



1 APPEARANCES:

2 MS. SHEENA KIGHT  
3 527 East Capitol Avenue  
4 Springfield, Illinois 62701  
(Appearing on behalf of the Staff of the  
5 Illinois Commerce Commission.)

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I N D E X

WITNESSES	DIRECT	CROSS	REDIRECT	REXCROSS
Randy Parker				
By Examiner Showtis	6			9
By Ms. Kight		8		

I N D E X

EXHIBITS	MARKED	ADMITTED
Petitioner's Exhibit 1	8	
Staff Cross Exhibit 1	17	18

## 1 P R O C E E D I N G S

2 EXAMINER SHOWTIS: Pursuant to the authority  
3 vested in me by the Commission, I now call for  
4 hearing 00-0810, which concerns the petition of  
5 Silvis Heights Water Corporation, pursuant to Section  
6 6-102 of the Public Utilities Act, seeking authority  
7 to incur indebtedness in the amount of \$115,000 to be  
8 repaid over a period of time in excess of 12 months,  
9 to give the security therefor, and to pay the  
10 proceeds of such funds received for such  
11 indebtedness; determining the fee to be paid pursuant  
12 to Section 6-108 of the Public Utilities Act; and  
13 ratifying incurrence of existing indebtedness.

14 Mr. Lee, would you enter your appearance on  
15 behalf of Petitioner by giving your name and address  
16 and indicate whether you're admitted to practice law  
17 in the state of Illinois.

18 MR. LEE: My name is Graham Lee. I'm an  
19 attorney in East Moline, Illinois. My address is 844  
20 15th Avenue, East Moline, Illinois. I am admitted to  
21 the bar in Illinois and have been practicing since  
22 1971. I'm here representing Silvis Heights Water

1 Corporation.

2 EXAMINER SHOWTIS: Will Staff enters its  
3 appearance for the record?

4 MS. KIGHT: Sheena Kight on behalf of Staf f  
5 of the Illinois Commerce Commission, 527 East  
6 Capitol, Springfield, Illinois, 62701.

7 EXAMINER SHOWTIS: Mr. Lee, Silvis Heights  
8 prefiled the written testimony of Mr. Parker, is that  
9 correct?

10 MR. LEE: That is correct.

11 EXAMINER SHOWTIS: Okay. And I believe the  
12 prefiled testimony of Mr. Parker includes 21  
13 questions and answers, is that correct?

14 MR. LEE: Yes, sir, that's correct.

15 EXAMINER SHOWTIS: And I think there's also  
16 a document entitled Loan Increase Summary, is that  
17 correct?

18 MR. LEE: Yes, there is. That was an  
19 additional document I attached for -- I would hope it  
20 was helping the people and the Examiner to see what  
21 we were trying to do.

22 EXAMINER SHOWTIS: Okay, that's fine. Let

1 me swear in Mr. Parker.

2 (Witness sworn.)

3 EXAMINER SHOWTIS: Mr. Lee, why don't  
4 you -- well, I could ask a few questions of  
5 Mr. Parker just to save time and have him identify  
6 what he's admitting into evidence.

7 R A N D Y P A R K E R

8 called as a Witness herein on behalf of Silvis  
9 Heights Water Corporation, having been duly sworn on  
10 his oath, was examined and testified as follows:

11 DIRECT EXAMINATION

12 BY EXAMINER SHOWTIS:

13 Q. Mr. Parker, would state your name for the  
14 record.

15 A. My name is Randy Parker.

16 Q. And you are president of Silvis Heights  
17 Water Corporation?

18 A. Yes, I am.

19 Q. Okay. And you prefiled testimony  
20 consisting of five pages that includes 21 questions  
21 and answers, is that correct?

22 A. Yes, I did.

1           Q.    You also submitted a document entitled  
2    Silvis Heights Water Loan Increase Summary, is that  
3    correct?

4           A.    Yes, we did.

5           Q.    Okay.  Do you have any additions or  
6    corrections which you wish to make to either your  
7    written testimony or the document entitled Loan  
8    Increase Summary?

9           A.    Yeah.  We found out since then that our  
10   interest rate at the bank will be a little bit lower  
11   now.

12          Q.    Would you describe what the new interest  
13   rate will be?

14          A.    The interest rate on the Wall Street  
15   Journal as of today is 8.50 percent interest and we  
16   get from the bank at a quarter percent lower, so we  
17   would be borrowing from the bank at 8.25 percent  
18   interest.

19          Q.    Okay.  But as I understand it, whenever the  
20   loan is obtained it will be one-quarter less than the  
21   prime rate at that point, is that correct?

22          A.    That's correct.

1 Q. Okay. I'm going to have the reporter mark  
2 your testimony, which would also include that Loan  
3 Increase Summary, as Petitioner's Exhibit 1.

4 (Whereupon Petitioner's  
5 Exhibit 1 was marked for  
6 purposes of identification  
7 as of this date.)

8 Q. (By Examiner Showtis) Mr. Parker, are you  
9 offering Petitioner's Exhibit 1 into evidence?

10 A. Yes, I am.

11 EXAMINER SHOWTIS: Okay. Does Staff have  
12 any objection to the admission into evidence of  
13 Petitioner's Exhibit 1?

14 MS. KIGHT: Staff has no objections.

15 EXAMINER SHOWTIS: Petitioner's Exhibit 1  
16 is admitted into evidence.

17 I have some questions, but I think I'll let  
18 Staff ask some questions first.

19 CROSS EXAMINATION

20 BY MS. KIGHT:

21 Q. In the proforma cash flow and balance sheet  
22 statement you sent in response to the data request

1 you listed the loan amount as \$114,500, but in the  
2 petition you list it as \$115,000. You are asking for  
3 \$115,000, correct?

4 A. Yes, we are.

5 Q. And then is the loan amount to be paid off  
6 the \$51,000 stated on Page 2 of the amended petition  
7 or is it the \$49,155 on Page 2 of your direct  
8 testimony?

9 A. \$49,155.49.

10 MS. KIGHT: Okay.

11 REDIRECT EXAMINATION

12 BY EXAMINER SHOWTIS:

13 Q. Just so I understand, that's the existing  
14 outstanding balance on the old note?

15 A. Yes, it is.

16 MR. LEE: Excuse me. I notice that she  
17 was quoting the \$50,000. Are you working from my  
18 amended petition?

19 MS. KIGHT: Yes.

20 MR. LEE: Number 6 on that, I believe --  
21 no, no, I take that back. Excuse me, I was looking at  
22 the wrong document. Excuse me.

1 Q. (By Examiner Showtis) Just so I'm clear,  
2 Mr. Parker, the \$49,155.49 that is the existing  
3 outstanding balance on the old note?

4 A. Yes, it is.

5 Q. And that's the balance as of what date,  
6 today's date? In other words, has that been paid  
7 down any more?

8 A. As of the 7th of February.

9 Q. So the \$49,155.49 is the balance as of  
10 February 7th?

11 A. Yes, it is.

12 Q. Then how are you paying on that old note,  
13 are you paying monthly?

14 A. We're paying monthly on it now.

15 Q. Okay. So you probably -- okay. So is the  
16 next payment then due on March 7th?

17 A. Yes, it is.

18 EXAMINER SHOWTIS: Staff may continue.

19 MS. KIGHT: That was all the questions I  
20 had.

21 EXAMINER SHOWTIS: I have a few other  
22 questions.

1 Q. (By Examiner Showtis) In comparing the  
2 prior loan to the loan in this case, did the prior  
3 loan also have a term of 10 years?

4 A. It had a term of seven years.

5 Q. Seven years, okay. And the prior loan had  
6 an initial rate that was tied to the prime rate, was  
7 that correct?

8 A. Yes.

9 Q. And the difference is for this loan the  
10 initial rate is the prime rate at the time of the  
11 loan minus one-fourth percent, is that correct?

12 A. Yes, it is.

13 Q. And then both loans were adjusted annually  
14 to the existing prime rate?

15 A. Yes, it is.

16 Q. Okay. So if I understand the difference  
17 between the prior loan and this loan, this loan is  
18 for an additional three years, and this loan's first  
19 year rate is at prime minus one-fourth percent,  
20 whereas the prior loan, the rate for the first year  
21 was at the prime rate?

22 A. Yes, it was.

1 Q. And in your testimony you indicate that  
2 the amount of the loan that will not be used to pay  
3 off the existing loan will be \$65,064.03, is that  
4 correct?

5 A. That's what we believe, yes.

6 Q. It appears that there may be an error in  
7 arithmetic there. If you add those two amounts I  
8 don't think you come up with \$115,000.

9 MR. LEE: I think we were probably using  
10 the \$50,000 when we did this.

11 EXAMINER SHOWTIS: Off the record.

12 (Whereupon an off the record  
13 discussion was held.)

14 Q. (By Examiner Showtis) There's also a  
15 contingency fund of \$780.38?

16 A. Yes.

17 Q. So if you add the \$780.38 to the  
18 \$65,064.03, I think it's still not going -- going to  
19 get you to within 10 cents of the \$115,000?

20 A. Probably.

21 Q. Okay. Now, the \$65,064.03, plus that  
22 contingency fund, if necessary, that would be

1 utilized to purchase plans that would be needed to  
2 comply with the Safe Drinking Water Act, is that  
3 correct?

4 A. Yes, it is.

5 Q. Presently the corporation does not have  
6 meters, is that correct?

7 A. No, it's not correct. Half of our system  
8 is metered. We have -- and I don't have the exact  
9 numbers. There's like 190 meters we need to install,  
10 and part of this is to purchase the rest of these  
11 meters and install them.

12 Q. So the customers who aren't metered, how  
13 are they paying for water service?

14 A. On businesses it's a metered rate, on  
15 residential it's a flat rate.

16 Q. Okay. So the business customers are  
17 presently metered and the residential customers are  
18 not?

19 A. On residential, half of the residential are  
20 metered, the other half is not, but the Illinois  
21 Commerce Commission has us charging them a flat rate  
22 fee.

1           Q.    Okay.  So all of the business customers are  
2   metered?

3           A.    Yes, they are.

4           Q.    Okay.  And the petition indicates that the  
5   loan would be used to retire the current long-term  
6   debt, purchase -- and to purchase meters, meter  
7   parts, remote readers, pumps, electrical control  
8   gauges, cut and cap main, heater and piping.  What  
9   exactly do you mean by cut and cap main?

10          A.    Presently what we have is, we built a new  
11   water tower and a new building.  The building has got  
12   two mains.  One goes in front of the building to the  
13   old building to keep our current system running, and  
14   what we would do is, that main there, we need to cut  
15   and cap it when we start the new building on-line  
16   because they'll go to the right and into the new  
17   building.

18          Q.    Okay.  And what exactly is this heater that  
19   you're referencing?

20          A.    The heater that will be hanging from the  
21   ceiling, which will be inside the new building.  
22   Currently the new building does not have a heater in

1 it yet. A furnace-type heater.

2 Q. Is this new building like the pump house,  
3 or what exactly is this new building?

4 A. The new building will replace the old  
5 building. What it has is two 10,000 gallon  
6 hydrodynamic storage tanks. It has electrical  
7 control panels. Basically, what we'll be doing is  
8 putting in two new pumps, the additional piping and  
9 the new pump control panels inside there.

10 Q. With regard to the new loan, Old Kent Bank  
11 will have a security interest with regard to all of  
12 the real and personal property owned by Silvis  
13 Heights, is that correct?

14 A. I think so.

15 Q. Was that the same situation with regard to  
16 the old loan?

17 A. Yes, it is.

18 Q. If one were to calculate the debt ratio  
19 after the loan versus before the loan, it's my  
20 understanding that this transaction will result in an  
21 increase in the debt ratio by some percentage, is  
22 that correct?

1 A. Yes.

2 Q. Because you're incurring \$115,000 in new  
3 debt and retiring approximately \$49,000 dollars of  
4 old debt?

5 A. Yes.

6 EXAMINER SHOWTIS: Let's go off the  
7 record.

8 (Whereupon an off the record  
9 discussion was held.)

10 Q. (By Examiner Showtis) Mr. Parker, do you  
11 have in front of you, I think it must be response to  
12 a data request, SK 1.4? It shows a proforma capital  
13 structure.

14 A. Yes.

15 Q. Okay. I think Staff has questions. If you  
16 go down to the Retained Earnings column, before the  
17 issuance there's a figure, \$103,589. Do you see  
18 that?

19 A. I do.

20 Q. And then after the issuance there's a  
21 figure, \$75,789. Do you see that?

22 A. I do.



1 date.)

2 EXAMINER SHOWTIS: Staff Cross Exhibit 1  
3 consists of Petitioner's responses to Staff Data  
4 Requests SK 1.1 through SK 1.9, is that correct?

5 MS. KIGHT: That is correct.

6 EXAMINER SHOWTIS: Since this information  
7 does provide some background concerning the proposed  
8 financing, I would like to have it admitted into  
9 evidence.

10 Does Petitioner have any objection to the  
11 admission into evidence of Staff Cross Exhibit 1?

12 MR. LEE: No.

13 EXAMINER SHOWTIS: Staff Cross Exhibit 1 is  
14 admitted into evidence.

15 (Whereupon Staff Cross  
16 Exhibit 1 was admitted into  
17 evidence as of this date.)

18 EXAMINER SHOWTIS: There are apparently some  
19 discrepancies between the information in Staff Cross  
20 Exhibit 1 and Silvis Heights' 1999 annual report  
21 filed with the Commission. One concern is the amount  
22 shown for retained earnings before the proposed

1 issuance. The response to Staff Data Request SK 1.4  
2 shows a retained earnings balance \$103,589, which I  
3 believe is as of 12-31, 1999. What is the comparable  
4 figure shown in the annual report again?

5 MR. LEE: \$215,528.

6 EXAMINER SHOWTIS: And then one other matter  
7 that we'd like the accountant to address would be the  
8 amount shown for retained earnings after the proposed  
9 issuance. The figure shown on the response to Staff  
10 Data Request SK 1.4 is \$75,789, which is  
11 approximately \$28,000 less than the amount shown  
12 before the proposed issuance.

13 Let's go off the record.

14 (Whereupon an off the record  
15 discussion was held.)

16 EXAMINER SHOWTIS: There is a need for an  
17 additional hearing in this matter, and the need for a  
18 hearing is caused by some apparent discrepancies  
19 between figures shown in Petitioner's response to  
20 Staff Data Request SK 1.4, particularly with regard  
21 to retained earnings and the comparable figure shown  
22 in the 1999 annual report filed by Silvis Heights

1 with the Commission. There would be a need for  
2 Petitioner's accountant to be available to answer  
3 questions concerning the apparent discrepancy at the  
4 next hearing.

5 It's not necessary that Mr. Parker appear  
6 at the next hearing. I would suggest that Mr. Lee  
7 get a hold of Petitioner's accountant, have  
8 Petitioner's accountant talk to Staff about the  
9 discrepancy, and Staff can explain what it's looking  
10 for. If the accountant could give his availability  
11 to Staff -- and Mr. Lee, you may want to give your  
12 availability, too.

13 MR. LEE: Absolutely. I will get a hold  
14 of him and tell him when the two of us can suggest  
15 some times, and then when he contacts you he'll have  
16 a list of what's available.

17 EXAMINER SHOWTIS: Okay. And then Staff can  
18 relay that to me, and then I'm sure I can make myself  
19 available if there's one or two alternative dates. I  
20 will then call you, Mr. Lee, and confirm the date.

21 MR. LEE: Excellent.

22 EXAMINER SHOWTIS: And then I think this can

1 be wrapped up at the next hearing.

2 MR. LEE: We will try to expedite it as  
3 quickly as we can.

4 EXAMINER SHOWTIS: And I would expect that  
5 the next hearing will take no more than 10 or 15  
6 minutes since we're just talking about clearing up  
7 the amount shown for retained earnings primarily.

8 Then the hearing in this matter will be  
9 continued to a later date. Thank you.

10 (Continued to a later date.)

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1 STATE OF ILLINOIS )  
 ) SS:  
2 COUNTY OF SANGAMON )

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CERTIFICATE

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6 I, Tracy Bartolomucci, CSR and Notary Public, do  
7 hereby certify that I reported in shorthand the  
8 foregoing proceedings and the foregoing is a true and  
9 correct transcript of my shorthand notes so taken as  
10 aforesaid.

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I further certify that I am in no way  
related to or associated with any of the parties or  
attorneys involved herein, nor am I financially  
interested in the action.

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TRACY BARTOLOMUCCI, CSR  
Notary Public, Sangamon County, IL  
CSR License No. 084-003861

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Dated this 7th day of  
March, A.D., 2001

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My commission expires 3-6-2002

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