

DIRECT TESTIMONY

of

BURMA C. JONES

Accountant
Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Whispering Hills Water Company

Proposed General Increase in Water Rates

Docket No. 10-0110

April 28, 2010

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1 Witness Identification

2 Q. Please state your name and business address.

3

4 A. My name is Burma C. Jones. My business address is 527 East Capitol
5 Avenue, Springfield, Illinois 62701.

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

7

8 A. I am currently employed as an Accountant in the Accounting Department
9 of the Financial Analysis Division of the Illinois Commerce Commission
10 ("Commission").

11 Q. Please describe your professional background and affiliations.

12

13 A. I am a licensed Certified Public Accountant with a Bachelor of Arts in
14 Accountancy from Sangamon State University, which is now known as the
15 University of Illinois at Springfield. I joined the Staff of the Illinois
16 Commerce Commission ("Staff") in October 1999. My prior accounting
17 experience includes five years as the Assistant Controller for a mid-size
18 retail business and two and one-half years on the accounting staff of the
19 Illinois Office of the Comptroller.

20 Q. Have you previously testified before any regulatory bodies?

21

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

23 Q. What is the purpose of your testimony in this proceeding?

24

25 A. I have reviewed and analyzed Whispering Hills Water Company's
26 ("Whispering Hills" or "Company") filing, and the underlying data. The
27 purpose of my testimony is to propose adjustments to 1) maintenance and
28 general expenses, 2) add-on taxes, 3) rate case expense, 4) test year
29 expenses, 5) the WSC allocation factor, 6) operations employee expenses
30 and 7) corporate employee expenses. Also, I recommend that the
31 Company recover the Gross Revenues tax through a separate charge on
32 customers' bills and establish procedures to ensure that the Equivalent
33 Residential Connections ("ERC") value for each customer, which forms
34 the basis for the allocation of costs from Water Service Corporation, is
35 correct.

36 Schedule Identification

37 Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 2.0?

38

39 A. Yes, I prepared the following schedules for the Company, which show
40 data as of, or for the test year ended, December 31, 2008:

62 Expense Adjustments to disallow the increases to test year expenses that
63 are based on an inflation factor. Pro forma adjustments to an historical
64 test year should be based upon known and measurable changes. Inflation
65 factors are not known and measurable. The Commission's practice
66 regarding the use of inflation factors in a historical test year is set forth in
67 83 Ill. Adm. Code 287.40:

68 A utility may propose pro forma adjustments.....to the selected
69 historical test year for all known and measurable changes in the
70 operating results of the test year. Attrition or inflation factors
71 shall not be substituted for a specific study of individual capital,
72 revenue and expense components.

73 The Company's pro forma adjustments for inflation based on the
74 Consumer Price Index are not appropriate pro forma adjustments under
75 the Commission's rule.

76 Add-On Taxes

77 Q. Please describe Schedule 2.2, Adjustment to Add-On Taxes.

78

79 A. Schedule 2.2 presents my proposed adjustment to operating expense to
80 remove public utility taxes from the revenue requirement. The taxes,
81 which are an add-on charge to customers' bills, are not an actual
82 operating expense of the utility and, therefore, should not be included in
83 tariffed rates.

84 Q. Is the Company allowed to recover its Gross Revenues tax liability from
85 customers?

86

87 A. Yes. The Gross Revenues tax is one of the taxes imposed upon a public
88 utility that the Illinois Public Utilities Act (“Act”) permits the utility to charge
89 to its customers, in addition to any rate authorized by the Act.¹ Further,
90 such additional charge should be shown separately on the utility bill to
91 each customer,² which the Company’s new billing system would allow it to
92 do.³

93 Q. Do you have a recommendation regarding recovery of the Gross
94 Revenues tax?

95

96 A. I recommend that the Company proceed in an expeditious manner to
97 make the arrangements necessary to collect the Gross Revenues tax as a
98 separate charge on customers’ bills when the rates approved in this
99 docket go into effect. In conjunction with this change, the Company
100 should add the following language to its tariff.

101

¹ 220 ILCS 5/9-222

² *Id.*

³ Rebuttal testimony of Steven Lubertozi, Docket Nos. 09-0548 & 09-0549 (Cons.), ACUC-LWUC Ex. No. 4.0, p. 5.

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ANNUAL GROSS REVENUE TAX RECOVERY CHARGE

Section 9-222 of "The Public Utilities Act," as amended, authorizes a utility to recover from its Customers its liabilities to the State of Illinois for Public Utility Annual Gross Revenue Tax imposed by Section 2-202 of "The Public Utilities Act," as amended. Pursuant to Section 9-222, the Company shall charge an Additional Charge for the Public Utility Annual Gross Revenue Tax equal to 0.1 % of all billings under this rate schedule except for (a) this Additional Charge for Public Utility Annual Gross Revenue Tax, (b) the Additional Charge for any Municipal Utility Tax, and (c) any other billings and billing items excluded from the base of the Public Utility Annual Gross Revenue Tax.

115

Rate Case Expense

116

Q. Please describe Schedule 2.3, Adjustment to Rate Case Expense.

117

118

A. Schedule 2.3 presents my proposed adjustment to rate case expense (1) to decrease the cost of Water Service Corporation ("WSC") personnel, (2) to adjust the estimate for the consulting fee for Steve Lubertozi and AUS Consultants, and (3) to change the amortization period for rate case expense to five years from the three years proposed by the Company.

119

120

121

122

123

Q. Please explain why you are decreasing rate case expense for WSC personnel.

124

125

126

A. I am decreasing the expense for WSC personnel to eliminate what I believe is double recovery of salary, payroll tax and benefits expense.

127

128 Q. Please explain why you believe that, without your adjustment, there would
129 be double recovery of employee costs.

130

131 A. Employee costs are generally recoverable as test year expenses,
132 irrespective of the duties the employees are performing. Without my
133 adjustment, the Company would recover the cost of the employees as test
134 year salary, payroll taxes, and benefits expenses as well as rate case
135 expense.

136 Q. Please explain the mechanics of your adjustment.

137

138 A. If the allocated test year amount of salary, payroll taxes and benefits for
139 an employee is greater than the amount of claimed rate case expense, the
140 rate case expense is zero. If the allocated test year amount of salary,
141 payroll taxes and benefits for an employee is less than the amount of rate
142 case expense, the rate case expense is the difference. Put another way,
143 the rate case expense for each employee equals the incremental amount
144 over what the Company would recover as test year employee costs.

145 Q. Please explain why you are adjusting the estimate for the consulting fee
146 for Steve Lubertozzi.

147

148 A. Mr. Lubertozi was an employee of Water Service Corporation during the
149 test year. At the inception of this rate case Mr. Lubertozi was employed
150 as a consultant, but as of December 31, 2009 he again became an
151 employee of WSC. I am allowing the costs for his consulting services, but
152 rate case costs incurred as an employee will be treated similarly to other
153 WSC employee rate case costs.

154 Q. Please explain why you are adjusting the estimate for the consulting fee
155 for AUS Consultants.

156

157 A. I am adjusting the estimate for the consulting fee for AUS Consultants to
158 reflect the fact that Ms. Ahern did not file direct testimony in this case.
159 While it is possible that Ms. Ahern could file rebuttal testimony in this case,
160 I am aware that the majority of her rebuttal testimony in Docket Nos. 09-
161 0548 & 09-0549 (Cons.) was stricken. In that case, as in this case, Ms.
162 Ahern also did not file direct testimony.

163 Q. Please explain why you are proposing a five-year amortization period for
164 rate case expense.

165

166 A. Because rates set in this proceeding will be in effect until the next rate
167 case, I believe that a five-year amortization period is more appropriate

168 than the three-year period proposed by the Company. Previous rate
169 cases for Whispering Hills were filed in 1994, 1984, 1982, 1980 and 1977
170 or, on average, every 5 ½ years. Another fact that suggests a longer
171 amortization period is more appropriate is that Utilities, Inc. owns 24
172 companies in Illinois and an additional 63 companies in other states. It
173 would need to file eight rate cases per year just in Illinois to keep the
174 Illinois companies on a three-year cycle. I am not aware that Utilities, Inc.
175 has maintained a three-year rate case cycle for any of its Illinois
176 Companies. Presumably, there is a limit to the resources that it has
177 available to devote to rate cases.

178 Q. Would the Company fail to recover any of the rate case expense approved
179 by the Commission in the instant proceedings if it filed a rate case in fewer
180 than five years?

181

182 A. No, it would not. It has been the practice of the Commission to allow
183 unamortized rate case expense to be recovered through rates approved in
184 a successive rate case. However, there is no procedure in place for
185 refunding an over-recovery of rate case expense to customers if the
186 amortization period is too short. It is reasonable to expect that rates
187 established in the instant proceeding will be in effect longer than three
188 years and that a five-year amortization period is more representative of

189 the period for which the approved rates will be in effect.

190 Test Year Expenses

191 Q. Please describe Schedule 2.4, Adjustment to Test Year O&M and General
192 Expenses.

193

194 A. Schedule 2.4 presents my proposed adjustment to test year O&M and
195 General Expenses to reflect a more reasonable level of expense to
196 include in base rates. In its Annual Reports to the Commission, Form
197 22ILCC, Whispering Hills reported the following for Total Operation and
198 Maintenance Expenses for each of the years listed:

2004	\$365,280
2005	\$403,321
2006	\$474,787
2007	\$588,852
2008	\$607,134

199 Q. What is the basis for your proposed adjustment?

200

201 A. The basis for my proposed adjustment is the five-year average of
202 expenses reported by the Company to the Commission on Form 22ILCC
203 for the years 2004 through 2008. The gross adjustment is the difference

204 between the five-year average and the test year expenses on Company
205 Schedule B. The net adjustment reflects the removal of the overlapping
206 effect of other staff adjustments to test year expenses.

207 Q. Why do you believe it is reasonable to propose this adjustment to the test
208 year?

209

210 A. I believe the adjustment is reasonable because it mitigates material
211 changes that began in 2006 and influenced test year expenses. The
212 Company's response to Staff data request BCJ 7.01 in Docket Nos. 09-
213 0548 and 09-0549 (Consolidated), which is provided as Attachment A to
214 my testimony, provides the following information:

215 As explained previously, Utilities, Inc. began planning and
216 implementing a large amount of capital improvement expenditures
217 in 2006 and the staff that was added during this time was a direct
218 result of the need for personnel to manage this venture and to
219 continue to provide the best possible service to the Company's
220 customers. Since that time, the Utilities, Inc. has begun to
221 downsize its staff and consolidate positions due to the lack of
222 necessity in direct relation to the amount of capital improvements
223 that are planned for future years.

224 The test year reflects the expansion of personnel that began in 2006 but
225 not the downsizing and consolidation of positions.

226 Q. Did Utilities, Inc. undergo other changes that influenced test year
227 expenses and underscored the need for your adjustment?

228

229 A. Yes, it did. Beginning in 2006, UI embarked on Project Phoenix to update
230 its financial system and customer information system. The financial
231 system (“JDE”) was officially placed in service on December 3, 2007 and
232 the customer information system (“CC&B”) was placed in service on June
233 2, 2008. Thus, the test year was the first year of operation for JDE and
234 CC&B. The test year was also the first time the allocation methodology
235 approved by the Commission in Docket No. 08-0335 (Order entered April
236 22, 2009) was applied to the Illinois companies for rate making purposes.
237 As I stated before, I believe my adjustment is reasonable because it
238 mitigates all these material changes that began in 2006 and influenced
239 test year expenses.

240 WSC Allocation Factor

241 Q. Please describe Schedule 2.5, Adjustment to Correct WSC Allocation
242 Factor.

243 A. This adjustment corrects the amount of WSC expenses allocated to
244 Whispering Hills. Based on the ERC workpaper provided by the Company
245 in response to Staff data request JMO 1.01, the Company used an
246 incorrect allocation factor on its workpaper (p) to calculate Whispering
247 Hills share of WSC expenses. My adjustment is based on the correct
248 allocation factor from the ERC workpaper, which factor I also

249 independently calculated.

250 Operations Employee Expenses

251 Q. Please describe Schedule 2.6, Adjustment to Operations Employee
252 Expenses.

253

254 A. This adjustment recognizes known and measurable changes to test year
255 expenses due to the downsizing of staff and consolidation of positions
256 effectuated by the decrease in future capital improvements. Specifically,
257 the adjustment accounts for the change in the Regional Vice President
258 (“RVP”) that is responsible for UI’s Illinois companies, the elimination of a
259 construction inspector position, and the removal of an unfilled field
260 technician position.

261 Q. Please explain why a change in an RVP necessitates a change to test
262 year expenses.

263

264 A. The position of RVP of the Midwest/West Region, which encompasses
265 Illinois, was a position added in 2006 to accommodate the capital
266 improvement expenditures in these respective regions. This position has
267 since been eliminated and the responsibilities have been assumed by an
268 existing RVP. This organizational change had a significant impact on the
269 RVP allocation factor for the Company as the existing RVP manages a

270 much larger territory. To date, I have only been able to identify the effect
271 of the change on employee costs for the RVP position itself. I have an
272 outstanding data request to identify other employees who are affected by
273 the RVP change. I will update this adjustment in rebuttal if the Company's
274 response warrants a change.

275 Corporate Employee Expenses

276 Q. Please describe Schedule 2.7, Adjustment to Corporate Employee
277 Expenses.

278

279 A. This adjustment identifies test year expenses, updated to reflect known
280 and measurable 2009 amounts, for WSC employees at the Northbrook
281 facility. Schedule B of the Company's filing does not reflect costs for
282 these employees, as the Company failed to include the costs on
283 workpaper (b), Calculation of Salaries and Benefits.

284 Recommendations

285 Q. Do you have any recommendations in addition to the recommendation
286 regarding the recovery of the Gross Revenues tax as a separate charge
287 on customers' bills?

288

289 A. Yes, I do. I recommend that the Company establish written procedures
290 that identify the actions to be taken to check the accuracy of the ERC

291 values that provide the basis for the allocation methodology described in
292 the Service Agreement between the Illinois companies owned by Utilities,
293 Inc, and Water Service Corporation (“WSC”), which was approved by the
294 Commission in Docket No. 08-0335. All WSC costs that cannot be
295 identified and related to services rendered to a particular operating
296 company are allocated on the basis of an operating company’s ERCs
297 compared to all operating companies’ ERCs. Therefore, it is important
298 that the ERC values be accurate.

299 The ERC count for a premise, which is based on meter size and customer
300 type, is manually entered into WSC’s computer system. The Companies
301 have indicated that there is no defined process to check ERC values for
302 accuracy other than a periodic review of randomly selected companies.⁴

303 In addition to recommending that the Companies establish written
304 procedures that identify the actions to be taken to check the accuracy of
305 the ERC values, I also recommend that the accuracy of the ERC values
306 be checked on an annual basis and a record kept of the result.

307 The Company should indicate in its rebuttal testimony whether or not it
308 agrees with my recommendation.

309 Conclusion

310 Q. Does this question end your prepared direct testimony?

⁴ Company response to Staff Data Request BCJ 4.03 in Docket Nos. 09-0548 & 09-0549 (Cons.).

311

312 A. Yes.

Whispering Hills Water Company
 Adjustment to Pro Forma Maintenance & General Expenses
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Expense Per Staff (b)	Expense Per Company (c)	Adjustment (b) - (c) (d)
1	<u>Maintenance Expenses</u>			
2	Maintenance and Repair	\$ 79,020	\$ 82,343	\$ (3,323)
3	Maintenance Testing	16,847	17,555	(708)
4	Meter Reading	2,767	2,884	(117)
5	Chemicals	35,985	37,498	(1,513)
6	Transportation	23,382	24,365	(983)
7	Outside Services - Other	9,625	10,030	(405)
8	Staff Proposed Adjustment to Pro Forma Maintenance Expense			<u>\$ (7,049)</u>
9				
10	<u>General Expenses</u>			
11	Office Supplies & Other Office Exp.	\$ 41,126	\$ 42,856	\$ (1,730)
12	Rent	2,527	2,633	(106)
13	Office Utilities	36,683	38,226	(1,543)
14	Miscellaneous	17,829	18,579	(750)
15	Staff Proposed Adjustment to Pro Forma General Expense			<u>\$ (4,129)</u>

Source:
 Col. (b) & (c) Whispering Hills Schedule B

Whispering Hills Water Company
 Adjustment to Add-On Taxes
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Amount (b)	Source (c)
1	Public Utility Taxes per Staff	\$ -	
2			
3	Public Utility Taxes in Test Year per Company	\$ 577	Company workpaper e
4	Company Pro Forma Adjustment to Public Utility Taxes	\$ 573	Company workpaper e
5	Company Proposed Increase to Public Utility Taxes	\$ 573	Company Schedule B
6			
7	Staff Proposed Adjustment	<u>\$ (1,723)</u>	

Whispering Hills Water Company
 Adjustment to Rate Case Expense
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Total Rate Case Expense per Staff (b)	Total Rate Case Expense per Co. w/p d (c)	Staff Proposed Adj. (b-c) (d)
1	Rate Case Expense			
2	Outside legal services	\$ 25,000	\$ 25,000	
3	Customer notices	2,298	2,298	
4	Water Service Personnel	5,045	36,871	
5	External Consultants	12,586	50,000	
6	Miscellaneous costs	1,000	1,000	
7				
8	Total Rate Case Expense	<u>\$ 45,929</u>	<u>\$ 115,169</u>	
9				
10	Amortization Period	5	3	
11				
12	Amortization Expense per Year (Line 8/Line 10)	<u>\$ 9,186</u>	<u>\$ 38,390</u>	<u>\$ (29,204)</u>

Source:

Col. (c) Company workpaper wp-d
 Col. (b), line 4 ICC Staff Ex. 2.0, Sch. 2.3, p. 2, line 18
 Col. (b), line 5 \$4,586 - Lubertozzi actual per Company response to Staff data request BCJ 1.10
 \$6,000 - SFIO Consulting
 \$2,000 - AUS Consultants

Whispering Hills Water Company
 Adjustment to Rate Case Expense
 For the Test Year Ending December 31, 2008

Line No.	Description	Actual Expense as of 2/28/10	Estimated Expense to End of Case	Actual + Estimate (b + c)	Test Year Employee Allocation	Rate Case Expense Less Test Year Alloc. (d - e)	Rate Case Expense Per Staff
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Water Service Personnel						
2	Anderson, Angelica	752		752	4,736	(3,984)	-
3	Barrett, Jason Owen	111		111	516	(405)	-
4	Carlton, Drew	1,331		1,331	-	1,331	1,331
5	Casados Jr, Jimmy P	16		16	1,027	(1,011)	-
6	Castillo, John	3,734		3,734	43,796	(40,062)	-
7	Chesney, Eyerusalem	1,092		1,092	459	633	633
8	Daniel, Carl	1,292		1,292	2,920	(1,628)	-
9	Georgiev, Lena	936		936	801	135	135
10	Granite, Deborah R	51		51	555	(504)	-
11	Hoy, John Patrick	254		254	1,806	(1,552)	-
12	Mehta, Dhvani	2,552		2,552	459	2,093	2,093
13	Miller Jr, Michael A	2,575		2,575	6,753	(4,178)	-
14	Neyzelman, Dimitry	1,580		1,580	727	853	853
15	Tapella, Thomas Anthony	4,157		4,157	8,264	(4,107)	-
16	Valrie, LaWanda N	184		184	326	(142)	-
17							
18		<u>\$ 20,617</u>	<u>\$ -</u>	<u>\$ 20,617</u>			<u>\$ 5,045</u>

Source:

Col. (b) Company response to Staff data request BCJ 1.10
 Col. (e) Operations: Company workpaper wp-b-salary as filed
 Corporate: Company workpaper regarding 2009 Northbrook salaries

Whispering Hills Water Company
 Adjustment to Test Year Expenses
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Amount (b)	Source (c)
1	Total O&M and General Expenses per Staff	\$ 487,475	ICC Staff Exhibit 2.0, Schedule 2.4, P. 2, Line 9
2	Total O&M and General Expenses per Company	<u>596,211</u>	ICC Staff Exhibit 2.0, Schedule 2.4, P. 2, Line 13
3	Total Staff Proposed Adjustment	(108,736)	
4			
5	Remove Overlapping Effect with Other Staff Adjustments to Test Year Expenses		
6	Pro forma Adjustments to Maintenance Expenses	7,049	ICC Staff Exhibit 2.0, Schedule 2.1, Line 8
7	Pro forma Adjustments to General Expenses	4,129	ICC Staff Exhibit 2.0, Schedule 2.1, Line 15
8	Rate Case Expense	29,204	ICC Staff Exhibit 2.0, Schedule 2.3, Line 12
9	Correct WSC Allocation Factor	5,033	ICC Staff Exhibit 2.0, Schedule 2.5, P. 1, Line 4
10	Change in Personnel	34,929	ICC Staff Exhibit 2.0, Schedule 2.6, Lines 6 & 20
11	Corporate Employee Expenses	<u>(43,712)</u>	ICC Staff Exhibit 2.0, Schedule 2.7, Line 6
12			
13	Net Staff Proposed Adjustment	<u><u>\$ (72,104)</u></u>	

Whispering Hills Water Company
 Adjustment to Test Year Expenses
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Amount (b)	Source (c)
1	Total O&M and General Expenses per FORM 22 ILCC		
2	2004	\$ 365,280	
3	2005	403,321	
4	2006	474,787	
5	2007	586,852	
6	2008	607,134	
7		<u>\$ 2,437,374</u>	Sum of lines 2 through 6
8			
9	5 year average	<u>\$ 487,475</u>	Line 7/5
10			
11	O & M Expense (61% of total)	\$ 365,872	Company Schedule B
12	General Expense (39% of total)	230,339	Company Schedule B
13	Total O&M and General Expenses per Company	<u>\$ 596,211</u>	

Whispering Hills Water Company
 Adjustment to Correct WSC Allocation Factor
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Rate Base (b)	Operating Statement (c)	Source (d)
1	Expense Allocation Adjustment per Staff	\$ 685	\$ (798)	ICC Staff Ex. 2.0, Sch. 2.5, Pg. 2, Line 29
2	Expense Allocation Adjustment per Company	<u>11,264</u>	<u>4,235</u>	ICC Staff Ex. 2.0, Sch. 2.5, Pg. 2, Line 114
3				
4	Staff Proposed Adjustment	<u><u>\$ (10,579)</u></u>	<u><u>\$ (5,033)</u></u>	

Whispering Hills Water Company
 Adjustment to Correct WSC Allocation Factor
 For the Test Year Ending December 31, 2008

Line No	Account	Account Name	Corrected WSC Allocation to WH	Total Allocation to WH	WH UA Ledger Balances	Expense Allocation Adjustments Per Staff (d - e)	Expense Allocation Adjustments Per Company
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1		<u>BALANCE SHEET</u>					
2	1020	ORGANIZATION	\$ -	\$ 28	\$ -	\$ 28	\$ 28
3	1045	LAND & LAND RIGHTS GEN PLT	751	751	747	4	51
4	1175	OFFICE STRUCT & IMPRV	21,836	22,921	22,805	115	1,497
5	1180	OFFICE FURN & EQPT	10,265	11,555	11,501	54	704
6	1190	TOOL SHOP & MISC EQPT	166	1,088	1,087	1	11
7	1205	COMMUNICATION EQPT	2,847	4,810	4,795	15	195
8	1580	MAINFRAME COMPUTER WTR	4,513	4,513	4,489	24	309
9	1585	MINI COMPUTERS WTR	9,877	24,135	24,083	52	677
10	1590	COMP SYS COST WTR	177,426	177,426	176,488	938	12,168
11	1595	MICRO SYS COST WTR	4,421	5,338	5,315	23	303
12	1835	ACC DEPR-ORGANIZATION	-	(0)	(0)	(0)	(0)
13	1970	ACC DEPR-OFFICE STRUCTURE	(10,027)	(10,265)	(10,212)	(53)	(688)
14	1975	ACC DEPR-OFFICE FURN/EQPT	(8,684)	(8,967)	(8,922)	(46)	(596)
15	1985	ACC DEPR-TOOL SHOP & MISC EQPT	(166)	(346)	(345)	(1)	(11)
16	2000	ACC DEPR-COMMUNICATION EQPT	(2,898)	(3,328)	(3,313)	(15)	(199)
17	2320	ACC DEPR-MAINFRAME COMP WTR	(4,448)	(4,448)	(4,425)	(24)	(305)
18	2325	ACC DEPR-MINI COMP WTR	(7,053)	(17,714)	(17,676)	(37)	(484)
19	2330	COMP SYS AMORTIZATION WTR	(25,461)	(25,461)	(25,326)	(135)	(1,746)
20	2335	MICRO SYS AMORTIZATION WTR	(2,881)	(3,575)	(3,559)	(15)	(198)
21	2965	DEF CHGS-RELOCATION EXPENSES	1,101	1,101	1,096	6	76
22	2980	DEF CHGS-EMP FEES	914	914	909	5	63

23	3120	AMORT - RELOCATION EXP	(1,022)	(1,022)	(1,017)	(5)	(70)
24	3135	AMORT - EMPLOYEE FEES	(713)	(713)	(709)	(4)	(49)
25	4377	DEF FED TAX - DEF MAINT	91	91	-	91	97
26	4387	DEF FED TAX - DEPRECIATION	(3,635)	(3,635)	(3,341)	(294)	(524)
27	4427	DEF ST TAX - DEF MAINT	21	21	-	21	22
28	4437	DEF ST TAX - DEPRECIATION	(90)	(90)	(26)	(64)	(70)
29		TOTAL ADJUSTMENT TO RATE BASE	\$ 167,149	\$ 175,127	\$ 174,442	\$ 685	\$ 11,264

30		INCOME STATEMENT						
31	5465	ELEC PWR - WATER SYSTEM	\$ -	\$ 895	\$ -	\$ 895	\$ 895	
32	5495	METER READING	(8)	(8)	(9)	0	(0)	
33	5505	AGENCY EXPENSE	69	69	71	(1)	3	
34	5510	UNCOLLECTIBLE ACCOUNTS	94	94	95	(1)	5	
35	5525	BILL STOCK	101	101	102	(1)	6	
36	5530	BILLING COMPUTER SUPPLIES	218	218	222	(4)	10	
37	5535	BILLING ENVELOPES	1,158	1,158	1,171	(13)	60	
38	5540	BILLING POSTAGE	7,435	7,452	7,557	(105)	366	
39	5545	CUSTOMER SERVICE PRINTING	445	461	471	(10)	18	
40	5715	INSURANCE-OTHER	18,517	18,517	18,732	(214)	958	
41	5735	COMPUTER MAINTENANCE	9,548	9,548	9,632	(84)	520	
42	5740	COMPUTER SUPPLIES	1,218	1,930	1,968	(38)	39	
43	5745	COMPUTER AMORT & PROG COST	281	186	194	(8)	10	
44	5750	INTERNET SUPPLIER	133	175	177	(1)	7	
45	5755	MICROFILMING	25	25	25	(0)	1	
46	5760	WEBSITE DEVELOPMENT	18	20	21	(0)	1	
47	5785	ADVERTISING/MARKETING	13	105	104	1	2	
48	5790	BANK SERVICE CHARGE	516	517	536	(18)	15	
49	5800	LETTER OF CREDIT FEE	71	71	71	(0)	4	
50	5805	LICENSE FEES	0	4	4	(0)	0	
51	5810	MEMBERSHIPS	111	300	304	(3)	4	
52	5815	PENALTIES/FINES	1	1	1	0	0	
53	5820	TRAINING EXPENSE	620	1,379	1,394	(14)	25	
54	5825	OTHER MISC EXPENSE	113	32	37	(5)	3	
55	5855	ANSWERING SERVICE	9	112	111	1	1	
56	5860	CLEANING SUPPLIES	29	32	33	(1)	1	
57	5865	COPY MACHINE	36	105	106	(1)	1	
58	5870	HOLIDAY EVENTS/PICNICS	28	247	251	(4)	(3)	
59	5875	KITCHEN SUPPLIES	12	13	14	(0)	1	
60	5880	OFFICE SUPPLY STORES	75	355	361	(6)	(1)	
61	5885	PRINTING/BLEUPRINTS	30	62	63	(1)	1	

62	5890	PUBL SUBSCRIPTIONS/TAPES	67	89	90	(1)	4
63	5895	SHIPPING CHARGES	(21)	450	456	(6)	(7)
64	5900	OTHER OFFICE EXPENSES	845	2,622	2,649	(28)	26
65	5930	OFFICE ELECTRIC	282	878	889	(11)	7
66	5935	OFFICE GAS	70	70	70	(0)	4
67	5940	OFFICE WATER	14	7	7	(0)	1
68	5945	OFFICE TELECOM	3,719	5,174	5,245	(70)	165
69	5950	OFFICE GARBAGE REMOVAL	51	352	356	(5)	(1)
70	5955	OFFICE LANDSCAPE / MOW / PLOW	217	221	223	(2)	12
71	5960	OFFICE ALARM SYS PHONE EXP	60	143	146	(2)	1
72	5965	OFFICE MAINTENANCE	337	403	408	(5)	16
73	5970	OFFICE CLEANING SERVICE	242	480	486	(6)	9
74	5975	OFFICE MACHINE/HEAT&COOL	184	184	188	(4)	8
75	5985	TELEMETERING PHONE EXPENSE	-	27	28	(0)	(0)
76	6005	ACCOUNTING STUDIES	30	30	30	(1)	1
77	6010	AUDIT FEES	1,374	1,374	1,396	(22)	65
78	6015	EMPLOY FINDER FEES	1,121	1,121	1,120	1	72
79	6020	ENGINEERING FEES	-	-	0	(0)	(0)
80	6025	LEGAL FEES	972	1,790	1,805	(16)	46
81	6035	PAYROLL SERVICES	593	593	601	(8)	30
82	6040	TAX RETURN REVIEW	998	998	1,024	(26)	37
83	6045	TEMP EMPLOY - CLERICAL	1,765	1,765	1,799	(34)	78
84	6050	OTHER OUTSIDE SERVICES	1,027	1,027	1,036	(9)	56
85	6065	RATE CASE AMORT EXPENSE	-	4,369	4,376	(7)	(7)
86	6070	MISC REG MATTERS COMM EXP	56	1,905	1,855	50	54
87	6090	RENT	-	2,507	2,527	(20)	(20)
88	6185	MARKETING: TRAVELS/LODGING	1,072	6,844	6,869	(25)	42
89	6190	TRAVEL AIRFARE	258	1,507	1,516	(9)	7
90	6195	TRAVEL TRANSPORTATION	123	1,142	1,148	(6)	2
91	6200	MARKETING: MEALS & RELATED EXP	188	2,202	2,206	(4)	8
92	6205	TRAVEL ENTERTAINMENT	16	49	49	(0)	1
93	6207	TRAVEL OTHER	-	17	17	0	0
94	6285	WATER-MAINT SUPPLIES	-	32	39	(7)	(7)
95	6310	WATER-OTHER MAINT EXP	(1)	18	25	(7)	(8)
96	6320	SEWER-MAINT SUPPLIES	-	7	-	7	7
97	6345	SEWER-OTHER MAINT EXP	-	2	-	2	2
98	6355	DEFERRED MAINT EXPENSE	2,341	2,341	2,391	(50)	98
99	6360	COMMUNICATION EXPENSE	1	3,409	3,423	(15)	(14)
100	6380	REPAIRS & MAINT-MAINT, LAND	8	8	9	(1)	(1)
101	6385	UNIFORMS	1	59	60	(0)	(0)
102	6390	WEATHER/HURRICANE COSTS	16	16	16	0	1

103	6580	DEPREC-OFFICE STRUCTURE	908	930	1,560	(631)	(573)
104	6585	DEPREC-OFFICE FURN/EQPT	154	180	291	(111)	(102)
105	6595	DEPREC-TOOL SHOP & MISC EQPT	2	20	26	(5)	(5)
106	6610	DEPREC-COMMUNICATION EQPT	43	82	119	(37)	(35)
107	6920	DEPREC-COMPUTER	18,903	21,145	21,390	(245)	951
108	7535	FRANCHISE TAX	1	1	1	(0)	0
109	7550	PROPERTY/OTHER GENERAL TAX	(26)	(26)	(26)	(0)	(2)
110	7555	REAL ESTATE TAX	500	500	507	(7)	25
111	7600	DEF INCOME TAXES-STATE	228	228	-	228	243
112	7690	SALE OF EQUIPMENT	(4)	(4)	(4)	(0)	(0)
113	7735	S/T INT EXP BANK ONE	(129)	(129)	(127)	(2)	(10)
114		TOTAL ADJUSTMENT TO EXPENSE				<u>\$ (798)</u>	<u>\$ 4,235</u>

Whispering Hills Water Company
 Adjustment to Operations Employee Expenses
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Expense Per Staff (b)	Expense Per Company (c)	Adjustment (b) - (c) (d)
1	<u>Salaries:</u>			
2	RVP Burris	\$ -	\$ 5,562	\$ (5,562)
3	RVP Daniel	2,438	-	2,438
4	Construction Inspector	-	4,775	(4,775)
5	Field Tech	-	20,000	(20,000)
6	Staff proposed adjustment to Maint. Expense Salaries & Wages			<u>\$ (27,899)</u>
7				
8	<u>Payroll Taxes:</u>			
9	RVP Burris	\$ -	\$ 331	\$ (331)
10	RVP Daniel	139	-	139
11	Construction Inspector	-	343	(343)
12	Field Tech	-	1,526	(1,526)
13	Staff proposed adjustment to Taxes Other Than Income			<u>\$ (2,061)</u>
14				
15	<u>Benefits:</u>			
16	RVP Burris	\$ -	\$ 660	\$ (660)
17	RVP Daniel	283	-	283
18	Construction Inspector	-	1,023	(1,023)
19	Field Tech	-	5,630	(5,630)
20	Staff proposed adjustment to Pension & Other Benefits			<u>\$ (7,030)</u>

Source:

Col. (b) Data per Galena workpaper w/p (b) x RVP allocation factor based on RVP Daniel ERCs

Col. (c) Whispering Hills workpaper w/p (b), Calculation of Salary and Benefits

Whispering Hills Water Company
 Adjustment to Corporate Employee Expenses
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Per Company (b)	Per Staff (c)	Staff Proposed Adjustment (c) - (b) (d)
1	WSC Northbrook Salaries			
2	Salaries and Wages	\$ -	\$ 34,914	34,914
3	Payroll Taxes	-	2,512	2,512
4	Pension and Other Benefits	-	6,286	6,286
5	Operating Exp. Charged to Plant	-	-	-
6		<u>\$ -</u>	<u>\$ 43,712</u>	<u>\$ 43,712</u>

Source:

Col. (b) Company workpaper wp-b-salary as originally filed.

Col. (c), line 2 2009 Northbrook salaries of \$4,419,473 x .79%

Col. (c), line 3 2009 Northbrook payroll taxes of \$317,988 x .79%

Col. (c), line 4 2009 Northbrook benefits of \$795,740 x .79%

Benefits reflects the following changes:

\$7,414 = Health ins. per emp. = \$3,614,206 total health ins. /469 employees

\$ 409 = Other benefits per emp. = \$191,755 other benefits/469 employees

(501 + 436)/2 = 469 = 2009 avg. employee count

**APPLE CANYON UTILITY COMPANY
LAKE WILDWOOD UTILITIES CORPORATION
Docket Nos. 09-0548 and 09-0549
DATA REQUESTS BCJ 7.01 – 7.07**

BCJ 7.01 Referring to the attached spreadsheet (BCJ 7 01.xls) that compares operations and office salaries at Apple Canyon for 2006, 2007, and 2008, please answer the following questions:

- a. What business drivers led to an increase in operations personnel in 2007 and 2008 over previous years?
- b. What business drivers led to an increase in office personnel in 2007 and 2008 over previous years?
- c. Explain with specificity the necessary services that the increased level of salary expenses in 2007 and 2008 allowed the Company to provide to its customers that were not provided prior to 2007.

The response to this question is provided by Mike Miller/ Tom Tapella.

RESPONSE:

As explained in previous Data Request BCJ 6.01, beginning in the year 2006 it became necessary for Utilities, Inc., parent company of Apple Canyon and Lake Wildwood, to add additional staff in order to improve customer care, to adequately staff the company to improve performance and company goals, and to manage capital expenditures that started in 2006. These positions are explained further below:

- a. Operational increases:

Tim Brant – Tim has been the manager of the Area encompassing Apple Canyon for many years and the increase shown in his allocations is due to normal salary increases. Prior to the third quarter of Tim's responsibilities included the management and field operations of Apple Canyon and Galena Territory and was an hourly employee, however due to a consolidation of managers, Tim's management area expanded to now include the Freeport and Rockford companies thus requiring him to take time away from field operations and focus more toward the office portion

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of his position. He payroll status was changed from hourly to salary and was increased due to his added responsibilities, therefore increasing his allocation dollars.

- Michael Miller - Mike is one of the additional staff members that was added to the Utilities, Inc. management team in 2006 as the Midwest Regional Manager. This position was already occupied prior to 2006 Chris Montgomery who was promoted in 2006 to a newly organized position of Regional Director. The increase from 2006 to 2007 shown on BCJ 7.01.xls is because Mike started during the year of 2006. 2007 was his first full year allocation. There is a decrease from 2007 to 2008 in Mike's allocation because more time was spent on capital.
- Jon Schoenard - Jon has been with the company since the early 2000's as an operator. During his early employment his allocations were split between Apple Canyon and Galena Territory where he and Tim Brant shared operational duties until the time of Tim Brant's responsibility expansion. In the first two quarters of 2007 it was necessary for Jon to spend all of his time in Apple Canyon due to the many capital improvement projects that occurred that year. In late 2007 an additional operator was added to the staff to share the responsibilities with Jon and allow him to operate more Galena Territory in order to accommodate Tim Brant's new position.
- Nathan Brant - Nathan was a part-time employee during the years of 2006 and 2007. In 2008 he was brought on full time to eliminate the use of outside contractors in Apple Canyon. His duties include meter reading, grass cutting at facilities, service orders, and general plant maintenance. This addition eliminated the need to pay high prices of contractors and added the value of an additional employee to help better serve Apple Canyon by allowing operators the ability to respond to the needs of the system and the customers.

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Thomas Tapella-Tom started with Utilities, Inc. in 2007 as the Midwest Construction Inspector. With the increasing improvements to the assets and properties of the company there was a need for an in-house person that could visit the many projects and insure that construction was being performed in accordance with company, State, and Federal standards. This person managed the projects and reported to the Project Manager with updates of construction progress, change orders, and budgetary concerns.

Steven Winter- Steve was the operator added to the Apple Canyon staff as mentioned previously. This addition was mainly due to compensate for the additional operational needs during the capital improvements and the recent change in Tim Brant's managerial responsibilities. Steve was added to staff in late 2007 explaining the increase in his allocation from that year to 2008 which was his first full year of employment.

Gregg LeCroy- Gregg was originally a contracted individual that was brought into the company full time in 2007 to aid in the meter exchange program in Illinois. His allocation allotment changed to include Apple Canyon in 2008 due to the expansion in his responsible area.

b. Office increases-

Stacy Foltz - Administrative Assistant to the Midwest Regional Manager. Stacy's responsibilities include mid-level administrative support by conducting research, preparing statistical reports, handling information requests, and performing clerical functions such as preparing correspondence, receiving visitors, arranging and scheduling meetings. This Administrative Assistant works with the Regional Manager and Area Managers to organize the mid-level management requirements that are reported to the Regional Director. The increases shown in BCJ 7.01.xls from 2006 to

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2008 are due to yearly performance increases. This position has since been eliminated.

Paul Burris -

The Regional Vice President of the Midwest/West Region. This position was added in 2006 to accommodate the vast capital improvement expenditures of the company in these respective regions. This person was responsible for delegating and deciding the appropriate capital projects that would happen in the companies, discuss with and organize Regional Director's responsibilities to ensure appropriate spending and compliance, gather updates from regional staff and report and justify results to corporate-level management. This position has since been eliminated and responsibilities of this position have been assumed by an existing Regional Vice President of the company.

L. Goldsmith-

Larry was hired in late 2006 as the Compliance and Safety Manager for the Midwest/West Regions. This person's main responsibility is to review and inspect the facilities of the various companies of Utilities, Inc., manage and review these companies compliance reports, and advise upper management as to safety and compliance issues in order to keep the companies in compliance with EPA, State, Federal, and OSHA requirements. In 2006 and 2007 Larry's focus and time was predominantly spent in companies from Nevada and Arizona and in 2008 became more involved with companies in Illinois, therefore, increasing his allocation allotment in Illinois companies during that year.

Tecia Marotta-

Assigned as Executive Assistant to the Regional Vice President in 2007. This position provides executive-level administrative support by accepting research and statistical reports from upper-level management (Regional Directors and staff), handling information requests, and performing clerical functions such as preparing correspondence, receiving visitors, arranging and

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scheduling meetings for the Regional Vice President. This person works with the Regional Vice President and other executive staff to assure continuity of processes and goals of the company in an attempt to provide the best possible service to its customers. The increase shown on BCJ 7.01.xls. from 2007 to 2008 is due to performance increases and an increased level of responsibilities. This position has since been eliminated with the elimination and consolidation of the Regional Vice President position, however these duties have been assumed by the current RVP's Executive Assistant.

- A. Anderson- The Administrative Assistant to the Midwest Regional Director. This person provides high-level administrative support by conducting research, preparing statistical reports, handling information requests, and performing clerical functions such as preparing correspondence, receiving visitors, arranging and scheduling meetings for the RD. The Administrative Assistant works with Regional Director's and Regional Vice President's staff to assure continuity of processes and goals of the company in an attempt to provide the best possible service to its customers.
- N. Winnans- Promoted to Midwest/West Regional Business Manager in 2008 when the current Business Manager, Wendy Wentz was promoted to Western Regional Director.
- D. Carlton- Replaced Tom Tapella as the Midwest Construction Inspector in 2008. Due to the declination in capital construction during this year, this position was tasked with additional office duties of organizing prior years capital improvement paperwork and adding additional support to the management staff in various ways. This position has since been eliminated.
- Vacant - This allocation amount is actually the Project Manager

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position that was held by Camiron Smith. It was only listed as vacant because at the time the report was sent to the ICC in 2009 this position was actually vacant. This allocation amount should have been noted on Camiron's allotment in 2008. This position has since been eliminated due to the lack of capital projects since 2008.

Additional positions from BCJ 7.01.xls:

The following positions that were included in BCJ 7.01.xls. have been consolidated or eliminated. The list is as follows:

- L. Leffleman- Louie was hired in late 2006 as the original Midwest Project Manager. He left the company in April of 2007 and was replaced with Camiron Smith.

- Joseph Foltz- Joe was hired in 2007 as a Field Technician to help in the meter exchange program. He left that same year and was replaced with another individual, however, at the time of replacement, it was decided that the new Field Technician would only be allocated to and work in Illinois companies that do not include Apple Apple Canyon.

- Camiron Smith- Replaced Louie Leffleman as Midwest Project Manager. Camiron left the company in early 2009 and the position has since been eliminated due to the declination in capital projects.

- Jimmy Johnson- Replaced Christopher Montgomery as Midwest Regional Director. Jimmy left the company and was replaced with Mike Miller.

- L. Campuzano- Linda was a Customer Service Representative. Position was eliminated in 2007 when the Customer Service office in Illinois was closed and consolidated.

- Inger Ward- Inger was a Customer Service Representative. Position was eliminated in 2007 when the Customer Service office

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in Illinois was closed and consolidated.

- Wendy Wentz- Was the Midwest/West Business Manager. Promoted to Western Regional Director and replaced by Nicole Winnans.
- H. Dobiecki- Heidi was a Customer Service Representative. Position was eliminated in 2007 when the Customer Service office in Illinois was closed and consolidated.
- S. Ignoffo- Sharon was a Customer Service Representative. Position was eliminated in 2007 when the Customer Service office in Illinois was closed and consolidated.
- R. Varas- Randy was a Customer Service Representative. Position was eliminated in 2007 when the Customer Service office in Illinois was closed and consolidated.
- R. Vitale- Richard was a Customer Service Representative. Position was eliminated in 2007 when the Customer Service office in Illinois was closed and consolidated.
- K. Malkamaki- Karen was a Customer Service Representative. Position was eliminated in 2007 when the Customer Service office in Illinois was closed and consolidated.
- C. Montgomery- Chris was the Regional Director. He left the company in 2007 and was replaced with Jimmy Johnson.
- R. Gilroy- Robert was the company wide Safety Coordinator. He is now allocated to another region which took place in late 2006 with the addition of Larry Goldsmith.
- A. Krugler- Adrienne was the Customer Service Supervisor for the entire company through 2006.

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- K. Harris- Khalif was the Capital Project Accountant for the Midwest region. This position was assumed by the Accounting Dept. and has been eliminated.
- S. Yount- Administrative Assistant to Darrin Yount for the development and implementation of the company's accounting system (JDE). Position eliminated.
- D. Yount- Darrin was the Director in charge of developing and implementing the new accounting system (JDE). Position eliminated.
- c. As explained previously, Utilities, Inc. began planning and implementing a large amount of capital improvement expenditures in 2006 and the staff that was added during this time was a direct result of the need for personnel to manage this venture and to continue to provide the best possible service to the Company's customers. Since that time, the Utilities, Inc. has begun to downsize its staff and consolidate positions due to the lack of necessity in direct relation to the amount of capital improvements that are planned for future years.