

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

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AQUA ILLINOIS, INC. )

Proposed general increase in )  
water and sewer rates. )

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Docket No. 11-0436

Surrebuttal Testimony on Rehearing of

**Daniel Shenck**

**Plant Manager  
Viscofan USA, Inc.  
Danville Facility**

On behalf of

**Viscofan USA, Inc.**

June 8, 2012

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1 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A My name is Daniel Shenck and my business address is 915 N. Michigan Avenue,  
3 Danville, Illinois 61834.

4 Q ARE YOU THE SAME DANIEL SHENCK WHO PREVIOUSLY FILED TESTIMONY  
5 IN THIS PROCEEDING.

6 A Yes.

7 Q WHAT IS THE PURPOSE OF THIS TESTIMONY?

8 A The purpose of my testimony is to respond to the testimonies on rehearing of AG  
9 witness Scott J. Rubin and Staff witness Christopher Boggs.

10 Q MR. RUBIN QUESTIONS WHETHER OR NOT VISCOFAN'S PARENT COMPANY  
11 WOULD PERMIT VISCOFAN TO EXPEND CAPITAL ON THIS PROJECT, HOW  
12 DO YOU RESPOND?

1 A As Mr. Rubin notes, this project is well within the ROI guidance for Viscofan SA. This  
2 information is from the Viscofan SA website and is not a hard and fast rule. However,  
3 water is also a “fundamental/necessity” to our business operation in Danville, which  
4 does not necessarily have to follow the same ROI guidelines. Viscofan SA and all  
5 subsidiaries, like Viscofan USA, in order to continue to stay viable and competitive,  
6 continuously looks for ways to control and stabilize costs of all major raw materials, of  
7 which water supply is certainly one, and this project falls within that category. The  
8 Danville facility is the only Cellulose production plant within the Viscofan Group of  
9 companies that is dependent on a third-party for water supply.

10 **Q DOES MR. RUBIN SUGGEST THAT THE DECISION TO SELF-SUPPLY IS BASED**  
11 **ON MORE THAN COST?**

12 A Yes. Mr. Rubin suggests Viscofan would need to evaluate the risks of having a single  
13 source of water supply. He suggests the analysis provided by Viscofan fails to  
14 discuss or evaluate this risk.

15

16 **Q HOW DO YOU RESPOND?**

17 A Viscofan’s analysis accounts for all of Mr. Rubin’s concerns. The system design for  
18 the supply of water includes the installation of not one, but two water wells at the  
19 Kingdom and Fairchild property, minimizing the concern for total loss of water  
20 services. Also, Viscofan owns and maintains two – 240,000 gallon tanks at the plant  
21 property for water storage, allowing for a buffer, should there be any interruption in  
22 supply. There is also the possibility of adding additional tanks to the system to  
23 enhance that position. The proposal also includes a water treatment facility for the  
24 well water to minimize the risk of any contamination. This treatment facility has been

1 designed with some redundancy. In addition, Viscofan currently has and maintains  
2 business interruption insurance. Therefore, Mr. Rubin's hypothetical costs will not be  
3 incurred as a result of this project. Thus, such costs should not be taken into  
4 consideration for this project. Mr. Rubin hypothetically speaks of some other risks  
5 that could be present, such as a pipeline breach or contamination. Viscofan's  
6 discussions with another industrial user of water from the same aquifer indicate a very  
7 useable and consistent water supply analysis. The risks Mr. Rubin speaks of are  
8 present even with the Aqua supply. In fact, in the past, the Viscofan plant has  
9 experienced contamination and failure of supply from what is now Aqua.

10 **Q MR. RUBIN'S TESTIMONY MENTIONS THE POSSIBILITY OF STANDBY**  
11 **SERVICE FOR VISCOFAN IN ORDER TO PROVIDE BACKUP SUPPLY, HOW DO**  
12 **YOU RESPOND?**

13 A Viscofan will not require standby service for the reasons stated previously.

14

15 **Q MR. RUBIN SUGGESTS THAT THE FEASIBILITY OF VISCOFAN'S SELF SUPPLY**  
16 **PROJECT IS A CLOSE CALL, HOW DO YOU RESPOND?**

17 A Mr. Rubin is simply looking at the payback period when determining the margin in  
18 feasibility. Mr. Rubin fails to consider the feasibility of the project once the payback  
19 period is finished. Viscofan will be able to supply its own water for a fraction of the  
20 cost of its monthly payment to Aqua Illinois. As stated previously, this is not only an  
21 attractive project due to the ROI, it is also one that is "fundamental" to our on-going  
22 business.

23

1    **Q       DOES MR. RUBIN SUGGEST AQUA AND VISCOFAN SHOULD ATTEMPT TO**  
2       **NEGOTIATE A LONG TERM CONTRACT?**

3    A       Yes. Mr. Rubin suggests that Aqua take the initiative to negotiate such a contract and  
4       then bring it to the Commission for approval. Mr. Rubin suggests Aqua and Viscofan  
5       consider the feasibility of a long-term (10 years or more), take-or-pay type of contract  
6       that provides both parties with substantial certainty about the rates that would be  
7       charged over an extended period of time.

8    **Q       DOES MR. RUBIN SUGGEST THAT THIS CONTRACT BE NEGOTIATED IN THE**  
9       **CONTEXT OF THE RATE CASE?**

10   A       No. Mr. Rubin does not believe the Commission, Attorney General, or anyone else  
11       should be party to the negotiations, except Aqua and Viscofan.

12   **Q       HOW DO YOU RESPOND TO MR. RUBIN'S SUGGESTION?**

13   A       The length of the contract does not appear to be an issue on rehearing. Viscofan is  
14       already under a long term four year contract with Aqua, consistent with the  
15       Commission's final order in this case. While Viscofan appreciates Mr. Rubin's  
16       suggestion, Viscofan agrees that any negotiations about a longer term contract needs  
17       to be conducted between Aqua and Viscofan. Viscofan is always open to negotiation  
18       with the Company. That does not change the fact that the Large General Service  
19       Rate is not economic from Viscofan's point of view.

20

21   **Q.       DO YOU FIND THE CONTRACT PROVIDED IN AG EXHIBIT 3.02 TO BE OF ANY**  
22       **RELEVANCE TO THE QUESTION OF WHAT IS THE RATE THAT WOULD**  
23       **RETAIN VISCOFAN AS AN AQUA CUSTOMER?**

1    **A.**     No. The rate is too high and should be reduced in order for Viscofan to remain an  
2           Aqua customer. However, as I have stated previously, Viscofan is always open to  
3           negotiation with Aqua concerning a longer term economical contract.

4    **Q**     **MR. RUBIN BRIEFLY COMMENTS ON VISCOFAN'S CURRENT 4 YEAR**  
5           **CONTRACT, HOW DO YOU RESPOND?**

6    **A**     Mr. Rubin suggests that the current contract provides no assurances concerning the  
7           amount of water that will be consumed or the revenue that Aqua will receive. Mr.  
8           Rubin is mistaken. The current 4 year contract provides for the base meter costs, plus  
9           a minimum of 35,000 ccf at a rate of \$1.3658 per ccf. This in fact guarantees that  
10          under the current contract, Aqua would receive \$47,803 at a minimum on each billing  
11          cycle.

12   **Q**     **DO THE AG AND STAFF OPPOSE LOWERING THE RATE VISCOFAN**  
13          **CURRENTLY PAYS?**

14   **A**     Yes. Both Mr. Rubin and Mr. Boggs recommend that the Commission should not  
15          change the rate that has been determined for Viscofan.

16   **Q**     **IF THE COMMISSION DOES NOT RECONSIDER AND CHANGE THE RATE**  
17          **VISCOFAN CURRENTLY PAYS WHAT WILL BE THE OUTCOME?**

18   **A**     It is not my intention to sound like a "change or else" customer, but Viscofan has a  
19          viable option that is simply more economical than the current (new) rate. Viscofan  
20          has entered into a four year contract giving it more than enough time to build, test and  
21          implement its own water supply. I understand the Large General Rate was  
22          implemented to incentivize large customers with water supply options to remain on

1 the system. The current level of the Large General Service Rate no longer provides  
2 the incentive Viscofan requires to remain on the Aqua system.

3 **Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY ON REHEARING?**

4 **A** Yes, it does.