

OFFICIAL FILE
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ILLINOIS COMMERCE COMMISSION
Illinois.

ORIGINAL

Aqua Illinois, Inc.
P.O. Box 152
1000 South Schuyler Avenue
Kankakee, IL 60901

T: 815.935.8800
F: 815.935.8809
www.aquaininois.com

October 15, 2010

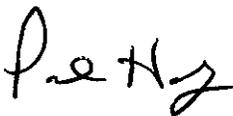
Elizabeth A. Rolando
Chief Clerk
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, Illinois 62701

Re: Docket No. 09-0556 – Glennshire Bulk Water Supply in Lake County

Dear Ms. Rolando:

Please find the attached two copies of the actual journal entries for the Petition for Approval of a Bulk Water Supply and Sales Agreement with Lake County and Village of Hawthorn Woods per Order 09-0556. The order requires that one copy of the actual journal entry recording the contributed property be filed with the Chief Clerk's office and a second copy with the Manager of the Commission's Accounting Department. If you have any further questions, I can be reached at (815) 614-2033.

Sincerely,



Paul Hanley
Controller
Aqua Illinois, Inc.

CC: Mary Selvaggio, Manager of Accounting

Enclosures:

2010 OCT 18 A 10:42
ILLINOIS
COMMERCE COMMISSION
OFFICE OF THE CHIEF CLERK

Journal	GL N	4-00 Contributed Property - Glennsh	Fiscal Year	2010	Period	10
Status	Posted	Hold Code	Hold Removal Operator	Operator	hanleyp	
Posting Date	10/31/10	Transaction Date	10/31/10	Reverse Pd		
Reference		Document		Journal Book		

Line	Account	Activity	Ref	SC Rvs	Debit	Credit
1	430 300000-0000			JE	15,091.00	
	PPE-Utility Plant in Servic Contributed Property - Glen					
2	430 300000-0000			JE	10,000.00	
	PPE-Utility Plant in Servic Contributed Property - Glen					
3	430 271308-0000 24043034939 842			JE		15,091.00
	CIAC-CASH NON REFUNDABLE BU Contributed Property - Glen					
4	430 271308-0000 24043044001 842			JE		10,000.00
	CIAC-CASH NON REFUNDABLE BU Contributed Property - Glen					

*** Totals For Journal entry N-	4-00 , Source Code JE	Debits	Credits	Difference
	Base	25,091.00	25,091.00	0.00
	Reverse	0.00	0.00	0.00
	Entered	25,091.00	25,091.00	0.00
	Unit	0.00	0.00	0.00

*** Totals For Journal entry N-	4-00	Debits	Credits	Difference
	Base	25,091.00	25,091.00	0.00
	Reverse	0.00	0.00	0.00
	Entered	25,091.00	25,091.00	0.00
	Unit	0.00	0.00	0.00

BAS 10/15/10

From: Bill Griffin [mailto:bill.griffin@pirtano.com]
Sent: Wednesday, August 25, 2010 4:23 PM
To: Wright, Anthony
Subject: FW: Information from Glen shire Project

Anthony, The following represents the bid amount for the items we spoke about:

- | | |
|----------------------------------------------------|--------------------------------|
| 1. Pressure Connection 4" with 5' dia. valve vault | 1 ea. @ \$4601.00 = \$4601.00 |
| 2. Pressure Connection 8" with 5' dia. valve vault | 2 ea. @ \$5245.00 = \$10490.00 |
| 3. Meters 6" | 2 ea. @ \$5000.00 = \$10000.00 |

Total	\$25091.00
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Let me know if you need anything further. Bill

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Aqua Illinois, Inc. :
: :
Petition for approval of a bulk water supply : **09-0556**
and sales agreement with Lake County and :
the Village of Hawthorn Woods. :

ORDER

By the Commission:

Introduction:

On November 13, 2009, Aqua Illinois, Inc. ("Aqua") filed a Verified Petition with the Illinois Commerce Commission (the "Commission") for approval of a bulk Water Supply and Sales Agreement ("Agreement") with Lake County, Illinois ("Lake County") and the Village of Hawthorn Woods (the "Village") for the provision of water service to the Glennshire Subdivision, located in Lake County and in the Village (hereinafter the "HWG Area"). On May 19, 2010, the Administrative Law Judge granted Aqua's Unopposed Motion to File Amended Exhibit A to the Petition, supplying a complete copy of the Agreement between Aqua, Lake County and the Village, including the previously missing page 17 of the Agreement. A copy of the Agreement as amended is attached hereto as Appendix A to the Order.

Pursuant to notice as required by law and the rules and regulations of the Commission, this matter came on for hearing on May 20, 2010. At the hearing, the parties waived cross-examination and Aqua and the Commission Staff submitted into evidence the verified testimony of several witnesses. At the conclusion of the hearing, the record was marked "Heard and Taken". Thereafter, Aqua and Staff submitted a draft order for review.

The Petition:

Aqua provides water and sanitary sewer service to the public in portions of Kankakee, Vermillion, Champaign, Cook, Will, Boone, Knox and Lake Counties, Illinois. In conjunction with its water service, Aqua operates a public water supply providing service to certain areas located in the Village, by agreement between the Village and Aqua. Lake County owns and operates a public water supply within the Village boundaries and serving the HWG Area. The HWG system is 50 years old and has been cited for violations of state drinking water standards by the Illinois Environmental

Protection Agency, including an enforcement action in *People ex. rel. Madigan v. County of Lake v. Village of Hawthorn Woods*, 06 CH 2569.

The Village has proposed that Lake County and the Village enter into an agreement to obtain and purchase a bulk water supply for the HWG Area from Aqua. The Agreement, dated May 12, 2009, reflects the terms and conditions under which Aqua proposes to provide water supply services to the HWG Area. Aqua will provide water service via a water main connection located on Old McHenry Road to the reconstructed distribution system in the HWG Area. Aqua agrees to supply a maximum daily day demand of 90,000 gallons per day for domestic use. The water provided by Aqua will meet all applicable drinking water standards at each point of delivery and will comply with all applicable drinking water requirements. The Agreement shall be for a period of 20 years from the effective date with automatic renewal periods of up to two successive five-year periods.

Lake County agrees to construct, install and complete necessary interconnection facilities to Aqua's water main on Old McHenry Road, as provided for in detail in Section 3 of the Agreement. Once the interconnection facilities are placed in service and bulk water is being delivered by Aqua to Lake County, Lake County will transfer ownership of the tapping sleeves, valves and two (2) meters, at the points of delivery to Aqua. Aqua shall then operate, inspect, maintain and repair the interconnection facilities.

The Agreement calls for payment of a customer charge for each meter located within the HWG Area, to start at \$15 per meter per month, subject to change as approved by the Commission. Finally, the Agreement in Section 2 contemplates a six-year usage charge schedule as follows:

<u>Year</u>	<u>Usage Charge Per 1000 Gallons</u>
1	\$2.00
2	\$2.10
3	\$2.20
4	\$2.30
5	\$2.40
6	\$2.4329

After year six, the usage charge will be at the tariff rate for resale to municipalities as approved by the Commission. If the Commission should approve a new usage charge during the six (6) year period, then the above rates will increase by the percentage increase approved by the Commission.

Testimony of Staff and Aqua:

The reason for the usage charges that are less than Aqua's tariff rate for resale ("rate phase-in") is the significant costs to be charged to residents of the HWG Area for the ongoing construction of the replacement water system. Peter Kolb ("Kolb") is the

Director of the Public Works Department for Lake County. Kolb testified that the existing water system in the HWG Area consists of 20 shallow wells with distribution piping of mostly 1.5-inch and 2-inch diameters interconnected into nine subsystems which serve 223 residences and the Village Hall (Petitioner Exh. 3.0, p 2). The majority of the system is 50 years old and does not meet current water supply design standards of the IEPA (*Id.*).

In July of 2009, Lake County entered into a Consent Order with the IEPA which commits the County to having a new water system operational for the HWG Area on or before March 30, 2011 (*Id.* at 3). The County has under construction the full replacement of the existing HWG Area water system which will contain new 4-inch and 8-inch diameter water mains, new water services and reconnection to the existing water service. The project also includes abandonment of the existing system and water meter replacement (*Id.*). The water system project is being funded by the users of the new system, and the users were given a choice between a lump sum payment or a surcharge on their water bills to pay for their share of the project costs (*Id.*). The lump sum payment was \$11,600 per residence (*Id.*). The surcharge is a payment of \$154 on the bi-monthly water bill for the next 29 years (*Id.* at 4).

The rate phase-in was negotiated between the parties to the Agreement to mitigate the impact on the residents and in recognition of the significant construction costs to be borne by the residents (*Id.* at 5). Kolb further testified that the Agreement allows Lake County to provide water to the HWG Area from Aqua's Old McHenry water main in the most cost-effective alternative available and one that was selected by the residents (*Id.*).

Paul J. Hanley ("Hanley"), Aqua's Controller, submitted his verified testimony and rebuttal testimony in this matter. Hanley is a CPA and is responsible for Aqua's financial operations (Petitioner Exh. 2.0, p. 2). Hanley testified that the original cost of the interconnection facilities, including the tapping sleeves, valves and two (2) meters will be based on the actual cost of these assets to be determined by a certification of costs to be provided by Lake County (*Id.*). Aqua proposes to record the original costs of the tapping sleeves and valves as a debit to Account 331 and the original cost of the two meters as a debit to Account 334, with an offset as a credit to Account 271 – Contributions In Aid Of Construction (*Id.*). The proposed journal entries are consistent with the requirements of Commission policy and the Uniform System of Accounts (*Id.*). The journal entries to record revenue generated from the sale of bulk water will be debited to Account 141 and credited to Account 466000. Hanley further testified that there will be no increase in rate base as a result of the Agreement and that the revenue growth will help offset any future rate increases for the Hawthorn Woods water service area (Exh. 2, p. 3).

Christopher Boggs ("Boggs") is a Rate Analyst in the Rates Department of the Financial Analysis Division of the Illinois Commerce Commission (Staff Exh. 1.0, p. 2). Boggs' testimony was submitted to discuss the impact of the Agreement on retail customers of Aqua and to present his recommendation with regard to the Agreement

(*Id.*). Boggs testified that, because Aqua proposes to charge rates that are less than the current approved usage rate for resale to municipalities, it appears that Aqua will receive less revenue than it should otherwise receive (Staff Exh. 1, p. 4). Boggs recommended that, in its rebuttal testimony, Aqua commit to, and state unequivocally, that (1) Aqua will continually absorb the revenue shortfall that is anticipated throughout the first five years of the Agreement period, as well as any shortfall that may not be anticipated, but related to the Agreement, and (2) Aqua will not seek to recover these revenue shortfalls from its customers (Staff Exh. 1, p. 7). If Aqua will make the above commitments, Boggs would recommend approval of the Agreement (*Id.*).

In response to Boggs' recommendation, Company witness Hanley testified that: (1) Aqua will continually absorb the revenue shortfall that is anticipated throughout the first five (5) years of the Agreement, as well as any revenue shortfall that may not be anticipated but related to the Agreement, and (2) Aqua will not seek to recover these revenue shortfalls for the five-year phase-in from its customers (Petitioner Exh. 2.1, p. 2).

In Boggs' rebuttal testimony, he stated his final recommendation in this matter:

"The change in water supply from the Lake County Public Works Department's old well system to Aqua's water treatment plant will improve the water service and quality to the customers in the Glennshire Subdivision located in the Village. Because the Company has committed to absorbing any revenue shortfall and has declared that they will not pass these shortfalls to any customers as the result of the Agreement, I have no objections to the approval of the Company's petition for a bulk water supply and sales agreement with Lake County and the Village of Hawthorn Woods."

(Staff Exh. 3.0, p. 2).

Daniel G. Kahle ("Kahle") is an Accountant in the Accounting Department of the Financial Analysis Division of the ICC. Kahle testified that he had no objection to Hanley's accounting entries proposed in his direct testimony (Staff Exh. 2.0, p. 3). With regard to the original costs of the interconnection facilities, Kahle recommended that the Commission order Aqua to provide a copy of the Certificate of Costs to the Manager of the Commission's Accounting Department within thirty (30) days of the facilities being placed into service (Staff Exh. 2.0, p. 3).

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In his rebuttal testimony, Hanley agreed with Kahle's recommendation to provide a copy of the Certificate of Costs to the Commission within thirty (30) days of the facilities being placed into service (Petitioner Exh. 2.1, p. 1).

Findings and Ordering Paragraphs:

The Commission is of the opinion, based on the foregoing, that the terms and conditions of the Agreement are just and reasonable and that the Agreement should be approved.

The Commission, having considered the record herein, is of the opinion and finds that:

- (1) Aqua Illinois, Inc. is an Illinois corporation which provides water and sewer service to the public in portions of the State of Illinois and is a public utility within the meaning of the Illinois Public Utilities Act;
- (2) the Commission has jurisdiction over Aqua and the subject matter herein;
- (3) the statements of fact and conclusions thereon are hereby adopted as findings of fact; and
- (4) the proposed Agreement between Aqua, Hawthorn Woods and Lake County is just and reasonable and should be approved.

IT IS THEREFORE ORDERED that the consent and approval of the Illinois Commerce Commission be, and the same are hereby, granted for an Agreement between Aqua Illinois, Inc., the Village of Hawthorn Woods, and Lake County filed by Unopposed Motion on May 13, 2010 as Amended Exhibit A to the Petition. A copy of the Agreement as amended is attached hereto as Appendix A to the Order.

IT IS FURTHER ORDERED that the proposed rates to be charged by Aqua under the Agreement are hereby approved and that Aqua shall not be allowed to charge its customers for any revenue shortfall related to the five (5) year rate phase-in included in the Agreement.

IT IS FURTHER ORDERED that Aqua shall provide a copy of the Certificate of Costs for the Interconnection Facilities to the manager of the Commission's Accounting Department within thirty (30) days of the facilities being placed into service.

IT IS FURTHER ORDERED that the performance of any and all acts reasonably necessary to effectuate the consent and approval of the Commission are hereby granted.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Admin. Code § 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission the 18th day of August, 2010.

(SIGNED) MANUEL FLORES

Acting Chairman