Docket No. 11-0436
ICC Staff Exhibit 7.0

REBUTTAL TESTIMONY

of

RICHARD W. BRIDAL II

Accountant
Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Aqua Illinois, Inc.

Proposed General Increase in Water and Sewer Rates

Docket No. 11-0436

September 29, 2011

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Witness Identification

Q. Please state your name and business address.

A. My name is Richard W. Bridal II. My business address is 527 East Capitol Avenue, Springfield, Illinois 62701.

Q. Are you the same Richard W. Bridal II who submitted direct testimony in this Docket?

A. Yes, my direct testimony is ICC Staff Exhibit 2.0.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to:

1. Discuss adjustments accepted by Aqua Illinois, Inc. ("Aqua" or "the Company") in its rebuttal testimony;
2. Propose revised adjustments to remove from the test year operating expenses non-recoverable miscellaneous expenses;
3. Propose revised adjustments to remove from the test year operating expenses non-recoverable charitable contributions;
4. Propose revised adjustments to remove from the test year operating expenses the portion of Industry Association Dues attributable to lobbying, for which costs are not recoverable; and
5. Propose revised adjustments to reduce 2011 and 2012 forecast

plant additions.

Schedule Identification

Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 2.0?

A. Yes, I prepared the following schedules for the Company, which show data as of, or for the test year ending, December 31, 2012:

ADJUSTMENT SCHEDULES

Schedule 7.01 – Adjustment to Miscellaneous Expenses

Schedule 7.02 – Adjustment to Charitable Contributions

Schedule 7.03 – Adjustment to Industry Association Dues

Schedule 7.04 – Adjustment to Forecast Plant Additions

Q. Please identify the individual systems included in Staff's proposed Consolidated Water Division.

A. The Consolidated Water Division, as proposed by Staff, consists of the Ivanhoe, Willowbrook, Oak Run, Vermilion, Hawthorn Woods and Ravenna water systems.

Q. Please identify the individual systems included in Staff's proposed Consolidated Sewer Division.

A. The Consolidated Sewer Division, as proposed by Staff, consists of the

Willowbrook, Candlewick, Hawthorn Woods, and Ivanhoe sewer systems.

Uncontested Adjustments

Q. Did the Companies accept any adjustments proposed in your direct testimony?

A. Yes. In Aqua Ex. 10.0, Aqua witness Mr. Hanley states that the Company will not contest my adjustments to: (1) remove from the revenue requirement non-recoverable miscellaneous expenses; (2) remove from the revenue requirement non-recoverable charitable contributions; (3) remove from the revenue requirement the portion of Industry Association Dues attributable to lobbying, for which costs are not recoverable; and (4) reduce 2011 and 2012 forecast plant additions. (Aqua Ex. 10.0, pp. 2-3.)

Miscellaneous Expenses

Q. Please describe Schedule 7.01, Adjustment to Miscellaneous Expenses.

A. Schedule 7.01 presents my proposed adjustment to remove Fines and Penalties and dues to the Chamber of Commerce from test year operating expenses.

Q. How does this adjustment differ from the adjustment to miscellaneous expenses set forth in your direct testimony Schedule 2.01, which was not contested by Aqua in rebuttal testimony?

A. Due to the change in division groupings recommended by Staff witness Christopher Boggs, the grouping and amounts of the adjustment have changed. The reasoning for the adjustments remains the same as in my direct testimony. In its surrebuttal testimony, Aqua should confirm that it still accepts this adjustment as revised.

<u>Charitable Contributions</u>

Q. Please describe Schedule 7.02, Adjustment to Charitable Contributions.

A. Schedule 7.02 presents my proposed adjustment to reduce test year Charitable Contributions for an amount given to the City of Danville for Community and Economic Development.

Q. How does this adjustment differ from the adjustment to charitable contributions set forth in your direct testimony Schedule 2.02, which was not contested by Aqua in rebuttal testimony?

A. Due to the change in division groupings recommended by Staff witness Christopher Boggs, the grouping and amounts of the adjustment have

changed. The reasoning for the adjustments remains the same as in my direct testimony. In its surrebuttal testimony, Aqua should confirm that it still accepts this adjustment as revised.

<u>Industry Association Dues - Lobbying</u>

Q. Please describe Schedule 7.03, Adjustment to Industry Association Dues.

A. Schedule 7.03 presents my proposed adjustment to remove certain industry association dues attributable to lobbying activities.

Q. How does this adjustment differ from the adjustment to industry association dues set forth in your direct testimony Schedule 2.03, which was not contested by Aqua in rebuttal testimony?

A. Due to the change in division groupings recommended by Staff witness Christopher Boggs, the grouping and amounts of the adjustment have changed. The reasoning for the adjustments remains the same as in my direct testimony. In its surrebuttal testimony, Aqua should confirm that it still accepts this adjustment as revised.

<u>Forecast Plant Additions</u>

Q. Please describe Schedule 7.04, Adjustment to Forecast Plant

Additions.

A. Schedule 7.04 presents my proposed adjustment to reduce Forecast Plant Additions for the years ending December 31, 2011, and December 31, 2012 based on the Company's history of actual capital spending compared to planned capital spending for the years 2007, 2008, 2009, and 2010.

Q. How does this adjustment differ from the adjustment to forecast plant additions set forth in your direct testimony Schedule 2.04, which was not contested by Aqua in rebuttal testimony?

A. Due to the change in division groupings recommended by Staff witness Christopher Boggs, the grouping and amounts of the adjustment have changed. The reasoning for the adjustments remains the same as in my direct testimony. In its surrebuttal testimony, Aqua should confirm that it still accepts this adjustment as revised.

<u>Conclusion</u>

Q. Does this question end your prepared rebuttal testimony?

A. Yes.

Aqua Illinois, Inc
Adjustment to Miscellaneous Expenses
For the Test Year Ending December 31, 2012

Line No.	Description	Consolidated Water Division A[1]	University Park Water	University Park Sewer	Source
	(a)	(b)	(d)	(g)	(h)
1	Miscellaneous Expenses per Staff	$ 626,203	$ (34,170)	$ (121,431)	ICC Staff Ex. 7.0, Sched. 7.01, p. 2
2	Miscellaneous Expenses per Company	626,327	(33,552)	(120,813)	Schedule C-4, p. 3, ln. 18, col. K
3	Staff Proposed Adjustment to Miscellaneous Expenses	$ (124)	$ (618)	$ (618)	Line 1 - Line 2

[1] Ivanhoe, Willowbrook,Oak Run, Vermilion, Hawthorn Woods, & Ravenna
[2] Willowbrook, Candlewick, Hawthorn Woods, & Ivanhoe

Aqua Illinois, Inc
Adjustment to Miscellaneous Expenses
For the Test Year Ending December 31, 2012

Line No.	Description	Consolidated Water Division A[1]	University Park Water	University Park Sewer	Source
	(a)	(b)	(d)	(g)	(h)
1	Miscellaneous Expenses per Company	$ 626,327	$ (33,552)	$ (120,813)	Schedule C-4, p. 3, ln. 18, col. K
2	Less:				
3	Acct 675803 WT-Misc-A&G-Chamber Commerce	-	618	-	Company Response to BCJ 1.02 Support
4	Acct 675827 WT-Misc-A&G-Fines&Penalties	124	-	-	Company Response to BCJ 1.02 Support
5	Acct 775803 SW-Misc-A&G-Chamber Commerce	-	-	618	Company Response to BCJ 1.02 Support
6	Miscellaneous Expenses per Staff	$ 626,203	$ (34,170)	$ (121,431)	Line 1 - Line 3 - Line 4 - Line 5

[1] Ivanhoe, Willowbrook,Oak Run, Vermilion, Hawthorn Woods, & Ravenna
[2] Willowbrook, Candlewick, Hawthorn Woods, & Ivanhoe

Aqua Illinois, Inc
Adjustment to Charitable Contributions
For the Test Year Ending December 31, 2012

Line No.	Description	Consolidated Water Division A[1]	University Park Water	Consolidated Sewer Division[2]	Source
	(a)	(b)			(c)
1	Charitable Contributions per Staff	$ 26,834	$ 494	$ 618	ICC Staff Ex. 2.0, Sched. 2.02, p. 2
2	Charitable Contributions per Company	27,934	494	618	Schedule C-7, p. 5, ln. 20, col. D
3	Staff Proposed Adjustment to Charitable Contributions	$ (1,100)	$ -	$ -	Line 1 - Line 2

[1] Ivanhoe, Willowbrook,Oak Run, Vermilion, Hawthorn Woods, & Ravenna
[2] Willowbrook, Candlewick, Hawthorn Woods, & Ivanhoe

Aqua Illinois, Inc
Adjustment to Charitable Contributions
For the Test Year Ending December 31, 2012

Line No.	Description	Consolidated Water Division A[1]	University Park Water	Consolidated Sewer Division[2]	Source
	(a)	(b)			(c)
1	Charitable Contributions per Company	27,934	494	618	Schedule C-7, p. 5, ln. 20, col. D
2	Less:				
3	City of Danville - Community & Economic Development	1,100	-	-	Schedule C-7, p. 5, Ln 6, col. D
4	Charitable Contributions per Staff	$ 26,834	$ 494	$ 618	Line 1 - Line 3

[1] Ivanhoe, Willowbrook,Oak Run, Vermilion, Hawthorn Woods, & Ravenna
[2] Willowbrook, Candlewick, Hawthorn Woods, & Ivanhoe

Aqua Illinois, Inc
Adjustment to Industry Association Dues
For the Test Year Ending December 31, 2012

Line No.	Description	Consolidated Water Division A[1]	Fairhaven Estates and Candlewick Water	University Park Water	Consolidated Sewer Division[2]	Ellwood Greens Sewer	University Park Sewer	Source
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	Industry Association Dues per Company	$ 21,027	$ 1,471	$ 1,672	$ 2,526	$ 216	$ 1,542	Schedule C-6.1, p. 2, ln. 10, col. D
2	Percentage of Dues Used for Lobbying Purposes	17%	17%	17%	17%	17%	17%	Docket 10-0194, Staff Sched. 6.9
3	Staff Proposed Adjustment to Industry Association Dues	$ (3,575)	$ (250)	$ (284)	$ (429)	$ (37)	$ (262)	Line 1 x Line 2

[1] Ivanhoe, Willowbrook,Oak Run, Vermilion, Hawthorn Woods, & Ravenna
[2] Willowbrook, Candlewick, Hawthorn Woods, & Ivanhoe

Aqua Illinois, Inc
Adjustment to Forecast Plant Additions
For the Test Year Ending December 31, 2012

Line No.	Description	Consolidated Water Division A[1]	Fairhaven Estates and Candlewick Water	University Park Water	Source
	(a)	(b)	(c)	(d)	(e)
1	Utility Plant-in-Service @ 12/31/10	$ 106,740,681	$ 4,854,795	$ 15,072,895	Company Sch. B-5, Ln 49, Col C
2	2011 Projected Additions per Company	$ 2,625,775	$ 318,141	$ 720,845	Company Sch. B-5, Ln 49, Col D
3	Four Year Average Historical Budget Expended	97.00%	86.84%	95.05%	ICC Staff Ex. 7.0, Sch. 7.04, Pg 2, Ln 15
4	2011 Projected Additions per Staff	2,547,075	276,264	685,156	Line 2 * Line 3
5	2011 Projected Retirement per Company **(see note A)**	(249,987)	(11,023)	-	Company Sch. B-5, Ln 49, Col E
6	Projected UPIS @ 12/31/11 per Staff	$ 109,037,769	$ 5,120,036	$ 15,758,051	Line 1 + Line 4 + Line 5
7	2012 Projected Additions per Company	$ 2,112,751	135,700	$ 213,500	Company Sch. B-5, Ln 49, Col H
8	Four Year Average Historical Budget Expended	97.00%	86.84%	95.05%	ICC Staff Ex. 7.0, Sch. 7.04, Pg 2, Ln 15
9	2012 Projected Additions per Staff	2,049,427	117,838	202,930	Line 2 * Line 3
10	2012 Projected Retirements per Company	(133,217)	(11,023)	-	Company Sch. B-5, Ln 49, Col I
11	Projected UPIS @ 12/31/12 per Staff	$ 110,953,979	$ 5,226,851	$ 15,960,981	Line 6 + Line 9 + Line 10
12	Average Utility Plant-in-Service @ 12/31/12 per Staff	$ 109,995,874	5,173,444	$ 15,859,516	(Line 6 + Line 11) / 2
13	Average Utility Plant-in-Service @ 12/31/12 per Company	110,223,006	5,224,252	15,900,490	Company Sch. B-4, Ln 49, Col H
14	**Staff Adjustment to Utility Plant-in-Service**	**$ (227,132)**	**$ (50,808)**	**$ (40,974)**	
15	Staff avg. UPIS expressed as a % of Co. avg. UPIS	99.79%	99.03%	99.74%	Line 12 / Line 13
16	Accumulated Depreciation per Staff	$ 34,859,005	$ 2,047,596	$ 5,371,803	Line 15 * Line 17
17	Accumulated Depreciation per Company	34,930,986	2,067,705	5,385,681	Company Sch. B-1, Ln 5, Col E
18	**Staff Adjustment to Accumulated Depreciation**	**$ (71,981)**	**$ (20,109)**	**$ (13,878)**	
19	Depreciation Expense per Staff	$ 3,257,260	$ 206,871	$ 334,731	Line 15 * Line 20
20	Depreciation Expense per Company	3,263,986	208,903	335,596	Company Sch. C-1, Ln 4, Col G
21	**Staff Adjustment to Depreciation Expense**	**$ (6,726)**	**$ (2,032)**	**$ (865)**	
22	Deferred Income Taxes per Staff	$ 9,069,091	$ 442,818	$ 864,738	Line 15 * Line 23
23	Deferred Income Taxes per Company	9,087,818	447,167	866,972	Company Sch. B-1, Ln 23, Col E
24	**Staff Adjustment to Accum. Deferred Income Taxes**	**$ (18,727)**	**$ (4,349)**	**$ (2,234)**	

[1] Ivanhoe, Willowbrook,Oak Run, Vermilion, Hawthorn Woods, & Ravenna

[2] Willowbrook, Candlewick, Hawthorn Woods, & Ivanhoe

Aqua Illinois, Inc
Adjustment to Forecast Plant Additions
For the Test Year Ending December 31, 2012

Line No.	Description	Consolidated Water Division A[1]	Fairhaven Estates and Candlewick Water	University Park Water	Source
	(a)	(b)	(c)	(d)	(e)
1	2007 Actual Capital Spending	5,181,077	284,902	603,271	Company Schedule G-1, Page 4
2	2007 Budget Capital Spending	5,476,028	277,700	510,705	Company Schedule G-1, Page 4
3	Budget Expended	94.61%	102.59%	118.13%	Line 1 / Line 2
4	2008 Actual Capital Spending	5,828,791	89,674	614,716	Company Schedule G-1, Page 4
5	2008 Budget Capital Spending	5,633,671	133,200	545,500	Company Schedule G-1, Page 4
6	Budget Expended	103.46%	67.32%	112.69%	Line 4 / Line 5
7	2009 Actual Capital Spending	3,449,632	88,447	378,102	Company Schedule G-1, Page 4
8	2009 Budget Capital Spending	3,606,332	140,300	690,832	Company Schedule G-1, Page 4
9	Budget Expended	95.65%	63.04%	54.73%	Line 7 / Line 8
10	2010 Actual Capital Spending	5,662,664	140,408	708,989	Response to RWB 5.01 & 5.02
11	2010 Budget Capital Spending	6,027,872	143,700	678,110	Response to RWB 5.01 & 5.02
12	Budget Expended	93.94%	97.71%	104.55%	Line 10 / Line 11
13	4 Yr. Avg. Actual Capital Spending	5,030,541	150,858	576,270	(Line 1+Line 4+Line 7+Line 10)/4
14	4 Yr Avg. Budget Capital Spending	5,185,976	173,725	606,287	(Line 2+Line 5+Line 8+Line 11)/4
15	**Budget Expended**	**97.00%**	**86.84%**	**95.05%**	Line 13 / Line 14

[1] Ivanhoe, Willowbrook,Oak Run, Vermilion, Hawthorn Woods, & Ravenna

[2] Willowbrook, Candlewick, Hawthorn Woods, & Ivanhoe

Sources: Lines 1 through 12 - Company Schedule G-1, Page 4
Lines 13-14 - Company Response to Staff Data Request RWB 5.01 & 5.02, "RWB 5.01 & 5.02 Support"