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BEFORE THE  
ILLINOIS COMMERCE COMMISSION

AQUA ILLINOIS, INC. ) DOCKET NO.  
 ) 11-0436  
 )  
Proposed general increase in water )  
and sewer rates. (Tariffs filed )  
April 6, 2011) )

Springfield, Illinois  
Tuesday, October 25, 2011

Met, pursuant to notice, at 11:00 a.m.

BEFORE:

MR. LARRY JONES, Administrative Law Judge

APPEARANCES:

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SULLIVAN REPORTING COMPANY, by  
Carla J. Boehl, Reporter  
CSR #084-002710

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PROCEEDINGS

JUDGE JONES: Good morning. I call for hearing Docket Number 11-0436. This is titled in part Aqua Illinois, Inc., proposed general increase in water and sewer rates.

At this time we will take the various appearances orally for the record. As before, if you have appeared at a prior hearing in this docket, you need not restate your business address or phone number or spell your name unless you wish to or unless some of those things have changed.

At this time we will start with the appearance or appearances on behalf of Aqua Illinois, Inc.

MR. ROONEY: Good morning, Your Honor. John Rooney, the firm Rooney Rippie and Ratnaswamy, L.L.P., and my other information has been previously noted on the record.

JUDGE JONES: Thank you.

Staying in Springfield for a minute, are there other appearances to be entered in? Springfield?

1           MS. SATTER:   Appearing on behalf of the People  
2 of the State of Illinois, Susan L. Satter.

3           JUDGE JONES:   Thank you.

4                         Are there other appearances to be  
5 entered in Springfield?

6           MR. ROBERTSON:   Ryan Robertson on behalf of  
7 Viscofan USA.

8           JUDGE JONES:   Do you want to come up here where  
9 somebody can pick up your voice there?

10          MR. ROBERTSON:   Ryan Robertson on behalf of  
11 Viscofan USA.

12          JUDGE JONES:   Thank you.

13                         Are there any appearances to be  
14 entered by those who are physically present in the  
15 Springfield hearing room?

16                                 (No response.)

17                         All right.   Let the record show there  
18 are not.

19                         We will move along to the Chicago  
20 hearing room.   Are there appearances to be entered by  
21 those who are physically present in the hearing room  
22 in Chicago?

1           MR. LANNON: Yes, Your Honor, thank you.

2                           Mike Lannon and Jessica Cardoni on  
3 behalf of the Staff of the Illinois Commerce  
4 Commission, and we have already entered the other  
5 information at a prior time.

6           JUDGE JONES: Thank you.

7                           Are there other appearances to be  
8 entered at this time by others who are physically  
9 present in the Chicago hearing room today?

10          MR. LANNON: No, Your Honor.

11          JUDGE JONES: Let the record show there are  
12 not, at least at this point in time.

13                           If someone else arrives in the Chicago  
14 room, perhaps you would let us know upon their  
15 arrival and we will see if they want to enter an  
16 appearance.

17          MR. LANNON: Yes.

18          JUDGE JONES: All right. Are there any other  
19 appearances?

20   (No response.)

21                           Let the record show there are not, at  
22 least now.

1           MR. BAKK: This is James Bakk on behalf of  
2           Intervenor County of Lake via telephone. I  
3           previously appeared.

4           JUDGE JONES: Thank you, Mr. Bakk.

5                     Are there any other appearances to be  
6           entered this morning?

7                             (No response.)

8                     Let the record show there are not.

9                     At this time for purposes of briefly  
10          kind of going over some of the procedures and  
11          mechanics for today's hearing, we hereby go off the  
12          record.

13                             (Whereupon there was then had an  
14                             off-the-record discussion.)

15          JUDGE JONES: Back on the record.

16                     There was an off-the-record discussion  
17          for the purposes indicated. Just briefly, it was  
18          discussed sort of the order of witnesses and the  
19          order of proceeding in general and then some of the  
20          other questions that have come up in the context of  
21          cross examination such as cross exhibits. One reason  
22          we were discussing that is because we are located in

1 different places, two different hearing rooms and  
2 then a third location at this point and then we will  
3 have some other witnesses that will be calling in, so  
4 various locations that sort of affect the  
5 accessibility to written materials and other things.  
6 But it sounds like the parties have pretty well  
7 worked that out.

8                   To the extent that we need to revisit  
9 any of that as we go along here, we will do so. Feel  
10 free to interrupt us so that we can take care of  
11 that.

12                   There was also a brief discussion of  
13 witness call-in procedures. Also noted that, if  
14 there is cross examination, we will go first in the  
15 order on the exhibit list. There is one exception to  
16 that. If there are parties for whom there is no  
17 cross examination of other parties' witnesses and  
18 whose own witnesses don't need to be cross-examined,  
19 if they wish to put their testimony and exhibits in  
20 out of order, that will be permitted, if requested.

21                   That's sort of a brief summary of what  
22 took place off the record. But does anyone have

1 anything to add to that or clarify with regard to  
2 that before we move along?

3 (No response.)

4 Let the record show they do not, at  
5 least right now.

6 I think we might be ready for the  
7 first witness, but let me make sure. Was there  
8 anything else to take up then before we proceed with  
9 the first witness on the list?

10 MR. ROONEY: Not from Aqua.

11 JUDGE JONES: Okay. So Aqua will call a  
12 witness at this time?

13 MR. ROONEY: Yes, Your Honor.

14 Your Honor, Aqua would like to call  
15 Mr. Harold Walker.

16 JUDGE JONES: All right, sir, please raise your  
17 right hand to be sworn.

18 (Whereupon the witness was duly  
19 sworn by Judge Jones.)

20 JUDGE JONES: All right. Thank you. Please  
21 have a seat.

22 Again, if anyone is having any trouble

1 seeing something or hearing others, interrupt us and  
2 let us know. We will figure out what to do about it.

3 MR. LANNON: Thank you, Your Honor.

4 JUDGE JONES: Mr. Rooney?

5 MR. ROONEY: Thank you, Your Honor.

6 HAROLD WALKER

7 called as a witness on behalf of Petitioner Aqua  
8 Illinois, having been first duly sworn, was examined  
9 and testified as follows:

10 DIRECT EXAMINATION

11 BY MR. ROONEY:

12 Q. Mr. Walker, do you have in front of you  
13 three documents, the first being direct testimony  
14 identified as Aqua Exhibit 5.0 along with Attachment  
15 HW-1C? Do you have that document before you?

16 A. Yes, I do.

17 Q. Do you also have a document entitled  
18 Rebuttal Testimony of Harold Walker identified as  
19 Aqua Exhibit 11.0 including attached Exhibit 11.1?

20 A. Yes, I do.

21 Q. Finally, do you have before you surrebuttal  
22 testimony that was identified as Aqua Exhibit 15.0

1 and including Exhibit 15.1?

2 A. Yes, I do.

3 Q. Mr. Walker, were those documents prepared  
4 by you or under your direction?

5 A. Yes, they were.

6 Q. And if I asked you the questions contained  
7 therein, would your answers be the same?

8 A. They would.

9 MR. ROONEY: With that, Your Honor, Aqua would  
10 move for the admission of Aqua Exhibit 5.0 and the  
11 attached exhibit, 11.0 and the attached Exhibit 11.1,  
12 and 15.0 with attached Exhibit 15.1, and offer  
13 Mr. Walker for cross examination.

14 JUDGE JONES: Thank you. Are there any  
15 objection to the admission of those exhibits?

16 MR. LANNON: Your Honor, subject to cross no  
17 objection.

18 JUDGE JONES: Anyone else?

19 (No response.)

20 Let the record show no other response.

21 Those exhibits being sponsored by

22 Mr. Walker are admitted into the evidentiary record

1 subject to cross examination. To save a little time,  
2 Mr. Rooney, are the exhibits being offered the same  
3 ones with the same filing dates that are shown on the  
4 exhibit list?

5 MR. ROONEY: That is correct, Your Honor.

6 JUDGE JONES: So --

7 MR. ROONEY: The direct testimony that was  
8 filed on July 7, 2011, on e-Docket, rebuttal  
9 testimony filed on September 2, 2011, and surrebuttal  
10 testimony filed on October 11, 2011.

11 JUDGE JONES: All right. Thank you.

12 So those are the exhibits that are  
13 being admitted into the evidentiary record subject to  
14 cross as sponsored by Mr. Walker. They are admitted  
15 as they appear on e-Docket on the dates indicated.

16 (Whereupon Aqua Exhibits 5.0,  
17 HW-1C, 11.0, 11.1, 15.0 and 15.1  
18 were admitted into evidence.)

19 JUDGE JONES: I believe there is cross  
20 examination of Mr. Walker by Staff counsel as well as  
21 Ms. Satter for the People. Who would like to lead  
22 off?



1           A.    "The Treasury bond yield used by Staff is  
2   one of the lowest, if not the lowest, US Treasury  
3   bond yield ever reported."

4           Q.    And paying particular attention to the  
5   phrase "if not the lowest ever reported," would you  
6   agree with me that this is a bold statement?

7           A.    Well, it is consistent with the rest of my  
8   testimony where I qualify exactly what I am referring  
9   to.  And that's on page 12, I believe.

10          Q.    Your statement that we are looking at on  
11   page 18?

12          A.    Yes.

13          Q.    There is no qualification there, is there?

14          A.    No, but I qualified it earlier in my  
15   testimony when I said the exact same statement and  
16   then I footnoted it with a qualifier that a review of  
17   all historical monthly rates available from the  
18   federal reserve indicates that the rates used by  
19   Staff to be lower than any monthly rate since 1953  
20   reported through the end of September 2011.

21          Q.    Okay.  And that was on what page?

22          A.    Twelve.



1           JUDGE JONES: Is the plan to file this on  
2 e-Docket eventually?

3           MR. LANNON: We can do that, Your Honor. We  
4 have not done it yet, but we can do that at the end  
5 of the day or tomorrow.

6           JUDGE JONES: I am just thinking in terms of  
7 whether it is going to be on e-Docket or hard copies  
8 being marked as an exhibit. But is that essentially  
9 what you are saying; it would be on e-Docket, an  
10 e-Docket filing, is that right?

11          MR. LANNON: Yes, we can -- after the hearing  
12 we can file all our cross exhibits.

13          JUDGE JONES: Thank you.

14          MR. LANNON: Are we all set?

15          JUDGE JONES: Yes.

16          BY MR. LANNON:

17          Q. Mr. Walker, do you recognize what I have  
18 marked as Staff Cross Exhibit 1?

19          A. It appears to be some work papers that I  
20 filed after or with my surrebuttal testimony,  
21 although it is 15 pages.

22          Q. I can explain that.



1 JUDGE JONES: Yes, sir.

2 BY MR. LANNON:

3 Q. Okay. Mr. Walker, before we had that  
4 technical problem, I believe you had testified that  
5 you accessed the monthly data you referenced on page  
6 12 in the footnote from the Federal Reserve Board or  
7 FRB web page, is that correct?

8 A. That is correct.

9 Q. And for somebody in your position doing the  
10 analysis that you are doing in a rate case like this  
11 or in most rate cases, if they are looking at  
12 treasury bound yields, would it be common knowledge  
13 or common practice to go to the Federal Reserve Board  
14 website to access that information?

15 A. Yes.

16 MR. LANNON: At this time if we could hand out  
17 what will be Staff Cross Exhibit 2 which would be the  
18 daily data?

19 (Whereupon ICC Staff Cross  
20 Exhibit 2 was presented for  
21 purposes of identification as of  
22 this date.)

1 BY MR. ROONEY:

2 Q. And once again, Mr. Walker, we have -- as  
3 you peruse that, we have combined as many columns as  
4 we could per page to cut down the one long column  
5 that would have been, I don't know, 50 or some pages.

6 Do you recognize this as coming from  
7 the Federal Reserve Board website, similar to the  
8 monthly data?

9 A. It appears to be daily data for a portion  
10 of the months for one of the four series review, the  
11 four series being the 10-year and 30-year Treasury  
12 bond and the 10-year and 30-year inflation protected  
13 securities issued by the Treasury.

14 Q. Okay. Now, if you look at the first page  
15 and the last page, I think you can deduce pretty  
16 quickly that it is three-years worth of daily data,  
17 is that correct?

18 A. It ends October 20 and it begins October 1,  
19 '08. Yes, three years of data.

20 Q. Okay. You know, I forgot to ask you a  
21 question about the monthly data. Can you tell me  
22 whether the monthly data provides an average for a

1 month or is there a spot date at the end of the  
2 month?

3 A. It is an average for the month.

4 Q. Okay, thank you.

5 Now, when preparing your surrebuttal  
6 you noted that you reviewed the monthly data provided  
7 on the FRB website. Did you review the daily data  
8 provided on that same FRB website?

9 A. No, I did not.

10 Q. Okay. Let's look down to the next  
11 paragraph that begins on line 395. As I understand  
12 it, you are a consultant with Gannett Fleming, is  
13 that right?

14 A. I am sorry, 395, page 18, correct.

15 Q. Yes, same page, just down to the next  
16 paragraph, beginning with "Since October '08"?

17 A. Yes, my employer is Gannett Fleming.

18 Q. And you don't moonlight with the Federal  
19 Reserve Board, do you?

20 A. No, I do not.

21 Q. Now, this paragraph that begins on page --  
22 or on line 395 and ends on line 405 of my copy, I

1 don't see any citations to support the statements or  
2 opinion that you provide in this paragraph. Can you  
3 tell me how you arrived at these opinions?

4 A. They are in the work papers. They are --  
5 the balance sheet accounts are labeled with arrows  
6 within the work papers. There is four pages that  
7 come from the Federal Reserve and then there is a  
8 number of articles from the Wall Street Journal,  
9 etcetera, in the work papers that confirm exactly  
10 what I am testifying to.

11 Q. Okay. Now, let's move on to the next  
12 paragraph that begins on line 406, "Over the past  
13 month...?"

14 A. Yes.

15 Q. .."Federal Reserve began Operation Twist."  
16 Operation Twist was announced at the end of September  
17 2011, correct? I think it might have been the 21st.

18 A. I don't recall the date.

19 Q. By the way -- it wasn't before September,  
20 was it?

21 A. It might have been at the end of August. I  
22 don't really recall the date.

1           Q.   Well, you mentioned the goal here of the US  
2 Treasury or the Federal Reserve Board of buying 400  
3 million of long-dated or long-term US debt, correct?

4           A.   Correct.

5           Q.   Now, they wouldn't have started spending  
6 that 400 billion 'til roughly the end of September,  
7 maybe the beginning of September if it was August  
8 when they announced that -- my research -- well,  
9 strike that, please.

10                           They wouldn't have begun spending the  
11 400 billion until after they announced this project  
12 Operation Twist, correct?

13           A.   I don't know that. I don't believe that's  
14 true, but. I believe they are just more or less  
15 describing current policies when they announce  
16 things. I don't believe that the announcement is a  
17 specific start date. That's why I say I think it  
18 began actually in August, towards the end of August.

19           Q.   Okay. And that 400 billion, the Treasury  
20 or the FRB planned on spending that incrementally  
21 through the rest of this year up to and including  
22 June 2012, correct?

1           A.    I don't know the spending pattern, whether  
2           or not, you know, it's an even amount each day or  
3           month.  Typically, within these procedures they do it  
4           depending on the maturities that are available.  In  
5           other words, if a bunch of long-dated are available  
6           in one month, they might over spend and then not  
7           spend so much in the next month.  But, yes, the 400  
8           billion is roughly, I guess, an eight to ten-month  
9           program.

10          Q.    Thank you.  Have you ever known a Federal  
11          Reserve Board policy that did not meet its announced  
12          goals?

13          A.    Yes.

14          Q.    And was the original Operation Twist, which  
15          I believe was in 1961, was that universally  
16          considered successful by the majority of economists?

17          A.    I don't know.

18          MR. LANNON:  Your Honor, hang on.  I'm trying  
19          to get -- I think at this time that's all I have,  
20          Your Honor.  And if we want to move in cross  
21          exhibits, I can get started on that with the Cross 1  
22          and 2 we used here.

1 JUDGE JONES: Do you want to do that now?

2 MR. LANNON: It is up to you. John, do you  
3 think that would be advantageous.

4 MR. ROONEY: Yeah, if you want to take them one  
5 at a time and address it now, that's fine.

6 You are done, Mike?

7 MR. LANNON: Yes, I am done. We could either  
8 -- I could either move in 1 and 2 right now and then  
9 do the rest of the agreed upon or non-objected to  
10 ones later and let the AG do her cross, either way.  
11 But I would like to at least move in Staff Cross 1  
12 and 2.

13 JUDGE JONES: Thank you. Staff Cross Exhibits  
14 1 and 2 have been offered into the evidentiary  
15 record. Does anybody have any objections or any  
16 requests that the admission of those be deferred  
17 until cross is completed?

18 MR. ROONEY: Your Honor, on behalf of Aqua we  
19 have no objection to Staff Cross Exhibit Number 1 as  
20 it just reflects Mr. Walker's work papers. The  
21 Company does object to Staff Cross Exhibit Number 2.  
22 I don't know if you want to hear argument on it now

1 or wait until later. I will leave that to you.

2 JUDGE JONES: Go ahead.

3 MR. ROONEY: Staff Cross Exhibit 2, first of  
4 all, it's not -- first of all, Mr. Walker didn't rely  
5 on the document as he testified in his testimony. He  
6 didn't look at the daily interest rates as part of  
7 his analysis, he testified to. And whether or not  
8 the numbers in the document are correct is not the  
9 point. The point is, is that it is not relevant to  
10 Mr. Walker's analysis and it shouldn't be used for  
11 the truth of the matter asserted. It certainly can't  
12 be used to impeach Mr. Walker as Mr. Walker expressly  
13 stated he didn't rely on the information for daily  
14 figures to conduct his analysis.

15 JUDGE JONES: Okay, thank you, Mr. Rooney.

16 Mr. Lannon, any response?

17 MR. LANNON: Thank you, Your Honor.

18 The record is clear that Mr. Walker  
19 did not use the dailies for his analysis, but he did  
20 make -- the statement on page 18 that Mr. Walker read  
21 into the record implies an absolute, in the phrase  
22 "if not the lowest." And in making such a statement,

1 I argue that he could have looked at the dailies and  
2 probably should have.

3 Mr. Walker also testified that it was  
4 common knowledge and practice for somebody like him  
5 researching an issue like this to go to the FRB web  
6 page. On that web page are the monthlies and right  
7 next to that is access to the dailies. If he didn't  
8 exactly use the dailies for his analysis, he should  
9 have. And although they are not the exact same thing  
10 as the monthlies, they are very close and they are  
11 even more detailed.

12 MR. ROONEY: Your Honor, I would just observe  
13 that at that juncture Mr. Lannon's argument is more  
14 testimony than it is argument. The fact is  
15 Mr. Walker explained during cross examination from  
16 Staff exactly what that phrase meant. Staff had the  
17 opportunity to ask Mr. Walker about a sentence on the  
18 top of page 18, lines 389 and there after, and  
19 Mr. Walker clarified that.

20 JUDGE JONES: Does anybody else have any  
21 argument on this?

22 (No response.)

1                   Let the record show they do not.

2                   Mr. Rooney, is Mr. Walker testifying  
3 as an expert?

4           MR. ROONEY: Yes, he is.

5           JUDGE JONES: Mr. Lannon, is the exhibit being  
6 offered for the truth of the content of it or is it  
7 being offered for impeachment or some other purpose  
8 in the cross examination of this witness?

9           MR. LANNON: It is being offered for the truth  
10 of the content which would impeach Mr. Walker.

11          JUDGE JONES: Mr. Lannon, has the foundation  
12 been laid for this exhibit in your opinion through  
13 this witness?

14          MR. LANNON: Yes, I believe I asked him if -- I  
15 forget exactly what the question was, but whether it  
16 was similar to the monthlies that he relied on and  
17 whether it came off of the same web page as the  
18 monthlies that he relied on.

19          JUDGE JONES: Mr. Rooney, do you believe the  
20 foundation has been laid for this exhibit?

21          MR. ROONEY: No, Your Honor, as I indicated for  
22 several reasons. One, Mr. Walker testified that he

1 did not look at this data as part of his analysis,  
2 either in direct, rebuttal or surrebuttal, and he did  
3 not look at the numbers here as part of that process,  
4 and he only looked at the monthly data, not the daily  
5 data.

6 JUDGE JONES: Thank you. Anybody else on this?

7 MR. LANNON: Your Honor, I would just like to  
8 add one thing. Beyond the fact that I believe it  
9 should come in beyond it is relevant and it is very  
10 similar to what he did use, except that it is more  
11 detailed and provides the Commission and you with  
12 more facts, this is also a matter that could be  
13 admitted under administrative notice and it is a  
14 matter that's generally known and not subject to  
15 reasonable dispute. There is no doubt of the  
16 accuracy in this cross exhibit; Mr. Rooney  
17 acknowledged that.

18 JUDGE JONES: What are you proposing? Are you  
19 proposing that first or are you proposing something  
20 else?

21 MR. LANNON: Well, I just wanted to let you  
22 know that before you made your ruling. I guess I

1 would move it in on both grounds.

2 JUDGE JONES: Mr. Rooney, do you have any  
3 objection to it going into the record as an  
4 administrative notice exhibit?

5 MR. ROONEY: I do, Your Honor, and for similar  
6 bases. Again, it's a document that certainly is  
7 created by the government, but in terms of how it  
8 relates in any way to Mr. Lannon's testimony  
9 certainly has not been -- I am sorry, Mr. Walker's  
10 testimony, certainly has not been established.

11 Further, if it is going to be intended  
12 to be utilized as additional argument that otherwise  
13 could have been addressed otherwise, it seems that  
14 there is a prejudicial issue here from the Company's  
15 perspective in terms of not being able to present  
16 testimony, as it does have the final word from a  
17 procedural standpoint in bearing a burden to respond  
18 to that.

19 So I think from both a -- the  
20 admission of it as a cross exhibit or taking  
21 administrative notice of it, we object to that, Your  
22 Honor.

1           JUDGE JONES: Thank you. Anybody else?

2           MR. LANNON: Your Honor, I have already replied  
3 to most of that. But as far as the prejudicial  
4 effect, Mr. Walker brought it up, brought the  
5 monthlies up, and this statement on page 18 and a  
6 similar statement on page 12 is surrebuttal. He  
7 could have brought that up earlier. We did not have  
8 another opportunity to reply to it in testimony.  
9 This is our first opportunity.

10          MR. ROONEY: And, Your Honor, to that point,  
11 and I appreciate Mr. Lannon's presentation, I would  
12 observe, though, that in Staff's rebuttal testimony  
13 they determined to take an entirely different DCF  
14 analysis that resulted in our responding to that as  
15 part of their testimony. So Staff had the  
16 opportunity. They decided to change the methodology  
17 that they were going to utilize for the ROE analysis  
18 and they did that in rebuttal, and so Mr. Walker was  
19 responding directly. Obviously, it wasn't something  
20 that was improper as Staff didn't move to seek it as  
21 part of a Motion in Limine which were due to be filed  
22 previously.

1           MR. LANNON: Your Honor, we are not seeking to  
2 strike anything. We are seeking to provide the  
3 Commission with what has been acknowledged as  
4 accurate daily information on the T-Bond yields that  
5 --

6           JUDGE JONES: Have you made this argument  
7 before already?

8           MR. LANNON: Yes, I have, Your Honor.

9           JUDGE JONES: Well, if you need to respond to  
10 something that just came up in the last comment from  
11 Mr. Rooney, feel free. But if you are simply  
12 reiterating something that you have already said,  
13 then I think you have had ample opportunity for that  
14 in several rounds of argument there.

15                           Anything else?

16   (No response.)

17                           All right. Let the record show no  
18 response.

19                           I will rule on that at this time.  
20 This is a close call. It is complicated in part by  
21 the fact that it came up in surrebuttal which was in  
22 response to what was in the rebuttal. Now, whether

1 surrebuttal raised new arguments or was simply  
2 responding to what was perceived as some new  
3 arguments in rebuttal is sort of another question,  
4 one that will not really get resolved in any real way  
5 today.

6                   The witness has testified as an  
7 expert. I think there is some leeway to be given to  
8 counsel in cross-examining a witness in that  
9 circumstance. These cross exhibits can all the time  
10 raise questions of authentication or foundation.  
11 That itself is somewhat of a close question here.  
12 But I do agree with Mr. Lannon that the witness  
13 has -- the cross examination of the witness has  
14 provided sufficient foundation for this. There is  
15 questions as to relevancy of it, but I think  
16 Mr. Lannon has established how the exhibit is  
17 relevant to the issues that this witness did address.

18                   So in conclusion, the Cross  
19 Examination Exhibit Number 2 proffered by Staff is  
20 admitted into the evidentiary record. Counsel for  
21 Aqua will be given ample leeway on redirect to follow  
22 up on this from a redirect standpoint. And if

1 counsel for Aqua believes that still Aqua is being  
2 deprived of its opportunity to present the last word  
3 on this, then motions, if any, would be a possible  
4 next step. If any such motions are made, then we  
5 will deal with them at that time.

6 MR. ROONEY: Thank you, Your Honor. Thank you.

7 MR. LANNON: Thank you, Your Honor.

8 (Whereupon ICC Staff Cross  
9 Exhibits 1 and 2 were admitted  
10 into evidence.)

11 MR. LANNON: Your Honor, and I guess, John, why  
12 don't I hold off on the rest of the exhibits, John,  
13 and I don't think you will have any objection to.

14 MR. ROONEY: That's correct. We can take that  
15 as a stipulation after mine.

16 MR. LANNON: Okay. And -- well, okay, thank  
17 you, John.

18 JUDGE JONES: That concludes your cross  
19 examination of the witness, Mr. Lannon, then, is that  
20 correct?

21 MR. LANNON: Yes, if Staff Cross Exhibits 1 and  
22 2 have formally been admitted, that's it for me, Your

1 Honor.

2 JUDGE JONES: All right. Thank you.

3 Ms. Satter?

4 MS. SATTER: Thank you.

5 CROSS EXAMINATION

6 BY MS. SATTER:

7 Q. Hello. My name is Susan Satter. I am with  
8 the Office of the Attorney General.

9 A. Hello.

10 Q. I am going to ask you some questions about  
11 your Exhibit 15, your surrebuttal testimony. In that  
12 testimony you testified that Staff's return on equity  
13 would, among other things, place Aqua's ability to  
14 offer reliable service at risk. Is it your testimony  
15 that if a 9.43 percent return on equity were adopted  
16 by the Commission, Aqua Illinois would be unable to  
17 invest in safe and reliable service in Illinois?

18 A. Could you please point me to the testimony  
19 that you are referring to?

20 Q. Page 3.

21 A. Page 3.

22 Q. Line 74.

1           A.    And would you repeat the question, please?

2           Q.    My question to you is, is it your testimony  
3   that, if the 9.43 percent return on equity were  
4   adopted by the Commission, that Aqua Illinois would  
5   be unable to invest in safe and reliable service in  
6   Illinois?

7           A.    No, that is not my testimony.

8           Q.    And that is not your belief, is that  
9   correct?

10          A.    That is correct. My testimony refers to  
11   whether or not they would have the ability to compete  
12   for capital.

13          Q.    Okay. So just to follow -- finish the  
14   question then, you do not believe that, if the ROE  
15   recommended by Staff were adopted by the Commission,  
16   Aqua Illinois would be unable to invest -- let me  
17   make that a positive. We have too many negatives in  
18   this sentence. Let's make it a positive.

19                    Do you agree that, even if the  
20   Commission were to adopt a 9.43 percent return on  
21   equity in this case, Aqua Illinois would still be  
22   able to invest in safe and reliable service in

1 Illinois?

2 A. Assuming they earn 9.43, which is highly  
3 unlikely given their long history of under-earning  
4 200 bases points, in the short run, yes, they would  
5 be able to obviously provide safe and reliable  
6 service. However, as credit conditions deteriorate,  
7 pressure mounts, in the long term they may have  
8 trouble accessing capital.

9 Q. And so in the long run you mean a couple of  
10 years?

11 A. Could be several years, yes.

12 Q. Now, you include a graphic on your  
13 testimony at page 22 showing capital fleeing the  
14 state?

15 A. Yes.

16 Q. Do you remember including that same graphic  
17 in your surrebuttal in the last Aqua case before this  
18 Commission, that would be Docket 10-0194?

19 A. I may have, yes.

20 Q. And you would agree that the Commission  
21 allowed an ROE less than what you requested in that  
22 case, in the 10-0194 case?

1           A.    Yes, less than I requested but more than  
2 what Staff originally requested.

3           Q.    Did you say previously that Aqua earns 100  
4 bases points less than its authorized return or  
5 several hundred bases points?

6           A.    Several hundred.

7           Q.    Okay.  And is that why you asked for 11.3,  
8 because you figured you wanted to make up those  
9 hundred bases points by having a higher return on  
10 equity?

11          A.    I didn't ask for 11.3.

12          Q.    Oh, that was in the last case?

13          A.    I don't recall.

14          Q.    Okay.  You don't recall?

15                    Now, do you understand that in this  
16 case, in 11-0436, Aqua witnesses Mr. Bruns and  
17 Mr. Wright have itemized over \$10 million in  
18 investment for 2010, 2011 and 2012?

19          A.    Sounds reasonable.

20          MR. ROONEY:  Just for clarification, Mr. Ervin  
21 is now taking Mr. Bruns' testimony so it is now --  
22 that we indicated he would be adopting it, so there

1 is no confusion in the record today.

2 Q. Okay. Do you agree that capital will be  
3 available to Aqua Illinois to make the investments  
4 described by these Aqua witnesses in this case?

5 A. You are referring to a historical period,  
6 so obviously capital was available because they made  
7 the investment. Capital is always available; the  
8 question is at what cost. And as credit quality  
9 deteriorates, costs increase. So in the long run you  
10 end up with a higher cost of service due to  
11 deterioration of credit quality.

12 Q. And the higher cost of service is driven by  
13 the higher cost of capital, is that right?

14 A. Correct.

15 Q. So if the cost of capital does not  
16 increase, then that does not -- that would not drive  
17 up the cost of service, if for other reasons the cost  
18 of capital does not increase, for example, market  
19 conditions, from one rate case to the next?

20 A. Correct.

21 Q. Okay. Now, you also testify -- and tell me  
22 if this is not accurate, but it sounds like you

1     testify that the Commission should increase the  
2     return on equity allowed to the Company to account  
3     for the fact that Aqua has historically under-earned  
4     compared to its authorized return, is that right? Is  
5     that your position?

6             A.    No, no.

7             Q.    Okay. That is not your position.

8             A.    The Commission should be aware that the  
9     Company traditionally or historically has  
10    under-earned much more so than other water utilities  
11    in the industry. Their under-earning is almost twice  
12    as great as comparison companies used by Staff in  
13    this proceeding.

14            Q.    Compared to water or other utilities?

15            A.    Water utilities used by Staff in the  
16    comparison group in this proceeding.

17            Q.    So you are saying that Aqua operating  
18    companies under-earned compared to other water  
19    companies?

20            A.    I am saying that Aqua -- and when I am  
21    using the term Aqua, I am referring to Aqua Illinois,  
22    and I assume you have been.

1 Q. I have been up 'til now, yes.

2 A. That Aqua Illinois has had a larger  
3 under-earning, if you will, than the comparison  
4 companies employed by Staff.

5 Q. Is that true for other Aqua operating  
6 companies?

7 MR. ROONEY: Objection. I am not sure what the  
8 relevance of other Aqua operating companies are  
9 outside of Aqua Illinois.

10 MS. SATTER: I think the question of this whole  
11 historically under-earning is something that really  
12 needs to be explained in a little more detail. He's  
13 already said compared to some companies they  
14 under-earned. I am just checking to see about other  
15 companies within their own parent organization. And  
16 I think that's relevant to credibility, among other  
17 things.

18 JUDGE JONES: Any response, further response?

19 MR. ROONEY: None.

20 JUDGE JONES: Objection overruled. The  
21 question is allowed. So please answer it if you have  
22 an answer. If you need it read back, we can read it

1 back.

2 THE WITNESS: Could you read the question back  
3 or just repeat the question?

4 BY MS. SATTER:

5 Q. I can repeat the question. My question is,  
6 has other Aqua operating companies historically  
7 under-earned?

8 A. They have historically under-earned but not  
9 to the degree that Aqua Illinois has. In other  
10 words, the earnings have been better in other  
11 operating subsidiaries or divisions.

12 Q. Are you familiar -- I am sorry, were you  
13 finished with your question?

14 A. Yes.

15 Q. Other operating companies, is that what you  
16 meant?

17 A. Yes.

18 Q. Are you familiar with Aqua America's  
19 financial performance?

20 A. Generally speaking. I mean, I couldn't  
21 recite numbers for you but, yes, as a generalization,  
22 yes.

1           Q.    Are you aware of the fact that Aqua America  
2   has raised its dividends 20 times in the last 19  
3   years?

4           A.    Yes, that's a similar pattern that other  
5   investor-owned water utilities have done as well.

6           Q.    And are you also aware that the Annual  
7   Report to shareholders reported that Aqua America has  
8   invested a, quote, record \$327 million in  
9   infrastructure improvements in 2010?  And that's in  
10  the Annual Report to shareholders, which if you need  
11  a reference, I can provide it to you.

12           MR. ROONEY:  Objection to the extent that,  
13  again, I am not sure what the relevance is, Your  
14  Honor, with Aqua.  Aqua America is a multi-state  
15  operating parent company that operates water  
16  utilities in a variety of different states.  And what  
17  Aqua the parent collectively has invested is  
18  something of little or no relevance to what we are  
19  talking about in terms of Illinois.

20           JUDGE JONES:  Ms. Satter?

21           MS. SATTER:  Mr. Walker has admitted that other  
22  Aqua operating companies historically under-perform.

1 And yet despite that general under-performance  
2 relative to allowed ROEs, the parent companies which  
3 is the sole shareholder of these other parent  
4 companies appears to be both increasing its dividends  
5 20 times in the last 19 years and obtaining  
6 significant capital for infrastructure improvements.  
7 Since the capital comes from the parent for the  
8 operating company, I think that's relevant to  
9 questions of credibility and the effect that  
10 under-earning has on the profitability of the  
11 enterprise.

12 JUDGE JONES: The objection is overruled.  
13 Please answer the question if you have an answer. If  
14 you need it read back, we can do that, too.

15 THE WITNESS: Please read the question or  
16 repeat the question.

17 JUDGE JONES: Ms. Reporter?

18 MS. SATTER: My question was, do you recall  
19 that the Annual Report reported to shareholders that  
20 in 2010 Aqua America invested a record \$327 million  
21 in infrastructure improvements.

22 JUDGE JONES: Is that the same question?

1 Because that question has an assumption in it. I  
2 don't recall if the original one did or not. "Do you  
3 recall that." That's an effectual assumption. Could  
4 you read the original question back or if you want to  
5 rephrase it.

6 MS. SATTER: That's okay. You can read it  
7 back. I am not sure I am getting the distinction.

8 JUDGE JONES: Well, the word "that" puts an  
9 assumption into play. The word "that" something is  
10 the case. And unless that part is already in the  
11 record, then that's asking the witness to respond to  
12 an assumption in the question that may or may not  
13 already be in the record.

14 MS. SATTER: Well, I am kind of asking him the  
15 question. If he doesn't know, then --

16 JUDGE JONES: I understand, but that's not the  
17 way it was phrased. "Are you aware of that" makes an  
18 assumption. Whether that assumption is in the record  
19 or not is the question. So you need to rephrase it  
20 or read it back.

21 BY MS. SATTER: Let me say it this way.

22 Q. Do you know that the Annual Report to

1       shareholders issued by Aqua America stated that Aqua  
2       America invested a record \$327 million in  
3       infrastructure improvements in 2010?

4             A.    I don't know that.

5             Q.    Okay.  Would anything -- do you know what  
6       their investment record is?

7             A.    No, I do not.

8             Q.    Do you know their access to capital?

9             A.    Generally speaking, but I can't quote  
10       specific dollars that were raised or anything like  
11       that.

12            Q.    Do you agree that the Annual Report to  
13       shareholders is an accurate report to shareholders  
14       and that the statements in that are true and correct?

15            MR. ROONEY:  I guess I would object to the  
16       characterization of the question.

17            JUDGE JONES:  Response?

18            Q.    Let me rephrase it.  Do you ever review  
19       Annual Reports to shareholders?

20            A.    Yes.

21            Q.    And do you rely on the information  
22       contained in Annual Reports to shareholders in

1 forming your opinion about capital?

2 A. Yes.

3 Q. And had you reviewed the Aqua America  
4 Annual Report to shareholders for any year prior to  
5 your testimony in this case?

6 A. Yes. Not recently but, yes.

7 Q. So did you review the 2009 Annual Report to  
8 shareholders?

9 A. I am sure I have back in 2010.

10 Q. Okay. And did you review the 2010 Annual  
11 Report to shareholders on behalf of Aqua America?

12 A. I am sure I did.

13 Q. Okay. Would anything refresh your  
14 recollection as to your review of that document, like  
15 the document itself?

16 A. Yes, I am sure a review of the document I  
17 could at least discern the information reported in  
18 the document.

19 MS. SATTER: If I may approach the witness?

20 JUDGE JONES: You may.

21 (Whereupon a document was  
22 presented to the witness.)

1 BY MS. SATTER:

2 Q. Would you take a look at this document?

3 Does that appear -- let me get to a mic.

4 Do you recognize that as the 2010 Aqua  
5 America Annual Report to shareholders?

6 A. I recognize the cover. So, yes, I have  
7 seen this document. Whether or not--

8 Q. Was it in color?

9 A. It was in color actually, the one that I  
10 saw.

11 Q. Okay. I believe if you turn to page 2 of  
12 the letter to shareholders at the very beginning of  
13 the document?

14 A. Yes.

15 Q. And I believe it is the fourth paragraph  
16 down do you see the statement that the Company  
17 invested a record \$327 million in infrastructure in  
18 2010?

19 A. Yes.

20 Q. And so would you agree with me that that  
21 demonstrates that the Company has been able to obtain  
22 capital for its operations at least during 2010?

1           A.    Yes.

2           Q.    And maybe you can just hold onto that for a  
3   few minutes.

4                    On line 3 of your testimony -- excuse  
5   me, page 3, line 76 of your testimony, you say that  
6   Staff's proposal disregards recent Commission  
7   decisions and, quote, upends traditional notions of  
8   regulatory certainty?

9           MR. ROONEY:   What page again?

10          Q.    Three.

11                   So my question to you is, do you think  
12   that the Commission would upend traditional notions  
13   of regulatory certainty if it approved a return on  
14   equity that was 100 bases points more than a  
15   historically allowed return on equity?

16          A.    That was 100 bases points more.   I don't  
17   know who is recommending 100 bases points more.

18          Q.    I am not.   I am asking you if you think  
19   that would upend, what did you call it, traditional  
20   notions of regulatory certainty.

21          A.    It depends on the -- it depends on the  
22   circumstance.   If the 100 bases points increase is

1 due to fluctuations, crises within the capital  
2 markets, then I think it certainly is within -- I  
3 mean, expectations and certainty move over time.

4 Q. So deviations from an historically allowed  
5 return could be justified by situations in the  
6 financial markets and in the economy as a whole?

7 A. Yes. I mean, you have a lot -- yes, but  
8 you have a lot of benchmarks to compare it to. What  
9 are other entities being authorized, what are other  
10 cost rates in the market, etcetera. It is not just  
11 simply -- you can't simply take a point in time  
12 number and, you know, reach a conclusion as to  
13 whether or not that is upending certainty. It is all  
14 relative to one another.

15 Q. Now, you agree that the Commission sets an  
16 overall revenue requirement for utilities, monopoly  
17 utilities?

18 A. Yes.

19 Q. And in determining the revenue requirement,  
20 the Commission uses the overall return on rate base,  
21 isn't that right?

22 A. Correct.

1 Q. And that's based on the return on equity as  
2 well as the return on debt?

3 A. Correct.

4 Q. Okay. Now, you recall that in the  
5 Illinois-American Water case the return on rate base  
6 was lower than the return on rate base recommended by  
7 Staff in this case?

8 A. I don't know.

9 Q. You don't know what the overall rate of  
10 return was for Illinois-American Water Company?

11 A. No, I do not.

12 Q. In the last rate case?

13 A. I do not.

14 Q. Do you know what the capital structure was  
15 for that company?

16 A. No.

17 Q. So then clearly you don't know how it  
18 compares to the capital structure recommended in this  
19 case?

20 A. As a generalization I believe that  
21 Illinois-American has less equity in its capital  
22 structure. It is a much larger company than Aqua

1 Illinois is. So I believe they have less equity in  
2 the capital structure, but I don't know off hand. I  
3 don't know the specifics.

4 Q. Do you know what the capital structure is  
5 for Aqua America?

6 A. The parent company?

7 Q. Yeah.

8 A. Generally speaking, yes.

9 Q. And isn't it true that they have less  
10 equity than is being requested for Aqua Illinois?

11 A. I assume you are referring to equity ratio?

12 Q. Yes.

13 A. Depending on the point in time, their  
14 equity ratio fluctuates mainly from two items and one  
15 item would be construction expenditures and the other  
16 item would be acquisitions. And typically over time  
17 their equity ratio goes up and down. At certain  
18 times it is going to be higher than Aqua Illinois and  
19 at certain times it is going to be lesser, but it is  
20 going to be relatively close.

21 Q. Can you turn to page 19 of the Annual  
22 Report? And is it true that the equity ratio for

1 Aqua America is shown for the years 2007 through  
2 2010? In other words, the debt and the equity ratios  
3 are shown on that page?

4 A. Yes.

5 MS. SATTER: Your Honor, I will move for  
6 admission of this Annual Report. And if it goes in,  
7 then we really don't need to read the details into  
8 the record. So at this point I will put that on hold  
9 pending ruling on the admission.

10 Q. Now, in the Schedule 2 to your original  
11 testimony you showed a long-term debt cost of 6.64  
12 percent. Do you remember that?

13 A. Yes, there is a debt cost rate of 6.64  
14 percent.

15 Q. And again going back to page 3 at the very  
16 beginning of the Annual Report, the letter to  
17 shareholders, do you notice that the Aqua America  
18 report says a weighted average interest rate lower  
19 than that, of 5.36 percent for 2010?

20 A. I'm sorry, what page?

21 Q. Page -- I don't believe it is numbered. It  
22 is the second or third page of the letter to

1 shareholders.

2 A. Is there a specific number? Okay, I see  
3 you have --

4 Q. It is on the page with the picture.

5 A. Yes, I see that. It says it qualifies it.  
6 But I mean obviously Aqua Pennsylvania is the largest  
7 subsidiary of the company and has the largest impact  
8 on it. The embedded cost rate for the parent company  
9 is reflective of the embedded cost rates of all the  
10 subsidiaries. So I would expect there to be a  
11 difference between the parent company's embedded cost  
12 of debt versus a subsidiary's cost of debt.

13 Q. Okay. But even your cost of long-term debt  
14 is lower than the return on equity that you are  
15 asking for in this case? The 6.64 percent long-term  
16 debt is less expensive than the cost of equity that  
17 you request in this case?

18 A. Yes.

19 Q. Did you testify in Florida for Aqua, the  
20 Aqua operating company?

21 A. I did not.

22 Q. Are you aware that or do you know whether

1 the Florida Public Service Commission recently  
2 approved a 9.43 percent ROE for an Aqua subsidiary in  
3 2011?

4 MR. ROONEY: Objection, relevance. What a  
5 commission ruled upon for an ROE for an operating  
6 company in Florida, I am not sure that there is any  
7 relevance to the exercise with regard to Aqua  
8 Illinois.

9 JUDGE JONES: Response?

10 MS. SATTER: Well, in this surrebuttal  
11 testimony there are quite a few assertions about how  
12 outrageously low the 9. -- I believe it is 43 percent  
13 recommendation is and I think that it is relevant  
14 whether Mr. Walker knows of other, not just water  
15 utilities, but Aqua water utilities that have been  
16 awarded the same level of return.

17 MR. ROONEY: And I believe the comparison that  
18 Mr. Walker was making was to other Illinois water  
19 utilities, not utilities throughout the country.

20 JUDGE JONES: Thank you.

21 I think the rule sets open the door on  
22 this. Granted it is a different state, but I think

1 there is sufficient connection that has been made  
2 including that question and his testimony.  
3 Therefore, the objection is overruled.

4 We will ask you to answer the  
5 question, if you can. Do you need it read back?

6 THE WITNESS: I need it read back.

7 JUDGE JONES: Ms. Reporter, do you want to read  
8 that back, please?

9 (Whereupon the requested portion  
10 of the record was read back by  
11 the Reporter.)

12 THE WITNESS: A. I don't know is my answer.

13 BY MS. SATTER:

14 Q. Thank you. I also wanted to ask you  
15 whether you submitted surrebuttal testimony in the  
16 last Aqua operating company case 10-0194. That was  
17 for the Kankakee Division.

18 A. Yes.

19 Q. And would you agree with me that your  
20 testimony is substantially the same in that you felt  
21 that the Staff's return on equity amount was too low?

22 A. I would agree that I felt their original

1 position was too low. The decision in that case was  
2 above the Staff's original position.

3 Q. But your testimony was essentially the  
4 same, wasn't it?

5 A. With regards to I felt their position was  
6 too low, yes.

7 Q. And didn't you make the same statements  
8 about capital fleeing the state?

9 A. Yes, relative to a recommendation by the  
10 Staff that was lower than what was authorized by the  
11 Commission.

12 MS. SATTER: Your Honor, I would like you to  
13 take administrative notice of Mr. Walker's  
14 surrebuttal testimony in Docket 10-0194 for the  
15 purpose of comparison to his testimony in this case.  
16 I've got copies of that testimony with me. We can do  
17 it as a cross exhibit or as administrative notice,  
18 whatever is more convenient and efficient.

19 JUDGE JONES: Is there any objection to that?

20 MR. ROONEY: No.

21 MS. SATTER: Then I will -- can I submit it as  
22 an administrative notice exhibit or as a cross

1 exhibit, maybe. Do you want me to call it Cross  
2 Exhibit 2? And I think I will ask for the Annual  
3 Report to be labeled as Cross Exhibit 1.

4 MR. ROONEY: No objection.

5 JUDGE JONES: All right. We will make the  
6 testimony in the 2010 docket -- do you want that  
7 marked as how exactly?

8 MS. SATTER: AG Cross Exhibit 2.

9 JUDGE JONES: It will be so marked.

10 (Whereupon AG Cross Exhibit 2  
11 was marked for purposes of  
12 identification as of this date.)

13 MS. SATTER: And then I will move for the  
14 admission of the Aqua 2010 Annual Report as AG Cross  
15 Exhibit 1.

16 JUDGE JONES: Any objections?

17 MR. ROONEY: No.

18 JUDGE JONES: Anybody else? Let the record  
19 show no response.

20 MS. SATTER: And I have no further questions.

21 JUDGE JONES: Let the record show AG Cross  
22 Examination Exhibit Number 2 is admitted into the

1 evidentiary record.

2 (Whereupon AG Cross Exhibit 2  
3 was admitted into evidence.)

4 JUDGE JONES: Do you intend to file a copy of  
5 that as admitted on e-Docket?

6 MS. SATTER: Yes, I will. So that's -- in  
7 10-0194 that's Aqua Exhibit 9.0.

8 JUDGE JONES: Aqua Exhibit --

9 MS. SATTER: 9.0.

10 JUDGE JONES: Ms. Satter noted that is Aqua  
11 Exhibit 9.0 as presented in Docket 10-0194. That is  
12 admitted. It will be filed on e-Docket in this  
13 proceeding.

14 MS. SATTER: And I will also file the Annual  
15 Report in pdf on e-Docket.

16 JUDGE JONES: Thank you. The Annual Report of  
17 that document is also admitted into the evidentiary  
18 record as AG Cross Exhibit Number 1. What does that  
19 exhibit say across the top of it, just so we have a  
20 little bit of more identifying information?

21 MS. SATTER: I can hand you a copy.

22 JUDGE JONES: Okay, thank you. That's the

1 surrebuttal?

2                   How about the Exhibit Number 1, what  
3 does that say across the top of it, just to give a  
4 little bit more identifying information into the  
5 transcript?

6           MS. SATTER: It is Aqua America Annual Report  
7 to Shareholders, I believe.

8           JUDGE JONES: Is there a date on the cover  
9 page?

10          MS. SATTER: The copy says Aqua America, Inc.,  
11 2010 Annual Report 125th Anniversary.

12          JUDGE JONES: Thank you. As noted, that  
13 exhibit now known as AG Cross Exhibit Number 1 is  
14 admitted into the evidentiary record.

15                                   (Whereupon AG Cross Exhibit 1  
16                                   was marked for purposes of  
17                                   identification as of this date  
18                                   and admitted into evidence.)

19          JUDGE JONES: Thank you, Ms. Satter.

20                                   Mr. Rooney, do you have any redirect?

21          MR. ROONEY: Yes, I do, Your Honor.

22                                   Do you have any objection to us taking

1 a few minutes to talk to the witness?

2 JUDGE JONES: Does anybody have an objection to  
3 taking a break at this time?

4 (No response.)

5 Let the record show no response.

6 What do you suggest? Ten minutes?

7 MR. ROONEY: Ten minutes would be more than  
8 sufficient. Thanks, Your Honor.

9 JUDGE JONES: All right. We hereby break for a  
10 period of ten minutes.

11 (Whereupon the hearing was in a  
12 short recess.)

13 JUDGE JONES: Back on the record.

14 Mr. Rooney, do you have redirect?

15 MR. ROONEY: I do have some questions, Your  
16 Honor. Thank you.

17 REDIRECT EXAMINATION

18 BY MR. ROONEY:

19 Q. Mr. Walker, do you recall questions from AG  
20 counsel regarding the comparison of your surrebuttal  
21 testimony in this proceeding versus your surrebuttal  
22 testimony in the Kankakee rate case which was last

1 year?

2 A. I do.

3 Q. And do you recall what Staff was proposing  
4 in its rebuttal testimony in that proceeding for a  
5 recommended ROE?

6 A. It is my recollection Staff was proposing a  
7 9.61 percent return on equity.

8 Q. And did the Company and Staff ultimately  
9 agree on a -- stipulate to a different number?

10 A. Yes. Ultimately, the Staff and the Company  
11 stipulated to a 10.03 which was ultimately authorized  
12 by the Commission. The change in the position from  
13 Staff's original 9.61 percent to the 10.03 occurred  
14 because it was agreed upon that the weighting should  
15 change, the weighting being how much weight should be  
16 given to the cost rate of Staff's water group and how  
17 much weighting should be given to Staff's utility  
18 group.

19 Originally, Staff in the last  
20 proceeding recommended that 67 or two-thirds of the  
21 weighting should be given to the water group and  
22 one-third be given to the utility group. They agreed

1 and stipulated that it should be reversed and  
2 one-third be given to the water group and two-thirds  
3 be given to the utility group.

4 In the current proceeding --

5 MR. LANNON: John, before you go on --

6 MR. ROONEY: Yes.

7 MR. LANNON: I can barely hear Mr. Walker. I  
8 wonder if the microphone is on.

9 MR. ROONEY: It is now. Sorry about that.

10 MR. LANNON: Thank you.

11 THE WITNESS: A. In the current proceeding  
12 Staff is --

13 MS. SATTER: I am going to object in that there  
14 is no question pending about the current proceeding.

15 BY MR. ROONEY: Let me ask Mr. Walker.

16 Q. Does the fact that your testimony,  
17 surrebuttal testimony, in the last rate case last  
18 year, and your surrebuttal testimony here, the fact  
19 that it is similar of any concern to you?

20 A. No, I think it shows my consistency.  
21 Because in the last case they got -- the Staff  
22 recommended 9.61 percent; ultimately 10.03 was

1 authorized for the Company. In the current  
2 proceeding 9.43 percent was recommended by the Staff  
3 which is 60 bases points less than what was  
4 stipulated to and authorized by the Commission back  
5 in December.

6 Q. Do you recall questions from Ms. Satter  
7 concerning her referencing the Aqua America 2010  
8 Annual Report, those questions weighing to the cost  
9 of long-term debt, I believe, reflected on page 3 of  
10 that report?

11 A. Yes, I do.

12 Q. And then Ms. Satter was comparing the  
13 information contained in the 2010 Aqua America Annual  
14 Report to your cost of capital that -- excuse me,  
15 your cost of long-term debt that is reflected in your  
16 testimony. Do you recall those questions?

17 A. I do.

18 Q. In your opinion is it reasonable to compare  
19 the figure in your testimony with the figure that  
20 Ms. Satter referenced in the Annual Report?

21 A. Absolutely not. The parent company  
22 embedded debt cost rate is a reflection of the

1 weighted cost of debt for every operating subsidiary.  
2 In other words, it includes the embedded debt cost  
3 rate for Pennsylvania American, for Indiana -- excuse  
4 me, for Aqua Pennsylvania, for Aqua Indiana,  
5 etcetera. Whereas the cost of long-term debt that I  
6 recommend in this proceeding and is primarily adopted  
7 by the Staff -- and I say primarily, we changed --  
8 when I say we, the Company agreed to the Staff's  
9 change, slight change, in the short-term debt cost  
10 rate which ultimately lowered the embedded cost of  
11 long-term debt slightly.

12 It reflects strictly the operations of  
13 Illinois. Illinois accesses the capital market on  
14 its own in terms of attracting long-term debt, and  
15 traditionally commissions have relied upon capital  
16 structure and embedded debt cost rates depending on  
17 where the long-term capital is raised.

18 Q. Thank you, Mr. Walker.

19 Do you recall the questions from  
20 Ms. Satter regarding -- and again this was a figure  
21 referenced in the Aqua America Annual Report -- of  
22 approximately \$327 million invested in capital

1 investment by Aqua America in calendar year 2010?

2 A. Yes, I do.

3 Q. In terms of -- do you know how much capital  
4 investment was made by Aqua Illinois in 2010?

5 A. It was between 13 and 15 million dollars.

6 Q. Now, you just referenced earlier in your  
7 testimony that the Commission entered its Order in  
8 the Aqua case last year in December of 2010 and  
9 authorized an ROE of 10.03 percent, correct?

10 A. Correct.

11 Q. Do you have any opinion as to whether that  
12 ROE influenced -- that was entered in 2010,  
13 influenced capital investment or ability to access  
14 capital based upon the 2010 Annual Report figures?

15 A. No. The authorized return rate was only  
16 authorized at -- the 10.03 percent authorized return  
17 rate was only authorized in, I believe it was,  
18 December 10, 2010. Accordingly, any of the earnings  
19 associated with that would not be reflected in the  
20 operational results for 2010.

21 Q. Do you recall what were the 2010 ROEs that  
22 would have been, Illinois ROE, that would have been

1 in effect prior to December 10, 2010, for Kankakee?

2 A. My recollection was 10.43 percent was the  
3 return on equity authorized at that point.

4 Q. Mr. Walker, Staff counsel -- in response to  
5 questions from Staff counsel you testified that you  
6 did not rely on daily interest data from the Fed in  
7 relation to the preparation of your analysis and,  
8 specifically, the information contained in your  
9 surrebuttal testimony, is that correct?

10 A. That is correct.

11 Q. Why didn't you use daily data?

12 A. I traditionally have shied away from using  
13 daily data simply because daily data is extremely  
14 volatile. You might have a change of 40 bases points  
15 over a short period of time. Traditionally I have  
16 relied upon monthly information, monthly yield  
17 information.

18 I believe the problem of using daily  
19 information or spot information has been previously  
20 rejected by the Commission. I am specifically  
21 referring to a ComEd Order I recall that I referenced  
22 in my surrebuttal testimony where the problems of

1 relying upon spot data or daily data were listed.

2 Q. And conversely then, why is it then that  
3 you apply or utilize monthly data from the Fed in the  
4 course of your analysis?

5 A. Well, I use it to eliminate the volatility  
6 that may occur from day-to-day. Essentially, by  
7 comparing daily or a spot yield to a monthly yield,  
8 you can determine whether or not the spot yield is  
9 representative of interest rates. And this is done  
10 by comparing the spot date to the monthly date. And  
11 if there is a large variation between the two, you  
12 know that the spot date is not reflective of the  
13 trend in interest rate.

14 In this proceeding I looked at -- I  
15 compared the single spot date relied upon by Staff to  
16 monthly data to determine whether or not it was  
17 representative of money cost rates, and clearly it  
18 was not and is not representative of money cost  
19 rates, as is illustrated by referring back to Staff  
20 Cross Exhibit Number 2. Even using daily interest  
21 rates, the only time the daily interest rates were  
22 lower than the spot rate used by Staff in this

1 proceeding in their updated proceeding was December  
2 of 2008 and some portion of January 2009, right in  
3 the heart of the financial crisis. This is  
4 verification of my testimony that we are still in a  
5 financial crisis, and I think Exhibit 2 illustrates  
6 the point perfectly.

7 MR. ROONEY: Thank you, Your Honor. I have no  
8 further questions.

9 JUDGE JONES: Any recross?

10 MS. SATTER: No, thank you.

11 JUDGE JONES: Any recross, Mr. Lannon?

12 MR. LANNON: None from Staff, Your Honor.

13 JUDGE JONES: Okay. Thank you, Mr. Walker,  
14 your cross examination is over.

15 (Witness excused.)

16 Off the record briefly regarding the  
17 schedule.

18 (Whereupon there was then had an  
19 off-the-record discussion.)

20 JUDGE JONES: Back on the record.

21 There was a short off-the-record  
22 discussion regarding the schedule, and I believe the

1 plan is that Mr. Rubin would be called, is that  
2 correct?

3 MS. SATTER: Thank you.

4 Mr. Rubin, can you identify yourself  
5 for the record?

6 JUDGE JONES: Let me swear him in. So who is  
7 the next witness that is going to be called?

8 MS. SATTER: The People of the State of  
9 Illinois would like to call Scott J. Rubin to  
10 testify.

11 JUDGE JONES: Mr. Rubin, I will go ahead and  
12 swear you in at this time. Please raise your right  
13 hand to be sworn.

14 (Whereupon the witness was duly  
15 sworn by Judge Jones.)

16 JUDGE JONES: All right. You are sworn. You  
17 are under oath. Ms. Satter?

18 MS. SATTER: Thank you.

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SCOTT J. RUBIN

called as a witness on behalf of the People of the State of Illinois, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MS. SATTER:

Q. Mr. Rubin, are you the person who prepared the direct testimony of Scott J. Rubin, AG Exhibit 1.0, and the attached exhibits, I believe it is, 1.1 through 1.17?

A. Yes, I am.

Q. And did you also prepare the rebuttal testimony of Scott J. Rubin, AG Exhibit 2.0, and the attached AG Exhibit 2.01?

A. Yes.

Q. And you prepared these documents yourself?

A. Yes, I did. Well, except for some of the attachments to AG Exhibit 1.0 which are copies of data responses that were prepared by Aqua.

Q. And would you like to submit this as your testimony in this case today?

A. Yes.

1 Q. If I were to ask you these questions today,  
2 would your answers be the same?

3 A. Yes, they would.

4 Q. And is the information in these documents  
5 true and correct to the best of your information and  
6 understanding?

7 A. Yes.

8 MS. SATTER: I would like to move for the  
9 admission of AG Cross Exhibits 1.0 through 1.17 and  
10 2.0 and 2.01.

11 JUDGE JONES: Any objection to the admission of  
12 those AG exhibits?

13 MR. ROONEY: No objection from Aqua.

14 MR. LANNON: None from Staff.

15 MR. BAKK: No objection.

16 JUDGE JONES: Thank you. Let the record show  
17 that those exhibits are hereby admitted into the  
18 evidentiary record as they appear on the e-Docket  
19 system. 1.0 being the direct testimony was filed on  
20 August 4, 2011. The attached-to exhibits were, too.  
21 Rebuttal 2.0 was filed on 9/29/11 as was the  
22 attachment. As noted, those exhibits are admitted.

1 (Whereupon AG Exhibits 1.0, 1.1,  
2 1.2, 1.3, 1.4, 1.5, 1.6, 1.7,  
3 1.8, 1.9, 1.10, 1.11, 1.12,  
4 1.13, 1.14, 1.15, 1.16, 1.17,  
5 2.0 and 2.1 were admitted into  
6 evidence.)

7 MS. SATTER: Thank you, and Mr. Rubin is  
8 available for cross examination.

9 JUDGE JONES: We lost our video again, so bear  
10 with us for a moment.

11 (Whereupon the hearing was in a  
12 short recess.)

13 JUDGE JONES: Back on the record.

14 Let the record show there was a short  
15 off-the-discussion regarding whether to proceed with  
16 cross of Mr. Rubin. I believe the thought was yes,  
17 so that is what we will do.

18 Mr. Bakk, you have some cross for  
19 Mr. Rubin, is that correct?

20 MR. BAKK: I do, Your Honor.

21 JUDGE JONES: Please proceed.

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CROSS EXAMINATION

BY MR. BAKK:

Q. Mr. Rubin, my name is James Bakk. I represent the County of Lake, and just for your information they are a sale for resale customer of Aqua Illinois in what's currently their Hawthorn Woods Water Division.

I just have some questions for you regarding your testimony regarding the bad debt allocation that was done in Aqua's proposal and regarding an overall rate restriction regarding between customer classes.

To begin with, with regard to your testimony being Exhibit Number 1 from August 4, 2011, I would like to call your attention to page 7 and 8 of Exhibit 1.0 and referring to lines 299 through 305.

A. Excuse me, those line numbers are not on pages 7 and 8, I think. I don't have --

Q. Actually, I am sorry, it is -- I have got it in the wrong exhibit. It is pages 14 and 15.

A. All right. I have it, yes.

1           Q.    Now, in there you are making a  
2    recommendation regarding the bad debt expense  
3    allocation and there you say that, "I recommend that  
4    bad debt expenses be allocated each customer class  
5    except sales for resale based on the class' share of  
6    the total cost of service excluding the bad debt."  
7    And then on the next page you state that, "I have  
8    exempted sales for resale customers from this  
9    calculation because wholesale customers are very  
10   unlikely to default on their bills.  (Doing so would  
11   leave their retail customers, without water service -  
12   an action that no prudent utility would take) and  
13   those wholesale customers would be responsible for  
14   the bad debts of their own retail customers."

15                       With respect to that conclusion, is  
16   the conclusion relating to the unlikeliness of a sale  
17   for resale customer defaulting based on your  
18   experience?

19           MR. ROONEY:  Objection, Your Honor.  This is  
20   friendly cross examination.  The introduction in the  
21   question identified the fact that Mr. Bakk is  
22   representing a sale for resale customer.  This catch

1 and share clearly is going to support and is trying  
2 to elicit really what's tantamount to additional  
3 direct testimony.

4 MS. SATTER: As the attorney for the party that  
5 Mr. Rubin is testifying on behalf of, I can say there  
6 is no collusion here. I had no idea. I have no idea  
7 what questions Mr. Bakk is, you know, planning to  
8 ask, other than that they were on these pages. And  
9 that as far as it being friendly cross, I think that,  
10 first of all, what is -- you know, what's the  
11 definition of that? Is it something that the Company  
12 would object to?

13 I don't know. I think that we are all  
14 entitled to an answer and that Mr. Bakk cannot be  
15 prevented from asking a question about his client on  
16 some notion that another party might not like the  
17 nature of the question. I think that's totally  
18 inappropriate.

19 MR. ROONEY: Well, first of all, there is no --  
20 I did not expressly or imply that there was any  
21 collusion, so I am not sure where that came from.  
22 But the fact of the matter is, is that the

1     appropriateness of this is entirely, in my view,  
2     seeking to have this witness provide supplemental  
3     direct testimony to support, not only his position,  
4     but the position of the party referenced in  
5     Mr. Rubin's testimony.

6             JUDGE JONES:   Okay, anything further?

7             MR. BAKK:    Just that it relates directly to my  
8     client, an intervenor.  I am not a petitioner, I am  
9     not an applicant in this case, and I am not part of  
10    the Staff or the State.  And it has direct  
11    application on my client.

12            JUDGE JONES:   Thank you.

13                    Well, I think the real test here when  
14    you come into a situation where cross may be friendly  
15    or parties may be sufficiently aligned, at least on a  
16    given point, that the cross may appear friendly is  
17    where the questions are leading because counsel is  
18    entitled to pursue cross examination of this witness  
19    on these issues.  But as I say, where the issue is  
20    friendly cross or parties that are aligned at least  
21    on some portion of the testimony, then we need to be  
22    careful with leading questions.  I don't recall that

1 there was an objection on the basis that particular  
2 question was leading, so I won't rule on such an  
3 objection.

4 So given the above, the objection is  
5 overruled. We will ask Mr. Rubin to answer the  
6 question if he can, if he understands it and can  
7 answer it. To the extent this line of questioning  
8 includes questions that counsel for Aqua believes are  
9 leading questions given the circumstances, we will  
10 deal with them on a question by question basis.

11 Mr. Rubin, do you need that question  
12 read back?

13 THE WITNESS: No, I recall it, thank you.

14 JUDGE JONES: Good.

15 THE WITNESS: A. Yes, the statement that I  
16 made at the bottom of page 14 and the top of page 15  
17 is largely based on my experience.

18 BY MR. BAKK:

19 Q. In making that statement and the  
20 conclusion, did you take into account the Illinois  
21 Local Government Prompt Payment Act that would apply  
22 to sale for resale customers like the County of Lake

1 or municipalities?

2 A. No, I did not.

3 Q. And with respect to -- hypothetically, if  
4 there is a statute that would require a unit of local  
5 government to pay its bills within 30 days or  
6 interest would be added to those bills, would that  
7 support or not support your conclusion?

8 A. That would support my conclusion.

9 Q. Okay. Now, with respect to your testimony,  
10 I draw your attention to Aqua Exhibit 12.0 which is  
11 the rebuttal testimony of Mr. Monie, and there I am  
12 talking about pages 7 and 8 and it would be lines,  
13 essentially, 151 to 155 of his testimony. And it is  
14 in regard to your allocation. It says, "With respect  
15 to the allocation of bad debt expense, Mr. Rubin  
16 erred, indicating that the expense was allocated  
17 equally to all customers," and then referencing AG  
18 Exhibit 1.0, page 13 at lines 269. "I have allocated  
19 bad debt expense as a customer expense which is  
20 allocated by Customer Equivalent Units which are  
21 based on the size of the meter that each customer has  
22 and adequately takes into account the size of the

1 bill for each customer."

2 Taking Mr. Monie's testimony as  
3 accurate, in utilizing a Customer Equivalent Unit  
4 based on the size of the meter of that customer and  
5 taking, for example, the County of Lake that has  
6 six-inch meters connected to Aqua's water main, does  
7 using a Customer Equivalent Unit multiply the effect  
8 of the bad debt expense allocation to the sale for  
9 resale customer?

10 A. I don't really know what you mean by  
11 multiply. I mean, you have got a specific numerical  
12 result if you use Customer Equivalent Units; you  
13 would get a different numerical result if you used  
14 some other measure. I recommend using the total  
15 bill, and you would get a different number if you did  
16 that. But I don't know what you mean by multiply.

17 Q. If the sale for resale customers are  
18 included in the allocation of bad debt expense, then  
19 utilizing the Customer Equivalent Unit will specify  
20 what impact that bad debt expense has for the sale  
21 for resale customer, will it not?

22 A. Yes, and I show that impact on page 15 of

1 my direct testimony in the table that appears after  
2 line 310. The amount of bad debt allocated to sales  
3 for resale customers for all of Aqua was \$967.

4 Q. Correct. Okay, thank you.

5 Now, moving to just one other topic,  
6 in your direct testimony which is AG Exhibit 1.0, on  
7 page 16, lines 325 through 327, you indicate that --  
8 actually it is 323 to 327 -- that "a reasonable  
9 limitation should be placed on the maximum rate  
10 increase for any customer class, and I frequently  
11 have testified that it is reasonable to restrict the  
12 rate of increase to a customer class to no more than  
13 150 percent of the system average increase."

14 What is the reason for that 150  
15 percent restriction for any customer class?

16 A. The 150 percent restriction is a way to  
17 recognize or to implement one of the basic rate  
18 design principles which is usually referred to as  
19 "gradualism." Essentially, when you are using the  
20 results of a cost of service study to design rates,  
21 you have to be aware of the effect that you are  
22 having on customers and particularly on customer

1 bills. And, for example, making one or two changes  
2 in a cost of service study methodology could have a  
3 very significant effect on the results of the study.  
4 And when that occurs, you need to be aware of the  
5 effect you are having on customers and, basically,  
6 implement a transition process to move customers  
7 toward the cost of service but not necessarily get  
8 them there all at once.

9           So the 150 percent limitation is a way  
10 of implementing that principle, to get there  
11 gradually or through a transitional process.

12           Q. Does it improve or help in creating a  
13 little bit more uniformity with respect to any  
14 increases between the classes?

15           A. Well, not uniformity as such. Obviously,  
16 if a class were to receive an increase that's 150  
17 percent of the average increase, they would be  
18 receiving an increase that's higher than other  
19 classes. So I wouldn't say -- I wouldn't refer to it  
20 as uniformity. I would refer to it as gradualism.

21           Q. Okay. And it would also then -- if there  
22 was one class of sale for resale customers that was

1 getting more than a 95 percent increase, that would  
2 as a rule would help eliminate that extreme in terms  
3 of the difference between the classes, correct?

4 A. I wouldn't say it would eliminate it; it  
5 might moderate it to some extent. The 150 percent  
6 limitation is based on the customer class as a whole.  
7 So it would be referring to all sales for resale  
8 customers. There may be individual customers within  
9 the class that would have increases above 150 percent  
10 of average and others who might have increases below  
11 150 percent of average. So this limitation is just  
12 based or just applied to the entire customer class,  
13 not to individual customers or to individual rate  
14 elements within the class.

15 Q. Understood. It is 150 percent of what's  
16 the mean of the class?

17 A. Well, yes, not of the mean but of the -- it  
18 is looking at the total revenues from the class under  
19 present rates compared to what they would be under  
20 proposed rates.

21 MR. BAKK: Thank you. I don't have any other  
22 questions for this witness.

1 JUDGE JONES: Thank you, Mr. Bakk.

2 Any other questions?

3 MS. SATTER: If there is no further cross, I  
4 have no redirect.

5 JUDGE JONES: Any other cross?

6 MS. SATTER: And I believe we have already  
7 moved for the admission of Mr. Rubin's exhibits.

8 JUDGE JONES: Let the record show there is no  
9 other cross; there is no redirect.

10 Mr. Rubin's exhibits have been  
11 admitted into the evidentiary record. That concludes  
12 the examination of Mr. Rubin.

13 Thank you, sir. You are finished.

14 THE WITNESS: Thank you, Your Honor.

15 (Witness excused.)

16 MR. LANNON: Your Honor, this is Mike Lannon in  
17 Chicago.

18 If it is possible, I have Mr. Brian  
19 Allen sitting there handling documents. I would like  
20 to put in some stipulated to exhibits that I believe  
21 there will be no objection to, so we can release  
22 Mr. Allen back to his regular job.

1 MS. SATTER: I have no objection.

2 MR. ROONEY: Nope, no objection.

3 JUDGE JONES: Yeah, we can do that. They do  
4 not pertain to Mr. Rubin, correct?

5 MR. LANNON: No, Your Honor.

6 JUDGE JONES: So let's go ahead and let  
7 Mr. Robertson put his exhibits in, and then we will  
8 get to you.

9 MR. LANNON: Okay. Thank you, Your Honor.

10 JUDGE JONES: All right. Mr. Robertson?

11 MR. ROBERTSON: Thank you, Your Honor.

12 Viscofan would like to move for the  
13 admission of testimony of Viscofan witnesses who will  
14 not be crossed in this proceeding consisting of  
15 Viscofan Exhibit 1.0, the direct testimony of Mark  
16 Niedenthal filed on e-Docket on August 4, 2011,  
17 e-Docket number 299266;

18 And Viscofan Exhibit 2.0, the direct  
19 testimony of Robert Stephens filed on e-Docket on  
20 August 4, 2011, e-Docket number 299268;

21 Viscofan Exhibit 3.0, the affidavit of  
22 Viscofan witness Mark Niedenthal which will be filed

1 on e-Docket probably tomorrow;

2 And Viscofan Exhibit 4.0, affidavit of  
3 Viscofan witness Robert Stephens which will also be  
4 filed on e-Docket tomorrow;

5 And Viscofan would also like to move  
6 for the admission of cross exhibits in lieu of cross  
7 examination of Company witness Monie and Staff  
8 witness Boggs, and I believe those have been  
9 stipulated to their admission prior to this.

10 And we would present Viscofan Cross  
11 Exhibit 1 which is a data response of Aqua Illinois  
12 to Viscofan dated September 20, 2011, and numbered on  
13 the document Viscofan 1.02;

14 Also Viscofan Cross Exhibit 2 which is  
15 a data response of Aqua Illinois to Viscofan dated  
16 September 20, 2011, consisting of two pages and  
17 numbered on the document Viscofan 1.03;

18 In addition Viscofan Cross Exhibit 3.0  
19 which is a data response of Aqua Illinois to Viscofan  
20 dated October 19, 2011, consisting of one page and  
21 numbered on the document as Viscofan 3.01;

22 And finally Viscofan Cross Exhibit 4.0

1 submitted in lieu of cross of Staff witness Boggs  
2 which is a data response of Staff to Viscofan  
3 consisting of one page and numbered on the document  
4 Viscofan 1-1.

5 JUDGE JONES: Now, when you refer to those  
6 documents as, for example, Viscofan Exhibit 1.02, is  
7 that the data request number that you are referring  
8 to?

9 MR. ROBERTSON: Yeah, data request number. I  
10 am sorry.

11 JUDGE JONES: Thank you. Any objection to the  
12 admission of any of those?

13 MR. ROONEY: None.

14 MR. LANNON: None from Staff.

15 JUDGE JONES: Let the record show those  
16 Viscofan exhibits are admitted into the evidentiary  
17 record at this time. As noted, it is subject only to  
18 the filing of affidavits for them. That would be  
19 Exhibits 1.0, 2.0, both filed on August 4, 2011.  
20 Viscofan is given leave of 14 days to submit the  
21 affidavits to be marked as 3.0 and 4.0 that  
22 correspond to those testimony exhibits just

1 referenced.

2 Then in addition Viscofan Cross  
3 Exhibits 1, 2, 3 and 4 are moved into the evidentiary  
4 record at this time. Are those going to be filed on  
5 e-Docket?

6 MR. ROBERTSON: Yes, Your Honor.

7 JUDGE JONES: Those will be filed on e-Docket  
8 and leave is given to make that filing within 14  
9 days.

10 (Whereupon Viscofan Exhibits  
11 1.0, 2.0, 3.0, 4.0 and Viscofan  
12 Cross Exhibits 1, 2, 3 and 4  
13 were admitted into evidence.)

14 JUDGE JONES: Anything further with regard to  
15 the Viscofan evidence?

16 MR. ROBERTSON: Thank you, Your Honor.

17 JUDGE JONES: Let the record show there is not.

18 All right. Thank you, Mr. Robertson.

19 All right. Mr. Lannon, do you want to  
20 pick up where you left off?

21 MR. LANNON: Thank you, Your Honor.

22 If Mr. Allen could hand out what I

1 believe are the only four remaining financial type of  
2 exhibits and then there is one response to Burma  
3 Jones' data request.

4 JUDGE JONES: Is that the same material that  
5 was circulated by e-mail this morning?

6 MR. LANNON: Yes, that's correct, Your Honor.

7 JUDGE JONES: Is it the plan to make those  
8 filings on e-Docket?

9 MR. LANNON: Yes, Your Honor. We will do that  
10 either this afternoon or tomorrow.

11 JUDGE JONES: All right, thank you. And did  
12 you say these are being put in as exhibits to which  
13 there are no objections?

14 MR. LANNON: That's my understanding, Your  
15 Honor.

16 JUDGE JONES: Why don't you go ahead and walk  
17 us through those exhibits?

18 MR. LANNON: Okay. The first one which will be  
19 called or labeled Staff Cross Exhibit 3 is a two-page  
20 document entitled Federal Reserve Statistical Release  
21 and dated October 17, 2011.

22 Next we have a Baird Equity Research

1 Document. This is a multi-page document dated  
2 September 20, 2011. Label this Staff Cross Exhibit  
3 4.

4 Next is a Fitch Ratings or Fitch  
5 Evaluates Utility ROE Trends. I am looking for the  
6 date on that. It is August 17, 2011. Label that  
7 Staff Cross Exhibit 5.

8 Then we have a Janney Montgomery Scott  
9 Industry Report dated February 24, 2009. That's a  
10 multi-page document, and we will label that Staff  
11 Cross Exhibit 6.

12 Finally, Your Honor, and we will label  
13 this Staff Cross Exhibit 7, is the Company's response  
14 to Staff Data Request ECJ-2.01 and attached to the  
15 Company's response are three Company compensation  
16 type plans. It's a multi-page document, also.

17 JUDGE JONES: Was that one sent around this  
18 morning by e-mail, too, or not?

19 MR. LANNON: Yes, Your Honor.

20 JUDGE JONES: And you will be filing that on  
21 e-Docket; is that the intent?

22 MR. LANNON: That's correct, Your Honor.

1           JUDGE JONES: Are you offering those into the  
2 evidentiary record at this time?

3           MR. LANNON: Yes, I would like to move them  
4 into the record, Your Honor.

5           JUDGE JONES: Thank you.

6                         Are there any objections to the  
7 admission of those five Staff Cross Exhibits 3  
8 through 7?

9           MR. ROONEY: None.

10          JUDGE JONES: Let the record show there are  
11 not. At this time let the record show that ICC Staff  
12 Cross Exhibits 3, 4, 5, 6 and 7 are hereby admitted  
13 into the evidentiary record.

14                                 (Whereupon ICC Staff Cross  
15 Exhibits 3, 4, 5, 6 and 7 were  
16 admitted into evidence.)

17          MR. LANNON: Thank you, Your Honor, and thank  
18 you, Brian.

19          MR. ALLEN: Sure. You are welcome.

20          JUDGE JONES: Regarding scheduling we hereby go  
21 off the record briefly.

22                                 (Whereupon there was then had an

1 off-the-record discussion.)

2 JUDGE JONES: Back on the record.

3 Let the record show we hereby take a  
4 break for lunch until 2:30. See you then.

5 (Whereupon the hearing was in  
6 recess from 1:30 to 2:30 p.m.)

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AFTERNOON SESSION

JUDGE JONES: Back on the record.

It appears that next up on the witness list is Staff witness Mr. Boggs. Is that correct, Ms. Cardoni?

MS. CARDONI: Yes, that's correct.

JUDGE JONES: Do you call him at this time?

MS. CARDONI: Yes, we do. Staff calls Christopher Boggs.

JUDGE JONES: First please stand and raise your right hand to be sworn.

(Whereupon the witness was duly sworn by Judge Jones.)

JUDGE JONES: Thank you. Please be seated.

CHRISTOPHER BOGGS

called as a witness on behalf of the Illinois Commerce Commission, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MS. CARDONI:

Q. Good afternoon, Mr. Boggs. Would you please state your name for the record and spell your

1 last name.

2 A. Christopher Boggs, B-O-G-G-S.

3 Q. Who is your employer and what is your  
4 business address?

5 A. I am employed by the Illinois Commerce  
6 Commission, 527 East Capitol Avenue, Springfield,  
7 Illinois 62701.

8 Q. And what is your position at the Illinois  
9 Commerce Commission?

10 A. I am a rates analyst.

11 Q. Did you prepare written exhibits for  
12 submittal in this proceeding?

13 A. Yes.

14 Q. Do you have before you a document which has  
15 been marked for identification as Staff Exhibit 4.0  
16 consisting of a cover page, table of contents, 56  
17 pages of narrative testimony and it is entitled  
18 Direct Testimony of Christopher Boggs?

19 A. Yes.

20 Q. Did you prepare that document for  
21 presentation in this matter?

22 A. Yes.

1 Q. Do you also have before you a document  
2 which has been marked for identification as ICC Staff  
3 Exhibit 9.0R which consists of a cover page, 38 pages  
4 of narrative testimony, Schedules 9.1R through 9.4R,  
5 9.5 and 9.6 and is entitled the Revised Rebuttal  
6 Testimony of Christopher Boggs?

7 A. Yes.

8 Q. Did you prepare that document for  
9 presentation in this matter?

10 A. Yes.

11 Q. Do you have any corrections to make to ICC  
12 Staff Exhibits 4.0 or 9.0R?

13 A. Yes, I have three small corrections to make  
14 to Staff Exhibit 9.0R.

15 Q. Could you walk us through those at this  
16 time?

17 A. Sure.

18 On page 7, line 122, line 122 begins  
19 "Customers." "I conclude that customers in the  
20 Candlewick, Fairhaven, Ivanhoe" and, therefore, I  
21 want my correction as ", Willowbrook and Vermilion  
22 Divisions." So I just want to insert a comma after

1 Ivanhoe and insert Willowbrook.

2 Q. Thank you.

3 A. Okay. The second correction would be on  
4 page 8, line 149. It states, "The customers of  
5 Ivanhoe, Ravenna and Hawthorn Woods." I want to  
6 remove the word "Ivanhoe" from that sentence.

7 Q. Okay.

8 A. And then on page 9, line 161, "Finally,  
9 Willowbrook" and I want to insert "and Ivanhoe  
10 customers would face only a slightly larger  
11 increase."

12 Q. Thank you, Mr. Boggs.

13 With the additions, with those three  
14 changes, is the information contained in ICC Staff  
15 Exhibits 4.0 and 9.0R true and correct to the best of  
16 your knowledge?

17 A. Yes.

18 Q. If I were to ask you the same questions as  
19 set forth in Staff Exhibits 4.0 and 9.0R, would your  
20 responses be the same today?

21 A. Yes.

22 MS. CARDONI: Your Honor, at this time I move

1 for admission into evidence what has been marked as  
2 Staff Exhibits 4.0 and 9.0R and the additional  
3 schedule. I note for the record that those documents  
4 were filed on e-Docket on August 4 and October 20,  
5 2011.

6 JUDGE JONES: Thank you. Any objections to the  
7 admission of those evidentiary items?

8 MR. ROONEY: None from Aqua.

9 JUDGE JONES: Let the record show there are  
10 not.

11 Let the record further show that the  
12 testimony and exhibits sponsored by Mr. Boggs are  
13 hereby admitted into the evidentiary record.

14 (Whereupon ICC Staff Exhibits  
15 4.0 and 9.0R were admitted into  
16 evidence.)

17 JUDGE JONES: Ms. Cardoni, are you going to  
18 refile the 9.0R with those corrections? Was that  
19 your plan?

20 MS. CARDONI: I wasn't planning on it, but if  
21 it is your preference, I am happy to do so.

22 JUDGE JONES: That would actually get the

1 corrections right in the text.

2 MS. CARDONI: Okay. I will refile those today.

3 JUDGE JONES: All right. Anybody have an  
4 objection to that?

5 (No response.)

6 The exhibits you file will be  
7 identical to what was previously filed except for  
8 those corrections, is that correct?

9 MS. CARDONI: Yes.

10 JUDGE JONES: Let the record show those  
11 exhibits are admitted and leave is given to Staff to  
12 file 9.0R in the version as reflecting the further  
13 corrections that were made on today's date. Leave of  
14 seven days is allowed for that purpose.

15 MS. CARDONI: Thank you, Judge.

16 JUDGE JONES: Will that filing reflect -- what  
17 date will be reflected on that filing on the face of  
18 it?

19 MS. CARDONI: I would like it to reflect  
20 today's date, if I can make the changes and get it  
21 filed today.

22 JUDGE JONES: Okay. Any objection to that? So

1 the date that's on there now, September 29, will be  
2 replaced by the current date.

3 I believe that's it then for  
4 Mr. Boggs. Anything else before --

5 MS. CARDONI: I don't have anything else for  
6 Mr. Boggs.

7 JUDGE JONES: Does anybody else before he is  
8 excused?

9 (No response.)

10 That concludes the questioning of  
11 Mr. Boggs. Thank you, sir, you may leave the witness  
12 stand.

13 (Witness excused.)

14 I believe the next step will be  
15 Mr. Monie, is that correct?

16 MR. ROONEY: That's correct, Your Honor.

17 JUDGE JONES: And will you call him at this  
18 time?

19 MR. ROONEY: I just want to confirm he is on  
20 the line. I am told he is. Mr. Monie?

21 THE WITNESS: Yes.

22 MR. ROONEY: Thank you. Then, Your Honor, Aqua

1 would like to call David R. Monie to the stand.

2 JUDGE JONES: Sir, please raise your right hand  
3 to be sworn.

4 (Whereupon the witness was duly  
5 sworn by Judge Jones.)

6 JUDGE JONES: All right. Thank you.

7 Mr. Rooney?

8 MR. ROONEY: Thank you, Your Honor.

9 DAVID MONIE

10 called as a witness on behalf of Petitioner Aqua  
11 Illinois, having been first duly sworn, was examined  
12 and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. ROONEY:

15 Q. Mr. Monie, could you please state your name  
16 and spell it for the court reporter.

17 A. David Monie, M-O-N-I-E.

18 Q. Mr. Monie, do you have before you three  
19 documents, the first of which is direct testimony,  
20 your direct testimony that was filed on e-Docket on  
21 April 6, identified as Aqua Exhibit 6.0 with attached  
22 Schedules 6.1 through 6.4?

1           A.    I have them in front of me.

2           Q.    Do you also have before you your rebuttal  
3 testimony filed on e-Docket on September 1, 2011,  
4 identified as Aqua Exhibit 12.0 with attached  
5 Schedules 12.1 through 12.3?

6           A.    Yes, I do.

7           Q.    And finally do you also have before you  
8 surrebuttal testimony which was filed on e-Docket on  
9 October 11, 2011, identified as Aqua Exhibit 16 along  
10 with attached Schedules 16.1 through 16.5?

11          A.    I have those documents in front of me.

12          Q.    Mr. Monie, were those documents prepared by  
13 you or under your direction?

14          A.    Yes, they were.

15          Q.    And if I asked you the questions contained  
16 therein, would your answers be the same?

17          A.    Yes, they would.

18          MR. ROONEY: Thank you very much. With that,  
19 Your Honor, I would move for the admission of the  
20 identified direct, rebuttal and surrebuttal testimony  
21 of Mr. Monie as well as the attached exhibits, and  
22 offer Mr. Monie for cross examination.



1 JUDGE JONES: Please do.

2 CROSS EXAMINATION

3 BY MS. SATTER:

4 Q. Good afternoon, Mr. Monie. My name is  
5 Susan Satter. I am representing the People of the  
6 State of Illinois.

7 A. Good afternoon.

8 Q. Now, in your testimony you recommend  
9 consolidation of the rate areas for Aqua's operations  
10 in Illinois, is that right?

11 A. That's correct.

12 Q. And is it correct that the total number of  
13 residential customers subject to consolidation is  
14 about 24,700? I am taking that from your Exhibit  
15 12.1 Table 9 which has the billing determinants.

16 A. Yeah, I understand. Let me just double  
17 check that.

18 Q. Yeah.

19 A. Now, when you say 12.1 Table 9, are you  
20 referring to all three groups or the two groups, the  
21 University Park group and the other group?

22 Q. Well, let me ask you about the Consolidated

1 group. You have Consolidated Water?

2 A. That is correct. Consolidated Water on  
3 Table 9 shows the bills as being for residential  
4 189,625 or for the consolidated group, Verizon, plus  
5 82,071 billed for the rest of the consolidated group.  
6 That does not include University Park.

7 Q. Okay. So it excludes University Park. And  
8 then you went through those two numbers. So what's  
9 the total?

10 A. A total of 100 -- let me just add them up.  
11 271,696 bills. If you divide that by 12, you get  
12 about 22,641. That might be skewed a little bit  
13 because the Fairhaven under present rates was being  
14 billed based on quarterly bills rather than monthly  
15 bills.

16 Q. Okay. So it might be a tad low, is that  
17 right?

18 A. That might be a tad low, correct.

19 Q. And do you know how many districts Aqua has  
20 other than the one subject to consolidation and  
21 University Park in Illinois?

22 A. Are we talking water now?

1 Q. Yes, let's just focus on water for now.

2 A. Right. They have the Kankakee division.

3 Q. Is that the only one?

4 A. That's the only one that I am currently

5 aware of.

6 Q. And do you know how many residential

7 customers there are in the Kankakee district or at

8 least as of the last rate case?

9 A. I knew that as of the last rate case. It

10 is a substantially-sized division, but I don't recall

11 the exact number of customers.

12 Q. Would you accept subject to check that it

13 is about 25,000? Does that sound right to you?

14 A. Yeah, that's my recollection.

15 Q. So essentially in this docket Aqua is

16 proposing to consolidate less than half of the

17 residential customers into one district?

18 A. That would be a fair statement to make.

19 Q. Okay. And then do you know if the Company

20 plans to then consolidate into the Kankakee district

21 so that there is one for the whole state?

22 A. It's my understanding, based on

1       conversations with Company officials, that the plan  
2       at the moment is to consolidate all of the divisions,  
3       water divisions, including Kankakee, into one  
4       consolidated company and power group at some point in  
5       the future, probably when Kankakee wants to come in  
6       with another rate increase.

7               Q.    Do you know why Kankakee was not included  
8       in the consolidation?

9               A.    No, I do not.

10              Q.    Now, would you agree that one effect of  
11       consolidation generally is to smooth out the rate  
12       effects of large investments by the utility in small  
13       areas, in smaller districts?

14              A.    One of the effects of consolidation is to  
15       allow for increases in capital investments in all  
16       divisions to be as you say -- I don't know if  
17       smoothed out is the correct term.  Sometimes it is  
18       the result of small divisions, having worked on that,  
19       was because of the smaller number of customers and  
20       the small division would enable the Company to  
21       provide those capital improvements at a cost per  
22       customer that's lower.  Of course, no matter where

1 the capital improvement is made, if a larger capital  
2 improvement is made in a larger company, then, of  
3 course, the smaller company will also share in paying  
4 for the costs of those capital improvements.

5 Q. But because there are more customers to  
6 spread the cost over, you would expect the per unit  
7 cost to be somewhat less, is that fair?

8 A. The per unit -- I am not sure I understand  
9 the question. Can you either rephrase it or --

10 Q. I said, because consolidation allows the  
11 recovery of investment over more customers, would you  
12 expect the per unit costs under consolidation to be  
13 less than the unit costs if you had several separate  
14 small districts?

15 MR. ROONEY: I just have a question. Do you  
16 mean per unit?

17 MS. SATTER: Per customer, I should say.

18 MR. ROONEY: Bill impact as opposed to cost of  
19 the investment, right?

20 MS. SATTER: Thank you. I meant per customer.

21 THE WITNESS: A. Well, it depends. In other  
22 words, if there was one particular capital investment

1 made, I would agree that that capital investment  
2 would have less of a per unit effect on a  
3 consolidated group than on a stand-alone group of any  
4 size.

5                   However, if there was a capital  
6 program for, say, an entire year and there were  
7 capital improvements made in more than one division,  
8 then the fact that there are capital improvements  
9 made in all divisions, there may not be more of a --  
10 or lots of an effect on a toll per unit because there  
11 is a lot of capital improvements that may be made in  
12 all divisions. So it depends.

13                   But on one capital investment, on each  
14 and every capital investment, it is spread out among  
15 more units.

16                   BY MS. SATTER:

17                   Q. Do you think that customers in smaller  
18 districts could be expected to realize more benefits  
19 from consolidation than customers in larger  
20 districts?

21                   MR. ROONEY: And just for purposes -- the  
22 division, you are talking about each of the

1 divisions; they don't call it districts.

2 MS. SATTER: Oh, they call it divisions?

3 MR. ROONEY: Right.

4 MS. SATTER: Okay, divisions, districts, yeah.

5 You are saying division is the appropriate term?

6 MR. ROONEY: That's how it is referred to in  
7 the testimony.

8 BY MS. SATTER:

9 Q. Can you answer the question?

10 A. Sure. The customers in smaller divisions  
11 can and many times do benefit from capital  
12 improvements in their division, having those spread  
13 out among customers in larger divisions, but it is  
14 not always 100 percent the case.

15 Q. Okay. If you can just refresh your  
16 recollection, were there any divisions other than  
17 University Park subject to this case that you were  
18 not proposing be consolidated?

19 A. And I assume, by subject to this case, that  
20 excludes Kankakee. And if that's the case, my  
21 proposals consolidated eight of the remaining nine  
22 divisions, eight of the nine divisions associated

1 with this case, with University Park being the  
2 outlier.

3 Q. Okay. And so your proposal was to move the  
4 customers in those eight divisions to the same  
5 customer charge and the same usage levels, right?

6 A. That's -- usage levels? Do you mean usage  
7 rate?

8 Q. I am sorry, usage rates, you are correct.

9 A. That's correct.

10 Q. And so the size of the increase per  
11 division depends on the present rates per division,  
12 right?

13 A. Yes, it does.

14 Q. And the present rates in these various  
15 divisions are currently different, correct?

16 A. That's correct.

17 Q. Okay. Do you recall that the current rates  
18 in Kankakee are lower than the \$15 you recommend in  
19 this case?

20 MR. ROONEY: Are you saying the current  
21 customer charge in Kankakee?

22 Q. I am sorry. Let me clarify that.

1                   Is it correct that the current  
2 customer charge in Kankakee for both five-eighth and  
3 three-quarter inch meters is less than the customer  
4 charge for five-eighth and three-quarter inch meters  
5 that you recommend in your testimony?

6           A.    I really can't answer that question.  I  
7 haven't reviewed the recent rates and whether with  
8 QIPS what the actual rate is in the Kankakee division  
9 as it currently stands.

10          Q.    Okay.  Now, do you agree that rate shock is  
11 one of the considerations that the Commission  
12 considers in regard to consolidation proposals?

13          A.    Yeah.

14          Q.    Now, you in your testimony, in your  
15 rebuttal testimony specifically, you use the term  
16 "unbearable rate shock"?

17          A.    That's correct.

18          Q.    Did you consider unbearable rate shock in  
19 making your recommendation?

20          A.    I did.

21          Q.    And what do you mean by unbearable?

22          A.    I mean that there are some customers and

1 some customer groups that could theoretically get  
2 what would normally be considered a large percentage  
3 increase but because of circumstances, even though  
4 they get a large percentage increase, in my opinion  
5 it would be bearable to those customer groups. There  
6 also may be other benefits that are accruing to those  
7 customer groups such as future capital improvements  
8 in the future that will be eased out, plus there may  
9 be a higher or a very high rate increase required for  
10 those other districts anyway on a stand-alone basis.

11 Q. Did you consider the income levels in any  
12 of the areas where the increases would take effect in  
13 your assessment of what's bearable?

14 A. I did not check into the actual income  
15 levels. I know that some of the proposed increases  
16 would be in what would be considered upscale  
17 communities and some would not. But, you know, I  
18 didn't physically check into what the median  
19 household income or anything like that would be in  
20 one area or another.

21 Q. Did you review unemployment rates?

22 A. No, I did not.

1 Q. Did you investigate the proportion of  
2 people on fixed incomes?

3 A. No, I did not.

4 Q. And did you look at the percentage of  
5 senior citizens in a particular area subject to  
6 increases?

7 A. No, I did not.

8 Q. Now, would you agree with me that your  
9 Schedule E-7 shows the size of the increases that you  
10 proposed initially on different customer usage  
11 levels?

12 A. That's correct.

13 MS. SATTER: Okay. And for the record the  
14 schedules are not ordinarily part of the record  
15 unless they are offered into evidence. So I would  
16 like to offer into evidence the Schedules E-7 which  
17 is Schedule E-7.2 through E-7.10.

18 Is there any objection? I do have  
19 copies.

20 MR. ROONEY: There is no objection.

21 MS. SATTER: If you want, you can take a look  
22 at it and then we can talk about it maybe at the end

1 of cross.

2 MR. ROONEY: Do you want to mark that as AG  
3 cross exhibit?

4 MS. SATTER: Let's mark that as AG Cross  
5 Exhibit 3.

6 (Whereupon AG Cross Exhibit 3  
7 was presented for purposes of  
8 identification as of this date.)

9 BY MS. SATTER:

10 Q. Now, Mr. Monie, in addition to there being  
11 different size increases for the different divisions,  
12 isn't it also true that customers within a division  
13 will experience different sized increases, depending  
14 on their meter size?

15 A. Sure, depending on their meter size and  
16 usage.

17 Q. Okay. So is it correct that the difference  
18 between, for example, five-eighths inch meter and  
19 three-quarter inch meter, etcetera, that the  
20 difference in those prices are based on American  
21 Waterworks Association meter ratios?

22 A. That's correct. I used the same ratios

1 that the Vermilion division had in effect which was  
2 accepted by the Illinois Commerce Commission in the  
3 last Vermilion case.

4 Q. And isn't it true that in at least some of  
5 the divisions subject to consolidation the existing  
6 rate for the various meter sizes does not reflect the  
7 AWWA meter ratio currently?

8 A. Excuse me, I am sorry. I thought you had  
9 finished. Did you finish?

10 Q. Yes.

11 A. Yeah, that's correct, that some of the  
12 divisions did not have the AWWA ratios in effect.

13 Q. And so for customers with larger meters,  
14 that would be three-quarters inch meters and larger,  
15 those customers will see a larger increase in their  
16 meter charge than customers who have five-eighths  
17 inch meters, isn't that right?

18 A. Yes, there were some divisions that would  
19 have higher increases for the larger meter sizes than  
20 for a five-eighths inch meter customer.

21 Q. Okay. Now I would like to direct your  
22 attention to the response to the second data request

1 of the Attorney General that would be AG 2.1, 2.3,  
2 2.4 and 2.6, and I am going to mark the responses to  
3 the support, AG 2.01 support, as AG Cross Exhibit 4,  
4 and I am going to tender a copy to the attorney.

5 (Whereupon AG Cross Exhibit 4  
6 was presented for purposes of  
7 identification as of this date.)

8 THE WITNESS: Could you give me those numbers  
9 one more time, the AG numbers?

10 MR. ROONEY: It is 2.01, 2.03, 2.04, 2.06.

11 JUDGE JONES: Does Staff counsel have copies of  
12 these?

13 MR. LANNON: No, Your Honor.

14 MS. SATTER: I have got it. So, however you  
15 want me to forward it. Maybe after we finish the  
16 question we can forward it to them by fax or  
17 whatever. Do you have all the responses to data  
18 requests? Can you pull them up?

19 THE WITNESS: I am getting those particular  
20 ones. I am still looking to bring the second two up.  
21 I have the second one up out in front of me.

22 MS. SATTER: If it would be more economical,

1 maybe I can hold this and fax it or send it somehow.

2 THE WITNESS: E-mail it.

3 MR. ROONEY: Do you have your computer handy?

4 THE WITNESS: Yeah.

5 MR. ROONEY: I will -- all right. I will copy  
6 and paste the information we are looking for.

7 THE WITNESS: I am sure that I can bring it up,  
8 but that would be appreciated.

9 MS. SATTER: Okay. Well, then let's talk about  
10 that. Shall we move on or do you want me to wait?

11 THE WITNESS: Sure.

12 MS. SATTER: Okay.

13 JUDGE JONES: Staff counsel, are you okay  
14 with --

15 MR. LANNON: Your Honor, I think we are  
16 accessing it right now through a shared drive.

17 We are okay, Your Honor. We have it.

18 JUDGE JONES: Thank you.

19 MR. ROONEY: Mr. Monie, I just sent the e-mail  
20 with the four documents. They are the attachments to  
21 the DR responses.

22 THE WITNESS: Right.

1

2 BY MS. SATTER:

3 Q. And, Mr. Monie, do you know under what  
4 circumstances meters are changed or meter sizes are  
5 changed for residential consumers by one size would  
6 be chosen rather than another?

7 A. No, I do not.

8 Q. Okay. And would you agree with me that the  
9 responses that I -- that Mr. Rooney sent to you show,  
10 let's start with AG 2.01.

11 A. Okay.

12 Q. For Candlewick, that the number of  
13 five-eighths inch meters has been declining going  
14 from 961 in 2007 to 261 in 2011?

15 A. That's -- I mean, I agree that that's what  
16 this shows. I don't believe I was the witness for  
17 this. I didn't prepare this document.

18 MS. SATTER: Oh, okay, okay. Then maybe I will  
19 just move for its admission as a Company data request  
20 response if Mr. Monie doesn't have comment on it.

21 MR. ROONEY: Okay.

22 BY MS. SATTER: All right. Then I will put

1 that aside.

2 Q. Now I want to ask you more general  
3 questions. The total increase requested by the  
4 Company in this case, do you agree that it is 22.74  
5 percent on surrebuttal?

6 A. It is very close to that, yes.

7 Q. And it is about \$4 million increased  
8 revenue?

9 A. Let me just pull my surrebuttal testimony  
10 and certainly in round numbers it is that.

11 Q. Okay. And looking at your -- let's go to  
12 your rebuttal testimony, 12.1, Table 12. Is it  
13 correct that --

14 A. Table 12.1, Table 12.

15 Q. Yeah.

16 A. That's my rebuttal testimony.

17 Q. Yeah. Are you there?

18 A. Yeah, I am there. You want Schedule 12.1?

19 Q. Yeah.

20 A. Okay. I have that in front of me.

21 Q. And is that your cost of service study  
22 results?

1           A.    Yes, Table 12 on Schedule 12.1 is the cost  
2 of service results, a summary of it, yeah.

3           Q.    And that shows the interclass cost of  
4 service as well as the collection of revenue from  
5 class to class, is that correct?

6           A.    That's -- yes, that's correct.

7           Q.    I am going to ask you to just describe how  
8 this schedule works.  There are three, I guess four  
9 blocks of numbers, is that right?  You have the first  
10 says cost of service amount and percent?

11          A.    Yeah.

12          Q.    Can you explain what that is?  Is that  
13 under -- is that the cost of service pursuant to your  
14 cost of service study?

15          A.    That is correct.  That is the cost of  
16 service as determined on Table 7 which is the basic  
17 summary of the cost of service study calculation.  So  
18 the first group of numbers on Table 12 were developed  
19 on Table 7 and represent the cost of service broken  
20 down by the customer classes.

21          Q.    So that's based on your study?

22          A.    That's correct.

1 Q. And is that based on the requested revenue  
2 requirement?

3 A. On Table 12, that's based on the rebuttal  
4 position of the Company for revenue requirement.

5 Q. Okay. So that's the rebuttal revenue  
6 requirement. And then the percent, what is the  
7 percent?

8 A. That's the percent of total revenues for  
9 each of the individual rate groups.

10 Q. So would that be the percent of Company  
11 revenues that that class is responsible for  
12 producing?

13 A. That's the percentage of the cost of  
14 serving those individual customer classes of the  
15 overall revenue requirement of the Company.

16 Q. Okay. So if the total revenue requirement  
17 is 22,250,000, then, for example, the residential  
18 class is responsible for 56.0 percent of that, right?

19 A. Right, or 12,000,462 is what the cost of  
20 serving the residential class calculates to be.

21 Q. Okay. Then the second set of columns, the  
22 pro forma present, is that under current rates?

1           A.    That's correct.  That's what the rate now  
2 would be under present rates.

3           Q.    And then the third, pro forma rebuttal  
4 amount and percent, is this the amount that you are  
5 recommending be recovered from each customer class?

6           A.    That's correct.  That's what my recommended  
7 tariff design on my rebuttal position was for each  
8 customer class.

9           Q.    So that shows that the residential cost of  
10 service is \$12,462,325, right?

11          A.    That's correct.

12          Q.    But you are recommending that the  
13 residential class produce \$12,962,771, right?

14          A.    \$12,962,771.

15          Q.    So that's a difference of about \$500,000?

16          A.    Yes, it is.

17          Q.    Okay.  And is it also correct that the  
18 commercial customers are also producing -- are being  
19 asked to produce more than their cost of service?

20          A.    Yes, that's a fair statement to make.

21          Q.    And that's about \$220,000?

22          A.    Yeah, that's close, round numbers, a few

1 thousand more now.

2 Q. Yeah, 223,401 if you have a calculator?

3 A. Yes, I will accept that.

4 Q. Or subtract it. And for large industrials  
5 we show that there is a cost of service of  
6 \$1,430,892, right?

7 A. That's correct.

8 Q. But they are only being asked to produce  
9 \$709,753, right?

10 A. That's correct, except that -- let me just,  
11 except that that 709,000 does not include a  
12 relatively small amount for the customer charge that  
13 the large industrial customer pays. But that was  
14 inadvertently included in the general industrial  
15 class part of the \$1,301,973. But that is relatively  
16 minor.

17 Q. Is it true --

18 A. So in general your question is, I mean,  
19 your statement is correct.

20 Q. Okay. So then is that class for one  
21 customer only?

22 A. The only 12 that anybody is on would

1     qualify could be in that class, but there is only one  
2     customer that's in that class right now and that's  
3     Viscofan.

4             Q.    So in the event that another customer had  
5     usage at that level, they would be able to take  
6     advantage of that rate, is that right?

7             A.    They might be able to.  That would be up to  
8     the Company.  But it is my understanding that they  
9     would.  Although there are some particular reasons,  
10    since there is only one customer in that class and  
11    only likely to be one customer in that class  
12    certainly for the foreseeable future, there were  
13    unique reasons why my proposal was not to bring that  
14    customer class closer to cost of service that may not  
15    be appropriate for other customers that might join  
16    on.

17            Q.    And in fact this customer pays less than  
18    half of your allocated cost of service, correct?

19            A.    Approximately half, yes.

20            Q.    So while -- if we were to look at the cost  
21    of service for the residential and the commercial  
22    classes only as the guide for the increase, their

1 overall increase would be about \$720,000 less than is  
2 being proposed in this case?

3 A. I am not sure I understand your question.  
4 If what you are saying is that if all -- if all  
5 customer classes were to have revenues derived from  
6 them equal to their overall cost of service, then  
7 there would be about, what did you say, \$700,000 less  
8 revenues received from the residential and commercial  
9 class. Is that your question?

10 Q. Yes, thank you.

11 A. And if that's your question, then that's a  
12 correct statement.

13 Q. So when we look at the 22, 23 percent  
14 overall revenue increase being requested in this case  
15 and compare it to the larger increases being paid by  
16 some customer groups, this goes to explain that  
17 increase, that discrepancy, would you agree with  
18 that?

19 A. Could you please repeat that question? I  
20 really didn't understand it.

21 Q. Okay. The fact that there is about  
22 \$720,000 of industrial cost of service being paid by

1 commercial and residential, does that explain why the  
2 commercial and residential customers are receiving an  
3 increase that is higher than the overall cost of  
4 service for them?

5 A. Well, you would also have to throw private  
6 fire protection into that group because private fire  
7 protection, as you can see, is getting also about  
8 \$370,000 less -- producing, you know, \$370,000 less  
9 revenue that has to be made up by the other customer  
10 classes. And since public fire protection is very  
11 close to its overall cost of service, maybe \$30,000  
12 more, and sales for retail are very close to its cost  
13 of service, that, the \$370,000 in private fire  
14 protection, is also being made up by the other  
15 customer classes.

16 Q. So when all is said and done, there is  
17 about a million dollars that customers -- that some  
18 customers are absorbing over what you have allocated  
19 as their cost of service?

20 A. That's correct. And some customers have a  
21 total aggregate of a million dollars less than their  
22 cost of service.

1           Q.    Right, right.  Have you considered or  
2           calculated by what percentage amount this pushes up  
3           the rate for any customer group?

4           A.    I don't think I understand the question.  
5           You said "this."  Can you explain "this"?

6           Q.    The \$1 million shift from these two groups  
7           to other groups?

8           A.    I did not calculate it.  I did not  
9           calculate what that percentage would be, no.

10          Q.    But it certainly pushes up the rate  
11          relative to what it would be without this shift of \$1  
12          million, correct?

13          A.    Right.  As I have responded, certainly the  
14          residential and commercial customers, to a small  
15          extent regular industrial customers other than the  
16          large industrial customer, are paying more money than  
17          they would if the rates were designed at 100 percent  
18          cost of service.

19          Q.    Okay.  Now I would like to shift your  
20          attention to the Table 12 for the individual  
21          divisions, and I believe you only produced those in  
22          your Schedule 6.1.  That is in connection with your

1 direct.

2 A. Okay. That's correct.

3 Q. So if you can just turn to Schedule 6.1  
4 Table 12 for Candlewick?

5 A. Yep, I have -- let me just get to Table 12.  
6 Table 12 for Candlewick, yes. I have it in front of  
7 me.

8 Q. I would like you to look at the last line,  
9 Total Revenues. And my question to you is, is it  
10 correct that the Candlewick division is being asked  
11 to produce more than its allocated cost of service,  
12 produce in revenues more than its allocated cost of  
13 service?

14 A. That's correct.

15 Q. And can you just tell us how much, what the  
16 dollar figure is?

17 A. Oh, it's the difference between \$1,349,870  
18 which is what the rates would calculate to under the  
19 proposed rates for them and \$1,024,547 which was  
20 their cost of service.

21 Q. Okay. And now can you turn to Fairhaven?

22 A. Certainly.

1           Q.    Again this is Table 12, Schedule 6.1.  And  
2   is it correct to say that they are being -- this  
3   division is being asked to produce more than its cost  
4   of service being the difference between 118,241 and  
5   79,794?

6           A.    That's correct.

7           Q.    And as we go through these Table 12s, if  
8   the amount under pro form amount is higher than the  
9   amount in the first column, then that shows that that  
10  particular division is paying more -- is being asked  
11  to pay more than its allocated cost of service,  
12  right?

13          A.    Right.  It is being asked if they pay more  
14  than its revenue requirement on a stand-alone basis  
15  which is what the allocated cost of service was based  
16  on for each of these divisions.

17          Q.    Now, I believe in your rebuttal testimony  
18  you talked about the Staff request that the Company  
19  produce a cost of service study based on coincident  
20  peak as opposed to non-coincident peak?

21          A.    That's correct.

22          Q.    And did you produce a document showing the

1 effect of using coincident peak?

2 A. Yes, I prepared a cost of service study  
3 that used coincident peak.

4 Q. Is your 12.1 exhibit, particularly the  
5 Table 12, does that reflect coincident peak?

6 A. Yes, it does.

7 Q. Would it be correct to say that there were  
8 not significant differences in the results of your  
9 cost of service study using non-coincident peak and  
10 coincident peak?

11 A. That would be a fair statement to make.  
12 Let me just add to that. Actually, fire protection  
13 revenues increased, you know, the most by using  
14 coincident peak versus non-coincident peaks, and they  
15 might be categorized as at least more than de  
16 minimus. But the other customer classes, one too was  
17 spread over -- it wasn't a large difference. That  
18 would be a fair statement.

19 Q. So you said the fire protection revenues  
20 increased the most using coincident or  
21 non-coincident? I am sorry.

22 A. Using coincident peak over using

1 non-coincident peak.

2 Q. So that means the rate for fire protection  
3 would increase, is that right?

4 A. That's correct.

5 Q. So it was about a ten percent difference,  
6 would that be, between using coincident and  
7 non-coincident peak?

8 A. That would be the difference you are saying  
9 between -- let me just make sure that we are apples  
10 and apples here.

11 Q. In the fire protection revenues.

12 A. Yeah, I understand what you are saying. I  
13 just am now turning to the document just to make  
14 sure.

15 Okay. Table 12 of my original filing  
16 that's in Schedule 6.1, public fire protection  
17 revenues would have been \$2,042,000 or \$43,000 in  
18 round numbers. Under my rebuttal testimony they  
19 would be \$2,254,000 in round numbers. There was a  
20 little bit of a reduction in overall revenue  
21 requirement between the Company's filed position and  
22 their rebuttal position, so. But it is about 200 --

1     yeah, about ten percent. That's a fair statement to  
2     make.

3             Q.    Do you recall whether you changed the fire  
4     protection charge as a result of this in your  
5     recommendation?

6             A.    Yes, I did.

7             Q.    And finally did you do an analysis to  
8     determine what the rate effect would be had the  
9     Viscofan rate been set at cost of service instead of  
10    at less than half of cost of service?

11            A.    I did not do an analysis. But as we just  
12    went through, it would have been about \$700,000 that  
13    would have been a reduction in all the other customer  
14    classes combined. But I didn't do an actual analysis  
15    of what that would be.

16            MS. SATTER: Okay, thank you. I have no  
17    further questions. I would like to move for the  
18    admission of AG Cross Exhibit 3 and AG Cross Exhibit  
19    4. Again, AG Cross Exhibit 3 is simply schedules  
20    that are not automatically part of the record.

21            MR. ROONEY: No objection.

22            JUDGE JONES: And which schedules were those?

1 Do we have them here?

2 MS. SATTER: It is Company Schedule E-7.2  
3 through E-7.10.

4 MR. ROONEY: And these are the monthly bill  
5 comparisons, Your Honor, that were submitted with the  
6 Company's initial filing.

7 JUDGE JONES: Thank you. Are there any  
8 objections to the admission of AG Cross Exhibit  
9 Number 3?

10 MR. ROONEY: None.

11 MR. LANNON: None, Your Honor.

12 JUDGE JONES: Let the record show AG Cross  
13 Exhibit Number 3 is hereby admitted into the  
14 evidentiary record. The first page of that says,  
15 among other things, Aqua Illinois, Inc., Candlewick  
16 water rate case, Schedule E-7.2.

17 (Whereupon AG Cross Exhibit 3  
18 was admitted into evidence.)

19 JUDGE JONES: Are there some other --

20 MS. SATTER: Yes, and then AG Cross Exhibit  
21 Number 4, being the responses to certain data  
22 requests.



1 MS. SATTER: No, I have nothing further. Thank  
2 you.

3 JUDGE JONES: All right. Mr. Bakk, do you  
4 still have some questions for Mr. Monie?

5 MR. BAKK: Yes, I do, Your Honor.

6 JUDGE JONES: Please go forward with those.

7 CROSS EXAMINATION

8 BY MR. BAKK:

9 Q. Mr. Monie, my name is James Bakk. I am the  
10 attorney for the intervenor Lake County, the sale for  
11 resale customer of Aqua.

12 A. Good afternoon.

13 Q. I direct your attention to your Schedule  
14 6.1 and in particular go to WP3A.

15 A. For which division?

16 Q. The Hawthorn or actually Consolidated  
17 Water?

18 A. Okay, Consolidated Water.

19 Q. Allocation of operation --

20 A. Give me that exhibit number one more time.

21 Q. It is WP3A, page 2 of 2.

22 A. Yup, I will be there in a second. WP3A, 2

1 of 2, I have in front of me.

2 Q. Okay. There is a third line in that first  
3 category, 670 Admin Expenses \$229,205. Is the  
4 percentage in the rate column, the 4.11 percent, the  
5 percent of the 100 percent operation and maintenance  
6 expenses?

7 A. That's correct.

8 Q. Okay. So out of all the operation and  
9 maintenance expenses, the bad debt expense of  
10 \$229,205 is 4.1 percent?

11 A. That is correct.

12 Q. Okay. Now, in -- with respect to the  
13 Customer Equivalent Units that you developed for your  
14 cost of service study, and here I am referring to the  
15 table that you have that's marked WP5C.

16 A. I have that in front of me.

17 Q. Okay. Now, going down to the category that  
18 I am interested in down near the bottom, the sales  
19 for resale, it's got a two-inch and then a six-inch  
20 turbine for the sales for resale. And directing your  
21 attention to the second column, can you explain what  
22 the factor column is supposed to represent?

1           A.    The ratio of the capacity of the meter to a  
2 five-eighths inch meter.

3           Q.    Okay.  So for purposes of your cost of  
4 service and the inclusion of bad debt for sale for  
5 resale customers, that's the factor that would be  
6 applied to what?

7           A.    In calculating the allocation of bad debt  
8 expense, the 62.5 would be calculated as part of the  
9 allocation.  For instance, there is a total of sale  
10 for resale of 133 Customer Equivalent Units.  And  
11 that as Mr. Rubin calculated during his cross  
12 examination today, that means that \$967 of that  
13 \$229,000 would be allocated to the -- of bad debt  
14 expense would be allocated to the sale for resale  
15 customer class in my study.

16          Q.    And in doing your study did Aqua give you  
17 any evidence or any information regarding the bad  
18 debt experience for the sale for resale customer  
19 class?

20          A.    No, they did not.

21          Q.    Do you know if they have any information on  
22 that customer class bad debt?

1           A.    You would have to ask them.  I would  
2    imagine they would.

3           Q.    Okay.  Do you know whether or not there is  
4    any information for bad debt expense for Aqua for its  
5    sale for resale customers?

6           A.    I don't know for a fact anything about the  
7    allocation among various customers or customer  
8    classes of bad debt expense that actually occurred.

9           Q.    Now, with respect to your cost of service  
10   study, did you exclude bad debt as a cost of service  
11   for the sale for resale customer class?

12          A.    No, I did not.

13          Q.    And is there a reason why you did not  
14   exclude it?

15          A.    I did not exclude it because I did not  
16   believe that I should attempt to determine which  
17   customers pay their bills and which customers don't  
18   pay their bills.  Bad debt expense is an expense  
19   that's shared by all customers, and it is my opinion  
20   that all customers should be allocated a portion of  
21   the bad debt expense, including the sales for resale  
22   customer.

1                   Bad debt expense is a cost of doing  
2 business for a water utility company. And, you know,  
3 I did not nor do I know that it is ever done, do I  
4 look at each and every expense as determined from  
5 each and every customer what portion of that actual  
6 expense went to that customer. That's why it's an  
7 allocation study that I do that uses, you know, much  
8 bigger classifications.

9                   You could look at, you know, each and  
10 every customer and say that, well, that customer is  
11 all, say, a residential customer, and they may have  
12 paid their bill every month on time for 20 years, yet  
13 they are still allocated a portion of the bad debt  
14 expense in calculating what their rate is. So it is  
15 the normal way that I do these cost of service  
16 studies, and I think it's altogether appropriate to  
17 include sales for resale customers in that allocation  
18 of the operation expense known as bad debt expense.

19                 Q. Was there any adjustment for the sale for  
20 resale customers for the expenses related to the  
21 individual resident's distribution system and billing  
22 collection process that's done by the sale for resale

1 customers with their individual retail customers?

2 A. Yes. There were customer costs that were  
3 allocated amongst all the customer classes, including  
4 the sales for resale customer.

5 Q. Was there any difference in the allocation  
6 for the individual distribution system and billing  
7 and collection that's done by a sale for resale  
8 customer with its own individual retail customers,  
9 you know, from any of the other classes in your  
10 study?

11 A. I really don't understand that question,  
12 sir.

13 Q. Let me repeat. Let me restate it then.

14 Was there any differentiation between  
15 the sale for resale customers and any other customer  
16 class with regard to the expenses included in your  
17 study for individual residential hook-ups and --

18 A. Yes, there were, you know, on Table 7 of my  
19 cost of service study. I happen to be looking at  
20 Schedule 12.1 right now. There were -- there is a  
21 small main adjustment that allocates the small mains  
22 of more heavily to the lower use customer classes,

1       namely the residential and the commercial customer  
2       classes which reduces the cost of service for the  
3       sales to resale large industrial and industrial  
4       classes. So that adjustment was made for the  
5       differences in distribution systems that are serving  
6       residential and commercial customers. So there was a  
7       difference on how distribution systems were  
8       allocated.

9                       There was no difference for the  
10       other -- for the customer costs such as billing and  
11       collecting, meter reading, service and meter expense  
12       and that type.

13               Q.    With respect to a bad debt expense that any  
14       sale for resale customer would have for its retail  
15       customers, was there any allocation for that in  
16       allocating your bad debt expense in your experience?

17               A.    Could you repeat that question, please?

18               Q.    Was there any allocation in your study for  
19       the bad debt expense that a sale for resale customer  
20       of Aqua would have for the sale for resales  
21       residential customer, retail customers?

22               A.    I am sorry. I really don't understand that

1 question.

2 Q. Okay. Let's put it this way.

3 A sale for resale customer is either a  
4 municipality or another public utility, correct?

5 A. That's correct.

6 Q. And that sale for resale customer would  
7 have its own customer base that it is buying water  
8 for, is that correct?

9 A. That's correct.

10 Q. So they would be doing their own individual  
11 billing and collection, correct?

12 A. That's correct.

13 Q. And they would have their own bad debt  
14 expense?

15 A. That's correct.

16 Q. Was there any allocation for that bad debt  
17 expense given for the sale for resale customers?

18 A. No, there was not.

19 MR. BAKK: Okay. I don't have any other  
20 questions of this witness.

21 JUDGE JONES: Thank you, Mr. Bakk.

22 Mr. Rooney, is there any redirect?

1           MR. ROONEY: I do have a few questions for  
2 Mr. Monie. Give me one moment.

3                               REDIRECT EXAMINATION

4           BY MR. ROONEY:

5           Q. Mr. Monie, do you recall a series of  
6 questions from counsel for the AG asking you about  
7 whether you consider income levels, unemployment  
8 levels and percent of senior citizens in the service  
9 territory that's the subject of this rate case?

10          A. That's right; I recall those questions.

11          Q. And if I recall your answer, you said that  
12 you did not consider those factors in your  
13 determination of rate design, is that correct?

14          A. That's correct.

15          Q. Can you explain why you didn't consider  
16 income levels or unemployment levels or percentage of  
17 senior citizens in the area in your analysis?

18          A. Sure. First of all, I didn't have that  
19 information. It would have been very difficult to  
20 get that information. It's been my experience that,  
21 for instance, on the senior citizens, you know,  
22 whether a senior citizen may or may not be better --

1 in a better or worse position to pay his bill as  
2 compared to, say, a working family with six kids,  
3 with both spouses working, so I don't think that  
4 using senior citizens -- as far as unemployment, of  
5 course, that changes based on the economy. And, you  
6 know, it would be very, very difficult to try to  
7 factor unemployment in to any type of a rate design  
8 calculation. And as far as income levels, that would  
9 be, you know, very difficult to get, and it is just  
10 not normally done.

11 Q. And by normally done -- I was going to ask  
12 you a question. In your experience in designing  
13 rates do you ever consider those factors in the  
14 course of designing rates for a utility?

15 A. I have designed rates for utilities  
16 sometimes that has had a low income provision where  
17 customers -- usually, it's a voluntary system where  
18 both the customers to some extent and the company to  
19 some extent does provide a methodology for a  
20 documented low income customer, usually by a  
21 third-party community agency, similar to the home  
22 energy rebate plan. But that's few and far between,

1 and I do that.

2 Also in the whole rate design, part of  
3 the reason why utilities have customer costs, which  
4 are fixed costs that are far below the total actual  
5 fixed costs that a water utility has, is to protect  
6 small users. So that if someone is a low income  
7 user, a senior citizen user that may have one or  
8 maybe two people living in a household or someone who  
9 has tough economic conditions can control their water  
10 bills somewhat by limiting their consumption. And  
11 sometimes in the case of senior citizens it is just  
12 natural because they have less people living in the  
13 household. So that some recognition is given in  
14 normal power design to customers that want to try to  
15 control their water expense, by keeping the customer  
16 charge a lot less than the overall fixed charges to a  
17 utility company. There is something in there.

18 Q. Mr. Monie, do you recall questions from AG  
19 counsel related to your Table 12 of your rebuttal  
20 testimony?

21 A. Yes.

22 Q. And in response to one question related to

1 the large industrial class you indicated that there  
2 was a unique circumstance related to that class.

3 What is unique about the large industrial class?

4 A. The large industrial class, as I testified,  
5 is made up of one customer, Viscofan, and that  
6 customer has choices as to where they can get their  
7 water supply, as set forth in their direct testimony.  
8 And when there is a customer, a large use customer,  
9 that has choices of where they can get their water  
10 supply, it is not unusual at all in rate design to  
11 provide a cost of -- a revenue requirement of that  
12 customer that is significantly below cost of service.  
13 And the reason for that is that, if that customer  
14 were to leave the system, as long as the rates  
15 charged to that customer are more than the variable  
16 costs associated with serving that particular  
17 customer, it is of benefit to the other customers in  
18 the system.

19 And that is the case for Viscofan.

20 And the \$710,000 in revenues that would be received  
21 from Viscofan in round numbers is significantly  
22 higher than the cost of actually serving them on a

1 variable cost basis, such as there is significant  
2 benefit to the other customers of having Viscofan  
3 remain on the system.

4 And so, therefore, I felt that it is  
5 altogether appropriate to provide them with a rate  
6 that is significantly below cost of service to  
7 prevent them from leaving the system, as they  
8 threaten to do in their direct testimony.

9 Q. And you indicated during that examination  
10 from AG counsel that presently, under present rates,  
11 if I read Table 12 correctly, the large industrial  
12 class rates don't recover costs; is that right or did  
13 I misread that?

14 A. Under present rates that same large  
15 industrial class, Viscofan, pays \$654,946, which is  
16 less than their cost of service either now or during  
17 the last rate case.

18 Q. And those rates -- and that structure was  
19 approved by the Commission previously, am I correct?

20 A. That is correct.

21 Q. Mr. Monie, switching topics, do you recall  
22 being asked a couple of questions from AG counsel on

1 a consolidation issue with relationship to Schedules  
2 specific to Candlewick and to Fairhaven?

3 A. I recall those questions.

4 Q. And those questions focused on the fact  
5 that with those schedules they reflected that  
6 customers within those divisions would be  
7 contributing in excess of their cost of service,  
8 correct?

9 A. That's correct.

10 Q. Does that result surprise you?

11 A. No. In fact, it is necessary in any  
12 consolidation such as this one. Any time you  
13 consolidate companies that were in stand-alone power  
14 groups into a consolidated power group, necessarily  
15 there are going to be some companies that are going  
16 to pay more than their stand-alone cost allocation  
17 and other power groups that will pay less. It is  
18 just necessary because that's the nature of a  
19 consolidation. There is no other way to do it.

20 Q. Thank you.

21 One last question, counsel for Lake  
22 County asked you whether you consider a sale for

1 resale customer's separate and own bad debt expense  
2 within the confines of your cost of service study.  
3 Do you recall that question?

4 A. Yes, I did.

5 Q. Are you aware of any instances where the  
6 costs of a -- whether -- any instances of non-utility  
7 costs being included and considered in a utility cost  
8 of service study?

9 A. No, I am not aware of any.

10 MR. ROONEY: Thank you. I have no further  
11 questions.

12 JUDGE JONES: Is there any recross, Ms. Satter?

13 MS. SATTER: Yes, I do have a couple of  
14 questions, specifically about Viscofan.

15 RE CROSS EXAMINATION

16 BY MS. SATTER:

17 Q. Mr. Monie, I think you said on redirect  
18 that that company has a choice of where they can get  
19 their water supply, is that your understanding?

20 A. That's my understanding.

21 Q. Okay. And is it true that that company  
22 would have to invest in facilities to obtain water if

1 it were to leave your system, leave the Aqua system?

2 A. That's my understanding.

3 Q. And would you expect those facilities to  
4 be, for example, wells, possibly storage,  
5 transportation of the water, treatment, water  
6 treatment? Would those be the types of facilities  
7 that would have to be obtained?

8 A. I believe that Viscofan testified that they  
9 would get their water supply from wells. They would  
10 have to transport the water, obviously, from the  
11 wells to the plant, and there would have to be some  
12 level of storage provided in order that they can meet  
13 their domestic water use and perhaps their private  
14 fire service use.

15 Q. How about treatment? Do you know if they  
16 would have to treat the water?

17 A. They would have to provide some treatment.  
18 You know, the level of treatment, I am not familiar  
19 with their operations. I don't know whether they  
20 could provide less treatment than Aqua provides, but  
21 they in all likelihood would have to provide some  
22 level of treatment.

1 Q. Are they a waste water customer, too?

2 A. Not to my knowledge.

3 Q. Okay. Now, would you expect that  
4 investment in the types of facilities you just  
5 mentioned would last for, say, five years?

6 A. Well, you know, that's typical in utility  
7 law. It varies very, very significantly. For  
8 instance, the transportation methodology you talked  
9 about is likely to be ductile iron or plastic water  
10 main that can last, you know, 75, 100 years. There  
11 will be some things like chemical treatment equipment  
12 that might last 10, 15 years. There will be some  
13 things like pumping equipment that might last 30 or  
14 40 years. The wells might last 50 years. You know,  
15 it varies all over the board. If there is  
16 telecommunication equipment, that might only last  
17 five or ten years. It is all over the board.

18 Q. So if they were to make the investment  
19 necessary to provide the facilities to obtain their  
20 water from some place other than Aqua, these are the  
21 types of equipment lines that they would be looking  
22 at, is that right?

1           A.   Well, I haven't done a study based on a  
2   study.  What I gave you were laws that are general in  
3   nature to the water utility industry.  I have not  
4   looked at what their plans are.  They have said they  
5   can do it.  They said they would do it, and I take  
6   that very seriously.

7           Q.   Did they tell you that before you filed  
8   your testimony in this case?

9           A.   Absolutely.  I have known that for -- I  
10   have done the cost of service and power design  
11   studies for several of Vermilion's cases.  And we  
12   did -- this was certainly an issue in each of the  
13   previous Vermilion cases that I did and went and  
14   reviewed in previous cases where I wasn't involved.  
15   This has been an issue from -- you know, for quite  
16   some time.

17          Q.   Okay.  Have you had an opportunity to  
18   review their plans for executing on the option of  
19   obtaining water from somebody else?

20          A.   I have not reviewed their plan.

21          Q.   And prior to filing your testimony in this  
22   case, that would be, say, within the six months prior

1 to filing your testimony in this case, were you in  
2 touch with them, with Viscofan, about their options?

3 A. I wasn't personally in touch with Viscofan.  
4 Even in this case I wasn't in touch with them, other  
5 than in data responses and reading their testimony  
6 and presenting my testimony in the Viscofan. I  
7 haven't had any conversations with anybody from  
8 Viscofan.

9 Q. And is it also true that you are assuming  
10 that, if Viscofan were to leave the system, there  
11 would be no change in the fixed costs of the Company?

12 A. I have been informed by the Company -- I  
13 did not do an independent study of this. I have been  
14 informed by the Company that there would not be a  
15 significant change in the capital costs of the  
16 Company. There obviously would be a lessening of  
17 chemical expenses, electrical expenses for pumping  
18 the water, for sludge removal and things like that.  
19 But it is my understanding from the Company that  
20 there wouldn't be any significant capital investment  
21 that would be saved by them leaving the Company. But  
22 that question would best be asked of a Company

1 witness.

2 Q. Okay. So you don't have the details for  
3 that?

4 A. That is correct.

5 Q. And finally, Mr. Rooney asked you about  
6 consolidation. Basically, asked you whenever there  
7 is consolidation some will pay more and some will pay  
8 less than would be the case if there were no  
9 consolidation, right?

10 A. That is correct.

11 Q. And is it correct that, in making a  
12 consolidation proposal, the effect on these different  
13 groups is one of the factors that both you as a cost  
14 of service witness and the Commission must make? In  
15 other words, both you and the Commission must assess  
16 the effect of consolidation, the varying effects of  
17 consolidation on the different groups?

18 A. Certainly that's an issue that gets looked  
19 at.

20 MS. SATTER: All right. I have no further  
21 questions. Thank you very much.

22 JUDGE JONES: Thank you, Ms. Satter.

1                   Mr. Bakk, did you have any recross?

2                   MR. BAKK: Just two questions, Your Honor.

3                   REXCROSS EXAMINATION

4                   BY MR. BAKK:

5                   Q. Mr. Monie, your cost of service study  
6 assumes that there is a bad debt expense for the sale  
7 for resale customers, correct?

8                   A. No, I didn't say that. My cost of service  
9 study allocates the bad debt expense to all customers  
10 in all customer classes, is what I am saying,  
11 including sale for resale. And that I did not take  
12 into account individual customers that pay their  
13 bills and others that don't. And that it is my  
14 understanding that there is a bad debt expense but a  
15 bad debt charge or forfeited discounts or late  
16 payment fees that comes into play.

17                   But as far as the bad debt expense  
18 goes, that is an operating expense of the utility.  
19 That's the same as buying electricity, buying  
20 chemicals or any other operating expenses of the  
21 Company. And I allocated it based on the Customer  
22 Equivalent Units to each and every customer and in

1 each and every customer class.

2 Q. There was an allocation for bad debt  
3 expense for sale for resale customers in your study  
4 and that was five?

5 A. That is correct.

6 MR. BAKK: No other questions.

7 JUDGE JONES: Thank you, Mr. Bakk.

8 Mr. Rooney, any redirect?

9 MR. ROONEY: No, I am complete, Your Honor.  
10 Thank you.

11 JUDGE JONES: That completes the questioning of  
12 Mr. Monie. Thank you, sir.

13 THE WITNESS: You're welcome.

14 (Witness excused.)

15 MR. ROONEY: Your Honor --

16 JUDGE JONES: Go ahead.

17 MR. ROONEY: I don't know what time would be  
18 appropriate. I was going to identify and seek to  
19 move to admit the other testimony of Aqua.

20 JUDGE JONES: Yeah, I think we can do that  
21 next. Does anyone have a problem with that?

22 (No response.)

1 All right. We can go ahead with those  
2 items.

3 MR. ROONEY: Thank you.

4 Your Honor, as set forth in the list  
5 of exhibits that Aqua previously submitted, Aqua  
6 would move to have admitted with relation to our  
7 witness Craig L. Blanchette, B-L-A-N-C-H-E-T-T-E, his  
8 direct testimony filed on e-Docket on April 6, 2011,  
9 identified as Aqua Exhibit 1.0 with attached Exhibits  
10 1.1 through 1.6; rebuttal testimony filed on e-Docket  
11 on September 1, 2011, identified as Aqua Exhibit 9.0;  
12 and surrebuttal testimony filed on e-Docket on  
13 October 11, 2011, as Aqua Exhibit 13.0, and would  
14 move those into evidence.

15 JUDGE JONES: Are there any objections to the  
16 admission of those evidentiary items sponsored by  
17 Mr. Blanchette that were the subject of Mr. Rooney's  
18 motion?

19 (No response.)

20 Let the record show no response.

21 Those items are admitted into the  
22 evidentiary record.

1 (Whereupon Aqua Exhibits 1.0,  
2 1.1, 1.2, 1.3, 1.4, 1.5, 1.6,  
3 9.0 and 13.0 were admitted into  
4 evidence.)

5 MR. ROONEY: Thank you, Your Honor.

6 Next would be the testimony presented  
7 by Mr. Paul L. Hanley, H-A-N-L-E-Y, direct testimony  
8 filed on e-Docket on April 6, identified as Aqua  
9 Exhibit 4.0 including attached Exhibits 4.1 through  
10 4.6; rebuttal testimony filed on e-Docket on  
11 September 2, 2011, as Aqua Exhibit 10.0 Revised,  
12 including attached Exhibit 10.1; and surrebuttal  
13 testimony filed on October 11, 2011, as Aqua Exhibit  
14 14.0 including attached Exhibits 14.1 through 14.3,  
15 and would ask that those exhibits be entered and  
16 moved into evidence.

17 JUDGE JONES: Do the parties have any objection  
18 to the admission of the Aqua exhibits sponsored by  
19 Mr. Hanley?

20 (No response.)

21 All right. Show no response.

22 Those exhibits as noted for the record

1 by Mr. Rooney and as they appear on the exhibit list  
2 are hereby admitted into the evidentiary record as  
3 they appear on e-Docket.

4 (Whereupon Aqua Exhibits 4.0,  
5 4.1, 4.2, 4.3, 4.4, 4.5, 4.6,  
6 10.0 Revised, 10.1, 14.0, 14.1,  
7 14.2 and 14.3 were admitted into  
8 evidence.)

9 MR. ROONEY: Thank you, Your Honor.

10 Next would be the Aqua witness Paul A.  
11 Wright, W-R-I-G-H-T. Mr. Wright has one piece of  
12 testimony which is direct testimony filed on e-Docket  
13 on April 6, 2011, as Aqua Exhibit 2.0 and including  
14 attachments Exhibit 2.1 through 2.3, and we would  
15 move that into evidence.

16 JUDGE JONES: Do other parties have any  
17 objection to the admission of those items?

18 (No response.)

19 Let the record show no response.

20 The exhibits sponsored by Mr. Wright  
21 are admitted into the evidentiary record as they  
22 appear on the exhibit list and on the e-Docket

1 system.

2 (Whereupon Aqua Exhibits 2.0,  
3 2.1, 2.2 and 2.3 were admitted  
4 into evidence.)

5 MR. ROONEY: Thank you, Your Honor.

6 Next is, as was identified on the  
7 title page, was the direct testimony of Thomas M.  
8 Bruns, B-R-U-N-S, and that testimony as we indicated  
9 at prior hearing with the parties is being adopted by  
10 Robert Ervin, E-R-V-I-N. There is one piece of  
11 testimony, direct testimony, which was filed on  
12 e-Docket on April 6, 2011, identified as Aqua Exhibit  
13 3.0 and includes attached Exhibits 3.1 through 3.3.  
14 We would move that into evidence, Your Honor.

15 JUDGE JONES: Any objection to the admission of  
16 those exhibits?

17 (No response.)

18 Let the record show that the exhibits  
19 will be admitted.

20 (Whereupon Aqua Exhibits 3.0,  
21 3.1, 3.2 and 3.3 were admitted  
22 into evidence.)

1           JUDGE JONES: Does the testimony filing that  
2 was made still bear the original witness' name?

3           MR. ROONEY: It does. We were going to include  
4 with the affidavit the fact that Mr. Ervin was  
5 adopting that, but we would be more than happy to  
6 file an amended version of testimony to reflect  
7 Mr. Ervin's name.

8           JUDGE JONES: That might be a little less  
9 confusing since that name appears on the face of the  
10 exhibit.

11          MR. ROONEY: We will take care of that.

12                        Yeah, the only thing I would observe  
13 is in the initial Qs and As, Your Honor, it has  
14 Mr. Bruns' background and information. And so we  
15 could replace that with Mr. Ervin's or whatever you  
16 would like.

17          JUDGE JONES: Does anybody, any of the other  
18 parties, have any objection to that occurring as long  
19 as that is the only changes that are made to what  
20 started out as the Bruns testimony and has become the  
21 Ervin testimony?

22                                       (No response.)

1                   Let the record show no objection.

2                   So that will be -- leave is given to  
3 refile that same piece of testimony with the only  
4 changes being as you described, Mr. Rooney described.

5                   MR. ROONEY: Thank you, Your Honor.

6                   Lastly, Aqua would move for the  
7 admission of the direct testimony of John F.  
8 Gustatella, G-U-S-T-A-T-E-L-L-A, which was filed on  
9 e-Docket on April 6, 2011, identified as Aqua Exhibit  
10 7.0 along with attached Exhibits 7.1 through 7.3.

11                  JUDGE JONES: Are there any objections to that?

12   (No response.)

13                   Let the record show no response.

14                   So those exhibits sponsored by Mr.  
15 Gustatella are admitted into the evidentiary record  
16 as listed on the exhibit list and on the e-Docket  
17 system.

18   (Whereupon Aqua Exhibits 7.0,  
19 7.1, 7.2 and 7.3 were admitted  
20 into evidence.)

21                  JUDGE JONES: With respect to all these  
22 exhibits and testimonies from witnesses who are not

1 present at the hearing, the admission of their  
2 testimony and exhibits is subject to and conditioned  
3 upon the filing of affidavits from them in 14 days.

4 MR. ROONEY: And, Your Honor, that was one  
5 question I did have which delayed the filing of the  
6 affidavit, which is would you like to have those  
7 affidavits marked separately as exhibits or as maybe  
8 a group exhibit or however you would like?

9 JUDGE JONES: Probably the better course there,  
10 although other options are available, would be to  
11 have one affidavit per witness identifying the  
12 testimonies and exhibits in the various rounds that  
13 that witness is speaking to in the affidavits.

14 MR. ROONEY: Thank you.

15 JUDGE JONES: Any questions on that?

16 I mean, we could assign exhibit  
17 numbers for that right now. I am sort of reluctant  
18 to require people to do that, to take the time to do  
19 that, plus not everyone is here. Does anyone wish to  
20 have that exhibit numbers be assigned at this time to  
21 the affidavit for each witness that will be filed for  
22 the parties that have witnesses whose testimony is

1 being presented in that manner?

2 (No response.)

3 I'll probably actually send some sort  
4 of ruling out to this effect, that I think it would  
5 probably be a good idea that the exhibit list be  
6 updated, too, at some point, not any earlier than  
7 post-hearing filings are being made which are mostly  
8 in 14 days. But the updated exhibit list then would  
9 reflect the affidavits as well as cross exhibits and  
10 other exhibits referred to sometimes as cross  
11 exhibits that are being put in by agreement of the  
12 parties. So the updated exhibit list will pick up  
13 those additional items as well as any other changes  
14 that were discovered today.

15 But as noted, I will put out some kind  
16 of ruling that will cover that. That filing will not  
17 be one that would have to be made any sooner than 14  
18 days at the earliest.

19 Any questions about that?

20 MR. ROONEY: Thank you.

21 JUDGE JONES: Anything else with respect to  
22 those Aqua exhibits?

1 MR. ROONEY: No, Your Honor.

2 JUDGE JONES: All right. That brings us to the  
3 Staff witnesses for whom there was no cross  
4 examination. Is Staff ready to go forward with that?

5 MS. CARDONI: Thanks, Judge. I can go forward  
6 with that at this time.

7 At this time Staff would like to move  
8 for the admission into evidence of what has been  
9 marked as Staff Exhibit 1.0 and Schedules 1.01 to  
10 1.12. This is the direct testimony of Burma Jones  
11 and it was filed on e-Docket on August 4.

12 Next would be what has been marked as  
13 Staff Exhibit 6.0 and Schedules 6.01 to 6.13 and  
14 Attachment A entitled the Rebuttal Testimony of Burma  
15 Jones, and that was filed on e-Docket on September  
16 29, 2011.

17 JUDGE JONES: Are there any objections to the  
18 admission of Ms. Burma Jones' testimony and exhibits?

19 MR. ROONEY: No.

20 JUDGE JONES: Let the record show that those  
21 items of testimony and exhibits are admitted into the  
22 evidentiary record as they appear on e-Docket as

1 reflected on the exhibit list and by Ms. Cardoni.

2 (Whereupon ICC Staff Exhibits  
3 1.0, 1.01, 1.02, 1.03, 1.04,  
4 1.05, 1.06, 1.07, 1.08, 1.09,  
5 1.10, 1.11, 1.12, 6.0, 6.01,  
6 6.02, 6.03, 6.04, 6.05, 6.06,  
7 6.07, 6.08, 6.09, 6.10, 6.11,  
8 6.12, 6.13 and Attachment A were  
9 admitted into evidence.)

10 MS. CARDONI: Thank you.

11 Next Staff would move for admission  
12 into evidence of what has been marked as Staff  
13 Exhibit 2.0 and Schedules 2.01 to 2.04. This is the  
14 direct testimony of Rick Bridal and was filed on  
15 e-Docket on August 4;

16 As well as ICC Staff Exhibit 7.0 and  
17 Schedule 7.01 to 7.04, the rebuttal testimony of Rick  
18 Bridal which was filed on e-Docket on September 29,  
19 2011.

20 JUDGE JONES: All right. Thank you.

21 Any objection to those being admitted?

22 (No response.)

1                   Let the record show there are not. So  
2 the evidentiary items sponsored by Mr. Bridal  
3 consisting of the 2 series and the 7 series ICC Staff  
4 exhibits are entered into the evidentiary record as  
5 they appear on e-Docket and on the exhibit list and  
6 as recited by Ms. Cardoni.

7   (Whereupon ICC Staff Exhibits  
8   2.0, 2.01, 2.02, 2.03, 2.04,  
9   7.0, 7.01, 7.02, 7.03 and 7.04  
10    were admitted into evidence.)

11               MS. CARDONI: Thank you.

12    Next, what has been marked as ICC  
13 Staff Exhibit 3.0 and Schedules 3.01 to 3.10 entitled  
14 the Direct Testimony of Sheena Kight-Garlisch filed  
15 on e-Docket on August 4;

16    As well as ICC Staff Exhibits 8.0C,  
17 Attachment A, Schedules 8.01 to 8.04, 8.05C, 8.06 and  
18 8.07C, the corrected rebuttal of Sheena  
19 Kight-Garlisch filed on e-Docket on October 18, 2011.

20               JUDGE JONES: Thank you.

21    Are there any objections to the  
22 admission of those exhibits?

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(No response.)

Let the record show there are not.

Accordingly, the exhibits and testimony sponsored by Ms. Kight-Garlisch are admitted into the evidentiary record as listed on the exhibit list and as shown on e-Docket and as recited by Mr. Cardoni.

(Whereupon ICC Staff Exhibits 3.0, 3.01, 3.02, 3.03, 3.04, 3.05, 3.06, 3.07, 3.08, 3.09, 3.10, 8.0C, Attachment A, 8.01, 8.02, 8.03, 8.04, 8.05C, 8.06 and 8.07C were admitted into evidence.)

MS. CARDONI: Thank you. And lastly what has been marked as ICC Staff Exhibit 5.0, Staff would move for entry into evidence of the direct testimony of William Johnson and that was filed on e-Docket on August 4.

JUDGE JONES: Are there any objections to the admission of Mr. Johnson's direct testimony?

(No response.)

1                   Let the record show there are not.

2                   Accordingly, ICC Staff Exhibit 5.0  
3 filed by Mr. Johnson as his direct testimony on  
4 August 4 is hereby admitted into the evidentiary  
5 record in this proceeding.

6                                   (Whereupon ICC Staff Exhibit 5.0  
7                                   was admitted into evidence.)

8                   MS. CARDONI: Thank you, Judge.

9                                   And I would note that Staff will be  
10 filing affidavits for Ms. Jones, Mr. Bridal,  
11 Ms. Kight-Garlisch and Mr. Johnson shortly.

12                   JUDGE JONES: Leave of 14 days will be given  
13 for that purpose. That same filing period will be  
14 applicable to any of the other post-hearing filings,  
15 unless otherwise noted.

16                   MS. CARDONI: Thank you.

17                   JUDGE JONES: The admission of those Staff  
18 witnesses who are sponsoring or putting in their  
19 testimony by affidavit is subject to and conditioned  
20 upon the filing of these affidavits.

21                                   Okay, one moment.

22                                   (Pause.)

1                   Regarding the matters still to do yet  
2 today, we hereby go off the record.

3                   (Whereupon there was then had an  
4                   off-the-record discussion.)

5                   JUDGE JONES: Back on the record.

6                   There was a short off-the-record  
7 discussion regarding a filing to be made by Lake  
8 County. Mr. Bakk, do you want to speak to that?

9                   MR. BAKK: Yes, Your Honor.

10                  I would like to make an offer of proof  
11 in accordance with the Judge's previous ruling with  
12 regard to the Intervenor County of Lake's exhibits,  
13 ask leave to file these as an offer of proof. They  
14 are Exhibit Number A which would have been witnessed  
15 by Peter Kolb which is the Bulk Water Supply and  
16 Sales Agreement dated May 18, 2009, between Aqua  
17 Illinois and the County of Lake regarding the  
18 Hawthorn Woods-Glennshire public water system;

19                  Also Exhibit B which would have been  
20 authenticated by Peter Kolb which is the Bulk Water  
21 Supply and Sales Agreement dated June 14, 2011,  
22 between Aqua Illinois and the County of Lake

1 regarding the Forest Lake public water system;

2 We are omitting Exhibit C;

3 And then third would be Exhibit D

4 which is an affidavit of Peter Kolb dated September  
5 29, 2011, which was previously filed by e-Docket on  
6 September 29, 2011, which includes attached Exhibits  
7 D-1 and D-2 which are simply maps of the respective  
8 Hawthorn-Glennshire and Forest Lake subdivision water  
9 systems and their connection to the Aqua system;

10 And Exhibit E which is James Smiths'  
11 affidavit dated September 29, 2011, and that was  
12 previously filed by e-Docket on September 29, 2011,  
13 and which includes as an Exhibit E-1 a calculation of  
14 what the proposed rates would increase for the County  
15 of Lake as a sale for resale customer of Aqua;

16 And finally, Exhibit F which is Peter  
17 Kolb's, the second affidavit on behalf of Peter Kolb,  
18 dated October 17, 2011. That was filed by e-Docket  
19 on October 17, 2011.

20 I would ask simply for leave to file  
21 those exhibits as offers of proof and to file them by  
22 e-Docket.

1           JUDGE JONES:  Is 14 days a satisfactory period  
2 of time for that?

3           MR. BAKK:  Yes, Your Honor.

4           JUDGE JONES:  Any response or discussion on any  
5 of that?

6           MR. ROONEY:  None, Your Honor.

7           JUDGE JONES:  Leave is given for a period of 14  
8 days to make that filing which is an offer of proof  
9 that is described by Mr. Bakk.

10                       Okay.  Off the record regarding the  
11 status of this case and other procedural matters.

12                                       (Whereupon there was then had an  
13                                       off-the-record discussion.)

14           JUDGE JONES:  Back on the record.

15                       There was a short off-the-record  
16 discussion for the purposes indicated regarding the  
17 status of this case and further procedural matters to  
18 take up today or later.

19                       The post-hearing briefing schedule was  
20 proposed and adopted at the prehearing conference in  
21 this case.  That is in effect.  One question about  
22 that, does anybody have any objection to putting a

1 table of contents in each of the briefs that are  
2 filed, regardless of the number of pages in them? Is  
3 there any objection to that?

4 MR. ROONEY: No objection.

5 MS. CARDONI: No objection.

6 JUDGE JONES: All right. Thank you. Let the  
7 record show that those briefs that will be filed  
8 pursuant to the schedule will each have a table of  
9 contents in them.

10 One moment.

11 (Pause.)

12 All right. I think that may finish  
13 things up. Let me make sure, though. Do any parties  
14 have anything else today before we mark the matter  
15 heard and taken subject to the post-hearing filings?

16 MR. ROONEY: No.

17 JUDGE JONES: Let the record show they do not.  
18 At this time let the record show that this hearing is  
19 concluded. Our thanks to the parties for their  
20 participation from various places. Given all those  
21 logistical things, there was a high level of  
22 cooperation among the parties which made things go

1 more smoothly than could have been the case.

2 At this time let the record show this  
3 matter is hereby marked heard and taken subject to  
4 the above-referenced post-hearing scheduling. All  
5 right. Thank you, all.

6 HEARD AND TAKEN

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