

**Direct Testimony**  
**Of**  
**William R. Johnson**

Water Department  
Financial Analysis Division  
Illinois Commerce Commission

Galena Territory Utilities, Inc.  
Proposed General Increase in Water and Sewer Rates

Docket No. 10-0280

June 28, 2010

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1 **WITNESS IDENTIFICATION**

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

3 A. My name is William R. Johnson. I am employed by the Illinois Commerce  
4 Commission ("ICC" or "Commission"). My business address is 527 East Capitol  
5 Avenue, Springfield, Illinois 62701.

6

7 **Q. How long have you been employed by the Commission?**

8 A. I have been employed by the Commission since September 1994.

9

10 **Q. Please briefly state your qualifications and experience.**

11 A. I received a Bachelor of Arts degree in Economics from Sangamon State  
12 University (now University of Illinois at Springfield) in May 1990 and a Master of  
13 Arts degree in Economics, also from Sangamon State University, in December  
14 1993. I have also completed the following Society of Depreciation Professionals  
15 courses: Basic Depreciation, Life and Net Salvage Analysis, and Preparing and  
16 Defending a Depreciation Study.

17

18 In September 1994, I was assigned to the Commission's Public Utilities Division  
19 as an Economic Analyst in the Rates Department. In that capacity, I reviewed  
20 and analyzed filings by electric, gas, water, and sewer utilities with regard to cost  
21 of service and rate design. In January 2000, I was reassigned to the Water  
22 Department of the Financial Analysis Division as an Economic Analyst. My

23 duties include: (1) evaluating tariff filings; (2) inspecting water and wastewater  
24 facilities for compliance with Commission rules; (3) assisting the Consumer  
25 Services Division in handling inquiries and complaints; (4) evaluating testimony  
26 presented by water and wastewater utilities; and (5) testifying as a Commission  
27 Staff witness (“Staff”) in rate proceedings, applications for certificates of public  
28 convenience and necessity, applications for reorganizations, and other formal  
29 proceedings which include water and/or wastewater related issues.

30

31 **Q. Have you previously testified before the Commission?**

32 A. Yes, I have previously testified before the Commission on numerous issues  
33 related to my duties.

34

35 **PURPOSE OF TESTIMONY**

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

37 A. The purpose of my testimony is to review Galena Territory Utilities,  
38 Incorporated’s (“Galena Territory,” “GTUI,” or the “Company”) proposed water  
39 and sewer depreciation rates.

40

41 **GALENA TERRITORY’S CURRENT COMPOSITE DEPRECIATION RATE**

42 **VERSUS SEPARATE DEPRECIATION RATES BY PRIMARY ACCOUNT**

43 **Q. What type of depreciation rate does Galena Territory currently utilize?**

44 A. Galena Territory currently utilizes a composite water and sewer depreciation rate  
45 of 1.50% for each account. (Direct Testimony, Dimitry Neyzelman, p. 12.)

46

47 **Q. What type of depreciation rate is Galena Territory proposing to utilize in**  
48 **this case?**

49 A. Galena Territory is proposing to utilize separate water and sewer depreciation  
50 rates for each primary account. (*Id.*)

51

52 **Q. What is the difference between separate depreciation rates for each**  
53 **primary account and a composite depreciation rate?**

54 A. Separate depreciation rates for each primary account are simply depreciation  
55 rates that are determined for each account. For example, water Account 304 –  
56 Structures & Improvements will have its own calculated depreciation rate  
57 compared to water Account 309 – Mains, which will also have its own calculated  
58 depreciation rate. A composite depreciation rate is the same depreciation rate  
59 for every account. In this case, the Company states that the current depreciation  
60 rate for all Galena Territory water and sewer accounts is 1.50%. (*Id.*)

61

62 **Q. Why is Galena Territory proposing the change to separate depreciation**  
63 **rates for each primary account?**

64 A. The Company is proposing the change to separate depreciation rates for each  
65 primary account because Staff initiated, and the Commission approved, the  
66 change for the Company's affiliate companies, Lake Wildwood Utilities  
67 Corporation (Docket No. 01-0663) and Del-Mar Water Company (Docket No. 02-  
68 0592). (Direct Testimony, Dimitry Neyzelman, p. 12.) Galena Territory, Lake

69 Wildwood Utilities Corporation, and Del-Mar Water Company are all operating  
70 subsidiaries of Utilities, Inc. ("UI").

71

72 **Q. Do you agree with Galena Territory's proposed utilization of water and**  
73 **sewer depreciation rates that are based upon separate depreciation rates**  
74 **for each primary account?**

75 A. Yes, I do. The utilization of separate water and sewer depreciation rates by  
76 primary account is more sensitive to the service life and retirements in a specific  
77 account than composite water and sewer depreciation rates. Therefore,  
78 separate water and sewer depreciation rates by primary account will result in a  
79 more accurate allocation and recovery of water and sewer depreciation expense.

80

81 Additionally, UI operates a total of 23 water and wastewater utilities in Illinois.  
82 The Commission has approved separate water and sewer depreciation rates for  
83 each primary account for other UI water and wastewater utilities in Illinois (i.e.,  
84 Lake Wildwood Utilities Corporation (water depreciation rates - Docket No. 01-  
85 0663), Del-Mar Water Company (water depreciation rates - Docket No. 02-0592),  
86 Apple Canyon Utility Company (water depreciation rates - Docket No. 03-0399),  
87 Northern Hills Water and Sewer Company (water and sewer depreciation rates -  
88 Docket No. 03-0402), Cherry Hill Water Company (water depreciation rates -  
89 Docket No. 03-0401), Charmar Water Company (water depreciation rates -  
90 Docket No. 03-0400), and Cedar Bluff Utilities, Inc. (sewer depreciation rates -  
91 Docket No. 03-0398)).

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**Q. Why would separate depreciation rates for each primary account be more sensitive to service life and retirements than a composite depreciation rate?**

A. A composite depreciation rate assumes that all plant assets have the same average service life (“ASL”). That is, a utility with a composite depreciation rate of 1.50% would expect that all plant assets would be in service on average 67 years. For example, if a utility has a computer that is in service on average for 7 years and water or sewer mains that are in service on average for 90 years, both plant assets are depreciated based on an ASL of 67 years.

Separate depreciation rates for each primary account take into consideration the ASL and net salvage of each primary account separately. Net salvage is gross salvage less the cost of removal. (NARUC, Public Utility Depreciation Practices, 1996, p.14.) Net salvage could also be described as the scrap value of the asset minus the related cost of retiring the asset.

Since each primary account utilizes its own representative ASL and net salvage, the associated depreciation rate is more representative of each primary account’s service life and retirements compared to a composite depreciation rate.

114 **Q. Do you have any recommendations for the Company regarding the**  
115 **implementation of separate water and sewer depreciation rates for each**  
116 **primary account?**

117 A. Yes. As discussed previously, UI operates a total of 23 water and wastewater  
118 utilities in Illinois. Currently, UI has 7 Illinois utilities that have Commission  
119 approved depreciation rates that utilize separate depreciation rates for each  
120 primary account. If it is UI's intention to propose separate depreciation rates for  
121 each primary account in the remaining UI Illinois utilities, then I recommend that  
122 UI file a joint petition with the Commission under Section 5/5-104 of the Public  
123 Utilities Act to implement separate water and sewer depreciation rates for each  
124 primary account for all of its regulated Illinois water and wastewater utilities,  
125 which would include performing a depreciation study.

126  
127 **Q. Why should all of UI's Illinois regulated utilities petition the Commission for**  
128 **depreciation rates at the same time?**

129 A. First, UI's Illinois utilities could spread the cost associated with a depreciation  
130 study across all its utilities. Second, it would be administratively efficient for UI to  
131 adopt the same depreciation method and rates across all of its Illinois  
132 subsidiaries; and third, separate depreciation rates for each primary account  
133 would better reflect the current plant assets' expected service life and net  
134 salvage and will result in a more accurate allocation and recovery of depreciation  
135 expense.

136

137 **WATER DEPRECIATION RATES**

138 **Q. What information have you reviewed with respect to the Company's**  
139 **proposed water depreciation rates?**

140 A. I have reviewed Company witness Dimitry Neyzelman's Direct Testimony,  
141 Supplemental Direct Testimony, associated exhibits, and responses to data  
142 requests. I have also reviewed depreciation rates, and associated net salvage  
143 and ASL, approved by the Commission for other UI water utilities in Illinois  
144 (Docket Nos. 01-0663, 03-0399, 03-0400, 03-0401, and 03-0402), Aqua Illinois,  
145 Inc. (Docket Nos. 00-0337/00-0338/00-0339 Consolidated, 05-0071/05-0072  
146 Consolidated, 07-0620/07-0621/08-0067 Consolidated), and Illinois-American  
147 Water Company (Docket No. 07-0507).

148

149 **Q. Do you agree with the Company's proposed water depreciation rates?**

150 A. I do not object to most of the proposed water depreciation rates found on the  
151 Adjusted Water Depreciation Rates Exhibit (GTUI Ex. No. 2.2) attached to the  
152 Supplemental Direct Testimony of Dimitry Neyzelman. However, I do have some  
153 proposed adjustments.

154

155 **Q. Can you please explain your first water depreciation adjustment?**

156 A. The Company is proposing that Transmission & Distribution Plant Account  
157 3486098 (Other Assets) and General Plant Account 3391088 (Uniforms) have  
158 depreciation rates of 10.00%. However, these two plant accounts do not contain  
159 plant balances and the Company's General Plant Account 3391088 identifies

160 (Uniforms) as an asset when uniforms should be considered an expense item.  
161 Additionally, the Uniform System of Accounts (“USOA”) For Water Utilities  
162 Operating In Illinois labels Account 339 as (Other Plant & Miscellaneous  
163 Equipment). I propose that a depreciation rate not be set for these accounts at  
164 this time. The depreciation rates can be determined in a future proceeding when  
165 balances are present.

166

167 **Q. Can you please explain your second water depreciation adjustment?**

168 A. In response to Staff Data Request WRJ 3.02(a), the Company stated that Water  
169 Treatment Plant Account 3044031 (Structures and Improvements General Plant)  
170 balance should have been placed in Transmission & Distribution Plant. I moved  
171 Account 304 (Structures & Improvements) and its balance of \$62,522 into  
172 Transmission & Distribution Plant.

173

174 **Q. Can you please explain your third water depreciation adjustment?**

175 A. In response to Staff Data Request WRJ 3.02(b), the Company stated that Water  
176 Treatment Plant Account 3044031 (Collecting Reservoirs) balance should have  
177 been included in Transmission & Distribution Plant Account 3335045 (Service  
178 Lines). I placed the account balance of \$330 into Transmission & Distribution  
179 Plant Account 3335045 (Service Lines).

180

181 **Q. Can you please explain your fourth water depreciation adjustment?**

182 A. In response to Staff Data Request WRJ 3.02(c), the Company stated that  
183 Transmission & Distribution Plant Account 3113025 (Supply Mains) consisted of  
184 any and all piping connected to the well pumps that convey ground water to the  
185 water plant, point of storage (reservoirs), or point of treatment before entering the  
186 water distribution system. The Company stated that this account was not supply  
187 mains but instead piping associated with the well house and reservoirs. The  
188 USOA For Water Utilities Operating In Illinois identifies "Water piping within  
189 station, including valves" as Account 311 (Pumping Equipment). I placed the  
190 account balance of \$22,596 into Pumping Equipment Plant Account 3113025  
191 (Pumping Equipment).

192

193 **Q. Can you please explain your fifth water depreciation adjustment?**

194 A. I have changed the account number for General Plant Account 3406090 (Office  
195 Structures & Improvements) to adhere to the Structures & Improvements  
196 Account 304 identified in the USOA For Water Utilities Operating In Illinois.

197

198 I have also changed the account number for General Plant Account 3466094  
199 (Tools, Shop & Misc. Equipment) to adhere to the Tools, Shop & Garage  
200 Equipment Account 343 identified in the USOA For Water Utilities Operating In  
201 Illinois.

202

203 **Q. Have you prepared a schedule that reflects your proposed water**  
204 **depreciation adjustments?**

205 A. Yes. My proposed water depreciation rates can be found on ICC Staff Exhibit  
206 5.0, Schedule 5.1, Page 2 of 2, Column F. My proposed water depreciation  
207 rates produce a test year ending December 31, 2008 annual water depreciation  
208 expense of \$175,401, excluding depreciation expenses associated with Water  
209 Service Corporation (“WSC”). My proposed annual water depreciation expense,  
210 which differs from the amount in the Company’s filing, is reflected in Staff  
211 witness Mike Ostrander’s ICC Staff Exhibit 1.0, Schedule 1.12W.

212

213 **Q. How do the proposed water depreciation rates on ICC Staff Exhibit 5.0,**  
214 **Schedule 5.1 compare to the separate water depreciation rates by primary**  
215 **account approved by the Commission for other UI water utilities in Illinois?**

216 A. The water depreciation rates, and associated ASL and net salvage, are  
217 consistent with those approved by the Commission for other UI water utilities in  
218 Illinois (Lake Wildwood Utilities Corporation (Docket No. 01-0663), Apple Canyon  
219 Utility Company (Docket No. 03-0399), Northern Hills Water and Sewer  
220 Company (Docket No. 03-0402), Cherry Hill Water Company (Docket No. 03-  
221 0401), and Charmar Water Company (Docket No. 03-0400)).

222

223 **SEWER DEPRECIATION RATES**

224 **Q. What information have you reviewed with respect to the Company’s**  
225 **proposed sewer depreciation rates?**

226 A. I have reviewed Company witness Dimitry Neyzelman's Direct Testimony,  
227 Supplemental Direct Testimony, associated exhibits, and responses to data  
228 requests. I have also reviewed depreciation rates, and associated net salvage  
229 and ASL, approved by the Commission for other UI sewer utilities in Illinois  
230 (Docket Nos. 03-0398 and 03-0402), Aqua Illinois, Inc. (Docket Nos. 98-0632,  
231 07-0620/07-0621/08-0067 Consolidated), and Illinois-American Water Company  
232 (Docket No. 07-0507).

233

234 **Q. Do you agree with the Company's proposed sewer depreciation rates?**

235 A. I do not object to most of the proposed sewer depreciation rates found on the  
236 Adjusted Sewer Depreciation Rates Exhibit (GTUI Ex. No. 2.2) attached to the  
237 Supplemental Direct Testimony of Dimitry Neyzelman. However, I do have some  
238 proposed adjustments.

239

240 **Q. Can you please explain your first sewer depreciation adjustment?**

241 A. The Company is proposing that General Plant Account 3391088 (Uniforms)  
242 utilize a depreciation rate of 10.00%. However, the account does not contain a  
243 plant balance and it identifies (Uniforms) as an asset when uniforms should be  
244 considered an expense item. I have replaced the Company's proposed account  
245 339 (Uniforms) with USOA For Wastewater Utilities Operating in Illinois Account  
246 398 (Other Tangible Plant) for future reference. I propose that a depreciation  
247 rate not be set for this account at this time. The depreciation rate can be  
248 determined in a future proceeding when balances are present.

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**Q. Please explain your second sewer depreciation adjustment?**

A. In response to Staff Data Request WRJ 3.03(a), the Company stated that the assets in Sewer Transmission & Distribution Plant Account 3602006 are actually (Collection Sewers – Force) rather than (Sewage Service Lines). I have changed the description to (Collection Sewers – Force) and applied the same depreciation rate, and associated ASL and net salvage, which is applicable to Account 3612008 (Sewer Mains). This is consistent with the depreciation rate, and associated ASL and net salvage, approved by the Commission for Account 360 (Collection Sewers – Force) for the Company’s affiliate Company Cedar Bluff Utilities, Inc. (Docket No. 03-0398).

**Q. Can you please explain your third sewer depreciation adjustment?**

A. In response to Staff Data Request WRJ 3.03(b), the Company stated that Sewer Transmission & Distribution Plant Account 3752008 (Reuse Transmission & Distribution) should have been booked to Account 3612008 (Sewer Mains). I placed the account balance of \$258 into Account 3612008 (Sewer Mains).

**Q. Can you please explain your fourth sewer depreciation adjustment?**

A. I have changed the account number for General Plant Account 3907090 (Office Structures & Improvements) to adhere to the Structures & Improvements Account 354 identified in the USOA For Wastewater Utilities Operating In Illinois.

272 I have also changed the account number for General Plant Account 3466097  
273 (Communication Equipment) to adhere to the Communication Equipment  
274 Account 396 identified in the USOA For Wastewater Utilities Operating In Illinois.

275

276 **Q. Have you prepared a schedule that reflects your proposed sewer**  
277 **depreciation adjustments?**

278 A. Yes. The proposed sewer depreciation rates can be found on ICC Staff Exhibit  
279 5.0, Schedule 5.2, Page 2 of 2, Column F. The proposed sewer depreciation  
280 rates produce a test year ending December 31, 2008 annual depreciation  
281 expense of \$60,523, excluding depreciation expenses associated with WSC. My  
282 proposed annual sewer depreciation expense, which differs from the amount in  
283 the Company's filing, is reflected in Staff witness Mike Ostrander's ICC Staff  
284 Exhibit 1.0, Schedule 1.12S.

285

286 **Q. How do the proposed sewer depreciation rates on ICC Staff Exhibit 5.0,**  
287 **Schedule 5.2 compare to the separate sewer depreciation rates by primary**  
288 **account approved by the Commission for other UI sewer utilities in Illinois?**

289 A. The sewer depreciation rates, and associated ASL and net salvage, are  
290 consistent with those approved by the Commission for other UI sewer utilities in  
291 Illinois (Northern Hills Water and Sewer Company (Docket No. 03-0402) and  
292 Cedar Bluff Utilities, Inc. (Docket No. 03-0398).

293

294 **CONCLUSION**

295 **Q. Please summarize your recommendations.**

296 A. I recommend that UI file a joint petition with the Commission under Section 5/5-  
297 104 of the Public Utilities Act to implement separate water and sewer  
298 depreciation rates for each primary account for all of its regulated Illinois water  
299 and wastewater utilities, which would include performing a depreciation study.

300

301 I recommend the Commission approve the proposed water and sewer  
302 depreciation rates attached to my testimony as ICC Staff Exhibit 5.0, Schedule  
303 5.1, Page 2 of 2, Column F and Schedule 5.2, Page 2 of 2, Column F.

304

305 **Q. Does this conclude your prepared direct testimony?**

306 A. Yes, it does.

Galena Territory Utilities, Inc.  
 Adjusted Water Depreciation Rates  
 Test Year Ended December 31, 2008

Line #	Account #	Description	Plant Bal. (C)	Net Salvage		Unrecovered Cost (C - E) (F)	Avg. Life (Yrs) (G)	Annual Expense	
				(%) (D)	Amount (C X D) (E)			(\$) (F / G) (H)	(%) (H / C) (I)
(A)		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
<i>Source of Supply Plant:</i>									
1	3036010	LAND & LAND RIGHTS	10,495	0%	-	10,495	0.0	-	0.00%
2	3072014	WELLS & SPRINGS	1,274,930	-30%	(382,479)	1,657,409	60.0	27,623	2.17%
3		Subtotal	1,285,425		(382,479)	1,667,904		27,623	2.15%
<i>Pumping Equipment:</i>									
4	3033020	LAND & LAND RIGHTS (Pump Plt)	-	0%	-	-	0.0	-	0.00%
5	3113025	ELECTRIC PUMP EQUIP TRANS DIST	15,863	-25%	(3,966)	19,829	40.0	496	3.13%
6	3113025	ELECTRIC PUMP EQUIP SRC PUMP	423	-25%	(106)	529	40.0	13	3.13%
7	3043021	STRUCTURES & IMPROVE.(PUMP.PLT.)	79,558	-25%	(19,890)	99,448	30.0	3,315	4.17%
8	3113025	PUMPING EQUIPMENT	417,358	-25%	(104,340)	521,698	40.0	13,042	3.13%
9		Subtotal	513,202		(128,301)	641,503		16,866	3.29%
<i>Water Treatment Plant:</i>									
10	3044031	STRUCTURES & IMPROVE.(WTR. T.P.)	43,512	-25%	(10,878)	54,390	30.0	1,813	4.17%
11	3044031	STRUCT & IMPRV	-	-25%	-	-	30.0	-	-
12	3044031	COLLECTING RESERVOIRS	-	0%	-	-	0.0	-	-
13	3204032	WATER TREATMENT EQUIPMENT	229,095	-25%	(57,274)	286,369	35.0	8,182	3.57%
14		Subtotal	272,607		(68,152)	340,759		9,995	3.67%
<i>Transmission &amp; Dist. Plant:</i>									
15	3044031	STRUCT & IMPRV T&D Plt	62,522	-25%	(15,631)	78,153	30.0	2,605	4.17%
16	3305042	DISTRIB. RESERVOIRS & STANDPIPES	485,122	-15%	(72,768)	557,890	60.0	9,298	1.92%
17	3315043	TRANSMISSION & DISTRIB. MAINS	2,379,125	-70%	(1,665,388)	4,044,513	90.0	44,939	1.89%
18	3335045	SERVICE LINES	1,217,726	-100%	(1,217,726)	2,435,452	60.0	40,591	3.33%
19			-	0%	-	-	0.0	-	0.00%
20	3345046	METERS	156,316	13%	20,321	135,995	14.0	9,714	6.21%
21	3345047	METER INSTALLATIONS	34,611	-100%	(34,611)	69,222	45.0	1,538	4.44%
22	3355048	HYDRANTS	165,102	-70%	(115,571)	280,673	43.0	6,527	3.95%
23	3486098	OTHER TANGIBLE PLANT	-	-	-	-	-	-	0.00%
24		Subtotal	4,500,524		(3,101,374)	7,601,898		115,213	2.56%
<i>General Plant:</i>									
25	3390000	OTHER PLANT & MISC EQUIP	-	0%	-	-	-	-	0.00%
26	3040000	OFFICE STRUCTURES & IMPROVEMENTS	52,905	0%	-	52,905	30.0	1,764	3.33%
27	3406091	OFFICE FURNITURE & EQUIPMENT	12,733	0%	-	12,733	19.0	670	5.26%
28	3446095	LABORATORY EQUIPMENT	2,577	5%	129	2,448	20.0	122	4.75%
29	3430000	TOOLS, SHOP & MISC. EQUIPMENT	29,660	5%	1,483	28,177	13.0	2,167	7.31%
30	3466097	COMMUNICATION EQUIPMENT	12,740	0%	-	12,740	13.0	980	7.69%
31		Subtotal	110,615		1,612	109,003		5,704	5.16%
32		Subtotal Utility Plant	6,682,373		(3,678,693)	10,361,066		175,401	2.62%
<i>Intangible Plant:</i>									
33	3021002	FRANCHISE	37,951			37,951			
34	3011001	ORGANIZATION	43,138			43,138			
35		Subtotal	81,089			81,089			
36		Total Utility Plant	6,763,462		(3,678,693)	10,442,155		175,401	2.59%

Sources and Notes

Columns C, D, & G are from Company Adjusted Water Depreciation Rates Exhibit GTUI Ex. No. 2.2, with Staff adjustments found in ICC Staff Exhibit 5.0.

Galena Territory Utilities, Inc.  
 Adjusted Water Depreciation Rates  
 Test Year Ended December 31, 2008

Line #	Account #	Description	Company's Present Rates			Staff's Proposed Rates			% of Total (H / H32) (I)
			Plant	Percent	Annual Expense (C X D) (E)	Percent Page 1 (I) (F)	Annual Expense Page 1 (H) (G)	Present vs. Proposed (G - E) (H)	
		<b>Source of Supply Plant:</b>							
1	3036010	LAND & LAND RIGHTS	10,495	0.00%	-	0.00%	-	-	0.00%
2	3072014	WELLS & SPRINGS	1,274,930	1.50%	19,124	2.17%	27,623	8,500	11.28%
3		Subtotal	1,285,425		19,124	2.15%	27,623	8,500	11.28%
		<b>Pumping Equipment:</b>							
4	3033020	LAND & LAND RIGHTS (Pump Plt)	-	0.00%	-	0.00%	-	-	0.00%
5	3113025	ELECTRIC PUMP EQUIP TRANS DIST	15,863	1.50%	238	3.13%	496	258	0.34%
6	3113025	ELECTRIC PUMP EQUIP SRC PUMP	423	1.50%	6	3.13%	13	7	0.01%
7	3043021	STRUCTURES & IMPROVE.(PUMP.PLT.)	79,558	1.50%	1,193	4.17%	3,315	2,122	2.82%
8	3113025	PUMPING EQUIPMENT	417,358	1.50%	6,260	3.13%	13,042	6,782	9.00%
9		Subtotal	513,202		7,698	3.29%	16,866	9,168	12.17%
		<b>Water Treatment Plant:</b>							
10	3044031	STRUCTURES & IMPROVE.(WTR. T.P.)	43,512	1.50%	653	4.17%	1,813	1,160	1.54%
11	3044031	STRUCT & IMPRV	-	1.50%	-	0.00%	-	-	0.00%
12	3044031	COLLECTING RESERVOIRS	-	1.50%	-	0.00%	-	-	0.00%
13	3204032	WATER TREATMENT EQUIPMENT	229,095	1.50%	3,436	3.57%	8,182	4,746	6.30%
14		Subtotal	272,607		4,089	3.67%	9,995	5,906	7.84%
		<b>Transmission &amp; Dist. Plant:</b>							
15	3044031	STRUCT & IMPRV T&D Plt	62,522	1.50%	938	4.17%	2,605	1,667	2.21%
16	3305042	DISTRIB. RESERVOIRS & STANDPIPES	485,122	1.50%	7,277	1.92%	9,298	2,021	2.68%
17	3315043	TRANSMISSION & DISTRIB. MAINS	2,379,125	1.50%	35,687	1.89%	44,939	9,252	12.28%
18	3335045	SERVICE LINES	1,217,726	1.50%	18,266	3.33%	40,591	22,325	29.64%
19			-	1.50%	-	0.00%	-	-	0.00%
20	3345046	METERS	156,316	1.50%	2,345	6.21%	9,714	7,369	9.78%
21	3345047	METER INSTALLATIONS	34,611	1.50%	519	4.44%	1,538	1,019	1.35%
22	3355048	HYDRANTS	165,102	1.50%	2,477	3.95%	6,527	4,051	5.38%
23	3486098	OTHER TANGIBLE PLANT	-	1.50%	-	0.00%	-	-	0.00%
24		Subtotal	4,500,524		67,508	2.56%	115,213	47,705	63.33%
		<b>General Plant:</b>							
25	3390000	OTHER PLANT & MISC EQUIP	-	1.50%	-	0.00%	-	-	0.00%
26	3040000	OFFICE STRUCTURES & IMPROVEMENTS	52,905	1.50%	794	3.33%	1,764	970	1.29%
27	3406091	OFFICE FURNITURE & EQUIPMENT	12,733	1.50%	191	5.26%	670	479	0.64%
28	3446095	LABORATORY EQUIPMENT	2,577	1.50%	39	4.75%	122	84	0.11%
29	3430000	TOOLS, SHOP & MISC. EQUIPMENT	29,660	1.50%	445	7.31%	2,167	1,723	2.29%
30	3466097	COMMUNICATION EQUIPMENT	12,740	1.50%	191	7.69%	980	789	1.05%
31		Subtotal	110,615		1,659	5.16%	5,704	4,044	5.37%
32		<b>Subtotal Utility Plant</b>	6,682,373		100,078	2.62%	175,401	75,323	100.00%
		<b>Intangible Plant:</b>							
33	3021002	FRANCHISE	37,951		-				
34	3011001	ORGANIZATION	43,138		-				
35		Subtotal	81,089		-				
36		<b>Total Utility Plant</b>	6,763,462		100,078	2.59%	175,401	75,323	

**Sources and Notes**

37 Column C is from Company Adjusted Water Depreciation Rates Exhibit GTUI Ex. No. 2.2, with Staff adjustments found in ICC Staff Exhibit 5.0.  
 38 Column D is from Company Adjusted Water Depreciation Rates Exhibit GTUI Ex. No. 2.2.

Galena Territory Utilities, Inc.  
 Adjusted Sewer Depreciation Rates  
 Test Year Ended December 31, 2008

Line #	Account #	Description	Plant Balance	Net Salvage		Unrecovered Cost	Avg. Life (Yrs)	Annual Expense	
				(%)	Amount (C X D)			(F / G)	(H / C)
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
<b>SEWER</b>									
<i>Sewage Treatment Plant</i>									
1	3537002	LAND & LAND RIGHTS	-	0%	-	-	0.0	-	0.00%
2	3547005	LAND & LAND RIGHTS - Intang PLT	404	0%	-	404	0.0	-	0.00%
3	3547003	BUILDINGS & STRUCTURES	3,340	-25%	(835)	4,175	30.0	139	4.17%
4	3804007	OTHER PLT TREATMENT	1,158	-25%	(290)	1,448	35.0	41	3.57%
5	3804006	OTHER PLT TANGIBLE	695	-25%	(174)	869	35.0	25	3.57%
6	3804009	PLANT SEWERS TRTMT PLT	1,112	-25%	(278)	1,390	35.0	40	3.57%
7	3804008	OTHER PLT RECLAIM WTR TRT	363	-25%	(91)	454	35.0	13	3.57%
8	3804005	SEWAGE TREATMENT PLANT	1,013,801	-25%	(253,450)	1,267,251	35.0	36,207	3.57%
9		Subtotal	1,020,873		(255,117)	1,275,990		36,465	3.57%
<i>Transmission &amp; Dist. Plant:</i>									
10	3542011	LIFT STATION	69,660	-25%	(17,415)	87,075	40.0	2,177	3.13%
11	3710000	PUMPING EQUIPMENT PUMP PLT	1,512	-25%	(378)	1,890	40.0	47	3.13%
12	3602006	COLLECTION SEWERS - FORCE	158,514	-70%	(110,960)	269,474	90.0	2,994	1.89%
13	3710001	OTH PLT PUMP	1,433	-25%	(358)	1,791	40.0	45	3.13%
14	3612008	SEWER MAINS	885,541	-70%	(619,879)	1,505,420	90.0	16,727	1.89%
15	3752008	REUSE TRANSMISSION & DIST	-		-	-			0.00%
16		Subtotal	1,116,660		(748,990)	1,865,650		21,990	1.97%
<i>General Plant:</i>									
17	3980000	OTHER TANGIBLE PLANT	-	0%	-	-			0.00%
18	3540000	OFFICE STRUCTURES & IMPROVEMENTS	19,184	0%	-	19,184	30.0	639	3.33%
19	3907091	OFFICE FURNITURE & EQUIPMENT	4,617	0%	-	4,617	19.0	243	5.26%
20	3947095	LABORATORY EQUIPMENT	934	5%	47	887	20.0	44	4.75%
21	3937094	TOOLS, SHOP & MISC. EQUIPMENT	10,755	5%	538	10,217	13.0	786	7.31%
22	3960000	COMMUNICATION EQUIPMENT	4,620	0%	-	4,620	13.0	355	7.69%
23		Subtotal	40,110		584	39,526		2,068	5.16%
24		<b>Subtotal Sewer</b>	<b>2,177,643</b>		<b>(1,003,523)</b>	<b>3,181,166</b>		<b>60,523</b>	<b>2.78%</b>
<i>Intangible Plant:</i>									
25	3511000	ORGANIZATION	-		-	-			
26		Subtotal	-		-	-			
27		<b>Total Sewer</b>	<b>2,177,643</b>		<b>(1,003,523)</b>	<b>3,181,166</b>		<b>60,523</b>	<b>2.78%</b>

**Sources and Notes**

28 Columns C, D, & G are from Company Adjusted Sewer Depreciation Rates Exhibit GTUI Ex. No. 2.2,  
 29 with Staff adjustments found in ICC Staff Exhibit 5.0.

Galena Territory Utilities, Inc.  
 Adjusted Sewer Depreciation Rates  
 Test Year Ended December 31, 2008

Line #	Account #	Description	Company's Present Rates			Staff's Proposed Rates			% of Total (H / H24)
			Plant	Percent	Annual Expense ( C X D) (E)	Percent Page 1 (I) (F)	Annual Expense Page 1 (H) (G)	Present vs. Proposed (G - E) (H)	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
<b>SEWER</b>									
<i>Sewage Treatment Plant</i>									
1	3537002	LAND & LAND RIGHTS	-	0.00%	-	0.00%	-	-	0.00%
2	3547005	LAND & LAND RIGHTS - Intang PLT	404	0.00%	-	0.00%	-	-	0.00%
3	3547003	BUILDINGS & STRUCTURES	3,340	1.50%	50	4.17%	139	89	0.32%
4	3804007	OTHER PLT TREATMENT	1,158	1.50%	17	3.57%	41	24	0.09%
5	3804006	OTHER PLT TANGIBLE	695	1.50%	10	3.57%	25	14	0.05%
6	3804009	PLANT SEWERS TRTMT PLT	1,112	1.50%	17	3.57%	40	23	0.08%
7	3804008	OTHER PLT RECLAIM WTR TRT	363	1.50%	5	3.57%	13	8	0.03%
8	3804005	SEWAGE TREATMENT PLANT	1,013,801	1.50%	15,207	3.57%	36,207	21,000	75.36%
9		Subtotal	1,020,873		15,307	3.57%	36,465	21,158	75.93%
<i>Transmission &amp; Dist. Plant:</i>									
10	3542011	LIFT STATION	69,660	1.50%	1,045	3.13%	2,177	1,132	4.06%
11	3710000	PUMPING EQUIPMENT PUMP PLT	1,512	1.50%	23	3.13%	47	25	0.09%
12	3602006	COLLECTION SEWERS - FORCE	158,514	1.50%	2,378	1.89%	2,994	616	2.21%
13	3710001	OTH PLT PUMP	1,433	1.50%	21	3.13%	45	23	0.08%
14	3612008	SEWER MAINS	885,541	1.50%	13,283	1.89%	16,727	3,444	12.36%
15	3752008	REUSE TRANSMISSION & DIST	-	1.50%	-	0.00%	-	-	0.00%
16		Subtotal	1,116,660		16,750	1.97%	21,990	5,240	18.81%
<i>General Plant:</i>									
17	3980000	OTHER TANGIBLE PLANT	-	1.50%	-	0.00%	-	-	0.00%
18	3540000	OFFICE STRUCTURES & IMPROVEMENTS	19,184	1.50%	288	3.33%	639	352	1.26%
19	3907091	OFFICE FURNITURE & EQUIPMENT	4,617	1.50%	69	5.26%	243	174	0.62%
20	3947095	LABORATORY EQUIPMENT	934	1.50%	14	4.75%	44	30	0.11%
21	3937094	TOOLS, SHOP & MISC. EQUIPMENT	10,755	1.50%	161	7.31%	786	625	2.24%
22	3960000	COMMUNICATION EQUIPMENT	4,620	1.50%	69	7.69%	355	286	1.03%
23		Subtotal	40,110		602	5.16%	2,068	1,467	5.26%
24		<b>Subtotal Sewer</b>	<b>2,177,643</b>		<b>32,659</b>	<b>2.78%</b>	<b>60,523</b>	<b>27,865</b>	<b>100.00%</b>
<i>Intangible Plant:</i>									
25	3511000	ORGANIZATION	-		-				
26		Subtotal	-		-				
27		<b>Total Sewer</b>	<b>2,177,643</b>		<b>32,659</b>	<b>2.78%</b>	<b>60,523</b>	<b>27,865</b>	

**Sources and Notes**

28 Column C is from Company Adjusted Sewer Depreciation Rates Exhibit GTUI Ex. No. 2.2, with Staff adjustments found in ICC Staff Exhibit 5.0.  
 29 Column D is from Company Adjusted Sewer Depreciation Rates Exhibit GTUI Ex. No. 2.2.