

REBUTTAL TESTIMONY

of

BURMA C. JONES

Accountant
Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Northern Hills Water and Sewer Company

Proposed General Increase in Water and Sewer Rates

Docket No. 10-0298

September 2, 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. Are you the same Burma C. Jones who previously filed testimony in this
7 proceeding?

8

9 A. Yes, my direct testimony was filed on July 8, 2010 as ICC Staff Exhibit
10 2.0.

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

12

13 A. The purpose of my rebuttal testimony is to identify the adjustments I
14 proposed in Direct Testimony that were accepted by the Company and to
15 respond to the rebuttal position of Company witness Lena Georgiev
16 regarding my proposed adjustments for the following:

17

- Rate case expense;

18

- Operations and customer service employee expenses;

19

- Corporate employee expenses; and

20

- Maintenance and repair expense for sludge hauling.

21 Schedule Identification

22 Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 7.0?

23

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

26 ADJUSTMENT SCHEDULES

27 Schedule 7.1 W & S – Adjustment to Rate Case Expense

28 Schedule 7.2 W & S – Adjustment to Operations and Customer Service
29 Employee Expenses

30 Schedule 7.3 W & S – Adjustment to Corporate Employee Expenses

31 Schedule 7.4 S – Adjustment to Maintenance and Repair Expense

32 Attachments

33 Q. Have you included any attachments as part of your direct testimony?

34

35 A. Yes, I have included the following attachment:

36 Attachment A – Company response to Staff data request (“DR”) BCJ 2.10

37 Proposed Adjustments Agreed to by the Company

38 Q. Does the Company agree with any of the adjustments you proposed in
39 your Direct Testimony?

40

41 A. Yes, the Company agrees with my adjustments to the following:

- 42 • Company pro forma maintenance and general expenses;
43 • Add-on taxes; and
44 • Allocation factors. (Northern Hills Ex. No. 2.0, pp. 11, 14.)

45 The Company also agrees in part with my proposed adjustments to rate
46 case expense, operations and customer service employee expenses, and
47 corporate employee expenses. These adjustments will be discussed
48 individually.

49 Rate Case Expense

50 Q. Please describe Schedule 7.1 W & S, Adjustment to Rate Case Expense.

51

52 A. Schedule 7.1 presents my rebuttal adjustment to rate case expense to
53 recognize the actual expense incurred by the Company through July 31,
54 2010, and to allow a reasonable estimate of costs to complete the rate
55 case.

56 Q. Does the Company agree with any of the adjustments to rate case
57 expense proposed in your direct testimony?

58

59 A. Yes. The Company accepted my proposed five-year amortization period
60 for rate case expense and my proposed adjustment to remove the
61 estimated cost for AUS Consultants. (*Id*, p. 12.) Also, the rate case

62 expense for WSC employees presented in the Company's rebuttal
63 testimony was calculated using my methodology to eliminate double
64 recovery of employee costs. (Northern Hills Ex. No. 2.0, Schedule 2.1 S,
65 p. 5.)

66 Q. What are the aspects of rate case expense about which you and the
67 Company disagree?

68

69 A. The Company and I disagree about the estimates for WSC personnel
70 costs and miscellaneous costs.

71 Q. Please explain the portion of your adjustment that affects the WSC
72 personnel costs.

73

74 A. My adjustment reflects actual costs incurred as of July 31, 2010, plus an
75 estimate of WSC personnel costs to complete the case. Page three of my
76 schedule identifies each of the WSC employees with a corresponding
77 amount attributable to the rate case. The Company and I disagree on
78 some of the estimates of costs of individual WSC employees that will be
79 needed to complete the case.

80 Q. Please identify the estimates with which you disagree and explain why.

81

82 A. The Company has overstated the estimates for the following employees:

- 83 • Angelica Anderson
- 84 • Dimitry Neyzelman
- 85 • Thomas Tapella,
- 86 • Carl Daniel

87 Since the beginning of the year, the Company has recorded 4 hours of
88 expense for Ms. Anderson (in March) and 10 hours of expense for Mr.
89 Tapella. No rate case expense has been recorded for Mr. Neyzelman
90 since July 2009. The majority of the work performed by these three
91 employees was during the preparation of the rate case, prior to filing.
92 Because it is more likely than not that the Company will incur no further
93 expense for Ms. Anderson or Mr. Neyzelman, I propose disallowing all of
94 their estimated rate case expense. I am proposing 10 hours of estimated
95 expense for Mr. Tapella, instead of the 37.5 estimated by the Company.

96
97 Regarding Mr. Daniel, the Company has incurred only 15 hours of
98 expense for him through July 31, 2010. He is not a witness in this
99 proceeding; thus, there is no reason to expect that the Company will incur
100 an additional 35 hours of expense for him through the end of this
101 proceeding, as estimated by the Company. I propose disallowing all but
102 15 hours of estimated expense for Mr. Daniel.

103

104 I also propose disallowing estimates for four employees that the Company
105 just added to the list of WSC employees working on the rate case: Jim
106 Casados, Adriene Krugler, John Stover, and John Williams. The
107 Company has not incurred any actual rate case expense for these
108 employees and it provided no explanation why it should recover rate case
109 expense for employees who have yet to be involved in this proceeding.
110 Given that the Company has already charged time for 21 different WSC
111 employees to this case, there is no reasonable basis for adding to that
112 number. Neither is there any reasonable basis to assume these additional
113 employees will do something in addition to what one of the 21 employees
114 whose time is already charged to the case would do.

115 Q. Please explain the portion of your adjustment that affects miscellaneous
116 costs.

117

118 A. My adjustment to miscellaneous costs reflects actual costs incurred plus
119 estimates of miscellaneous costs to complete the case. Page two of my
120 schedule provides a line item detail of the items included in this category
121 of rate case expense. The Company and I disagree on the estimates to
122 complete the case.

123 Q. Please explain why you disagree with the Company's estimates regarding

124 miscellaneous costs.

125

126 A. The Company estimates an additional \$1,254 for temporary personnel and
127 \$1,462 for employee travel. I believe the estimates are overstated.

128 Q. Why do you believe the estimate for the temporary personnel is
129 overstated?

130

131 A. The Company provided actual invoices for the temporary personnel, who
132 were hired for “pulling, sorting, copying, scanning and re-filing invoices in
133 addition to any other administrative related duties as needed to support
134 the data requests from Staff.”¹ Based on a per hour rate of \$16.50 for the
135 temporary workers, the Company has incurred actual expense for
136 approximately 106 hours (\$1,745.84/\$16.50) and estimates approximately
137 76 hours of additional time. I believe 40 hours of additional time, which
138 equals \$660, is a more reasonable estimate, considering that the instant
139 proceeding is at the rebuttal stage and the need for the type of assistance
140 provided by the temporary workers should be greatly diminished.

141 Q. Why do you believe the estimate for employee travel is overstated?

142

¹ Company response to Staff DR BCJ 2.05.

143 A. The Company estimates \$1,462 for various employees to attend the
144 evidentiary hearing. There is only one Company witness in this
145 proceeding: Ms. Lena Georgiev. Other Company personnel who attend
146 the evidentiary hearing do so by choice and not by necessity. I believe
147 \$200 to cover the travel expenses for Ms. Georgiev to attend the
148 evidentiary hearing is a reasonable estimate for travel expense.

149 Q. Do you have any other comments regarding rate case expense?

150

151 A. Yes, I do. The rate case expense amounts per Staff reflected on
152 Schedules 7.1 W & S allow the Company to recover actual costs incurred
153 and estimated costs to bring this case to conclusion. They are the
154 amounts I recommend for recovery in this proceeding.

155 Operations and Customer Service Employee Expenses

156 Q. Please describe Schedule 7.2 W & S, Adjustment to Operations and
157 Customer Service Employee Expenses.

158

159 A. Schedule 7.2 presents my proposed adjustment to update test year
160 operations and customer service employee expenses to reflect known and
161 measurable changes to salaries, payroll taxes, and benefits. The
162 adjustment is similar to Schedule 2.5 filed with my Direct Testimony, ICC
163 Staff Exhibit 2.0. The Company agrees with the adjustment in theory, but

164 disagrees with my calculation of health care and other benefits expenses,
165 and the exclusion of salaries for temporary workers and overtime for full-
166 time customer service employees.

167 Q. What is your understanding of the Company's disagreement with your
168 calculation of health care expense and other benefits expense?

169

170 A. In order to update test year expenses to reflect the known and measurable
171 amounts of health care expense and other benefits expense incurred in
172 2009, I calculated a per employee amount for each category by dividing
173 total 2009 expense for the category by the average of the number of
174 employees at the beginning and end of 2009. The Company believes my
175 use of an average employee headcount instead of the actual headcount at
176 the end of the year is inappropriate.

177 Q. Why was it necessary to calculate a "per employee" amount for health
178 care expense and other benefits expense?

179

180 A. It was necessary to calculate a per employee amount for health care
181 expense and other benefits expense in order to properly allocate WSC
182 employee costs to the Company. The allocation factor differs for the
183 different types of personnel; i.e., operations, corporate, and customer

184 service. Therefore, employee costs, including health care and other
185 benefits costs, must be identified for each employee in order to properly
186 allocate that particular employee's costs to the Company.

187 Q. Why did you use an average headcount to calculate per employee
188 amounts?

189

190 A. Health care expense and other benefits expense on the Company's
191 income statement at December 31, 2009 were incurred for all people
192 employed by the Company during 2009, not just those still on the payroll
193 on the last day of the year. Annual expense divided by the headcount at
194 the end of the year, which is the method preferred by the Company,
195 overstates the per employee amount if headcount is decreasing and
196 understates the per employee amount if headcount is increasing. In 2009,
197 Company headcount decreased from 501 at the beginning of the year to
198 436 at the end of the year. Dividing total 2009 health care expenses and
199 other benefits expenses by the headcount at the end of the year, as
200 preferred by the Company, results in an overstated amount per employee
201 for each category. Dividing annual expense by the average of the
202 headcounts at the beginning and end of the year, as I did in my proposed
203 adjustment, provides a more reasonable amount per employee for
204 ratemaking purposes.

205 Q. What is your response regarding the Company's disagreement with your
206 proposed adjustment because it excludes the salaries of temporary
207 workers from test year expense? (Northern Hills Exhibit No. 2.0, pp. 15-
208 16.)

209

210 A. The temporary workers in question were hired as customer service
211 representatives ("CSR"). Although the Company provides a litany of
212 reasons as to why it believes temporary CSR's are beneficial (*Id.*), it
213 provides no credible reason why a year's wages for six temporary workers
214 should be included in the Company's revenue requirement. According to
215 the dictionary, the word "temporary" means "lasting, enjoyed, used, etc. for
216 a time only; not permanent."² The rates set in the instant proceeding are
217 meant to allow the Company the opportunity to recover its normal,
218 recurring expenses. Presumably, the Company does not employ
219 temporary CSR's for a year at a time and will not incur annual wages for
220 six temporary CSR workers on an ongoing basis. My proposed
221 adjustment appropriately excludes wages for the temporary CSR's.

222 Q. What is your response regarding the Company's disagreement with your
223 proposed adjustment because it excludes the overtime earnings of full-
224 time CSR employees from test year expense? (*Id.*)

² New World Dictionary of the American Language, Second College Edition, s.v. "temporary."

225

226 A. Similar to its rebuttal testimony regarding the temporary CSR workers, the
227 Company identifies the perceived benefits derived from overtime by its
228 full-time CSR employees and states that: “The best tool to manage force-
229 to-load with our small and efficient customer service team is occasional
230 overtime.” (*Id.*) My adjustment excludes 1,751 hours of overtime incurred
231 by customer service employees in 2009, ninety-six per cent of which were
232 incurred by six CSR’s in Florida. One thousand seven hundred fifty-one
233 hours of overtime equals slightly less than 219 eight-hour work days,
234 which certainly appear to be more than “occasional” overtime.

235

236 The rates set in the instant proceeding are meant to allow the Company
237 the opportunity to recover its normal, recurring expenses. I do not believe
238 that the amount of overtime the Company incurred in 2009 is indicative of
239 the amount of overtime the Company will incur each year that the rates set
240 in this proceeding are in effect, nor do I believe that it represents a normal
241 level of overtime wages. My proposed adjustment appropriately excludes
242 the overtime wages.

243 Q. Do you have any other comments regarding temporary CSR workers and
244 overtime by full-time CSR employees?

245

246 A. Yes, I do. As of June 1, 2010, the customer service centers servicing
247 various regions were reconfigured to service all UI customers. Prior to the
248 reconfiguration, a customer service center only serviced customers within
249 a particular geographic location. The Company's response to Staff Data
250 Request BCJ 2.10 for a detailed explanation for this business decision.
251 (See Attachment A) identifies substantive changes within the customer
252 service area. It is logical to assume the changes will impact the need for
253 temporary CSR workers and overtime by CSR employees, which lends
254 further support to the exclusion of the temporary workers' wages and the
255 vast amount of overtime wages of the full-time employees from my
256 proposed adjustment.

257 Corporate Employee Expenses

258 Q. Please describe Schedule 7.3 W & S, Adjustment to Corporate Employee
259 Expenses.

260

261 A. Schedule 7.3 presents my proposed adjustment to update test year
262 corporate employee expenses to reflect known and measurable changes
263 to salaries, payroll taxes, and benefits. The adjustment is similar to
264 Schedule 2.6 filed with my Direct Testimony, ICC Staff Exhibit 2.0. As
265 with my proposed adjustment to operations and customer employee
266 expenses, the Company agrees with the adjustment in theory, but

267 disagrees with my calculation of health care and other benefits expenses,
268 and the exclusion of overtime for hourly corporate employees.

269 Q. Is the Company's disagreement with your calculation of health care and
270 other benefits expenses in this adjustment the same as for your proposed
271 adjustment to operations and customer services employee expenses?

272

273 A. Yes, it is. The Company disagrees with my use of an average headcount
274 to calculate a per employee amount for health care expenses and other
275 benefits expenses. Please see my response at lines 177-204.

276 Q. Are your reasons for excluding overtime for hourly corporate employees in
277 this proposed adjustment the same as your reasons for excluding
278 overtime for customer services employees in your proposed adjustment
279 for operations and customer services employee expenses?

280

281 A. Yes. Similar to the reasons why I am excluding the overtime wages of the
282 customer services employees, I am excluding the overtime wages for
283 hourly corporate employees. They are not known and measurable going
284 forward and I have reason to believe they do not represent a normal level
285 of overtime expense for the hourly corporate employees.

286 Q. Why do you believe that the overtime wages for the hourly corporate
287 employees do not represent a normal level of overtime expense?

288

289 A. I believe that the overtime wages for the hourly corporate employees do
290 not represent a normal level of overtime expense because the Company
291 incorrectly calculated the annualized salaries for the hourly employees.
292 To reflect an annual salary for each corporate employee based on the
293 known and measurable wage increase in 2010, the Company multiplied
294 each employee's gross pay for the semimonthly pay period ending
295 4/6/2010 by 24, the number of semimonthly pay periods in a year. The
296 Company did not remove overtime pay before making the calculation,
297 which has the effect of including 24 times the amount of overtime in the
298 pay period ending 4/6/2010 in the annualized corporate salaries. Put
299 another way, the Company's methodology for annualizing the corporate
300 salaries assumes that each employee who incurred overtime wages in the
301 pay period ending 4/5/2010 will incur that same amount of overtime in
302 every pay period of the year. There is no reason to believe this will be the
303 case and the Company's methodology, which is built on this assumption,
304 should be rejected. Further, use of this methodology overstates the
305 annualized wages.

306 Q. How did you calculate the annualized salaries for the hourly corporate
307 employees with overtime?

308

309 A. To calculate the annualized salaries for the hourly corporate employees
310 with overtime, I divided each employee's regular wages by the regular
311 hours worked to calculate an hourly rate, which I then multiplied by 2,080
312 hours (40 hours per week x 52 weeks). This is the same methodology the
313 Company employed to annualize the wages of the customer services
314 employees.

315 Maintenance and Repair Expense

316 Q. In your Direct Testimony, you disallowed the Company's pro forma
317 adjustment to maintenance and repair expense for the increase in the cost
318 of sludge hauling. Have you withdrawn that adjustment?

319

320 A. Yes, I have. The Company provided the calculation for the pro forma
321 adjustment and included documentation to support the calculation.

322 Q. Please describe Schedule 7.4 S, Adjustment to Maintenance and Repair
323 Expense.

324

325 A. Schedule 7.4 S corrects an error in the calculation of sludge hauling
326 expense presented on Company Schedule 2.1, pp. 9-10. The gallons of
327 sludge hauled, on which the expense recorded in 2008 was based, was
328 understated. My adjustment reflects the correct number of gallons hauled.

329 Conclusion

330 Q. Does this question end your prepared rebuttal testimony?

331

332 A. Yes.

Northern Hills Water and Sewer Company - Water Operations
 Adjustment to Rate Case Expense
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Total Rate Case Expense per Staff Rebuttal (b)	Total Rate Case Expense per Company Rebuttal (c)	Staff Proposed Adj. (b-c) (d)
1	Rate Case Expense			
2	Outside legal services	\$ 25,000	\$ 25,000	
3	Customer notices	350	350	
4	Water Service Corp. personnel	43,390	37,456	
5	External consultants	13,736	13,736	
6	Miscellaneous costs	3,050	4,905	
7				
8	Total Rate Case Expense	<u>\$ 85,526</u>	<u>\$ 81,447</u>	
9				
10	Amortization Period	5	5	
11				
12	Amortization Expense per Year (Line 8/Line 10)	<u>\$ 17,105</u>	<u>\$ 16,289</u>	
13				
14	Allocated to Water Operations (Line 12 x 48.17%)	<u>\$ 8,240</u>	<u>\$ 7,847</u>	<u>\$ 393</u>

Source:

Col. (c) NH Exhibit 2.0, Schedule 2.1 W, p. 4
 Col. (b), lines 2, 3, 5, 6 ICC Staff Sch. 7.1 W, p. 2
 Col. (b), line 4 ICC Staff Sch. 7.1 W, p. 3

Northern Hills Water and Sewer Company - Water Operations
 Adjustment to Rate Case Expense
 For the Test Year Ending December 31, 2008

Line	Description (a)	Inv. Date (b)	Co. Doc. # (c)	Amount (d)	Comment (e)
1	Outside Legal Services				
2	Howard & Howard	8/4/2010		2,714.00	
3	Howard & Howard	7/21/2010	276216	1,606.50	
4	Howard & Howard	6/9/2010	266388	9.16	
5	Howard & Howard	6/7/2010	269830	855.00	
6	Howard & Howard	5/11/2010	265861	741.96	
7	Howard & Howard	4/5/2010	254825	1,311.00	
8	Howard & Howard	3/18/2010	249244	354.00	
9	Howard & Howard	3/15/2010	249251	-	not rate case expense
10	Howard & Howard	3/18/2010	249253	-	not rate case expense
12	Howard & Howard	2/28/2010	249235	560.50	
13	Defrees	12/10/2009	219551	39.90	
14	Defrees	9/3/2009	193009	22.80	
15	Defrees	7/1/2009	174775	51.30	
16	Defrees	4/17/2009	155029	870.28	
17	Defrees	12/28/2007	17199	-	not rate case expense
18	Defrees	6/28/2007	51789	-	not rate case expense
19				<u>9,136.40</u>	
20	Company's estimate to complete case			<u>15,863.60</u>	
21	Legal expense per Staff			<u><u>25,000.00</u></u>	
22					
23	Customer Notices				
24	Notices = 355 x \$0.0526 x 2			37.35	
26	Postage for 2 mailings = 2,227 x .44 x 2			<u>312.40</u>	
27	Customer notices per Staff			<u><u>349.75</u></u>	

Northern Hills Water and Sewer Company - Water Operations
 Adjustment to Rate Case Expense
 For the Test Year Ending December 31, 2008

Line	Description	Inv. Date	Co. Doc. #	Amount	Comment
	(a)	(b)	(c)	(d)	(e)
28					
29	Misc. Costs				
30	Rockford Register	4/6/2010	249491	405.45	Publicize rate increase
	Office Team	6/30/2010	271579	660.00	Temp Agency
31	Office Team	4/7/2010	250350	224.00	Temp Agency
32	Office Team	12/31/2009	225475	638.40	Temp Agency
33	Office Team	12/8/2009	218397	223.44	Temp Agency
41	Angelica Anderson	12/24/2009	223477	36.62	Travel
42	Travel 2009533			1.66	Travel
43				<u>2,189.57</u>	
44	Staff's estimate to complete case:				
45	Temporary workers			660.00	
46	Travel			200.00	
48	Misc. per Staff			<u><u>3,049.57</u></u>	
49					
50	Consulting				
51	Lubertozzi	2/26/2010	242045	5,100.00	
52	Lubertozzi	12/2/2009	218888	603.75	
53	Lubertozzi	11/12/2009	214091	1,578.75	
54	Lubertozzi	10/21/2009	207533	453.75	
55	SFIO	7/31/2010	282940	200.00	
56	SFIO	7/1/2010	272079	750.00	
57	SFIO	6/2/2010	264020	600.00	
58	SFIO	4/6/2010	249955	600.00	
59	SFIO	4/6/2010	249953	600.00	
60				<u>10,486.25</u>	
61	Company's estimate for SFIO to complete case			3,250.00	
62	Consultants expense per Staff			<u><u>13,736.25</u></u>	

Source:

Company response to Staff data request BCJ 2.02

Northern Hills Water and Sewer Company - Water Operations
 Adjustment to Rate Case Expense
 For the Test Year Ending December 31, 2008

Line No.	Description	Actual Expense as of 7/31/10	Estimated Expense to End of Case	Actual + Estimate (b + c)	Test Year Employee Allocation	Rate Case Expense Less Test Year Alloc.	Rate Case Expense Per Staff
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Water Service Personnel						
2	Anderson, Angelica	\$ 1,150	\$ -	\$ 1,150	\$ 485 (1)	\$ 665	\$ 665
3	Barrett, Jason Owen	237		237	82 (2)	155	155
4	Brant, Tim J	960	513	1,473	4,369 (1)	(2,896)	-
5	Burris, Paul	283		283	-	283	283
6	Carlton, Andrew F.	6,610		6,610	-	6,610	6,610
7	Casados, Jim	-	-	-	163 (2)	(163)	-
8	Conard, William C.	972		972	13,789 (1)	(12,817)	-
9	Daniel, Carl	1,783	1,770	3,553	438 (1)	3,115	3,115
10	Dryjanski, Michael	996		996	-	996	996
11	Georgiev, Lena	4,723	4,098	8,821	1,113 (2)	7,708	7,708
12	Goldsmith, Larry	53		53	545 (1)	(492)	-
13	Granite, Deborah R	37		37	- (2)	37	37
14	Hoy, John Patrick	536	143	679	305 (2)	374	374
15	Krugler, Adriene	-	-	-	107 (2)	(107)	-
16	Lubertozzi, Steve	2,478	2,053	4,531	214 (2)	4,317	4,317
17	Marzouk, Michelle	338		338	-	338	338
18	McLean, Pam	75	39	114	90 (2)	24	24
19	Mehta, Dhvani	11,487	3,393	14,880	77 (2)	14,803	14,803
20	Miller Jr, Michael A	1,545		1,545	968 (1)	577	577
21	Neyzelman, Dimitry	377	-	377	96 (2)	281	281
22	Rees, Kim	287		287	11,781 (1)	(11,494)	-
23	Stover, John	-	-	-	304 (2)	(304)	-
24	Tapella, Thomas Anthony	1,435	439	1,874	1,232 (1)	642	642
25	Valrie, LaWanda N	2,350	168	2,518	54 (2)	2,464	2,464
26	Williams, John	-	-	-	154 (2)	(154)	-
27		<u>\$ 38,712</u>	<u>\$ 12,616</u>	<u>\$ 51,328</u>			<u>\$ 43,390</u>

Source:
 Col. (b) Company response to Staff data request BCJ 2.02
 Col. (e)(1) Staff Sch. 2.5 Workpaper A
 Col. (e)(2) Staff Sch. 2.6 Workpaper

Northern Hills Water and Sewer Company - Water Operations
 Adjustment to Operations & Customer Service Employee Expenses
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Per Company Rebuttal (b)	Per Staff Rebuttal (c)	Staff Proposed Adjustment (c) - (b) (d)
1	Operations			
2	Salaries	\$ 13,792	\$ 13,792	\$ -
3	Payroll Taxes	1,191	1,191	-
4	Pension and Other Benefits	3,301	3,146	(155)
5	Operating Exp. Charged to Plant	(10,576)	(10,486)	90
6	Total Operations Employee Expenses	<u>\$ 7,708</u>	<u>\$ 7,643</u>	<u>\$ (65)</u>
7				
8	Customer Service			
9	Salaries	684	546	(138)
10	Payroll Taxes	52	50	(2)
11	Pension and Other Benefits	176	165	(11)
12	Total Customer Service Employee Expenses	<u>\$ 912</u>	<u>\$ 761</u>	<u>\$ (151)</u>

Source:

Col. (b) NH Ex. 2.0, Schedule 2.1 W, p. 7
 Col. (c), lines 2-4 ICC Staff Sch. 2.5 Workpaper A - allocated to water operations
 Col. (c), line 5 $(10,576)/(13,792+1,191+3,301) * (13,792+1,191+3,146)$
 Col. (c), lines 9-11 ICC Staff Sch. 2.5 Workpaper B - allocated to water operations

Northern Hills Water and Sewer Company - Water Operations
 Adjustment to Corporate Employee Expenses
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Per Company Rebuttal (b)	Per Staff Rebuttal (c)	Staff Proposed Adjustment (c) - (b) (d)
1	WSC Northbrook Salaries			
2	Salaries and Wages	\$ 2,516	\$ 2,512	(4)
3	Payroll Taxes	192	192	-
4	Pension and Other Benefits	458	438	(20)
5	Operating Exp. Charged to Plant	-	-	-
6		<u>\$ 3,166</u>	<u>\$ 3,142</u>	<u>\$ (24)</u>

Source:
 Col. (b)
 Col. (c)

NH Ex. 2.0, Sch. 2.1 W, p. 8
 ICC Staff Sch. 2.6 Workpaper - allocated to water operations

Northern Hills Water and Sewer Company - Sewer Operations
 Adjustment to Rate Case Expense
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Total Rate Case Expense per Staff Rebuttal (b)	Total Rate Case Expense per Company Rebuttal (c)	Staff Proposed Adj. (b-c) (d)
1	Rate Case Expense			
2	Outside legal services	\$ 25,000	\$ 25,000	
3	Customer notices	350	350	
4	Water Service Corp. personnel	43,390	37,456	
5	External consultants	13,736	13,736	
6	Miscellaneous costs	3,050	4,905	
7				
8	Total Rate Case Expense	<u>\$ 85,526</u>	<u>\$ 81,447</u>	
9				
10	Amortization Period	5	5	
11				
12	Amortization Expense per Year (Line 8/Line 10)	<u>\$ 17,105</u>	<u>\$ 16,289</u>	
13				
14	Allocated to Sewer Operations (Line 12 x 51.83%)	<u>\$ 8,866</u>	<u>\$ 8,443</u>	<u>\$ 423</u>

Source:

Col. (c) NH Exhibit 2.0, Schedule 2.1 S, p. 4
 Col. (b), lines 2, 3, 5, 6 ICC Staff Sch. 7.1 W, p. 2
 Col. (b), line 4 ICC Staff Sch. 7.1 W, p. 3

Northern Hills Water and Sewer Company - Sewer Operations
 Adjustment to Operations & Customer Service Employee Expenses
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Per Company Rebuttal (b)	Per Staff Rebuttal (c)	Staff Proposed Adjustment (c) - (b) (d)
1	Operations			
2	Salaries	\$ 14,840	\$ 14,840	\$ -
3	Payroll Taxes	1,282	1,282	-
4	Pension and Other Benefits	3,561	3,386	(175)
5	Operating Exp. Charged to Plant	(11,384)	(11,283)	101
6	Total Operations Employee Expenses	<u>\$ 8,299</u>	<u>\$ 8,225</u>	<u>\$ (74)</u>
7				
8	Customer Service			
9	Salaries	737	588	(149)
10	Payroll Taxes	56	54	(2)
11	Pension and Other Benefits	189	178	(11)
12	Total Customer Service Employee Expenses	<u>\$ 982</u>	<u>\$ 820</u>	<u>\$ (162)</u>

Source:

Col. (b) NH Ex. 2.0, Sch. 2.1 S, p. 7
 Col. (c), lines 2-4 ICC Staff Sch. 2.5 Workpaper A - allocated to sewer operations
 Col. (c), line 5 $(11,384)/(14,840+1,282+3,561) * (14,840+1,282+3,386)$
 Col. (c), lines 9-11 ICC Staff Sch. 2.5 Workpaper B - allocated to sewer operations

Northern Hills Water and Sewer Company - Sewer Operations
 Adjustment to Corporate Employee Expenses
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Per Company Rebuttal (b)	Per Staff Rebuttal (c)	Staff Proposed Adjustment (c) - (b) (d)
1	WSC Northbrook Salaries			
2	Salaries and Wages	\$ 2,708	\$ 2,703	(5)
3	Payroll Taxes	207	207	-
4	Pension and Other Benefits	493	472	(21)
5	Operating Exp. Charged to Plant	-	-	-
6		<u>\$ 3,408</u>	<u>\$ 3,382</u>	<u>\$ (26)</u>

Source:

Col. (b)

Col. (c)

NH Ex. 2.0, Sch. 2.1 S, p. 8

ICC Staff Sch. 2.6 Workpaper - allocated to sewer operations

Northern Hills Water and Sewer Company - Sewer Operations
 Adjustment to Maintenance and Repair Expense
 For the Test Year Ending December 31, 2008

Line No.	Description (a)	Amount (b)	Source (c)
1	Maintenance and Repair Expense per Staff	\$ 25,367	Line 9
2	Maintenance and Repair Expense per Company	<u>24,271</u>	NH Ex. 2.0, Sch. 2.1 S, p. 9
3	Staff Proposed Adjustment	<u>\$ 1,096</u>	
4			
5	2008 Sludge Hauling at New Rate	\$ 21,504	Co. response to Staff DR BCJ 2.13
6	2008 Sludge Hauling at Old Rate	<u>13,848</u>	Co. response to Staff DR BCJ 2.13
7	Addition to 2008 Maint. and Repair Expense	7,656	Line 6 minus line 7
8	2008 Maintenance and Repair Expense per Filing	<u>17,711</u>	Company Schedule B
9	2008 Maintenance and Repair Expense per Staff	<u>\$ 25,367</u>	Line 8 + line 9

**ILLINOIS COMMERCE COMMISSION
DOCKET NO. 10-0298 – Northern Hills Water and Sewer Company.
Responses to Staff Data Requests BCJ 2.01 – 2.18**

BCJ 2.10 The Company's response to Staff data request ("DR") BCJ 1.06 in Docket No. 10-0280 indicated that as of June 1, 2010, the customer service centers servicing various regions were reconfigured to service all UI customers. Please provide a detailed explanation for this business decision. Also, provide all reports, surveys, analyses, etc. that were part of the decision-making process and/or upon which the decision-makers relied.

The response to this question is provided by Dhwani Mehta.

RESPONSE: The business decision was based on the opportunity to improve customer service through technology and a smaller, more qualified leadership structure while improving efficiency through cost reduction and automated, singular call handling hardware and software. The regionalized accounts receivable (payment processing) staff were also eliminated through use of a single lockbox vendor and alternative payment methods. The detailed analysis is summarized in the attached file. UI representatives visited customer service delivery sites of other utility companies and met with multiple vendors to evaluate call handling and payment processing capabilities.

- Northern Hills BCJ 2.10 Cust Serv Presentation