00	\$0	0	\$180.90	\$0	35%	0	\$237.09	\$0	76.9%
6 inch meter	0	\$265.00	\$0	0	\$357.75	\$0	35%	0	\$468.87	\$0	76.9%
8 inch meter	12	\$421.00	\$5,052	12	\$568.35	\$6,820	35%	12	\$744.89	\$8,939	76.9%
10 inch meter	0	\$603.00	\$0	0	\$814.05	\$0	35%	0	\$1,066.91	\$0	76.9%
12 inch meter	0	\$932.00	\$0	0	\$1,258.20	\$0	35%	0	\$1,649.02	\$0	76.9%
SUBTOTAL			\$89,723			\$138,876				\$182,013	
<b>METERED CHARGES</b>											
first 10,000 gallons of water used	65,458	\$3.78	\$247,431	81,013	\$5.10	\$413,166	35%	81,013	\$4.31	\$349,166	14.0%
over 10,000 gallons of water used	66,800	\$1.66	\$110,888	66,800	\$2.24	\$149,632		66800	\$1.90	\$126,920	14.5%
SUBTOTAL			\$358,319			\$562,798				\$476,086	
SUBTOTAL Customer & Usage charges			\$448,042			\$701,674				\$658,099	
<b>Fire Charges</b>											
5/8 inch meter	10,395	\$0.59	\$6,133	10485	\$0.80	\$8,388	36%	10,485	\$3.50	\$36,698	493.2%
3/4 inch meter	511	\$0.88	\$450	511	\$1.19	\$608	35%	511	\$5.21	\$2,660	491.6%
1 inch meter	1,097	\$1.47	\$1,613	1097	\$1.98	\$2,172	35%	1,097	\$8.66	\$9,503	489.3%
1 1/2 inch meter & larger	24	\$2.93	\$70	24	\$3.96	\$95	35%	24	\$17.33	\$416	491.3%
SUBTOTAL			\$8,266			\$11,263				\$49,276	
<b>TOTAL OPERATING REVENUE</b>											
			\$456,308			\$712,938				\$707,376	