

Rebuttal 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

August 24, 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 Galena Territory Utilities, Inc.’s
13 (“Galena Territory,” “GTUI,” or the “Company”) witness Dimitry Neyzelman
14 regarding depreciation rates.

15

16 **RESPONSE TO GALENA TERRITORY WITNESS DIMITRY NEYZELMAN**

17 **Q. Your direct testimony recommended that Utilities, Inc. (“UI”) file a joint
18 petition with the Commission under Section 5/5-104 of the Public Utilities
19 Act to implement separate water and sewer depreciation rates for each
20 primary account for all of its regulated Illinois water and wastewater
21 utilities, which would include performing a depreciation study (ICC Staff**

22 **Exhibit 5.0, pp. 6 and 14). What was the Company's response to your**
23 **recommendation?**

24 A. The Company did not agree with my recommendation. The Company stated
25 that UI and its Illinois subsidiaries would not be able to recover the costs
26 associated with my proposal unless each company filed a rate case at the same
27 time using the test year that the costs were incurred. Additionally, the Company
28 stated that making a change to depreciation rates outside the context of a rate
29 case creates improper recovery of capital. (Galena Exhibit No. 2.0, p. 22.)

30
31 **Q. Do you continue to believe that UI should file a joint petition with the**
32 **Commission under Section 5/5-104 of the Public Utilities Act to implement**
33 **separate water and sewer depreciation rates for each primary account for**
34 **all of its regulated Illinois water and wastewater utilities, which would**
35 **include performing a depreciation study?**

36 A. No, I do not. The intent of my proposal was to offer a mechanism for UI to
37 implement separate depreciation rates by primary account across all of its Illinois
38 utilities while at the same time updating the depreciation rates. The Company
39 has identified some concerns with my proposal that Staff has taken into
40 consideration. This issue has been addressed in UI's subsidiary Whispering
41 Hills Water Company's on-going rate case, Docket No. 10-0110. Staff proposed
42 that the Commission direct the Company to confer with Staff within 6 months
43 from the date of the Order in Docket No. 10-0110 about the best way to
44 implement new depreciation rates and the Company agreed.

45

46 **CONCLUSION**

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

48 **A. Yes, it does.**