

2nd REVISED
DIRECT TESTIMONY

of

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Financial Analysis Division
Illinois Commerce Commission

Illinois-American Water Company

Annual Reconciliation of Qualifying Infrastructure Plant Surcharge

Docket No. 11-0264

June 7, 2012

Table of Contents

Witness Identification	1
Purpose of Testimony	1
Schedule Identification	2
Recommendation	3
Conclusion	4

1 **Witness Identification**

2 **Q. Please state your name and business address.**

3 A. My name is Mary H. Everson. My business address is 527 East Capitol Avenue,
4 Springfield, Illinois 62701.

5 **Q. Please describe your professional background and affiliations.**

6 A. I have a Bachelor of Science in Accounting from the University of Central Florida.
7 I am a Certified Public Accountant licensed to practice in the State of Illinois. I
8 joined the staff of the Illinois Commerce Commission (“Staff”) in February 1999.
9 Prior to joining Staff, I was employed in industry as a financial analyst and in
10 government as an internal auditor.

11 **Q. Have you previously testified before any regulatory bodies?**

12 A. Yes. I have testified on several occasions before the Illinois Commerce
13 Commission (“Commission”).

14 **Purpose of Testimony**

15 **Q. What are your responsibilities in this case?**

16 A. I have been assigned to this case by the Manager of the Accounting Department
17 of the Illinois Commerce Commission. I am to review Illinois-American Water
18 Company’s (“IAWC” or “Company”) petition and testimony, analyze the
19 underlying data and make recommendations as appropriate.

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

21 A. The purpose of my testimony is to report the results of Staff's review of the
22 Company's 2010 Qualifying Infrastructure Plant Surcharge ("QIP Surcharge") as
23 provided in the Petition and in IAWC Exhibit 1.0, titled the Direct Testimony of
24 Scott Rungren.

25 **Q. Please describe the IAWC service areas that are the subject of this QIP**
26 **Surcharge reconciliation.**

27 A. For the 2010 reconciliation year the Company has six services areas in Zone 1
28 with a QIP Surcharge reconciliation. Those areas are: Alton, Streator, Cairo,
29 Interurban, Pontiac and Peoria. Together these six service areas comprise the
30 Company's Zone 1 and thus, my schedules are presented only for Zone 1.

31 **Schedule Identification**

32 **Q. Are you sponsoring any schedules with your testimony?**

33 A. Yes. I am presenting the following schedules:

34 Schedule 1.1 2nd Revised QIP Surcharge Reconciliation-Zone 1 Summary

35 Schedule 1.2 2nd Revised QIP Surcharge Reconciliation-Cumulative History of

36 QIP Reconciliations

37 **Q. Please explain ICC Staff Exhibit 1.0 2nd Revised, Schedule 1.1 2nd Revised,**
38 **QIP Surcharge-Zone 1 Summary.**

39 A. Schedule 1.1 2nd Revised summarizes the reconciliation proposed by Staff for
40 the Zone 1 service areas. IAWC provided detailed schedules for each of its

41 service areas and a combined reconciliation for Zone 1, all of which were
42 reviewed by Staff. The results from this review are combined and presented on
43 Schedule 1.1 2nd Revised. This schedule presents the Company's proposed
44 reconciliation, Staff's adjustment and Staff's adjusted reconciliation for Zone 1.

45 **Q. Are you presenting the effect of Staff witness Jonathan Sperry's**
46 **adjustment on Schedule 1.1 2nd Revised?**

47 A. Yes. On Schedule 1.1 2nd Revised, the QIP effect of Staff witness Sperry's
48 adjustment is presented in column (c), line 4. The rationale for Mr. Sperry's
49 adjustment is presented in ICC Staff Exhibit 2.0, at lines 155-175.

50 **Q. Please explain ICC Staff Exhibit 1.0 2nd Revised, Schedule 1.2 2nd Revised,**
51 **QIP Surcharge-Cumulative History of QIP Reconciliations.**

52 A. Schedule 1.2 2nd Revised presents the cumulative history of IAWC's QIP
53 surcharge since its first reconciliation in 2006. This cumulative history is
54 presented in the further revised new format Staff is using for reconciliations. By
55 presenting the history of the QIP surcharge, the Company and all users of these
56 schedules can follow the progress of the reconciliations from year to year and be
57 assured that the new format does not change the results of the reconciliation
58 process.

59 **Recommendation**

60 **Q. Do you have a recommendation?**

61 A. Yes. I recommend that the Commission adopt the Qualifying Infrastructure
62 Surcharge Reconciliation as presented on ICC Staff Exhibit 1.0 2nd Revised,
63 Schedule 1.1 2nd Revised for the Zone 1 (Alton, Streator, Cairo, Interurban,
64 Pontiac and Peoria) service area. I further recommend that the Factor O be
65 refunded to the ratepayers and should include an interest component in
66 accordance with 83 Ill. Adm. 655.50(c). The refund of the Factor O should be
67 accomplished by its inclusion as part of the QIP Surcharge calculated with the
68 first information sheet that IAWC files subsequent to the Order in this Docket.

69 **Conclusion**

70 **Q. Does this question end your prepared 2nd Revised direct testimony?**

71 A. Yes.

**Illinois-American Water Company
 QIP Surcharge Reconciliation
 Zone 1 Summary
 For the Year Ended December 31, 2010**

Line No.	Description	Per Company	Staff Adjustment	Per Staff (B + C)
	(A)	(B)	(C)	(D)
<u>(Over)/Under Recovery from Prior Years</u>				
1	Prior Period R Factor (2009) Docket No. 10-0202	\$ 90,602	\$ -	\$ 90,602
2	2009 Factor O (Docket No. 10-0202)	101,948	-	101,948
3	(Over)/Under Recovery from Prior Periods (Line 1 + Line 2)	\$ 192,550	\$ -	\$ 192,550
<u>Current Year (Over)/Under Recovery</u>				
4	2010 Recoverable QIP Cost	545,264	(182)	545,082
5	2010 QIP Revenue Recovered	(402,668)	-	(402,668)
6	Other Adjustments (Rounding)	-	-	-
7	Current Year (Over)/Under Recovery (Sum of Lines 4 thru 6)	142,596	(182)	142,414
8	Cumulative (Over)/Under Recovery (Line 3 + Line 7)	<u>\$ 335,146</u>	<u>\$ (182)</u>	<u>\$ 334,964</u>
<u>Disposition of Cumulative (Over)/Under Recovery</u>				
9	2010 R Factor (Refunded)/Collected in 2011	\$ 335,146	\$ -	\$ 335,146
10	2010 O Factor to be (Refunded)/Collected	-	(182)	(182)
11	Cumulative (Over)/Under Recovery (Line 9 + 10)	<u>\$ 335,146</u>	<u>\$ (182)</u>	<u>\$ 334,964</u>

Illinois-American Water Company
 QIP Surcharge Reconciliation
 Cumulative History of QIP Reconciliations

Line No.	Description (A)	2006 (B)	2007 (C)	2008 (D)	2009 (E)	2010 (F)	Total (G)
1	<u>(Over)/Under recovery Carried Forward from Prior Year</u>						
2	<u>R Factor (refund)/recovery from prior year</u>	\$ -	\$ 285,055	\$ 87,021	\$ 266,941	\$ 90,602	
3	<u>Factor Os not yet (refunded)/recovered at beginning of year</u>						
4	2006 Factor O (Refund)	-	(148)	-	-	-	
5	2007 Factor O Collection	-	-	573	-	-	
6	2008 Factor O Collection	-	-	-	166,802	-	
7	2009 Factor O Collection	-	-	-	-	101,948	
8	Cumulative (Over)/Under Recovery from Prior Year	\$ -	\$ 284,907	\$ 87,594	\$ 433,743	\$ 192,550	
9	<u>Current Year (Over)/Under recovery</u>						
10	Recoverable QIP Charges	\$ 1,143,709	\$ 2,389,862	\$ 2,503,614	\$ 259,217	\$ 545,082	\$ 6,841,484
11	QIP Revenues Recovered	<u>858,802</u>	<u>2,587,167</u>	<u>2,157,465</u>	<u>500,411</u>	<u>402,668</u>	<u>6,506,513</u>
12	(Over)/Under Recovery of Current Year	\$ 284,907	\$ (197,305)	\$ 346,149	\$ (241,194)	\$ 142,414	\$ 334,971
13	Interest on Factor O	-	(8)	-	-	-	(8)
14	Current Year (Over)/Under recovery	\$ 284,907	\$ (197,313)	\$ 346,149	\$ (241,194)	\$ 142,414	\$ <u>334,964</u>
15	<u>Cumulative (Over)/Under recovery</u>	<u>\$ 284,907</u>	<u>\$ 87,594</u>	<u>\$ 433,743</u>	<u>\$ 192,549</u>	<u>\$ 334,964</u>	
16	<u>Disposition of Cumulative (Over)/Under Recovery</u>						
17	R Factor (Refund)/Recovery to be applied in the next year	\$ 285,055	\$ 87,021	\$ 266,941	\$ 90,602	\$ 335,146	
18	Factor O (Refund)/Recovery to be applied in a future year						
19	2006 Factor O (Refund)	(148)	-	-	-	-	
20	2007 Factor O Collection	-	573	-	-	-	
21	2008 Factor O Collection	-	-	166,802	-	-	
22	2009 Factor O Collection	-	-	-	101,948	-	
23	2010 Factor O (Refund)	-	-	-	-	(182)	
24	Rounding	-	-	-	(1)	-	
25	<u>Total</u>	<u>\$ 284,907</u>	<u>\$ 87,594</u>	<u>\$ 433,743</u>	<u>\$ 192,549</u>	<u>\$ 334,964</u>	