

**AQUA ILLINOIS, INC.
REBUTTAL TESTIMONY
OF
PAUL J. HANLEY**

(Docket 11--0257)

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WITNESS IDENTIFICATION

Q 1. Please state your name.

A. Paul J. Hanley.

Q 2. Are you the same Paul J. Hanley who presented Direct Testimony in this proceeding?

A. Yes I am.

PURPOSE OF TESTIMONY

Q 3. Mr. Hanley, what is the purpose of your testimony?

A. The purpose of my rebuttal testimony is to present Aqua Illinois, Inc.’s (“Aqua” or “Company”) position and various responses to certain adjustments presented in Staff direct testimony, specifically:

1. Accept Staff Witness Mr. Sperry’s adjustment to exclude certain water meters from the calculation of utility plant.
2. Submit Exhibit A and Exhibit B as originally filed in Aqua’s petition.
3. Propose adjustments to Staff Witness Mr. Bridals schedules 1.1 (K) and (V).
4. Submit Exhibit A Second Revised and Exhibit B Second Revised.

30 **RESPONSE TO STAFF WITNESS Mr. SPERRY**

31 **Q 4. What is your response to the recommendation of Staff Witness Mr. Sperry's**
32 **adjustment to exclude water meters in the Vermilion service area?**

33 A. I accept Mr. Sperry's adjustment as presented in ICC Staff Exhibit 2.0; Schedule 2.1 in
34 the amount of \$24,331.25. This adjustment reduces the allowable plant in the Vermilion
35 service area. The adjustment was proposed because meters were purchased in 2010, but
36 some meters were not installed in 2010. Aqua purchases meters in bulk to take advantage
37 of the lower prices and economies of scale. However, over the course of the year, there
38 will always be meters that are sitting in inventory. At the end of 2010, Aqua had 400
39 meters that were not installed until 2011.

40

41 **ORIGINAL EXHIBIT A AND EXHIBIT B FILED IN THE PETITION**

42 **Q 5. Why are you filing Exhibit A and Exhibit B from the original petition that is**
43 **different from those filed with your direct testimony?**

44 A. The Petition for Initiation of Reconciliation Hearing was filed on March 15, 2011. My
45 Direct Testimony and Exhibits were filed on July 5, 2011. During the time between the
46 filing of the petition and the filing of my direct testimony, an error was discovered in the
47 depreciation rates on Schedule (f) (1). It was determined that the Company should file
48 the corrected Exhibit A Revised and Exhibit B Revised with my direct testimony. The
49 original Exhibit A and Exhibit B would not have been entered into the record, since they
50 only appeared in the Petition filed on March 15, 2011. In order to enter these exhibits
51 into the record, the original Exhibits A and B filed with the petition are attached hereto as
52 Exhibit A and Exhibit B.

53

54

55 **Q 6. Please explain the difference between Exhibit A and Exhibit B?**

56 A. Exhibit A contains the schedules that relate to the Kankakee service area. Exhibit B
57 contains the schedules that relate to the Vermilion service area.

58

59 **Q 7. Do Exhibit A Revised and Exhibit B Revised filed with your direct testimony show**
60 **the same “R” Factors that are currently being collected from the Kankakee**
61 **customers and refunded to the Vermilion customers?**

62 A. No. Exhibit A Revised and Exhibit B Revised filed with my direct testimony do not
63 show the same “R” Factors that are currently being collected from the Kankakee
64 customers and refunded to the Vermilion customers. The “R” Factor, as shown in
65 Exhibit A, attached hereto and filed in the original petition, being collected from the
66 Kankakee customers during the reconciliation period April 1, 2011 through December
67 31, 2011 is identical to the “R” Factor filed with the original petition on March 15, 2011.
68 The “R” Factor, as shown in Exhibit B, attached hereto and filed in the original petition,
69 being refunded to the Vermilion customers during the reconciliation period April 1, 2011
70 through December 31, 2011 is identical to the “R” Factor filed with the original petition
71 on March 15, 2011.

72

73 **RESPONSE TO STAFF WITNESS Mr. BRIDAL**

74 **Q 8. Did the filing of the corrected Exhibit A Revised and Exhibit B Revised cause any**
75 **problems with the reconciliation performed by Staff Witness Bridal?**

76 A. Yes. Mr. Bridal relied on the Exhibit A Revised and Exhibit B Revised, as originally
77 filed in my direct testimony, to build his response as stated in his direct testimony.
78 Therefore, he was comparing Company amounts from my testimony that didn’t agree
79 with the Company’s position in the petition. These Company amounts from my direct

80 testimony also do not agree with the tariffs currently in affect for the reconciliation period
81 April 1, 2011 – December 31, 2011. To avoid confusion, I will be preparing my rebuttal
82 position to show the timeline of the various exhibits.

83

84 **Q 9. Please describe Schedules 1.1 (K) and 1.1 (V) as presented in the direct testimony of**
85 **Mr. Bridal in ICC Staff Exhibit 1.0?**

86 A. Schedules 1.1 (K) and 1.1 (V) present 1. The Company’s reconciliation of the
87 components for the Kankakee and Vermilion service areas in which the qualifying
88 infrastructure plant surcharge was administered for the calendar year 2010, 2. Staff’s
89 adjustment to the Company’s reconciliation, and 3. Staff’s proposed reconciliation. In
90 Column B; “Amount Per Company”, Mr. Bridal presented the Company’s reconciliation
91 of the components for the Kankakee and Vermilion service areas, which came from
92 Exhibit A Revised and Exhibit B Revised from my direct testimony. As described above,
93 the Company’s position as shown in Column B; “Amount Per Company” should have
94 been taken from Exhibit A and Exhibit B filed in the petition.

95

96 **Q 10. Do you have any proposed corrections to Mr. Bridal’s ICC Staff Exhibit 1.0**
97 **Schedules 1.1 (K) and 1.1 (V)?**

98 A. Yes. Schedules 1.1 (K) and 1.1 (V); Column B do not present the Company’s position as
99 to how the company is currently collecting / refunding according to the “R” Factors in the
100 tariffs effective April 1, 2011. The Company’s current position as filed in the petition
101 dated March 15, 2011 show an “R” Factor being recovered from the Kankakee customers
102 in the amount of \$268,713.68 and an “R” Factor being refunded to the Vermilion
103 customers in the amount of (\$104,212.27). The “Amount Per Company” as shown in
104 Column B of ICC Staff Exhibit 1.0 Schedules 1.1 (K) and 1.1 (V) show an “R” Factor

105 being recovered from the Kankakee customers in the amount of \$352,196 and an “R”
106 Factor being refunded to the Vermilion customers in the amount of (\$80,814). My
107 proposal is to adjust Schedules 1.1 (K) and 1.1 (V) to reflect the Company’s “R” Factor
108 as filed in the petition. I will present the reconciliation of the exhibits in my direct
109 testimony and ultimately the final exhibits showing the proper “R” Factor in my rebuttal
110 testimony. Filing these revised schedules properly shows the “O” Factors that can be
111 collected from or refunded to the customers. Please see the attached schedules Aqua
112 Exhibit 2.0 Schedules 2.1 - 2.3 (K) and (V).

113

114 **Q 11. Mr. Hanley, can you describe the adjustment as presented in Column E; line 10 in**
115 **Schedule 2.1 (K) and further detailed in Schedule 2.2 (K)?**

116 A. Yes, the adjustment represents the difference between the “R” Factors as represented in
117 Exhibit A filed with my rebuttal testimony and Exhibit A Revised filed with my direct
118 testimony. Exhibit A filed with the original petition and also attached hereto shows an
119 “R” Factor in the amount of \$268,714. Exhibit A Revised filed with my direct testimony
120 shows an “R” Factor in the amount of \$352,196. The difference in the two “R” Factors is
121 \$83,482 as shown on Schedule 2.2 (K).

122

123 **Q 12. Mr. Hanley, can you describe the adjustments as presented in Column E; lines 4**
124 **and 7 in Schedule 2.1 (K) and further detailed in Schedule 2.3 (K)?**

125 A. Yes, two adjustments have been made. 1. A correction has been made to the
126 Accumulated QIPS Depreciation – 13-month Average for the Kankakee service area. 2.
127 A correction has been made to the calculation of depreciation for the retired meters in the
128 Kankakee service area. As a result, the Actual Net QIP has changed to \$6,989,776.

129 Please see Schedule 2.3 (K); line 6. The Actual Net Depreciation has changed to
130 \$212,664. Please see Schedule 2.3 (K); line 9.

131

132 **Q 13. Given all of the adjustments and exhibits that have been submitted, please confirm**
133 **the final “O” Factor as calculated in Schedules 2.1 – 2.3 (K) and Schedules 2.1 – 2.3**
134 **(V)?**

135 A. The “O” Factor for the Kankakee service area will be a collection from customers in the
136 amount of \$61,694. Please see Schedules 2.1 (K). The “O” Factor for the Vermilion
137 service area will be a collection from customers in the amount of \$19,155. Please see
138 Schedules 2.1 (V).

139

140 **Q 14. Mr. Hanley, will you be submitting the final Exhibit A and Exhibit B to reflect the**
141 **corrected positions?**

142 A. Yes. Exhibit A Second Revised and Exhibit B Second Revised are attached to my
143 rebuttal testimony. Exhibit A Second Revised relates to the Kankakee Service Area.
144 Exhibit B Second Revised relates to the Vermilion Service Area.

145

146 **CONCLUSION**

147 **Q 15. Does this conclude your Rebuttal Testimony?**

148 A. Yes it does.