

Rebuttal Testimony

Of

William R. Johnson

Water Department

Financial Analysis Division

Illinois Commerce Commission

Whispering Hills Water Company

Proposed General Increase in Water Rates

Docket No. 10-0110

June 29, 2010

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. Are you the same William R. Johnson who submitted direct testimony in
8 this docket, which was identified as ICC Staff Exhibit 5.0?**

9 A. Yes, I am.

10

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

12 A. I will respond to the rebuttal testimony of Whispering Hills Water Company's
13 (“Whispering Hills”, “WHWC”, or the “Company”) witness Dimitry Neyzelman.

14

15 **RESPONSE TO WHISPERING HILLS WITNESS DIMITRY NEYZELMAN**

16 **Q. Your direct testimony recommended that the Company provide revised
17 depreciation schedules in its rebuttal testimony that include the proposed
18 water depreciation rates for Account 3406091 (Office Furniture and
19 Equipment) and Account 3446095 (Laboratory Equipment). Did the
20 Company provide revised depreciation schedules in its rebuttal testimony?**

21 A. Company witness Neyzelman stated that he agreed with Staff's recommended
22 depreciation rates, but did not provide revised depreciation schedules. (WHWC

23 Exhibit No. 2.0, Page 11 of 12) However, in response to Staff Data Request
24 WRJ 2.02 (a), the Company provided revised depreciation schedules that
25 incorporated Staff's proposed adjustments. I have included the schedules as
26 Attachment 10.1 to my testimony.

27

28 **Q. Are you recommending that the proposed water depreciation rates**
29 **included as Attachment 10.1 to your rebuttal testimony be approved by the**
30 **Commission?**

31 A. Yes. I have no objection to the Company's proposed water depreciation rates
32 found on ICC Staff Exhibit 10.0, Attachment 10.1, page 2 of 2, identified as
33 "Company's Proposed Rates," "Percent".

34

35 **Q. Do you have any other recommendations?**

36 A. Yes. My direct testimony (pages 4-6) stated that Utilities, Inc. ("UI") operates a
37 total of 23 water and wastewater utilities in Illinois. Currently UI has 7 Illinois
38 utilities that have Commission approved depreciation rates that utilize separate
39 depreciation rates for each primary account. If it is UI's intention to propose
40 separate depreciation rates for each primary account in the remaining UI Illinois
41 utilities, then I recommend that UI file a joint petition with the Commission under
42 Section 5/5-104 of the Public Utilities Act to implement separate water and sewer
43 depreciation rates for each primary account for all of its regulated Illinois water
44 and wastewater utilities, which would include performing a depreciation study.

45

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

48 A. First, UI's Illinois utilities could spread the cost associated with a depreciation
49 study across all its utilities; second, it would be administratively efficient for UI to
50 adopt the same depreciation method and rates across all of its Illinois
51 subsidiaries; and third, separate depreciation rates for each primary account
52 would better reflect the current plant assets' expected service life and net
53 salvage and will result in a more accurate allocation and recovery of depreciation
54 expense.

55

56 **CONCLUSION**

57 **Q. Does this conclude your prepared rebuttal testimony?**

58 A. Yes, it does.

Account #	Description	Plant Bal.	Net Salvage		Unrecovered Cost	Avg. Life (Yrs)	Annual Expense	
			(%)	Amount			(\$)	(%)
Source of Supply Plant:								
3043011	STRUCTURES & IMPROVE.(Sourc Sup)	-	-25%	-	-	30.0	-	0.00%
3036010	LAND & LAND RIGHTS	15,820	0	-	15,820	0.0	-	0.00%
3072014	WELLS & SPRINGS	354,636	-30%	(106,391)	461,027	60.0	7,684	2.17%
	Subtotal	370,457		(106,391)	476,847		7,684	2.07%
Pumping Equipment:								
3035040	LAND & LAND RIGHTS PUMP	4,432	0	-	4,432	0.0	-	0.00%
3043021	STRUCTURES & IMPROVE.(PUMP.PLT.)	164,950	-25%	(41,238)	206,188	30.0	6,873	4.17%
3113025	ELECTRIC PUMPING EQUIPMENT	311,560	-25%	(77,890)	389,451	40.0	9,736	3.13%
	Subtotal	480,943		(119,128)	600,070		16,609	3.45%
Water Treatment Plant:								
3044031	STRUCTURES & IMPROVE.(WTR. T.P.)	29,945	-25%	(7,486)	37,431	30.0	1,248	4.17%
3204032	WATER TREATMENT EQUIPMENT	139,154	-25%	(34,789)	173,943	35.0	4,970	3.57%
	Subtotal	169,099		(42,275)	211,374		6,217	3.68%
Transmission & Dist. Plant:								
3305042	DISTRIB. RESERVOIRS & STANDPIPES	795,494	-15%	(119,324)	914,818	60.0	15,247	1.92%
3315043	TRANSMISSION & DISTRIB. MAINS	1,453,666	-70%	(1,017,566)	2,471,232	90.0	27,458	1.89%
3335045	SERVICE LINES	576,786	-100%	(576,786)	1,153,573	60.0	19,226	3.33%
3345046	METERS	209,287	13%	27,207	182,080	14.0	13,006	6.21%
3345047	METER INSTALLATIONS	34,997	-100%	(34,997)	69,995	45.0	1,555	4.44%
3355048	HYDRANTS	289,460	-70%	(202,622)	492,082	43.0	11,444	3.95%
3486098	OTHER ASSETS	-		-	-		-	0.00%
	Subtotal	3,359,691		(1,924,089)	5,283,780		87,936	2.62%
General Plant:								
3391088	UNIFORMS	-	0	-	-		-	0.00%
3406090	OFFICE STRUCTURES & IMPROVEMENTS	84,885	0	-	84,885	30.0	2,830	3.33%
3406091	OFFICE FURNITURE & EQUIPMENT	26,440	0	-	26,440	19.0	1,392	5.26%
3446095	LABORATORY EQUIPMENT	12,233	5%	612	11,621	20.0	581	4.75%
3466094	TOOLS, SHOP & MISC. EQUIPMENT	76,121	5%	3,806	72,315	13.0	5,563	7.31%
3466097	COMMUNICATION EQUIPMENT	10,740	0	-	10,740	13.0	826	7.69%
	Subtotal	210,418		4,418	206,001		11,191	5.32%
	Subtotal Utility Plant	4,590,608		(2,187,465)	6,778,072		129,638	2.82%
Intangible Plant:								
3021002	FRANCHISE	189		-	-		-	
3011001	ORGANIZATION	117,196		-	-		-	
	Subtotal	117,385		-	-		-	
	Total Utility Plant	4,707,993		(2,187,465)	6,778,072		129,638	2.75%

Amortization of CIAC:		CIAC Balance	Percent	Annual Amortization	CIAC Amort. per Trial Bal.	Adjustment
271.1	CIAC - Water Undist	(1,010,451)	2.75%	(27,823)	(11,203)	16,621

Account #	Description	Company's Present Rates			Company's Proposed Rates			% of Total
		Plant	Percent	Annual Expense	Percent	Annual Expense	Present vs. Proposed	
Source of Supply Plant:								
3043011	STRUCTURES & IMPROVE.(Sourc Sup)	-	2.00%	-	0.00%	-	-	0.00%
3036010	LAND & LAND RIGHTS	15,820	0.00%	-	0.00%	-	-	0.00%
3072014	WELLS & SPRINGS	354,636	2.00%	7,093	2.17%	7,684	591	1.55%
	Subtotal	370,457		7,093	2.07%	7,684	591	1.55%
Pumping Equipment:								
3035040	LAND & LAND RIGHTS PUMP	4,432	0.00%	-	0.00%	-	-	0.00%
3043021	STRUCTURES & IMPROVE.(PUMP.PLT.)	164,950	2.00%	3,299	4.17%	6,873	3,574	9.35%
3113025	ELECTRIC PUMPING EQUIPMENT	311,560	2.00%	6,231	3.13%	9,736	3,505	9.17%
	Subtotal	480,943		9,530	3.45%	16,609	7,079	18.52%
Water Treatment Plant:								
3044031	STRUCTURES & IMPROVE.(WTR. T.P.)	29,945	2.00%	599	4.17%	1,248	649	1.70%
3204032	WATER TREATMENT EQUIPMENT	139,154	2.00%	2,783	3.57%	4,970	2,187	5.72%
	Subtotal	169,099		3,382	3.68%	6,217	2,836	7.42%
Transmission & Dist. Plant:								
3305042	DISTRIB. RESERVOIRS & STANDPIPES	795,494	2.00%	15,910	1.92%	15,247	(663)	-1.73%
3315043	TRANSMISSION & DISTRIB. MAINS	1,453,666	2.00%	29,073	1.89%	27,458	(1,615)	-4.22%
3335045	SERVICE LINES	576,786	2.00%	11,536	3.33%	19,226	7,690	20.12%
3345046	METERS	209,287	2.00%	4,186	6.21%	13,006	8,820	23.07%
3345047	METER INSTALLATIONS	34,997	2.00%	700	4.44%	1,555	855	2.24%
3355048	HYDRANTS	289,460	2.00%	5,789	3.95%	11,444	5,655	14.79%
3486098	OTHER ASSETS	-	2.00%	-	0.00%	-	-	0.00%
	Subtotal	3,359,691		67,194	2.62%	87,936	20,742	54.26%
General Plant:								
3391088	UNIFORMS	-	2.00%	-	0.00%	-	-	0.00%
3406090	OFFICE STRUCTURES & IMPROVEMENTS	84,885	2.00%	1,698	3.33%	2,830	1,132	2.96%
3406091	OFFICE FURNITURE & EQUIPMENT	26,440	2.00%	529	5.26%	1,392	863	2.26%
3446095	LABORATORY EQUIPMENT	12,233	2.00%	245	4.75%	581	336	0.88%
3466094	TOOLS, SHOP & MISC. EQUIPMENT	76,121	2.00%	1,522	7.31%	5,563	4,040	10.57%
3466097	COMMUNICATION EQUIPMENT	10,740	2.00%	215	7.69%	826	611	1.60%
	Subtotal	210,418		4,208	5.32%	11,191	6,983	18.26%
	Subtotal Utility Plant	4,590,608		91,407	2.82%	129,638	38,231	100.00%
Intangible Plant:								
3021002	FRANCHISE	189		-				
3011001	ORGANIZATION	117,196		-				
	Subtotal	117,385		-				
	Total Utility Plant	4,707,993		91,407	2.75%	129,638	38,231	
Amortization of CIAC:								
		CIAC Balance	Percent	Annual Amortization	Percent	Annual Expense	Present vs. Proposed	
271.1	CIAC - Water Undist	(1,010,451)	2.00%	(20,209)	2.75%	(27,823)	(7,614)	