

DIRECT TESTIMONY

of

RICHARD W. BRIDAL II

Accounting Department  
Financial Analysis Division  
Public Utilities Bureau  
Illinois Commerce Commission

Aqua Illinois, Inc.

Annual Reconciliation of Qualifying Infrastructure Plant Surcharge

Docket No. 09-0145

December 18, 2009

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ILLINOIS  
COMMERCE COMMISSION

1 **Witness Identification**

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

3 A. My name is Richard W. Bridal II. My business address is 527 East Capitol  
4 Avenue, Springfield, Illinois 62701.

5

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

7 A. I am an Accountant in the Accounting Department of the Financial Analysis  
8 Division of the Illinois Commerce Commission ("ICC" or "Commission").

9

10 **Q. Please describe your background and professional affiliations.**

11 A. I am a Certified Public Accountant with a Bachelor of Business in Accountancy  
12 from Western Illinois University, and am a member of the Illinois CPA Society.  
13 Prior to joining the Commission Staff ("Staff") in October 2008, I was employed  
14 for 8 years as an auditor by the Medicare Part A Fiscal Intermediary for Illinois.

15

16 **Q. Have you previously testified before any regulatory bodies?**

17 A. Yes, I have testified before the Commission on several occasions.

18

19 **Purpose of Testimony**

20 **Q. What are your responsibilities in this case?**

21 A. I have been assigned to this case by the Manager of the Accounting Department  
22 of the Commission. I am to review Aqua Illinois, Inc.'s ("Aqua" or "Company")

23 reconciliation filing, analyze the underlying data and make recommendations as  
24 appropriate.

25

26 **Q. What is the purpose of your testimony?**

27 A. The purpose of my testimony is to report the results of my review of  
28 Aqua's Qualifying Infrastructure Plant Surcharge ("QIP Surcharge") for the year  
29 ending December 31, 2008 as provided in Aqua's Petition and in Aqua Exhibit  
30 1.0, titled the Direct Testimony of Paul J. Hanley.

31

32 **Q. Describe the Aqua rate areas that have a QIP Surcharge.**

33 A. For the 2008 reconciliation year, the Company has two rate areas that had a QIP  
34 Surcharge: Kankakee and Vermilion. In prior reconciliation periods Aqua had a  
35 QIP Surcharge for its Woodhaven rate area.

36

37 **Q. Is the Woodhaven rate area included in the Company's petition?**

38 A. No, as indicated in the Company's responses to Staff Data Request 2.01 through  
39 2.04, no reconciliation is required for the Woodhaven area consequent to its sale  
40 to a non-regulated party, as approved by the Commission in its July 16, 2008  
41 Order in ICC Docket No. 08-0281, dated July 16, 2008.

42

43 **Schedule Identification**

44 **Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 1.0?**

45 A. Yes. I am sponsoring the following schedules:

46	Schedule 1.1 (K), (V)	Qualifying Infrastructure Plant Surcharge
47		Reconciliation
48	Schedule 1.2 (V)	Adjustment to Commission-Ordered 2007 O
49		Factor
50		

51 **Q. Please explain the “(K)” and “(V)” suffixes which appear in your schedule**  
52 **numbers.**

53 A. The Company has two rate areas that had a QIP Surcharge during the 2008  
54 reconciliation year: Kankakee and Vermilion. The “(K)” suffix identifies a  
55 schedule that pertains to the Kankakee rate area QIP Surcharge. The “(V)”  
56 suffix identifies a schedule that pertains to the Vermilion rate area QIP  
57 Surcharge.

58

59 **Qualifying Infrastructure Plant Surcharge Reconciliation**

60 **Q. Please explain Schedules 1.1 (K) and 1.1 (V), Qualifying Infrastructure Plant**  
61 **Surcharge Reconciliation.**

62 A. Schedules 1.1 (K) and 1.1 (V) presents the Company’s reconciliation of the  
63 components for the Kankakee and Vermillion service areas in which the  
64 qualifying infrastructure plant surcharge was administered for the calendar year  
65 2008, my adjustment to the Company’s reconciliation, and my proposed  
66 reconciliation. Schedule 1.1 (K) shows that for 2008, the Company over-  
67 collected for its Kankakee service area qualifying infrastructure plant surcharge.  
68 Schedule 1.1 (V) shows that for 2008, the Company under-collected for its  
69 Vermillion service area qualifying infrastructure plant surcharge.

70

71 **Q. Has the Company reflected these amounts in its surcharge rate for 2009?**

72 A. With the exception of the adjustment that I am proposing to the Company's  
73 Vermillion service area reconciliation, the Company has properly reflected the  
74 these amounts in its 2009 purchased water surcharge rate.

75  
76 **Q. Please explain Schedule 1.2 (V), Adjustment to Commission-Ordered 2007  
77 O Factor.**

78 A. Schedule 1.2 (V) presents my adjustment to eliminate the O Factor presented in  
79 the Company's 2007 reconciliation. In its reconciliation, the Company errs by  
80 presenting the 2006 O Factor (\$56,837 + interest = \$60,389 refund) in place of  
81 the Commission-ordered 2007 O Factor (\$0). The final Order in Docket No. 08-  
82 0207 (the 2007 reconciliation), dated January 13, 2009, did not order an O  
83 Factor for 2007. My adjustment removes the O Factor presented by the  
84 Company.

85  
86 **Q. Does the Company object to the adjustment proposed in your Schedule 1.2  
87 (V)?**

88 A. No. As indicated in the Company's revised response to Staff Data Request 2.06,  
89 the Company accepts this adjustment.

90

91 **Recommendation**

92 **Q. What is your recommendation to the Commission?**

93 A. I recommend that the Commission approve the QIP Surcharge reconciliation as  
94 presented on my Schedule 1.1 (K) & (V) for the Kankakee and Vermillion rate  
95 areas. I also recommend that the \$60,389 O Factor be recovered from  
96 ratepayers in the Vermillion rate area, and should include an interest component  
97 in accordance with 83 Ill. Adm. 656.60(b). The recovery of the O Factor and  
98 interest should be accomplished by its inclusion as part of the qualifying  
99 infrastructure plant surcharge calculated with the first information sheet that the  
100 Company files subsequent to the Order in this Docket.

101

102 **Q. Does this question conclude your prepared direct testimony?**

103 A. Yes.

Aqua Illinois, Inc.  
 Qualifying Infrastructure Plant Surcharge Reconciliation  
 For the Year ended December 31, 2008

Line No.	Description (A)	Amount Per Company (B)	Staff Adjustment (C)	Amount Per Staff Col. (B)+(C) (D)	Source (E)
1	(Over)/Under Balance Carried Forward at 12/31/07	\$ (994)	\$ -	\$ (994)	1
2	Commission-Ordered 2007 O Factor	-	-	-	1
3	(Over)/Under Recovery from Prior Periods (Line 1 + Line 2)	\$ (994)	\$ -	\$ (994)	
4	2008 Average Cost of Allowable Investment in Qualifying Infrastructure Plant	1,669,278	-	1,669,278	2
5	Authorized Rate of Return	12.49%	-	12.49%	3
6	Authorized Return on QIP (Line 4 x Line 5)	\$ 208,493	\$ -	\$ 208,493	4
7	Allowable Depreciation	163,744	-	163,744	2
8	2008 QIP Revenue	441,235	-	441,235	5
9	(Over)/Under Recovery Balance at December 31, 2008 (Line 3 + Line 6 + Line 7 - Line 8)	\$ (69,992)	\$ -	\$ (69,992)	
10	Less 2008 R Factor to be (Refunded)/Recovered in 2009 rates	(69,992)	-	(69,992)	4
11	2008 O Factor to be (Refunded)/Recovered in 2010 (Line 9 - Line 10)	\$ 0	\$ -	\$ 0	

Sources:

- 1 Order, Docket No. 08-0207, dated January 13, 2009
- 2 Aqua Exhibit A, Schedule (f)(1)
- 3 Order, Docket No. 08-0067, dated November 13, 2008
- 4 Aqua Exhibit A, Schedule (f)(3)/(h)(4)
- 5 Aqua Exhibit A, Schedule (f)(2)

**Aqua Illinois, Inc.**  
**Qualifying Infrastructure Plant Surcharge Reconciliation**  
**For the Year ended December 31, 2008**

Line No.	Description (A)	Amount Per Company (B)	Staff Adjustment (C)	Amount Per Staff Col. (B)+(C) (D)	Source (E)
1	(Over)/Under Balance Carried Forward at 12/31/07	\$ (127,694)	\$ -	\$ (127,694)	1
2	Commission-Ordered 2007 O Factor	<u>(60,389)</u>	<u>60,389</u>	<u>(0)</u>	1
3	(Over)/Under Recovery from Prior Periods (Line 1 + Line 2)	\$ (188,083)	\$ 60,389	\$ (127,694)	
4	2008 Average Cost of Allowable Investment in Qualifying Infrastructure Plant	5,089,011	-	\$ 5,089,011	2
5	Authorized Rate of Return	<u>12.49%</u>	<u>-</u>	<u>12.49%</u>	3
6	Authorized Return on QIP (Line 4 x Line 5)	\$ 635,617	\$ -	\$ 635,617	4
7	Allowable Depreciation	157,913	-	157,913	2
8	2008 QIP Revenue	<u>558,854</u>	<u>-</u>	<u>558,854</u>	5
9	(Over)/Under Recovery Balance at December 31, 2008 (Line 3 + Line 6 + Line 7 - Line 8)	\$ 46,593	\$ 60,389	\$ 106,982	
10	Less 2007 R Factor to be (Refunded)/Recovered in 2009 rates	<u>46,593</u>	<u>-</u>	<u>46,593</u>	4
11	2008 O Factor to be (Refunded)/Recovered in 2010 (Line 9 - Line 10)	<u>\$ (0)</u>	<u>\$ 60,389</u>	<u>\$ 60,389</u>	

Sources:

- 1 Order, Docket No. 08-0207, dated January 13, 2009
- 2 Aqua Exhibit B, Schedule (f)(1)
- 3 Order, Docket No. 08-0067, dated November 13, 2008
- 4 Aqua Exhibit B, Schedule (f)(3)/(h)(4)
- 5 Aqua Exhibit B, Schedule (f)(2)

Aqua Illinois, Inc.  
Adjustment to Commission - Ordered 2007 O Factor  
For the Year ended December 31, 2008

<u>Line No.</u>	<u>Description (A)</u>	<u>Amount (B)</u>	<u>Source (C)</u>
1	Commission-ordered 2007 O Factor	\$ -	Order, Docket No. 08-0207, dated January 13, 2009
2	O Factor per Company	<u>(60,389)</u>	Company Petition, Exhibit B, Schedule (f)(3) / (h)(4)
3	Staff Adjustment	<u>\$ 60,389</u>	Line 1 - Line 2

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

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AQUA ILLINOIS, INC. :  
: 09-0145  
Petition for Initiation of Reconciliation Hearing. :

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NOTICE OF FILING

TO ATTACHED SERVICE LIST:

**YOU ARE HEREBY NOTIFIED** that we have, on this 18<sup>th</sup> day of December 2009 forwarded to the Chief Clerk of the Illinois Commerce Commission for filing in the above-captioned docket, the Direct Testimony of Richard Bridal of the Financial Analysis Division, Accounting Department, a copy of which is hereby served upon you.

  
Steven R. Knepler  
Supervisor  
Accounting Department  
527 East Capitol Avenue  
Springfield, IL 62701

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CERTIFICATE OF SERVICE

**I HEREBY CERTIFY THAT** copies of the foregoing Notice, together with the documents referred to therein, were served upon the parties on the attached Service List, by messenger, electronic mail, facsimile and/or first-class mail, proper postage prepaid from Springfield, Illinois, on this 18<sup>th</sup> day of December 2009.

  
Steven R. Knepler  
Supervisor  
Accounting Department

**AQUA ILLINOIS, INC.  
Docket No. 09-0145  
Service List**

Kimberly A. Joyce  
Aqua America, Inc.  
762 W. Lancaster Avenue  
Bryn Mawr, PA 19010-3489

Terry J. Rakocy  
Aqua Illinois, Inc.  
1000 S. Schuyler Avenue  
Kankakee, IL 60901

**ILLINOIS COMMERCE COMMISSION**

Douglas E. Kimbrel, Administrative Law Judge  
Richard Bridal, Case Manager, Accounting Department  
Steven Knepler, Case Staff, Accounting Department  
Bill Atwood, Case Staff, Water Department